

The Corporate Governance of Commercial State-owned Enterprises in Ireland

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Muiris MacCarthaigh

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Executive Summary

This study provides a wide-ranging analysis of Irish commercial state-owned enterprises. It forms part of a wider research programme on Irish public sector bodies under the auspices of the Committee for Public Management Research (CPMR).¹ As identified in the previous two reports in this series, which looked at non-commercial public service bodies at the national² and sub-national³ levels, the definition of public bodies must be one that is not self-selecting and that can facilitate international comparison. Therefore, as before, the working definition of a public service body is an organisation that has the following characteristics:

- It is structurally differentiated from other organisations.
- It has some capacity for autonomous decision making.
- It has some expectation of continuity over time.
- It performs some public function.
- It has some personnel.
- It has some financial resources.

As with the previous studies, the main source of evidence for the findings presented is derived from the results of survey questionnaires which relevant organisations were invited to complete in order to assess their autonomy and accountability across a range of themes. This questionnaire was developed in partnership with the Instituut voor de Overheid of the Katholieke Universiteit Leuven, which has facilitated similar work in other countries through the COBRA (Comparative public Organisation data Base for Research and Analysis⁴) research network.

Following revision and testing of the survey questionnaire, letters were sent to 37 commercial state enterprises in November 2007, asking them to

complete the web-based questionnaire (a copy of the questionnaire is included at Appendix 5). The data from the completed questionnaires were then entered into an electronic database from which findings were derived. A response rate of 68 per cent or 25 enterprises was achieved. In order to develop a 360-degree perspective on the relationship between the bodies and ‘parent’ organisations, semi-structured interviews with civil servants from various departments were also conducted during the drafting stage. Where available, official documents on current developments were interrogated and civil and public servants were also consulted by telephone and e-mail, concerning specific issues that required clarification.

As the population for this study was of limited size, caution must be exercised in interpreting the findings presented here. While the port companies formed a natural sub-group within the population of state-owned enterprises, the findings did not identify any significant differences to warrant their separate treatment. Instead, throughout this report, for the purposes of extracting more information from the data received, the enterprises have been sub-divided by size (see Appendix 3) and, on occasion, by age.

General findings

The original commercial state enterprises in areas such as postal service, telegraphs and railways were organised, financed and controlled in the western world in much the same way as a modern government department. However, as the state expanded and it was established that the normal machinery of government could not be utilised to perform certain activities efficiently, a form of

¹ www.cpmr.gov.ie

² McGauran, A-M.; Verhoest, K. and Humphreys, P. *The Corporate Governance of Agencies in Ireland: Non-Commercial National Agencies* (Institute of Public Administration: Committee for Public Management Research Report No. 6, 2005)

³ MacCarthaigh, M. *The Corporate Governance of Regional and Local Public Service Bodies in Ireland* (Institute of Public Administration: Committee for Public Management Research Report No. 8, 2007)

⁴ www.publicmanagement-cobra.org

autonomous public body was established. In Westminster-style democracies, as the idea of government-created and owned enterprises gained in popularity, they were established as statutory companies. The statute itself determined the status of the organisation, its board composition, powers, capital allocation and other key features and characteristics. The difficulty with the statutory company form was that any changes to the role of the enterprise required new amending legislation. Thus the idea evolved of creating limited companies with ministers as sole shareholders and which would be subject to the stipulations of companies legislation.

In Ireland, both forms of state enterprise came to be established. However, some took neither of these forms, having simply been bought by the state or established as companies without the need for a statutory basis. Of the enterprises surveyed for this study, though, the vast majority (84 per cent) have been formed by means of primary legislation passed by the Oireachtas. The history of Irish state-owned enterprises reflects many key features and phases of the development of the Irish economy and state. In total, 69 of what may be considered as substantial commercial enterprises have existed since the establishment of the first such organisations in 1927.

As in many other states, commercial state enterprises in Ireland have been established on an ad-hoc basis. Insofar as an overarching policy framework for these organisations exists, it is concerned with achieving 'public value'. In seeking to maintain flexibility, governments have tended to eschew blanket criteria for creating, managing, supervising and holding to account different types of enterprise. As a result, a wide variety of enterprises exists, each having its own funding, reporting, personnel and governance arrangements. Similarly, state enterprises have not traditionally been inclined to regularise their relationship to the state in conjunction with other enterprises, citing the unique aspects of their market sector and the potential costs of such conformity.

The 'ownership' of Irish commercial enterprises is spread across a number of departments, with the Department of Finance playing a central co-ordinating role. In most cases, shareholding ownership of individual enterprises is shared between the Department of Finance and a 'sectoral' department (e.g. the Department of Transport). Most

enterprises communicate directly with the sectoral parent department, which in turn communicates on behalf of the state enterprises with the Department of Finance.

Grouping the state enterprises together according to three periods (1922–72, 1973–90, and 1991–2008), Figure 3.5 identifies that during the 1990s there was a move away from establishing large state-owned enterprises in favour of smaller enterprises. It is also interesting to note that a number of large enterprises were established during the 1973–90 period, when elsewhere in Europe privatisation of state companies holding monopoly positions was commonplace.

The enterprises operate in a wide variety of markets, but they have traditionally been very active (and in some cases held monopoly positions) in the energy, transport, telecommunications and food-production sectors. Also, 44 per cent of those responding to the survey had subsidiary companies under their control.

While a number of important publications have informed the policy direction for the activities of commercial state enterprises since the 1950s (e.g. *First Programme for Economic Expansion 1958–63*, *Proposals for Plan 1984–87*), in more recent times the issues of corporate governance, market liberalisation and regulation have presented new challenges. Also, while several new enterprises have emerged since 1990, there have also been many privatisations, including Irish Life Assurance, Irish Steel and ACC and ICC Banks. The European Union has also had a profound influence on the manner in which the Irish government supports its state enterprises.

HR autonomy and accountability

State-owned enterprises collectively (and often individually) employ large numbers of people. Of the responding enterprises, the number of staff ranged from 3 to 7,800 full-time equivalents,⁵ with the average size being 979 employees.

With the exception of salary levels, the vast majority of enterprises enjoyed full discretion in relation to the key strategic HR issues of the number of staff employed, appointment and selection procedures, conditions for promotion, tenure, evaluation schemes and criteria for dismissal. According to size, the evidence suggests that large enterprises enjoy maximum strategic HR autonomy,

⁵ These figures excluded workers employed on a seasonal basis or sub-contracted by the enterprise.

while the medium and small enterprises, on average, enjoy very high but not complete levels of such autonomy.

In relation to individual HR issues such as staff evaluation, tenure, dismissal and appointments, a large number of responses indicated that discretion to decide on these issues was not organisation-wide and instead was applied to most, but not all, staff. The issue over which the least number of enterprises had full autonomy was the setting of salary levels, whereas the majority of enterprises have full autonomy over promotion. In summary, there is little variation in individual HR issues according to size, with all categories achieving generally 'high' levels of such autonomy. Also, performance-related pay is less likely to occur in small and medium enterprises than it is in large enterprises.

Financial autonomy and accountability

For state-owned enterprises, profitability is not always a sufficient indicator of efficiency, and not all enterprises operate without subsidies and other forms of income. Seventy-two per cent of responding enterprises identified 'fees, service charges and/or billed income' as their primary source of revenue, and a quarter of all respondents derive their income solely from these sources. A further quarter supplement this with rental income, while others rely on government subsidies and licence and membership fees. A small number of enterprises (12 per cent) have other sources of primary income such as rental income, sponsorship and retail activities. Some recently established enterprises rely on direct budgetary allocations from government or subsidies as their primary source of income in order to fund their initial infrastructural investments. Overall, 88 per cent of respondents indicated that at least half of their annual revenue is derived from traded goods and services.

The survey results reveal that for the responding organisations the average level of *current* expenditure for 2006 was over €221 million and the corresponding figure for *capital* expenditure was €72 million. Average assets stood at €424 million while average liabilities stood at €508 million.

Most enterprises are required to seek approval from their parent department when taking out loans and establishing subsidiaries. Considerably more discretion exists for enterprises in relation to their internal allocation of resources between functional areas, and, to a lesser extent, in relation to moving

budgets between years. Approximately a third of the enterprises stated that they could not shift budgets between years. Responses to various questions concerning aspects of financial autonomy indicate that small enterprises have the greatest levels of financial autonomy, with medium and large enterprises having moderate levels of such autonomy.

Of responding enterprises, 92 per cent stated that their boards had established an audit committee, while 72 per cent responded that they had internal audit sections within their organisations. Also, all of the enterprises are audited by an external entity and a third performed an ad-hoc audit within the last five years. The vast majority of enterprises have their financial results, legality and compliance, and internal control systems audited. However, there is less emphasis on organisational results in the audit process.

Policy autonomy and accountability

A consistent theme in the analysis of state-owned enterprises is the extent to which they are, in practice, free of government or political involvement in operational and management matters. State enterprises can be directed to achieve certain social and environmental objectives in line with national priorities set by government (or parliament). Survey responses indicate that 36 per cent of Irish enterprises have 'public service obligations', 20 per cent are required to achieve certain environmental objectives and 28 per cent have to demonstrate corporate social responsibility.

While many enterprises have freedom to decide on target groups and policy instruments themselves (44 per cent and 36 per cent respectively), a large number must first consult with their parent department/minister, or are bound by restrictions set by the department/minister. In terms of policy autonomy by size, small and large state enterprises demonstrated high levels of such autonomy, while medium-sized organisations had moderate such autonomy. Those enterprises established more recently had higher levels of policy autonomy than those that are older.

The use of corporate plans, multi-annual business plans and presentation of various forms of financial accounts (annual, interim etc.) is widespread among the enterprises. The goals of the enterprises are normally set within policy frameworks established by parent departments, regulators, government or even EU initiatives. Performance indicators form an important part of

the dialogue between state enterprises and their parent bodies, and such indicators are mainly concerned with financial results and profitability. In terms of reporting on financial and non-financial results, the most common practice is for organisations to report at least twice a year to their parent body or department

Over half of respondents felt that their organisation was rewarded for achieving good results or reaching targets, with the most common form of reward being wage increases or bonuses for senior management and/or for all staff. Responses also suggest that sanctions are not extensive for enterprises that fail to achieve results or perform poorly, and where they do occur it tends to be a reduction in organisational autonomy rather than wages.

Governance structures

The board of directors is the principal governance and oversight forum in all state-owned enterprises. The majority of enterprises have their boards primarily appointed by the minister, either with or without consultation with his or her cabinet colleagues. A small number of subsidiary enterprises have boards appointed by the parent organisation. Worker or trade union representatives, uncommon up to the 1960s, are today a feature of many Irish state enterprise boards. Interviews suggest that directors are increasingly aware that membership of boards comes with considerable legal, fiduciary and other responsibilities. Also, the Department of Finance monitors board appointments in terms of such issues as gender balance, experience and the length of service of directors.

The average state enterprise board has ten members. Survey responses suggest that these boards are becoming more concerned with strategic rather than operational matters in their work. In terms of how the board performs its work, 92 per cent of respondents stated that the *Code of Practice for the Governance of State Bodies* and other requirements (legislative or otherwise) from government departments were consistent with each other. However, 36 per cent of enterprises found it very onerous to fulfil the demands of the *Code* as well as other corporate governance requirements; a further 60 per cent found that the requirements were manageable.

For 44 per cent of state-owned enterprises, appointment to the position of CEO is made by the board alone, while for a further 36 per cent such

appointments are made following consultation with the parent minister. For over 90 per cent of enterprises responding to the survey, both the role and specific accountability requirements expected of the CEO are set out in writing. In terms of CEO evaluation, the overwhelming majority are evaluated by the board alone, or by the board in conjunction with the relevant minister.

The majority of commercial enterprises, though not all, claim to engage in the management of their organisational divisions on the basis of objectives and results. This practice was particularly evident in large enterprises. There is widespread use of internal reporting and evaluation systems in order to enable the board of the organisation and its management to assess results against stated objectives. Also, quality standards for production and/or service delivery as well as customer surveys were used by most state enterprises

Relationship with parent departments and bodies

The relationship and communication between state enterprises and their parent department or body plays an important role in ensuring that optimum corporate governance standards are met and maintained. As shareholders, government departments have considerable ownership responsibilities and duties towards their commercial enterprises, including the provision of effective boards and ensuring clear sectoral policy frameworks. Equally, state-owned enterprises must ensure that their work is carried out in a manner that reflects the wishes of their shareholders and achieves high standards of both business and corporate governance.

Interviews suggest that chairpersons of boards will normally have regular contact with ministers, and ministers may on occasion attend board meetings or an AGM. Civil servants (including those from the Department of Finance) also attend the AGMs of those enterprises over which they have shareholding responsibilities. Contact between departmental civil servants and senior management within state enterprises is common, and based around the concept of 'no surprises'. Ministerial prerogative is therefore normally communicated by two channels – via the board and through communication at administrative level. Interviews also indicate that as well as ministers, secretaries-general also communicate directly with chairpersons of state enterprises. In all cases, interviews identify that the strength of personal relationships is very important. Medium and large-sized

organisations are more likely to have frequent (at least monthly) formal meetings with their parent bodies or departments. Informal contact (e-mails, phone calls etc.) are also used extensively by all enterprises, with almost half of respondents noting that this occurred at least weekly, and a further 40 per cent noting that it occurred at least monthly.

In terms of managing shareholding responsibilities, an essential function of effective ownership, there is a clear international trend within the OECD in favour of a centralised form of conducting this role. In almost all cases, there is significant impetus towards some form of organisational arrangement that provides for centralisation of co-ordination and/or responsibility for state-owned enterprises. These arrangements have taken the form of advisory bodies, holding companies, ad-hoc consultancy services or specialist ownership units. The range in size, function, legal status and existing governance arrangements would present difficulties in the centralisation of ownership policy in an Irish context. Nonetheless, there is merit in monitoring developments in those states that have done so and identifying means of enhancing enterprise efficiency and productivity whilst ensuring that economic and social targets are met.

Recommendations

As outlined above, the main body of this report examines the principal features of current corporate governance arrangements. Overall, the evidence suggests that state enterprises perform well in relation to key features of good corporate governance practice – including regular reporting, audit and communication with shareholders. Nonetheless, based on the findings presented here, it is possible to identify a number of issues that could usefully inform discussions concerning the future development of commercial state enterprises in Ireland.

Staff mobility

The benefits to be gained through the mobility of senior personnel across different parts of the Irish public service have been identified in the past and found expression more recently in the OECD review of the Irish public services. Such benefits include sharing of skills and competencies, as well as enhancement of career and development opportunities. In the context of the development of a senior public service (as recommended by the OECD in its recent report on the Irish public

service), consideration should also be given to the opportunities to be gained by transfer between state enterprises and government departments, particularly those with shareholding responsibilities.

Boards

Ensuring that the boards of state enterprises have the correct mix of experience, skills and competencies remains central to the performance of the enterprises. However, board membership comes with an increasing number of legal, fiduciary and stewardship responsibilities, which may militate against attracting candidates for board positions. In other EU states, there have been interesting developments in respect of employing competency databases and independent assessors to help choose appropriate candidates for appointment to public bodies. There is clearly room for further development in this respect in Ireland if the state is to ensure that its commercial enterprises have the best boards possible. The possibility of greater use of board self-evaluations might also usefully be explored.

Regulation

In recent years, there has been a proliferation in the number of economic and social regulators in Ireland, and further devolution of regulatory functions to independent bodies is soon to occur in the transport sector. With several regulators now in existence, it is important that government be in a position to ensure high-quality performance by regulatory bodies. A regular review of their mandates and jurisdictions would also help to prevent overlap and identify gaps in regulatory policy.

Ownership policy and performance

For state enterprises to achieve their full potential, it is essential that they can fulfil their corporate governance requirements. To meet these requirements, the institutional arrangement that governs their relationship with their shareholders must be as efficient and effective as possible. As commercial state enterprises are likely to form an integral part of the persona of the state, their governance should be of the highest order and provide benchmarks for other organisations, whether commercial or non-commercial, public or private.

There is merit in considering a more structured and aggregated approach to the performance of Irish commercial state enterprises. This might include,

for example, an annual report to the Houses of the Oireachtas of how state enterprises are performing across a range of agreed criteria. Also, aggregated public reporting on the financial or non-financial work conducted by state enterprises should be considered, as such a report would go some way towards creating a wider understanding of the work of state companies and their role. How various enterprises' work affects Irish society and the economy should also be expanded on in such reporting. Those enterprises that do not as yet produce corporate social responsibility reports should also be encouraged to do so.

While decisions on high-level sectoral policy, including decisions on regulation and the regulatory environment for state enterprises, should properly remain with government departments, the possible benefits of creating a single entity with responsibility for managing the state's ownership policy should be explored. The experience elsewhere suggests that the work of such an entity could include:

- Assessing the performance of state enterprises and their contribution to national development
- Devising recommendations on the development of the state's ownership policy and the most appropriate corporate structure for individual enterprises
- Assisting departments in producing agreed strategy for those state enterprises under their remit
- Ensuring clarity and separation of the state's regulatory, policymaking and ownership roles
- Assisting in achieving agreement on capital structures and approval for acquisitions or divestitures by state enterprises.

Where it does not already occur, departments with shareholding responsibilities for several enterprises should consider unifying these functions into one division of the department.

Corporate governance guidelines

At time of writing, a new version of the *Code of Practice for the Governance of State Enterprises* is being considered by the Department of Finance. Some food for thought in its development may be provided by the recently published set of principles underpinning corporate governance and corporate management duties in Norwegian state ownership policy, as well as the guidelines set out in the OECD report on the corporate governance of state-owned enterprises (2005).

Other emerging issues

Finally, some other matters emerging which are worthy of further consideration include:

- The issue of developing criteria for performance-related pay
- The inability of some enterprises to shift their budgets by year
- Rewards and sanctions for state enterprises in respect of achieving goals
- Greater allocation of resources based on objectives and results
- Greater use of performance management systems.

1

Introduction

As part of its 2003 work programme, and in response to a specific suggestion arising at the Implementation Group of Secretaries General, the Committee for Public Management Research (CPMR) agreed to commence a research project on the ‘Corporate Governance of Agencies’ in Ireland. The first step in this process involved the creation of a complete database of all public bodies operating in Ireland. In total, 601 such bodies were identified in a scoping study conducted during 2003 and, subject to minor revisions in the context of new bodies emerging and others being reformulated since then, this database has formed the basis for more detailed analysis (see Appendix 1 for a complete list of agencies). The study of

national non-commercial bodies was completed in 2005 and approved for publication by the Committee as CPMR Research Report No. 6, titled *The Corporate Governance of Agencies in Ireland: Non-Commercial National Agencies*. The study of regional and local non-commercial bodies was completed in 2007 and approved for publication by the Committee as CPMR Research Report No. 8, titled *The Corporate Governance of Regional and Local Public Service Bodies in Ireland*. This research report represents the final stage in this project, and is concerned with the corporate governance of Irish commercial state-owned enterprises.

2

Research objectives, definitions and methodology

2.1 Terms of reference

The CPMR agreed the following terms of reference for an overarching thematic research programme on the corporate governance of public sector bodies:

- Map the development of Irish public service agencies over time in order to obtain a clearer understanding of the range and variety of such bodies, in terms of their role, function, corporate governance and accountability relationships.
- Place this information within a wider international context.
- Identify and discuss key and/or emergent governance issues for the future, as well as possible ways forward in the light of identified national and international good practice.

It was agreed that this project would involve detailed analysis of three different categories of state bodies in Ireland:

- National non-commercial bodies,
- Local and regional non-commercial bodies, and
- Local and national commercial bodies.

This study addresses the analysis of the local and national commercial bodies or state-owned enterprises.

2.2 Key definitions and concepts

2.2.1 Commercial state enterprises

For many years, state bodies involved in trading and other commercial activities in Ireland were collectively, though not exclusively, referred to as ‘state-sponsored bodies’, ‘public enterprises’ or ‘semi-states’. These terms, however, were also frequently used to denote non-commercial state bodies or agencies, as well as those involved in trading or commercial activity.

Though they constitute an important part of the public sector, only a few studies have been undertaken on the development of individual state enterprises,⁶ or state enterprises as a collective.⁷ In part, this is related to difficulties with delineating commercial state enterprises as a distinctive group, as many share characteristics and relationships with parent departments and bodies that are similar to those enjoyed by non-commercial bodies or agencies. Also, many perform non-economic or social objectives, or are heavily dependent on state funding and subsidies. Nonetheless, a number of publications have attempted to define and study them.

A paper presented to the Statistical and Social Inquiry Society of Ireland by O'Donovan in 1950, concerning ‘state enterprises’, identified the problem of classification and attempted to

⁶ See, for example, Roche, J. *Planning in the ESB* (Dublin: Institute of Public Administration, 1978) and Manning, M. and McDowell, M. *Electricity Supply in Ireland: The Story of the ESB* (Dublin: Gill and Macmillan, 1984) in relation to the ESB; or Bristow, J. and Fell, C. F. *Bord na Móna: A Cost Benefit Analysis* (Dublin: Institute of Public Administration, 1971) on Bord na Móna; or Ó Riain, M. *Aer Lingus: A Business Monograph* (Dublin: Magill, 1986).

⁷ O'Donovan, J. ‘State Enterprises’ in *Journal of the Statistical and Social Inquiry Society of Ireland* Vol. XXVIII, part III, 1949/50, pp. 327–48; FitzGerald, G. *State-Sponsored Bodies* (Dublin: Institute of Public Administration, 1961); O'Halpin, P. ‘The Irish State Enterprises: From Independence to 1939’ (Unpublished Research Paper for Administrative Research Bureau, Trinity College Dublin, 1977)

categorise them according to the nature of their work, but this categorisation was challenged in subsequent discussions recorded following the presentation.⁸ FitzGerald's *State-Sponsored Bodies* examined in more detail the collection of commercial and non-commercial bodies then existing. He defined them as,

autonomous public bodies other than universities and university colleges, which are neither temporary in character nor purely advisory in their function, most of whose staff are not civil servants, and to whose board or council the Government or Ministers in the Government appoint directors, council members, etc.⁹

In distinguishing between two sub-categories of commercial and non-commercial, he identified 34 'trading enterprises', which he defined as 'state-sponsored bodies which have significant sources of revenue other than grants-in-aid from the State or from local authorities'.¹⁰

A separate study of these bodies, conducted as part of the report of the Public Services Organisation Review Group, also excluded universities and reported that:

For practical purposes we have taken the term 'state-sponsored body' to cover any autonomous public body with a Board appointed by the Government to discharge those functions assigned to it by the Government.¹¹

Similarly categorising them as either commercial or non-commercial, the report stated that,

It seems to us that the commercial state-sponsored bodies form a sector of the public service qualitatively different from the non-commercial bodies and there is an instinctive recognition of this fact in the tendency to refer to them as the 'public enterprises'.¹²

The distinction which we draw between commercial and non-commercial state-sponsored bodies is primarily related to the source of their revenues. In the 'commercial' area, some bodies like the ESB are self-supporting. Some make losses because they are required to provide uneconomic services in the national interest and receive State subsidies directly and indirectly. In our definition of these bodies as 'commercial', we mean, primarily, that they operate in a commercial atmosphere where commercial criteria can be used to judge their effectiveness.¹³

Barrington's 1985 analysis of 'public enterprises' in Ireland focuses on the commercial 'state-sponsored bodies', considering them as those state organisations involved in economic 'intervention and stimulation'.¹⁴ Like FitzGerald, however, he distinguishes between those that are purely commercial and those that are involved in trading but are not solely 'commercial' insofar as they receive revenue (other than grants-in-aid) from the state or local authorities. More recently, in his analysis of 'commercial public enterprises', Sweeney defines them as 'those which earn more than half of their income or sales revenue from the sale of goods and services'. In total, he identifies 17 such enterprises.¹⁵ Using an even narrower interpretation of what constitutes a commercial state enterprise in their study of privatisation in Ireland, Palcic and Reeves identify only eleven 'state-owned enterprises' (including the now largely privatised Aer Lingus and the defunct Aer Rianta).¹⁶

Given the variety in the autonomy and accountability of state bodies involved in commercial activity to parent departments, it is proposed that the terms state-sponsored body and semi-states are no longer adequate to classify them. Instead, in this study, and reflecting a distinction made in contemporary international literature, the subjects of analysis are referred to as *commercial state enterprises* or *state-owned enterprises*.

⁸ O'Donovan, J. 'State Enterprises' (1949/50) op. cit., pp. 327, 346

⁹ FitzGerald, G. *State-Sponsored Bodies* (2nd edn) (Dublin: Institute of Public Administration, 1963), p. 5

¹⁰ Ibid., p. 7

¹¹ *Report of the Public Services Organisation Review Group* (Dublin: Stationery Office, 1969), p. 29

¹² Ibid., p. 31

¹³ Ibid., p. 44

¹⁴ Barrington, T. J. 'Public Enterprise in Ireland' in *Annals of Public and Cooperative Economics* Vol. 56 (3), 1985, pp. 287–312

¹⁵ Sweeney, P. 'Public Enterprise in Ireland: A statistical description and analysis' in *Journal of the Statistical and Social Inquiry Society of Ireland* Vol. XXVI, Part II, 1990, pp.69–123

¹⁶ Palcic, D. and Reeves, E. 'An Economic Analysis of Privatisation in Ireland, 1991–2003' in *Journal of the Statistical and Social Inquiry Society of Ireland* Vol. XXXIV, 2004

A simple definition of commercial state enterprises as those bodies that are self-financing or rely only partially on state funding would exclude those enterprises that depend on considerable state funding in the initial phase of their development, or on an ongoing basis because of the specific nature of their work, which is carried out in an explicitly commercial environment. As later chapters detail, defining contemporary state-owned enterprises according to their source(s) of income also has its limitations in terms of capturing the nature of their work.

For the purposes of this study therefore, the definition of a commercial state enterprise is *an entity in which the state has a majority or complete shareholding, and which is principally involved in commercial activity in a market environment*.¹⁷

In its definition of the public sector, the Central Statistics Office includes the commercial state enterprises but excludes the subsidiaries of what it calls ‘semi-state bodies’.¹⁸ However, if employees of subsidiaries can be readily distinguished from those employees of their parent organisation, they are included as separate entities. Therefore the main operating companies within CIÉ (Iarnród Éireann, Bus Éireann and Bus Átha Cliath) form part of their measurements. Similarly in this study, the three main subsidiaries of CIÉ are included, as is the National Technology Park Plassey Ltd (a subsidiary of Shannon Development) and Arramara Teoranta (a subsidiary of Údarás na Gaeltachta). Also, as noted above, many studies of commercial enterprises in Ireland have tended to focus on those that have a national remit. In this study, however, we are also concerned about those enterprises that operate at a regional or local level – particularly the ten state-owned port companies. In total, 37 commercial state enterprises were identified for this study, as outlined at Appendix 2.

2.2.2 Corporate governance

The other term to be defined here is ‘corporate governance’. It is the subject of varying interpretations according to the field of inquiry. For example, in financial management literature, corporate

governance is concerned with the design of mechanisms that assure providers of capital security of return on their investment.¹⁹ As the concept has been applied to the public sector, it has become associated not only with financial reporting and controls but also with standards of behaviour (including fiduciary duties) and organisational structures and processes. This study uses the definition of corporate governance as provided by the Australian National Audit Office, which states that:

Broadly speaking, corporate governance generally refers to the processes by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation.²⁰

As detailed below, the principal corporate governance issues of concern to this study are the issues of function, autonomy, accountability and direction in respect of state-owned enterprises.

2.3 Survey methodology

As with the previous studies of national and sub-national agencies, in order to collect primary data on the enterprises for detailed analysis, all of the enterprises operating at national and local level were invited to complete a survey questionnaire to assess their autonomy and accountability. This questionnaire was developed in partnership with the Instituut voor de Overheid (Public Management Institute) of the Katholieke Universiteit Leuven and pilot-tested within the Institute of Public Administration, the Instituut voor de Overheid and by a small number of the enterprises covered by the study. Some of the parent departments were also consulted vis-à-vis the content and coherence of the questionnaire. Amendments were made in light of these processes. The final questionnaire (see Appendix 5) consists of four sections.

- Section one: the organisation. This sought information on the enterprise’s history, its

¹⁷ The issue of the state holding a minority or ‘golden share’ holding does not warrant inclusion in this grouping. Therefore Aer Lingus, in which the state has a 26 per cent shareholding, does not form part of this study.

¹⁸ Central Statistics Office *Public Sector Employment and Earnings* (Cork: Central Statistics Office, 2007)

¹⁹ Kirchmaier, T. and Grant, J. ‘Corporate ownership structure and performance in Europe’ in *European Management Review* Vol. 2, 2005, pp.231–45

²⁰ Australian National Audit Office *Principles and Better Practices: Corporate Governance in Commonwealth Authorities and Companies*, Discussion paper (Canberra: ANAO, 1999), p. 1

current functions, legal status, financial position and personnel numbers.

- Section two: autonomy. This assessed the autonomy of the enterprise in terms of HR, finance and policy.
- Section three: accountability and responsibility. This provided information on the enterprise's board and financial audit functions, as well as the accountability of the CEO.
- Section four: accountability and direction. This recorded information on the enterprise's strategy and direction, including its methods of performance measurement, and other issues concerning the enterprise's relationship to its parent department(s).

The CEOs of all 37 commercial enterprises were contacted and invited to complete the survey questionnaire either online or in hard copy during November and December 2007. This deadline was extended to the end of January 2008 and, with follow-up letters and phone calls, the final response rate was 68 per cent (25 organisations). Of these responses, 48 per cent were from persons holding CEO/Director-General (or equivalent) position, 24 per cent were company secretary (or equivalent), while the remaining 28 per cent were directors (of finance or HR) or senior managers. The enterprises themselves ranged from those with assets of €7 billion to those with assets of less than €1 million. Following an analysis of the data, a number of interviews were conducted with civil servants in

some of the key parent departments, and senior officials within a number of the enterprises.

In order to extract more information from the data received in survey responses, some sub-categorisation of the cases is used. In the first instance, the enterprises are divided into three categories based on size – small, medium and large (see Appendix 3). Also, for some data analysis, three different time periods are identified – 1922–72, 1973–90, and 1991–2008. The reason for choosing these periods is that the first captures the first decades of the state's existence up to accession to the EEC in 1973. From 1973 onwards, the complexity of the state and its responsibilities increases, but the 1970s and 1980s are also periods of considerable economic change, during which many developed states privatised their enterprises. Finally, previous research reports in this series have identified the period after 1990 as one of greater expansion in the use of non-commercial agencies to fulfil tasks and it is useful here to consider how the state's relationship with its commercial enterprises has developed during this time.

A natural subset – port companies – emerged within the responses and *where relevant*, reference will be made to the port companies. Finally, comparisons with findings from earlier studies of non-commercial agencies at national and sub-national level largely proved to be of limited use in contributing to an enhanced understanding of the work of state enterprises, and therefore no significant comparisons are made.

3

Overview of commercial state enterprises

3.1 Introduction

As identified in the previous section, there is no commonly used or obvious system of categorisation for what may be called non-departmental public bodies in Ireland. As previous studies in this series and elsewhere have identified,²¹ the most common form of classification used elsewhere for public sector bodies – legal form – is problematic in an Irish context. Similarly, there is wide variety in the form of public authority enjoyed by public bodies as well as multiple forms of relationship between them and their parent department. Classification by policy domain and function is also challenging given that many state bodies have multiple functions and operate across several policy fields. Nonetheless, in order to refine our understanding of commercial enterprises some important features of commercial state enterprises are identified in this section, as well as their development in Ireland and internationally.

3.2 Types of commercial state enterprise

Writing in 1959, Taoiseach Seán Lemass contrasted the planned development in socialist states of state-sponsored organisations with their emergence in Ireland, which, he proposed, happened ‘in a more haphazard way to meet particular needs and opportunities as they arose, when no other course appeared to be practicable’.²² The commercial state enterprises that were established since that period have emerged in no less random a manner,

involving different legal personalities and organisational forms, and across a range of policy fields. Some schemata for their categorisation are nonetheless possible.

3.2.1 Legal form

The original commercial state enterprises in areas such as postal service, telegraphs and railways were organised, financed and controlled in much the same way as a modern government department.²³ This provided a tried and tested means of control but did not provide for the operational autonomy necessary for effective development of enterprise. In particular, while the constraints imposed on such enterprises by the need for approval by the legislature for their financial allocation from the exchequer were regarded as a means of preventing unlawful expenditure, they also hindered their expansion and development.

However, as the state in the western world expanded and it was established that the normal machinery of government could not be utilised to perform certain activities efficiently, a form of autonomous public body was established. In many cases, this took the form of a statutory corporation (or state company),²⁴ which allowed governments to move away from excessive bureaucratic controls. The use of the corporation form provided a formal arrangement outside normal government structures, which allowed enterprises relative autonomy from ministerial control, as in a corporation there are no shareholders.²⁵ The use of the public corporation

²¹ MacCarthaigh, M. *The Corporate Governance of Regional and Local Public Service Bodies in Ireland* (IPA: CPMR Research Report No. 8, 2007), p. 4; McGauran, A-M.; Verhoest, K. and Humphreys, P. *The Corporate Governance of Agencies in Ireland: Non-Commercial National Agencies* (Institute of Public Administration: Committee for Public Management Research Report No. 6, 2005), pp. 52–4; Scott, C. ‘Understanding variety in public agencies’ *UCD Geary Institute Discussion Series* (Working Paper 4, 2008)

²² Lemass, S. ‘The Role of State-sponsored Bodies in the Economy’ in *Administration* Vol. 6 (4), 1959, p. 278

²³ Seidman, H. ‘The Government Corporation: Organisation and Controls’ in *Public Administration Review* Vol. 14(3), 1954, p. 183

²⁴ Wettenhall, R. ‘Public or Private? Public Corporations, Companies and the Decline of the Middle Ground’ in *Public Organization Review* Vol. 1(1), 2001, pp. 17–40

²⁵ Seidman, H. (1954) op. cit. p. 184

form became more frequent in line with the expansion of government into areas of social as well as economic activity during the twentieth century, and as the need to substitute political control with an alternative mode of management grew more pressing.

In Westminster-style democracies, as the idea of government-created and owned enterprises gained in popularity, they were established as statutory companies. The statute itself determined the status of the organisation, its board composition, powers, capital allocation and other key features and characteristics. The difficulty with the statutory company form was that any changes to the role of the enterprise required new amending legislation.

Thus the idea evolved of creating limited companies with ministers as sole shareholders and which would be subject to the stipulations of companies legislation (for example, the holding of an AGM at which shareholders could attend). The distinction between a corporation and a limited company was that all the powers that a corporation has must be included in its Act of constitution, while a limited company might have very wide powers apart from its specific Act, derived from the body of company law. It was thus much more flexible. Indeed, within the past few years, proposals have been made to change the legal status of such enterprises as the ESB, Bord Gáis and VHI to allow them greater freedoms associated with being public companies rather than statutory corporations.

Also, using the limited company form meant that ministers did not have to specify in the establishing Act the powers to be granted to the particular state enterprise and thereby subject them to debate. Instead, the minister's powers could be expressed in the Memorandum and Articles of Association, which constitute the internal legislation of a company. Also, if the state wishes to divest itself of limited companies, it simply sells its shares. Occasionally companies have been established without prior statutory authorisation, but this is normally sought *ex post facto*.

The analysis of the Public Service Organisation Review Group concerning the legal form of 'state-sponsored bodies' is worth quoting in some detail here:

The state-sponsored body form of organisation, whether a statutory corporation or a public or private company, is essentially a device for freeing the performance of the executive actions

of government from day-to-day Ministerial control and direction

In legal form, there are two broad categories of state-sponsored body, the Statutory Corporation and the Company.

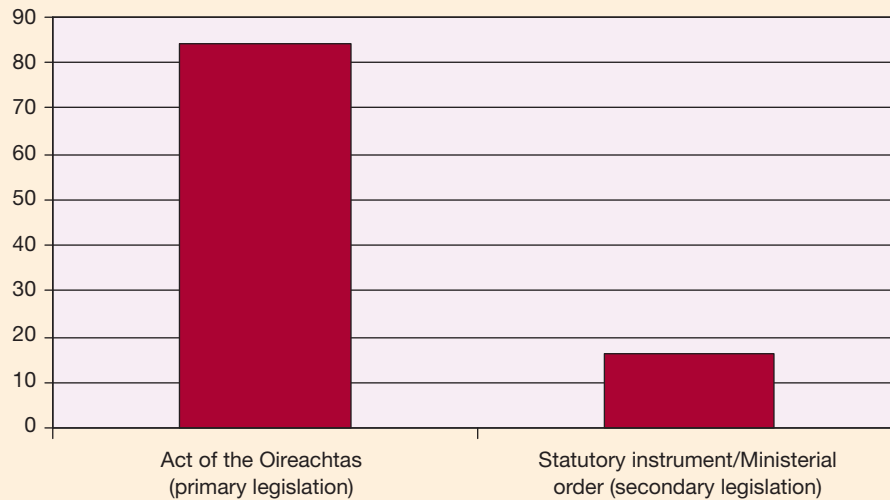
The first of these, the statutory corporation, is a body set up by statute. Its relationship with its sponsoring Minister and with the Government and its powers, duties and functions are laid down in its governing statute or statutes...

...in general, [the statutes] provide for the appointment by the appropriate Minister of the Board and the Chairman, for the approval of the form of the annual accounts, for the appointment of the Auditor and for the furnishing of such information as the Minister requires. The raising of capital, whether by way of issue of shares, by borrowing or by issues from the Central Fund is also provided for; in many cases, parliamentary control is secured by fixing the limits on capital and borrowing in such amounts as will require a further approach for an increase within a period of years. The functions and duties of the Board are set out in varying detail and the Board is given the necessary powers to operate by appointing and remunerating staff, buying, holding and disposing of land and premises and generally operating as a legal entity.

The other main organisational form, the commercial company, is a public or private company incorporated under the Companies Acts with the share capital held by the sponsoring Minister or by the Minister for Finance. A variation is the private company which is a subsidiary of a state-sponsored body.

