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Name of Candidate : Jashwini Jothishna Narayan

Degree : Doctor of Philosophy

~~Department~~/School : School of Management & Public Administration

Institution/University : FBE, USP

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Date: 4 / 12 / 2013

Contact Address

School of Management & Public Admin.,
FBE, USP.
Ph: 3232089 / 9253566 / 3573954
Email: narayan_ja@usp.ac.fj

Permanent Address

As in contact address

A Comparison between Better Performing and Poor Performing Public Enterprises: The Case of Government Commercial Companies in Fiji

by
Jashwini Jothishna Narayan

A thesis submitted in fulfillment of the requirements for the degree of Doctor of Philosophy

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School of Management and Public Administration
Faculty of Business & Economics
The University of the South Pacific

November, 2013

Declaration of Originality

Statement by Author

I, Jashwini Jothishna Narayan, declare that this thesis is my own work and that, to the best of my knowledge, it contains no material previously published, or substantially overlapping with material submitted for the award of any other degree at any institution, except where due acknowledgment is made in the text.

Signature: _____ Date: 13 November 2013

Name: Jashwini Jothishna Narayan

Student ID No. : S95008007

Statement by Supervisor

The research in this thesis was performed under my supervision and to my knowledge is the sole work of Jashwini Jothishna Narayan.

Signature: _____ Date: 13 November 2013

Name: Dr Gurmeet Singh

Designation: Associate Dean Research and Graduate Affairs

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Finally, I take full responsibility for any flaw in this thesis.

Dedication

To the God Almighty, my loving mother, brother and my father (deceased). Their unwavering faith and encouragement was much help to me throughout the research and during the write-up period.

Abstract

Public Enterprise Reform (PER) is no new phenomenon. It has been in existence for some time now. PER programmes first began in the UK in late 1970s. Since then, state intervention in the market has been increasingly challenged. Such a challenge acquired a more ideological form with the rise of the ultra-conservative governments in the UK as well as USA. In the 1980s, both the 'Thatcherite' and 'Reganomics' doctrines elevated the role of the market in resource allocation. Not limited to the developed world, PER has become the hallmark of public policy making throughout the world, including the developing as well as the underdeveloped nations. From the 1990s, encouraged and financed by the donor agencies, the developing countries have also undertaken reforms of their public enterprises to improve their performance. Like other countries across the world, Fiji has also tried to reform its public enterprises. Public enterprises are also known as State Owned Enterprises (SOEs). With respect to past research in Fiji, few comparative studies and even fewer multiple PER related cases have been investigated. In this thesis, public enterprises of Fiji that are at different levels of financial performance will be examined. Such enterprises have experienced reforms but their financial results have been mixed. This research will compare the performance of corporatised public enterprises - the Government Commercial Companies (GCCs). A GCC is one of the four types of public enterprises in Fiji. It is also one of the two types of public enterprises wholly owned by the Fiji Government. The seven GCCs selected for this research are 1) Airports Fiji Limited, 2) Post Fiji Limited, 3) Fiji Ports Corporation Limited, 4) Unit Trust of Fiji (Management) Limited, 5) Food Processors (Fiji) Limited, 6) Fiji Hardwood Corporation Limited and 7) Rewa Rice Limited. Some of these GCCs perform well, some perform poorly. Overall, the major finding of this research is that there is no single factor that leads to better or poor financial performance. While a combination of factors, which include both the financial as well as the non financial factors affect financial performance of GCCs, this thesis finds two factors as the most important. These factors are financial independence and stakeholder relationships since most of the other factors can be connected to these two.

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Acronyms

AAPMA	Association of Australian Ports and Marine Authorities
ADB	Asian Development Bank
AFL	Airports Fiji Limited
AFLAA	AFL Aviation Academy
AG	Auditor General
AMA	Agricultural Marketing Authority
AMATS	Airport Maintenance and Technical Services
APO	Asian Productivity Organisation
APP	Association of Pacific Ports
APPC	Asia Pacific Postal College
APPU	Asia Pacific Postal Union
ATH	Amalgamated Telecom Holdings
ATM	Air Traffic Management
ATMAF	Air Traffic Management Association of Fiji
BA	Bachelor of Arts
BOCL	Batiri Orchard Company Limited
BOD	Board of Directors
CA	Chartered Accountant
CAAF	Civil Aviation Authority of Fiji
CAAFI	Civil Aviation Authority of the Fiji Islands
CAC	Charter Administration Committee
CAWA	Civil Aviation Workers Association
CDC	Commonwealth Development Corporation
CEE	Central Eastern Europe
CEO	Chief Executive Officer
CGR	Cullen Grummit & Roe
CHAI	Community-led HIV/AIDS Initiative
CHEs	Crown Health Enterprises
CIS	Commonwealth of Independent States
CMDA	Capital Markets Authority of Fiji
COLA	Cost of Living Adjustment
CPC	Charter Preparation Committee
CSA	Commercial Statutory Authority
CSO	Community Service Obligations
CSR	Colonial Sugar Refinery Company Limited
DBA	Doctorate Degree in Business Administration
EIB	European Investment Bank
EMS	Express Mail Service
ERP	Economic Recovery Programme
EU	European Union
FAB	Fijian Affairs Board
FAIM	fellow of the Australian Institute of Management

FATCOA	Fiji Air Traffic Controllers Association
FBCL	Fiji Broadcasting Commission Limited
FCE	Food Canning Establishment
FCFL	Fire Control Fiji Limited
FDA	Fiji Drug Administration
FDB	Fiji Development Bank
FEA	Fiji Electricity Authority
FHCL	Fiji Hardwood Corporation Limited
FHL	Fijian Holdings Limited
FICAC	Fiji Independent Commission Against Corruption
FIMSA	Fiji Islands Maritime Safety Administration
FIR	Flight Information Region
FIRCA	Fiji Islands Revenue and Customs Authority
FIT	Fiji Institute of Technology
FLP	Fiji Labour Party
FMF	Flour Mills of Fiji
FMT	Fiji Mahogany Trust
FNPF	Fiji National Provident Fund
FNTC	Fiji National Training Council
FPCL	Fiji Ports Corporation Limited
FPFL	Food Processors (Fiji) Limited
FPSA	Fiji Public Service Association
FPTEA	Fiji Post and Telecommunications Employees Association
FPTCL	Fiji Public Trustee Corporation Limited
FPTL	Fiji Posts and Telecommunications
FQA	Fiji Quality Award
FSC	Fiji Sugar Corporation Limited
FSCL	Fiji Shipbuilding Corporation Limited
FSHIL	Fiji Ships and Heavy Industries Limited
GCC	Government Commercial Company
GDP	Gross Domestic Product
GFDC	Ghana Food Distribution Corporation
GM	General Manager
GMAOC	Government Majority Owned Companies
GMIOC	Government Minority Owned Companies
GPO	General Post Office
GPS	Global Positioning System
GSPS	Government Shipyard and Public Slipways
HA	Housing Authority
HACCP	Hazard Analysis of Critical Control Points
HR	Human Resources
HRM	Human Resources Management
IAPH	International Association of Ports and Harbours

