

[REDACTED]

[REDACTED] [REDACTED]
To: Ken Parker
Subject: Re: Local Government Act 1995 review (Western Australia)

Dear Mr Parker,

Thank you for your email. I'm happy to respond to the discussion paper; I think it provides a good reflection of the arguments for and against corporatization. A few notes based on our research, in case you decide to allow beneficial corporations:

1. I would highly recommend including a provision that your government needs to be notified when new beneficial corporations are founded or ended. Governments that do not have this provision tend to lose sight of how many local government corporations they have, which often becomes problematic for policy evaluation.
2. I would recommend doing more data gathering to track policy outcomes. Corporatization brings a lot of fragmentation, and it will be hard to judge the policy's success in the future based on hundreds of annual reports of individual beneficial corporations per year. One suggestion is to mandate the annual completion of a survey among corporations to track their performance (we made one previously for the Netherlands). Another suggestion is to ask local governments to complete a similar survey explaining their motives when they found / end beneficial enterprises.
3. It is critical that local government officials continue to be held accountable for beneficial corporations' behavior, whether through organizational culture or through rules/legislation. In some countries, only corporations' directors end up being held accountable for performance, which has the negative consequence that local government officials do not have a stake in the corporations' performance and fail to monitor / steer them appropriately, and that is problematic not only for corporations' efficacy but also for democracy.
4. The discussion paper notes concerns that beneficial enterprises could later lead to privatization. Research has indeed found that corporatization has frequently sparked (partial) privatization in the past, because it simplifies the privatization process (all that needs to be done is sell shares to private parties). However, similarly, it simplifies the process of reversing privatization (all that needs to be done to reverse privatization is buy a privatized company, which is more difficult / impossible without the possibility of beneficial corporations). The net effect on privatization of allowing corporatization is unclear.

I'm happy to elaborate further if needed, and I'm happy to be involved in your review. Not all governments would consult academics on matters like this; it is laudable that you do for your review.

Happy holidays,

Sincerely,

Bart Voorn MSc MSc

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Meest recente publicaties / most recent publications:

- Voorn, B., Van Genugten, M., & Van Thiel, S. (2017). [The efficiency and effectiveness of municipally owned corporations: A systematic review](#). Local Government Studies 43(5), 820-841.
- Voorn, B., Van Genugten, M., & Van Thiel, S. (2018). [Multiple principals, multiple problems: A framework for effective governance and a research agenda \(Working Paper\)](#). Nijmegen: Radboud Universiteit.
- Voorn, B., Van Genugten, M., & Van Thiel, S. (2018). [Background, autonomy, steering, trust, and corporate governance: Determinants of the effectiveness of \(inter-\)municipal corporations](#). Paper presented at EGPA 2018, Lausanne, Switzerland.
- Voorn, B., Van Thiel, S., & Van Genugten, M. (2018). [Corporatization as more than a recent crisis-driven development](#). Public Money & Management 38 (7), 481-482.