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From New Public Management to Public Value. An examination of how programs of voluntary self-regulation build public value and contribute to regulatory growth.

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Introduction

This paper examines a program of voluntary self-regulation to consider if such applied examples of public policy illustrate the mobilisation of Moore's (1995) concept of 'public value' as shaping public sector management strategies. The regulation literature has extensively examined the influence of neoliberalism and New Public Management (NPM) practices in orientating public sector preferences towards regulatory solutions (Christensen and Laegreid 2006b; Hood 2000; Hood and Scott 1996; Moran 2001). This analytical approach has value in explaining the growth of independent regulators to oversee privatised industries and the general preferences of agencies to draw on regulatory action to shape markets and stimulate competitive service provision (Jordana and Levi-Faur 2004b; Levi-Faur 2010; Majone 1996; Vogel 1996).

However, neoliberal interests in the expansion and development of markets is only one of a number of factors contributing to the explosive growth in regulatory interventions (Levi-Faur 2010). Concerns for safety, rights and environmental protection have also generated huge growth in social regulation (Moran 2001). Whilst NPM and the more recent elaboration of regulatory capitalism have been helpful in explaining the growth of regulatory governance (Braithwaite 2008; Levi-Faur 2005, 2010), analysis of policy practice suggests there are more specific internal concerns at play shaping agency responses and their preference for regulatory solutions.

The purpose of this paper is to apply Moore's (1995) model of 'public value' to a program of voluntary self-regulation in the Australian trucking sector and examine its explanatory value for understanding regulatory growth. Does the concept of public value provide useful insight into understanding the forces that are shaping the explosive growth in regulation and the ongoing shift towards regulatory governance? How useful is this analysis in explaining why often discredited models of 'light touch' regulation are still promoted as options for progressing the policy objectives of the state?

Following a brief outline of the research methodology, the first section of this paper briefly reviews the key explanations for regulatory growth and how public management practices have engaged regulation in the shift towards network governance and public value. This is followed by a more detailed explanation of public value. Discussion then examines the use of voluntary self-regulation in the Australian trucking industry before moving to an analysis of the empirical data obtained from interviews with stakeholders involved in self-regulation. This data is mapped against the three core elements of Moore's (1995) public value framework. There is then broader discussion about the utility of public value in understanding regulatory growth before the paper concludes.

Methodology

This paper draws on the research effort of a larger project that is investigating the development and operation of a program of voluntary self-regulation in the Australian trucking sector. The analysis considers interview evidence from key stakeholders involved in the self-regulatory program known as the National Heavy Vehicle Accreditation Scheme (NHVAS). Interviewees include operators of trucking firms, industry associations such as the Australian Trucking Association, auditors and regulators from the majority of Australian jurisdictions. A total of 41 interviews were conducted. The interview material is analysed with reference to recent academic literature on public value, though the primary source for defining the concept is Mark Moore's book *Creating Public Value. Strategic Management in Government*, published in 1995.

Explanations for Regulatory Growth

The regulation literature documents an evident growth in the regulatory function of the state since the early 1980s and provides a number of explanations for this progressive change (Hutter 2006; Levi-Faur 2010). The adoption of neoliberal policies and NPM practices by governments and their agencies are seen as the main drivers and much of the literature cites programs of outsourcing, contracting and privatisation as the primary generators of more regulation (Christensen and Laegreid 2006a; Jordana and Levi-Faur 2004a; Levi-Faur 2005; Majone 1999; Vogel 1996).

Whilst regulation has substantially advanced in the context of privatisation and contracting out (Albalade et al. 2009; Jordana and Levi-Faur 2004a; Levi-Faur 2005) the state's regulatory interest has also extended into areas where government intervention had not previously existed, "Vast new areas of social and economic life have been colonised by law and regulatory agencies" (Moran 2001:20). There has been explosive growth in the development of social regulation aimed at protecting whole populations from discrimination, hazards and risk. This has seen regulation extend into new areas of social concern such as racial discrimination, EEO, consumer protection, workplace safety, environmental protection, food safety and public health.

Citing the work of Beck (1992) Moran (2002) notes that society has increasingly become risk adverse. The structure and advancement of society has created more risks and this in turn produces a regulatory society demanding better management and control of risks (Power 2007). Market economies both solve risks and create risks (Moran 2002:408). Deregulation has unleashed the creative, competitive power of businesses that generate risks and it is these externalities that new regulation then seeks to manage and control.

Scholars have also observed that regulation (social and economic) tends to emerge out of crises (Braithwaite 2008; Haines et al. 2007; May 2002). Regulation is seen to develop in spurts as interest groups and community members demand action in response to a scandal or catastrophe. Industrial disasters, major environmental degradation, financial crisis, or a significant transport accident will draw media attention and calls for a response from government. Interest groups who have long agitated for regulatory change will seize on these events as opportunities to justify the changes they seek. In a bid to be seen responding to the problem and in part to help prevent further occurrences governments will enact regulatory change.

