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From Public to Private: The Australian Experience of Privatisation

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This article traces the development of privatisation as a key strategy in public sector reform in Australia, as used to some degree or other by parties of both the left and right. The article identifies the shift from a more pragmatic approach adopted by Labor as one element of its micro-economic reform program, to a more ideologically driven approach used by successive Liberal Coalition governments. It identifies the range of privatisation utilised by both parties and concludes that there has been some convergence in approaches. The results have significantly modified the nature of the Australian state and the way it delivers its public services. With a new government of the left elected in November 2007, it remains to be seen whether or not this trajectory will continue.

Introduction

Privatisation has represented one of the most radical changes in the government sphere over the last few decades (Walsh 1995). Across the world it has reflected changing notions of the role of the state. Commentators on the right have argued that a "privatized society . . . holds out prospects not of social and moral disintegration, but of new and active forms of citizenship based on individual competence" (Saunders 1993: 88), while many on the left have not been so convinced. Nevertheless, privatisation has become an international trend. Many have lamented this arguing that "privatisation is more than asset stripping the public sector: it is a comprehensive strategy for permanently restructuring the welfare state and public services in the interests of capital" (Whitfield 1983: 1-2).

In Australia, government has traditionally played a significant role as an owner, funder and provider of services to the public. Since European settlement in 1788, Australians have had a heavy reliance on government, and governments of all persuasions have been attracted to the notion of a strong state tradition (Wettenhall 2006). This culminated in what Kelly (1992) referred to as the "Australian Settlement", a social compact which promoted development based on white immigration, industry protection, and a social protection system based on wages being centrally determined via arbitration and conciliation. As Keating (2004) has argued, Australians have long looked to government for answers, welfare and security; indeed in the 1930s it was noted that: "Australian democracy has come to look upon the State as a vast public utility" (Hancock 1945 cited in Keating 2004: 2). Recent decades, however, have seen significant changes in this outlook. In a general trend away from the public state towards the private state, Australia has joined many other countries in the world in adopting privatisation practices. Indeed, Australia has emerged as a notable reformer, impressive in both the scale and scope of its privatisation. This has been especially the case across three key areas — divestment of public enterprises, outsourcing of the delivery of public services, and increases in cost recovery by government agencies.

Given the bipartisan agreement on the state-run social settlement that dominated much of the 20th century, an interesting part of the Australian story has been the bipartisan support of privatisation. Under governments of both left and the right, such policies have been actively pursued since the 1980s. However, it has been over the last decade that we have witnessed extraordinary activity in the privatisation domain, and it has been during this period that a fuller range of privatisation technologies has been operationalised.

In this article we seek to tell the story of the Australian privatisation experience. In order to do this we present an analysis of various "privatisation technologies". This allows us to go beyond narrow constructions of privatisation to more fully explore the drivers underpinning privatisation, and also to provide a richer analysis of forms and implications. In the first section we provide an overview of the concept of privatisation and consider different mechanisms through which privatisation has been enacted. In the second section we examine the principles which have underpinned the privatisation experience in Australia, pointing to important shifts in the Australian story. In the third section we provide a detailed analysis of three key forms of privatisation — divestment, outsourcing, and cost recovery. In the fourth section we draw out some important implications and conclusions.

Privatisation: A Brief Sketch

The concept of privatisation is contested. It is possible to identify use of the term in both narrow and broad senses: privatisation has been viewed quite narrowly as sales of government assets (see, eg, Domberger & Jensen 1997); it has also been constructed more broadly to capture "the transfer from the public sector to the private sector . . . assets in terms of ownership, management, finance or control" (ILO 2001: 5). Savas (1993: 40), a prominent advocate of privatisation, has argued that although it has been "[m]isunderstood, misaligned, and sometimes feared", in simple terms privatisation "means relying more on private institutions and less on government to satisfy people's needs". Feigenbaum and Henig (1994: 185) argue that at the core, privatisation is about an "increased reliance on private actors and market forces to pursue social goals". Such a broad conceptualisation potentially captures an enormous range of privatisation practices such as asset sales, the introduction of user pays systems, contracting out, private funding of public services, internal markets, deregulation, private financing initiatives or public-private partnerships, corporatisation, and franchising (Fairbrother, Paddon & Teicher 2002; ILO 2001; Paddon 1997).

