

BONFIRE OF THE QUANGOS: THE MISSING DEBATE

The 'bonfire of the quangos' signals a momentous change in the governance of Wales, arguably the most radical after the creation of the Welsh Office and the National Assembly. But unlike these earlier political innovations, both of which were preceded by wide-ranging public debates, the decision to abolish the quangos was made behind closed doors by an inner circle of Labour politicians, advisers and civil servants. Such was the secrecy involved, that it seemed more appropriate to a John le Carre novel than a government that prides itself on being the most open in the western world.

Although ministers were clearly delighted that the media had failed to anticipate the news, this short term tactical victory could cost the government dear in the longer term. Why? Simply because the manner in which the decision was made was not a good advert for open and consultative government. The conspicuous absence of consultation with any of its partners exposes the government to the charge that partnership, the principle which it commends to others on a daily basis, and the principle which ostensibly informs everything it does, can be unilaterally jettisoned when the occasion demands.

If the lack of public debate was a cause for concern, the fervid and largely uncritical response from the opposition parties was even more disturbing. A dispassionate observer of the plenary session which received the 'bonfire' statement on 14 July could be forgiven for thinking that the Stepford Wives had infiltrated the building and transmogrified themselves into AMs for the day. How else are we to explain the uncritical response from the opposition? When the opposition's main task is to scrutinise the executive, here it was, facing the biggest project of the second term, behaving as though its critical faculties had been sedated.

The least worst response came from Mike German of the Liberal Democrats, who gave the statement a 'cautious welcome because of the questions that are as yet unanswered'. He raised two points: first, he was concerned that the Assembly's scrutiny role might not be up to the job of managing the incorporated quangos and, second, he feared that the civil service code might have a restrictive effect on the commercial focus of former quango staff. These points deserve to be addressed in a free and frank debate, otherwise the 'bonfire' could have debilitating and unintended consequences.

The 'bonfire' decision wasn't taken in a vacuum, and three wider issues are worth mentioning to understand the context, namely:

- *The Treasury Spending Review* spelt a much tougher regime of public expenditure in the UK, with Gordon Brown committed to securing job cuts in the civil service, and the 'bonfire' could help to deliver some of these in Wales
- *The Efficiency Review*, spearheaded by Peter Gershon, is second to none in importance in Whitehall because it claims to have identified some £20.5 billion in 'efficiency savings' by merging and rationalising the back office functions of public sector bodies, savings that could be invested in mainline services, again the 'bonfire' could contribute to this agenda
- *The Richard Commission* report on future powers was causing increasing conflict between Labour MPs and Labour AMs and a 'bonfire' would boost the status of the Assembly in the eyes of sceptical MPs ahead of a special party conference planned for 11 September

Although none of these factors directly ignited the 'bonfire', together they help us to understand the wider context in which the decision was made. A more immediate factor was the deteriorating relationship between the Welsh government and the WDA, its flagship quango, where the relationship was in meltdown.

What about the timing? Here we are invited to believe that the decision had been gestating for months, one of the earliest indications coming at the Wales Labour Party Conference in March 2004, when Andrew Davies launched a political tirade against unnamed people in the 'delivery agencies' who seemed to feel they had the 'right to set the priorities and agenda for 'their' quango'. (It was an open secret that this was aimed at Graham Hawker, the chief executive of the WDA at the time). But other indications suggest that the decision was not made before 8 March, because the Finance Minister tabled a paper to Cabinet that day which argued that quangos should adopt three year planning cycles. Why look at the future of the quangos if there wasn't one?

Regardless of when it was actually made, the decision was clearly shaped by factors other than just the drive for more 'democratic accountability', the official rationale for the 'bonfire'. Although this rationale was taken at face value by the vast majority of politicians in the Assembly, where it constitutes something of a totemic belief, the underlying logic may not be as robust as the conventional wisdom would have us believe. In what follows I want to express some reservations about this conventional wisdom in the hope that the problems can be addressed sooner rather than later.

Accountability: To Whom?

The lamentable record of quangos in Wales in the 1990s, when they were widely perceived to be out of control, renders it impossible to have a dispassionate debate about these much derided public bodies. Thanks to a BBC Wales commission back in 1993, I was able to study these problems in some detail and the results were contained in a report called *The Democratic Deficit: A Guide to Quangoland* (Morgan and Roberts, 1993).