Most of these state-sponsored bodies which have company form have been established pursuant to an Act of the Oireachtas. The statute provides for their establishment and for their duties, functions and powers but the actual establishment of the company is a separate process governed by the provisions of the Companies Acts. In fact, some companies have been established without specific statutory provision by such devices as an authorisation by a Minister to civil servants to purchase a failing concern and to operate it as a company with the aid of a guaranteed overdraft. However, in such cases, the position of the company is usually put on the normal basis by the passing of governing legislation as soon as government policy in regard to the new body is clarified. In the company form of organisation, Ministers have generally the

Fig. 3.1 Form of legislation establishing enterprise (%)



same powers of appointment of Boards and of control as exist in the case of statutory corporations.²⁶

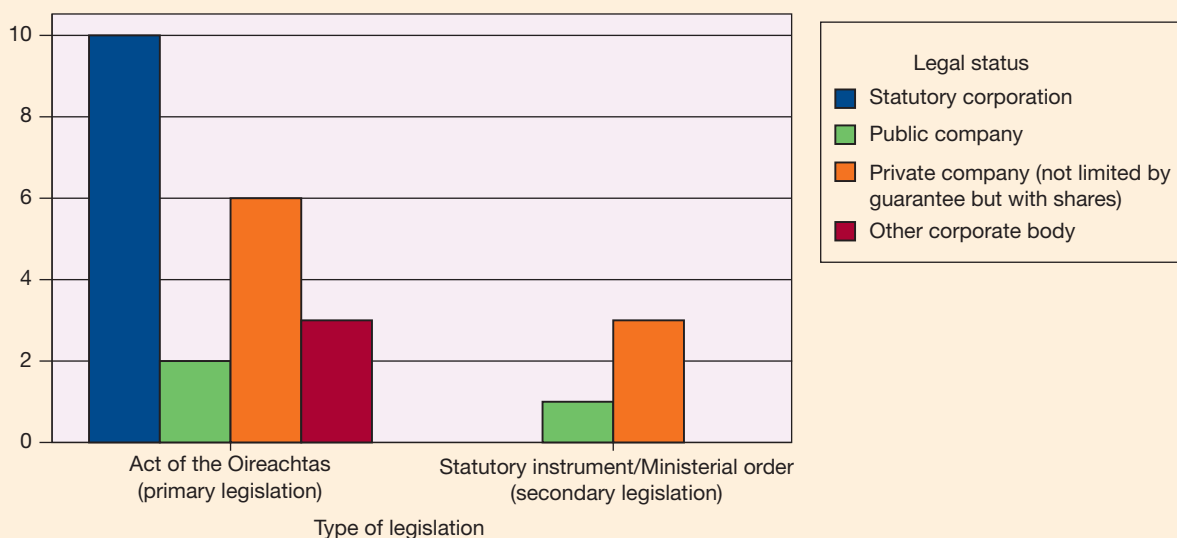
As FitzGerald identifies, while statutory corporations derive their authority directly from their founding statute, public or private companies can be established *pursuant* to an Act of the Oireachtas.²⁷ That is to say, their establishment is envisaged in a statute but the statute itself does not establish the company. However, some Irish state-owned enterprises take neither of these forms, having simply been bought by the State or established as companies without the need for a statutory basis. As Figure 3.1 identifies, of the enterprises surveyed for this study, the vast

majority (84 per cent) were formed by means of primary legislation passed by the Oireachtas.

In summary, a state-owned enterprise may have been established in any of the following four ways:

- As a **statutory company, governed by its founding legislation**
- As a **public company registered under the Companies Acts**, which provides for a state owned enterprise to be governed by its memorandum and articles of association
- As a **private company registered under the Companies Act** and either limited by state guarantee or not limited by guarantee but with shares
- As a **corporate body established by Ministerial order** under an enabling Act.

Fig. 3.2 Type of organisation by legal status



²⁶ *Report of the Public Services Organisation Review Group* (Dublin: Stationery Office, 1969), p. 23

²⁷ FitzGerald, G. *State-Sponsored Bodies* (2nd edn) (Dublin: Institute of Public Administration, 1963), p. 8

As Figure 3.2 details, the use of the company form (public or private) can be initiated by secondary as well as primary legislation. It should be noted that 64 per cent of survey respondents reported that their organisation had existed in a previous form prior to its establishment in its current legal status.

3.2.2 Age and Size

As Figure 3.3 below identifies, of those state enterprises responding to the survey several trace their origins to the foundation of the state and decades subsequent to this, whereas others (and particularly the port companies) have had their mandate and legislative basis determined (or reconfigured) in more recent years.

As noted in Chapter 2, for analytical purposes, it is instructive here to divide the enterprises into three groups according to size (small, medium and large). Doing so provides a more informative picture of those responding enterprises, as Figure 3.4 demonstrates.

Grouping these organisations together according to the three periods identified in Chapter 2 (1922–72, 1973–90, and 1991–2008), Figure 3.5 shows that there is a move away from establishing large state-owned enterprises during the 1990s in favour of small enterprises. It is also interesting to note that a number of large enterprises were established during the 1973–90 period, when elsewhere privatisations of state companies holding monopoly positions was commonplace.

3.2.3 Ownership

Of the survey respondents, the breakdown of ownership according to parent department (or other body) was as follows:

- 44 per cent identified the Department of Transport only.
- 28 per cent identified the Department of Communications, Marine and Natural Resources only.
- 8 per cent identified the Department of Arts, Sport and Tourism only.
- 4 per cent identified the Department of the Environment, Heritage and Local Government only.
- 4 per cent identified the Department of Health and Children only.
- 4 per cent identified the Department of Agriculture and Food only.

Only 8 per cent (2 enterprises) noted that they had two parent departments. These were the Departments of Enterprise, Trade and Employment and Arts, Sport and Tourism; and the Departments of Agriculture and Food and Finance respectively. Significantly, despite the fact that the department has an oversight role in respect of all state enterprises (via its sectoral policy division), this was the only mention of the Department of Finance as a parent body. In some cases, the Department of Finance can be the majority shareholder, with as little as a 1 per cent shareholding for a minister in the relevant line department. In other cases, the reverse of this situation is true. There can also be ‘nominee’ shareholders, for example the Secretary-General or an Assistant Secretary in a parent department.

Interviews indicate, however, that most enterprises communicate directly with the sectoral parent department, which in turn communicates on behalf of the state enterprises with the Department of Finance. The Department of Finance tends not to

Fig. 3.3 Age of responding enterprises

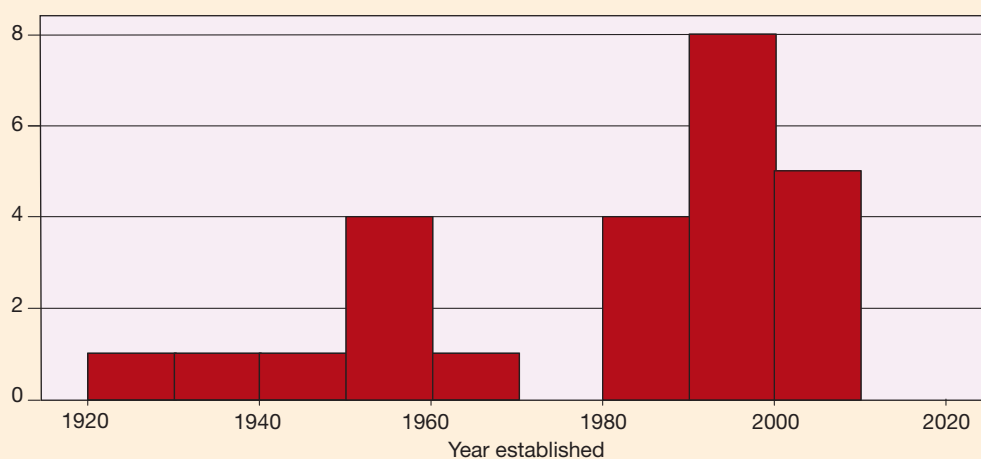


Fig. 3.4 Age and size of responding enterprises

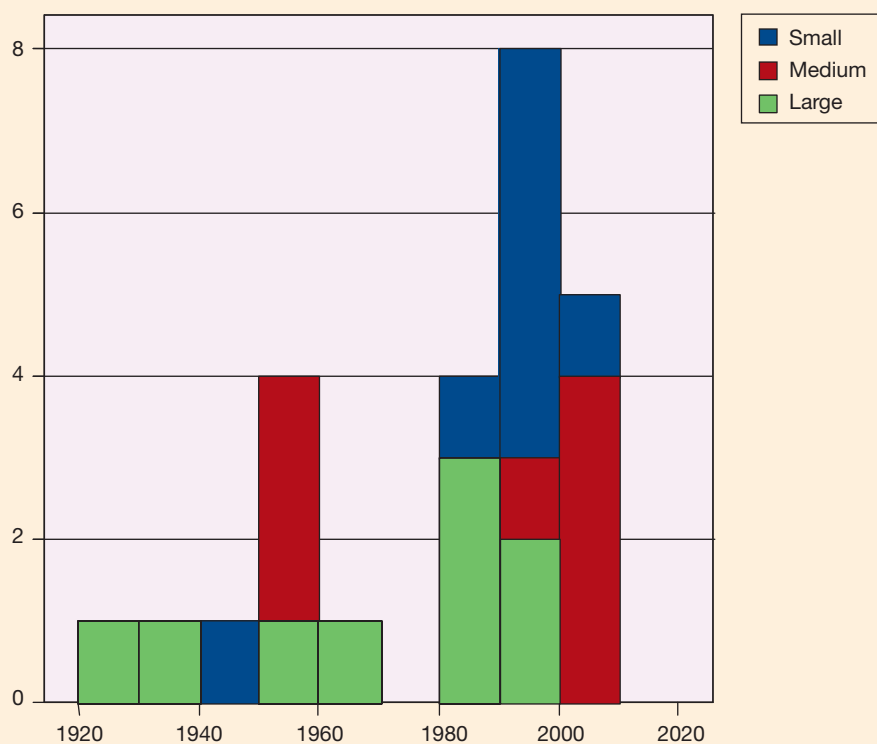
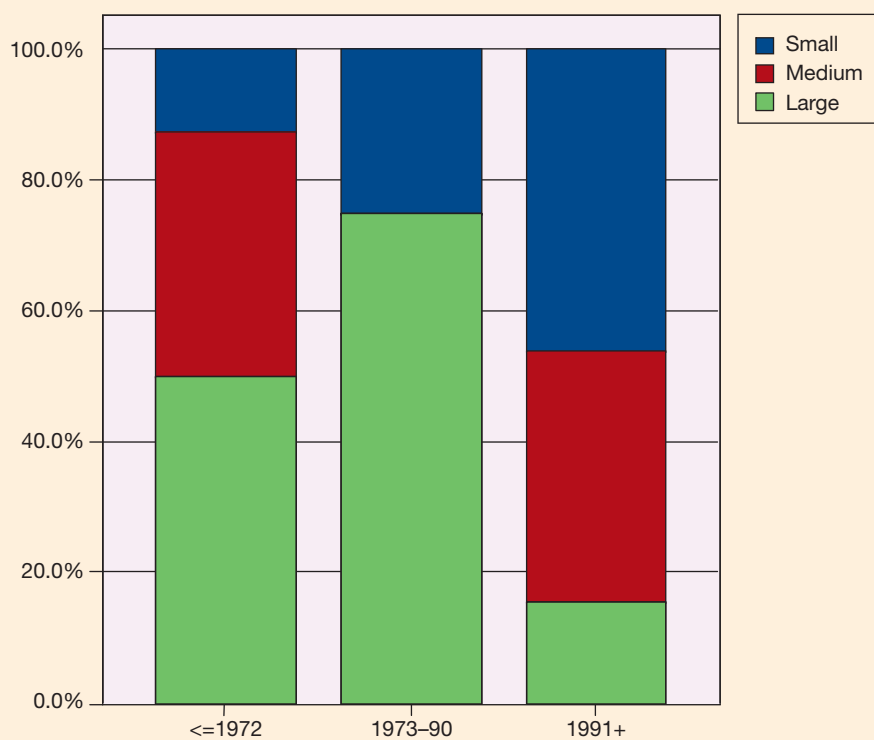


Fig. 3.5 Periods of establishment



contact the enterprises directly. In the case of subsidiaries, they tend to communicate directly with their parent organisations rather than with departments.

3.2.4 Domain of activity

The enterprises are involved in a wide range of activities, with a number of them even competing within their respective sectors (such as port services and energy). Also, 44 per cent of the enterprises that responded to the survey had subsidiary companies under their control. Using the United Nations Classification of Functions of Government (COFOG) list, with the exception of 'Mining, Manufacturing and Construction', each of the following fields was identified by at least one of the responding enterprises:

- Agriculture (including food), forestry, fishing (aquaculture)
- Fuel and energy
- Transport
- Communications
- Tourism
- Housing
- Health
- Sports and recreation
- Cultural services
- Broadcasting and publishing
- Education.

Other more specific fields identified by the responding organisations included spatial planning and waste management.

3.3 Why do governments establish commercial enterprises?

A commonly used dictum is that 'the state has no business in business'. However, governments have traditionally owned or controlled a variety of enterprises involved in market-based activities. They often operate in sectors of critical or strategic importance in national economies and contribute to gross national product, capital stock and national employment. Apart from exceptional cases, commercial functions are not the type of activity normally undertaken by a civil service and thus the case for involving a state in commercial activity is usually a political one. Markets may not produce

results that accord with the objectives of a society, and therefore one of the principal functions of state-owned enterprises is to generate a pattern of production and distribution more in accord with those objectives as determined by politicians.

The OECD proposes several theoretical reasons why a state should become involved in commercial activity:

- It may be more appropriate for the state, rather than a private company, to be the monopolist in an economic sector where an interlocking supply network (such as railways) is required for the provision of goods or services.
- The state may become involved in the supply of goods or services which are necessary for the economy but which the private sector is not incentivised to supply.
- The state may also become involved in providing merit goods, i.e. goods such as health and education that might not be adequately provided in a free market system.
- The state may decide to become involved in an economic activity because the private sector may overproduce goods with negative externalities (such as pollution).
- The state may become involved in commercial enterprise where it cannot regulate effectively or successfully contract for services, or when it cannot credibly promise not to confiscate or excessively tax enterprises, thus inhibiting investment.²⁸

In many jurisdictions, particular sectors of the economy (energy, telecommunications, transport) are controlled or dominated by a particular state-owned enterprise. Today, in many developed economies, a large percentage of GDP flows through publicly listed state enterprises, and citizens (through pension and mutual funds) own many current (and former) state enterprises. As a consequence, there is considerable interest in the governance of such enterprises.

Internationally, corporate ownership structures vary across the large European economies because of a combination of historical, economical, legal and political processes. While many state enterprises were established in the early decades of the twentieth century, the post-Second World War period of economic recovery led to significant

²⁸ OECD *Corporate Governance of State-Owned Enterprises: A Survey of OECD Countries* (Paris: OECD, 2005), pp. 20–1

growth in the number and type of such state-owned enterprises in Europe, with corresponding differences in ownership arrangements, including the holding company model. Ideas concerning the role and management of state enterprises also spread from the developed to the developing (and post-colonial) world, where major government interventions in the economy were also advocated to stimulate economic development.²⁹

However, each state's corporate governance arrangement with respect to its commercial enterprises has not necessarily proved the most efficient or appropriate in terms of performance.³⁰

In an about turn, during the 1970s and 1980s, many public enterprises were disposed of for a variety of reasons. For some, it was a response to soaring national budgetary deficits, for others the enterprises were regarded as having outlived their usefulness, while others again were privatised in line with the prevailing political ideology of the time. Commenting on this, Schaeffer said at the time that 'the winds of political rhetoric are gusting strongly against public enterprises as instruments

of economic activity and even as forms of governmental structure'.³¹ For those that remained in full or partial state ownership, the requirement on the state to be shareholder, regulator and policy maker has resulted in a variety of reforms and new institutional arrangements designed to improve governance.

Privatisations of state-owned enterprises in many western countries have not always achieved significant improvements in quality and efficiency of service delivery. Recognising this, governments have sought alternative ways of maintaining their shareholdings in state enterprises whilst achieving greater productivity and attainment of commercial and social objectives. This has led to a range of new management and ownership structures which accept their unique place as a 'third sector' between private enterprise and the public service. These arrangements also come as a response to international pressures to achieve competitive market conditions. Examples of the methods by which many industrialised economies manage their state-owned enterprises are presented in Chapter 9.

²⁹ Schaeffer, W. G. 'Foreword' in Wettenhall, R. and O'Nuallain, C. *Getting Together in Public Enterprise* (Brussels: International Institute of Administrative Sciences: 1987), pp. v–vii

³⁰ Kirchmaier, T. and Grant, J. 'Corporate Ownership Structure and Performance in Europe' in *European Management Review* Vol. 2, 2005, pp. 231–45

³¹ Schaeffer, W. G. (1987) op. cit., p. vi

4

The development of Irish state-owned enterprises

4.1 Introduction

This study is principally concerned with the corporate governance of existing state-owned enterprises, but key aspects of these corporate governance arrangements can be understood only in the context of the historical origins of the enterprises.³² In fact, some commercial activities such as postal services were performed by the civil service in the nineteenth century before being separated out from core government activity into a more commercial sphere. Also, the fact that many state enterprises perform not only commercial but also social functions is not a modern phenomenon. Half a century ago, in 1959, the Minister for Industry and Commerce, Sean Lemass, noted that:

In competitive private enterprise the making of profits is the acid test of economic merit, but in the case of State enterprise different considerations and tests apply.³³

Bristow argues that the articulation of these considerations has not traditionally been a feature of successive Irish governments. In large part, this is related to the fact that Irish state-owned enterprises were not established to fulfil overriding ideological goals.³⁴

Historically, the only policy objective for Irish state enterprises was that they should as far as possible operate without assistance from the exchequer. A slightly different view was provided by former Minister for Public Enterprise Richie Ryan, who proposed that ‘...their main role is to

provide the services for which they were established with the maximum of effectiveness and efficiency’ and that the ‘overriding concern must be to fit into a total public policy’.³⁵ Apart from these general objectives, there has never been a definitive articulation of government policy on state enterprises and this has been a subject of concern in several publications concerning Irish state enterprises over the past two decades. As in other jurisdictions, the management of the enterprises has evolved from using them as instruments of industrial and economic policy to a catch-all emphasis on adding value on behalf of the ultimate owners, the Irish people.

The history of Irish state-owned enterprises reflects many key features and phases of the development of the Irish economy and state. In total, 69 of what may be considered substantial commercial enterprises have existed since the establishment of the first such organisations in 1927 (see Figure 4.1).³⁶ In the absence of heavy industry, the state enterprise sector for many decades contained the largest manufacturing companies in the state. They have traditionally been active (and in some cases held monopoly positions) in the energy, transport, telecommunications and food production sectors. These factors have had consequences for the development of private enterprise, not least because (and as FitzGerald identified in the 1960s), in the early decades of the state’s development, much of the available managerial talent ended up in state enterprises rather than in the private sector.

³² In the case of some enterprises, their existence preceded their formal recognition by the Oireachtas or by statute. The dates used here reflect the year of such formal establishment as quasi-autonomous bodies.

³³ Lemass, S. ‘The Role of State-sponsored Bodies in the Economy’ in *Administration* Vol. 6(4), 1959, p. 287

³⁴ Bristow, J. A. ‘State-Sponsored Bodies’ in Litton, F. (ed.) *Unequal Achievement: The Irish Experience 1957-82* (Dublin: IPA, 1982), p. 168

³⁵ Ryan, R. ‘The Role of the State-Sponsored Body in the new Public Service’ in *Administration* Vol. 21(4), 1973, pp. 391, 393 (387–95)

³⁶ This figure comprises those enterprises which were of substantial size. Some small enterprises (including subsidiaries) such as the Cork Dockyard Company Ltd, Alginate Industries Ltd, Newmarket Dairy Company, Cleeves Confectionery (Limerick) Ltd, Tramore Development Ltd and Drumm Battery Company are excluded.

Fig. 4.1 State enterprises in Ireland 1927–2008



4.2 Analysis of state enterprises in Ireland

Several analyses are provided of why the Irish state undertook to involve itself in varying types of commercial activity. In his study of the state's role

in the economy, Lane proposes a number of broad reasons for the Irish state's use of commercial enterprises. These include:

- Underdeveloped capital markets in the early decades of independence inhibited private

entrepreneurs from raising the finance necessary to build profitable firms in capital-intensive sectors such as transport.

- Ireland followed a European trend of state ownership of monopolies rather than the US model of regulating private monopolies.
- State ownership facilitated social objectives.³⁷

O’Nuallain provides a more nuanced analysis of why Irish state enterprises were established, namely to:

- Fill a gap in the economy not filled by private enterprise but deemed necessary in the national interest
- Maintain an insolvent or nearly bankrupt undertaking that it is believed to be in the national interest to preserve in operation
- Secure a more extensive scale of operations than that engaged in by industry so as to meet needs of the national economy
- Have a national presence in links between the state and other countries.³⁸

Sweeney notes that state enterprises in Ireland have also played an important role in regional development, and draws attention to the fact that many successful private sector business people began their careers within state companies.³⁹

The *Report of the Public Services Organisation Review Group* provided a summary historical analysis of the state enterprise sector in Ireland by identifying three ‘groups’ of enterprises that emerged in the early decades of the state.

The first group [Aer Lingus, Aer Rianta, Irish Shipping, ESB, ICC Ltd and ACC Ltd] comprises those activities providing an infrastructural base for the whole economy, the undertaking of which private enterprise found unattractive or beyond its resources at the time when the need for the activities arose.⁴⁰

The second group [Bord na Móna, Comhlucht Siúicre Éireann Teoranta, Erin Foods, Arramara

Teoranta and Gaeltarra Éireann] consists of those industries which are operated for the development of native natural resources or for the provision of employment for particular areas or types of workers.

Closely related to this type of activity is the State rescue operation when the State moves in ... to secure a private undertaking threatened by financial difficulties [Irish Steel Holdings Ltd, Irish Assurance Company Ltd and CIÉ].⁴¹

In his description of the development of state-owned enterprises, Chubb proposes that the newly independent Irish Free State followed a path similar to other developing states as it became involved in the generation of capital, exploitation of natural resources and provision of transport. The nationalisation of banking services and later provision of radio and television services by the state also acted as benchmarks in the state’s development. Other state enterprises, he argues, emerged as rescue operations or provided essential social services. In the more recent period, a small number of enterprises (such as Coillte and the Irish Aviation Authority) were created, as it was thought that activities previously performed by departments were better performed in a commercial environment.⁴²

As is clear from the above, studies of state-owned enterprises have attempted to identify phases of growth (and decline), as well as underlying rationale for their establishment. However, close examination reveals complex reasons for the establishment of each enterprise involving political, economic and social factors that often do not easily fit with predominant theories of why governments create state-owned enterprises. As noted above, one of the principal explanations for the establishment of state enterprises is to fill gaps in the market which private actors are not prepared to fill due to inhibiting factors such as considerable start-up costs. While this is true of some state-owned enterprises in Ireland, such as Aer Rianta (1937) and Aer Lingus (1936), in other cases there

³⁷ Lane, P. R. ‘The role of the state’ in O’Hagan, J. W. (ed.) *The Economy of Ireland: Policy and Performance of a European Region* (8th edn) (Dublin: Gill and Macmillan, 2000), p. 92

³⁸ O’Nuallain, C. ‘Ireland: The Consultative Group of Chief Executives of State Organisations’ in Wettenhall, R. and O’Nuallain, C. *Getting Together in Public Enterprise* (Brussels: International Institute of Administrative Sciences: 1987), pp. 36–7

³⁹ Sweeney, P. *Selling Out: Privatisation in Ireland* (Dublin: TASC/New Island, 2004), pp. 26–7

⁴⁰ *Report of the Public Services Organisation Review Group* (Dublin: Stationery Office, 1969), pp. 31, 39

⁴¹ *Ibid.*, p. 39

⁴² Chubb, B. *The Government and Politics of Ireland* (3rd edn) (Harlow: Longman, 1992), p. 250

were limited private undertakings already in place before the state adopted a monopoly position in order to expand the service or productive scale. For example, the creation of the ESB in 1927 involved the nationalisation of a number of small electricity companies, and similarly the creation of Cómhluht Siúicre Éireann in 1933 involved the state taking over a privately held sugar company.

4.3 State-owned enterprises in Ireland: A brief history

Having initially sought to centralise the multitude of boards, commissions and other offices it had inherited into a small number of ministerial departments, within a year of its establishment, the Irish Free State had devolved some functions to statutory and non-statutory non-departmental bodies. Examples included the Irish Film Censor's Office (1923) and the State Laboratory (1924). While this devolution was not widespread, it demonstrated that the ministerial departments alone would not be sufficient for the state to perform all of its various roles.

However, the establishment of the ESB represented a radical departure as the state handed over control for the establishment of an electricity network to an independent board, to which it appointed members. Indeed, Barrington has referred to 1927 as the year that 'saw the invention of the state-sponsored body which has now become so important a part of the administrative life of our community'.⁴³ While the establishment of the ESB is often regarded as a seminal moment in the development of the Irish state's economy, another state enterprise created that year merits attention. With its economic policies described by Ó Gráda as being characterised by 'continuity and caution',⁴⁴ the new government viewed agriculture as the primary sector of economic development. The Dairy Disposal Company was created in 1927 to purchase and make redundant economically unviable milk creameries. Within a year, the Company had created a subsidiary – the Condensed Milk Company of Ireland Ltd.

The establishment of the Dairy Disposal Company was also important in another respect – it

was established rapidly through the form of a limited company and its creation was made separately from the provision of funds for it. In other words, the creation of the enterprise could be separated from its financing. Banks were prepared to provide loans in the context of ministerial support for such enterprises, and later enterprises were created (particularly during the years of the Second World War) which were supported by bank overdrafts.

The Cumann na nGaedheal government also established an Economic Development Committee, whose work led to a Trades Loans Guarantee Act to stimulate private enterprise. The work of the committee resulted in the creation of the Agricultural Credit Corporation (ACC) in 1927 and the Industrial Credit Corporation (ICC) in 1933, to encourage growth in these sectors. Similarly, the Irish Life Assurance Company was established in 1939, following the amalgamation of nine British and Irish life assurance companies.⁴⁵

The ESB (and later the Tourist Board in 1939) was established as a corporation, i.e. its powers were limited by its founding Act, and developments such as the creation of a subsidiary required new legislation.⁴⁶ All other enterprises created during these two years were limited companies which had greater commercial freedoms. For example, the Irish Sugar Act was promulgated in 1933, and by 1934 Comhlucht Siúicre Éireann (Irish Sugar) had factories in Carlow, Tuam, Thurles and Mallow.

As well as banking, energy and sugar, governments also believed it necessary for the state to become involved in cement, industrial alcohol production and mining, which was in line with the protectionist and import-subsidising industrialisation policies being pursued in many states following the international economic depression of the early 1930s. It did not follow that private enterprises were not interested in these sectors – the state in fact took over certain firms in the establishment of monopolies in the 'national interest'. All had a board composed of either some or no civil servants, and were staffed by non-civil servants.

Another example of a limited company was Aer Lingus, which was incorporated under the

⁴³ Barrington, T. J. 'Public Administration, 1922–36' in McManus, F. J. (ed.), *The Years of the Great Test 1926–39* (Cork: Mercier Press, 1967), p. 87

⁴⁴ Ó Gráda, C. *A Rocky Road: The Irish Economy since the 1920s* (Manchester: Manchester University Press, 1997), p. 4

⁴⁵ While the Minister for Finance initially held 18 per cent of shares in Irish Life, a restructuring and purchasing programme in 1947 resulted in the government holding 90.25 per cent of shares.

⁴⁶ This 'semi-state' form of company was also extended to non-commercial activities.

Companies Act in May 1936. The following year, the Oireachtas passed legislation empowering the Minister for Industry and Commerce to establish Aer Rianta, which was to act as a ‘holding company’ for the state’s Aer Lingus shares.⁴⁷ A sister company of Aer Lingus, Aerlínte Éireann, was established in 1947, to manage transatlantic flights from Ireland to the US. The plan to proceed with these flights was cancelled in 1948 but revived in 1958, and in 1960 Aerlínte Éireann was renamed Aer Lingus – Irish International Airlines.

With the onset of the Second World War, a new Department of Supplies was created to ensure that provisions of food, fuel and other essentials were managed efficiently in a context where many items were becoming unobtainable. To this end, several new enterprises were established in the form of private companies. These included Grain Importers (Éire) Ltd (1939), Animal Feeding Stuffs (Éire) Ltd (1939), Timber Importers Ltd (including South of Ireland Timber Importers Ltd and West of Ireland Timber Importers Ltd) (1939), Fuel Importers Ltd (1940), and Tea Importers Ltd (1941). However, they did not stop the ratio of imports to national income dropping by half between 1938 and 1944.⁴⁸ In addition, the work of an interdepartmental committee formed in 1940 to investigate the possibility of developing an Irish shipping industry led to the creation of Irish Shipping Ltd (1941). Also, while many of these enterprises subsequently ceased to exist in later years, the Transport Act of 1944 created Córas Iompair Éireann which still manages the state’s bus and rail concerns today.

A number of other developments in relation to state enterprises took place towards the end of the 1940s. A complex range of pre-independence legislation governing ports and harbours was consolidated after the War and resulted in the Harbours Act of 1946 which provided the legislative basis for port companies. The Irish National Stud Company was created in 1946 to take over the British National Stud Company which had been closed down. Similarly, the Turf Development Board, which had been created in 1934, was replaced by Bord na Móna in 1946. In 1949 the (non-commercial) Industrial Development Authority (IDA) was established,⁴⁹ which was to

have a major influence on the development of industrial policy in Ireland as an era of protected trade came to an end during the late 1950s.

The First Programme for Economic Expansion, covering the period 1958–63, as well as the arrival of a new Taoiseach particularly committed to indigenous industry, initiated a new period in industrial and economic development as the state sought to integrate itself into international markets and develop its foreign trade capacity following a poor economic performance in the 1950s. The Programme stated that ‘state-sponsored concerns’ would be encouraged to develop and innovate. Subsequent to the launch of the Programme, a new Economic Development Division was established in the Department of Finance, with a remit that included the identification of areas that might prove suitable for development by state enterprises.

Most of the state enterprises came within the remit of the Department of Industry and Commerce, but in 1959 a new Department of Transport and Power was created which assumed responsibility for enterprises ranging from ESB and Bord na Móna to Aer Lingus and the various harbours. It was also centrally involved in the state’s takeover of the British and Irish Steampacket Company, in February 1965. Overall, the 1960s saw the state’s economy grow at an unprecedented rate.⁵⁰

In 1969, the recommendations of the Public Services Organisation Review Group (above) relating to the commercial enterprises were formulated around the concept that the enterprises were a key instrument of government policy. The group concluded that ‘the sponsoring Departments should not interfere in viable commercial operations but should actively engage in the definition and review of goals, the appraisal of results and the control of capital expenditure’.⁵¹ Chubb notes that these recommendations were never implemented and in fact generated resistance to the idea of increased central control of public enterprises. A study group established within the National Economic and Social Council (NESC) subsequently produced a report on ‘Enterprise in the Public Sector’, which argued that centralising tendencies inhibited enterprise and innovation within the sector.

⁴⁷ Ó’Riain, M. *Aer Lingus: A Business Monograph* (Dublin: Magill, 1986), p. 10

⁴⁸ Ó Gráda, C. (1997) op.cit., p. 16

⁴⁹ It was placed on a statutory footing the following year with the passing of the Industrial Development Authority Act 1950.

⁵⁰ Ó Gráda, C. (1997) op. cit., p. 29

⁵¹ *Report of the Public Services Organisation Review Group* op.cit., p. 164

Chubb also identifies that the Departments of Finance and Public Service (the latter until 1987) sought during the 1980s to exert greater control and regulation over state-owned enterprises, particularly in the context of the difficult economic circumstances of the time.⁵² Although privatisation did occur in Ireland as elsewhere in Europe during the 1980s, it did so in an ad-hoc rather than systematic manner; Barrington was able to report in 1985 that sales of state enterprises had not yet arisen in Ireland.⁵³ In fact, several new enterprises were established during this period, including the subsidiary companies of CIÉ (Bus Éireann, Bus Átha Cliath and Iarnród Éireann)⁵⁴ and Coillte Teoranta.

By 1980, another NESC study group reported that the 'state-sponsored body' sector employed over 65,000 people and accounted directly for 8 per cent of GDP.⁵⁵ It also recommended that the 'Government should state publicly and unequivocally that State-sponsored bodies have an explicit objective to seek to create additional wealth in ways which will generate additional commercially viable employment'.⁵⁶ A later NESC report in 1990 reflected that the difficulties faced by public enterprises in the 1970s and 1980s were as a result of 'market conditions, adverse cost developments and inappropriate financial structures', and noted that, during this time, many state enterprises had become 'job creation vehicles' of government.⁵⁷ In response to the issue of the efficiency and effectiveness of performing non-commercial activities, in 1984 the National Planning Board made several recommendations concerning their role. It noted that part of the reason for some state enterprises underperforming was a 'lack of clarity about their financial targets'. It argued that there 'should be a clear statement of the objectives of each commercial agency, agreed between the agency and its sponsoring Department'.⁵⁸ It also discussed the need for performance indicators, as well as the restructuring of balance sheets to reflect

the services provided by state enterprises to meet social needs. The Board recommended that state enterprises should follow a similar accounting format; however, few of these recommendations were implemented.

Later that year, the Corporate Planning Division of the Department of Finance released the 'Government Policy on Commercial State-Sponsored Bodies', which drew together various guidelines, circulars and recommendations (including those of the National Planning Board).⁵⁹ Amongst its key points was for government to set specific targets for the enterprises to achieve, following consideration of their corporate plans. It also re-emphasised the key points in relation to commercial state-sponsored bodies made in the Government's White Paper on Industrial Policy, published in July 1984. This seminal White Paper noted that 'in recent times ... the financial performance of State enterprise has been poor, some costly investment errors have been made, and in certain cases charges are excessive for the services provided'. It therefore advocated:

- Corporate planning on a five-year rolling basis
- Improved monitoring by central government
- Strengthening the board appointment systems
- More systematic appraisal of capital projects
- Improved project and internal management techniques.⁶⁰

Also in 1984, the Government published a national plan titled *Building on Reality 1985–1987*. It too addressed the issue of state enterprise and noted that,

...major cost overruns and catastrophic losses have seriously damaged the image of public enterprise. Many of the commercial state enterprises, once a source of innovation and dynamism, have become a drain on national resources, and a burden on the tax-payer.⁶¹

⁵² Chubb, B. (1992), op. cit., p. 257

⁵³ Barrington, T. J. 'Public Enterprise in Ireland' in *Annals of Public and Cooperative Economics* Vol. 56(3), 1985, p. 287

⁵⁴ They were created under the Companies Act as provided for in the Transport (Reorganisation of CIÉ) Act 1986.

⁵⁵ National Economic and Social Forum *Enterprise in the Public Sector* (Report No. 49, 1980), p. 14

⁵⁶ Ibid., p.18

⁵⁷ National Economic and Social Council *A Strategy for the Nineties: Economic Stability and Structural Change* (NESC Report No. 89, 1990), pp.353, 367

⁵⁸ National Planning Board *Proposals for Plan 1984–87* (Dublin, National Planning Board, 1984), p. 112

⁵⁹ Department of Finance *Government Policy on State-Sponsored Bodies* (Dublin: 1984)

⁶⁰ Government of Ireland *White Paper on Industrial Policy* (Dublin: Stationery Office, 1984), pp. 36–9

⁶¹ Government of Ireland *Building on Reality 1985–1987* (Dublin: Stationery Office, 1984), p. 70

The government therefore committed itself to tackle failures in planning, project design and execution; to reassess ‘excessive Government emphasis on social and other policy objectives’; and to define more clearly the strategic, economic and social roles of the enterprises, as well as to match performance with agreed policy requirements.

Some years later, the first social partnership agreement – the *Programme for National Recovery* (1987) – identified expansion of the commercial state enterprise sector as a key vehicle for economic development. It reported that,

The State-sponsored Bodies will be actively encouraged and facilitated to develop and diversify their economic employment-creating activities, Where new legislation is required to achieve this, it will be brought forward.⁶²

The state enterprise sector did not expand significantly during the 1980s, and in 1990 Sweeney noted that the commercial enterprises contributed just over 10 per cent of Ireland’s GNP, over IR£5.5 billion in capital stock, over 18 per cent of gross fixed capital formation, and employed over 68,000 people.⁶³

Further aspects of the work and performance of state-owned enterprises also came in for attention during the 1990s. As well as the Culliton *Report on Industrial Policy Review* (1992), the future of state enterprises was considered in all social partnership agreements during this period, including the *Programme for Prosperity and Fairness* (1991) and the *Programme for Competitiveness and Work* (1994). More recently, *Sustaining Progress* stated that:

The Government is committed to ensuring that the commercial semi-State sector provides services of world-class quality at competitive prices to the consumer. This includes seeking to secure a viable long-term future for State companies without ideological preconceptions: the issue of the most appropriate form of ownership or structure for State companies will

be approached on a case-by-case basis. The objective is to achieve optimum service delivery and value for the public, with public enterprise being managed in a spirit of social partnership, while giving the maximum commercial freedom to semi-State companies, subject to the fulfilment of national strategic and balanced regional policy objectives and ensuring appropriate arrangements for provision of services of general interest.⁶⁴

An increased focus on corporate governance codes resulted in *Guidelines for State Bodies* being produced by the Department of Finance in 1992, which considered internal controls (including codes of conduct for boards) and the relationships between commercial and non-commercial bodies and central government departments. This was subsequently updated in 2001, and at time of writing is under consideration for further revision.

In 1995, changes in the international (particularly EU) and domestic environment prompted the then Minister for Transport, Energy and Communications (who had responsibility for half of the state’s commercial enterprises) to establish a task force to review the ‘efficiency of the existing controls governing the commercial state companies under his aegis’.⁶⁵ Amongst its findings, the task force noted that there was a ‘clear understanding and commitment to the principles of corporate governance [and that the] principles of control and integrity were strongly focused on within the companies’.⁶⁶ However, it noted that, in the course of its work, concerns over corporate governance arrangements arose, including

- Board composition
- Balancing commercial freedom with public accountability
- The need for clear policy objectives for each commercial enterprise
- Clarification of the respective responsibilities of boards and management
- Reporting relationships between the enterprises, government and the Oireachtas.⁶⁷

⁶² Department of An Taoiseach *Programme for National Recovery* (Dublin: Stationery Office, 1987), p. 17

⁶³ Sweeney, P. ‘Public Enterprise in Ireland: A statistical description and analysis’ in *Journal of the Statistical and Social Inquiry Society of Ireland* Vol. XXVI, Part II, 1990, pp. 69–123

⁶⁴ Department of An Taoiseach *Sustaining Progress: Social Partnership Agreement 2003–2005* (Dublin: Department of An Taoiseach, 2003)

⁶⁵ Department of Transport, Energy and Communications *Report of the Task Force established to review the controls in the commercial state companies operating under the aegis of the Minister for Transport, Energy and Communications* (Dublin: Government of Ireland, 1995)

⁶⁶ *Ibid.*, p. 15

⁶⁷ *Ibid.*, p. 37

The task force did not have the time to address these issues more fully but stated that further work to address them was required ‘as soon as possible’. It did, however, make recommendations in relation to:

- Board appointments being based on ‘experience, competence and expertise’
- Appointments of civil servants and CEOs to boards
- Chairpersons being consulted about skills required for boards
- Board turnover.

It also provided a code of best practice for commercial state companies, which was adapted from the Cadbury *Code of Best Practice*.