One reason governments increasingly react with regulatory change is that it is seen as a low cost policy tool that can readily be enacted to demonstrate responsiveness to new and emerging problems. As Majone observes, "The public budget is a soft constraint on regulators because the real costs of regulatory programs are borne not by the agencies but by the individuals, firms or governments who have to comply with

the regulations” (Majone 1996:64). Even deregulation, which in practice results in re-regulation, is promoted as a costless exercise, delivering economic windfalls to firms at no cost to the taxpayer (Vogel 1996:41).

The above analysis suggests that regulation has become the favoured modality of choice for state activity in recent years (Scott 2002:57). Regulation is seen as a relatively indirect method for achieving government policy objectives and does not always require complex administrative machinery to develop and implement. It is often the case with social regulation that administrative systems and enforcement personnel are already in place and therefore new forms of social control can generally be added to existing systems imposing only marginal additional costs and workload on state agencies.

Whilst regulation presents itself to government as an effective and efficient policy tool it remains subject to countervailing forces. Governments express an explicit desire to reduce the regulatory burden on business and simplify rules and requirements. (Department of Business Enterprise & Regulatory Reform 2007; Hood 2000; Regulation Taskforce 2006). Governments now increasingly regulate with a view to avoid the limitations of previous command-and-control approaches and the failings of excessive deregulation. This suggests regulation is in a process of being ‘restructured’ (Martinez and Mackenzie 2004:84). Approaches now seek an optimal combination that mixes markets and non-market mechanisms to achieve effective regulation. We have moved from a focus on ‘deregulation’ to one of ‘better regulation’ as governments, firms and public sector agencies recognize the role regulation plays in constituting markets and reshaping the competitive and operational space around which firms and their related regulatory agencies operate (Macgregor et al. 2000).

From New Public Management to Network Governance and Public Value

New Public Management practices have been fundamental in shifting public sector activity away from direct provision towards the steering of markets, rule making, surveillance and regulation (Black 1997). Public management reform and regulatory

reform share common objectives. They focus on improving the efficiency and effectiveness of services; seek to achieve better policy implementation and progress improvements in processes of governance. The policy implementation capability of the state is significantly reflected in state institutions that make up a particular regulatory regime and public management reform may involve building, reshaping or removing such agencies. As Vogel notes, "...regulatory reform by definition involves reformulating the mechanisms of policy implementation..." (1996:19).

The restructuring and reform of public institutions and services has seen the state develop new ways of exercising influence on the behaviour and relations between individuals, the market and government (Castles 2007; Jordana and Levi-Faur 2004a; Levi-Faur 2005). It is not just growth in regulation that can be observed across all aspects of social and economic life, the manner in which regulation is being progressed has also changed (Hutter 2006). A shift in the nature of relations between policy actors has developed that suggests a networked process of governance is at play that relies on cooperation and persuasion to progress policy goals (Goodin et al. 2006). The regulatory function of the state has expanded and now the manner in which regulation exercises influence is also being remodelled (Hutter 2006).

A number of writers claim the state is now far more engaged in a process of governance where greater importance is placed on co-operation, networking and the provision of information (Kennett 2008; Martinez and Mackenzie 2004; Osborne 2010; Stoker 2006). Martinez and Mackenzie argue that this now means regulation is effectively 'shared', "...the objective being to allow the public and private actors a role in what is a more complex economic arena, and to provide regulation with a new legitimacy through social and economic inclusion" (2004:84).

This progression towards governance can in part be identified with the impact of NPM reforms. Under NPM leadership governments were encouraged to lend greater reliance on third-party providers for the progression of policy objectives. These private providers pursue "publicly authorized purposes" (Salamon 2002:2). Changes in public administration and regulation have allowed public interest goals to "...be imposed on or agreed with private actors through a process of 'publicization', a process through which private actors increasingly commit themselves to traditionally

public goals...” (King 2007:88). Public authority is now effectively shared with a host of non-government actors in complex and collaborative contractual systems.

Regulation is developed, monitored and enforced through state agencies as well as non-state organisations such as industry associations, auditors and professional bodies (Hutter 2006). In response to resource constraints and efficiency objectives the state often draws on the oversight capacity of these third parties allowing it to delegate certain surveillance functions. Private and non government parties are drawn into the regulatory and surveillance process to complement and enhance the effectiveness of regulatory frameworks (Gunningham and Grabosky 1998; Hutter 2006). This means that the public administration problem has “leaped beyond the borders of the public agency” to a host of other third parties involved in the implementation and management of public policies (Salamon 2002:2).

Salamon (2002) claims that public sector management now reflects a ‘new governance’ where the spheres of public and private have become blurred. The idea that the management of regulatory change now involves a process of governance suggests that there is something more going on with current reform efforts than the simple marketisation strategies promoted under NPM (O’Flynn 2007).

Interest in steering and persuasion means a move away from hierarchical structures and command-and-control practices to those that make greater use of decentralised arrangements and incentives to encourage people to do and act in a manner consistent with state policy objectives (Goodin et al. 2006; Hutter 2006). Rewards and incentives are increasingly seen as legitimate strategies drawn on by governments to motivate individuals and organisations towards identified policy goals and participate in specific regulatory programs (Grabosky 1995; Gunningham and Grabosky 1998). The governing and regulatory process increasingly draws on the motivation of individuals and organisations to be involved in networks and partnerships (Stoker 2006). In this environment the acts of negotiation, persuasion and collaboration are critical (Weber and Khademian 2008). Public sector management now involves complex arrangements and networks of private, public and non-government participants who are linked through networks, incentive systems and webs of rules

and associations (Kennett 2008). Regulation now steers a diversity of networks rather than commanding a single organised course of action (Moran 2002).