Among other things we argued that the most egregious features of quangoland were the public appointments process, which was neither open nor transparent, and ineffective regulation on the part of a Tory-controlled Welsh Office. We argued that these problems could be redressed through a directly elected parliament and a more robust regulatory regime. I believed then, and I continue to believe now, that a robust regulatory regime has to strike a judicious balance between two very different, but equally important priorities: it needs to ensure that quangos are controlled and accountable on the one hand *and* innovative and entrepreneurial on the other.

I freely acknowledge that this was not the mainstream view inside the Welsh Labour Party in the 1990s, where a 'bonfire' was the most popular view of how to deal with the unpopular quangos.

Devolutionists, too, disagree about what the Assembly implies for the quangos, a point brought home to me very forcibly the very day the decision was announced. When I expressed some reservations about the 'bonfire' to the BBC on 14 July, some of my former *Yes For Wales* colleagues lost no time in telling me that I was not only 'wrong' on this issue, but that I was also in a very small 'minority'. 'This is what we campaigned for in 1997', one close colleague said, underlining the very different visions that clearly co-existed in the campaign for a National Assembly.

According to the new conventional wisdom, the incorporation of the quangos will render their functions more accountable. But accountable to whom? To Cabinet ministers? To the Assembly? Or to Welsh civil society? That these distinctions are rarely, if ever, drawn shows the extent to which

the wider public and civic dimensions of accountability have shrivelled into a narrow and desiccated form of political accountability.

The key point to make here is that, with the advent of the Assembly, the quangos are already accountable in so many different ways that it beggars belief that anyone can seriously suggest that Wales suffers from the same democratic deficit as it did in the Welsh Office era. In post-devolution Wales the democratically elected minister holds his or her quango to account in multiple ways: by controlling the purse strings, by appointing the chair, by selecting the board, by setting the strategic targets and, ultimately, by sacking the chair and the board if the targets are not met. On top of all these political control mechanisms, the quango is also subject to internal and external auditors and, most visibly, to the public scrutiny of the relevant subject committee of the Assembly.

This stands in stark contrast to the degree of public accountability of bodies which have been incorporated into the Assembly in the past, like Wales Trade International for example, which was subject to *less* public scrutiny after it left the WDA. One might argue that the minister will be directly accountable for everything in his or her department after incorporation, making ministerial accountability simpler and clearer. But there are two weaknesses in this argument.

Firstly, the subject committee system would not bring the same level of scrutiny to bear on its enhanced remit because it lacks the time and the expertise of a specialised quango board. Secondly, it ignores the wider dimensions of accountability. Politicians are wont to interpret accountability in a narrow and self-referential way, meaning accountable to them. But this ignores the wider sense of the term, which involves being accountable to the public forums of civil society - to the boards of specialised professionals, to the glare of the media spotlight and to open and transparent public debate for example.

On the basis of the evidence to date, it seems that incorporation is being sought not so much for accountability, because that exists already, as for day-to-day control, the one thing that eludes politicians in the present system.

Incorporation = More Commercial Focus?

According to Andrew Davies, the Economic Development Minister, the incorporation of the WDA, the WTB and ELWa will create powerful 'one-stop shop' departments with 'increased commercial focus'. The notion that people become more commercially focused when they become civil servants is at best novel and at worst risible. It is novel because it reverses a century of political science thinking, which suggests that arm's length bodies afford governments more commercial flexibility than they would otherwise enjoy. It is risible because nobody outside the Assembly believes it.

It's not that civil servants are not competent and industrious. It's the fact that the civil service code, with its safety-first protocols, invariably tends to rate process over outcome, making the service more risk-averse and less innovative than either the private sector or arm's length public bodies.

To support his case, however, Andrew Davies draws on the experience of the Wales European Funding Office (WEFO), which he says has worked better since it was fully integrated into the Assembly. But the argument is weak because, in two respects, the analogy is weak. Firstly, WEFO was largely integrated in all but name anyway, symbolised by the fact that its original director, Jon Clarke, was based in Cathays Park rather than Cwm Cynon. Secondly, and more importantly, the WEFO function is to dispense Structural Funds, a highly bureaucratic process which is a world away from iterating with fast-moving businesses.

No less worrying is the lack of evidence for some of the other claims made on behalf of incorporation. For example, Andrew Davies claims he had 'wide-ranging support for these changes from the business community'. This extraordinary statement signals a new low in the history of political spin in Wales. The truth of the matter was very different: not only was the business community never consulted, but the CBI actually said that the decision 'calls into question the nature of the Assembly's partnership with business' (CBI Cymru, 2004).