In this study of the Australian experience we adopt a broad view of privatisation as a shift in focus from public to private, referring to ways in which there are substitutions for government ownership, government funding, and government provision (Aulich 2005). We also identify five key technologies which have been prominent in Australia. The first is divestment which refers to the sale of public enterprises by government to the private sector. The second is withdrawal which occurs where government decides that it is no longer appropriate, or possible, for it to provide specific services. In such cases, government withdraws from provision usually creating space for the private sector to move in. While divestment and withdrawal represent a substitution for public ownership, this does not end government activity, as it is common for governments to move to the role of regulator in such cases. Outsourcing involves the private provision of services previously delivered by public sector agencies, and liberalisation refers to a relaxation of public monopolies and may involve the creation of quasi-markets; both represent substitutions for public provision of services. Finally, user pays involves the substitution of private funds (ie, fees) for public funds (ie, taxes) and reflects that government is not willing to pay the full cost of services.

The motivations for privatisation have also been widely debated and considerable attention has been paid to discussion of *why* privatisation in its various forms is undertaken and *what* the ultimate goals of privatisation programmes are. Feigenbaum and Henig (1994) argue that privatisation is inherently political and set out three dominant privatisation strategies favoured by governments. *Pragmatic privatisation* is seen to be largely technical and focused on solving discrete functional problems. Here privatisation is seen as a toolbox, or offering a range of options which can be used to make government organisations work efficiently and effectively. Governments that adopt a pragmatic approach are not seen to be adopting an ideological agenda, but rather engaging in pragmatic, usually short-term problem-solving, by engaging the private sector where it can do things better: "an administrative solution to a functional problem" (p.194). *Tactical* privatisation relates more to the short-term goals of key actors such as political parties, politicians or interest groups. Privatisation is more about utilisation of privatisation to achieve other policy goals, changing the existing balance of power, attracting new allies, and rewarding supporters. As such, tactical privatisation tends to be used in more political arenas and as a *means* of attracting or delivering short-term political benefit. *Systemic privatisation* is seen as the most overtly ideological and the most potentially far-reaching of the strategies. This is strategy is focused on lowering expectations of what government should do, reducing oversight and enforcement infrastructure (ie, reducing and removing rules), and fundamentally altering the landscape of interest groups so that there is reduced support for government growth. Systemic privatisation is therefore focused on fundamentally changing class structures by, for example, undermining labour unions, recasting certain activities and interests as private rather than public, and resetting incentive structures to encourage greater reliance on the market rather than the state.

Bringing together the ideas of motivations and privatisation technologies, we can match up pragmatic, tactical, and systemic privatisation with popular forms of privatisation including asset sales, outsourcing, and user pays to develop a more sophisticated typology. Importantly, this can also help us to explain why different actors support similar privatisation technologies — they are operating with quite different strategies, seeking very different outcomes. We can consider not just the technology used, but whether the ultimate result is a change in the balance between public and private.

In this analysis, we focus on three key privatisation technologies: divestment, outsourcing, and user pays. This allows us to investigate substitutions for ownership, provision and funding, and also to track the changing emphasis on different forms of privatisation in pursuit of quite different ends. We believe this provides a rich analysis of the privatisation experience in Australia, and will point to some important lessons. As background to the analysis, we examine the shifting rationales for privatisation in Australia.