ICAO	International Civil Aviation Organisation
ICHCA	International Cargo Handling Co-ordination Association
ICT	Information Communication Technology
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IFSL	International Financial Services, London
IMAS	Integrated Management Accounting System
IPS	International Postal System
JD	Job Description
JEE	Job Evaluation Exercises
KPIs	Key Performance Indicators
KRAs	Key Result Areas
LDCs	Least Developed Countries
MBA	Master of Business Administration
MCIC	MCI Carpenters Limited
MCICPE	Ministry of Commerce, Industry, Cooperatives and Public Enterprise
MCWE	Ministry of Communications, Works and Energy
MD	Managing Director
MOU	Memorandum of Understanding
MP	Member of Parliament
MPAF	Maritime and Ports Authority of Fiji
MPETC	Ministry of Public Enterprises, Tourism and Communications
MPI	Ministry of Primary Industries
NATCO	National Trading Corporation Limited
NBF	National Bank of Fiji
NCO	Non Commercial Obligations
NGO	Non Governmental Organisations
NIRP	National Institutional Renewal Programme
NLTB	Native Lands Trust Board
NMA	National Marketing Authority
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
OHS	Occupational Health and Safety
PAF	Ports Authority of Fiji
PAFCO	Pacific Fishing Company
PBS	Pacific Broadcasting Services
PCPA	Pacific Countries Ports Association
PE	Public Enterprise
PEAP	Poverty Eradication Action Plan
PER	Public Enterprise Reform
PEU	Public Enterprises Unit
PFL	Post Fiji Limited

PIB	Prices and Incomes Board
PICs	Pacific Island Countries
PM	Prime Minister
PMR	Performance Management Review
PMS	Performance Management System
PMU	Pick Me Up
PNDE	Parcel Notification and Duty Entry
PNG	Papua New Guinea
PPA	Progressive Public Administration
PPP	Public–Private Partnerships
PRB	Public Rental Board
PSC	Public Service Commission
PSM	Public Sector Management
PSR	Public Sector Reform
PSRP	Public Sector Review Programme
PSRRC	Public Service Review and Re-organisation Commission
PTL	Ports Terminal Limited
PWC	Price Waterhouse Coopers
QC	Quality Control
RBF	Reserve Bank of Fiji
RDT	Radio Data Telegraphic
RE	Reorganisation Enterprise
ROA	Return on Assets
ROE	Return on Equity
RORO	Roll-On-Roll-Off
ROSF	Return on Shareholders Funds
RRL	Rewa Rice Limited
RRW	Registered Relief Workers
SAP	Structural Adjustment Policies
SASL	Strategic Air Traffic Control Company
SBU	Strategic Business Unit
SDL	Sogosogo Duavata ni Lewenivanua
SEE	Southern Eastern Europe
SFL	Shipbuilding Fiji Limited
SIA	Securities Institute of Australia
SID	Submission and Identifier
SOE	State-Owned Enterprise
SPG	South Pacific Games
SPPA	South Pacific Ports Association
SPSE	South Pacific Stock Exchange
SVT	Soqosoqo Vakavulewa ni Taukei
TA	Technical Assistance
TFL	Telecom Fiji Ltd

TFPMFL	Tropical Food Products Manufacturing (Fiji) Limited
TPAF	Training Productivity Authority of Fiji
TQM	Total Quality Management
TRM	Timber Resource Management
UK	United Kingdom
UPU	Universal Postal Union
USA	United States of America
USP	University of the South Pacific
UTOF	Unit Trust of Fiji
VAT	Value Added Tax
VCC	Viti Corps Corporation
VCCL	Viti Corps Corporation Limited
VSA	Vessel Sharing Arrangement
VSE	Voluntary Severance of Employment scheme
WB	World Bank
WINNIE	World Investment News
WNS	World Numbering System
YPCL	Yagara Pastoral Company Limited

Note:

1). All figures are in Fiji Dollar unless otherwise stated.

2). Figures less than 100 are stated in words. Figures more than 100 are stated as numerals.

3). In in-text referencing where paraphrasing is done indicating figures, page numbers are also mentioned.

Chapter 1

Introduction

Public Enterprise Reform (PER) is no new phenomenon. It has been in existence for some time now. PER programmes first began in the United Kingdom (UK) in late 1970s. In particular, it was the 1979 election of Prime Minister Margaret Thatcher in the UK and her market-led economic policies that gave rise to reforms of public enterprises. Poor economic performance of UK in the 1970s, dissatisfaction with state-based economic policies, loss-making national organisations and the belief of the Thatcher Government that private sector can be more effective in carrying out the tasks of the public sector, led to the start of reforms of the public enterprises (International Financial Services, London (IFSL), 2003). Since then, state intervention in the market has been increasingly challenged. Such a challenge acquired a more ideological form with the rise of the ultra-conservative governments in the UK as well as the United States of America (USA). With the 1980 election of President Ronald Reagan in the USA, PER gained political and policy momentum. Consequently, public enterprises began their creation and operation. Both the 'Thatcherite' and 'Reganomics' doctrines elevated the role of the market in resource allocation (Narayan, 2005). Not limited to the developed world, PER has become the hallmark of public policy making throughout the world, including the developing as well as the underdeveloped nations. Public enterprises are also known as State Owned Enterprises (SOEs) in the South Pacific region.

According to Foster et al. (2011), there appears to be only one issue for the neoliberals - state versus market. Moore (1997) describes neoliberal as a market-led approach that achieves its policy goals through the driving force of private capital which operates through an efficient market where the role of government is limited to that of a facilitator or creator of conditions that allows the markets to flourish. He explains that "if the state is a facilitator, then the private sector is the doer" (p. 93).

The public (or state) enterprises are normally criticised because they are often subsidised by their governments, operate in losses ultimately borne by their governments [and tax payers], provide inferior goods and services, restrict choice of consumers and remain static (Yaqub et al., 2011). Accordingly, the proponents of reforms recommend that public enterprises be placed on a full commercial footing independent of political directives, be fully compensated for community service obligations and be exposed to competition with strict budget constraints and full accountability (Anere, 2009).