But most worrying of all is the hubris. Within days of the news, the Minister for Economic Development issued a joint statement with the WDA chairman, saying the new 'commercial organisation' would be 'the best of its kind not only in the UK, but in Europe'. Again, what we have here is a triumph of spin over substance because neither of them has bothered to commission the commercial benchmarking to know what constitutes 'best practice' in the UK, let alone Europe. Let's hope that some humility tempers the hubris because we all know what follows hubris.

Deepening Devolution or Creeping Centralisation?

On 2 August the Permanent Secretary wrote to the remaining quangos to inform them of the basis on which the WAG would decide whether they, too, would be integrated or 'merged', which is the preferred language of the exercise. While there was a general presumption in favour of incorporation, the letter set out three exceptions, namely:

- Where bodies audit or regulate Assembly Government business or are quasi-judicial
- Where bodies take decisions which are better kept at arm's length from the Government
- Where such bodies undertake functions or exercise professional judgements which are clearly non-governmental in character (Shortridge, 2004)

The cultural quangos have made the most of the opportunity to defend themselves, an opportunity denied to the economic quangos. Indeed, in the submissions of the National Library and the Arts Council, it is difficult to imagine more cogent and robust arguments in favour of the arm's length principle.

The National Library, which was created in 1907, would seem to be the most difficult to incorporate because of its legal status as a Royal Charter Corporation and a Registered Charity. Among other things the Library argues that incorporation would erode or destroy charitable instincts and the benefits flowing from them; jeopardise long-term planning goals by subjecting them to short-term political aims; and threaten the effectiveness of the Library and the professionalism of its staff. But it also cites the central conclusion of the Quinquennial Review of the Library, published in 2002 and approved by the Assembly Government, which said that support for the arm's length principle is very strong and 'there are no compelling arguments for moving away from it' (National Library of Wales, 2004).

The Arts Council's main defence of the arm's length principle is based on the age-old argument that, in a free and pluralistic society, the arts are fundamentally non-governmental in character, and must remain so to maintain freedom of expression. More pragmatically, it also argues that its role as a lottery distributor could not be incorporated, and the arts in Wales would be the poorer if these UK funds were compromised (ACW, 2004).

Incorporating the cultural quangos on top of the economic quangos would amount to an unprecedented centralisation of power within government and, equally disquieting, a politicisation of civil society that is unique in the European Union. Even the Welsh Local Government

Association, an avid supporter of culling the quangos, recognises that further centralisation of public functions within the WAG could lead to 'an unhealthy concentration of power and a weakening of accountability' (WLGA, 2004).

Understandably, the WLGA wants to see as many quango functions as possible devolved to its 22 members - with the business support, property and regeneration functions of the WDA topping its shopping list. This triggered a rare outbreak of unity on the part of the business community in Wales. Sinking their differences, the four premier business associations sent a private letter to Andrew Davies expressing their 'strong opposition to the transfer of significant economic development powers, currently held by the WDA, to local authorities'. The business leaders claim that local government has neither the expertise nor the scale to provide economic development services, and such a transfer 'would result in twenty-two miniature WDAs - far from the one-stop shop promised by the Assembly'.

The genie of institutional upheaval is once again out of the bottle and the WAG faces a more difficult conundrum than it might have imagined when it decided to light a 'bonfire'. Incorporating the quango functions within the Assembly Government will leave it open to the charge (from local government) that it is concentrating power in Cardiff and making a mockery of devolution. Devolving power to 22 local authorities exposes it to the charge (from the business community) that it has balkanised the WDA, making a mockery of the one-stop shop.

Furthermore, if better public services are the real goal, then it can only be a matter of time before the 22 local health boards come under scrutiny, along with the 22 community consortia for education and training, and perhaps even the 22 local authorities themselves. If local government cannot rise to the challenges of joint working, regional partnerships and purchasing consortia to meet the new value for money agenda, another round of structural reform may be inevitable.

Come what may, these momentous changes deserve to be discussed in a free and frank national debate. Sadly, however, the Assembly Government is perceived to be more interested in frustrating rather than fostering debate. The incorporation of the quangos could exacerbate this process because everything will revolve around the Assembly, rendering Wales less pluralistic than ever before. Already it seems that fewer and fewer people - in business, the arts, health and education - are willing to speak openly in public for fear of alienating their patrons in the Assembly, with the result that silence is mistaken for tacit support.

A country that aspires to be a vibrant democracy, a flourishing civil society and a dynamic economy can take no pleasure in this state of affairs. If my reservations help to trigger a wider debate about the 'bonfire of the quangos', and the deeper issue of what structures are best attuned to more accountable and better quality public services, they will have served their purpose.

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