The Shifting Rationales of Privatisation in Australia

Australia has not been immune from broader global trends where privatisation emerged as an important means of restructuring and reforming public sectors (Pollitt & Bouckaert 2004). The rise of new public management provided a framework where privatisation became seen as a legitimate and potentially lucrative means of increasing the efficiency and effectiveness of the state, a pragmatic tool for addressing challenges faced by the state. This reflected, in part, the emergence of new principles governing the ways in which public sectors could be organised and managed: the belief that economic markets were the model for viewing relationships in the public sector; that policy making, implementation and service delivery were simply transactions that could be connected via contracts; and that new administrative technologies were available to enact change (Kaboolian 1998). It is hardly surprising, then, that successive governments in Australia have been influenced to one degree or another by these global trends.

The modern Australian privatisation story began under a Labor government in the 1980s and was largely focused on the divestment of public enterprises. It has been claimed that the goals of privatisation under Labor (1983-1996) were quite pragmatic rather than ideological and Labor explicitly rejected the notion that "private" was inherently superior to "public" (Walsh 1987). Historically, Labor had been anti-privatisation, which was not surprising given its trade union ties. However, after promoting an anti-privatisation platform during the 1987 election, Labor shifted its position toward a more pragmatic position (Beckett 1992). Post-1987 differences between the major parties diminished somewhat as Labor reacted to an increasingly problematic economic environment, including the collapse of the terms of trade and a massive increase in overseas borrowing, an expanding current account deficit, and depreciation of the Australian dollar (Beckett 1992).

Part of this supposed pragmatism was the construction of privatisation as a remedial tool to address a range of problems, and a mechanism which would facilitate competition. These approaches fit with the discourse of the time about privatisation being linked to the problems associated with the need for substantial capital injections in some public enterprises such as airlines (Collyer, McMaster & Wettenhall 2001), and the achievement of broad micro-economic goals including enhancing competition both within the Australian economy and externally (Alford & O'Neill 1994; Beckett 1992). Labor undertook considerable reform in pursuit of international competitiveness, including the floating of the Australian dollar, reducing tariffs, and deregulating and liberalising industries such as banking and airlines.

It has been argued that Labor adopted a more *pragmatic* position on privatisation, taking asset sales case-by-case, rather than a systemic basis. For example, key ministers claimed the question of ownership was always considered subservient to that of efficiency (Walsh 1986). The critical question or test which underpinned the Labor privatisation position was whether the private sector could perform the function. If the answer was "no", then government should continue to operate in this area; if "yes", then an analysis would be undertaken to determine whether functions should be shifted to the private sector. The result of this process was that enterprises such as Australia Post and Telecom were kept within the confines of the public sector, while the Commonwealth Bank and Qantas became prime targets for divestment (Beckett 1992).

A critical part of the Labor privatisation programme was the link it made to notions of competition. This link is best illustrated by the principles enshrined in the *Competition Principles Agreement* signed by all the Australian governments in 1994, and Labor's endorsement of the report on *Competitive Tendering and Contracting by Public Sector Agencies* (Industry Commission 1996), which advocated a major extension of the use of competitive tendering and contracting in the public sector. The ability of Labor to take up the recommendations of the Industry Commission was, however, hampered by its loss to the coalition government in 1996.

If Labor's general approach could be viewed as pragmatic, the election of the Howard Liberal Coalition brought with it different views of, and rationales for, privatisation. Using the Feigenbaum and Henig (1994) terminology, the strategy is perhaps best seen as a mixture of tactical and systemic. In the late 1980s, for example, the then leader of the Opposition, John Howard (1989), argued that the Liberals had a "full-blooded privatisation policy that will offer enormous incentives and benefits". Such comments captured the future Prime Minister's belief about the benefits of privatisation, which centred on protecting individual rights and freedoms, promoting individual (and private) responsibility and choice, and the private ownership of property to create a capital owning democracy (LNP 1988; Howard 1981c). Individuals rather than government were inherently better at making decisions about their future (Howard 1981c).