According to the Asian Development Bank (ADB), public enterprises can be successfully reformed if subjected to the discipline practiced in the private sector (Jaine, 2011). The donor agencies such as the ADB and the World Bank often extend loans with reform related conditions which require its debtor countries to reform and obtain returns from their public enterprises. As such, reforms have been undertaken worldwide to enhance the performance of public enterprises. However, over the years PER has attracted both commendation as well as condemnation.

Whereas efficiency, effectiveness and efficacy became the catchphrases justifying reforms, over the years considerable debate emerged between the reform critics and the advocates over reform issues and effects. As countries began to implement reforms, a large part of such debate was fueled by the outcomes of reforms and, in many cases, by the evidence of failed experiments (Narayan, 2005).

Radical critics of reforms argue that reforms have not resulted in what was promised. Reforms have either led to no improvement at all or have proved to be socially costly. Those in favour of the state created enterprises defend the state. For example, Kumar (2010) argues that, while the key arguments of inefficiency, corruption and liability of public enterprises are true to some extent, such ills also plague the private sector. He expresses that public enterprises are not problematic but potentially important players in economies. He argues that during the current global financial crisis, it was the public money and the governmental agencies that came forward to salvage the collapsing economies.

He states that these are the very economies that stood guided by monopoly capitalism and neoliberal ideology. He asserts that the recent defeat of the neoliberal experiments has put public enterprises and their contributions towards societal welfare on the spotlight. Two examples of public enterprises whose six former top executives misled the government and taxpayers on the risky sub-prime mortgages they held during the housing bust in late 2006 and 2007, assisted in salvaging the collapsing USA economy in 2007 and 2008. These two public enterprises were Fannie Mae (short for Federal National Mortgage Association) and Freddie Mac (short for Federal Home Loan Mortgage Corporation). However, these mis-managed public enterprises themselves suffered heavy losses while salvaging the USA economy. When many Americans defaulted on their mortgages because of their inability to make repayments, as underwriters, Fannie and Freddie were forced by the US Government to pay out their clients' payments which in turn adversely affected their financial performance. Thus, supporters of the state suggest that governments keep some industries under their ownership for an automatic check on the private sector to safe guard against any private sector exploitation (Yaqub et al., 2011).

At the other end, the supporters of PER criticise state capitalism. For example, Schuman (2011) highlights the case of Russia which he says is a state capitalist and one that is strangling its economy. He explains that government spending as well as the size of civil service is increasing in Russia, crowding out the private sector. He adds that private capital is taking flight out of Russia since its becoming harder and harder to do business in this economy. Citing Russia's example, he argues that "even though it is true that free capitalism has fallen on hard times, a better system has not yet emerged. State capitalism is not the solution" (p. 2).

Overall, literature on PER points out that, encouraged and financed by the donor agencies, the developing countries have undertaken reforms of their public enterprises to improve their performance.

Literature also provides clear evidence that reforms have not corrected the ills of all public enterprises the world across, giving rise to this question - why is it that reforms fare well in certain public enterprises while others remain plagued. This doctoral research has been undertaken against this backdrop and to answer this key question: what determines financial performance of public enterprises?

1.1 Relevance of Study

This section discusses the contribution of this thesis. The country case study of Fiji is interesting and has been selected given the following two reasons: 1) research and 2) case study for a small island nation.

1.1.1 Research

The first reason is to contribute towards more research on developing countries. Scholars such as Lodhia and Burritt (2004) and, Sharma and Lawrence (2005) have called for more research in developing countries.

Fiji, an island nation located in the heart of the Pacific Ocean is a developing country. It is one of the most developed of Pacific island economies with the deepest habour in the South Pacific. It is endowed with forest, mineral and fish resources with a large subsistence sector. Its major sources of foreign exchange are sugar exports, remittances from Fijians working abroad and a growing tourist industry. However, Fiji has a coup-ridden economy. The number of coups in Fiji has dimmed its business climate attractiveness, making it a politically unstable economy. It currently operates under the military rule of the self-appointed Prime Minister, Commodore Josaia Voreqe (Frank) Bainimarama since the 2006 coup. Apart from the 2006 coup, Fiji has experienced earlier military coups in 1987 and 2000. However, in contrast, these earlier coups gave rise to democratically-led governments.

Nevertheless, like other countries across the world, Fiji has also tried to reform its public enterprises. Governments of Fiji, except the Fiji Labour Party-led Government (May 1999-May 2000) have been pro-reform.

The PER process in Fiji was initiated by the Rabuka-led Soqosoqo Vakavulewa ni Taukei (SVT) Government after the 1987 coups. The process of reforms commenced mid-1980s but was delayed due to the uncertainty created in the economy following the two 1987 military coups. Since then, Fiji experienced economic recession and Structural Adjustment Policies (SAPs) such as the deregulation of labour market (1989-removal of wage indexation), promotion of export-oriented policies (1989-Tax Free Factory Scheme) and Public Sector Reforms (PSR) (1990s).

In terms of reforms of the public enterprises, reforms were first implemented in the following four public enterprises between 1990 and 1992: (1) Post and Telecommunications Department which was separated into two companies of Telecom Fiji Limited and Post Fiji Limited in 1996; (2) Ika Corporation which became Ika Corporation Limited in January 1990; (3) Fiji Pine Commission which was incorporated as Fiji Pine Limited in September 1990; and (4) National Marketing Authority which became National Trading Corporation Limited in 1992.

1.1.2 Case Study

The second reason for selecting Fiji as a country case study is, Fiji has carried out reforms of its public enterprises for some time now. It is meaningful to take stock of the impact reforms have had on the public enterprises that have been reformed since 1987. To this end, this study covers the lifespan of four governments starting from the government that introduced reforms (1987) to the current government (2012), a spread of more than two decades. This length of time will also highlight the efforts made by different governments towards PER initiatives and the impact coups have had on PER.

Furthermore, drawing from the existing literature on the success and failure of reforms throughout the world, this research will show how reforms have led to better financial performance in some public enterprises while others remain the same or have worsened – a fact that remains under researched in Fiji. Elsewhere, there have been such studies, such as in India (by Kumar, 2010) and in Russia (by Sprenger, 2009).

With respect to past research in Fiji, few comparative studies and even fewer multiple PER related cases have been investigated. In this thesis, public enterprises that are at different levels of financial performance will be examined. Chapter five gives details in this regard. It presents the key financial data (net profit after-tax and dividends paid) sourced from the Ministry of Public Enterprises, Tourism and Communication (MPETC) and case study public enterprises. Using this data, chapter five explains the selection of case studies for this research, separating these cases into better and poor financial performers.