The concept of governance more readily accepts that the state has a positive role to play with private actors shaping and influencing behaviour towards agreed policy goals and building public value (O'Flynn 2007; Weber and Khademian 2008). It recognises that private sector practices alone are not adequate for addressing major public policy problems, "Governing is not the same as shopping" (Stoker 2006:46). Markets are useful in provision but do not ensure the provision of public welfare. In this changing environment Weber and Khademian (2008) identify the emergence of collaborative capacity builders who actively work to share knowledge and build a coordinated effort from amongst networked organisations to address policy problems. The role of active capacity builders is not confined to public agencies and in the regulatory setting independent third parties such as auditors, NGOs and business associations may often play this role. Building the capacity of successful relationships is the key to network governance and this approach in part reflects a response to the narrow utilitarian character of NPM (Goodin et al. 2006; O'Flynn 2007; Stoker 2006).

The observation that public sector management and regulation have moved towards a complex mode of governance extends our understanding of the forces that are building the state's expanding involvement in regulation. This analysis takes us beyond the simple privatisation and NPM explanations and links the growth of the regulatory state more intimately to a broader array of changes in public sector management practices. Drawing on the work of Moore (1994) O'Flynn documents this change as a shift to Public Value, arguing that NPM has given way to a new paradigm in public sector management that focuses on broader organisational goals of public value creation (2007:358). The next section of this paper explains the concept of public value before moving to an application of this concept to see how it might help clarify growth in voluntary self-regulation programs.

Public Value

Mark Moore is generally credited for articulating a theory of public value with the publication of his book *Creating Public Value* in 1995. In this book Moore (1995) examines the role of public sector managers asking what are they supposed to produce and how will their performance be measured. He claims the task of the public sector manager is to produce public value (1995:1). Moore then provides detailed explanation of how public managers might orientate their actions and develop deeper insights into what constitutes public value.

Moore argues effective public managers develop diagnostic skills that guide them in judgments about what meets political expectations and what is operationally feasible within the budgetary constraints, skills and capabilities of their organizations. This, Moore argues, delivers public value. “In short, in envisioning public value, managers must find a way to integrate politics, substance and administration” (1995:22).

Moore suggests that ultimately politics is pre-eminent in defining what is valuable for the public sector to produce, “...public managers must find ways to accommodate the varied and changing tastes of the *political* marketplace” (1994:297). However, there exist two accounts for the value of public services. Agencies must produce services of value to their clients and more broadly, they are also accountable for their accomplishments to the community and their elected representatives (Moore 1995:53).

Noting these aspects of public service accountability, Moore argues that any strategy or action designed to deliver public value needs to bring into coherent alignment three broad tests (1995:71). These are:

1. The action or strategy must be of *substantive value*. The strategy or action must be of value to clients and political overseers and produced at low cost in terms of money and authority.
2. The action or strategy must be *legitimate and politically sustainable*. The nature of the action must enable the organisation to continually attract

authority and money from the political authorizing environment to sustain activity.

3. The action or strategy must be *operationally and administratively feasible*. The activity can be accomplished by the existing organization "...with help from others who can be induced to contribute to the organization's goals" (Moore 1995:71).

Meeting these conditions delivers public value, just as any failure in one element is likely to undermine the success of any proposed strategy or action. For example, administratively feasible tasks that lack political support are likely to fail, as are any actions that lack substantive significance to clients despite being administratively feasible. Substantive ideas that lack political support are also likely to fail. Moore argues this strategic triangle helps public managers lead their organisations to create public value. Each point in the strategic triangle (illustrated below) provides a vantage point to consider what would be valuable and feasible to do (Moore 1995:73).