During the 1990s and up to more recent years, the debate continued concerning the ownership of state enterprises, which resulted in several privatisations such as that of Telecom Éireann/Eircom (1999), ICC and ACC Banks (2001). In his analysis of privatisation in Ireland, Sweeney identifies that the proportion of the workforce employed by state enterprises fell from 8 per cent in 1980 to 2.5 per cent in 2004.⁶⁸ In an attempt to prevent further privatisations, in 2005 the Irish Congress of Trade Unions launched a paper that proposed the establishment of a holding company to manage the state’s shareholding assets.⁶⁹ (The concept of single or multiple holding companies for state-owned enterprises had been considered by the Public Services Organisation Review Group in the late 1960s, and ultimately rejected by it.) The paper noted that pragmatism rather than political ideology had often been used to describe the mode of control of enterprises by successive governments.⁷⁰ It argued that the Irish state was a poor (‘anaemic’) shareholder and that a holding company would provide for ready access to capital for the enterprises and separate more effectively the state’s ownership from its policy formulation role vis-à-vis such enterprises.

The issue of separation of ownership and regulatory functions also emerged to prominence during recent years. For example, in 2004, the Enterprise Strategy Group released its report, *Ahead of the Curve*, which identified essential

measures to underpin Ireland’s transition to a new phase of enterprise development. These included a rationalisation of sectoral regulators and, for those networked sectors such as electricity and communications, it recommended that a new single regulatory body be created. Similarly, the 2005 Consumer Strategy Report, *Make Consumers Count*, recommended that ownership and regulatory functions in the Department of Transport be separated. It suggested that while government departments should retain their role in setting sectoral policy (including the terms of reference for sectoral regulators), the performance of ownership functions deserves reassessment in the context of a fast-changing environment for public enterprise.

A number of new enterprises (such as Ordnance Survey Ireland and the National Oil Reserves Agency) have emerged from other public service (commercial and non-commercial) organisations, or have had their mandate adapted to an explicitly commercial one. However, instead of the state enterprise model, recent governments have tended to favour regulation and to achieve social objectives through a combination of regulation and subsidies. Therefore, since 1990, several new regulatory bodies have been established which influence the work of commercial state enterprises (below).

4.4 The EU and state enterprises

In an enlarged and open-market European Union, the role of the state in private enterprise is subject to particular attention. The Union’s stated objective of open market competition and sustainable economic development demands that member states’ regulatory, ownership and policy-making roles be clearly separated and defined. State aids to commercial state enterprises also come in for particular attention.

The EU defines state aid as ‘an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities’. It can range from direct (or indirect) transfer of resources (financial or otherwise), to privileged use of state infrastructure or obtaining capital on more favourable terms than those that would apply for private enterprise. A series of legislative acts has developed in tandem with the Union, and these

⁶⁸ Sweeney, P. (2004) op.cit., p. 19

⁶⁹ Irish Congress of Trade Unions *A New Governance Structure for State Companies* (Dublin: ICTU, 2005)

⁷⁰ Ibid., p. 2

identify exemptions and the situations relating to recovery of incompatible aid.⁷¹ The European Commission takes a lead role in this work. In 2005, the Commission launched the *State Aid Action Plan*, which sought to reform and update its legislation in relation to state aid. This was in keeping with the goal of the Lisbon Agenda to increase competitiveness within the internal market. Referring to this work, the report of the Enterprise Strategy Group (above) in 2004 noted that

State aid for companies is likely to be significantly restricted after 2006 by changes in EU limits. State aid, particularly grants, was an important part of earlier enterprise strategies, and helped to attract foreign investors in key target areas and to develop indigenous enterprise.⁷²

Some exemptions to the general competition policy apply, including where aid is provided to promote economic development of areas where ‘the standard of living is abnormally low or where there is serious underemployment’.⁷³ Also, for each sectoral area (transport, agriculture etc.) terms and conditions governing the use of state aids apply, as they do for state aids to areas such as small and medium enterprises, employment and environmental protection. As Figure 4.2 (below) identifies, for the majority of responding enterprises, the EU is regarded as influencing ‘to some extent’ their current mandate and strategic direction.

4.5 The Oireachtas and state enterprises

Political control of state enterprises is normally understood as being exercised through ministers and the Oireachtas. In the case of the Oireachtas, examination of the enterprises’ work is undertaken in the context of provision of exchequer funding, approval of borrowing limits, divestitures or privatisations (below), as well as general debate concerning state enterprise-related legislation. Also, members of government may have to answer parliamentary questions in the Dáil concerning the

state’s ownership policy on commercial state enterprises.⁷⁴ Ministers exercise control of state enterprises by appointing boards of directors, by obtaining assurances such as audits by external auditors, and through formal and informal contact with individual enterprises. Interviews suggest that there are frequently PQs within the Oireachtas, concerning the role and work of state enterprises.

Survey responses reveal that unlike the EU, for the majority of responding enterprises, the Oireachtas is viewed as having little influence on their current mandate and strategic direction. Instead, as Figure 4.2 identifies, parent departments and their ministers have the largest level of influence, with the Government in general also identified as influential. This will be considered in more detail in Chapter 9. For many enterprises, and particularly those involved in transport and natural resources, independent regulators are not regarded as having any influence.

A more detailed analysis of these results according to the size of the organisations indicates that the influence of the department and minister is greater for large enterprises than for those that are small or medium in size. Also, medium-sized enterprises appear to be more affected by regulators than are those that are large or small in size.

4.5.1 Oireachtas Joint Committee on Commercial State Sponsored Bodies

Writing in 1954, Basil Chubb commented that ‘the position in Ireland in respect of public control [of state enterprises] is ... one of greater freedom and laxity than obtains in most states’.⁷⁵ Some decades later, in 1976, in an attempt to establish stronger links between this important element of the state and the Oireachtas, a Joint Committee on Commercial State Sponsored Bodies was established. Parliamentary committees were not a prominent feature of the Houses at this time and the new committee’s work was regarded as bridging a gap in their accountability to parliament.

The role of the new committee was to examine the reports, accounts and overall operational results of 27 ‘state-sponsored bodies engaged in trading or

⁷¹ Sweeney (2004, op. cit., pp. 10, 25) also notes that there are circumstances in which the state may provide financial supports to state-owned enterprises without being in breach of EU rules.

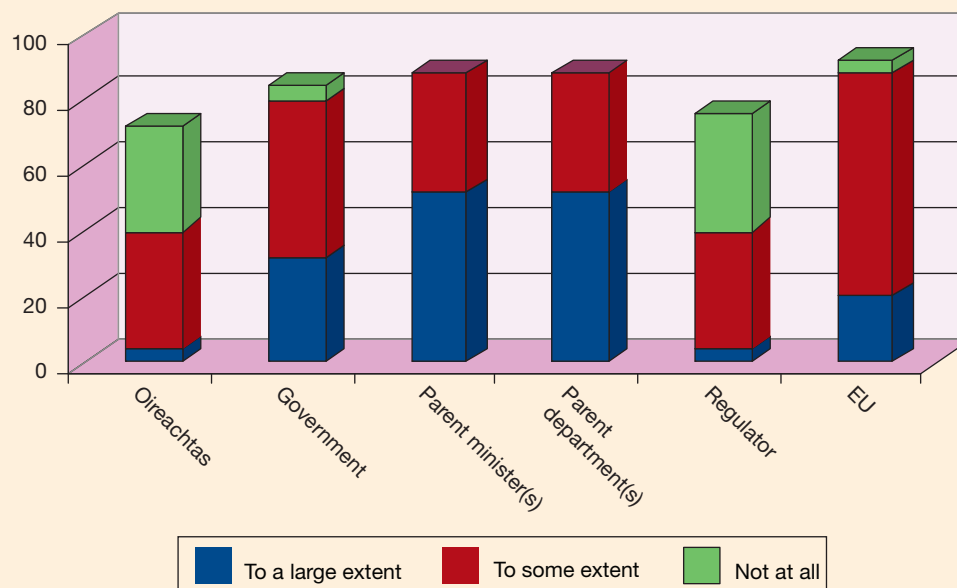
⁷² Enterprise Strategy Group *Ahead of the Curve* (Dublin: Forfás, 2004), p. 21

⁷³ European Union *Vademecum Community Rules on State Aid* (European Commission, 2007), p. 4

⁷⁴ In the early decades of the state, parliamentary oversight of the commercial state enterprises was weak (see Chubb, B. ‘Public Control of Public Enterprise’ in *Administration* Vol. 2(1), 1954, pp. 21–32 and Scully, M. ‘Oireachtas Control of Public Corporations’ in *Administration* Vol. 2(1), 1954, pp. 33–42

⁷⁵ Chubb, B. ‘Public Control of Public Enterprise’ in *Administration* Vol. 2(1), 1954, p. 24 (21–32)

Fig. 4.2 Extent of influence of the following on current mandate and strategic direction (%)



commercial activities'. O'Nuallain reported that it had the power to send for persons, papers and records and to engage consultants⁷⁶ (the first committee to do so). However, as Chubb identified, these reports were discussed in the Dáil and Seanad infrequently, and normally when they contained 'revelations' or suggestions of poor performance.⁷⁷ The work of the Committee ceased prior to the general election of 1981, and it was not reconstituted until October 1983, albeit with an expanded role to 'undertake a more general study of the common problems of State enterprises'.⁷⁸

A range of views was expressed concerning the success or otherwise of the Committee during its existence. Barrington noted its inability to secure information relating to the collapse of one enterprise (Irish Shipping Ltd) from the parent departments or the board of the enterprise itself.⁷⁹ Work by Arkins, however, suggests that the ability of the Committee to raise publicly matters pertaining to the performance of the enterprises had an impact on those same matters.⁸⁰ Bristow notes that while the Committee did not influence the policies pursued by the enterprises (this was not its role), it did allow for outside expertise (such as economists) to be engaged to examine the work of the enterprises; it exposed members of their boards

to public cross-examination; and it improved the knowledge-base of parliamentarians concerning the work of the enterprises.⁸¹ The Committee continued until 1997 (though, in 1996, it dropped the 'commercial' in its title to become the 'Joint Committee on State-Sponsored Bodies'), when a Joint Committee on Public Enterprise and Transport was established which assumed its role. The joint committee ceased after the 2002 general election and parliamentary oversight of state enterprises is now distributed between the various sectoral committees.

4.6 Privatisation, divestiture, liberalisation and regulation

As noted above, for much of the twentieth century, ministerial departments held responsibility for setting sectoral policy, performing ownership functions (such as appointing boards), and carrying out regulatory functions for state-owned enterprises. In the last decades of the century, however, the performance of the latter two functions – ownership and regulation – have been subject to fundamental change.

A criticism frequently levelled at state-owned enterprises is that government ownership is

⁷⁶ O'Nuallain, C. (1987). op.cit., p. 38

⁷⁷ Chubb, B. (1992) op. cit., p. 260

⁷⁸ Government of Ireland *White Paper on Industrial Policy* (1984) op. cit., p. 37

⁷⁹ Barrington, T. J. (1985) op. cit., p. 295

⁸⁰ Arkins, A. 'The Committees of the 24th Oireachtas' in *Irish Political Studies* Vol. 3, 1988, p. 97

⁸¹ Bristow, J. A. 'State-sponsored bodies' in *Administration* Vol. 30 (2/3), pp. 172–3

inimical to optimal performance. This line of argument proposes that managers and workers do not seek to maximise profits or control costs, as the threat of closure or loss of control to outside investors is low.⁸² This is one of the most common reasons for complete or partial *privatisation* of state-owned enterprises. Drawing on work by the OECD⁸³ and others, Palcic and Reeves note that there are several other reasons why state enterprises are privatised:

- 1) Privatisation is assumed to lead to greater economic efficiency as public ownership runs the risk of political involvement in management, budgetary constraints and an absence of competitive market conditions. It is proposed that full exposure to market competition and discipline will lead to organisational reforms to enhance efficiency.
- 2) Changes in certain markets due to technology have made state monopolies on certain goods and services obsolete. The EU has been a strong advocate of deregulation and liberalisation of certain sectors in member states, such as telecommunications and other utilities.⁸⁴
- 3) The sale of state enterprises can help reduce government debt and remove the risk of future capital injections into those that are loss-making.
- 4) The sale of enterprises can help stimulate domestic capital markets.⁸⁵

The sale of a state enterprise also provides an injection of funds to the exchequer, though it means the potential loss of annual dividends from the firm in question. Country-specific factors may also come into play. For example, Sweeney argues that in the case of the UK, privatisations helped the government to curb the power of public sector unions as well as spreading share ownership wider.⁸⁶

Whatever the motivating factor, privatisation involves changing the complete or majority

ownership of an enterprise from public to private control. Many OECD countries have adopted aggressive privatisation policies since the late 1970s. During the 1980s, the UK sold many of its state-owned enterprises, as did New Zealand. Large-scale privatisation programmes in some EU states during the 1980s and 1990s reduced government control and moved many state-owned enterprises into the private sector. In part, the shortcomings exposed in state ownership as a result of technological and social advances provided a stimulus for privatisation in developed economies. Fiscal pressures provided another. Yet another was the increasing tension between ministries formulating and performing regulatory and other social policies.⁸⁷

In Ireland, as Palcic and Reeves identify, privatisation of state-owned enterprises has been a consequence less of ideology than of pragmatism. (This is also true of the sale of subsidiary companies owned by state enterprises which were sold as part of normal asset management.) It has also resulted in governments granting large share ownerships to workers and thus foregoing the equivalent revenues.

Table 4.1 Privatisations in Ireland

| Enterprise | Year of privatisation ⁸⁸ |
|----------------------------------|-------------------------------------|
| Irish Sugar Company | 1991 |
| Irish Life Assurance | 1991 |
| B&I Shipping | 1992 |
| Irish Steel | 1994 |
| Eircom | 1999 |
| ACC Bank | 2001 |
| ICC Bank | 2001 |
| Irish National Petroleum Company | 2001 |
| TSB Bank | 2001 |

They also note that while Ireland was a comparative latecomer to the ‘wave’ of privatisations that occurred within the OECD, the evidence that privatisation improved the performance of many

⁸² Lane, P. R. ‘The role of the state’ in O’Hagan, J. W. (ed.) *The Economy of Ireland: Policy and Performance of a European Region* (8th edn) (Dublin: Gill and Macmillan, 2000), p. 93

⁸³ OECD *Privatising State-Owned Enterprises: An Overview of Policies and Practices in OECD Countries* (Paris: OECD, 2003)

⁸⁴ Article 92 of the founding Treaty of Rome stated that ‘Save as otherwise provided in this Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market.’

⁸⁵ Palcic, D. and Reeves, E. *Privatisation and Productivity Performance in Ireland* in Aylward, C. and O’Toole, R. (eds), *Perspectives on Irish Productivity* (Dublin: Forfás, 2007)

⁸⁶ Sweeney, P. (1990) op. cit., p. 106

⁸⁷ Córdova-Novion, C. and Hanlon, D. ‘Regulatory Governance: Improving the Institutional Basis for Sectoral Regulators’ in *OECD Journal on Budgeting* Vol. 2(3), 2002, p. 65

former state-owned enterprises is not conclusive.⁸⁹ For example, Irish Steel went into liquidation following its privatisation. Sweeney argues that following privatisations of state companies in Ireland and Britain with a view to provision of cheaper services, prices have in fact risen and the state has lost its influence in various sectors of the market.⁹⁰ Also, the demands on the state in providing a coherent regulatory environment in which former enterprises can operate and compete have proven to be considerable.

As Lane identifies, the privatisation of a monopoly producer also requires ancillary efforts to establish an effective regulatory regime and a vigorous competition policy. Without these safeguards, the social gains to privatisation will be sharply diminished and may even prove to be detrimental.⁸⁸ In order to create competition and ensure that pre-existing national monopolies do not deter others from competing with them, measures are introduced to the marketplace by government. This process is known as *liberalisation*. For example, following a liberalisation of the market, the state's shareholding interest in the monopoly telecommunications provider Telecom Éireann/Eircom was diluted (and eventually divested) by public flotation of its shares in 1999. *Divestiture* is a form of privatisation. Divesting involves the sale of a company (or part of a company) which is not considered to be performing well or which may perform better under a different ownership structure.

One of the principal roles of the state is to protect the public interest from cartels and monopolies. However, many state-owned enterprises enjoy monopoly status – reflecting a view that monopolies provided for economies of scale and therefore low prices, and that any profits from such enterprises could be used to further develop the services offered or to boost the exchequer. However, such justifications came under pressure during the latter decades of the twentieth century as not only was it not possible to test them (against alternative ownership models), but it was argued that they were hindering the realisation of benefits to the

consumer and the development of private enterprise. Instead, the *independent regulation* of enterprise according to various economic (and increasingly social) criteria has become the norm in developed states.

Regulation involves the restriction of an actor's choice of activity by another entity that is not directly involved or party to that activity. The most common justification for regulation is that it purports to maximise efficiency in monopoly markets. Other reasons for regulation include addressing market failure, dealing with information asymmetries and helping to address market transition.⁹²

Since 1990, several network industries – energy and communications being the best-known examples – have been subjected to new conditions and economic regulations that have altered the market environment in which they operate. In considerable part, the EU has played a role in the liberalisation of these markets. Furthermore, new bodies have been established to perform these regulatory functions and to monitor and ensure that these sectors of the economy operate in a manner which, it is believed, delivers improved outcomes and value for consumers. Such independent regulators also offer to potential new entrants to markets (that had previously been dominated by a single state-owned operator) assurances that political interference or favouritism will be prohibited. Of course, regulations did exist for the enterprises prior to the creation of independent regulatory bodies – parent departments and ministers retained the right to influence, through a variety of means, commercial and corporate decisions of enterprises under their remit.

However, as the decision to use independent regulators in certain key sectors progressed to action, the then Department of Public Enterprise (which had responsibility for electricity, gas, aviation and telecommunications) published proposals concerned with balancing governance and accountability in the process of establishing regulators.⁹³ Recognising the need for proactive measures to develop competitive markets for

⁸⁸ Palcic and Reeves (2004). These privatisations represent a combination of sales to other companies, as well as to the public through flotation on the stock exchange.

⁸⁹ Sweeney, P. (2004) op. cit., pp. 46–56

⁹⁰ Ibid., p. 6

⁹¹ Lane, P. 'Role of Government: Rationale, Levels and Size' in O'Hagan, J. and Newman, C. *The Economy of Ireland: National and Sectoral Policy Issues* pp. 29–47

⁹² Córdova-Novion, C. and Hanlon, D. (2002) op. cit., p. 61

utilities, the proposals recommended the use of sectoral (rather than industry-specific or supra-sectoral) regulators, comprising three persons who would be appointed by the Minister.

Within the past decade, a number of new regulators have been created – these include regulators for energy (Commission for Energy Regulation since 1999), the telecommunications sector (Commission for Communications Regulation since 2002⁹⁴) and aviation (Commission for Aviation Regulation since 2001). In general, the costs of regulation have shifted from the state to the respective industry, which is charged a levy to fund the work of its regulator. Also, the Competition

Authority, established in 1991, performs regulatory functions across many sectors of the economy. The Voluntary Health Insurance company is due to come within the remit of the Financial Regulator in 2009. At time of writing, plans were also under way to devolve some of the Department of Transport's regulatory functions in relation to bus and rail to an independent body, via the Dublin Transport Authority Bill. As well as economic regulation, some departments perform safety regulation functions. However, there have also been several independent bodies established to perform these functions, such as the Railway Safety Commission.

⁹³ Department of Public Enterprise *Governance and Accountability in the Regulatory Process: Policy Proposals* (Dublin: Department of Public Enterprise, 2000)

⁹⁴ The Commission had been preceded by the establishment of the Director of Telecommunications Regulation in 1997.

5

Autonomy and accountability of commercial state enterprises in relation to human resources

5.1 Introduction

State-owned enterprises collectively (and often individually) employ large numbers of people. In periods of economic uncertainty, employment within a state enterprise traditionally offered to workers protection from redundancy, as political influence could be used to maintain employment levels. However, as the previous section has noted, contemporary state enterprises are more exposed to market forces than previously. In relation to human resources (HR), the 1980 NESC study-group report on public enterprise noted that ‘it is not necessary, nor is it desirable, that there should be complete uniformity in the conditions of service of public sector staff across the board’. Furthermore, it stated that ‘state-sponsored bodies should have reasonable independence in staff matters; the freedom to decide levels of staffing, to settle all pay levels and conditions of employment, to recruit and dismiss staff and to conduct negotiations with trade unions and staff associations where the need arises’.⁹⁵ This chapter considers the relative freedom afforded to Irish commercial enterprises in relation to several key aspects of HR policy at both the strategic and individual levels.

5.2 Strategic HR autonomy

Of the 25 responding enterprises, the number of staff ranged from 3 to 7,800 full-time equivalents,⁹⁶ with the average size being 979 employees (and a median figure of 218). However, excluding the outlying largest enterprise, this average drops to 694 employees (and a median figure of 209).

In relation to strategic HR, the enterprises were asked questions concerning their ability to set policy for the following issues without having to seek the approval of their parent department or minister, or a regulator:

- The number of staff employed
- Appointment and selection procedures
- Salary levels
- Conditions for promotion
- Tenure
- Evaluation schemes
- Criteria for dismissal.

The results in Figure 5.1 demonstrate that the vast majority of enterprises enjoyed full discretion in relation to these HR policy matters, with the exception of salary levels. It was noted in interviews that the national pay talks were a very important factor in relation to this issue.

Comparisons between the small, medium and large categories of enterprise reveal little variation in respect of overall strategic autonomy (combining the variables in Figure 5.1 below), though the small and medium-sized enterprises were less likely to have total control over salary levels. Using the matrix described in Appendix 4, we can say that the large enterprises enjoy maximum strategic HR autonomy, while the medium and small enterprises, on average, enjoy very high but not complete levels of such autonomy. While a large degree of autonomy over HR issues exists in most enterprises, interviews suggest that major industrial relations issues (such as strikes) may see parent departments becoming more involved.

Figure 5.2 demonstrates that responsibility for HR management is being devolved to lower levels of management within many of the enterprises, though 16 per cent (mainly enterprises with small staff complements) did reply that it did not happen in their organisation.

5.3 Individual HR autonomy

Turning to the question of HR-related issues for individual members of staff, respondents were

⁹⁵ National Economic and Social Council *Enterprise in the Public Sector* (Report No. 49, 1980), p. 20

⁹⁶ These figures excluded workers employed on a seasonal basis or sub-contracted by the enterprise.

Fig. 5.1 Strategic HR: Ability of enterprises to set policy (%)

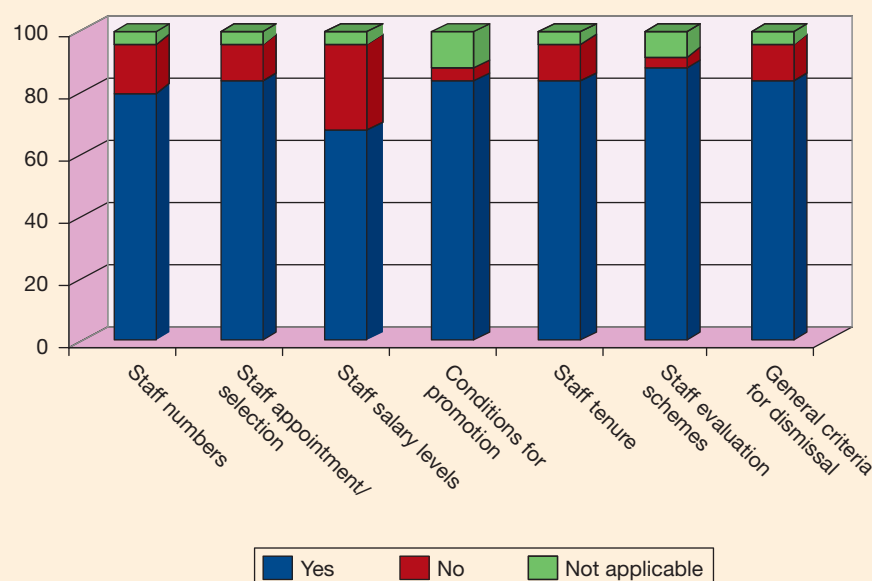
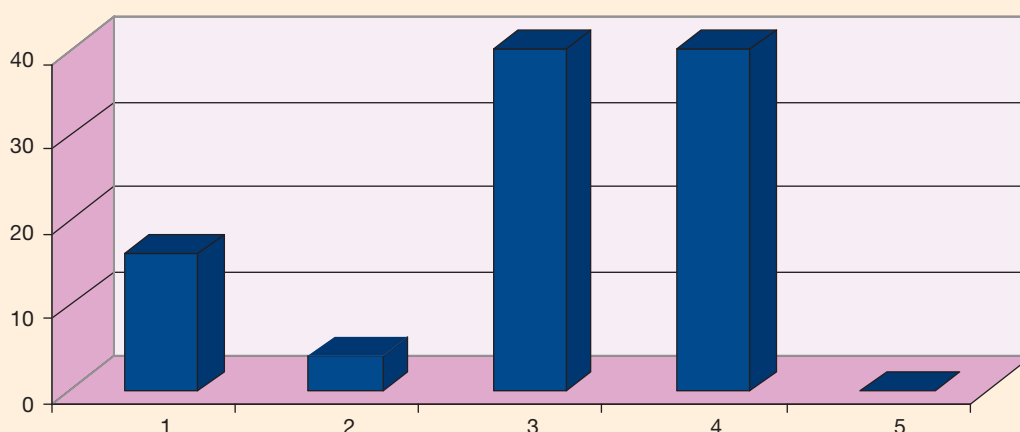


Fig. 5.2 Devolution of HR to lower management (where 1 = 'not at all' and 5 = 'to a large extent') (%)



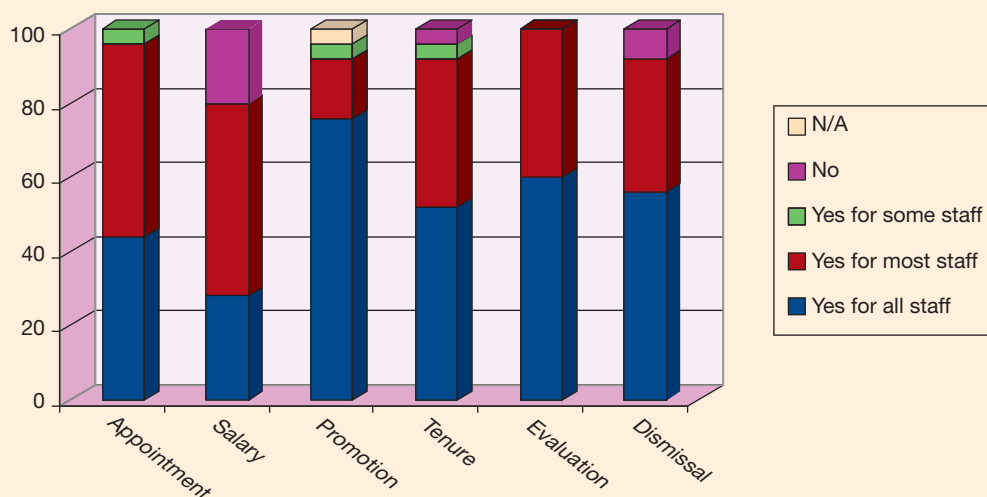
asked a series of questions concerning their ability to make decisions in relation to appointment, salary, promotion, tenure, evaluation and dismissal. Figure 5.3 presents a more mixed picture than was the case for strategic HR policy.

The majority of enterprises have full autonomy over the issue of promotion. In relation to evaluation, tenure, dismissal and appointments, a large number of responses indicated that discretion to decide on these issues was not organisation-wide and instead was applied to most, but not all, staff. As was the case for strategic HR matters, the issue over which the least number of enterprises had full autonomy was the setting of individual salary

levels, with one-fifth of those surveyed claiming to have no role in relation to this function. Several of the older enterprises, including the Electricity Supply Board and Córas Iompar Éireann, have statutory power under their founding legislation to determine staff remuneration.

Using the matrix for determining general HR autonomy for individual staff (see Appendix 4), the responses reveal that no category of small, medium or large enterprises enjoys maximum autonomy for individual HR issues. Instead, all fall into the category of 'high' levels of such autonomy, with small enterprises bordering on the category of 'moderate' autonomy.

Fig. 5.3 Individual HR: Ability of enterprises to set policy



| Group of enterprises | Strategic HR autonomy | HR autonomy for individual staff |
|----------------------|-----------------------|----------------------------------|
| Small | High | High |
| Medium | High | High |
| Large | Maximum | High |

As Figure 5.4 below indicates, performance-related pay is not uncommon across the range of

commercial enterprises responding to the survey, and is used 'to a large extent' in a minority of cases (8 per cent). However, over a third (36 per cent) of enterprises did not use it at all.

When the responses are broken down by size, it is clear that performance-related pay is less likely to occur in small and medium enterprises than it is in large enterprises (see Figure 5.5).

Fig. 5.4 Use of performance-related pay (where 1 = 'not at all' and 5 = 'to a large extent') (%)

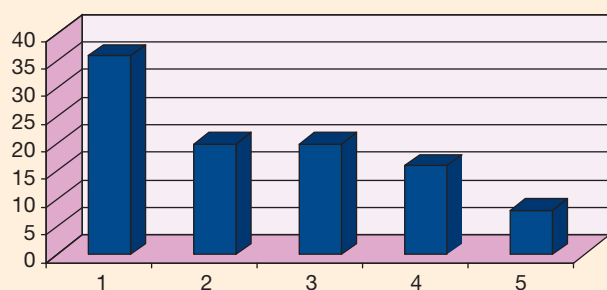
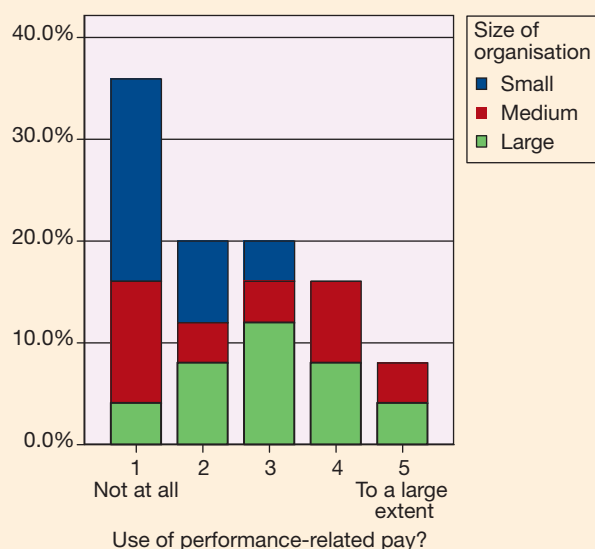


Fig. 5.5 Use of performance-related pay: size of enterprises



6

Autonomy and accountability of commercial state enterprises in relation to financial management

6.1 Introduction

For private enterprises, profitability provides the key indicator of efficiency. For state-owned enterprises, profitability is an insufficient indicator, given that many such enterprises are not created to maximise profits and, as already identified, perform non-profitable tasks. In this section, the sources of funding for state-owned enterprises are examined, as are the means of holding them to account for their financial performance.

6.2 Sources of funding

Government investment in state enterprises was traditionally justified on the grounds of their role as instruments for national development. Today, aside from subsidising uneconomic services, such

investment is largely prohibited by EU-inspired anti-competition legislation.⁹⁷ Furthermore, not all commercial enterprises generate the majority of their revenue from their activities, particularly those more recently established enterprises that depend on the state for funding their initial infrastructural investments.

As Table 6.1 below shows, 72 per cent of enterprises identified ‘fees, service charges and/or billed income’ as their primary source of revenue. Indeed, of the total responses (n=25), over a quarter (28 per cent) of enterprises derive their income solely from these sources. A further quarter (24 per cent) also supplement this with rental income. Another 12 per cent of responding enterprises also rely on government subsidies, while licence and membership fees top up the income of a further

Table 6.1 Primary and secondary sources of income (%)

| Secondary sources → Primary sources ↓ | No secondary source of income | Fees/ Service charges/ Billed income | Rental income | Direct budget allocation from government | Government subsidies | Transfers from other government budgets | EU funding/ subsidies | Membership/ licence fees | Other |
|--|--|--|------------------|--|-------------------------|---|-----------------------------|--------------------------------|-------|
| Fees/Service charges/ Billed income | 28 | | 24 | | 12 | | | 8 | |
| Rental income | 4 | 4 | | | | | | | |
| Direct budget allocation from government | | 8 | | | | | | | 4 |
| Government subsidies | | | 4 | | | | | | |
| Transfers from other government budgets | | | | | | | | | |
| EU funding / subsidies | | | | | | | | | |
| Membership / licence fees | | | | | | | | | |
| Other | 4 | | | | | | | | |

⁹⁷ Exceptions to this include CIÉ, which receives an annual state subsidy determined within EU rules.

8 per cent. A small number of enterprises (12 per cent) identified other sources of primary income such as rental income, sponsorship and retail activities. However, a slightly larger number (16 per cent) rely on direct budgetary allocation from government or subsidies as their primary source of income.

In terms of the percentage of the enterprises' annual budget that is derived from 'traded goods and services', Figure 6.1 shows that two-thirds (67 per cent) derive over 90 per cent of their income from this source. In fact, 88 per cent of total respondents indicated that at least half of their income is derived in such a manner. For the remainder, the nature of their activities determines that their annual budget currently relies on other

sources of revenue, such as budget allocations from the state. Also, only 16 per cent of enterprises reported paying an annual dividend to government. This reflects a situation identified by Sweeney whereby state enterprises can retain their profits for reinvestment.⁹⁸

In terms of setting charges for services provided, a key characteristic of commercial freedom, Figure 6.2 identifies that only 56 per cent claimed to have full autonomy to do so. A further 36 per cent can set charges only with the approval of their parent department or another body, while a smaller group (8 per cent) must defer to another body completely in relation to charges. For this latter group, such bodies would include regulators.⁹⁹

Fig. 6.1 Percentage of annual budget derived from traded goods and services (%)

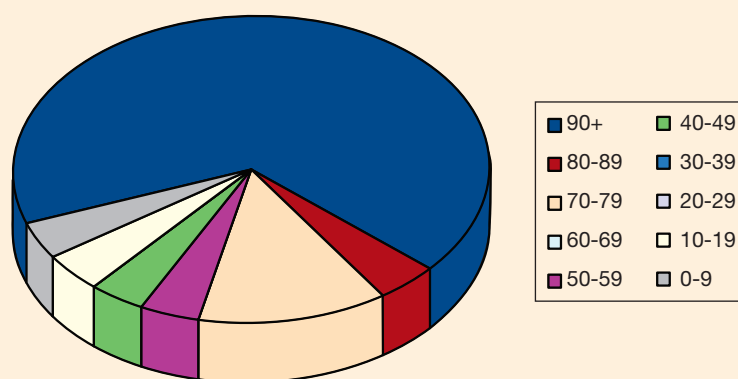
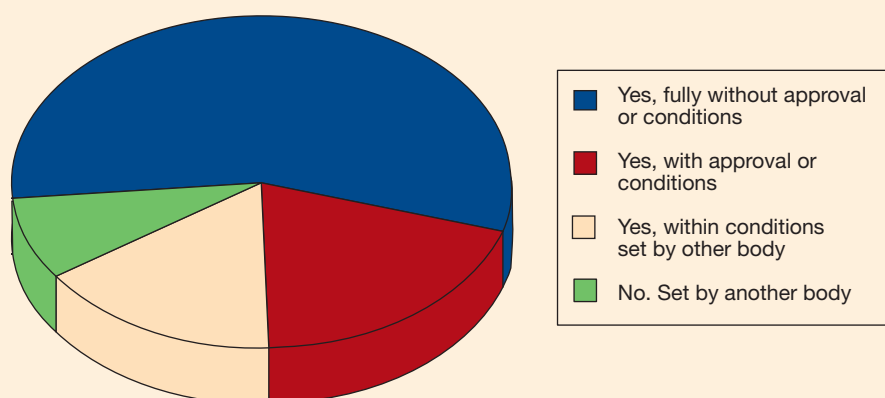


Fig. 6.2 Can the enterprise set charges for services?



⁹⁸ Sweeney, P. *Selling Out: Privatisation in Ireland* (Dublin: TASC/New Island, 2004), p. 32

⁹⁹ Although regulators was offered as an option for this question, it was not selected by any enterprises. However, interviews indicate that for some enterprises, regulators determine the charges.

The financial performance of some enterprises is specifically referred to in legislation. For example, the 1927 Electricity (Supply) Act required the ESB to break even, and both CIÉ and Bord na Móna are similarly required by law not to incur losses.

6.2.1 Expenditure, assets and liabilities

The enterprises were also questioned about their current and capital expenditure, as well as the value of their assets and liabilities. One organisation was a significant outlier in terms of its comparatively large size, and an analysis of findings is presented in Table 6.2 which contrasts results by including and excluding this organisation. The survey results reveal that for the responding organisations (n=24), the average level of *current expenditure* for 2006 was over €221 million. This ranged from just over €100,000 to €3 billion. However, when the outlying organisation is removed, this average drops to approximately €100 million, with the range between €100,000 and €387 million.

Similarly, for capital expenditure, the average for each enterprise is €72 million. However, some organisations claimed to have no capital expenditure, while the largest organisation had approximately €1 billion. Excluding this organisation, the largest capital expenditure in 2006 was for €150 million and the average falls to €33 million.

Turning to assets, the average was €424 million, ranging from those enterprises that claimed not to own any to the larger enterprise that held assets of €7 billion. Excluding this outlier meant that the largest asset holder was an organisation with €1,150 million, and the average asset held fell to €150 million. Finally, average liabilities stood at €508 million but fell to €318 million when the largest enterprise, with liabilities of €4,500 million, was excluded.

6.2.2 Borrowing

For many state-owned enterprises, the limit at which they can borrow money to fund their activities without approval from the Department of Finance is set out in legislation. To exceed this limit, the approval of their parent department and the Department of Finance is necessary. Alternatively, the relevant legislation must be changed.¹⁰⁰ Major borrowing decisions will normally also require political approval or even the assent of the Cabinet before they can be initiated. EU legislation determines that national governments no longer guarantee loans taken out by state-owned enterprises, a practice that was common in Ireland as recently as the early 1990s. In the case of the subsidiary companies of CIÉ, money is borrowed on their behalf by CIÉ itself.

6.3 Financial autonomy

The 1980 NESC study-group report on enterprise in the public sector proposed that,

A state-sponsored body in the commercial sector, operating along commercial lines, should be given freedom to manage its own financial affairs as a private company does. It should be free to borrow on overdraft or on longer term arrangements or to issue debentures to the extent that it can do so on the strength of its assets, financial position and future prospects without the support of a guarantee or letter of comfort from the State. There should be no obligation to seek the prior approval of the relevant Minister or the Minister for Finance. The body should be free to undertake any new capital development within its sphere of responsibility if it can be financed without either recourse to the Exchequer or a State guarantee.¹⁰¹

Table 6.2 Enterprise finances (€m)

| | Mean | Mean minus single outlier organisation | Lower range | Upper range | Upper minus single outlier organisation |
|---------------------|------|--|-------------|-------------|---|
| Current expenditure | 221 | 100 | 0.1 | 3,000 | 387 |
| Capital expenditure | 72 | 33 | 0 | 1,000 | 150 |
| Assets | 424 | 150 | 0 | 7,000 | 1,150 |
| Liabilities | 508 | 318 | 0 | 4,500 | 3,081 |

¹⁰⁰ For example, the new Harbours Bill published in 2008 contained provisions to facilitate greater flexibility for port companies to borrow in order to fund additional port capacity.