In chapters six and seven, further financial data (revenue, profits and dividends) with ADB (2011) calculated ratios (asset utilisation, liabilities to total assets, cash ratio and return on assets) are presented on individual cases. In the final chapter, such data is brought together from all cases for comparison. The case study enterprises have experienced reforms but their financial results have been mixed (a combination of positive as well as negative outcomes). With seven case studies, this research is more extensive than past studies and can thus lead to more concrete generalisations. Thus far, quite a few studies have been carried out on PER in Fiji. However, many of these studies are broad-based, reviewing reforms in Fiji as a whole such as the work of Appana (2003).

Also, most of these studies are only based on one, two or three case studies such as the research carried out by Reddy (1997). In addition, except for very few studies, most research articles are silent or weak in theoretical explanations which are needed to put empirical studies into perspective. Such articles are rich in empirical work but lack sufficient theoretical backing. Chapter four gives a background on such studies, highlighting these gaps. These gaps deserve much more scholarly attention than given so far especially in the context of Fiji. This study will attempt to address these gaps by using a) multiple theoretical perspectives to put the empirical study into perspective and to reduce bias towards a single theory; b) multiple data sources such as interviews together with archival and published data for reliability and verifiability and, c) multiple case studies for appropriate generalisations.

Overall, this study will enhance the understanding of PER and the related positive and/or negative consequences. In addition, given the reform related transformations currently underway in Fiji's public enterprises, studies such as these are not only timely but can also have policy implications. While progress with restructuring of public enterprises has been limited in recent years, Fiji is preparing several of these enterprises for greater private sector involvement and is also looking into corporatisation of some government functions (ADB, 2011). This study can thus, provide practitioners, policy makers as well as the donors with insights on what affects financial performance of public enterprises.

1.2 Performance

This research will compare the financial performance of Fiji's corporatised public enterprises - the Government Commercial Companies (GCCs). A GCC is one of the four types of public enterprises. The public enterprises in Fiji include the GCCs, Commercial Statutory Authorities (CSAs), government majority owned enterprises and the government minority owned enterprises. For case studies of this thesis, the focus is on GCCs given the following reasons. The GCCs are more in number, thus give the opportunity to examine more cases. These GCCs also significantly differ in their financial performance levels from each other, allowing for effective comparisons. Also, GCCs such as Rewa Rice Limited and Fiji Hardwood Corporation Limited have never been scholarly researched into earlier. While there are few articles on the other GCCs, research questions have been different with little to no comparison. In addition, this doctoral research will broaden and further build on the researcher's understanding on GCCs. The researcher has a particular interest in GCCs from the time of her earlier Masters thesis in which she examined a, the then GCC, Government Shipyard and Public Slipways (GSPS), now known as Fiji Ships and Heavy Industries Limited (FSHIL), a subsidiary of Fiji Ports Corporation Limited.

There are eleven GCCs in Fiji. A GCC is a wholly government-owned corporatised enterprise and is generally financed through government equity and/or debt. It is required to achieve a minimum of 10 per cent return on investment as well as pay dividend of 50 per cent of its net profit after-tax.

A GCC is also required to submit statements of corporate intent, corporate plans, quarterly and annual reports, employment and human resource plans and, audited accounts to the government.

Data accessibility on the Fijian public enterprises made this study possible. Even more data was available and accessible on seven GCCs which have been selected as in-depth case studies for this research. For the remaining four GCCs, data availability was limited and requests for interviews were either declined or not responded to at all.

The seven GCCs selected for this research are 1) Airports Fiji Limited, 2) Post Fiji Limited, 3) Fiji Ports Corporation Limited, 4) Unit Trust of Fiji (Management) Limited, 5) Food Processors (Fiji) Limited, 6) Fiji Hardwood Corporation Limited and 7) Rewa Rice Limited. Using profits generated by individual GCCs and dividends paid by each GCC, these GCCs were separated into better and poor financial performers. The earlier four (1, 2, 3 and 4) are better performers in that they are able to generate profits and pay dividends to the government. However, they have experienced fluctuations and/or declines in revenue, profits and dividends over the years, which is why they are not labeled the best or excellent performers. Even then, these four are comparatively better in financial performance when compared with the latter three poor performers. The latter three (5, 6 and 7) are riddled with numerous problems, operate in losses or generate insignificant profits and have never been able to pay dividends to the government.

The key aim of this study is to compare financial performance of the seven selected GCCs. At this point it becomes important to define performance. Organisational performance is not a new but more of an evolving topic. The definition of organisational performance has evolved since the 1950s. In their book, Lusthaus et al. (2002) point out these evolving definitions of performance as follows. In the 1950s, performance was linked to the fulfilment of organisational goals. In the 1960s and 1970s, it was explained as the ability of an organisation in using its environment in gaining access to scarce resources. By the 1980s and 1990s, it was realised that stakeholders should also be taken into account when measuring an organisation's performance.

As such over the years, the definition of organisational performance has become broader. Financial performance, in contrast, reflects at an organisation's performance in quantitative terms such as revenue earned, profits generated and dividends paid as well as financial ratios such as asset utilisation. The focus of this thesis, however, is on the causal factors that can explain better and poor financial performance. Financial data alone is just hard quantitative data and cannot capture the reasons behind financial results (Lusthaus et al., 2002); the more the reason to explore the factors that can explain the difference in the financial performance of GCCs.

Qualitative data and analysis provides insights into such causal factors as this approach 'goes beyond mere counts' (Lusthaus et al., 2002) which is why this research used the qualitative approach. This study does acknowledge that an organisation can be assessed on other types of performance. However, it is only interested in the causes of better and poor financial performance. Discussion on other types of performance is beyond the scope of this research and could have complicated this study. Financial performance has been used as the dependent variable because the reformed public enterprises are now more than ever assessed on their financial performance since they are required to operate like private sector firms and compete in market like conditions (Lusthaus et al., 2002). For the purpose of this study, the financial performance includes revenue, profits and dividends and, financial ratios of asset utilisation, liabilities to total assets, cash ratio and return on assets. These are treated as the dependent variables while the causal factors (financial factors and non financial factors such as technological/infrastructure improvement; qualification/experience/capability of board, top management and employees; relationship between stakeholders; commercial culture; political involvement and external factors) that affect financial performance are treated as the independent variables. Chapter five discusses these variables further. The dependent financial factors were the ones available at the time of research.

This research first looked at the net profits after-tax generated by GCCs to place them into categories of better and poor financial performers. This is discussed in chapter five.