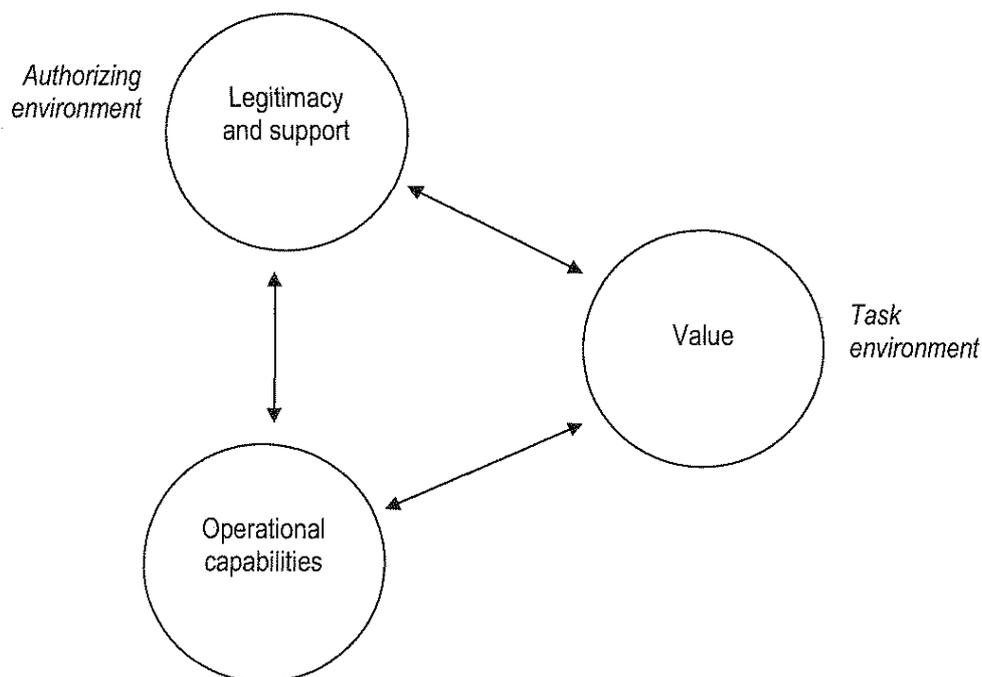


Figure 1: The 'strategic triangle' (Moore 1995)

Source: Alford, John and Janine O'Flynn. 2008. "Public Value: A stocktake of a concept." In Twelfth Annual Conference of the International Research Society for Public Management, p.4.

Moore states “...use of the concept encourages public sector managers to: scan their authorizing environments for potential changes in the collective, political aspirations that guide their operations; search their substantive task environments for emergent problems to which their organizations might contribute some part of the solution; and review the operations of their own and other organizations in search of new programs or technologies that their organizations could use to improve performance in existing (or conceivably new) missions” (1995:72).

It is the ongoing process of seeking alignment between these factors that is a key work challenge of public sector managers. As policies and programs move in an out of alignment with the elements of the strategic triangle managers take corrective action. This may involve concerted efforts to inform and educate key players of the value of services or undertake to revise and adjust services so they more accurately reflect acceptable values of political overseers and key stakeholders. Public value suggests an active process of engagement between parties that also takes into account circumstances. In their critique of the concept and its uses, Alford and O’Flynn argue that the strategic triangle is the “...foundational construct which animates the public value framework” (2008:3).

This paper argues that many regulatory programs are an outcome of this search for public value. In particular, Moore’s model provides an appealing account of why programs of voluntary self-regulation continue to be promoted by regulators. They have political appeal amongst many of the parties that constitute the authorizing environment, which includes business and community groups, as well as government. Programs of voluntary self-regulation are considered sustainable and achievable due to their relatively low cost in comparison to other forms of government intervention and they allow other parties to be drawn into the governing process and contribute towards the goals of the agency. And when working well, such programs appear to deliver improvements in compliance at least cost. The following section outlines the voluntary self-regulatory program that has been introduced into the Australian trucking sector to help improve compliance and safety outcomes in the industry.

Empirical data is then mapped against the three elements of Moore’s strategic triangle

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to help explain why this supplementary regulatory program has been introduced to advance the policy objectives of the state.

The National Heavy Vehicle Accreditation Scheme (NHVAS)

The National Heavy Vehicle Accreditation Scheme (NHVAS) became operational in Australia in 1999. One objective of the scheme is to reduce reliance on prescriptive regulation and make greater use of voluntary self-regulation. The scheme operates as an alternative regulatory program with its own standards that operators can choose to comply with instead of the existing prescriptive limits. Scheme standards exist in the compliance areas of vehicle maintenance, vehicle loading and since 2009, driver fatigue. This research examines operator experience in respect of NHVAS vehicle loading (mass management) and vehicle maintenance (maintenance management). These two compliance modules and have been in operation for some time and represent important areas of regulatory concern that impact on road safety, network efficiency and asset protection.

Under NHVAS a firm's management control systems are assessed by an external auditor and once verified as meeting the scheme's compliance standards the trucking operator is then rewarded with access to relaxed regulatory limits and subject to less roadside inspections. These rewards are offered as inducements to encourage firms to enter the scheme, giving them a competitive advantage and helping them offset the additional compliance and auditing costs they must meet under the scheme.

Regulatory concessions are included since the cost of establishing compliance systems in sectors dominated by small firms like trucking, is known to be a significant factor in influencing a firm's willingness to comply (Thornton et al. 2008). As well as a general wave through at checking stations, concessions include exemptions from annual safety inspections and permission to carry loads heavier than the statutory limit. These concessions aim to align the economic self-interest of the firm with the compliance and safety goals of the state.

The scheme operates across all Australian states and territories and most recent research estimates that around three percent of the trucking fleet is enrolled in the scheme. This represents around 2,800 operators and predominantly consists of larger

fleets (Baas 2008). Unlike most advanced economies, Australia does not regulate access and standards of the trucking industry through licensing. The only mechanisms available for raising performance and operational standards are through universal prescriptive regulation and its enforcement, or through voluntary programs such as NHVAS. The following discussion examines empirical data from interviews with stakeholders involved in NHVAS and how their views and attitudes align with the three elements of Moore's strategic triangle. Each element of Moore's strategic triangle provides a frame for analysing and understanding the qualitative evidence.