When Treasurer in the early 1980s, Howard (1981a, 1981b) had argued that the private sector was the ultimate machine for promoting growth and economic recovery, and the public sector needed to be both smaller in size and restricted in its scope. The Liberal Party, he argued, was "profoundly suspicious" of what governments could actually achieve, in large part because governments *control*, while the private sector provides enterprise (Howard 1985, 1995). Liberal Party support for privatisation was centred on a "fundamental commitment to a shift in power and wealth from the state to individual people" (LNP 1988: 48), and the benefits that privatisation would bring in terms of balancing public and private resources, and improving service quality and choice (Howard 1985). It has been argued that Howard learned in opposition that his strong privatisation agenda was worrying the electorate and so he developed a more measured political approach (Aulich & O'Flynn 2007). While not changing the fundamental principles or underpinning beliefs, Howard acknowledged that in pursuit of the desired outcomes he would need to adopt a more sophisticated communication strategy and a staged portfolio-by-portfolio approach (Randall 1986; Snow 1985). After being elected in 1996, successive Howard governments used a range of privatisation forms in pursuing their policy agenda. While the use of privatisation was extensive, Howard's views on privatisation became more tempered in public.

From the preceding discussion it is possible to identifying shifting rationales of privatisation in the Australian experience. Under Labor (1983-1996), privatisation was, for the most part, focused on asset sales and was constructed as "pragmatic". Its shift away from its traditional antipathy to privatisation was a response to changing economic conditions, and privatisation became a tool for addressing emerging challenges. In contrast, the Liberal position was more ideological, underpinning a more tactical and systemic approach. In the following sections we consider three privatisation technologies — divestment, outsourcing, and user pays — and, in so doing, we identify a fundamental shift in the Australian state from public to private.

Privatisation via Divestment

Australia has a long history of using public enterprise to achieve social and policy goals. By the late twentieth century, Australian governments operated enterprises across a range of industries, both competitive (eg, insurance, banking) and monopolistic (eg, electricity, telecommunications). This affinity with public enterprise has, however, changed as divestment activity has accelerated over the past two decades.

Divestment involves the sale of government assets to other parties and is generally carried out by offering shares to the public by private sale or through a trade sale of the enterprise to a private purchaser. A range of arguments have been put in support of this form of privatisation, but these can generally be described as economic, managerial or ideological (Hughes 2003). From an economic view, it is suggested that divestment can allow for tax cuts, increased competition, reduced government spending, and a smaller government sector. From a managerial perspective, it is argued that adopting private management, rather than public management, will lead to increased efficiency. Ideological arguments in favour privatisation are based on beliefs in small government and the inherent superiority of the private sector over the public sector. Regardless of the intent of privatisation or the principle argument driving it, it has been argued that "there now seems to be fairly general agreement that running public enterprises is no longer part of the core business of government" (Hughes 2003: 107). The Australian experience appears to reflect this agreement.

The Australian divestment story began under Labor in the 1980s with a number of relatively small-scale sales, including the Commonwealth Accommodation and Catering Services and the Australian Industry Development Corporation. It was not until the early 1990s that the pace of divestment increased with the sale of "iconic" public enterprises such as the Commonwealth Bank, Australian Airlines, and Qantas. Having satisfied Labor's tests, these sales were aimed at reducing the budget deficit, addressing the growing debt problem, funding popular government programmes, and providing an avenue to escape future funding of capital expenditure (Beckett 1992). It has been estimated that divestment during this period yielded around A$6.7b (Aulich & O'Flynn 2007).

The election of the Howard government in 1996 saw divestment accelerate. This was not surprising given the strong support for privatisation that had been part of the Liberal platform. Indeed, in the 1980s, the Liberals had developed a privatisation "hit list" which included a wide range of public enterprises, including Medibank Private (the publicly-owned health insurance company), international and domestic airports, and the Snowy Mountains Engineering Corporation (LNP 1988). In its first budget, the government announced that it would sell most commercial enterprises housed within the Department of Administrative Services, which included services such as property maintenance and car fleet management. The core principle of the Howard government's approach was captured in what became a famous statement by the Minister for Administrative Services, David Jull. He argued that he took a "Yellow Pages" approach to public enterprise: if such services existed in the yellow pages directory there was no reason why they should be provided by government (Taylor 1997).