¹⁰¹ National Economic and Social Forum *Enterprise in the Public Sector* (Report No. 49, 1980), pp. 21–2

However, interviews identify that in practice any major investments require approval from an enterprise's parent department as well as the Department of Finance. This was also evident from the survey responses. The enterprises were asked a number of questions in relation to their financial autonomy from parent department and other bodies (including regulators). As Figure 6.3 below identifies, most enterprises are required to seek approval from their parent department when taking out loans and establishing subsidiaries. Considerably more discretion exists for enterprises in relation to their internal allocation of resources between functional areas, and, to a lesser extent, in relation to moving budgets between years. Approximately a third of the enterprises stated that they cannot shift budgets between years.

When the matrix for assessing financial

autonomy is applied to the various categories of enterprise (small, medium and large), the results suggest that small enterprises have the greatest levels of autonomy, with medium and large enterprises having moderate autonomy.¹⁰² The data also revealed that older enterprises tend to have greater levels of financial autonomy than those established more recently.

| Category of enterprise | Level of financial autonomy |
|------------------------|-----------------------------|
| Small | High |
| Medium | Moderate |
| Large | Moderate |

The principal variables determining a lack of financial autonomy include the relative inability of some enterprises to shift their budgets by year, and also to determine charges for their services independently.

Fig. 6.3 Financial autonomy of commercial enterprises

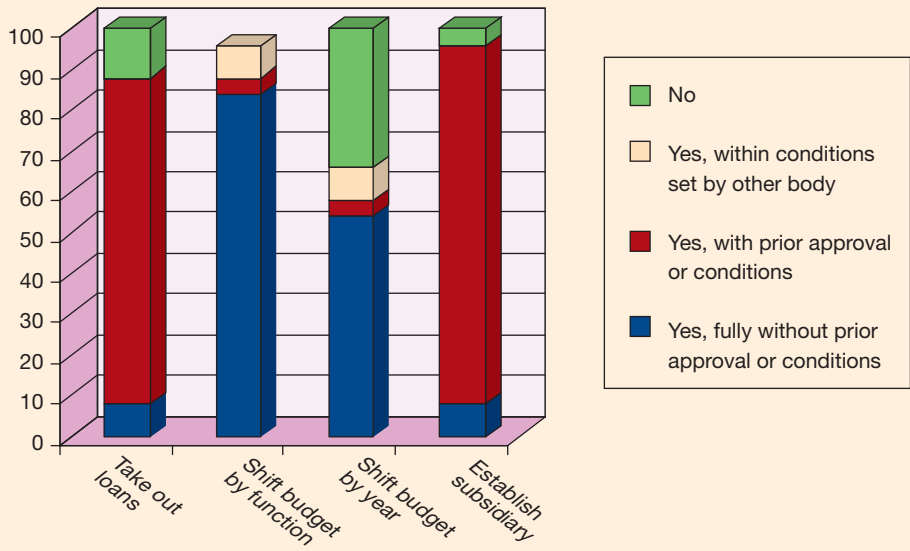
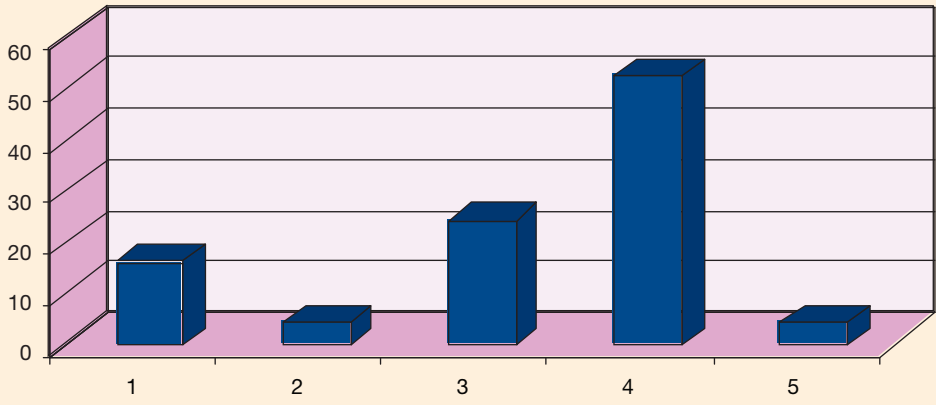


Fig. 6.4 Devolution of financial autonomy to lower management (where 1 = 'not at all' and 5 = 'to a large extent') (%)



¹⁰² Note: Large enterprises come very close to having a high level of financial autonomy.

The extent to which general financial autonomy has been devolved to lower management levels within the enterprises is detailed in Figure 6.4.

As might be expected, closer examination reveals that such devolution is more likely to occur within medium and large-sized enterprises than those with a smaller number of personnel.

6.4 Financial audit

In 1992, the Department of Finance issued guidelines to all state-owned commercial enterprises requiring that they have in place adequate internal audit arrangements. A subsequent report on state enterprises, conducted in 1995 by the Department of Transport, Energy and Communications, recommended that Board audit committees include only non-executive board members and should exclude the chairperson. It also recommended that they meet quarterly.¹⁰³

Of the enterprises responding to this survey, 92 per cent stated that their boards had established an audit committee. Approximately half of these audit committees comprise three members, with a further third comprising four members. Only 16 per cent of the audit committees have external (non-board) members (such as independent auditors) on them.

Of those enterprises with audit committees, over three-quarters (78 per cent) have at least one member with audit and accounting expertise, while 83 per cent have at least one member with general management expertise (Figure 6.5). A small number of enterprises also have audit committee members with legal and HR expertise.

As well as the audit committees within boards, 72 per cent of enterprises responded that they had internal audit sections within their enterprises. An analysis of the enterprises according to staff numbers reveals that those organisations without an internal audit section tend to be those with fewer than one hundred employees.

Also, all of the enterprises are audited by an external entity. As Figure 6.7 demonstrates, in three-quarters (76 per cent) of cases this is a private auditing company, while for the remainder it is conducted by another government organisation, such as the Comptroller and Auditor-General.

Fig. 6.6 Does organisation have an audit section?

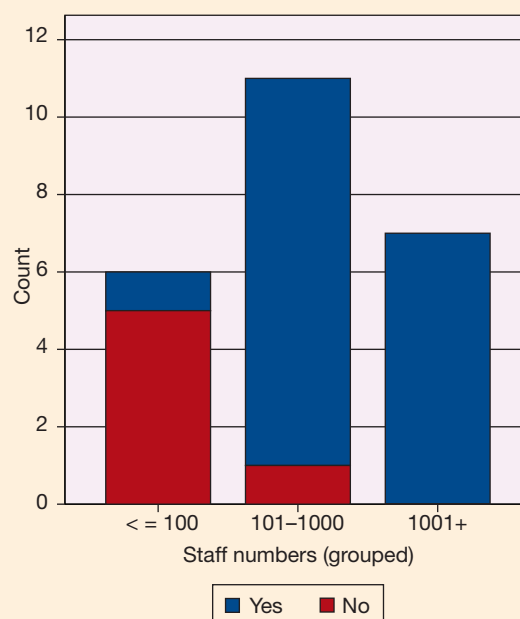
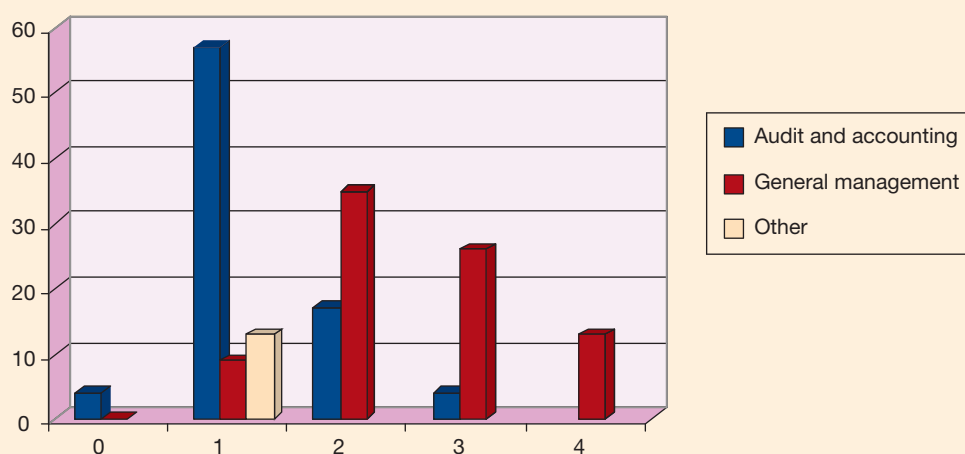


Fig. 6.5 Number of audit committee members with expertise in the following (%) (n = 23)



¹⁰³ Department of Transport, Energy and Communications *Report of the Task Force established to review the controls in the commercial state companies operating under the aegis of the Minister for Transport, Energy and Communications* (Dublin: Government of Ireland, 1995), p. 39

In terms of what is actually audited, Figure 6.8 identifies that the vast majority of enterprises have their financial results, legality and compliance, and internal control systems audited. There is less emphasis on organisational results in the audit process.

Apart from routine audits, over a third (36 per cent) of enterprises also carried out ad-hoc audits. However, the majority of those that did such an audit carried it out internally, as Figure 6.9 identifies.

Fig. 6.7 Who conducts annual audit? (%)

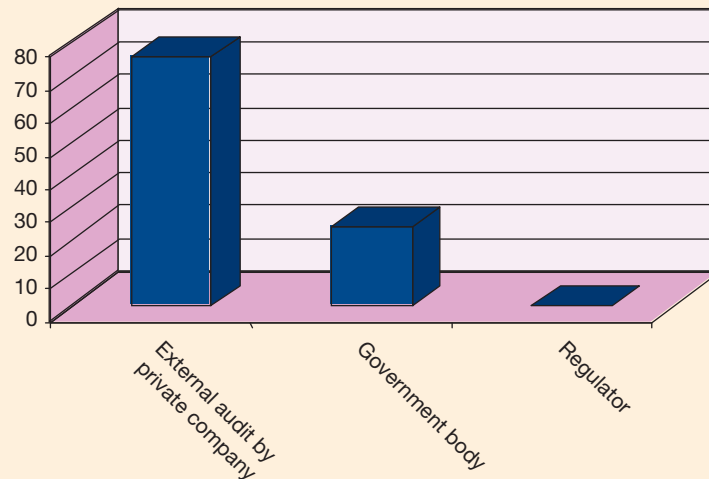


Fig. 6.8 What is considered in the internal or external audit process? (%)

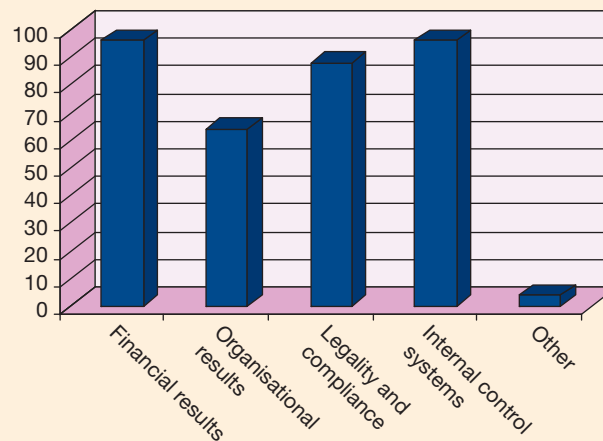
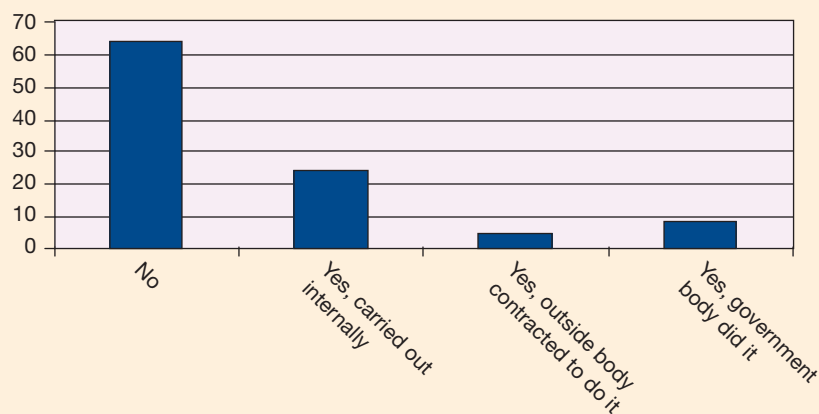


Fig. 6.9 Has organisation carried out an ad-hoc audit? (%)



Policy autonomy and accountability of commercial state enterprises

7.1 Introduction

The 1980 NESC report on public enterprise records the competing views between two schools of thought in relation to public enterprise that still resonate today. One school advocates the necessity for state enterprises to have the freedom to develop new activities, seek new ways of financing projects, and hire or fire staff as necessary. The other school argues that while maximising the commercial freedoms available to public enterprises is important, some controls are necessary in order that they do not compromise general government policy.¹⁰⁴ It is particularly pertinent in the context of managing public sector pay, where granting state enterprises the complete freedom to increase levels of remuneration could have consequences for other sectors of the economy.

In this chapter, the performance of non-commercial tasks by state-owned enterprises is considered and the general policy autonomy of enterprises is assessed. Also, the means by which the enterprises report on their strategies and work are examined, as is how these results are evaluated. Considerable attention is given to the use of performance indicators in this respect, and the use of rewards and sanctions based on performance is also interrogated.

7.2 Non-commercial tasks

A consistent theme in the analysis of state-owned enterprises is the extent to which they are, in practice, free of government or political involvement in operational and management matters. In extreme cases, such involvement can include, for

example, a government dissolving a board and assuming direct control of an enterprise, or even diverting funds from the organisation for its own use. While there is no evidence of this in Ireland, complete independence from government and political necessity has not always been enjoyed by commercial enterprises.

In his analysis of ‘state-sponsored bodies’, Chubb notes how commercial enterprises often had to engage in policies for social rather than economic reasons. He cites the examples of the rural electrification programme of the ESB and its use of peat as a fuel to make electricity as policies decided by government to be ‘in the national interest’. Similarly, he notes how An Post’s efforts at maximising profits were compromised in 1991 by the government refusing to allow the closure of rural post offices.¹⁰⁵ Sweeney identifies cases where state enterprises were instructed by governments to perform certain tasks that would otherwise be commercially unwarranted, such as maintaining an unprofitable plant in order to secure employment.¹⁰⁶ For example, in 1984, Bord Gáis Éireann was instructed by government to take over the loss-making Dublin Gas.¹⁰⁷ Sweeney proposes other cases in which decisions by ministers have had what he terms as negative consequences for the commercial effectiveness of state-owned enterprises.¹⁰⁸

State enterprises can be directed to achieve certain social and environmental objectives in line with national priorities set by government (or parliament). Survey respondents were asked if, in addition to their commercial role, they were required to fulfil certain non-commercial objectives. Of those enterprises that responded,

¹⁰⁴ National Economic and Social Council *Enterprise in the Public Sector* (Report No. 49, 1980), pp. 72–6

¹⁰⁵ Chubb, B. *The Government and Politics of Ireland* (3rd edn) (Harlow: Longman, 1992), p. 248

¹⁰⁶ Sweeney, P. ‘Public Enterprise in Ireland: A Statistical Description and Analysis’ in *Journal of the Statistical and Social Inquiry Society of Ireland* Vol. XXVI, Part II, 1990, p. 101

¹⁰⁷ The Cork, Waterford, Clonmel and Limerick Gas Companies were also eventually taken over by Bord Gáis.

¹⁰⁸ Sweeney, P. *Selling Out: Privatisation in Ireland* (Dublin: TASC/New Island, 2004), pp. 102–5

- 36 per cent have ‘public service obligations’
- 20 per cent are required to achieve certain environmental objectives
- 28 per cent must demonstrate corporate social responsibility.

In all three cases, larger enterprises were more likely than small or medium-sized enterprises to have to fulfil these obligations. As Figure 7.1 identifies, for almost half of responding enterprises (47 per cent), the source of their requirement to fulfil non-commercial or social objectives was primary legislation. For 12 per cent it emerged from their memoranda and articles of association. Responses to the ‘other’ category included strategy statements and public expectation. Interviews suggest that the establishment of what constitutes ‘public service obligations’ tends to rest with the sectoral department rather than the Department of Finance. Also, state enterprises normally receive subsidies from the Exchequer for the performance of the non-commercial tasks.

7.3 Deciding on target groups and policy instruments

The enterprises were also surveyed about the manner in which they decided on the target groups for their activities, as well as who determined the policy instruments used in the delivery of their functions. Such policy instruments could include, for example, sub-contracting, engaging in public-private partnerships or providing subsidies. The responses as outlined in Figure 7.2 identify that

while many enterprises have freedom to decide on target groups and policy instruments themselves (44 per cent and 36 per cent respectively), a large number must first consult with their parent department/minister, or are bound by restrictions set by the department/minister. A small number must also adhere to restrictions set by a regulator. Also, in relation to target groups, 12 per cent of enterprises stated that the minister decided who such groups should be for the work of the enterprise.

Combining these results using the matrix for policy autonomy as detailed in Appendix 4, the categorisation of responding organisations according to size reveals the following levels of policy autonomy:

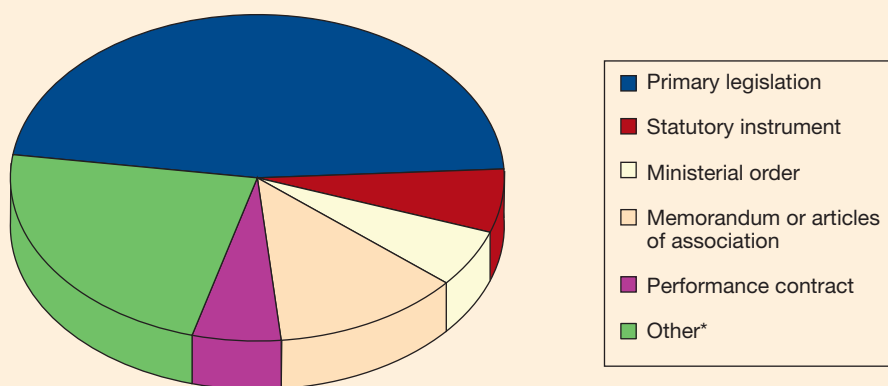
| Category of enterprise | Level of policy autonomy |
|------------------------|--------------------------|
| Small | High |
| Medium | Moderate |
| Large | High |

Interestingly, when this information was correlated with the age of the enterprises, the data revealed that enterprises established more recently had higher levels of policy autonomy than the more established ones.

7.4 Types of strategy document

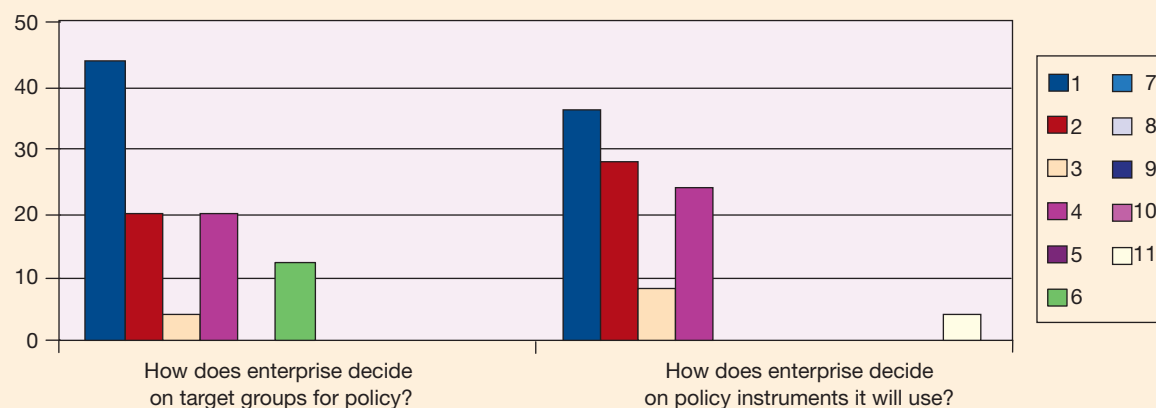
All responding enterprises produce annual business plans and are obliged by law to produce corporate plans. In fact, commercial state enterprises were among the early users of formal planning systems in Ireland.¹⁰⁹ Commenting on the

Fig. 7.1 Source of requirement to fulfil non-commercial tasks (%)



¹⁰⁹ Gibbons, P. T. ‘Corporate Plans and the Control of Commercial State-sponsored Bodies’ in *Administration* Vol. 38(1), 1990, p. 15 (12–23)

Fig. 7.2 Deciding on policy: target groups and instruments



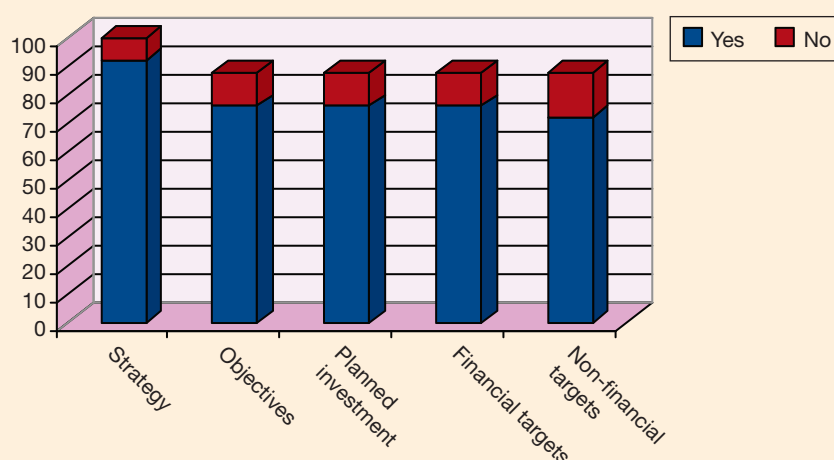
Legend

- 1 Organisation takes most of the decisions itself, Minister/Department/Regulator are not or are only slightly involved in the decision-making process and set few restrictions
- 2 Organisation takes most of the decisions itself, following consultation with the minister/department
- 3 Organisation takes most of the decisions itself, following consultation with the regulator
- 4 Organisation takes most of the decisions itself under conditions or restrictions set by the minister/department
- 5 Organisation takes most of the decisions itself under conditions or restrictions set by the regulator
- 6 The minister/department takes most of the decisions, following consultation with the organisation
- 7 The regulator takes most of the decisions, following consultation with the organisation
- 8 The minister/department takes most of the decisions, independently of the organisation
- 9 The regulator takes most of the decisions, independently of the organisation
- 10 Most of the decisions are set by legislation instead of being taken by the minister/department/regulator or by the organisation itself
- 11 Other

use of corporate plans by commercial state enterprises, Gibbons noted that the corporate planning process was ‘used both to communicate expectations and to serve as a control device on semi-state bodies’.¹¹⁰ Larger state-owned enter-

prises have long experience of preparing corporate plans and using management techniques more generally.¹¹¹ As Figure 7.3 identifies, the majority of commercial enterprises produce documents for government or a regulatory body which detail their

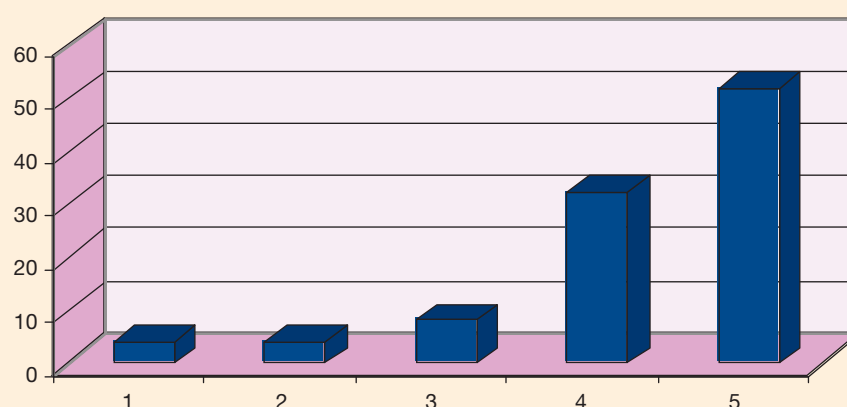
Fig. 7.3 Does a document go to the Minister/Government/Regulator with plans for the following? (%)



¹¹⁰ Ibid., p. 12 (12–23)

¹¹¹ Barrington, T. J. ‘Public Enterprise in Ireland’ in *Annals of Public and Cooperative Economics* Vol. 56(3), 1985, p. 296

Fig. 7.4 Use of multi-annual business plans
(where 1 = 'not at all' and 5 = 'to a large extent') (%)



strategic plans and objectives, planned investment and financial and non-financial targets.

In fact, the use of multi-annual business plans is commonplace among the enterprises, as Figure 7.4 demonstrates.

7.5 Setting goals

The majority of responding state enterprises set their own goals (Figure 7.5), with medium-sized enterprises most likely of all organisations to set these goals in co-operation with their parent department. However, interviews with parent departments identify that these goals are set within policy frameworks established by parent departments, regulators, government or even EU initiatives. For example, the 2005 Ports Policy Statement provides a policy framework for port companies, while the government's Energy Policy

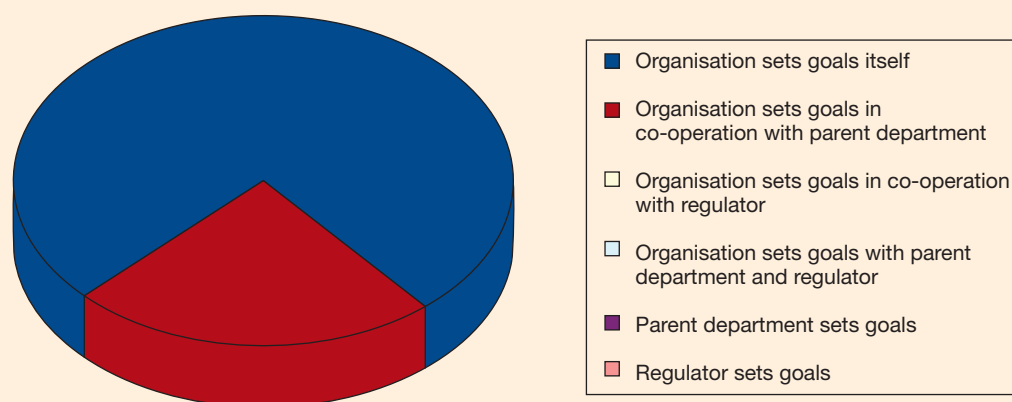
Framework 2007–2020¹¹² has informed the strategies of major state-owned energy companies. Several enterprises also have memoranda of understanding with parent departments.

For 80 per cent of the enterprises, their goals are set in both qualitative and quantitative terms (Figure 7.6). Only in a small number of cases are goals exclusively qualitative or quantitative.

7.6 Reporting on work done

While overall reporting levels are high in relation to reporting on delivery of strategy, objectives, planned investment, financial and non-financial targets, a slight fall-off from the figures detailing reporting on plans (Figure 7.3 above) occurs, particularly in relation to reporting on objectives as Figure 7.7 demonstrates.

Fig. 7.5 Who sets the organisation's goals? (%)



¹¹² *Delivering a Sustainable Energy Future for Ireland*

Fig. 7.6 Are goals set in qualitative or quantitative terms (%)

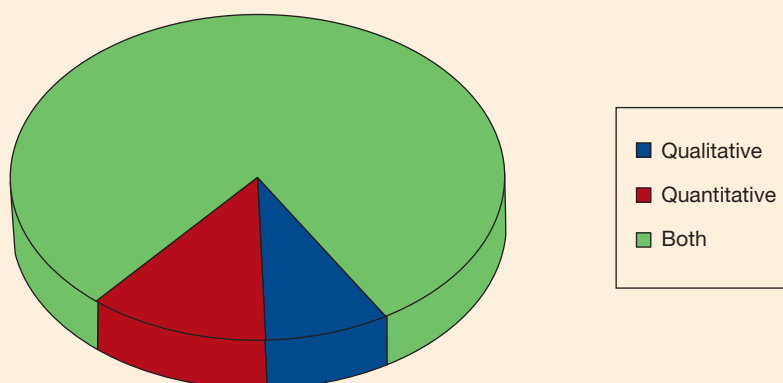


Fig. 7.7 Does a document go to government detailing delivery on the following? (%)

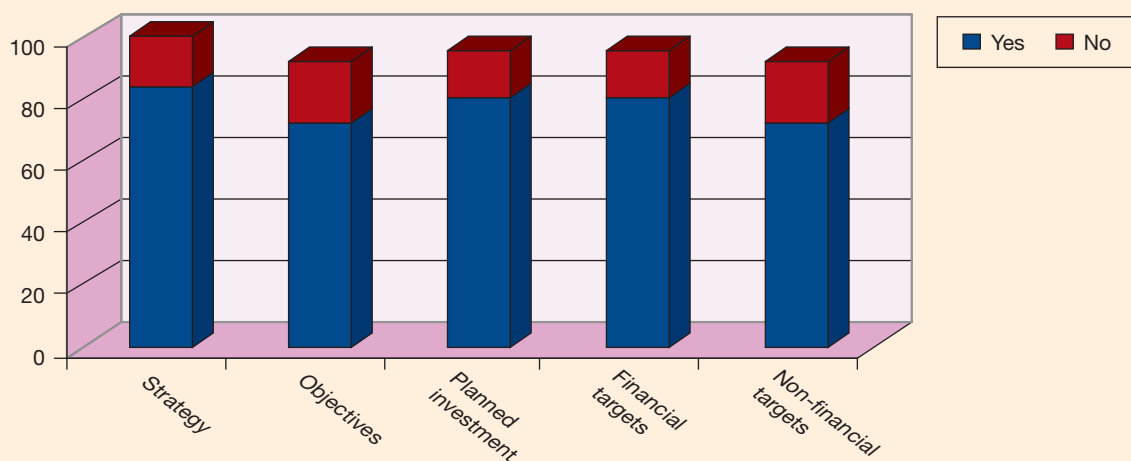
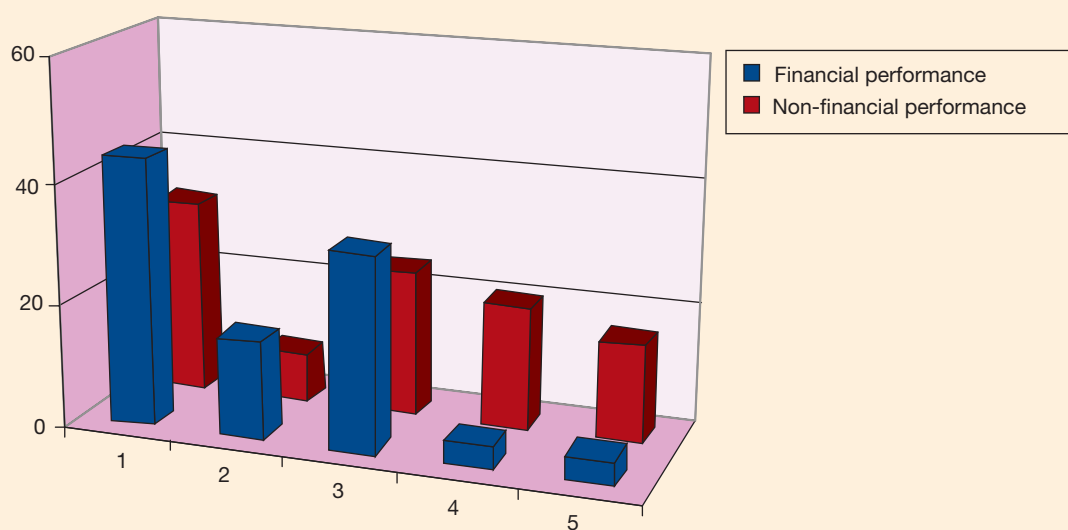


Fig. 7.8 Public reporting of organisation's performance (where 1 = 'not at all' and 5 = 'to a large extent' (%)



Interviews indicate that state enterprises present several different documents to parent departments, including annual corporate plans, annual accounts, interim accounts and audited accounts. Also, approximately a quarter (24 per cent) of the enterprises produce a report on Corporate Social Responsibility.

There is comparatively little public reporting on the financial and non-financial performance of commercial enterprises. Forty-four per cent of respondents noted that their organisation did not report to the public on financial performance at all, while the same was true for 32 per cent of enterprises in respect of non-financial performance.

7.6.1 Performance indicators

Figure 7.9 shows that over three-quarters (76 per cent) of survey respondents (including all of the large enterprises) recorded that the number of indicators they used had increased over the last five years, with a further 16 per cent stating that there

had been no change. Only 4 per cent felt that the number of indicators had declined.

For 37 per cent of the enterprises, indicators form a central part of their reporting relationship with their parent department, while for a further 46 per cent they also form part of this dialogue, though not to the same extent, as Figure 7.10 identifies.

Survey responses also indicate that the use of indicators in the relationship with the parent department varied in the case of the port companies. Forty per cent responded that they were used only 'to a small extent' in this relationship, with a further 40 per cent claiming to use them 'to some extent'. One company used them 'to a large extent' in its relationship with the Department of Transport.

For 83 per cent of the organisations responding to the questionnaire, the indicators they used reflect the full range of activities in their organisation (Figure 7.11).

Fig. 7.9 Change in number of indicators in last five years? (%)

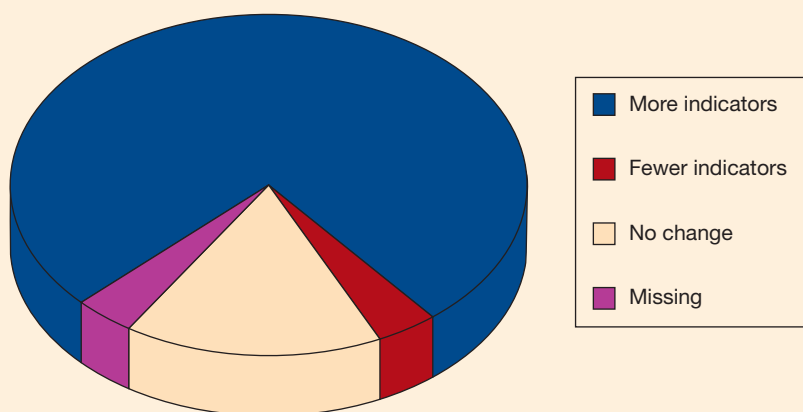
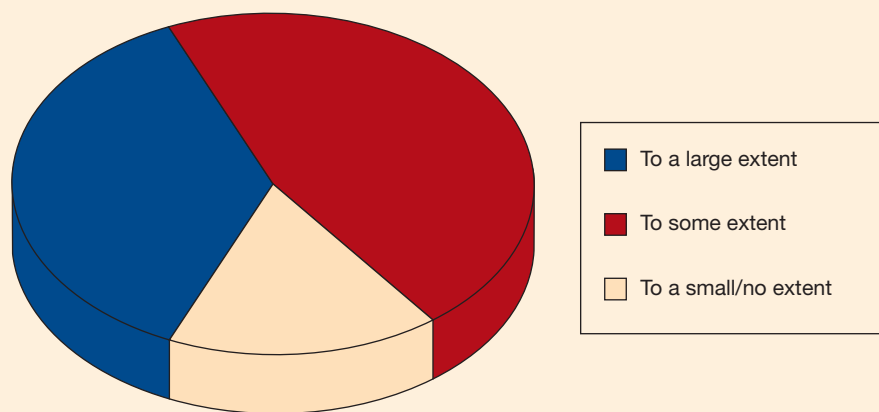


Fig. 7.10 Are indicators used in the relationship between the organisation and the parent body/department? (%)



As Figure 7.12 reveals, the principal issues for which the indicators are used are financial results and profitability. To a slightly lesser extent, they are concerned about the use of resources and the quality of services provided. The indicators are least likely to be concerned with the effects of the various enterprises' activities on the wider economy or society.

7.7 Reporting and evaluating results

In terms of reporting on financial and non-financial results, Figure 7.13 establishes that the most common practice is for organisations in each category to report at least twice a year to their parent body or department. However, approximately a quarter of the enterprises report on these issues at least monthly. No organisations do not report on financial results; however, 15 per cent of organisations do not report on non-financial results.

As examined in Chapter 6, the financial results of the commercial state enterprises are examined by a variety of internal and external audits. In relation to the non-financial aspects of their work, Figure 7.14

illustrates that the most common occurrence is for individual enterprises to evaluate their own performance. In 28 per cent of cases, the non-financial results are evaluated by parent departments as well as by the organisation itself. A very small number of cases responded that the non-financial results for their organisation were evaluated solely by a body other than the organisation itself.

7.8 Rewards and sanctions

As Figure 7.15 below details, only 8 per cent of respondents felt that their organisation was rewarded for achieving good results or reaching targets. However, 48 per cent responded that rewards existed 'to some extent' for their organisation, while the remainder (40 per cent) stated that rewards did not exist.