Three Streams of Evidence

1. The Authorizing Environment – Legitimacy and Support for NHVAS

This element of Moore's theory has a focus on the ongoing level of political support an organisational activity attracts from government and other key stakeholders. The interview evidence reveals strong levels of support for NHVAS from key players that constitute the authorising environment. Industry values the contribution the scheme makes towards the competitiveness and efficiency of the trucking sector whilst regulators value the low cost manner in which the scheme contributes to road safety. This level of political support is essential to ensure the program retains its authority as a legitimate regulatory activity and continues to attract funds to support its ongoing operation. Industry support NHVAS because compliance outcomes such as improved safety performance are achieved through a process that is seen to contribute to other business objectives such as firm reliability, efficient fleet utilisation and reputation. As explained by the following truck operator, industry favours a regulatory strategy that draws on rewards rather than punishments to help achieve safety and compliance goals.

...the current NHVAS scheme that is in place was an effort to look at operators that were operating to a certain standard or with a level of safety and management and that sort of thing, and rewarding that effort with some concessions on allowable mass limits, and on exemptions from regulatory inspections. (Operator 03)

One key factor that lent the scheme legitimacy was that it incorporated work already being undertaken by industry towards the development of a self-regulatory scheme.

... the industry was attempting to develop self-regulation and the regulators felt that they needed to be in that game and provide a regulatory approach that enabled the framework, if you like, for self-regulation. (Regulator 07)

With the introduction of NHVAS we see regulatory practice move into an area that carried legitimacy with industry since they had already shown a willingness to adopt a structured self-regulatory program.

I really think they reacted to the industry wanting to do it ... I think regulators picked up on that and said hey, look, operators are prepared to stick their hand up and show us how they do things... (Industry Association 02)

The scheme engaged key players that constitute the authorizing environment in a new type of dialogue around issues of compliance. Communicating around the detail of an accreditation program like NHVAS is seen as building an understanding between both parties of what constitutes a regulatory system that has credibility and legitimacy amongst key stakeholders. This is evidenced in the following industry comment.

to me,... it (accreditation) improves communication. It develops a constructive working relationship with government... there is a better mutual understanding of how industry can meet the government's needs and also how the government can actually encourage and assist industry to improve their performance in road safety. (Industry Association 07)

Trucking operators make similar claims about the benefits of regulatory legitimacy that derive from closer engagement with regulators. The following operator explains how NHVAS is seen as a reasonable middle path where industry has an opportunity to work with a regulatory framework, rather than have a prescriptive system imposed upon them.

Whether you like it or not, we don't like everything they thrust upon us but it is probably a pretty reasonable way to get the industry to do the right thing

rather than to force the regulations upon us, ... I don't see a huge problem with that. (Operator 09)

2. Administrative Feasibility – Delivering NHVAS with the help of others

This element of Moore's strategic triangle is concerned with the administrative ease that the new arrangements can be adopted and implemented by affected organisations. It also draws our attention to the involvement of other parties that may be engaged in the delivery and realisation of policy goals. In this case study the introduction of voluntary self-regulation was considered relatively easy for regulators and trucking operators. Both parties also benefit from the contribution auditors make to the assessment and implementation of self-regulatory systems.

A key point raised by industry and regulators during interviews was that the administrative systems and standards of NHVAS were developed through pilots with industry and therefore represent arrangements that are relatively sensitive to the operational environment of trucking firms.

Yes, industry was a big part of getting it off the ground through the pilot schemes and there was a lot of industry interaction... with regular meetings and regular feedback. (Operator 03)

When NHVAS was being developed they consulted the industry and the standards and guidelines were developed with the Australian Trucking Association. (Operator 04)

Designing a scheme with extensive industry input helped ensure adoption was relatively easy for trucking operators. Supplementary to this were the regulatory concessions that were included to help offset costs and make implementation by industry more feasible.

Well, there's obviously a cost to conform. If there's a concession to offset that cost to comply then that's how you get the industry to participate. (Operator 01A)

Some operators argued that they already had similar systems in place and hence the cost and administrative challenge of being accredited under NHVAS was marginal.

I wouldn't say its substantial. It's an impact obviously, and ongoing as well. The set up, yes, but the ongoing, it's not that much. It's not that difficult.
(Operator 02)

Comments from industry and regulators suggest that NHVAS is a relatively straightforward, cost effective regulatory tool that does not require substantial administrative systems. The following regulator expresses this sentiment.

Costs have been kept to a minimum. I think jurisdictions are probably wearing a lot of the administrative costs associated with that but it is essentially a user pays system. The operator pays the auditor; the auditor does the report that's given to the jurisdiction. The jurisdiction gives the concession. ... The infrastructure and resources to administer the scheme aren't huge but nevertheless, they are not insignificant either. So for the operator getting access to NHVAS concessions can be done even by those who operate on fairly tight margins. (Regulator 03)

Auditors make similar observations claiming that once internal compliance systems are up and running most firms find NHVAS less difficult to administer on a continuous basis. Thus, from a public value perspective this self-regulatory scheme is administratively feasible for the major players.