1.3 Research Questions

The Fiji Government, in its quest to improve the financial performance of GCCs instituted structural changes of commercialisation and corporatisation. This study provides evidence that such reform efforts have not resulted in better financial performance across all GCCs. Overall, the performance of GCCs as assessed by the Fiji Government and the ADB particularly centres on economic and/or financial indicators without elaborate explanations on what causes differences in financial performance between individual public enterprises. This leaves the following question answered - why is it that some public enterprises fare well while others continue to underperform. This thesis tries to explore and understand this key puzzle. The hypothesis build on this puzzle is that a number of distinctive causal factors, both financial as well as non financial cause differences in financial performance of GCCs. What is clear from this study is that, a combination of factors affects financial performance. These are the factors that explain why there are variances in the financial performance of the GCCs. Even when certain GCCs generate profits, such causal factors continue to pose challenges.

To explain the difference in financial performance, this research takes up both inductive as well as deductive methods of research. Using the inductive method, the study will describe the over time developments in the case study GCCs to identify the possible causal factors. Such factors are treated as the emerging independent variables with financial performance being the dependent variable. The descriptions in the empirical chapters of six and seven and the analysis in chapter eight identify and bring these variables to the forefront for comparisons across the cases.

In addition, this thesis makes use of several different theoretical perspectives. It will use empirical evidence of this research to test the theoretical assumptions that try to explain the differences in financial performance. This will be the deductive method. Chapter two discusses these theoretical perspectives and explains the selection of relevant theories, highlighting the link between the assumptions of these theories and financial performance of public enterprises.

Accordingly, the following questions were formulated to better understand what causes the difference in financial performance of the reformed GCCs, where the causes are the independent variables and financial performance is the dependent variable:

1). What are the theoretical explanations of what causes the difference in financial performance of GCCs?

2). What are the empirical explanations of what causes the difference in financial performance of GCCs?

3). How do the empirical method explanations compare with the theoretical method explanations?

1.4 Organisation of this Study

This study is organised in eight chapters as follows.

Chapter one introduced the subject matter and stated the relevance of this research. It then stated the specific research questions of the study. The chapter also mentions how this study will be organised to give background to what will follow next.

Chapter two will discuss the theoretical perspectives. It will explain the selection of relevant theories as well as highlight the link between assumptions of these theories and financial performance of public enterprises. These assumptions will be tested, using empirical evidence in chapter eight. This is the deductive method.

Chapter three will outline the empirical research methodology for this study. It will specify and justify the research methods used. Additionally, it will explain the recording, verification and analysis of the collected data as well as acknowledge the research limitations and problems confronted with, during the research period.

Chapter four will review literature on PER. It will begin with an overview on PER and discuss PER around the world. This section will be kept brief, focusing on emerging issues only to note current developments on PER worldwide.

Chapter four will then discuss PER in the Pacific island countries. Next, the chapter will describe PER in Fiji. It will also critically review the work of past authors who have researched on public enterprises of Fiji.

Chapter five will discuss the financial performance of Fiji's public enterprises over the years. It will first discuss the financial performance of all public enterprises of Fiji as a whole. The chapter will then briefly describe each GCC and highlight profits generated by them to place them into categories of better and poor financial performers. Next, the chapter will state the GCCs selected as case studies for this thesis, providing background to what will be described and discussed in detail, in the later chapters.

Chapter six will describe the selected four better performing GCCs in-depth. The chapter will also reveal the presence of factors that are conducive to reform initiatives as well as those that affect the GCCs adversely.

Chapter seven will describe the selected three poor performing GCCs. The chapter will also highlight the factors impeding growth and performance and thus diluting the effects if any, from reform endeavours.

Chapters six and seven will present in-depth empirical data which will be very descriptive in nature. The factors that affect financial performance will be identified from these descriptions of developments in GCCs over the years and will be brought forward in chapter eight for comparisons across case studies. This is the inductive method. These factors are those that affect the financial performance of the GCCs, positively or adversely. Discussion and analysis will be reserved for chapter eight since chapter eight will bring together the findings from the seven selected case studies.

Chapter eight will be the analytical chapter. The seven case studies will be compared and contrasted with each other in this chapter. This chapter will first discuss and analyse the causes of differences in financial performance on the basis of empirical findings from the subject GCCs (inductive method).

Chapter eight will then analyse the findings, testing the assumptions of the selected theoretical perspectives (deductive method). From these discussions and analyses, the chapter will make a comparison between the inductive and deductive methods.

The next chapter, Chapter two discusses the theoretical perspectives which will be used to deductively point out the causal factors that can explain the differences in financial performance.

Chapter 2

Theoretical Perspectives

2.1 Introduction

This chapter discusses the theoretical perspectives that will be used to explain the differences in financial performance of the selected corporatised public enterprises of Fiji, the GCCs. This forms the deductive method. The theoretical perspectives are discussed earlier in the thesis to ascertain the link between financial performance and the assumptions of the selected theories, especially because financial performance is the core aspect of this thesis. These theories are also discussed before the methodology chapter so that their place in the overall methodology (illustrated in chapter three) can be better understood. This chapter gives details on the selection of relevant theories, reviewing and justifying their selection. The chapter also highlights the link between assumptions of these theories and financial performance of organisations. These assumptions will be tested using empirical evidence in chapter eight.

2.2 Usefulness of Theory

2.2.1 Why Align Theory to Empirical Study?

Barzelay and Gallego (2006) inform that research on Public Management Reform has seen a swing from little to no theoretical elaboration towards the use of relevant theoretical strategies which were overlooked much earlier. As argued by Yesilkagit and De Vries (2004: 952), theoretical balance is required since "… , most [studies] display either too much theory and too little description or too much description without proper theoretical underpinning". According to Brinkerhoff (2008), there is an ongoing need to build bridges between theory and practice. There is also a need to transmit lessons of both theory and practice to a wider audience. This in turn can give rise to new research questions as well as test the usefulness of theoretical assumptions in explaining what happens in real life.

2.2.2 Single versus Multiple Theoretical Perspectives

Single theoretical perspectives have limitations (Christensen et al., 2008) since a single theory often fails to address all major areas of public enterprise reforms. Many theorists (example Eisenhardt, 1989; Erakovic, 2001; Willcocks, 2002 to name a few) have realised that a combination of theories is required for a complete discussion. While each theory offers some insight and understanding, each on its own offers only a partial view. Comparatively, multiple relevant theories allow for a comprehensive and wholesome understanding. This thesis uses multiple theories. However, unlike other thesis and research papers that selected two theoretical perspectives (example Oliver, 1991; Erakovic and Wilson, 2006; Braun and Latham, 2009), this thesis will use five relevant theories of: 1) Resource Dependence Theory, 2) Agency Theory, 3) Structuration Theory, 4) Institutional Theory and 5) Organisational Culture Theory. There are scholars who have used four or more theoretical perspectives (such as Willcocks, 2002; Yamak and Süer, 2005) but their choice of theories have been different.