Internationally, Australia has been seen as one of the more active privatising countries. Indeed, in the period immediately following the 1996 election it was claimed that the prime driver of the mergers and acquisitions market was the divestment of public enterprises (J P Morgan 1998). Elsewhere we have estimated returns from divestment in the period 1996 to 2007 at A$61.6 billion (Aulich & O'Flynn 2007). A significant part of this amount was generated in the first few years following the 1996 election when Australia undertook the largest disposal of assets in its history. Divestments during this period included a wide range of enterprises such as the National Shipping Line (A$20.7million), Australian Defence Industries (A$346.8 million), and the first tranche of the sale of the national telecommunication company, Telstra (A$16 billion) (Aulich & O'Flynn 2007). Telstra represented the most significant of these divestments given its iconic status in Australia, the political controversy surrounding the sale, and its sheer size. The sale of Telstra in particular was marketed as a way for "mums and dads" to become shareholders, thus helping the government to create a "capital-owning democracy" and turning Australian into one of the world's leading shareholding nations (ASA 2000: 19). Proceeds from the Telstra sales have been directed in different ways, with some earmarked for specific programmes or policy areas (eg, A$1.5 billion for environmental programmes, A$671 for a "social bonus", and A$2 billion for improvements in rural areas) as part of the political deals made at the time (Fahey 1998). Significant returns from the Howard government privatisation programme have been applied to debt reduction — so much so that in 2006 the Treasurer publicly announced that the Australian government was "debt-free", having paid off A$96 billion in just over a decade (*The Australian* 2006).

After a decade, the Australian divestment programme has slowed considerably. This probably has more to do with the low numbers of public enterprises remaining for sale, rather than a fundamental change in government approach. However, two interesting cases emerged in 2006. The first was another national icon, the Snowy-Hydroelectric scheme co-owned by the national, Victorian, and New South Wales governments. After a significant public backlash, the Prime Minister announced in June 2006 that his government was withdrawing from the sale due to considerable public disquiet. The second case was Medibank Private, the government-owned private health fund. This enterprise has long been in the sights of the government for divestment, but following considerable public debate it was announced that the sale would be shelved until after the November 2007 federal election.

While we focus on the national government in this article, divestment programmes at the state level have also been extensive — estimated at around A$100 billion (Gordon 2005). Together, this represents a change in the nature of government in Australia, or at least how it chooses to go about delivering its policies to the public. After a long history of public enterprise, Wettenhall (2006: 36) observes that "public enterprise, social welfare and arbitral state images no longer tell us much about the ongoing Australian system". Thus, following decades of bipartisan support for public enterprise as a critical institution of nation building, Australia has essentially changed its mind. The motivations for this shift are multiple and not necessarily disentangled. While Collyer et al (2001) claim a sharp break from a pragmatic use of public enterprise to meet the socio-economic needs of Australians towards an ideological programme of divestment, we suggest that the Australian story has involved a more complex mix of privatisation strategies.

Privatisation via Outsourcing

The choice of whether to produce goods and services in-house or whether to purchase them in the market is a central question faced by all organisations. While Australia has a long history of government production and distribution, the use of external contractors is not new. In fact, the use of contractors has been a common practice at all levels of government in Australia (Aulich 2001; Evatt Research Centre 1990). The expansion in the scale and scope of outsourcing in Australia which emerged in the marketisation phase of public sector reform does, however, represent a major change in government policy and has played an important part in the Australian privatisation experience. Multiple rationales are invoked to support outsourcing: it is seen as a tool for reducing costs, increasing efficiency, increasing choice for service users, and increasing quality (Aulich 2001; Kelly 1998). Outsourcing is also seen as a means of addressing inefficiencies and oversupply that come from government monopoly (Savas 1974; Boyne 1998). Outsourcing usually involves a contest between providers via a competitive tendering system and rests on the notion that government, via public managers, can clearly articulate what it is that they want to buy, can clearly set performance standards, and can faithfully monitor the contracts (O'Flynn & Alford, forthcoming).