A lot of businesses have said to me it's been a pain in the arse to start with but once I got people doing this everyday it's amazing how easy it is. (Auditor 05)

One aspect of Moore's concept of administrative feasibility concerns the engagement of other parties to assist with the achievement of policy goals. Under NHVAS third party auditors play a central role in the successful administration of the scheme. Auditors assess a firm's internal control systems and advise the regulator of their compliance to NHVAS standards. The central position auditors occupy in NHVAS

means they acquire a unique insight into how the scheme influences the daily practices of firms.

Under NHVAS auditors find themselves working for both public and private organizations. Auditors work for private firms in undertaking entry audits and required annual reviews as well as for the public regulator in undertaking triggered audits of trucking firms suspected of failing to maintain adequate compliance systems. Regulators recognise that auditors have a difficult job building an assessment of a firm's compliance practice due to the short term nature of their visits and the limited information they can access. A number of regulators indicated that they actively support auditors in their role by providing them with infringement information on operators prior to them going in to undertake an audit. Interviews with auditors confirmed this practice of confidentially exchanging information to improve the accuracy and effectiveness of the audit process. Regulators argued that strengthening the audit function helped enhance the effectiveness of NHVAS, improving operator compliance and heavy vehicle safety.

It is difficult for them to walk into a business cold and do the standard checks. What we started doing here a few months ago was providing our enforcement information to auditors prior to them going in to audit an operator. It was basic information. ...in the past 12 months, this is their enforcement record. They had been 3 or 4 tonnes overloaded on these occasions, have been found off route on such and such occasions etc. That sort of information, and it enables the auditor to go straight to that and say, "Give us a look at your corrective actions. What did you do? OK, your driver went off route on these occasions. When you found out about it, what did you do about it? Did you retrain your drivers, did you put this in place? Did you change anything or just maintain your systems? Did you find out how it happened?" Now they are able to go in and have a bit more of a targeted look at what operators are doing. (Regulator 09)

This suggests that information is provided in the hope that the audit becomes more focused on the internal review practices and corrective action that firms take to remain compliant. This sharing of intelligence information helps develop an agreed

understanding between the auditor and the regulator around compliance concerns and links the auditor more intimately into the state's regulatory and enforcement process. As Power observes the auditor becomes "...linked to the state in a hierarchy of control" (1997:33). Auditors reach into the internal workings of an organization and should be able to blow the whistle and report technical problems to regulators. The regulator is working from a distance using the audit process to more effectively influence the internal control mechanisms of firms and how they meet regulatory requirements. In this example of voluntary self-regulation we see auditors use their unique relationships with industry and regulators to build the compliance capacity of operators. Auditors are effectively drawn into the regulatory process to add value and extend the public benefits that might derive from the accreditation scheme.

The interview data reveals auditors expressing genuine interest in improving the safety standards of the trucking industry. Whilst auditors are private parties with no direct or ongoing financial relationship with the state, their behaviour and attitude illustrates how private sector interests may act to progress public sector goals. This involves acting to ensure the private actions of trucking firms contribute to improved community welfare in terms of better road safety outcomes. Auditors play a constructive role, acting as collaborative capacity builders, building the compliance standards of the industry (Weber and Khademian 2008). The following comment illustrates how auditors also find themselves modifying, assisting and interpreting regulations to achieve positive compliance outcomes for operators.

Well, you need to understand the people within the industry, particularly you know, we're talking about the small operator. ... they're hard working honest diligent people ... and these people that are hurting because of the economic downturn in the bush. And they might have drivers that work for them who are illiterate. People who have poor numeracy skills ... With these small people in the bush you really have to help them through these processes. My attitude is if I find a non-conformance and I can explain to the person why they've got this non-conformance and get them to understand how to take improvement action, particularly with this driver that can't read or write or

whatever. I think the outcome from that is far better than just writing up a non-conformance and walking away and saying well you fix it. (Auditor 03)

This comment reveals how auditors play a nurturing and supportive role. It is not uncommon for audits to be viewed as a learning exercise where knowledge is transferred amongst industry participants with the aim of improving compliance standards and adding further public value to the regulatory program. Applying Moore's concept of public value to this understanding of auditor activity we see how external parties are brought into the regulatory program to add value. The regulatory programs draws on the skills and insights of auditors to further progress the policy goals of the state. In this case the relative ease of building in arrangements that require shared program delivery with auditors has extended the public value of the self-regulatory program.

3. Substantive Value – How NHVAS appeals to clients and political overseers as value for money

The final element of Moore's strategic triangle concerns the extent to which the regulatory strategy delivers substantive value for major stakeholders and the discussion on auditors has already highlighted how third parties can contribute to this outcome. In the context of this case study value concerns administrative efficiency, enhanced productivity, better compliance with regulatory requirements, and improved road safety outcomes. Evidence from interviews reveals stakeholders attributing a broad range of values and benefits to NHVAS. The scheme is seen to help improve the efficiency and strategic use of enforcement resources, provides savings for regulatory inspection services and directly contributes to the productivity of operators improving the quality and reliability of their business operations, as well as raising their compliance standards. Membership of the scheme adds value and status to the firm improving their competitive position and assists when bidding for contracts. Industry and regulators argue that operating at higher levels of compliance and running well maintained vehicles improves road safety. The scheme is also seen to provide an effective framework for managing higher levels of risk as the industry pushes for more liberalised regulatory limits.