Where rewards do exist, Figure 7.16 demonstrates that the most common form they take is wage increases or bonuses for senior management and/or for all staff. A less common type of reward involves a greater allocation of resources for the

Fig. 7.11 To what extent do indicators reflect the full range of the organisation's activities? (%)

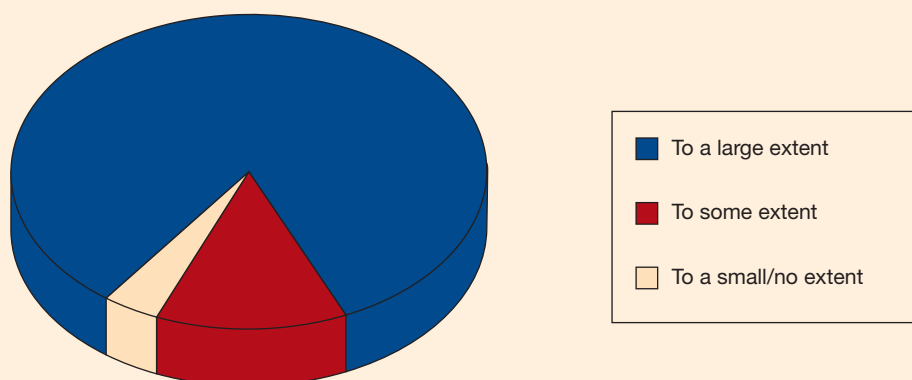


Fig. 7.12 What do indicators measure and to what extent? (%)

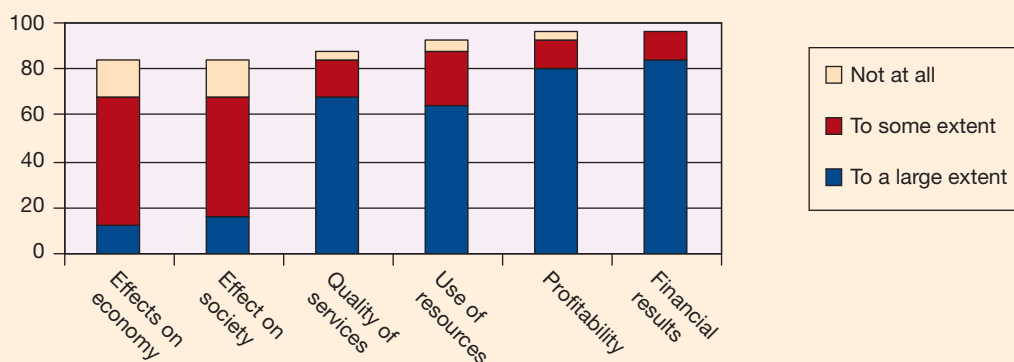


Fig. 7.13 Frequency of reporting to parent body/department on results (%)

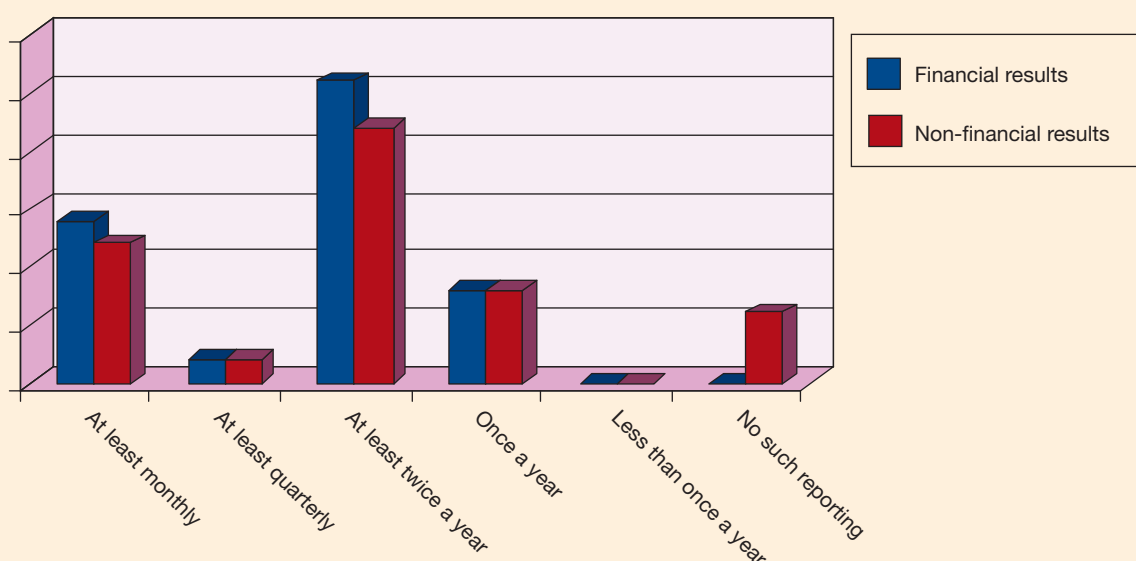
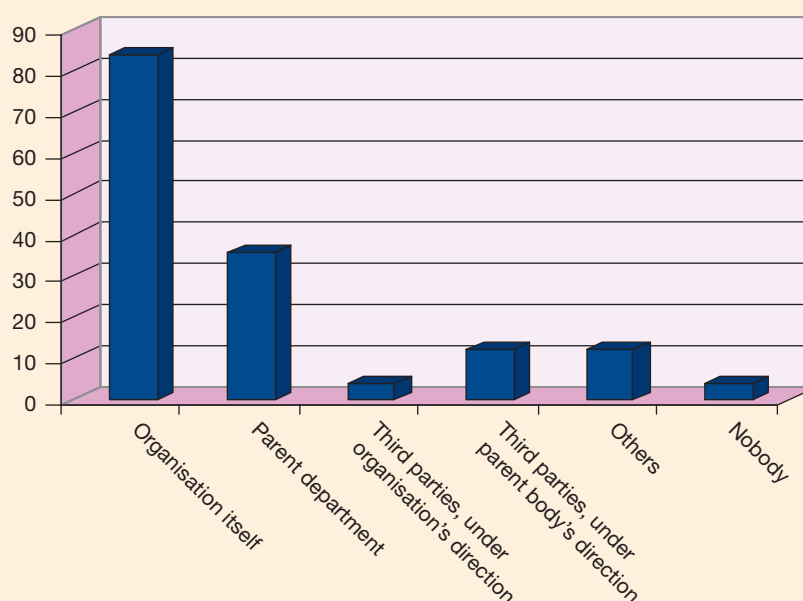


Fig. 7.14 Who evaluates organisation's non-financial results? (%)



organisation. Individual enterprises have specific forms of reward appropriate to their business, such as licence-fee increases. Greater autonomy for the enterprise does not feature as a form of reward in the vast majority of cases.

In terms of sanctions, the responses suggest that sanctions are not extensive for enterprises that fail to achieve results or that perform poorly. Figure 7.17 shows that 65 per cent of respondents stated

that a form of sanction existed 'to some extent', while the remainder did not experience any form of sanction.

Where sanctions were exercised, the most common form (28 per cent) they took was less autonomy being given to the enterprise in question. Wage and bonus decreases took place in a small number of cases, as Figure 7.18 identifies.

Fig. 7.15 Organisation rewarded for good results or achieving goals? (%)

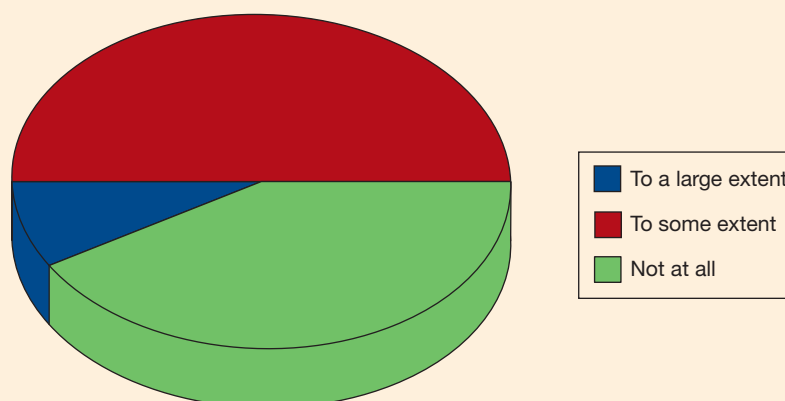


Fig. 7.16 What form do rewards take? (%)

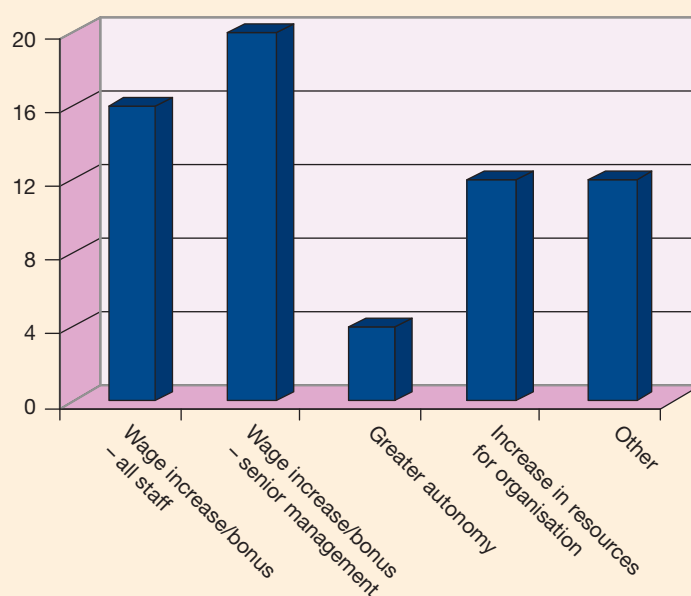


Fig. 7.17 Organisation sanctioned for poor results or failing to achieve goals (%)

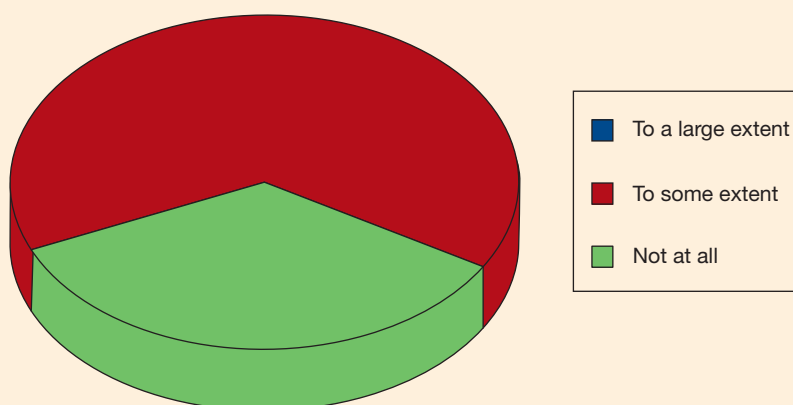
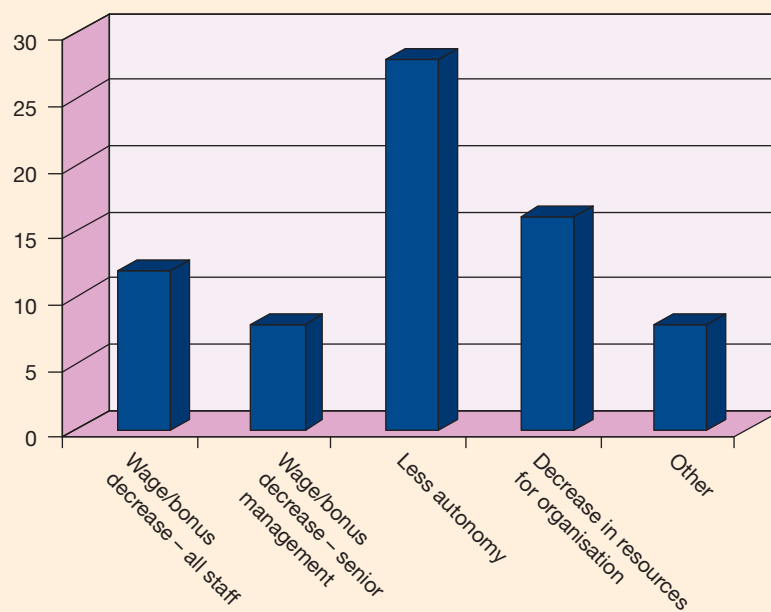


Fig. 7.18 What form do sanctions take? (%)



8

Governance structures in commercial state enterprises

8.1 Introduction

By definition, the State controls state-owned enterprises. However, that control may be tempered by other factors, including company law and whether or not the State is the complete owner or a majority shareholder. An OECD survey found that almost three-quarters of member state enterprises are either fully or majority controlled/owned by the State.¹¹³ Even if state enterprises are listed on the stock exchange, the State can retain a strong modicum of control through a substantial shareholding. This state therefore has an interest in ensuring good governance in these organisations.

In this section, the governance structures within state-owned enterprises are considered. Beginning with the strategic role of the board, it also examines the function of CEOs in state enterprises and the use of codes of conduct. The extent to which results-based management is practised within the responding organisations is measured, and the use of reporting and evaluation systems assessed.

8.2 Board appointment mechanisms and composition

The board of directors is the principal governance and oversight forum in all state-owned enterprises. As their name suggests, ‘directors’ are responsible for the direction of the organisation to the board of which they are appointed. As noted above, many of the original Irish state-owned enterprises had boards composed of civil servants. These boards often had full-time members and were also extensively involved in operational issues such as

appointment of staff at all levels, and a number of chief executives were also chairmen of the enterprise.¹¹⁴ Such practices are no longer the norm. The 1980 NESC report on enterprise in the public sector argued that ‘Boards of State-sponsored bodies should see themselves as active agents of community development, recognising and discharging the extra dimension of responsibility expected of a State organisation’. It continued, ‘the most important task a Government has, therefore, in relation to any State body is the appointment of the Chairman and members of the board’.¹¹⁵

As Figure 8.1 below depicts, the majority (68 per cent) of enterprises have their boards primarily appointed by the Minister either with or without consultation with Cabinet colleagues. A small number of subsidiary enterprises have boards appointed by the parent organisation.

What is regarded as good practice in relation to board composition changes over time. In the early decades of the State, practices in relation to board composition existed which are not common today. For example, several state enterprises had boards controlled by civil servants; in a small number of cases, the chairman of a state enterprise’s board was also its CEO.¹¹⁶ Some of the earliest state enterprises also had full-time board members. Equally, while worker or trade union representatives were uncommon up to the 1960s, their appointment is a feature of many Irish state enterprise boards today, though their role continues to be contested (below).

The composition and quality of boards of directors are central to each board’s effectiveness in

¹¹³ OECD *Corporate Governance of State-Owned Enterprises: A Survey of OECD Countries* (Paris: OECD, 2005), p. 33

¹¹⁴ For example, C. S. Andrews held both positions in the Turf Development Board, while Dr Thomas McLaughlin similarly held the posts upon the establishment of the ESB.

¹¹⁵ National Economic and Social Forum *Enterprise in the Public Sector* (Report No. 49, 1980), p. 23

¹¹⁶ However, on this practice Lemass noted that ‘there is some argument that the chairmanship and chief executive posts should not be combined in the same individual, but I do not think that it can be said that in our experience any special problem has arisen where that course was taken’ (1959: 289).

carrying out its functions. Board members who specialise in the area of work with which the enterprise is involved run the risk of becoming too involved in operational issues. Conversely, board members who have little or no knowledge or competence in respect of the enterprise's field of work may not be fully cognisant of the technical elements and operating environment which determine its work. Also, board members who are not familiar with the work of the enterprise may not be best placed to determine the quality and accuracy of information forwarded to the board.¹¹⁷ Interviews suggest that directors are increasingly

aware that membership of boards comes with considerable legal, fiduciary and other responsibilities. The Department of Finance monitors board appointments in terms of such issues as gender balance, experience and the length of service of persons on boards.

As Figure 8.2 below details, survey responses identify that employee and trades union representation accounts for approximately 12 per cent of board membership overall. The vast majority of appointments are made at the discretion of ministers. In a number of cases, the CEO is identified as being ex-officio a member of the board.

Fig. 8.1 Primary appointment mechanism for board members (%)

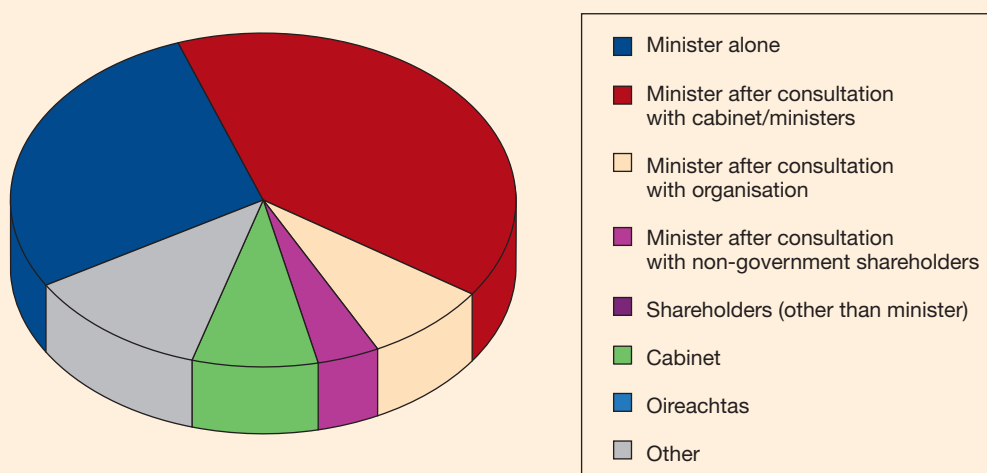
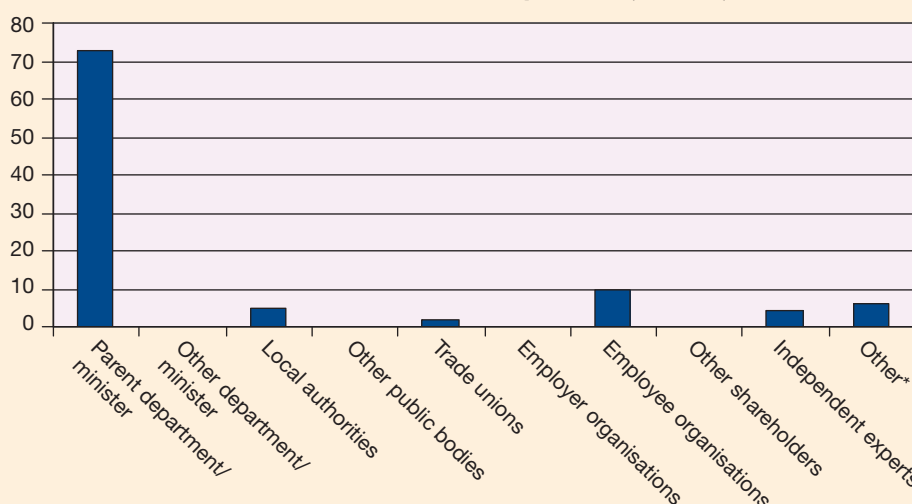


Fig. 8.2 Total board composition (n = 23)



* In the case of 'other', this includes CEOs who are ex-officio members of boards, as well as one board whose membership is decided on collectively by the Cabinet.

¹¹⁷ FitzGerald, G. *State-Sponsored Bodies* (2nd edn) (Dublin: Institute of Public Administration, 1963), pp. 46–7

For port companies, a number of board members are appointed by the local authority in whose jurisdiction they operate.

The line between operational and policy issues is hard to define in any commercial organisation, and a danger for any board is that it will become entangled in operational issues at the expense of broader strategic matters. If a board becomes too involved in day-to-day management issues, this can undermine the organisation's management and morale, as well as leading the board to fail in its principal duty of strategic (rather than operational) control. For the state-owned enterprises, the survey responses suggest that boards are becoming more concerned with strategic rather than operational matters in their work (Figure 8.3).

Breaking this figure down further by size, we find in Figure 8.4 that the boards in a majority of enterprises in all categories are shifting towards a more strategic role. However, a small number of the small and large enterprises responded that their boards are not doing so.

8.2.1 Board size

The optimum size of boards is regularly a subject of debate in literature on corporate governance. In general, representative boards tend to be large,

while executive boards tend to be smaller. Writing in 1959, C. S. Andrews (a member of several state enterprise boards) argued that 'the maximum number of members of a board should be five – including the chief executive'.¹¹⁸ More recently, a survey of directors in the largest New Zealand state enterprises found that most believed that between five and seven was an appropriate size, but that this ran the risk of loss of expertise in the context of turnover.¹¹⁹

All enterprises responding to this survey had a board of directors, ranging in size from between six to twelve directors. The average board has ten members (an increase on the average of seven calculated by FitzGerald¹²⁰). A new Harbours Bill published in 2008 proposed cutting the number of board members in port companies from twelve to eight, with one local authority member being appointed from among the Minister's nominees.

8.2.2 Worker representation

A number of respondents (16 per cent) noted that while appointments to their boards were made externally, their boards also included worker representatives. Legislative provision for worker representatives on boards was provided for a number of commercial (and non-commercial) state

Fig. 8.3 Shift in the role of the board from more operational to more strategic control (where 1 = 'not at all' and 5 = 'to a large extent') (%)

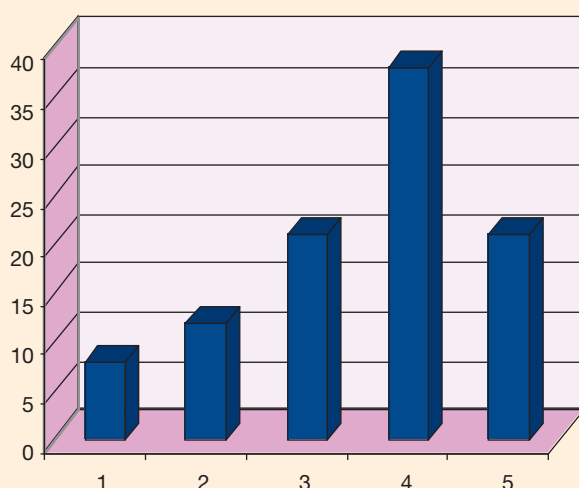
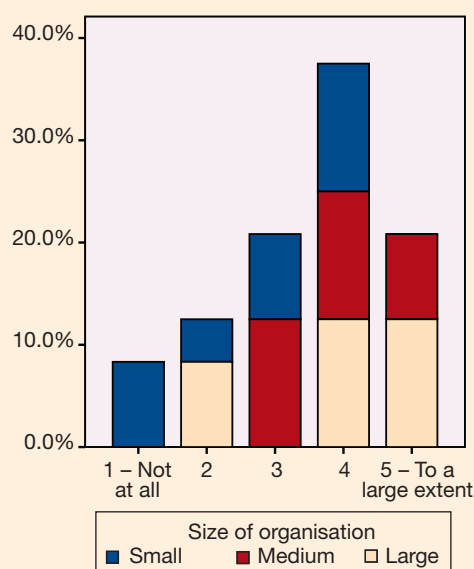


Fig. 8.4 Are boards developing more strategic control?



¹¹⁸ Andrews, C. S. 'The Role of State-Sponsored Bodies in the Economy: Comments' in *Administration* Vol. 6(4), 1959, p. 298

¹¹⁹ Norman, R. R. 'When the "for sale" notice are withdrawn: How should State-owned Enterprises be governed?' in *Public Sector* Vol. 29(1) 2006, p. 4

¹²⁰ FitzGerald, G. *State-Sponsored Bodies* (2nd edn) (Dublin: Institute of Public Administration, 1963), p. 62

enterprises in 1977.¹²¹ The Worker Participation Act provided for the election to seven enterprises of worker representatives who would fill one-third of board positions on a rolling three-year basis. The number of board members was also increased to twelve in each instance. It was also envisaged that this would lead to a similar practice in the private sector, but this did not materialise.¹²² The appointment of worker directors was extended to a range of other enterprises in 1988, and the term of such appointments extended from three to four years. Recognising that there had been shortcomings in how the worker directors appointed under the 1977 Act communicated with workers, the new Act also provided for (flexible) sub-board consultative arrangements in order to provide better links between worker representatives and their elected Board representatives. Provision for these consultative councils was also extended to 36 other state companies and agencies that did not have worker directors.¹²³ However, there is no evidence that such arrangements have developed to any great extent since then.

Where it exists, representation ranges from five worker directors in An Post to four, under the original Acts, on the boards of such companies as Aer Lingus, CIÉ and ESB. Under separate legislation setting up a number of more recently established state-sponsored companies, for example, Coillte or the Railway Procurement Agency, employees are entitled to just one representative on the boards of these organisations. Worker directors have the same

rights and duties as ordinary directors and are entitled to the same privileges, expenses and remuneration as other directors.

8.2.3 Codes of practice

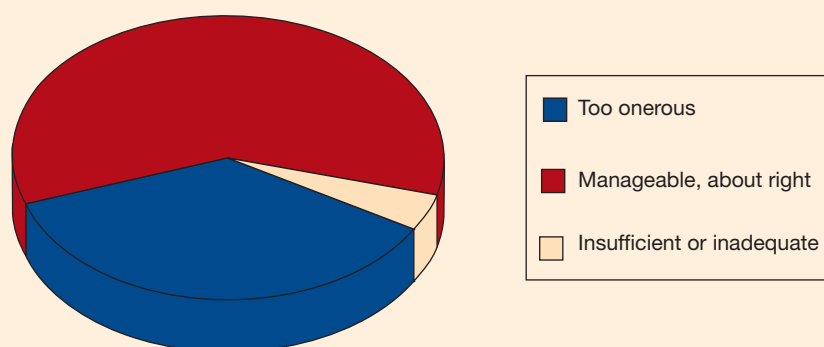
Ninety-two per cent of respondents stated that the *Code of Practice for the Governance of State Bodies* (updated and published by the Department of Finance in 2001) and other requirements (legislative or otherwise) from government departments were consistent with each other. However, when asked about their ability to fulfil the demands of the *Code* as well as other corporate governance requirements, 36 per cent of the enterprises found them to be too onerous while a further 60 per cent found that the requirements were manageable (Figure 8.5). There was no significant difference in response between enterprises stratified by size or age. The differing views were also reflected amongst the port companies.

Apart from the *Code of Practice*, 96 per cent of enterprises also have codes of business practice to which *board members* and *employees* of the organisation respectively must subscribe.

8.3 Appointing and monitoring the CEO

For 44 per cent of state-owned enterprises, appointments to the position of CEO is made by the board alone, while for a further 36 per cent, such appointments are made following consultation with the parent minister (Figure 8.6). In 8 per cent of

Fig. 8.5 Code of Practice for the Governance of State Bodies and other corporate requirements (%)



¹²¹ Worker Participation (State Enterprises) Act, 1977

¹²² O'Nuallain, C. 'Ireland: The Consultative Group of Chief Executives of State Organisations' in Wettenhall, R. and O'Nuallain, C. *Getting Together in Public Enterprise* (Brussels: International Institute of Administrative Sciences: 1987), p. 37

¹²³ O'Kelly, K. and Compton, P. 'Ireland' in Hans Bockler Foundation/European Trade Union Institute (ed.) *Workers' Participation at Board Level in the EU-15 Countries* (Brussels: 2004), p. 56

cases, the minister appoints the CEO, after consulting with the board, while in only 4 per cent of cases does the minister make the appointment without consulting the board. Other mechanisms of appointment include those made by an intermediary body – a supervisory authority established either by the Government, or by the parent enterprise in the case of a subsidiary enterprise.

For over 90 per cent of enterprises responding to the survey, both the role and specific accountability requirements expected of the CEO are set out in writing. All CEOs are accountable for a range of issues – from financial to non-financial results, the functioning of the organisation, the administration of the budget, compliance with rules and regulations, and risk assessments.

The terms and conditions on which CEOs are appointed to a large number of the state enterprises examined in this study have been augmented following a report by a private consultancy firm on remuneration of chief executives, known as the Hay Report.¹²⁴ A new variety of arrangements is now in

place, including differing length of service for CEOs. This is reflected in the fact that of the responding enterprises, three-quarters of CEOs are reported to be on fixed-term contracts, with the remainder of enterprises responding that their CEOs are in permanent positions (Figure 8.7). Similarly, within the subset of port companies, 60 per cent of responding CEOs have permanent tenure (subject to ministerial consent), with the remaining 40 per cent on shorter fixed-term contracts.

In terms of CEO evaluation, Figure 8.8 identifies that the overwhelming majority are evaluated by the board alone, or by the board in conjunction with the relevant minister. In a few cases, other evaluation mechanisms exist, such as remuneration committees, or the evaluation is conducted by the chairperson alone. Small enterprises in particular were more likely than medium or large organisations to use means other than evaluation by the board alone.

Fig. 8.6 Who appoints the CEO? (%)

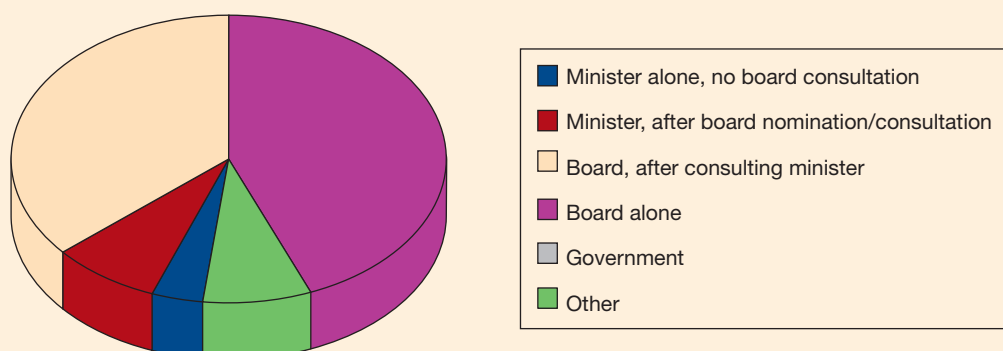
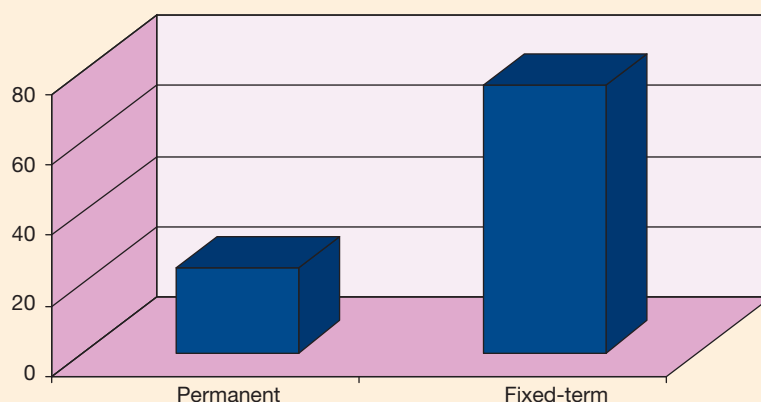
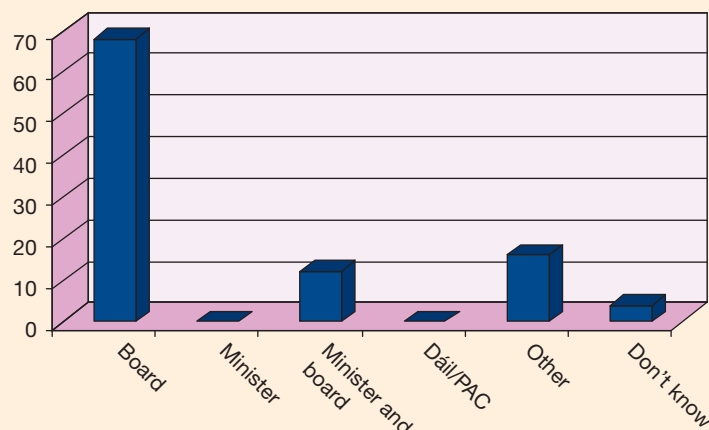


Fig. 8.7 Type of CEO contract (%)



¹²⁴ Unpublished report for Department of Finance, 2008

Fig. 8.8 Who evaluates the CEO? (%)



8.4 Results-based management and resource allocation

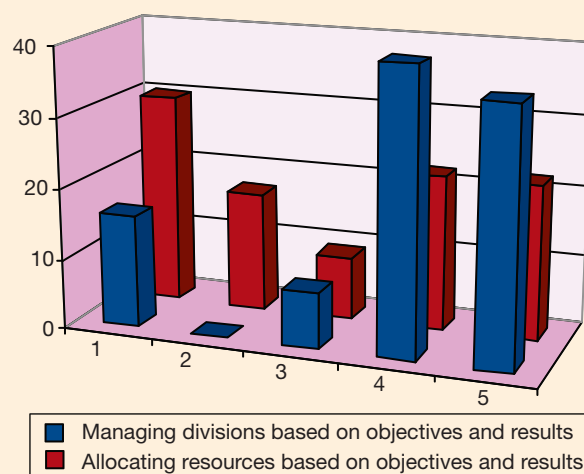
The majority of commercial enterprises claim to engage in the management of their organisational divisions on the basis of objectives and results. As Figure 8.9 demonstrates, over three-quarters of respondents (76 per cent) identified that it was widespread practice within their organisation and only 16 per cent claimed that it did not happen at all. However, the allocation of resources within the organisations does not necessarily follow this pattern. As Figure 8.9 also identifies, 30 per cent of responses to the survey indicate that resources were not allocated on this basis 'at all', and the number reporting that such allocation was widespread was lower than the corresponding figure for management by objectives and results.

In relation to managing divisions on the basis of objectives and results, analysis by size indicates

that such practices are most likely to happen in large enterprises and least likely in small state enterprises. The detailed picture for the allocation of resources based on objectives and results is more complex, however. As Figure 8.10 identifies, some small enterprises report that resources are allocated on this basis 'to a large extent', while other small enterprises report that it does not happen at all. Similarly, while some large enterprises report that allocation of resources based on objectives and results does occur to a large degree in their organisation, equal numbers report that the practice is not widespread. Medium-sized enterprises present the widest variety of practice.

Considering responses to these questions from the subset of port companies alone, Figure 8.11 demonstrates that there is also some variation in relation to managing divisions and allocating resources on the basis of objectives and results.

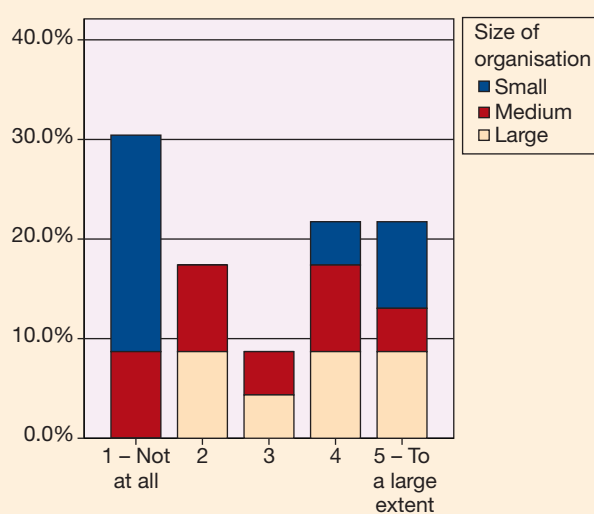
Fig. 8.9 Using objectives and results (where 1 = 'not at all' and 5 = 'to a large extent') (%)



8.5 Developing internal reporting and evaluation systems

The enterprises were asked in the survey about their use of internal reporting and evaluation systems in order to enable the board of the organisation and its management to assess results against stated objectives. There were virtually equal levels of use of such systems reported for both board and management, as Figure 8.12 below details.

Fig. 8.10 Are resources allocated on the basis of results?



8.5.1 Assessing service quality

The enterprises were also asked about the extent to which they used mechanisms for assessing the quality of their services and products. Figure 8.13 below identifies that the use of quality standards for production and/or service delivery, as well as customer surveys, was fairly widespread among the state enterprises. Of the three management tools, quality management systems were the least likely to be used.

Fig. 8.11 Port companies: Using objectives and results (where 1 = 'not at all' and 5 = 'to a large extent') (%)

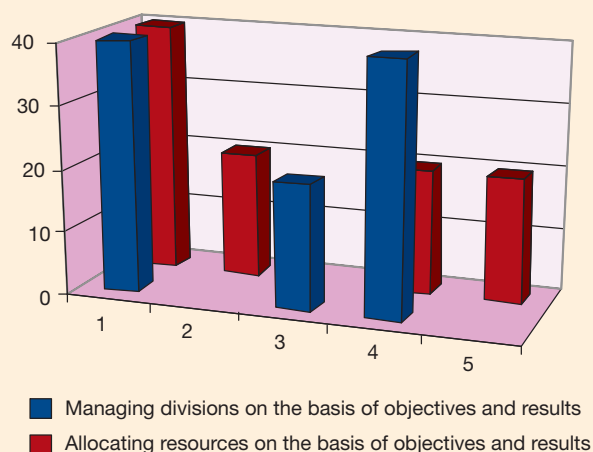


Fig. 8.12 Use of internal reporting and evaluation systems to assess results against objectives (where 1 = 'not at all' and 5 = 'to a large extent') (%)

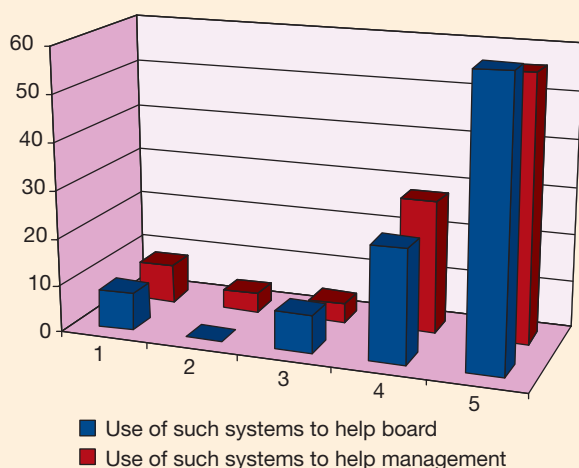
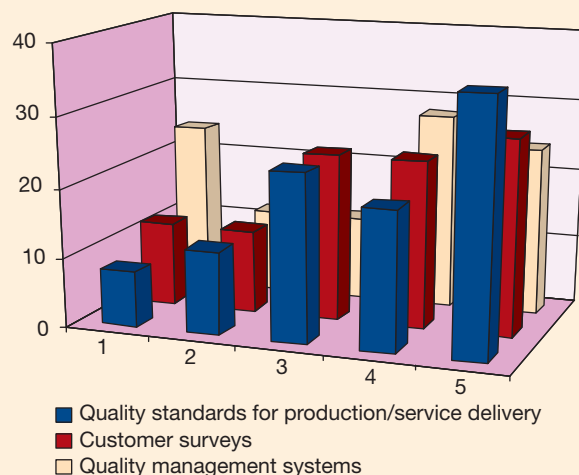


Fig. 8.13 Use of service quality assessment tools (where 1 = 'not at all' and 5 = 'to a large extent') (%)



Further analysis demonstrates that large enterprises are most likely to use quality standards for production and service delivery. However, there is wide variety in their use by small and medium-sized enterprises. Similarly, of all categories, large enterprises most commonly use customer surveys, but the majority of medium and some small enterprises also use them ‘to a large extent’. Finally, as Figure 8.14 demonstrates, most small enterprises

do not use quality management systems but an equal number of medium and large enterprises do so ‘to a large extent’.

As Figure 8.15 below details, for port companies, the picture deviates from the aggregate for all enterprises. None of the techniques are used ‘to a large extent’ with customer surveys and quality management least likely to be used at all.

Fig. 8.14 Are quality management systems used?