While competitive tendering and contracting were used under the Hawke-Keating Labor governments, outsourcing was used as a major privatisation technology following the election of the Howard government in 1996. This is best demonstrated through the discussion of two large-scale experiments with outsourcing — one for services to government agencies, and the other for programme delivery.

The first concerns the outsourcing of information technology (IT) which, in terms of budget size and the potential for cost savings, represented a prime target for outsourcing advocates. Plans for the programme were, in fact, drafted under the Labor government with a rationale built around developing the local IT industry: a tactical privatisation strategy (Aulich & Hein 2005). Following Labor's loss in the 1996 election, plans were revised by the incoming government. All national government agencies were directed to outsource their IT services (from mainframes to desktops) in one of eleven "clusters". Against the advice of many agencies, the government deemed that in-house options were not acceptable and that only private contractors would be eligible to compete (Aulich 2000). The rationale for the IT outsourcing initiative was based on improving service quality, enhancing integration across government, allowing access to skills and technology, and the promise of major cost savings (ANAO 2000; Humphry 2000). The minister who introduced the initiative claimed it would save a billion dollars over a seven-year period, and department budgets were cut in anticipation of these savings (Fahey 1997). The promise of the initiative, however, was not realised in its implementation — indeed, an audit report in 2000 downgraded the potential savings to just A$70 million (ANAO 2000). Following a number of similar negative reports, the government amended the initiative, moving away from the highly centralised privatisation strategy toward a strategy based on agency needs. Agencies were still required to outsource IT, but were given some control over the timing and requirements. The main effects of this were that agencies adopted a much more measured approach and the government adopted a more measured market testing strategy for the outsourcing of corporate services more generally. The current value of outsourced business services for central agencies has been estimated at A$5.7 billion (AusTender 2006), but this only represents part of the outsourcing initiative, with data from many non-departmental agencies not available.

The second example relates to the privatisation of employment services for job seekers, a programme delivered for around fifty years by the (Australian) Commonwealth Employment Service. The Liberal government's dissatisfaction with the traditional approach was captured in comments by the newly appointed Minister for Employment, Education, Training and Youth Affairs in 1996: "current arrangements . . . emphasise process rather than purpose . . . Job seekers are churned through costly, ineffective and complex programs via cumbersome and inefficient service delivery" (Vanstone 1996). Privatisation of labour market assistance was advocated on the basis that it would provide for a more efficient use of government resources, more personalised services for the unemployed, increased choice for job seekers, and higher quality services for employers (Vanstone 1996). A major part of this approach was that providers would largely be paid on the basis of outcomes —putting people into jobs (O'Flynn 2007a). While there had been some outsourcing for specialist services under the previous government, the scale and scope of this tendering process was unprecedented. There have been four rounds of tendering in the Job Network. The first tender call was made in 1997 and was estimated at A$1.9 billion. Some 5300 bids were received by the department from more than 1000 organisations, including the newly created Employment National — a public corporation created to compete as part of the privatisation process (DEWRSB 2000). When Job Network began operation in May 1998, a network of 300 public, private and non-profit providers began delivering employment services. When the results of the second round were announced in February 2000, the number of providers had dropped to 197 and Employment National had lost much of its business to other providers.

A major change in approach occurred in Job Network Mark III when it was announced that those considered high performers would not have their business subjected to external competition—around 60 percent of providers did not have to tender for their business but instead their contracts were extended (O'Flynn 2007b). In this round, Employment National collapsed, marking an end to any direct public provision of employment services. The mixed approach adopted in the third round was carried over to the most recent round of contracts (2007-2009). These contracts are worth a total of A$1.8 billion, with only eight percent of the Job Network business being subjected to competitive tendering, such that the overwhelming majority of business is being continued under existing contracts (DEWR 2007).