2.3 Theoretical Perspectives for this Study: The Rationale

As discussed in Chapter one, one of the weak points of past studies on Fiji's public enterprise reforms is the absence of theoretical discussions. Chapter four gives literature review on such past studies. Accordingly, one of the aims of this thesis is to address this apparent gap. While addressing this gap, this thesis will discuss key issues through the prism of different theoretical lenses. The public sector machinery is no doubt complex which gives more the reason to explore and analyse the public sector workings using multiple theoretical perspectives. This thesis agrees with Willcocks (2002) who suggests a multi-perspective approach to public sector based upon specific, inter-related perspectives. The question is - which out of the many theoretical perspectives will serve as the most adequate for this thesis?

Upon examination of various international journal articles and relevant dissertations that have applied theories such as the Agency Theory, Cognitive Perspectives, Complexity Theory, Cultural and Political Perspectives, Governance Theory, Institutional Theory, Neoinstitutional Theory, Organisational Culture Theory, Resource Dependence Theory, Role Theory, Stakeholder Theory, Stewardship Theory, Structuration Theory and Systems/Networks Theory, this thesis selected the following theoretical perspectives for this study: Resource Dependence Theory, Agency Theory, Structuration Theory, Institutional Theory and Organisational Culture Theory[1]. Amongst the other theoretical perspectives, these selected theories appear the most relevant considering the key research questions of this thesis. Also when taken together, these theories provide a wholesome framework to help explain findings.

Most public sector researchers (such as Dufour, 1991; Hadi and McBride, 2000; Sharma and Hoque, 2002; Erakovic and Wilson, 2006; Guerreiro et al., 2006; Amosa, 2010; Narayan, 2010e) have applied Resource Dependence Theory, Agency Theory and Institutional Theory in their studies. Some researchers (such as Bretherton and Chaston, 2005; Chernatony and Cottam, 2008; Klein, 2009) have established the link between these theories and organisational performance. For the purpose of this thesis, the assumptions of the selected theories have been modified to show how these can explain the effect certain factors can have on financial performance. This link is discussed in the sections titled usefulness of assumptions for public enterprises in this chapter. In collaboration, the selected theories support each other in analysis. In some areas, these theories also conflict each other when it comes to specific assumptions. To the best of the researcher's knowledge, these five theories have never been investigated in the same empirical setting. The application of these theories forms the deductive method as it tries to point out the causal factors that can affect financial performance.

[1] The journal articles examined were by authors such as Pettigrew (1990), Dufour (1991), Kooiman (1996), Llewellyn (1996), Schacter (2000), Hoque and Moll (2001), Willcocks (2002), Barzelay et al. (2003), Brown et al. (2003), Crank (2003), Ferlie et al. (2003), Zeppou and Sotirakou (2003), Yesilkagit and De Vries (2004), Goulielmos (2005), Berg (2006), Cunha and Cunha (2006), Erakovic and Wilson (2006), Fernandez-Alles and Valle-Cabrera (2006), Horton (2006a), Horton (2006b), Mason et al. (2006), Brinkerhoff (2008), Christensen et al. (2008), Verbeeten (2008) and, Mlakar and Mulej (2008).

The assumptions of the selected theories will be tested in the empirical setting of the corporatised public enterprises of Fiji – the GCCs. The final chapter will highlight the assumptions that are useful in explaining the effect on financial performance, those that are not and the assumptions that need further elaboration. The empirical study which describes the case studies from the outset forms the inductive method, explained further in chapter three. Inductively, the causal factors that affect financial performance will be taken out from the empirical material presented in chapters six and seven. These will be brought forward in the final chapter.

The following section discusses these selected theories. For the purpose of this thesis, the theories are ranked in the order they are discussed in the following section. The ranking is as follows - Resource Dependence Theory, Agency Theory, Structuration Theory, Institutional Theory and Organisational Culture Theory. In chapter eight, the strength of each theory is discussed highlighting the ones that have been the most meaningful in explaining what affects financial performance. Discussion on each theory, beginning with the Resource Dependence Theory, is separated into four sub-titles of origins, assumptions, usefulness and limitations. The section titled usefulness describes how the theories' assumptions are linked to financial performance, which is the core aspect of this thesis. The following figure provides a conceptual framework of this link.

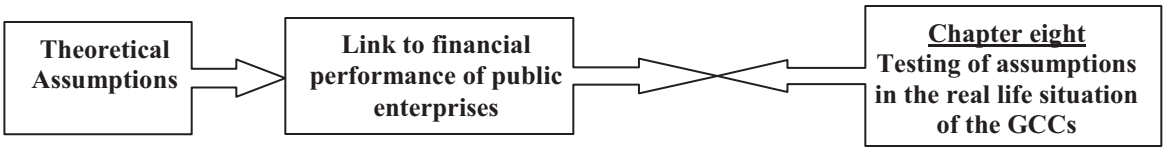

Figure 2.1: Conceptual Framework

2.3.1 Theory 1: Resource Dependence Theory

2.3.1.1 Origins

The Resource Dependence Theory is one of the many theories of Organisational Studies. Greenwood (2008) mentions that this theory is sometimes referred to as a political economy model of organisational behaviour, given its emphasis on political behaviour and the role of power.

He indicates that this theory was formalised in the 1970s when Pfeffer and Salancik's (1978) work on The External Control of Organisations: A Resource Dependence Perspective was published.

Johnson (1995) informs that this theory has its roots in social science and gives credit to Emerson (1962) and Blau (1964) on their early work which highlighted the notion of power whereby social actor 'A' will depend on actor 'B' to the extent 'B' controls some resource 'A' values and, to the extent 'A' is unable to obtain this resource from anyone else.

While many names (such as Zald, 1970; Hasenfeld, 1972; Jacobs, 1974; Benson, 1975; Pfeffer and Salancik, 1978 quoted in Johnson, 1995) have been associated with the development of the Resource Dependence Theory, the work of Thompson (1967) is one of the earliest attempt to examine this theory (Johnson, 1995)[2]. Thompson (1967) examined the in-flow of resources into organisations and explained the effects of uncertainty associated with this in-flow of resources.

2.3.1.2 The Four Assumptions

The first assumption of the Resource Dependence Theory is that, the subject organisation will respond to and become dependent on other organisations (resource providers) that control its critical resources (Johnson, 1995). The Resource Dependence theorists argue that the other organisations that provide critical resources to the subject organisations have direct or indirect power over these subject organisations (Katz et al., 2002).