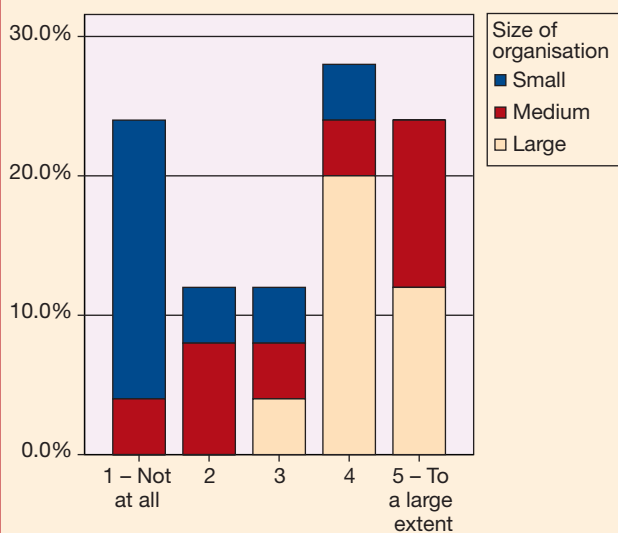
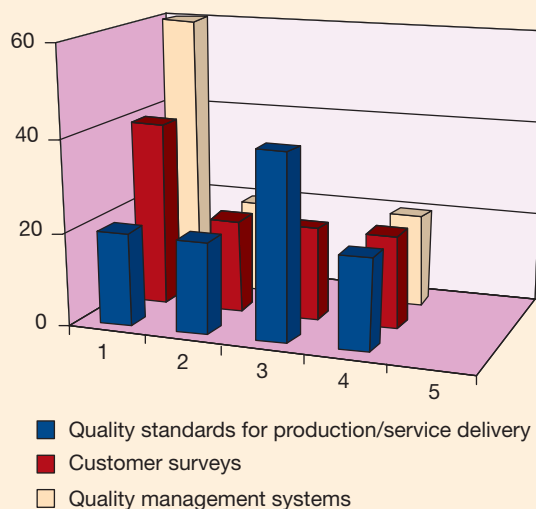


Fig. 8.15 Port companies: Use of service quality assessment tools
(where 1 = ‘not at all’ and 5 = ‘to a large extent’ (%))



9

Relationship between commercial state enterprises and parent departments and bodies

9.1 Introduction

The relationship and communication between state enterprises and their parent department or body plays an important role in ensuring that optimum corporate governance standards are met and maintained. As shareholders, government departments have considerable ownership responsibilities and duties towards their commercial enterprises, including the provision of effective boards and ensuring clear sectoral policy frameworks. Equally, state-owned enterprises must ensure that their work is carried out in a manner that reflects the wishes of their shareholders and achieves high standards of both business and corporate governance. In this section, the nature and frequency of communication between parent departments (or other bodies) and state enterprises are examined. Some international developments in respect of shareholding ownership practice are also discussed.

9.2 The role of the owner as shareholder

In his work on government corporations in the US, Seidman proposed that the control of state enterprises is normally conducted through a number of mechanisms, including:

- The law, charter or other document establishing the enterprise
- The existing relationships with departments
- The extent and nature of ministerial control
- The method of appointing and removing the governing board and executive officials
- Budget
- Audit
- Annual reports
- Relationship with legislature
- Ownership¹²⁵

Focusing on the relationship between ministers and their departments and state enterprises, Chubb noted that,

Ministerial supervision and control require not only that ministers should know what boards are up to or have in mind but also that each organisation ought at all times to know what the policy of its sponsor department is.

He also argued that below policy level, ‘departments have to have an intimate knowledge of the activities of bodies within their orbit. The contacts necessary to effect this are made at all levels’.¹²⁶ Commenting on the formal and informal relationships between state enterprises and Oireachtas members and departmental officials, Bristow noted that,

...until recently [Oireachtas members and departmental officials] have not had the technical competence required for the effective definition of objectives and monitoring of the performance of public enterprises. As a result, the departments (and their ministers) have tended to act more as lobbyists on behalf of ‘their’ enterprises than as critical exponents of a partial replacement for market disciplines, which is their true role.¹²⁷

A more contemporary description of the role of government as shareholder is provided by the UK’s National Audit Office:

Where the Government is a controlling shareholder, it can hold management to account for the performance of businesses by using several ‘shareholder levers’. These include: selecting the Chair and Board members; approving transparent business objectives that respect policy

¹²⁵ Seidman, H. ‘The Government Corporation: Organization and Controls’, *Public Administration Review*, Col. 14(3), 1954, p. 185

¹²⁶ Chubb, B. *The Government and Politics of Ireland* (3rd edn) (Harlow: Longman, 1992), p. 254

¹²⁷ Bristow, J. A. ‘State-sponsored bodies’ in *Administration* Vol. 30(2/3), p. 179

constraints; monitoring and rewarding performance; dealing with non-performing management; and agreeing finance for investment.¹²⁸

As noted in the previous chapter, ministers enjoy considerable power of appointment in respect of the boards of enterprises. These boards assume responsibility for the strategic direction and management of the enterprise, which must be in line with that communicated by the minister, and ministers reserve the right to remove board members. Former Taoiseach Seán Lemass, writing in a period when it was increasingly recognised that governments had a key role to play in steering economic development, noted that

There develops a tendency in some boards to think of themselves as sovereign independent authorities rather than as integral parts of a larger organisation and they are sometimes disposed to resent pressures to keep them in line.¹²⁹

As O'Callaghan identified,

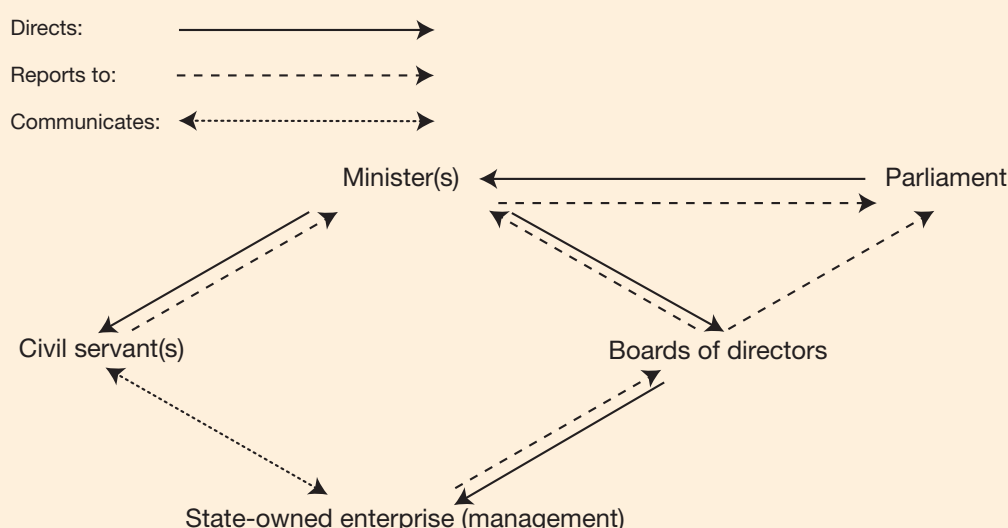
...it is not sufficient for a minister to appoint a chairman and board and to leave the rest to them. The minister must periodically judge the performance of the board: the prime indicator of this is the performance of the company. Thus to

exercise control the minister needs to know how effectively the company is performing.¹³⁰

Interviews suggest that chairpersons of boards will normally have regular contact with ministers, and ministers may on occasion attend board meetings or an AGM. Civil servants (including those from the Department of Finance) also attend the AGMs of those enterprises over which they have shareholding responsibilities. While parent departments do not want to 'shadow' boards of directors in state-owned enterprises, from the departments' point of view, as the major shareholders their views should be known in advance of decisions being taken by state enterprises. In this manner, ministerial prerogative is communicated by two channels – via the board and at administrative level. The formal structure of the relationship between government ministers (and parliament to which ministers are collectively accountable) and state enterprises is set out in Figure 9.1 below.

The relationship and links between state enterprises and their shareholders are, in the words of one interviewee, 'softer' than in a private sector equivalent. In other words, the shareholder can easily pick up the phone and speak to somebody in the state enterprise about a wide range of issues. However, the relationship can also be very formal, as the enterprise must present a detailed plan to its

Fig. 9.1 Formal relationship structure



¹²⁸ Comptroller and Auditor-General/National Audit Office *The Shareholder Executive and Public Sector Businesses* (National Audit Office, 2007), p. 5

¹²⁹ Lemass, S. *The Role of the State Sponsored Bodies* (Dublin: Institute of Public Administration, 1959), p. 9

¹³⁰ O'Callaghan, D. A. 'Controlling the State-Sponsored Bodies' in *Administration* Vol. 31(4), 1983/4, p. 350

shareholder in order to win approval, something that does not regularly happen with private companies.

Interviews suggest that as well as ministers, secretaries-general also communicate directly with chairpersons of state enterprises. In all cases, interviews identify that the strength of personal relationships is very important. Also, some enterprises find the turnover in civil service personnel problematic in terms of developing relationships and understanding of their operational and management issues with parent departments.

As discussed in Chapter 7, a key issue in relation to the ownership of state enterprises is the extent to which they should be free from political and administrative control. A characteristic issue in this respect is whether or not an enterprise will be allowed to build up its reserves with a view to expansion, or must instead channel any profits to government (in the form of a dividend) or to the public in terms of cheaper prices. In the case of an enterprise such as the VHI, its governing legislation determines that it must divert profits back into its operations. Also, a question that frequently arises for state enterprises is whether or not they can be operationally efficient in the absence of a clear policy mandate. Ideally, what Mascarenhas refers to as ‘policy efficiency’¹³¹ should be provided by government and parliament in a clear and public manner.

9.3 Contacts with departments

There is no uniform practice across departments in terms of meetings with enterprises (though, as noted above, a representative from the Department of Finance normally attends the AGM of most state-owned enterprises). Interviews suggest that contact between departmental civil servants and senior management within state enterprises is common, and based around the concept of ‘no surprises’. Sixteen per cent of the enterprises responding to the survey identified that they met with their parent department at least once a month. These were all organisations with large turnovers. For a further 40 per cent, Figure 9.2 identifies that such meetings took place at least quarterly, and for 28 per cent they took place less frequently, at least once a year. Sixteen per cent claimed that they never met formally with their parent department.

A further breakdown of these results by the size of the organisation (Figure 9.3) reveals that medium and large organisations are more likely to have frequent (at least monthly) meetings.

For those enterprises that did engage in formal meetings with their parent departments, Figure 9.4 reveals that the focus on commercial issues was almost equal to that on the achievement and reporting of results. The issue most focused on ‘to a large extent’ was in relation to national policy matters, while economic issues were less

Fig. 9.2 How often are formal steering meetings held with parent department? (%)

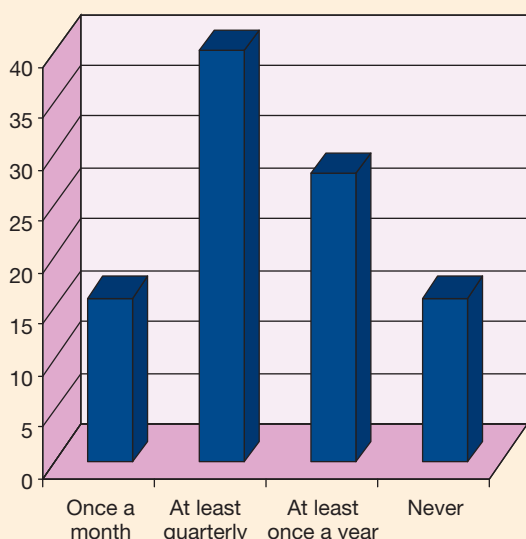
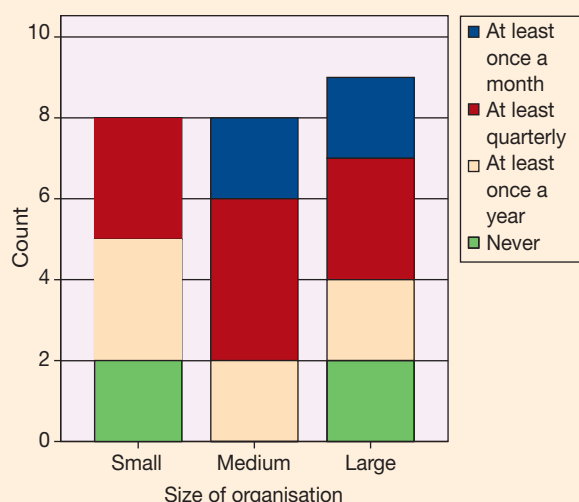
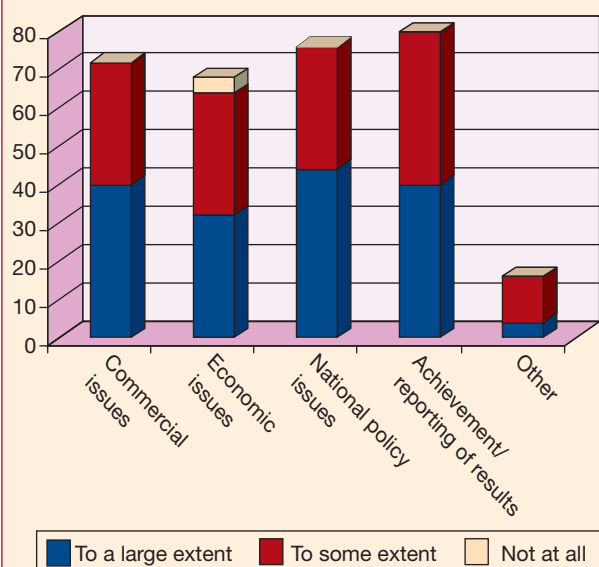


Fig. 9.3 Frequency of organisation–department steering meetings



¹³¹ Mascarenhas, R. C. *Public Enterprise in New Zealand* (Wellington, NZ Institute of Public Administration, 1982)

Fig. 9.4 What is focused on in formal meetings with parent department? (%)



commonly focused on. A small number of enterprises also engaged in discussing other matters.

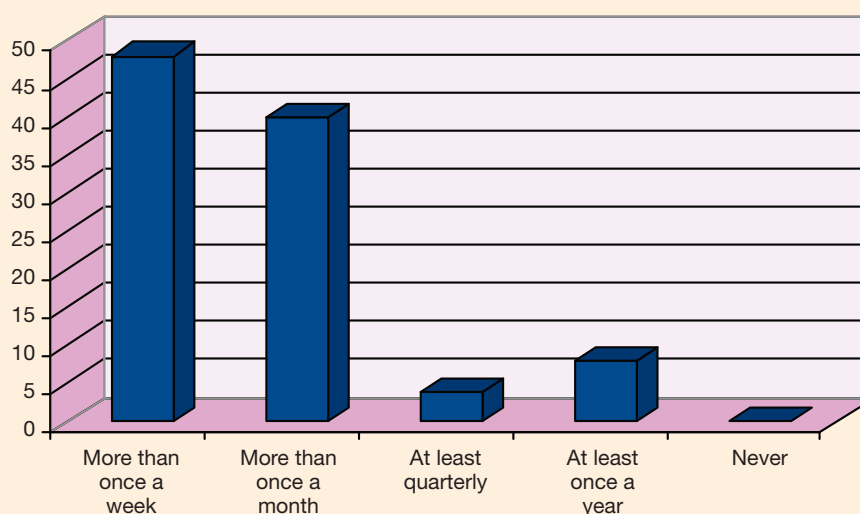
Apart from formal meetings, senior management in the vast majority of enterprises also engages in informal contact (such as emails, phone calls, meetings without written proceedings etc). As Figure 9.5 illustrates, for almost half of respondents (48 per cent) this takes place at least weekly, and for a further 40 per cent it occurs at least monthly. There was no significant difference in the levels of informal contact according to organisational size.

9.4 Managing shareholding responsibilities: international developments

As the previous sections have demonstrated, at present the governance arrangements between government departments and state-owned enterprises in Ireland vary considerably due to a combination of historical, legal and organisational factors. These arrangements have consequences in terms of achieving agreement on national strategic objectives, policy co-ordination and the efficient exercise of the state's duty as shareholder. Furthermore, the nature of the relationship between state enterprises and their owners has traditionally evolved in the context of national requirements, the globalisation of the marketplace and the obligation to demonstrate clarity between ownership, sectoral policy-making and regulation. In some commercial areas such as telecommunications and energy, significant progress has already been made in the separation of the state's ownership and regulatory roles. In other fields, progress in the demarcation of such roles is either under way or being considered.

Where steps have been taken in several sectors to separate the state's ownership and regulatory roles, recent developments in international markets and the European Union demand that the shareholders of state-owned enterprises exercise their responsibilities in a manner that allows such enterprises to operate with as much commercial freedom as possible. There is no uniform practice as to how governments in other jurisdictions manage their

Fig. 9.5 How often is there informal contact between senior management and parent department (%)



state enterprises. However, following an international survey, the OECD has identified three models through which the ownership of state-owned enterprises amongst member-states is organised.¹³² These are:

- A decentralised or sector model
- A dual model
- A centralised model.

Figure 9.6 charts the position of many OECD countries in terms of which model the state currently uses to exercise its ownership function of state-owned enterprises. As can be seen, there is a clear international trend in favour of the centralised model.

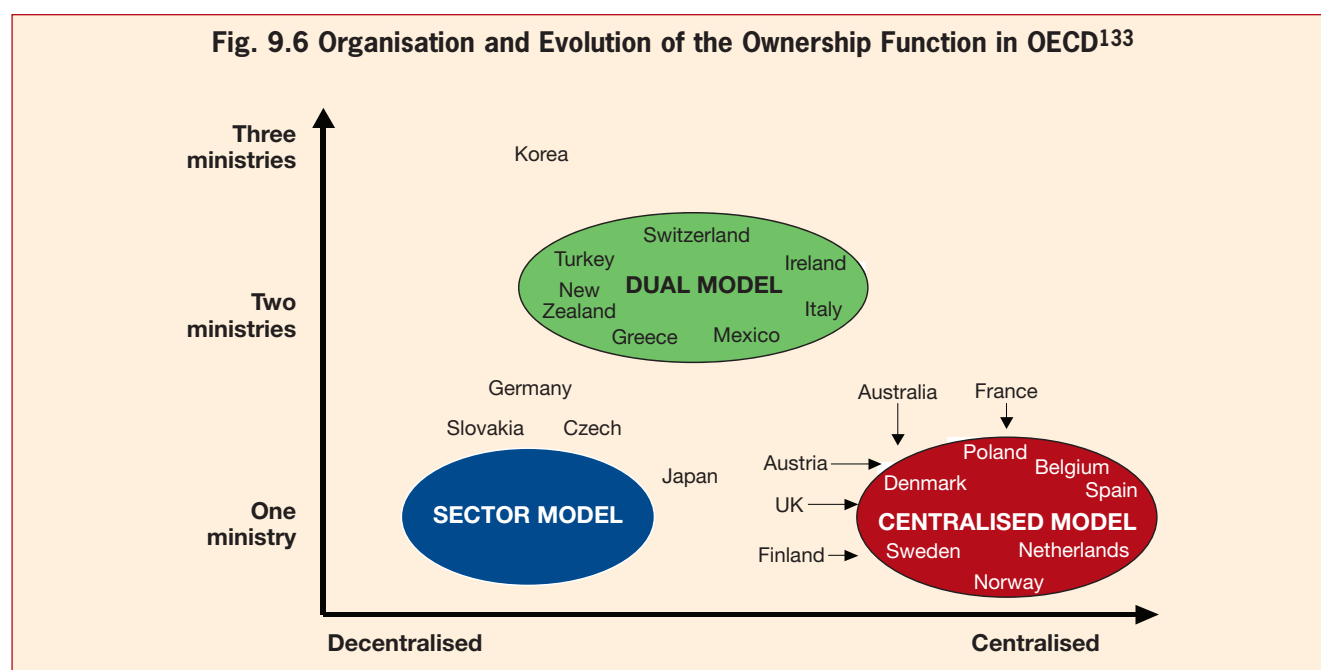
Ireland operates a ‘dual’ model of ownership as identified in Figure 9.6 above, with the Department of Finance playing a central co-ordinating role in relation to the state’s shareholding function, and sectoral departments fulfilling oversight and policy development roles in respect of those enterprises under their remit. In fact, the relationship between state-owned enterprises and government in Ireland has often been one more concerned with structures than with the achievement of clearly articulated policy or objectives. As a consequence, public debate on the development of state-owned enterprises has traditionally revolved around the issue of

privatisation. As noted in Section 3, it is now recognised internationally that straightforward privatisations do not always achieve desired objectives and, instead, alternative ownership arrangements have emerged in various states.

In response to the challenge of creating effective ownership policy, there have been substantial developments in other OECD states in respect of ownership policy for enterprises. In almost all cases, there is significant impetus towards some form of organisational arrangement which provides for centralisation of co-ordination and/or responsibility for state-owned enterprises. These arrangements have taken the form of advisory bodies, holding companies, ad-hoc consultancy services or specialist ownership units. Some examples of how these arrangements operate are presented below.

9.4.1 Advisory bodies – the UK Shareholder Executive

While there has been extensive privatisation of state enterprises in Britain over the last number of decades, there remain approximately 300 commercial enterprises in the British public sector (central and local). In 2003, the Shareholder Executive was established within the Government Cabinet Office ‘both to address the challenges of government ownership of businesses and in



¹³² OECD *Corporate Governance of State-Owned Enterprises: A Survey of OECD Countries* (Paris: OECD, 2005), p. 33

¹³³ Adapted from OECD (2005), op. cit., p. 43

response to national and international developments in corporate governance'.¹³⁴ Originally charged with advising ministries only, it has since adopted full responsibility for the shareholding function of several departments (most notably Trade and Industry) and is now directly involved with 27 state-owned enterprises.¹³⁵ The Shareholder Executive has direct responsibility for only a small number of state-owned enterprises – most remain under the aegis of various sectoral ministries. The enterprises within its remit include large organisations such as British Nuclear Fuels, British Energy, Royal Mail and Channel 4, as well as smaller bodies such as Covent Garden Market Authority and the Queen Elizabeth II Conference Centre.

The Shareholder Executive allows for pooling of resources and expertise that were previously dispersed across Whitehall. It is involved in liaising with enterprises under its remit in respect of corporate governance frameworks, setting strategy in line with government objectives, board appointments, remuneration principles, capital structures, dividend policy, investments and monitoring performance. The organisation also provides corporate finance advice to government departments. A report by the British Comptroller and Auditor-General and National Audit Office concerning the work of the Shareholder Executive during its first three years in existence found that 'the Executive has improved the way in which Government acts as a shareholder [and] has provided value for money'.¹³⁶

9.4.2 Holding Companies – Austria's ÖIAG

Holding companies are another means of centralising state-owned enterprise ownership. A holding company owns part or all of the shareholding for one or several companies, and thereby influences management and operations. The advantage of a government holding company is that it can clarify the management and ownership decision-making roles and can also serve as an intermediate step toward privatisation, if so desired. However, disadvantages of holding companies include the fact that they can become

politicised and create an extra layer of bureaucracy with their own interests that can be inconsistent with government policy.

There are few examples of government holding companies in the OECD. One case is the Österreichische Industrieholding AG (Austrian Industries Holding Company or ÖIAG) which is the Austrian Republic's investment and privatisation agency. It was created in the aftermath of the Second World War as the Austrian government sought to protect its enterprises (particularly steel and aluminium). Its mission during the 1970s and 1980s was to insulate state-owned enterprises from political interference and to enhance business flexibility within the enterprises, as well as to improve efficiency by centralising financial and other corporate services. In 1993, its mandate was changed by legislation to direct it to privatise the majority stake of its companies. This strategy appears not to have been successful, however, as some of the enterprises under its remit collapsed financially and ÖIAG incurred significant debts as a consequence during the early 1990s. By 1995 its debt stood at some €37 billion. The state was forced to provide a loan to ÖIAG, which in turn had to sell some of its shareholdings in order to repay bank and state loans. More recently, the mandate of ÖIAG has been changed to that of implementing the government policy of complete privatisation of some industries, for which it must seek the 'best possible price in the interests of the Austrian people'. It is now one of the top 40 largest enterprises in Europe and its board is completely depoliticised. It is under the sole ownership of the Republic of Austria and under the political responsibility of the Federal Ministry of Finance.¹³⁷ It currently holds considerable shareholdings in large enterprises such as Austrian Airlines (42.7 per cent), Austrian Post (51 per cent) and OMV (Oil and Gas) (31.5 per cent).¹³⁸

9.4.3 Internal consultancy services – Italy (SICOT), Australia (GBAB) and New Zealand (CCMAU)

Another model for managing state-owned enterprises involves the use of 'consulting companies' to advise the ownership entity within government.

¹³⁴ Annual Report of the Shareholder Executive for 2004–5 (London: HMSO, 2005), p. 5

¹³⁵ Ibid., p. 6

¹³⁶ Comptroller and Auditor-General/National Audit Office *The Shareholder Executive and Public Sector Businesses* (National Audit Office, 2007), p. 5

¹³⁷ As well as the strategic state-owned enterprises, Austria also has federally controlled enterprises under the responsibility of eight ministries. Thus the Austrian management of state-owned enterprises is a hybrid one, with one element of centralisation through ÖIAG, and one element of decentralisation.

¹³⁸ ÖIAG *Annual Report 2007* (Vienna: ÖIAG, 2007), p. 4

These consulting companies pool expertise and provide assistance to the ownership unit or units (such as ministries) within the administration, giving second opinions and specialised advice. They may focus on corporate governance issues such as performance monitoring and the board appointment process, and individual ministries. They may also focus more strictly on shareholder value and are less suspected of pursuing other agendas, including political ones.

In Italy, following several corruption scandals involving state-owned enterprises, as well as mounting debt and deficits, a large-scale privatisation process took place during the 1990s under the auspices of a holding company. To assist in this process, a fully state-owned limited liability consulting firm called SICOT (Treasury Consultancy Systems) was established to provide assistance to the then Division for Finance and Privatisation within the Ministry of Economy and Finance, which is in charge of the ownership function as well as privatisation.¹³⁹

In Australia, there is a Government Business Advice Branch (GBAB) within the Department of Finance and Deregulation. It provides advice to the government relating to its 'Government Business Enterprises' and other commercial entities. It also ensures that ministerial objectives are communicated and implemented within the enterprises. Originally known as the Government Business and Private Financing Advice Unit (GBPFAU), it was created following the 1997 'Humphrey Report' which recommended a joint ministerial model whereby the Minister for Finance would focus on the financial performance of GBEs, and sectoral ministers would focus on other issues. In 1999, a parliamentary committee report recommended that the Minister for Finance and Administration should represent the government's shareholder interests in all GBEs.¹⁴⁰

In New Zealand, the Crown Companies Monitoring Advisory Unit (CCMAU) monitors the performance of state enterprises (known as Crown Companies), provides assistance in relation to board appointments, and governance and ownership policy advice to shareholding ministries. It is operationally independent of the Treasury. While the Treasury is concerned with national finances,

regulation and asset sales, the CCMAU is charged with focusing on performance, risk and the commercial environment at a company level. Also, it has responsibility for advising on board composition and performance. However, final decisions on all these issues remain with ministries (the sectoral ministry and the Ministry of Finance). A survey of directors on boards of state-owned companies, however, thought that the process for selection employed by the CCMAU was 'too drawn out' and did not sufficiently involve boards and their chairpersons.¹⁴¹

9.4.4 Specialist ownership units (Finland, Norway and Sweden)

In several of the Nordic countries, where there is a strong tradition of state enterprise ownership (as well as regular rationalisations of public sector organisations), there have been particularly significant developments in recent years with respect to the administration of state-owned enterprise shareholdings. These developments all concern the establishment of a highly qualified specialist unit with responsibility (as opposed to solely advisory functions) for the administration of the state's shareholding policy.

Finland has traditionally enjoyed high levels of state enterprise ownership. This is a result of the post-war involvement of the state in the industrial and commercial development of the economy, as well as the creation of new state enterprises during the 1990s. However, the Finnish government also privatised many state companies during the 1990s. As of end 2007, it retained full and partial ownership of 53 enterprises and, until recently, up to nine different ministries shared this ownership. Although ownership has to date been spread amongst these ministries, a state shareholdings unit within the Ministry of Trade and Industry traditionally played a co-ordinating role and developed the 'Government decision-in-principle on the State ownership policy'.

A 2004 review of the government's ownership function found that the environment in which state enterprises operated had evolved to the point where it was deemed necessary to harmonise the state's ownership policy, making it more predictable and transparent. In order to achieve this, the Finnish

¹³⁹ OECD (2005), op. cit., p. 65

¹⁴⁰ Joint Committee of Public Accounts and Audit *Corporate Governance and Accountability Arrangements for Commonwealth Government Business Enterprises* (Canberra: Parliament of the Commonwealth of Australia, 1999)

¹⁴¹ Norman, R. 'When the "for sale" notices are withdrawn: How should State-owned Enterprises be governed?' in *Public Sector* Vol. 29(1) 2006, p. 4

government centralised the ‘ownership steering function’ for 39 enterprises into a new specialist unit known as the ‘ownership steering department’ within the Ministry of the Prime Minister. The department is responsible for ‘state ownership policy, the ownership steering of state-owned companies under the Prime Minister’s Office, expansion of ownership base, branch reorganisations, share investments, coordination of ministries’ ownership steering procedures and interministerial cooperation’.¹⁴² In the department’s report for 2007, the Minister with responsibility for the enterprises noted that:

The long-envisaged centralisation of the State’s ownership steering was accomplished on 1 May 2007. The idea that only one of the ministers in the Cabinet shall be responsible for the State’s ownership steering is the cornerstone of the arrangement. The little experience gained so far shows that the centralised ownership steering has already proved to be a well-functioning arrangement. The problems with reconciling the differing views of various ministers responsible for ownership steering, which earlier hindered effective decision-making, have now been eliminated.¹⁴³

Also in 2007, the government published its state ownership policy. It identified two types of company – those operating on market terms and whose main goal is to achieve the best possible economic result, and those companies entrusted with special state assignments in which the state has primarily social goals as well as those that are profit seeking. The government also communicates the state’s ownership policy through ownership steering measures with the companies. Current features of this policy include open and consistent owner behaviour, the appointment of skilled members to the companies’ boards of directors, and taking into account the owners’ interests.

There is an active and ongoing engagement between the government and the parliament concerning state enterprise ownership policy. An Act of the Finnish Parliament (the Eduskunta), which came into law in 2008, commits the government to obtaining authorisation from parliament if the state wishes to relinquish its sole ownership (100 per cent of shares) or majority ownership (50.1 per cent of shares) of a state-owned

company. In addition, the government submits to parliament a report on the administration and status of central government finances, including information on ownership policy, the financial statements of the enterprises, and how enterprises have met their service and operational targets. The State Shareholding Unit publishes an annual bulletin called *State Shareholding in Finland*, with information on the performance of the largest state-owned enterprises.

In Norway, state holdings amount to a considerable portion (approximately 30 per cent in 2007) of the total value of the companies listed on the Oslo Stock Exchange. Currently, the state fully or partially owns 82 companies. They include:

- Hybrid companies established by special laws
- Government-owned companies
- Government limited companies owned 100 per cent by government
- Limited companies with the state as a majority owner.

Since 2001–2, the administration of the state’s ownership function for most of its commercial enterprises has been centralised within the Ministry of Trade and Industry. The Ministry states that ‘the state-ownership role, therefore, is organised so there is no overlap between its regulatory and ownership roles which helps maintain the market’s confidence’. As in Finland, the framework for the government exercise of state ownership is set out by parliament. It grants the government’s mandate for its exercise of ownership, including mandates to change the state’s ownership in individual companies. As well as an annual State Ownership Report being presented by government to the parliament (the Storting), the Office of the Auditor General (OAG) submits annual reports to the Storting, which may include administrative audits of wholly state-owned companies.

The Norwegian government identifies four different types of company under its remit:

- Companies with commercial objectives
- Companies with commercial objectives (operating internationally and with head office functions in Norway)
- Companies with commercial objectives and other specific, defined objectives
- Companies with sectoral policy objectives (but

¹⁴² <http://www.valtionomistus.fi/etusivu/en.jsp>

¹⁴³ Ownership Steering Department *State Shareholdings in Finland 2007* (Prime Minister’s Department: Helsinki, 2008), p. 3

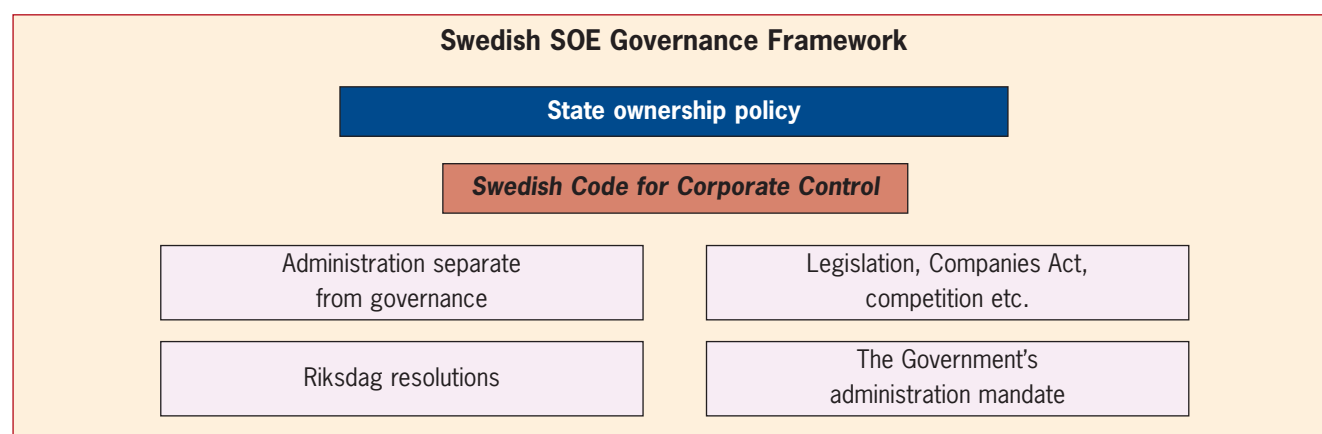
in which commercial profitability still plays a strong role).

Norway is a leading force in the development of good governance practices for shareholders, and the Norwegian government has made efforts to define its role as a major shareholder so as to create confidence in the market and Oslo Stock Exchange. Almost all Norwegian SOEs produce bi-annual reports, and global or aggregate annual reports are now also produced, which compare the work and performance of state enterprises under various headings.

Finally, in Sweden, the state completely or partially owns 55 companies. Since 2002, the administration of state ownership has been centralised – originally within an ownership unit but now within a single government department, currently the Ministry of Industry and Energy. The

declared goal of the state’s ownership policy is that ‘the companies should create value and, where applicable, comply with the special societal interests’.¹⁴⁴ In Sweden, the principles underlining the government’s administration of state enterprises are ‘openness, active ownership and good order’.¹⁴⁵ To this end, the government makes an annual report to the Swedish parliament on the performance of state-owned enterprises.

Other developments have built on this policy. In May 2002, model rules for state enterprises were created, aiming at reinforcing the role of state enterprise boards and at increasing their involvement in state enterprise operations. Also, since 2004, there has been a *Swedish Code for Corporate Control* which complements the state’s ownership policy. Below is a chart outlining the new governance framework since May 2005.



¹⁴⁴ Swedish Ministry for Enterprise and Energy *Annual Report on State-owned Companies* (Stockholm: Ministry for Enterprise and Energy, 2007)

¹⁴⁵ Swedish Government *Guidelines for External Reporting by State-owned Companies* (Stockholm, 2007), p. 1

10

Summary and conclusions

10.1 Introduction

The Irish state retains shareholdings in many commercial state enterprises on behalf of the Irish people. Several of these enterprises occupy strategic positions in terms of the state's national development, and therefore decisions concerning their future ownership structure, role and governance are critical. While the purpose of this study is not to comment on what enterprises are appropriate for the state to own or have shareholdings in, it is clear that the exercise by the state of its ownership function should be as effective as possible at all times in order to achieve national goals. The different types of commercial state enterprise in Ireland in terms of legal status, size and policy field make uniform corporate governance arrangements difficult to apply. In this chapter, building on the principal findings of the study, some key areas for developing current corporate governance arrangements are identified.

10.2 Developing corporate governance arrangements

As in many other states, commercial state enterprises in Ireland have been established on an ad-hoc basis. Insofar as an overarching policy framework for these organisations exists, it is concerned with seeking 'public value'. In seeking to maintain flexibility, governments have tended to eschew uniform criteria for creating, managing, supervising and holding to account different types of enterprise. As a result, a wide variety of enterprises exists, each with its own funding, reporting,

personnel and governance arrangements. Similarly, state enterprises have not traditionally been inclined to regularise their relationship to the state in conjunction with other enterprises, citing the unique aspects of their sector or market and the potential costs of such conformity.

Chapters 4 to 9 have examined the development of commercial state enterprises in Ireland, and identified the principal features of their current corporate governance arrangements. Overall, the evidence suggests that state enterprises perform well in relation to key features of good corporate governance practice – including regular reporting, audit and communication with shareholders. Most enterprises are also dealing capably with the corporate governance requirements placed on them by the Department of Finance's *Code of Practice*. Table 10.1 below collates the findings for the enterprises (by size) in respect of their autonomy in relation to HR, financial and policy issues.

The findings suggest that while size is positively correlated with HR autonomy (the larger the enterprise, the higher the level of autonomy), this pattern does not necessarily hold for financial autonomy. Instead, small enterprises have higher levels of financial autonomy than those of medium and large size. Small and large enterprises tend to have more policy autonomy than those of medium size. Furthermore, an examination of the enterprises by age reveals that enterprises established since 1990 have more policy autonomy than those established prior to this time. However, post-1990 enterprises have less financial autonomy than those created pre-1990. While such differences exist between state enterprises, it is possible to suggest

Table 10.1: Autonomy of commercial state-owned enterprises

| Group of enterprises | Strategic HR autonomy | HR autonomy for individual staff | Financial autonomy | Policy autonomy |
|----------------------|-----------------------|----------------------------------|--------------------|-----------------|
| Small | High | High (almost moderate) | High | High |
| Medium | High | High | Moderate | Moderate |
| Large | Maximum | High | Moderate | High |

areas which collectively apply to all those identified in this study.

10.2.1 Staff mobility

As far back as 1959, Taoiseach Seán Lemass advocated exchanges between civil servants and staff in commercial state enterprises:

There may also be a good case for providing for some measure of cross-fertilisation between State bodies and between State bodies and the civil service proper, by providing for exchanges of personnel either on a permanent or temporary basis without loss of pension rights and other privileges. The special training and background of civil servants might well be of special advantage for those aspects of the work of certain outside bodies which approximate more closely to public administration than to business administration. Similarly, there may from time to time be certain activities undertaken directly by the State for which the availability on a temporary or other basis of specially qualified personnel from State bodies would be particularly advantageous.¹⁴⁶

Barrington noted that there was little movement of personnel between the civil service and what he termed public enterprises.¹⁴⁷ More recently, the 2008 OECD report on the Irish public service noted the benefits to be gained through the mobility of senior personnel across different parts of the public service.¹⁴⁸ It argued that such benefits include sharing of skills and competencies, as well as enhancement of career and development opportunities. In the context of the development of a senior public service, consideration should also be given to the opportunities to be gained by transfer between state enterprises and government departments, particularly those with shareholding responsibilities.

10.2.2 Boards

Writing on the issue of the quality of board appointees in the early 1960s, FitzGerald noted that

...the relative youth of most of our public enterprises ... means that there has hitherto been no stock of retired executives upon which the

Government could draw to strengthen the technical knowledge of these Boards.¹⁴⁹

The same cannot be said of contemporary Ireland where an abundance of qualified persons exists. However, ensuring that boards have the correct mix of experience, skills and competencies remains central to the performance of the enterprises. Board membership comes with an increasing number of legal, fiduciary and stewardship responsibilities, which may militate against attracting candidates for board positions. Several of the Nordic countries have for many years employed competency databases in making such appointments. In the UK, there is now an Office of the Commission of Public Appointments, which works with independent assessors in choosing candidates for appointment to public bodies. There is clearly room for further development in this respect in Ireland if the state is to ensure that its commercial enterprises have the best boards possible.