The multiple benefits the scheme delivers is evident in the following comments from regulators who claim the improvements in road safety are superior to the productivity gains by operators and efficiency improvements for enforcement.

...from the regulators point of view they can stand up, hand on heart and say to their constituents or the community that we are moving towards a safer outcome. And if the community saw the productivity gains as some adverse thing ...then the regulator could give a counter view on the basis that the safety objective is being achieved. (Regulator 01)

It primarily focuses on, if you like, enforcement efficiency, but if in doing that you're improving levels of compliance, that ought to improve levels of safety, so I'd say first would be safety second would be efficiency. (Regulator 07)

Industry associations also saw NHVAS as a cost effective investment. The business benefits were considered far greater than the implementation costs and the auditing process was seen to add value to the ongoing operations of a business.

It's the cheapest form of consultants you can have... Its extremely good value for money.... External third party auditors come in and you get fair warning about impending danger... therefore they'll pick up on this external observation, modify their practices and keep their business active. (Industry Association 04)

Actions by firms to improve their internal compliance practices contributes towards the state's policy goals in road safety and also delivers efficiency savings for regulators in the area of compulsory vehicle inspections. Under the NHVAS maintenance module operators demonstrate they have an ongoing program of vehicle maintenance and are hence exempt from mandatory vehicle inspections. Shifting responsibility for vehicle checks back onto firms is seen as an effective strategy for managing demand on agency inspection stations. The following regulators comment on how reducing demand on inspection stations then frees up resources allowing them to be redirected towards higher priority enforcement activities.

It was more a case of reducing the load placed on the government to do that task. As a result you could then use your resources, those specialist inspectors, to actually become auditors and actually do random audits on transport companies. (Regulator 18)

On the maintenance side its not only gives the operators some operating flexibility with scheduling, the same applies to our business as well.... Not only do we have greater confidence that their vehicles are maintained in that safe condition all the time... that puts less stress and pressure on our maintenance facilities, our inspection facilities. (Regulator 05)

In this instance the growth of self-regulation contributes to the efficiency and effectiveness of the enforcement agencies. Regulators value the program for the contribution it makes to their broader responsibilities to prudently manage public resources. As alluded to above, operators also derived similar efficiency gains as detailed in the following industry comment.

The benefits are big time. As for maintenance, the reality is we don't have to assemble all the vehicles here over 4 days or run them through the transport inspection... Normally it would cost \$20,000 for us to bring all that equipment through over those 4 days...All I can say is for me, when I was the workshop manager, when I didn't have to organise all those vehicles over that one period of time. You cannot believe how much easier that is for us to go forward. So just from the maintenance side of it, it made a huge difference for us. (Operator 01A)

Industry also observes other impacts on the efficiency and quality of business operations as they introduce the internal control mechanisms required under NHVAS. A number of operators argued that setting up a more systematic process for vehicle maintenance and introducing accurate and reliable record keeping on vehicle breakdowns and maintenance substantially contributed to business efficiency. This is evident in the following operator comments.

...it's a lot of preventative maintenance, so its cost effective in the way that a few years ago you'd probably break down on the side of the road, scratch your head and say, "Didn't know that was going to go". But now you actually document the parts that are changed, the maintenance, the scheduling so that you really know that this part has been in the truck for X amount of kilometres or X many years, best change it now before it gives up the ghost in the next few months. So it's cost effective in the way of preventative maintenance.
(Operator 04)

Keeping records is all a part of looking after your future as well. They never actually did that and once they found out, oh hell, we need to do this, and once they found out it wasn't all that difficult at any rate. I'm pretty sure it would have helped their business. I can't see how it wouldn't have. It might have been a little bit painful in the first instance to get into it and change the way you think and change the way you do business, but at the end of the day I think it was a huge help. (Operator 09)

These comments highlight how regulatory requirements under NHVAS shape business practice with the effect of improving quality, performance and profitability. The scheme adds value beyond the immediate compliance objectives of well maintained and correctly loaded vehicles. Regulatory objectives become adopted and absorbed into business practice and form part of the firm's daily operations.

The substantive value regulators see in NHVAS picks up on these aspects of improved performance and reliability and extends to less tangible indicators of trust and the assurance that operators can manage and work with higher levels of risk.

...we're actually entering into the internal structure, the management systems, the training, the operating procedures of a firm and providing some level of guidance. At a broad level when regulation is taking that step you're actually putting in place some kind of system of trust. ... Putting in place measures which allow you to trust a business and increasingly what the business is permitted to do depend on it having that trusted status. (Regulator 06)

This understanding of regulation suggests the management of higher risks requires greater levels of regulatory guidance built on a more rigorous model of voluntary self-regulatory practice. From a public value perspective NHVAS delivers substantive value for operators and regulators. Businesses value the immediate economic benefits as well as longer-term business impacts that result from effectively implementing NHVAS systems. Regulators realise efficiencies in the strategic use of enforcement resources and value the safety gains that flow from having more compliant and reliant operators.