The second assumption of the Resource Dependence Theory is that, the subject or the dependent organisation can shape its own destiny (Katz et al., 2002) as managers continuously engage in making strategic choices in order to weaken or reduce external pressures (Pfeffer and Salancik, 1978 cited in Erakovic and Wilson, 2006).

[2] The work of Thompson (1967) is quoted extensively in Johnson (1995).

These strategic choices involve adapting to and changing the organisation in a way that agrees with the organisational environment. For instance, establishing alliances with other businesses in the industry and/or lobbying with government departments for legislative changes (Erakovic and Wilson, 2006)

The third assumption of the Resource Dependence Theory is that, competitive advantage can be sustained and strategic options can be broadened with the development and expansion of resources. The theory explains that strategic options can be broadened and resources can be expanded by partnering with other businesses which can provide access to new and improved resources such as technologies, skills and systems. The dependent organisation can attain such key resources with the help of strategic alliances especially when they lack these key resources (Bretherton and Chaston, 2005). For instance, a local organisation can partner with an overseas organisation within the same line of business to enter into that overseas market.

The fourth assumption of the Resource Dependence Theory is that, a good combination of insiders (employees) as well as outsiders (not from within the organisation) in a board will be the most favourable board composition. An organisation's board of directors can provide important links to external resources essential for an organisation's survival and prosperity (Pfeffer and Salancik, 1978[3] cited in Braun and Latham, 2009). In other words, the directors can use their professional and/or social contacts with other businesses to the advantage of their organisation. However, the theory argues that the contributions of outside directors should not come at the expense of the insiders (Braun and Latham, 2009). If there are more outside directors than inside directors, the outsiders may have more control and power when making decisions.

[3] The work of Pfeffer and Salancik (1978) is a common citation in many articles (see Johnson, 1995; Katz et al., 2002; Erakovic and Wilson, 2006; Braun and Latham, 2009) given that Pfeffer and Salancik (1978) offer the most comprehensive explanation of factors of inter-organisational dependencies and the Resource Dependence Theory (Johnson, 1995).

2.3.1.3 Usefulness of Assumptions for Public Enterprises

The Resource Dependence Theory shows how critical resources needed by the dependent organisation can affect its survival and function (Johnson, 1995). In their article, Bretherton and Chaston (2005) discuss the link between the Resource Dependence Theory and performance of organisations. They concluded that inadequate level of critical resources and capital can lead to organisational underperformance while adequate levels of critical resources can lead to sustainable competitive advantage and superior performance.

The first assumption of the Resource Dependence Theory of the subject organisation being dependent on and constrained by suppliers of critical resources can be clearly linked to a public enterprise's financial performance. For instance, as this theory points out, the organisation that provides key resources will be more powerful than the dependent organisation given that as a supplier it owns and controls the critical resources. In the case of a public enterprise, if the critical resources are raw materials or inputs to the production process, then the production process of the public enterprises will be adversely affected in situations of short supply, delayed supply or irregular supply. Short supplies, delayed supplies and irregular supplies will lead to a waste of production time and/or lower production levels. These in turn can lead to the public enterprises not being able to meet customer demand, losing out on sales and profits. This implies that a given public enterprise's performance very much depends on its suppliers who provide it with its critical resources. In other words, a public enterprise is at the mercy of its powerful supplier of critical resources.

The second assumption of the Resource Dependence Theory is that, managers continuously engage in making strategic choices which can either weaken or reduce external pressures. This point is debatable since the actions of a public enterprise manager can only positively affect its performance if its manager's efforts are effective in reducing such pressures. Also, a manager's strategic choices can be limited by board members or even ministers.

The third assumption of the Resource Dependence Theory is that, strategic options can be broadened and resources can be expanded by partnering with other businesses that can provide access to new and improved resources. This point is also arguable. Such alliances or partnerships can have a positive impact on the operations of public enterprises or their product saleability which can directly impact on their financial performance. However, it may also prove otherwise. In adverse situations, such alliances can increase a public enterprise's liability if partnerships are done with companies that cannot be trusted and are dubious in their operations.

The above theoretical assumptions will be tested using the empirical evidence of this research in chapter eight. The empirical findings will give evidence on assumptions that hold true and those that do not in the real life setting of Fiji's corporatised public enterprises.

2.3.1.4 Theory Limitations

Johnson (1995) mentions that while the Resource Dependence Theory is useful in some ways as discussed above, it is regarded as a partial, middle-range theory of organisation because it disregards the role of cultural, ideological and institutional forces. Given this limitation, this theory will be used together with four other theories for better understanding. One such theory is the Agency Theory, discussed next.

2.3.2 Theory 2: Agency Theory

2.3.2.1 Origins

The origins of the Agency Theory dates back 1960s and early 1970s as economists (example Wilson, 1968; Arrow, 1971 cited in Eisenhardt, 1989) explored and described risk-sharing among individuals and groups (Eisenhardt, 1989). Eisenhardt (1989) cites Ross (1973) and, Jensen and Meckling (1976) as those who broadened the risk-sharing literature to agency problem that emerges between cooperating parties with different goals and division of labour. According to Mitnick (2006), Stephen Ross and Barry Mitnick were the earliest scholars to clearly suggest the Theory of Agency.

Mitnick introduced the viewpoint that institutions form around agency and evolve to deal with agency while Ross initiated the Economic Theory of Agency (Mitnick, 2006).

2.3.2.2 The Three Assumptions

The key actors in the Agency Theory are the principal and the agent. Figure 2.2 below illustrates the basic idea behind the Agency Theory.

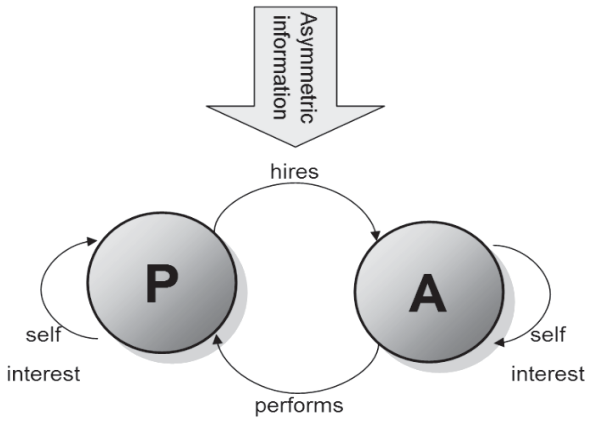

Figure 2.2: Principal-Agent Problem
Source: Klein (2009)
(P: Principal, A: Agent)

Figure 2.2 can be explained as follows. Principal is the party that pays the agent for either a) the agent to act on behalf of the principal or b) the agent to provide some service to the principal (International Energy Agency-IEA, 2007). For instance, an owner or employer (principal) pays an employee (agent) to act on his or its behalf. The employee is required to provide a service such as production of goods for sale (IEA, 2007).