Also, interviews suggest that board self-evaluations are not common in Ireland. In other jurisdictions, such evaluations are routine and regarded as part of good corporate governance practice. For example, in Sweden, boards regularly undertake self-evaluation and identify competency gaps. In Norway, an independent assessor may be appointed for board evaluations.

10.2.3 Regulation

In 2004, the government-appointed Enterprise Strategy Group published a report concerning the development of the Irish economy. It noted that there were a number of issues associated with sectoral regulation in Ireland, including:

- The proliferation, cost and lifespan of regulators
- The lack of co-ordination between regulators and the Competition Authority, despite the existence of a range of bilateral co-operation agreements
- The continued dominance of single companies in most sectors
- The increases in prices of regulated services
- The perceived inability of the regulatory regime to achieve national development objectives, such as broadband usage in telecommunications
- Ireland's small market size and geographical location

¹⁴⁶ Lemass, S. 'The Role of State-Sponsored Bodies in the Economy' in *Administration* Vol. 7, 1959

¹⁴⁷ Barrington, T. J. 'Public Enterprise in Ireland' in *Annals of Public and Cooperative Economics* Vol. 56(3), 1985, pp. 287–312

¹⁴⁸ OECD Ireland: *Towards an Integrated Public Service* (Paris: OECD, 2008), p. 14

¹⁴⁹ FitzGerald, G. *State-Sponsored Bodies* (2nd edn) (Dublin: Institute of Public Administration, 1963), p. 47

- Effective barriers to trade in many of the sectors in question
- Rapid technological change.

On the basis of these issues, it recommended that ‘the existing regulators for networked sectors (for example, electricity, gas, telecommunications and broadcasting) should be replaced by a new regulatory body covering all networked sectors combined.’¹⁵⁰ It has already been identified that further devolution of regulatory functions to independent bodies is to occur in the transport sector in Ireland. With several regulators now in existence, it is important that government be in a position to ensure high-quality performance by regulatory bodies. A regular review of their mandates and jurisdictions would also help to prevent overlap and identify gaps in regulatory policy. It should be noted that the recent OECD report on the corporate governance of state-owned enterprises recommends that ‘there should be a clear separation between the state’s ownership function and other state functions that may influence the conditions for state-owned enterprises, particularly with regard to market regulation’¹⁵¹. The ‘Review of the Economic Regulatory Environment’, identified in the Programme for Government, should provide the opportunity for this.

10.2.4 Ownership policy and performance

The governance of state enterprises, or enterprise governance, involves elements of both corporate governance and business governance. *Corporate governance*, as examined in this volume, is the method by which a corporation is directed, administered or controlled, and includes the laws and customs affecting that direction, as well as the goals for which the corporation is governed. *Business governance*, on the other hand, focuses on the pursuit of profits and shareholder value, irrespective of the organisational or social cost. For state enterprises to achieve their full potential, it is essential that they can fulfil their corporate governance requirements, which are arguably more demanding than for a private sector enterprise. For state enterprises to meet these requirements, the institutional arrangement that governs their relationship with their shareholders must be as efficient and effective as possible. An effective corporate governance arrangement can make

business governance stronger. As commercial state enterprises are likely to continue to form an integral part of the persona of the state, their governance should be of the highest order and provide benchmarks for other organisations, whether commercial or non-commercial, public or private.

Chapter 9 has discussed international trends towards a centralisation of state enterprise ownership policy. While no analysis has been conducted of the effect of these changes on performance in respect of corporate or business governance, there is merit in considering a more structured and aggregated approach to the performance of Irish commercial state enterprises. This might include, for example, an annual report to the Houses of the Oireachtas on how state enterprises are performing across a range of agreed criteria. As noted in Figure 4.2, most enterprises do not view the Houses of the Oireachtas (or their committees) as having any great influence on their mandate and strategic direction. Furthermore, as Figure 7.8 identified, there is little public reporting on the financial or non-financial work conducted by enterprises. Such a report would go some way towards addressing this lacuna and create a wider understanding of the state’s various roles as a political authority, a control body and the owner of state companies.

While decisions on high-level sectoral policy, including decisions on regulation and the regulatory environment for state enterprises, should properly remain with government departments, the possible benefits of creating a single entity with responsibility for managing the state’s ownership policy should be explored. The experience elsewhere suggests that they could include

- Assessing the performance of state enterprises and their contribution to national development
- Devising recommendations on the development of the state’s ownership policy and the most appropriate corporate structure for individual enterprises
- Assisting departments in formulating agreed strategy for those state enterprises under their remit
- Ensuring clarity and separation of the state’s regulatory, policymaking and ownership roles
- Assisting in achieving agreement on capital structures and approval for acquisitions or divestitures by state enterprises.

¹⁵⁰ Enterprise Strategy Group *Ahead of the Curve* (Dublin: Forfás, 2004), p. 95

¹⁵¹ OECD *Corporate Governance of State-Owned Enterprises: A Survey of OECD Countries* (Paris: OECD, 2005), p. 185

Alternatively, departments with shareholding responsibilities for several enterprises should consider unifying these functions into one division of the department. Interviews suggest that this is under way in at least one department.

Many of those states that have adopted a single ownership unit for the administration of state shareholdings also place a significant emphasis on the public articulation of ownership policy. Reporting plays an important part in performance management and also helps to bolster the accountability of state enterprises to the public. Furthermore, while financial performance continues to have an important bearing on a state's ownership policy, an emphasis should also be placed on non-financial or societal performance measures. The effects, on the society and economy, of the various enterprises' work should be expanded on in reporting, as Figure 7.12 demonstrates that this is currently not in evidence. Those enterprises that do not as yet produce corporate social responsibility reports should also be encouraged to do so.

10.2.5 Corporate governance guidelines

At time of writing, a new version of the *Code of Practice for the Governance of State Enterprises* is being considered by the Department of Finance. Some food for thought in its development may be provided by the recently developed set of principles underpinning corporate governance and corporate management duties in Norwegian state-ownership policy. These are:

- All shareholders shall receive equal treatment.
- There shall be transparency in state ownership of companies.
- Ownership decisions/resolutions shall be taken/adopted at the annual general meeting.
- The state, in co-operation with other owners when relevant, shall set performance targets for the companies; the boards shall be responsible for achieving these targets.
- The capital structure of the company shall be consistent with the objective of ownership and circumstances of the company.
- The composition of the board shall be characterised by competence, capacity and diversity, and reflect the distinctive characteristics of the company.

- Wage and incentive schemes shall be formulated so that they promote value creation in the companies and are perceived as reasonable.
- On behalf of the owners, the board shall exercise independent control of the company management.
- The board shall adopt a plan for its own activities and work actively to develop its own competencies.
- The company shall be aware of its responsibilities to society at large.

An OECD report on the corporate governance of state-owned enterprises similarly laid out a detailed set of guidelines covering such issues as equitable treatment of shareholders, transparency and disclosure, and relations with stakeholders. Under the heading, 'The state acting as owner', some of the key principles identified include:

- The government should develop and issue an ownership policy that defines the overall objectives of state ownership, the state's role in the corporate governance of [state-owned enterprises], and how it will implement its ownership policy.
- The exercise of ownership rights should be clearly identified within the state administration. This may be facilitated by setting up a co-ordinating entity or, more appropriately, by the centralisation of the ownership function.¹⁵²

10.2.6 Other issues emerging

Other matters emerging which are worthy of further consideration include:

- The issue of developing criteria for performance-related pay
- The inability of some enterprises to shift their budgets by year
- Rewards and sanctions for state enterprises in respect of achieving goals
- Greater allocation of resources based on objectives and results
- Greater use of performance management systems.

In conclusion, it is hoped that the findings and recommendations presented in this research report go some way towards enhancing performance and informing understanding of commercial state-owned enterprises in Ireland.

¹⁵² OECD (2005), op. cit., pp. 192, 195

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Appendix

1

Database of 605 agencies operating in Ireland as of November 2008¹⁵³

| Agency | Parent Body |
|---|--|
| Agriculture Appeals Office | Agriculture and Food |
| Bord Bia – Irish Food Board | Agriculture and Food |
| Irish National Stud Company Limited | Agriculture and Food |
| National Milk Agency | Agriculture and Food |
| Sea Fisheries Protection Authority | Agriculture and Food |
| Teagasc – Agriculture and Food Development Authority | Agriculture and Food |
| Veterinary Council of Ireland | Agriculture and Food |
| Coillte (Teoranta) – Irish Forestry Board Ltd | Agriculture and Food |
| National Theatre Society Ltd / Abbey Theatre | Arts Council |
| Arts Council/An Chomhairle Ealaíon | Arts, Sport and Tourism |
| Bord na gCon – Irish Greyhound Board | Arts, Sport and Tourism |
| Bord Scannán na hÉireann – Irish Film Board | Arts, Sport and Tourism |
| National Campus and Stadium Development Authority | Arts, Sport and Tourism |
| Chester Beatty Library | Arts, Sport and Tourism |
| Culture Ireland | Arts, Sport and Tourism |
| Fáilte Ireland – National Tourism Development Authority | Arts, Sport and Tourism |
| Horse Racing Ireland | Arts, Sport and Tourism |
| Irish Manuscripts Commission | Arts, Sport and Tourism |
| Irish Museum of Modern Art | Arts, Sport and Tourism |
| Irish Sports Council | Arts, Sport and Tourism |
| National Archives | Arts, Sport and Tourism |
| National Concert Hall | Arts, Sport and Tourism |
| National Gallery of Ireland | Arts, Sport and Tourism |
| National Library of Ireland | Arts, Sport and Tourism |
| National Museum of Ireland | Arts, Sport and Tourism |
| Shannon Development (Fáilte Ireland) | Arts, Sport and Tourism |
| Irish Financial Services Appeals Tribunal | Central Bank & FSA of Ireland |
| Irish Financial Services Regulatory Authority | Central Bank & FSA of Ireland |
| National Statistics Board | Central Statistics Office |
| Bus Átha Cliath – Dublin Bus | CIE |
| Bus Éireann – Irish Bus | CIE |
| Iarnród Éireann – Irish Rail | CIE |
| An Post | Communications, Energy and Natural Resources |
| Aquaculture Licences Appeals Board | Communications, Energy and Natural Resources |
| Bord Gáis Éireann | Communications, Energy and Natural Resources |

¹⁵³ The original database compiled for this project in 2003 identified 601 commercial and non-commercial bodies at local, regional and national level. It was revised and updated in 2007 and the database presented here includes further amendments to this revised database as of November 2008. It does not include changes announced as part of Budget 2009 which, at time of writing, had not yet been implemented, nor does it include a number of proposed agencies planned under legislation that has not been passed by the Oireachtas at time of writing.

| Agency | Parent Body |
|--|--|
| Bord Iascaigh Mhara – Irish Sea Fisheries Board | Communications, Energy and Natural Resources |
| Bord na Móna | Communications, Energy and Natural Resources |
| Broadcasting Commission of Ireland | Communications, Energy and Natural Resources |
| Broadcasting Complaints Commission | Communications, Energy and Natural Resources |
| Castletownbere Fishery Harbour Centre | Communications, Energy and Natural Resources |
| Central Fisheries Board | Communications, Energy and Natural Resources |
| COFORD (National Council for Forest Research and Development) | Communications, Energy and Natural Resources |
| Commission for Communications Regulations | Communications, Energy and Natural Resources |
| Commission for Energy Regulation | Communications, Energy and Natural Resources |
| Commissioners of Irish Lights | Communications, Energy and Natural Resources |
| Digital Hub Development Agency | Communications, Energy and Natural Resources |
| Dunmore East Fishery Harbour Centre | Communications, Energy and Natural Resources |
| Eastern Regional Fisheries Board | Communications, Energy and Natural Resources |
| EirGrid plc | Communications, Energy and Natural Resources |
| Electricity Supply Board (ESB) | Communications, Energy and Natural Resources |
| Electronic Communications Appeal Panel | Communications, Energy and Natural Resources |
| Howth Fishery Harbour Centre | Communications, Energy and Natural Resources |
| Irish Maritime Development Office | Communications, Energy and Natural Resources |
| Irish National Petroleum Corporation | Communications, Energy and Natural Resources |
| Killybegs Fishery Harbour Centre | Communications, Energy and Natural Resources |
| Marine Institute (Foras na Mara) | Communications, Energy and Natural Resources |
| Mining Board | Communications, Energy and Natural Resources |
| National Oil Reserves Agency | Communications, Energy and Natural Resources |
| National Salmon Commission | Communications, Energy and Natural Resources |
| Northern Regional Fisheries Board | Communications, Energy and Natural Resources |
| North-Western Regional Fisheries Board | Communications, Energy and Natural Resources |
| Radio Telefís Éireann (RTÉ) | Communications, Energy and Natural Resources |
| Rossaveal Fishery Harbour Centre | Communications, Energy and Natural Resources |
| Shannon Regional Fisheries Board | Communications, Energy and Natural Resources |
| Southern Regional Fisheries Board | Communications, Energy and Natural Resources |
| South-Western Regional Fisheries Board | Communications, Energy and Natural Resources |
| Sustainable Energy Ireland | Communications, Energy and Natural Resources |
| TG4 | Communications, Energy and Natural Resources |
| Western Regional Fisheries Board | Communications, Energy and Natural Resources |
| An Coimisinéir Teanga / Language Commissioner | Community, Rural and Gaeltacht Affairs |
| Pobal | Community, Rural and Gaeltacht Affairs |
| Commissioners of Charitable Donations and Bequests for Ireland | Community, Rural and Gaeltacht Affairs |
| Dormant Accounts Fund Disbursements Board | Community, Rural and Gaeltacht Affairs |
| National Advisory Committee on Drugs | Community, Rural and Gaeltacht Affairs |
| Placenames Commission / An Choimisiún Logainmneacha | Community, Rural and Gaeltacht Affairs |
| Údarás na Gaeltachta | Community, Rural and Gaeltacht Affairs |
| Western Development Commission | Community, Rural and Gaeltacht Affairs |
| Arigna Catchment Area Community Company | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Ballyhoura Development Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Barrow–Nore–Suir Rural Development Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |

| Agency | Parent Body |
|---|---|
| Blackwater Region LEADER Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Carlow Leader Rural Development Co ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Cavan–Monaghan Rural Development Co-op Society Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Comhar Iorrais (Leader) Teo | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Comhdháil Oileáin na hÉireann | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| County Sligo LEADER Partnership Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Donegal Local Development Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| East Cork Area Development Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Galway Rural Development Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Inishowen Rural Development Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| IRD Duhallow Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Irish Country Holidays | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Irish Farmhouse Holidays Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Kildare European Leader II Teo | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Laois Rural Development Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Longford Community Resources | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Louth Leader | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Meath Community Partnership Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Meitheal Forbartha na Gaeltachta Teo | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Mid-South Roscommon Rural Development Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Muintir na Tíre | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Offaly LEADER Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Rural Dublin LEADER Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Rural Resource Development Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| South Kerry Development Partnership | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| South West Mayo Development Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |

| Agency | Parent Body |
|---|--|
| Tipperary LEADER Group Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Tuatha Chiarraí Teoranta | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Waterford Leader Partnership Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| West Cork LEADER Co-operative Society Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| West Limerick Resources Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Western Rural Development Company Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Westmeath Community Development Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Wexford Organisation for Rural Development | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Wicklow Rural Partnership Ltd | Community, Rural and Gaeltacht Affairs (LEADER+ Group) |
| Army Pensions Board | Defence |
| Board of Civil Defence | Defence |
| Coiste an Asgard | Defence |
| Advisory Council for English Language Schools | Education and Science |
| Carlow VEC | Education and Science |
| Cavan VEC | Education and Science |
| Central Applications Office | Education and Science |
| Centre for Early Childhood Development and Education | Education and Science |
| Children Acts Advisory Board | Education and Science |
| Chomhairle um Oideachas Gaeltachta agus Gaelscolaíochta | Education and Science |
| Clare VEC | Education and Science |
| Commission to Inquire into Child Abuse | Education and Science |
| Commission on School Accommodation | Education and Science |
| Condae Thiobraid Árann Thuaidh VEC | Education and Science |
| Cork City VEC | Education and Science |
| Cork County VEC | Education and Science |
| Donegal VEC | Education and Science |
| Dublin City VEC | Education and Science |
| Dublin County VEC | Education and Science |
| Dublin Institute for Advanced Studies | Education and Science |
| Dún Laoghaire VEC | Education and Science |
| Education Finance Board | Education and Science |
| Further Education and Training Awards Council (FETAC) | Education and Science |
| Galway City VEC | Education and Science |
| Galway County VEC | Education and Science |
| Higher Education and Training Awards Council (HETAC) | Education and Science |
| Higher Education Authority | Education and Science |
| Inspectorate (Education) | Education and Science |
| Integrate Ireland Language and Training Ltd (IILT) | Education and Science |
| International Education Board Ireland | Education and Science |

| Agency | Parent Body |
|---|----------------------------------|
| Irish Council for Science, Engineering and Technology (incl. Embark) | Education and Science |
| Irish Research Council for Science, Engineering and Technology (inc. Embark Initiative) | Education and Science |
| Irish Research Council for the Humanities and Social Science | Education and Science |
| Irish Universities Quality Board | Education and Science |
| Kerry Education Service VEC | Education and Science |
| Kildare VEC | Education and Science |
| Kilkenny VEC | Education and Science |
| Laois VEC | Education and Science |
| Léargas – The Exchange Bureau | Education and Science |
| Leitrim VEC | Education and Science |
| Limerick City VEC | Education and Science |
| Limerick County VEC | Education and Science |
| Longford VEC | Education and Science |
| Louth VEC | Education and Science |
| Mayo VEC | Education and Science |
| Meath VEC | Education and Science |
| Monaghan VEC | Education and Science |
| National Adult Learning Council | Education and Science |
| National Centre for Guidance in Education | Education and Science |
| National Centre for Technology in Education | Education and Science |
| National Council for Curriculum and Assessment | Education and Science |
| National Council for Special Education | Education and Science |
| National Educational Psychological Service | Education and Science |
| National Educational Welfare Board | Education and Science |
| National Qualifications Authority of Ireland | Education and Science |
| North Tipperary VEC | Education and Science |
| Offaly VEC | Education and Science |
| <i>Gaisce</i> | Education and Science |
| Teaching Council | Education and Science |
| Roscommon VEC | Education and Science |
| Royal Irish Academy | Education and Science |
| Royal Irish Academy of Music | Education and Science |
| Sligo County VEC | Education and Science |
| South Tipperary VEC | Education and Science |
| State Examinations Commission | Education and Science |
| Waterford City VEC | Education and Science |
| Waterford County VEC | Education and Science |
| Westmeath VEC | Education and Science |
| Wexford County VEC | Education and Science |
| Wicklow County VEC | Education and Science |
| Crafts Council of Ireland | Enterprise Ireland |
| Carlow Enterprise Board | Enterprise, Trade and Employment |
| Cavan Enterprise Board | Enterprise, Trade and Employment |
| Clare Enterprise Board | Enterprise, Trade and Employment |
| Companies Registration Office | Enterprise, Trade and Employment |
| Competition Authority | Enterprise, Trade and Employment |
| Cork City Enterprise Board | Enterprise, Trade and Employment |
| Cork North Enterprise Board | Enterprise, Trade and Employment |
| Donegal Enterprise Board | Enterprise, Trade and Employment |

| Agency | Parent Body |
|--|----------------------------------|
| Dublin City Enterprise Board | Enterprise, Trade and Employment |
| Dún Laoghaire–Rathdown Enterprise Board | Enterprise, Trade and Employment |
| Employment Appeals Tribunal | Enterprise, Trade and Employment |
| Enterprise Ireland | Enterprise, Trade and Employment |
| FÁS (Foras Áiseanna Saothair) incl. FÁS International Consulting Ltd. | Enterprise, Trade and Employment |
| Fingal Enterprise Board | Enterprise, Trade and Employment |
| Forfás | Enterprise, Trade and Employment |
| Galway County and City Enterprise Board | Enterprise, Trade and Employment |
| Health and Safety Authority | Enterprise, Trade and Employment |
| IDA Ireland | Enterprise, Trade and Employment |
| Injuries Board | Enterprise, Trade and Employment |
| Irish Auditing and Accounting Supervisory Authority | Enterprise, Trade and Employment |
| Irish Council for Bioethics | Enterprise, Trade and Employment |
| Irish Takeover Panel | Enterprise, Trade and Employment |
| Kerry Enterprise Board | Enterprise, Trade and Employment |
| Kildare Enterprise Board | Enterprise, Trade and Employment |
| Kilkenny Enterprise Board | Enterprise, Trade and Employment |
| Labour Court – An Chúirt Oibreachais | Enterprise, Trade and Employment |
| Labour Relations Commission | Enterprise, Trade and Employment |
| Laois Enterprise Board | Enterprise, Trade and Employment |
| Leitrim Enterprise Board | Enterprise, Trade and Employment |
| Limerick City Enterprise Board | Enterprise, Trade and Employment |
| Limerick County Enterprise Board | Enterprise, Trade and Employment |
| Longford Enterprise Board | Enterprise, Trade and Employment |
| Louth Enterprise Board | Enterprise, Trade and Employment |
| Mayo Enterprise Board | Enterprise, Trade and Employment |
| Meath Enterprise Board | Enterprise, Trade and Employment |
| Monaghan Enterprise Board | Enterprise, Trade and Employment |
| National Consumer Agency | Enterprise, Trade and Employment |
| National Employment Rights Authority | Enterprise, Trade and Employment |
| National Employment Rights Authority Advisory Board | Enterprise, Trade and Employment |
| National Standards Authority of Ireland | Enterprise, Trade and Employment |
| North Tipperary Enterprise Board | Enterprise, Trade and Employment |
| Offaly Enterprise Board | Enterprise, Trade and Employment |
| Office of the Director of Consumer Affairs | Enterprise, Trade and Employment |
| Office of the Director of Corporate Enforcement | Enterprise, Trade and Employment |
| Office of the Registrar of Friendly Societies | Enterprise, Trade and Employment |
| Patents Office | Enterprise, Trade and Employment |
| Roscommon Enterprise Board | Enterprise, Trade and Employment |
| Shannon Development (Industrial) | Enterprise, Trade and Employment |
| Sligo Enterprise Board | Enterprise, Trade and Employment |
| South Cork Enterprise Board | Enterprise, Trade and Employment |
| South Dublin Enterprise Board | Enterprise, Trade and Employment |
| South Tipperary Enterprise Board | Enterprise, Trade and Employment |
| Waterford City Enterprise Board | Enterprise, Trade and Employment |
| Waterford County Enterprise Board | Enterprise, Trade and Employment |
| West Cork Enterprise Board | Enterprise, Trade and Employment |
| Westmeath Enterprise Board | Enterprise, Trade and Employment |
| Wexford Enterprise Board | Enterprise, Trade and Employment |
| Wicklow Enterprise Board | Enterprise, Trade and Employment |

| Agency | Parent Body |
|---|--|
| European Consumer Centre | Enterprise, Trade and Employment/EU |
| Affordable Homes Partnership | Environment, Heritage and Local Government |
| Bord Pleanála | Environment, Heritage and Local Government |
| Border Regional Authority | Environment, Heritage and Local Government |
| Border, Midland and Western Regional Assembly | Environment, Heritage and Local Government |
| Building Regulations Advisory Body (BRAB) | Environment, Heritage and Local Government |
| Carlow County Council | Environment, Heritage and Local Government |
| Carlow County Development Board | Environment, Heritage and Local Government |
| Cavan County Council | Environment, Heritage and Local Government |
| Cavan County Development Board | Environment, Heritage and Local Government |
| Chomhairle Leabharlanna – Library Council | Environment, Heritage and Local Government |
| Clare County Council | Environment, Heritage and Local Government |
| Clare County Development Board | Environment, Heritage and Local Government |
| Clonmel Borough Council | Environment, Heritage and Local Government |
| Comhar – National Sustainable Development Partnership | Environment, Heritage and Local Government |
| Cork City Council | Environment, Heritage and Local Government |
| Cork City Development Board | Environment, Heritage and Local Government |
| Cork County Council | Environment, Heritage and Local Government |
| Cork County Development Board | Environment, Heritage and Local Government |
| Donegal County Council | Environment, Heritage and Local Government |
| Donegal County Development Board | Environment, Heritage and Local Government |
| Drogheda Borough Council | Environment, Heritage and Local Government |
| Dublin City Council | Environment, Heritage and Local Government |
| Dublin City Development Board | Environment, Heritage and Local Government |
| Dublin Docklands Development Authority | Environment, Heritage and Local Government |
| Dublin Regional Authority | Environment, Heritage and Local Government |
| Dún Laoghaire–Rathdown County Council | Environment, Heritage and Local Government |
| Dún Laoghaire–Rathdown Development Board | Environment, Heritage and Local Government |
| Dundalk Borough Council | Environment, Heritage and Local Government |
| ENFO – The Environmental Information Service | Environment, Heritage and Local Government |
| Environmental Protection Agency | Environment, Heritage and Local Government |
| Fingal County Council | Environment, Heritage and Local Government |
| Fingal County Development Board | Environment, Heritage and Local Government |
| Fire Services Council | Environment, Heritage and Local Government |
| Galway City Council | Environment, Heritage and Local Government |
| Galway City Development Board | Environment, Heritage and Local Government |
| Galway County Council | Environment, Heritage and Local Government |
| Galway County Development Board | Environment, Heritage and Local Government |
| Heritage Council | Environment, Heritage and Local Government |
| Housing Finance Agency plc | Environment, Heritage and Local Government |
| Irish Water Safety Association | Environment, Heritage and Local Government |
| Kerry County Council | Environment, Heritage and Local Government |
| Kerry County Development Board | Environment, Heritage and Local Government |
| Kildare County Council | Environment, Heritage and Local Government |
| Kildare County Development Board | Environment, Heritage and Local Government |
| Kilkenny Borough Council | Environment, Heritage and Local Government |
| Kilkenny County Council | Environment, Heritage and Local Government |
| Kilkenny County Development Board | Environment, Heritage and Local Government |
| Laois County Council | Environment, Heritage and Local Government |
| Laois County Development Board | Environment, Heritage and Local Government |
| Leitrim County Council | Environment, Heritage and Local Government |

| Agency | Parent Body |
|---|--|
| Leitrim County Development Board | Environment, Heritage and Local Government |
| Limerick City Council | Environment, Heritage and Local Government |
| Limerick City Development Board | Environment, Heritage and Local Government |
| Limerick County Council | Environment, Heritage and Local Government |
| Limerick County Development Board | Environment, Heritage and Local Government |
| Limerick Northside Regeneration Agency | Environment, Heritage and Local Government |
| Limerick Southside Regeneration Agency | Environment, Heritage and Local Government |
| Local Government Computer Services Board | Environment, Heritage and Local Government |
| Local Government Management Services Board | Environment, Heritage and Local Government |
| Longford County Council | Environment, Heritage and Local Government |
| Longford County Development Board | Environment, Heritage and Local Government |
| Louth County Council | Environment, Heritage and Local Government |
| Louth County Development Board | Environment, Heritage and Local Government |
| Mayo County Council | Environment, Heritage and Local Government |
| Mayo County Development Board | Environment, Heritage and Local Government |
| Meath County Council | Environment, Heritage and Local Government |
| Meath County Development Board | Environment, Heritage and Local Government |
| Met Éireann | Environment, Heritage and Local Government |
| Mid-East Regional Authority | Environment, Heritage and Local Government |
| Midland Regional Authority | Environment, Heritage and Local Government |
| Mid-West Regional Authority | Environment, Heritage and Local Government |
| Monaghan County Council | Environment, Heritage and Local Government |
| Monaghan County Development Board | Environment, Heritage and Local Government |
| National Building Agency Ltd | Environment, Heritage and Local Government |
| National Traveller Accommodation Consultative Committee | Environment, Heritage and Local Government |
| North Tipperary County Council | Environment, Heritage and Local Government |
| North Tipperary County Development Board | Environment, Heritage and Local Government |
| Offaly County Council | Environment, Heritage and Local Government |
| Offaly County Development Board | Environment, Heritage and Local Government |
| Private Residential Tenancies Board | Environment, Heritage and Local Government |
| Radiological Protection Institute of Ireland | Environment, Heritage and Local Government |
| Referendum Commission | Environment, Heritage and Local Government |
| Rent Tribunal | Environment, Heritage and Local Government |
| Roscommon County Council | Environment, Heritage and Local Government |
| Roscommon County Development Board | Environment, Heritage and Local Government |
| Sligo Borough Council | Environment, Heritage and Local Government |
| Sligo County Council | Environment, Heritage and Local Government |
| Sligo County Development Board | Environment, Heritage and Local Government |
| South Dublin County Council | Environment, Heritage and Local Government |
| South Dublin County Development Board | Environment, Heritage and Local Government |
| South Tipperary County Council | Environment, Heritage and Local Government |
| South Tipperary County Development Board | Environment, Heritage and Local Government |
| South-East Regional Authority | Environment, Heritage and Local Government |
| Southern and Eastern Regional Assembly | Environment, Heritage and Local Government |
| South-West Regional Authority | Environment, Heritage and Local Government |
| Temple Bar Cultural Trust (Dublin City Council) | Environment, Heritage and Local Government |
| Waterford City Council | Environment, Heritage and Local Government |
| Waterford City Development Board | Environment, Heritage and Local Government |
| Waterford County Council | Environment, Heritage and Local Government |
| Waterford County Development Board | Environment, Heritage and Local Government |
| West Regional Authority | Environment, Heritage and Local Government |

| Agency | Parent Body |
|--|--|
| Westmeath County Council | Environment, Heritage and Local Government |
| Westmeath County Development Board | Environment, Heritage and Local Government |
| Wexford Borough Council | Environment, Heritage and Local Government |
| Wexford County Council | Environment, Heritage and Local Government |
| Wexford County Development Board | Environment, Heritage and Local Government |
| Wicklow County Council | Environment, Heritage and Local Government |
| Wicklow County Development Board | Environment, Heritage and Local Government |
| Dublin Tourism | Fáilte Ireland |
| Fáilte Ireland East Coast and Midlands Region | Fáilte Ireland |
| Fáilte Ireland North West Region | Fáilte Ireland |
| Fáilte Ireland South East Region | Fáilte Ireland |
| Fáilte Ireland Cork Kerry Region | Fáilte Ireland |
| Fáilte Ireland West Region | Fáilte Ireland |
| Central Bank of Ireland and Financial Services Authority of Ireland | Finance |
| Commission on Public Service Appointments | Finance |
| Committee on Top-Level Appointments in the Civil Service | Finance |
| Economic and Social Research Institute | Finance |
| Financial Services Ombudsman's Bureau | Finance |
| Institute of Public Administration | Finance |
| National Development Finance Agency | Finance |
| National Lottery | Finance |
| National Treasury Management Agency | Finance |
| Office of Public Works | Finance |
| Office of the Appeal Commissioners | Finance |
| Office of the Chief Medical Officer for the Civil Service | Finance |
| Office of the Comptroller and Auditor General | Finance |
| Office of the Information Commissioner | Finance |
| Office of the Ombudsman | Finance |
| Office of the Revenue Commissioners | Finance |
| Ordnance Survey Ireland | Finance |
| Public Appointments Service | Finance |
| Standards in Public Office Commission | Finance |
| State Laboratory | Finance |
| Valuation Office | Finance |
| Valuation Tribunal | Finance |
| ERDF and Cohesion Fund Financial Control Unit | Finance/ EU Commission |
| Prize Bond Company Ltd | Finance/An Post |
| NDP/CSF Evaluation Unit | Finance/EU |
| NDP/CSF Information Office | Finance/EU |
| NDP/CSF IT Unit | Finance/EU |
| The Advisory Board for Irish Aid | Foreign Affairs |
| The Fulbright Commission | Foreign Affairs |
| Advisory Council for Science, Technology and Innovation | Forfás |
| Irish National Accreditation Board | Forfás |
| National Competitiveness Council | Forfás |
| Science Foundation Ireland (SFI) | Forfás |
| Loughs Agency | Foyle, Carlingford and Irish Lights Commission (North/South body) |

| Agency | Parent Body |
|---|--|
| Board for Employment of the Blind | Health and Children |
| Bord Altranais – Nursing Board | Health and Children |
| Bord na Radharcmhastóirí – Opticians Board | Health and Children |
| Bord Uchtála – The Adoption Board | Health and Children |
| Consultative Council on Hepatitis C | Health and Children |
| Crisis Pregnancy Agency | Health and Children |
| Dental Council | Health and Children |
| Drug Treatment Centre Board | Health and Children |
| Food Safety Authority of Ireland | Health and Children |
| Health and Social Care Professionals Council | Health and Children |
| Health Insurance Authority | Health and Children |
| Health Research Board | Health and Children |
| Irish Blood Transfusion Service | Health and Children |
| Health Information and Quality Authority | Health and Children |
| Irish Medicines Board | Health and Children |
| Medical Council | Health and Children |
| Mental Health Commission | Health and Children |
| National Cancer Registry Board | Health and Children |
| National Cancer Screening Service Board | Health and Children |
| National Children’s Advisory Council | Health and Children |
| National Council for the Professional Development of Nursing and Midwifery | Health and Children |
| National Council on Ageing and Older People | Health and Children |
| National Haemophilia Council | Health and Children |
| National Social Work Qualifications Board | Health and Children |
| National Treatment Purchase Fund | Health and Children |
| Office of Tobacco Control | Health and Children |
| Pharmaceutical Society of Ireland | Health and Children |
| Poisons Council | Health and Children |
| Postgraduate Medical and Dental Board | Health and Children |
| Pre-Hospital Emergency Care Council | Health and Children |
| Special Residential Services Board | Health and Children |
| VHI – Voluntary Health Insurance Board | Health and Children |
| Women’s Health Council | Health and Children |
| Institute of Public Health in Ireland | Health and Children (North/South body) |
| Health Protection Surveillance Centre | Health Service Executive |
| Rosslare Europort | Iarnród Éireann |
| Censorship of Publications Appeal Board | Justice, Equality and Law Reform |
| Censorship of Publications Board | Justice, Equality and Law Reform |
| Chief State Solicitor’s Office | Justice, Equality and Law Reform |
| Classification of Films Appeal Board | Justice, Equality and Law Reform |
| Courts Service | Justice, Equality and Law Reform |
| Criminal Injuries Compensation Tribunal | Justice, Equality and Law Reform |
| Equality Authority | Justice, Equality and Law Reform |
| Equality Tribunal | Justice, Equality and Law Reform |
| Forensic Science Laboratory | Justice, Equality and Law Reform |
| Garda Síochána Complaints Appeal Board | Justice, Equality and Law Reform |
| Garda Síochána Complaints Board | Justice, Equality and Law Reform |
| Garda Inspectorate | Justice, Equality and Law Reform |
| Garda Síochána Ombudsman Commission | Justice, Equality and Law Reform |
| Human Rights Commission | Justice, Equality and Law Reform |
| Inspector of Prisons | Justice, Equality and Law Reform |

| Agency | Parent Body |
|---|-------------------------------------|
| Irish Film Classification Office | Justice, Equality and Law Reform |
| Irish Prison Service | Justice, Equality and Law Reform |
| Judicial Appointments Advisory Board | Justice, Equality and Law Reform |
| Judicial Studies Institute | Justice, Equality and Law Reform |
| Legal Aid Board (incl. Refugee Legal Service) | Justice, Equality and Law Reform |
| National Consultative Committee on Racism and Interculturalism | Justice, Equality and Law Reform |
| National Crime Council | Justice, Equality and Law Reform |
| National Disability Authority | Justice, Equality and Law Reform |
| National Office for the Prevention of Domestic Violence | Justice, Equality and Law Reform |
| NDP Gender Equality Unit | Justice, Equality and Law Reform |
| Office of Confidential Recipient | Justice, Equality and Law Reform |
| Office of the Data Protection Commissioner | Justice, Equality and Law Reform |
| Office of the Director of Public Prosecutions | Justice, Equality and Law Reform |
| Office of the Press Ombudsman | Justice, Equality and Law Reform |
| Office of the Refugee Applications Commissioner | Justice, Equality and Law Reform |
| Parole Board | Justice, Equality and Law Reform |
| Press Council Ireland | Justice, Equality and Law Reform |
| Private Security Authority | Justice, Equality and Law Reform |
| Probation Service | Justice, Equality and Law Reform |
| Reception and Integration Agency | Justice, Equality and Law Reform |
| Refugee Appeals Tribunal | Justice, Equality and Law Reform |
| Registration of Title Rules Committee | Justice, Equality and Law Reform |
| Property Registration Authority | Justice, Equality and Law Reform |
| State Pathology Service | Justice, Equality and Law Reform |
| Commission for the Support of Victims of Crime | Justice, Equality and Law Reform |
| National Pensions Reserve Fund Commission | Justice, Equality and Law Reform |
| Boord o Ulstèr-Scotch | National Treasury Management Agency |
| Foras na Gaeilge | North/South Language Body |
| Foras Teangra (North/South Language Body) | North/South Language Body |
| Foyle, Carlingford and Irish Lights Commission (FCILC) | North/South Ministerial Council |
| InterTradeIreland | North/South Ministerial Council |
| SafeFood: Food Safety Promotion Board | North/South Ministerial Council |
| Special European Union Programmes Body | North/South Ministerial Council |
| Tourism Ireland Ltd | North/South Ministerial Council |
| Waterways Ireland | North/South Ministerial Council |
| Law Reform Commission | Office of the Attorney General |
| Office of the Parliamentary Council to the Government | Office of the Attorney General |
| Ombudsman for Children | Office of the Minister for Children |
| Carlow Childcare Committee | Office of the Minister for Children |
| Cavan Childcare Committee | Office of the Minister for Children |
| Clare Childcare Committee | Office of the Minister for Children |
| Cork City Childcare Committee | Office of the Minister for Children |
| Cork County Childcare Committee | Office of the Minister for Children |
| Donegal Childcare Committee | Office of the Minister for Children |
| Dublin City Childcare Committee | Office of the Minister for Children |
| Dublin South Childcare Committee | Office of the Minister for Children |
| Dún Laoghaire–Rathdown Childcare Committee | Office of the Minister for Children |
| Fingal Childcare Committee | Office of the Minister for Children |
| Galway City and County Childcare Committee | Office of the Minister for Children |

| Agency | Parent Body |
|---|-------------------------------------|
| Kerry Childcare Committee | Office of the Minister for Children |
| Kildare Childcare Committee | Office of the Minister for Children |
| Kilkenny Childcare Committee | Office of the Minister for Children |
| Laois Childcare Committee | Office of the Minister for Children |
| Leitrim Childcare Committee | Office of the Minister for Children |
| Limerick City Childcare Committee | Office of the Minister for Children |
| Limerick County Childcare Committee | Office of the Minister for Children |
| Longford Childcare Committee | Office of the Minister for Children |
| Louth Childcare Committee | Office of the Minister for Children |
| Mayo Childcare Committee | Office of the Minister for Children |
| Meath Childcare Committee | Office of the Minister for Children |
| Monaghan Childcare Committee | Office of the Minister for Children |
| Offaly Childcare Committee | Office of the Minister for Children |
| Roscommon Childcare Committee | Office of the Minister for Children |
| Sligo Childcare Committee | Office of the Minister for Children |
| Tipperary North Childcare Committee | Office of the Minister for Children |
| Tipperary South Childcare Committee | Office of the Minister for Children |
| Waterford City Childcare Committee | Office of the Minister for Children |
| Waterford County Childcare Committee | Office of the Minister for Children |
| Westmeath Childcare Committee | Office of the Minister for Children |
| Wexford Childcare Committee | Office of the Minister for Children |
| Wicklow Childcare Committee | Office of the Minister for Children |
| Government Supplies Agency | OPW |
| Ballyfermot Partnership | Pobal |
| Ballymun Partnership Ltd | Pobal |
| Blanchardstown Area Partnership | Pobal |
| Bray Partnership | Pobal |
| Canal Communities Partnership | Pobal |
| Cavan Partnership | Pobal |
| Clondalkin Partnership Company | Pobal |
| Comhair Cathair Chorcaí | Pobal |
| Donegal Local Development Company | Pobal |
| Drogheda Partnership Company | Pobal |
| Dublin Inner City Partnership | Pobal |
| Dundalk Employment Partnership Limited | Pobal |
| Finglas/Cabra Partnership | Pobal |
| Galway City Partnership | Pobal |
| Galway Rural Development Company | Pobal |
| Inishowen Partnership Board | Pobal |
| KWCD Partnership | Pobal |
| Leitrim Partnership | Pobal |
| Longford Community Resources Ltd | Pobal |
| Meitheal Mhaigheo | Pobal |
| Monaghan Partnership Board | Pobal |
| North West Kildare/North Offaly Partnership | Pobal |
| Northside Partnership | Pobal |
| Páirtíocht Chonamara | Pobal |
| Páirtíocht Gaeltacht Thír Chonaill | Pobal |
| PAUL Partnership, Limerick | Pobal |
| Roscommon County Partnership | Pobal |
| Sligo LEADER Partnership Company | Pobal |
| South Kerry Development Partnership | Pobal |

| Agency | Parent Body |
|--|---------------------------|
| Southside Partnership | Pobal |
| Tallaght Partnership | Pobal |
| Trá Lí Partnership | Pobal |
| Waterford Area Partnership | Pobal |
| Westmeath Community Development Ltd | Pobal |
| Wexford Area Partnership | Pobal |
| Wexford County Partnership | Pobal |
| Office of the Appeal Commissioners | Revenue |
| National Technology Park Plassey Ltd | Shannon Development |
| Bord Pinsean – Pensions Board | Social and Family Affairs |
| Combat Poverty Agency | Social and Family Affairs |
| Citizens Information Board | Social and Family Affairs |
| Family Support Agency | Social and Family Affairs |
| Pensions Ombudsman | Social and Family Affairs |
| Reach | Social and Family Affairs |
| Social Welfare Appeals Office | Social and Family Affairs |
| Social Welfare Tribunal | Social and Family Affairs |
| Central Statistics Office | Taoiseach |
| Information Society Commission | Taoiseach |
| National Centre for Partnership and Performance | Taoiseach |
| National Economic and Social Council | Taoiseach |
| National Economic and Social Development Office | Taoiseach |
| National Economic and Social Forum | Taoiseach |
| North/South Ministerial Council – Joint Secretariat | Taoiseach |
| Office of the Chief Scientific Adviser to the Government | Taoiseach |
| Arklow Harbour Commissioners | Transport |
| Baltimore and Skibbereen Harbour Commissioners | Transport |
| Bantry Bay Harbour Commissioners | Transport |
| Dingle Harbour Commissioners | Transport |
| Drogheda Port Company | Transport |
| Dublin Port Company | Transport |
| Dún Laoghaire Harbour Company | Transport |
| Dundalk Port Company | Transport |
| Galway Harbour Company | Transport |
| Kilrush Harbour Authority | Transport |
| Kinsale Harbour Commissioners | Transport |
| Marine Casualty Investigation Board | Transport |
| New Ross Port Company | Transport |
| Port of Cork Company | Transport |
| Port of Waterford Company | Transport |
| Shannon Foynes Port Company | Transport |
| Sligo Harbour Commissioners | Transport |
| Tralee and Fenit Pier and Harbour Commissioners | Transport |
| Westport Harbour Commissioners | Transport |
| Wexford Harbour Commissioners | Transport |
| Wicklow Port Company | Transport |
| Youghal Harbour Authority | Transport |
| Dublin Airport Authority | Transport |
| CIÉ – Coras Iompair Éireann | Transport |
| Commission for Aviation Regulation | Transport |
| Commission for Taxi Regulation | Transport |

| Agency | Parent Body |
|---|----------------------|
| Advisory Council to the Commission for Taxi Regulation | Transport |
| Dublin Transportation Office | Transport |
| Irish Aviation Authority | Transport |
| Medical Bureau of Road Safety | Transport |
| National Roads Authority | Transport |
| Road Safety Authority | Transport |
| Railway Procurement Agency | Transport |
| Railway Safety Commission | Transport |
| Arramara Teo | Údarás na Gaeltachta |