Analysis of Findings

Under NHVAS trucking operators, auditors and regulatory agencies are each part of the production process and co-produce the value attributed to the regulatory framework. Moore notes that in situations where organizations depend on their clients to help achieve results then they “...must devise means for increasing these contributions ” (1995:287). This can be achieved by moving to a decentralised structure where decisions are made closer to the service interface with clients. In a regulatory framework, this involves devolving enforcement and policing to the client so that they self-regulate their compliance to defined standards. This involves shifting public sector effort from strict top-down command and control enforcement to a more engaging framework with regulatees that works to support them in their own efforts to self-regulate. This is what has occurred under NHVAS and the interview data reveals auditors are important players in this decentralised structure. Decision-making and compliance support is significantly devolved with regulators, auditors and firms actively engaged in a dialogue that is orientated to improve self-regulatory efforts. This is consistent with Moore’s description of building effective working partnerships between the agency, its staff and its clients (1995:287-288). This reflects a move away from the strict uniform application of centrally determined rules and standards towards a devolved structure, where judgments are made to take into account the circumstance of each case; what Ayres and Braithwaite (1992) refer to as responsive regulation.

Moore argues innovative public sector managers are attuned to the interests of those parties that constitute the authorising environment and act in a manner that seeks to “...engage their political overseers and co-producers” (Moore 1995:293) and this guides the actions of their organisation. The interview data reveals a deliberate strategy by regulators to win legitimacy and support from industry and the community, critical members of the authorizing environment. Programs of self-regulation reflect public sector managers thinking strategically and identifying opportunities that meet emergent political demands and respond to market needs. This case study illustrates how voluntary self-regulation has become an effective tool for extending the reach of public sector organisations beyond the limited resources they are provided to deliver their mandate.

The public value framework looks for and identifies additional and unanticipated benefits delivered from regulatory programs. A NPM analysis has a strong focus on the incentives and their role in structuring relationships and influencing behaviour. The emphasis on markets, whilst useful and important fails to identify deeper value that schemes such as NHVAS deliver. Under NHVAS the regulatory system draws on third parties as agents of the state and their willingness to build compliance capacity amongst trucking operators. Auditors operate with a high level of alliance with the policy goals of the state promoting compliance and better road safety outcomes. These are intrinsic benefits that emanate from the social relations of participants as they interact across diverse networks within the regulatory framework. Individuals act in a manner that not only reflects self-interest but also broader community interests that are orientated towards improving social welfare, better road safety outcomes, more efficient, more compliant and safer businesses. NPM is not effective in explaining how contracted third parties internalise and act to support and extend the social policy objectives of the state beyond the boundaries of contracts, as the evidence from auditor interviews suggests.

Regulatory Growth

How does this help explain regulatory growth? A public value framework draws attention to relationships and the strategic considerations of public sector managers. Relationships are important in shaping behaviour and influencing public policy outcomes. These intangible, less measurable elements of regulatory performance are

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considered important by regulators and become more evident in programs of voluntary self-regulation. Managers with a focus on public value see the improvements in relations amongst program participants as an important reason to continue to support such programs. The complex network of relations and the evidence of shared interests and collaboration that has emerged from the interview data highlights how regulation, in the form of NHVAS, draws state and non-state actors into the process of governance. This extends the network of support and hence lends further legitimacy to programs of self-regulation justifying their ongoing use and possible extension into other areas of regulatory concern.

Self-regulation incorporates the key features of the prevailing neoliberal orthodoxy, allowing firms to get on with their own business, minimising the role of government and government intervention and allowing non-state actors a role in monitoring and approvals. The strong level of political support such programs receives from business and sections of government (the authorizing environment) and their administrative ease and relative low cost combine with the broader insight that regulators obtain about the intangible benefits of better relations that are a product of such schemes, and hence they are promoted and extended as suitable policy options. Of course self-regulation schemes present risks and are exposed to abuse and ritualism (Braithwaite et al. 2007). These aspects of self-regulation are well researched and hotly debated in the regulation literature (Tombs 2002). A public value framework weighs up these risks against potential gains. This would see enforcement and policing efforts moderated as evidence of any decline in the substantive value of the program emerged.

Conclusion

Public value is a useful explanatory model for highlighting why programs of voluntary self-regulation gain support. The support of the authorising environment and the administrative feasibility of such schemes make them strong contenders as policy options. The key challenge for these programs is to continue to demonstrate the substantive value they contribute to government policy objectives. To some extent this depends on how effective such programs are monitored and participants periodically checked for their ongoing levels of compliance. Nevertheless, public

value helps identify a broader range of social and relational factors that influence and shape regulator and industry experience under programs of voluntary self-regulation. The existence of a public management model that is open to, and acknowledges the existence of broader benefits beyond market outcomes makes public value a useful framework for understanding other factors that contribute to regulatory growth.

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