These two examples demonstrate that the Howard governments have been committed to large-sale privatisation via the outsourcing of both corporate services and programmes. However, this commitment has moved through a number of phases: initially, tactical on the part of Labor but followed by a centrally driven systemic approach initiated by the early Howard governments. Following some serious miscalculations, especially with regard to the IT outsourcing initiative, the government modified its approach in favour of a more pragmatic one. This approach more formally integrates market testing, decentralisation of decisions, and joint initiatives with other providers, and includes in-house options where appropriate. Indeed, government agencies more usually refer to this approach as "sourcing", leaving very open the scale and type of arrangements they choose.

Privatisation via User Pays and Charging

The main theoretical rationale for introducing user charges for services is that the "free" government services are subject to overuse leading to a misallocation of resources (Walsh 1995). User fees which reflect either the partial or full cost of services should provide some discipline and allow for a better matching of supply and demand. Charges, it is argued, can provide a means of rationing public services as they can allow governments to manage excess demand (McGuire 1997). Governments, however, introduce charges and fees, or change funding structures, for a range of reasons — to signal quality, as an alternative to tax increases, and for symbolic reasons (Walsh 1995). Despite the theoretical promise of this type of privatisation, the adoption in practice has been fairly limited (Walsh 1995). Vouchers, or directly funding users to purchase services in the market, are seen as a way of empowering individuals through providing them with choice (Fisher 1998). In addition to the use of user charges for traditionally publicly provided services, there is some evidence that governments are adopting internal charging schemes, thus creating interesting internal markets for corporate services (Walsh 1995). The Liberal government had a strong commitment to such forms of privatisation and it has been argued that they undertook important experiments in this area (Aulich & O'Flynn 2007). Here we mention some examples to demonstrate how this form of privatisation has been used. But, while it is increasing in importance, the use of user pays remains relatively less significant than other privatisation technologies in the Australian context.

One of the most prominent examples of user charges — or more correctly a co-payment — was the 1989 reintroduction of fees for university education. An income contingent loan scheme underpinned the introduction of the Higher Education Contribution Scheme (HECS). HECS reflected the argument that students should offset the private gains from tertiary education. It was also argued that the scheme would allow for an expansion of higher education and improve effectiveness in an era of budgetary constraint (Chapman 1997; Jackson 2003). The HECS rate has increased over time via a combination of general increases and the introduction differentiated HECS rates based on assumptions about how much students would earn at the end of their degrees. Further reforms have allowed universities to introduce full-fee paying positions for undergraduates and, more recently, to set their own HECS rates. From a base of A$1800 per annum when introduced in 1989, by 2007 the rates has risen to A$4996, A$7118, and A$8333 per annum across the three differentiated HECS bands.

Across a range of health and social welfare areas there have also been some interesting developments. For example, out-of-pocket health expenses by individuals amount to more than A$16.5 billion annually, representing an increase of A$9 billion since 1996 (AIHW 2006: 37-38). The Liberal government also increased the patient contributions to medicines at a real growth rate of some 6.7 percent a year (AIHW 2006: 26).

Another interesting part of the Howard government's privatisation agenda was the explicit favouring and support of private over public services. For example, at the same time as it raised concerns about the quality of public schooling provided by state governments, it doubled spending on private schools, with figures reaching A$4.7 billion by 2005 (Maiden 2006).

The Howard government also used a complex mixture of tax penalties and subsidies to "encourage" Australians to purchase private health insurance, leading to claims that they have "put individuals front and center by giving them incentives for the purchase of private health care insurance" (Munn & Wozniak 2007: 11). At the same time, state governments have come under constant attack for their failure to address demand for public hospital services, especially emergency services. The cost of such programmes is substantial: for example, subsidies to private health insurance have been estimated at A$2.3 billion (Morrissey 2006); private education at A$5.5 billion (Budget Paper No 1 2005); and private childcare at A$1.4 billion for the period 2001-2005 (Budget Paper No 1 2005). These developments demonstrate that the Howard government used the levers at its disposal to encourage Australians to enter the private education and health markets, increasingly using public funds to do so. In effect, there was increasing use of public funds to pursue private ends.