Appendix

2

Commercial state enterprises and parent departments/bodies in Ireland

| Enterprise Name | Parent Body |
|---|--|
| Irish National Stud Company Limited | Agriculture, Fisheries and Food |
| Coillte (Teoranta) – Irish Forestry Board Ltd | Agriculture, Fisheries and Food |
| Bord na gCon – Irish Greyhound Board | Arts, Sport and Tourism |
| Horse Racing Ireland | Arts, Sport and Tourism |
| Bus Átha Cliath – Dublin Bus | CIÉ |
| Bus Éireann – Irish Bus | CIÉ |
| Iarnród Éireann – Irish Rail | CIÉ |
| An Post | Communications, Energy and Natural Resources |
| Bord Gáis Éireann | Communications, Energy and Natural Resources |
| Bord na Móna | Communications, Energy and Natural Resources |
| EirGrid plc | Communications, Energy and Natural Resources |
| Electricity Supply Board (ESB) | Communications, Energy and Natural Resources |
| National Oil Reserves Agency | Communications, Energy and Natural Resources |
| Ordnance Survey Ireland | Communications, Energy and Natural Resources |
| Radio Telefís Éireann (RTÉ) | Communications, Energy and Natural Resources |
| TG4 | Communications, Energy and Natural Resources |
| Shannon Development (Industrial) | Enterprise, Trade and Employment |
| Housing Finance Agency plc | Environment, Heritage and Local Government |
| National Building Agency Ltd | Environment, Heritage and Local Government |
| National Lottery | Finance |
| VHI – Voluntary Health Insurance Board | Health and Children |
| National Technology Park Plassey Ltd | Shannon Development |
| Drogheda Port Company | Transport |
| Dublin Port Company | Transport |
| Dún Laoghaire Harbour Company | Transport |
| Dundalk Port Company | Transport |
| Galway Harbour Company | Transport |
| New Ross Port Company | Transport |
| Port of Cork Company | Transport |
| Port of Waterford Company | Transport |
| Shannon Foynes Port Company | Transport |
| Wicklow Port Company | Transport |
| Dublin Airport Authority | Transport |
| CIÉ – Coras Iompair Éireann | Transport |
| Irish Aviation Authority | Transport |
| Railway Procurement Agency | Transport |
| Arramara Teo | Údarás na Gaeltachta |

Appendix

3

Categorisation of enterprises by size

For the purpose of more detailed analysis of the responses received, the enterprises were categorised as small, medium or large, based on the number of staff they employ and their current budget. As the table below details, there is a strong correlation between the two variables.

Correlations

| | | Staff numbers | Current expenditure for 2006 |
|------------------------------|---------------------|-----------------|------------------------------|
| Staff numbers | Pearson Correlation | 1 | .910(**) |
| | Sig. (2-tailed) | | .000 |
| | N | 25 | 24 |
| Current expenditure for 2006 | Pearson Correlation | .910(**) | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 24 | 24 |

** Correlation is significant at the 0.01 level (2-tailed).

There is also a strong positive correlation between the current and capital budgets of the enterprises responding to the survey (below).

Correlations

| | | Current expenditure for 2006 | Capital expenditure for 2006 |
|------------------------------|---------------------|------------------------------|------------------------------|
| Current expenditure for 2006 | Pearson Correlation | 1 | .978(**) |
| | Sig. (2-tailed) | | .000 |
| | N | 25 | 25 |
| Capital expenditure for 2006 | Pearson Correlation | .978(**) | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 25 | 25 |

** Correlation is significant at the 0.01 level (2-tailed).

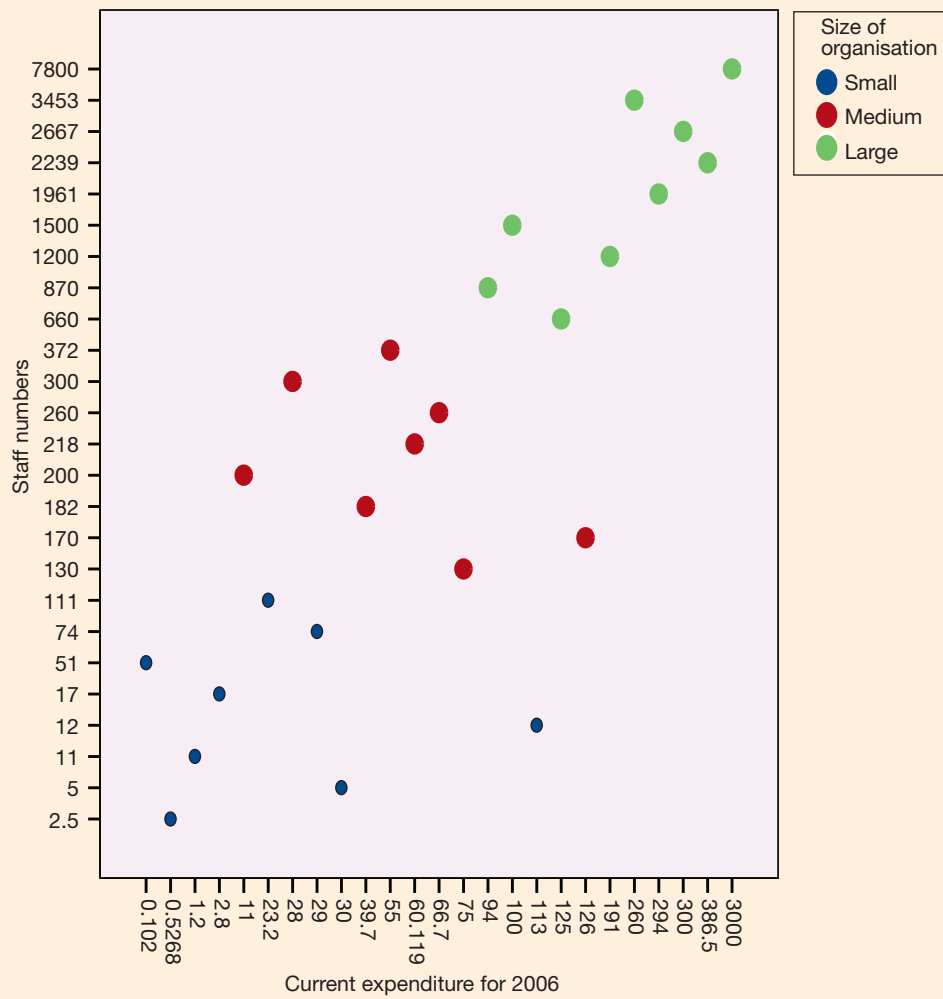
Therefore, the three categories consisted of the following number of enterprises and average staff and current budget.

Key features of enterprises by size

| | N | Average number of staff | Average current budget (€m) | Average capital budget (€m) |
|---------------|---|-------------------------|-----------------------------|-----------------------------|
| Small | 8 | 35 | 25 | 6 |
| Medium | 8 | 229 | 58 | 29 |
| Large | 9 | 2,483 | 527 | 159 |

Clustering the responding enterprises according to their staff size and current budget identifies three clusters – small, medium and large enterprises. In identifying these three groups, an analysis was undertaken involving a range of clustering options, and the strongest correlation is used here.

Clustering of enterprises responding to survey



Appendix

4

Explanation of matrices

Strategic HR autonomy

This measures combinations of the ability of enterprises to decide on strategic general policy in relation to staff numbers, staff appointments/selection procedures, staff salary levels, conditions for promotion, staff tenure, staff evaluation schemes and general criteria for dismissal (see question 16 of the questionnaire, in Appendix 5). The score is based on a matrix developed by the Instituut voor de Overheid for its 2002 study of Belgian public bodies and used in the analysis of Irish non-commercial national and sub-national agencies. The possible results range from those enterprises that are able to decide on all of the above issues without ministerial/departmental or regulator influence, and which therefore have maximum strategic HR autonomy, to those that are unable to decide on any of these issues independently and which therefore have no strategic HR autonomy.

The scores for each answer are as follows:

Yes – 1

No – 2

Maximum total possible (there are seven variables) = 14 (no strategic HR autonomy)

Minimum total possible = 7 (maximum strategic HR autonomy)

Ranked scores:

14 – no strategic HR autonomy

12/13 – minimum strategic HR autonomy

11 – low strategic HR autonomy

9/10 – moderate strategic HR autonomy

8 – high strategic HR autonomy

7 – maximum strategic HR autonomy

Average results are provided for the small, medium and large groups of enterprises respectively.

General HR autonomy for individual staff

As well as looking at strategic HR issues, a matrix is used to determine the ability of the enterprises to

decide on HR conditions for individual members of staff, in relation to salary, promotion, tenure, evaluation, dismissals and appointments (see question 17 of the questionnaire). The scores allocated for each answer were as follows:

Yes for all staff – 1

Yes for most staff – 2

Yes for some staff – 3

No – 4

Maximum total possible (there are six variables) = 24 (no HR autonomy for individual staff)

Minimum total possible = 6 (maximum HR autonomy for individual staff)

As the agencies could provide a range of answers, the ranked scores were therefore as follows:

6 – maximum HR autonomy for individual staff

7–12 – high HR autonomy for individual staff

13–17 – moderate HR autonomy for individual staff

18–23 – low HR autonomy for individual staff

24 – no HR autonomy for individual staff

Again, average results are provided for the small, medium and large groups of enterprises respectively.

Financial autonomy

In relation to financial autonomy, a matrix is used to measure variations on the ability of agencies to be able to take out loans, set charges, shift budget allocations by function and shift budget allocations by year (see question 18 of the questionnaire. Please note that the fifth element of this question, concerning the establishment of subsidiary companies, is not included in this matrix). The scores allocated for each answer were as follows:

Yes, can decide without ministerial/
departmental/regulator approval – 1

Can decide, but with ministerial/regulator
departmental/approval – 2

Minister/department/regulator decides/
cannot decide – 3

Maximum total possible (there are four variables) =
4 (maximum financial autonomy)

Minimum total possible = 12 (no financial
autonomy)

As the agencies could provide a range of answers,
the ranked scores were therefore as follows:

- 4 – maximum financial autonomy
- 5–6 – high financial autonomy
- 7–8 – moderate financial autonomy
- 9–11 – low financial autonomy
- 12 – no financial autonomy

As for HR autonomy, average results are provided
for the small, medium and large groups of enter-
prises respectively.

Policy autonomy

The final matrix concerns the autonomy of the
agency in relation to its choice of target group and
policy instruments (see questions 19 and 20 of the
questionnaire). The scores for each answer were as
follows:

Organisation decides, little or no
departmental/ ministerial involvement – 1

Organisation decides following consultation
with department/minister/regulator – 2

Organisation decides within conditions
set by department /minister/regulator – 3

Department/minister/regulator decides
following consultation with agency – 4

Department/minister/regulator decides;
agency not involved – 5

If conditions were set by legislation, a score of 3 is
given. Average results are provided for the small,
medium and large groups of enterprises
respectively.

Maximum total possible (there are two variables) =
2 (maximum autonomy)

Minimum total possible = 10 (no autonomy)

The ranked scores are therefore:

- 2 – maximum policy autonomy
- 3–4 – high policy autonomy
- 5–6 – moderate policy autonomy
- 7–8 – low policy autonomy
- 9 – minimum policy autonomy
- 10 – no policy autonomy

As for financial autonomy, average results are
provided for the small, medium and large groups
of enterprises respectively.

Appendix

5

Irish Commercial Public Sector Bodies¹⁵⁴ Survey Questionnaire

(Note: Definitions are provided at the end of the questionnaire for text in bold.)

Section one

Respondent information

Organisation name (text answer) _____

What is your function in the organisation? (please select one option)

- CEO/Director-General or equivalent _____
- Company secretary or equivalent _____
- Financial director _____
- HR director _____
- Other director _____
- Senior manager _____
- Other (please specify) _____

The Organisation

1. What Government Department(s) or public body is your organisation directly under the aegis of? (text answer)

2. What is the field in which your organisation operates? (please select up to two options)

- Agriculture (including food), forestry, fishing (aquaculture) _____
- Fuel and energy _____
- Mining, manufacturing and construction _____
- Transport _____
- Communications _____
- Tourism _____
- Housing _____
- Health _____
- Sports and recreation (including lottery/gaming) _____
- Cultural services _____

- Broadcasting and publishing _____
- Education _____
- Other (please specify) _____

3. In addition to its commercial role, is your organisation required to:

(please select all relevant options):

- Provide subsidised or free services (public service obligations) to certain target groups or areas _____
- Achieve certain **environmental objectives** _____
- Demonstrate **corporate social responsibility** _____
- Other (please specify) _____

If no to question 3, please go to question 5.

4. If yes to Q. 3, what is the source of the requirement to fulfil these tasks? (please select one option)

- Primary legislation _____
- Statutory instrument _____
- Ministerial order _____
- Memorandum or Articles of Association _____
- Performance contracts _____
- Other (please specify – text answer) _____

5. In what year was your organisation established? (text answer) _____

6. Did the organisation exist in a previous form? (please select one answer)

- Yes _____
- No _____ If no, please proceed to question 7.

7. If yes, what organisation/s preceded it and when were they set up? (text answer)

¹⁵⁴ Humphreys and Gorman (1987, p. 186) define commercial public sector bodies as those organisations 'that sell their goods and services and that derive the major part of their current revenue from the sale of these products'.

8. To what extent do the following influence the current mandate and decisions on strategic direction of your organisation?

| | To a large extent | To some extent | Not at all |
|-------------------------------|-------------------|----------------|------------|
| Oireachtas (incl. committees) | _____ | _____ | _____ |
| Government | _____ | _____ | _____ |
| Parent Minister(s) | _____ | _____ | _____ |
| Parent Department(s) | _____ | _____ | _____ |
| Regulator | _____ | _____ | _____ |
| EU | _____ | _____ | _____ |

9. Under what type of legislation was the organisation set up? (please select one option)
- Act of the Oireachtas (Primary legislation) _____
 - Statutory instrument/Ministerial Order (secondary legislation) _____
 - Established by other means (please specify – text answer) _____

10. What is the current **legal status** of your organisation? (please select one option)

- Statutory corporation _____
- Public company _____
- Private company (limited by guarantee) _____
- Private company (not limited by guarantee but with shares) _____
- Other corporate body _____
- Other, please specify _____
- Don't know _____
- Not applicable _____

11. Excluding those **workers sub-contracted** to carry out functions on behalf of your organisation, and excluding those workers employed on a seasonal basis, what number of employees (full-time pensionable equivalents) did your organisation directly employ in 2006? (text answer)
- _____

12. What was the organisation's **current expenditure** budget for 2006? (text answer)
- _____

13. What was the organisation's **capital expenditure** budget for 2006? (text answer)
- _____

13. What were the assets (net shareholders' funds) of your organisation worth in 2006? (text answer)
- _____

15. What were the liabilities of your organisation worth in 2006? (text answer)
- _____

Section two

Autonomy

16. Human Resources: Is the organisation **able to set general policy** for the following issues without ministerial, departmental or regulator influence?

| | | | |
|--|-----|----|----------------|
| — Staff numbers | Yes | No | Not Applicable |
| — Staff appointment/selection procedures | Yes | No | Not Applicable |
| — Staff salary levels | Yes | No | Not Applicable |
| — Conditions for promotion | Yes | No | Not Applicable |
| — Staff tenure | Yes | No | Not Applicable |
| — Staff evaluation schemes | Yes | No | Not Applicable |
| — General criteria for dismissal | Yes | No | Not Applicable |

17. Human Resources: Is the organisation able to decide on the following for *individual* members of staff, without ministerial, departmental or regulator influence?

- Salary (please select one option)
 - Yes for all staff _____
 - Yes for most staff _____
 - Yes for some staff _____
 - No _____
 - Not applicable _____
- Promotion (please select one option)
 - Yes for all staff _____
 - Yes for most staff _____
 - Yes for some staff _____
 - No _____
 - Not applicable _____
- Tenure (please select one option)
 - Yes for all staff _____
 - Yes for most staff _____
 - Yes for some staff _____
 - No _____
 - Not applicable _____
- Staff evaluation (please select one option)
 - Yes for all staff _____
 - Yes for most staff _____
 - Yes for some staff _____
 - No _____
 - Not applicable _____
- Dismissals (please select one option)
 - Yes for all staff _____
 - Yes for most staff _____
 - Yes for some staff _____
 - No _____
 - Not applicable _____

- Appointment
 - Yes for all staff _____
 - Yes for most staff _____
 - Yes for some staff _____
 - No _____
 - Not applicable _____

18. Finance: Can the organisation do the following:

- Take out loans (please select one answer)
 - Yes, fully without prior approval or conditions set by minister/department/regulator _____
 - Yes, with prior approval or within conditions set by minister/department _____
 - Yes, within conditions set by another organisation e.g. regulator _____
 - No _____
- Set charges for services (please select one answer)
 - Yes, fully without prior approval or conditions set by minister/department/regulator _____
 - Yes, with prior approval or within conditions set by minister/department _____
 - Yes, within conditions set by another organisation e.g. regulator _____
 - No. They are set by the regulator _____
 - No. They are set by another body _____
- Shift budget allocations between personnel and running costs (please select one answer)
 - Yes, fully without prior approval or conditions set by minister/department/regulator _____
 - Yes, with prior approval or within conditions set by minister/department _____
 - Yes, within conditions set by another organisation e.g. regulator _____
 - No _____
- Shift budget allocations between years (please select one answer)
 - Yes, fully without prior approval or conditions set by minister/department/regulator _____
 - Yes, with prior approval or within conditions set by minister/department _____
 - Yes, within conditions set by another organisation e.g. regulator _____
 - No _____
- Establish subsidiary companies (please select one answer)
 - Yes, fully without prior approval or conditions set by minister/department/regulator _____
 - Yes, with prior approval or within conditions set by minister/department _____
 - Yes, within conditions set by another organisation e.g. regulator _____
 - No _____

19. Policy: How does the organisation decide on the **target group** for its activities/functions? (please select one option)

- Organisation takes most of the decisions itself, minister/department/regulator are not or are only slightly involved in the decision-making process and set few restrictions _____
- Organisation takes most of the decisions itself, following consultation with the minister/department _____
- Organisation takes most of the decisions itself, following consultation with the regulator _____
- Organisation takes most of the decisions itself under conditions or restrictions set by the minister/department _____
- Organisation takes most of the decisions itself under conditions or restrictions set by the regulator _____
- The minister/department takes most of the decisions, following consultation with the organisation _____
- The regulator takes most of the decisions, following consultation with the organisation _____
- The minister/department takes most of the decisions, independently of the organisation _____
- The regulator takes most of the decisions, independently of the organisation _____
- Most of the decisions are set by legislation instead of being taken by the minister/department/regulator or by the organisation itself _____
- Other (please specify) _____
- Not applicable _____

20. How does the organisation decide on the **policy instruments** or mechanisms whereby it delivers its functions? (please select one option)

- Organisation takes most of the decisions itself, minister/department/regulator are not or are only slightly involved in the decision-making process and set few restrictions _____
- Organisation takes most of the decisions itself, following consultation with the minister/department _____
- Organisation takes most of the decisions itself, following consultation with the regulator _____
- Organisation takes most of the decisions itself under conditions or restrictions set by the minister/department _____
- Organisation takes most of the decisions itself under conditions or restrictions set by the regulator _____

- The minister/department takes most of the decisions, following consultation with the organisation _____
- The regulator takes most of the decisions, following consultation with the organisation _____
- The minister/department takes most of the decisions, independently of the organisation _____
- The regulator takes most of the decisions, independently of the organisation _____
- Most of the decisions are set by legislation instead of being taken by the minister/department/regulator or by the organisation itself _____
- Other (please specify) _____

- | <i>Appointment of representatives</i> | <i>No.
of these
reps</i> | <i>No.
with
voting
rights</i> |
|--|----------------------------------|---|
| — Appointed by other departments/minister | _____ | _____ |
| — Appointed by local authorities | _____ | _____ |
| — Appointed by other public bodies | _____ | _____ |
| — Appointed by trade unions | _____ | _____ |
| — Appointed by employer organisations | _____ | _____ |
| — Appointed by employees (other than trade unions) | _____ | _____ |
| — Appointed by other shareholders | _____ | _____ |
| — Independent experts | _____ | _____ |
| — Other (please specify) | _____ | _____ |

Section three

Accountability and responsibility

21. Does the organisation have a board which is responsible for overseeing the direction and delivery of the organisation's performance? (please select one option)

- Yes _____
- No _____
- If the answer is no, please skip to question 28

22. If yes to question 21, who appoints the board members? (please select all relevant options)

- Minister alone (as sole shareholder) _____
- Minister after consultation with other ministers or the cabinet _____
- Minister after formal/informal consultation with the organisation _____
- Minister after nomination by and/or consultation with other shareholders (if any exist outside of government) _____
- Members appointed directly by shareholders (other than the minister) _____
- Cabinet _____
- Oireachtas _____
- Other (please specify – text answer) _____

23. How many board members are there from the following groups, and how many of these have voting rights?

- | <i>Appointment of representatives</i> | <i>No.
of these
reps</i> | <i>No.
with
voting
rights</i> |
|---|----------------------------------|---|
| — Appointed by parent department/minister | _____ | _____ |

24. Has the board established an **audit committee**? (please select one option)

- Yes _____
- No _____

If the answer is no, please skip to question 28.

25. If yes, how many members does the audit committee have? _____

26. How many members of the audit committee are non-board (external) members (e.g. independent auditor)? (text answer)

27. And how many members have expertise in the following?

- audit and accounting _____
- general management _____
- other (please specify – text answer) _____

28. As well as an annual report, does the organisation publish a report on **Corporate Social Responsibility**?

- Yes _____
- No _____

29. In your opinion, are the *Code of Practice for the Governance of State Bodies* and other requirements (legislative and otherwise) of your government departments consistent with each other?

- Yes _____
- No _____

30. In your opinion, are the requirements of the *Code of Practice for the Governance of State Bodies* and other corporate governance requirements:

- Too onerous _____

- Manageable, about right _____
- Insufficient or inadequate _____
- (If you wish, please give a text answer) _____

31. Apart from the *Code of Practice for the Governance of State Bodies* published by the Department of Finance, does the organisation have a code of business conduct defining the standards of behaviour to which *board members* are to subscribe?

- Yes _____
- No _____

32. Is there a code of business conduct defining the standards of behaviour to which *employees* of the organisation are to subscribe?

- Yes _____
- No _____

33. Apart from an audit committee on the board, does the organisation have an **internal audit** section or division?

- Yes _____
- No _____

34. Is the organisation audited annually by: (please select all relevant options)

- an **external audit service** provided by a private company _____
- a government body (e.g. C&AG) _____
- a regulator _____

35. Which of the following are considered in either the external or internal audit process? (please select all options which apply)

- Financial results _____
- Organisational results _____
- Legality and compliance _____
- Internal control systems _____
- Other (please specify) _____

36. Has your organisation been the subject of a non-routine audit within the last five years? (please select all options which apply)

- No _____
- Yes, and we carried this audit out internally _____
- Yes, and we contracted another body to carry out this audit _____
- Yes, and this audit was carried out by another government body (e.g. the Comptroller and Auditor-General) _____

37. What are the primary and secondary sources of the organisation's income? (please select one option for 'primary' and one option for 'secondary')

- | | Primary | Secondary |
|--|---------|-----------|
| — Fees/service charges/billed income | _____ | _____ |
| — Rental income | _____ | _____ |
| — Direct budget allocation from government | _____ | _____ |
| — Government subsidies | _____ | _____ |
| — Transfers from other government budgets | _____ | _____ |
| — EU funding/subsidies | _____ | _____ |
| — Membership/licence fees | _____ | _____ |
| — Other | _____ | _____ |
| (text answer, please specify) | | |

38. Approximately what percentage of the organisation's annual budget is **directly derived from traded goods and services**? _____ %

39. Is the organisation obliged to provide a **dividend** to central government each year?

- Yes _____
- No _____

40. Who appoints the CEO (or equivalent)? (please select one option)

- The minister, without consultation with the board _____
- The minister, after nomination by or consultation with the board _____
- The board, after consultation with the minister _____
- The board, without ministerial consultation _____
- The government _____
- Other (please specify) _____

41. Apart from the initial job advertisement and description, is the specific role of the CEO (or equivalent) described in writing?

- Yes _____
- No _____

42. Are the specific issues for which the CEO (or equivalent) is accountable recorded in writing?

- Yes _____
- No _____

43. What is the CEO (or equivalent) accountable for? (please select relevant answers for each option)

- | | | | |
|---|-----|----|----------------|
| — Financial results | Yes | No | Not Applicable |
| — Non-financial results | Yes | No | Not Applicable |
| — Functioning of organisation | Yes | No | Not Applicable |
| — Administration of budget | Yes | No | Not Applicable |
| — Compliance with rules and regulations | Yes | No | Not Applicable |

- Risk assessments Yes No Not Applicable
- Other Yes No Not Applicable
- None of these Yes No Not Applicable

44. On what type of contract is the CEO (or equivalent) appointed? (please select one option)

- Permanent _____
- Fixed term (e.g. 5 years) _____

45. By whom is the CEO (or equivalent) evaluated? (please select all relevant options)

- Board _____
- Minister _____
- Jointly by minister and board _____
- Dáil/Committee of Public Accounts _____
- Other (please specify) _____
- Don't know _____

Section four

Accountability and direction

46. Does the organisation produce a document that goes to the minister/ government/regulator and which specifies the following? (please select one option for each item)

- **strategy** Yes No
- **objectives** Yes No
- **planned investment** Yes No
- **financial targets** Yes No
- **non-financial targets** Yes No

47. Does the organisation report in a document that goes to government on how it has delivered on the following? (please select one option for each item)

- strategy Yes No
- objectives Yes No
- planned investment Yes No
- financial targets Yes No
- non-financial targets Yes No

48. Does your organisation produce an annual business plan?

- Yes _____
- No _____

49. Are the goals of the organisation set in qualitative or quantitative terms? (please select one option)

- Qualitative _____
- Quantitative _____
- Both _____

50. Is the organisation involved in the setting of goals? (please select one option)

- Yes, we set goals ourselves _____
- The organisation sets the goals in co-operation with the parent department(s) _____

- The organisation sets the goals in co-operation with the regulator _____
- The organisation sets the goals in co-operation with both the parent department(s) and the regulator _____
- No, the parent department(s) set the goals on their own _____
- No, the regulator sets the goals on its own _____

51. To make goals measurable, indicators are used. To what extent are the following factors measured using indicators?

(please select one answer for each type)

| | To a large extent | To some extent | Not at all |
|-----------------------|-------------------|----------------|------------|
| — Effects on economy | _____ | _____ | _____ |
| — Effect on society | _____ | _____ | _____ |
| — Quality of services | _____ | _____ | _____ |
| — Use of resources | _____ | _____ | _____ |
| — Profitability | _____ | _____ | _____ |
| — Financial results | _____ | _____ | _____ |

52. How has the number of indicators changed in the last five years? (please select one option)

- More indicators _____
- Fewer indicators _____
- No change _____

53. To what extent do the indicators reflect the full range of the organisation's activities? (please select one option)

- To a large extent _____
- To some extent _____
- To a small/no extent _____

54. To what extent are indicators used in the relationship between the organisation and the parent body/department and/or regulator? (please select one option)

- To a large extent _____
- To some extent _____
- To a small/no extent _____

55. How frequently does your organisation report on financial results to the parent body/ department or regulator? (please select one option)

- At least monthly _____
- At least quarterly _____
- At least twice a year _____
- Less than once a year _____
- No such reporting _____

56. How frequently does your organisation report on non-financial results to the parent body/department? (please select one option)

- At least monthly _____
- At least quarterly _____
- At least twice a year _____
- Once a year _____
- No such reporting _____

57. Who evaluates the non-financial results of the organisation? (please select all relevant)

- Organisation itself _____
- Parent department _____
- Third parties, under the direction of your organisation _____
- Third parties, under the direction of the parent department _____
- Others _____
- Nobody _____

58. To what extent are there rewards for the organisation when it has good results or reaches targets? (please select one option)

- To a large extent _____
- To some extent _____
- Not at all _____

If not at all, please skip to question 60.

59. If the organisation is rewarded for good results or achieving goals, what form do these rewards take? (please tick all relevant options)

- Wage increase/bonuses for all staff _____
- Wage increase/bonuses for senior management only _____
- Greater autonomy _____
- Increase in resources allocated to the organisation _____
- Other (please specify) _____

60. To what extent are there sanctions for the organisation when it has poor results or fails to reach targets? (please select one option)

- To a large extent _____
- To some extent _____
- Not at all _____

If not at all, please skip to question 62

61. If the organisation is sanctioned for poor results or not achieving goals, what form do these sanctions take? (please tick all relevant options)

- Wage decrease/bonuses for all staff _____
- Wage decrease/bonuses for senior management only _____
- Less autonomy _____
- Decrease in resources allocated to the organisation _____

— Other (please specify)

62. How often are formal steering meetings held between the parent department(s) and your organisation during the course of a year? (please select one answer)

- At least once a month _____
- At least quarterly _____
- At least once a year _____
- Never _____

If never, please skip to question 64.

63. To what extent are the following focused on during these meetings? (please select one answer for each issue)

| | To a large extent | To some extent | Not at all |
|------------------------------------|-------------------|----------------|------------|
| — Commercial issues | _____ | _____ | _____ |
| — Economic issues | _____ | _____ | _____ |
| — National policy issues | _____ | _____ | _____ |
| — Achievement/reporting of results | _____ | _____ | _____ |
| — Other | _____ | _____ | _____ |

64. How often is there informal contact (e.g. meetings without written proceedings, emails, phone calls etc.) between the *parent department(s)* and senior management of your organisation during the course of a year? (please select one option)

- More than once a week _____
- More than once a month _____
- At least quarterly _____
- At least once a year _____
- Never _____

65. Does your organisation have subsidiary companies under its control?

- Yes _____
- No _____

66. On a scale of 1–5, where 1 represents ‘not at all’ and 5 represents ‘to a large extent’, to what extent do the following happen in your organisation?

- Development of innovative products and/or services _____
- Multi-annual business plans _____
- Managing divisions in the organisation on the basis of objectives and results _____
- Internal allocation of resources to divisions on the basis of results _____

- Use of internal reporting and evaluation systems to enable the *board* to assess results with regard to objectives
- Use of internal reporting and evaluation systems to enable *management* to assess results with regard to objectives
- Devolution of internal management autonomy to lower management levels in terms of *financial* management
- Devolution of internal management autonomy to lower management levels in terms of *HR* management
- Use of performance-related pay
- A shift in the role of the organisation's board from more operational to more strategic oriented control
- Public reporting on the organisation's financial performance in documents other than annual reports
- Public reporting on the organisation's non-financial performance in documents other than annual reports
- Quality standards for production/ service delivery
- Customer surveys
- Quality management systems (e.g. ISO)

If you would like to add any further information of whatever kind, please do so here:

Thank you for your co-operation.

Definitions

Commercial Public Sector Body – an organisation that sells its goods and services and that derives the major part of its current revenue from the sale of these products.

Q. 3

Environmental objectives – might include reducing emissions, energy consumption etc.

Corporate social responsibility – defined as the *continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*

Q. 8

Regulator – an agency established with the specific duty, statutory or otherwise, to control the power of the market in a particular sector in order to ensure fair competition and to protect consumers and citizens by guiding and implementing policy regulation (Christensen and Laegrid 2006).

Q. 10

Legal status

Statutory corporation – the organisation derives its authority and powers directly from statute and is not incorporated as a company under the Companies Acts.

Public company – an organisation established under statute and registered as a company under the Companies Act

Private company (limited by guarantee) – an organisation registered as a company under the Companies Act and with any special conditions as to its operations included in the memorandum or articles of association. In the event of its dissolution, the liability of its owners is limited.

Corporate body – an organisation established through primary or secondary legislation with the power to sue, sell and buy land, and sign contracts

Q. 11

Sub-contracted workers – includes any workers not employed directly on a full- or part-time basis by the organisation. For example, contract cleaning staff, contract specialists to whom work has been outsourced etc.

Q. 12

Current expenditure – day-to-day running costs

Q. 13

Capital expenditure – money spent on developing an organisation's assets

Q. 16

Ability to set general policy – the organisation has free choice to set general principles and rules with regard to the use of resources

Q. 16

Staff tenure – length of contract, such as temporary or permanent

Q. 19

Target group – groups at whom the organisation's policy instruments are directed

Q. 20

Policy instrument – instruments with which policy is implemented, e.g. sub-contracting, PPP, outsourcing, subsidies, training, provision of information

Q. 24

Audit committee – a committee with responsibility for independent review of systems of internal control and the external audit process

Q. 28

Corporate Social Responsibility – defined as the *continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*

Q. 33

Internal audit – review by the organisation of its own financial management and results

Q. 34

External audit service – review of the financial management and results of the organisation, by a body external to it

Q. 35

Directly derived from traded goods and services – such income is revenue that the organisation generates through its own activities during a budget period, and comes as an addition to any budgetary allocation from government. Such self-generated income will depend on the service and activity level of the organisation, the extent of production and sometimes also demand. It does not include income that has the character of reimbursements or income that, with certainty, is channelled directly back to the Exchequer.

Q. 39

Dividend – a payment made by the organisation to its shareholder(s)

Q. 46

Strategy – means by which resources will be used to meet the organisation's objectives

Objectives – the goals of the organisation's work

Planned investment – investment to expand the organisation, or to expand its existing work

Financial targets – a specified goal in terms of finance, e.g. to spend €100,000 on a specific policy area or to make a profit in delivering a particular service

Non-financial targets – a specified goal in a non-financial area, e.g. number of persons to be trained, number of persons employed or percentage reduction in carbon emissions