An area of emerging interest is in cost recovery procedures of government agencies. In the years 1996 to 2000, cost recovery strategies have produced increases of around 20 percent in real terms, representing more than A$3 billion in 1999-2000 (PC 2001). This massive increase could reflect several factors: increased charges to existing clients, the generation of new business, or inter-agency charging. Unfortunately at this stage, reporting procedures have not been sophisticated enough to disentangle the exact source of these charges. It is clear, however, that cost recovery strategies are becoming an important, almost standard, operating procedure in federal government agencies.

The federal government adopted a formal cost recovery programme in 2002, which had the aim of increasing the extent to which agencies can fun services through charging users. Thus: "Agencies should set charges to recover all the costs of products or services where it is efficient to do so, with partial CR [cost recovery] to apply only where new arrangements are phased in, where there are government endorsed community service obligations, or for explicit government policy purposes" (DoFA 2005).

This has represented a major shift for federal government agencies and has the potential to fundamentally change the "business" of government. Given that Labor was recently returned to government, it remains to be seen if this type of privatisation will increase over the next few years, or whether Labor will withdraw more towards universal service provision.

Conclusions

The past two decades have witnessed a substantive shift in the way the Australian government delivers its services to its community. This article has identified this shift and provided a strong case to suggest that it has been driven by a number of motives, across the Feigenbaum and Henig (1994) range, culminating in a more pragmatic approach to privatisation. In these concluding remarks, we identify key conclusions and implications from the Australian privatisation experience.

It is clear that Australia now relies less on its public sector to meet the collective needs of its community than previously was the case. If privatisation "means relying more on private institutions and less on government to satisfy people's needs" (Savas 1993: 40), we argue that Australia is now more heavily reliant on private institutions than in its past. Privatisation has been one of the critical facilitators of a historic transition in the primary role of government from nation building to service delivery; from reliance on government as sole or primary service provider to a role as enabler or facilitator of community choice. This latter transition has developed further in key social services such as health and welfare, supported by the use of privatisation technologies and supplemented by tax incentives and disincentives and subsidies.

This may represent a new stage of development as Australia is no longer a pioneer state; perhaps it represents a growing acceptance of the values attached to autonomous private activity rather than collective activity and its embodiment in the notion of the welfare state. It may also reflect the uptake of market activities that were designed to shake loose the social democrat state from being a "serviceable drudge" (Tawney 1961), which has been a key goal of governments in Australia over the past two decades. This signals a major cultural shift in Australia from its earlier strong state tradition, where it stood much closer to countries like Sweden and Canada where public ownership had a similar "natural growth" character (Verney 1959: 7) than it did to Britain and the USA. However, the privatisation experience in contemporary Australia has moved it much closer to the USA in terms of the ways it values private provision of public services.

This movement has important implications for the long-term sustainability of public institutions — many questions are now being asked about services, infrastructure investment, and institutions such as public hospitals and schools. Will they be left to languish as government invests in facilitating private choice? Certainly, it has implications for the size and shape of the public sector and public service. The resulting public sector in Australia is now smaller as a result of "significant functional cuts, efficiency improvements and contracting out of functions" (APSC 2003: 53-54). However, the contraction has occurred largely through both the privatisation and the centralisation of non-department agencies and public enterprises. Importantly, this has implications for the practice of public administration:

required are new skill sets such as contract management and coordination, new understandings such as the operation of markets in which public services may be located, and new capacities such as the flexible utilisation of a range of service delivery options available to public agencies.

There are some lessons in this shift. The strategies for privatisation differ even though the tools may be the same. This makes assigning rationales to government actors' complex. It is too easy to say that right-leaning political parties are ideologically driven to privatise when, in practice, parties of different persuasions use different privatisation technologies to achieve different ends. Over time, countries change their views about what governments should do, and they adopt different strategies for achieving governmental outcomes. In the Australian context there has been a marked shift from government as a nation-builder to government as facilitator or enabler of choice. The use of different privatisation technologies has been a key tool available to governments in assisting them to make this kind of transition.

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