Central to this theory is the first assumption which is, the agent may optimise its profits at the expense of the principal (agent opportunism). In this way, the Agency Theory reminds us that much of the organisational life is based on self-interest (Eisenhardt, 1989), particularly of the agents. The agent may optimise its profits at the expense of the principal as it may not share the principal's goals (Hadi and McBride 2000).

The principal thus, needs to guard against such agent opportunism or agent's 'sub-optimal behaviour'. An agent displays agent opportunism or 'sub-optimal behaviour' when it carries out activities which are not in line with what the principal wants (Wickramasinghe and Lamb, 2002). The interests of the agent and the principal differ. The Agency Theory suggests that while economic inefficiency cannot be avoided in principal-agent relationships, there are ways in which relationships between these two key parties can be made efficient (IEA, 2007). For instance, the principal can control the agent by creating incentives to persuade and encourage the agent to efficiently perform the principal's wishes (Hadi and McBride, 2000).

The second assumption of the Agency Theory is that, the principal tries to guard against agent opportunism by investing in information systems to control agent opportunism and to get enough information on agency activities (Eisenhardt, 1989) such as investing in monitoring systems.

The Agency Theory suggests that the board of directors represent the key internal control mechanism for the principal that can be used to align the divergent interests of the managers (agents) to that of the shareholders (principal). The third assumption of the Agency Theory is that, independent outside directors in a board can lessen insider opportunism as well as lessen insider influence over the board.

2.3.2.3 Usefulness of Assumptions for Public Enterprises

The first assumption of the Agency Theory is that, an agent may optimise its profits at the expense of the principal (agent opportunism). Klein (2009) discusses the link between the Agency Theory and financial performance in her Masters thesis. She applied the principal-agent relationship of the Agency Theory to analyse the financial crisis that began after the bust of the US housing bubble. The financial crisis originated from irresponsible profit maximisation behaviour of parties in the mortgage lending chain, leading to liquidity troubles and even bankruptcies.

The link of the first assumption to financial performance of public enterprises is explained as follows. In terms of the public enterprise setting, the Fiji Government and its public enterprises are the principals. The employees and the managers of the public enterprises are the agents. The internal control or monitoring mechanism is the board of directors.

Agency issues can and do exist between the Fiji Government and the public enterprises (principals) and, the managers and the employees (agents). The managers and the employees can engage in agent opportunism in many ways. For instance, they can further their personal interests during working hours by not putting in actual forty hours of work per week or work on personal matters. They can also engage in financial corruption of seeking bribes or financial benefits from external parties which benefit them personally (abuse of office or power) or even steal from the principal (misappropriation of funds). A public enterprise and the government will lose out if the agent opportunism of managers and employees is substantial and remains undetected. In such situations, the benefits that should accrue to the public enterprise and the government fill the pockets of the managers and employees, impacting adversely on the public enterprise's financial performance. The greater the manager and employee opportunism, the greater the adverse impact on the public enterprise and the government. The impact can be more serious if opportunism remains undetected. Even when detected, it can still be problematic if the public enterprise is unable to recover what it had lost because of its managers and employees.

The second assumption of the Agency Theory is that, the principal tries to guard against agent opportunism by investing in monitoring systems such as a board. According to the ADB (2011), the monitoring framework is one of the factors that can affect performance of public enterprises. All GCC styled public enterprises in Fiji are governed by a board made up of outsiders who are selected given their experience, qualifications and status.

The third assumption of the Agency Theory is that, independent outside directors in a board can lessen insider (agents - top management and employees) opportunism as well as lessen insider influence over the board. In cases where insiders are more than the outsiders in a board, public enterprises may have to put up with agency costs arising from ineffective board independence (Braun and Latham, 2009). When there are fewer outsiders than insiders in a board, the insiders comprising the top management (agents) may cause a breakdown in internal control mechanisms which protect the organisation's shareholders (principal). The Agency Theory emphasises that more insiders may indicate managerial entrenchment (managers using the organisation to further their own interests), resulting in high agency costs and subsequent under-performance of the organisation (Braun and Latham, 2009). Even when the GCC styled public enterprise boards are outsider dominated, misappropriation of funds and abuse of office including board members have been proven and dealt with in Fiji.

The above theoretical assumptions will be tested using the empirical evidence of this research in chapter eight, giving evidence on assumptions that hold true and those that do not in the real life setting of Fiji's corporatised public enterprises.

2.3.2.4 Theory Limitations

Because Agency Theory ignores the complex situation present in organisations, it only offers a partial view of the world (Eisenhardt, 1989). According to Amosa (2010), this theory is also not able to recognise the various relationships and common interests shared by the principal and agent in the public sector setting. He points out that the agent can be very concerned with keeping a cordial relationship with the principal. He explains that when the principal colludes with the agents for personal gains, then the principal can overlook accountability measures such as disciplinary actions which can put the collusion between the principal and the agent on the spotlight. For this reason, the Agency Theory should be combined with other perspectives to better understand the greater organisational complexities (Eisenhardt, 1989).

Overall, the discussions on Agency Theory will be incomplete if Structuration Theory is not discussed. There exists an ongoing debate between the two. The Structuration Theory is discussed next.

2.3.3 Theory 3: Structuration Theory

2.3.3.1 Origins

While Anthony Giddens is the pioneer of the Structuration Theory, Lane (2001) also gives credit to earlier authors such as Durkheim, Marx and Parsons who acknowledged the 'dualistic' nature of agency and structure (discussed later in this chapter) in their own ways. The basic problem of the term Structuration Theory was expressed by Giddens in 1979 and 1984 through his works titled, Central Problems in Social Theory (1979) and The Constitution of Society: Outline of the Theory of Structuration (1984) (Wendt, 1987).

Sewell (1992) and Fuchs (2003) also highlight the 1970s and 1980s work of Pierre Bourdieu who developed a Theory of Society. "Although Bourdieu's theory might be considered a more 'structuralistic' conception than Giddens', the similarities concerning aims and certain theoretical contents are very striking" (Fuchs, 2003: 138).

2.3.3.2 The Four Assumptions

Giddens (1984) defines structures using rules and resources. He defines rules as generalisable procedures that can be applied when enacting or reproducing social life. Thus, the first assumption is that, rules can be extended to or put into practice in different situations (Sewell, 1992).

Resources can be of two types: 1) allocative and 2) authoritative (Giddens, 1984). Allocative resources control material objects while authoritative resources control individuals (Sewell, 1992). Generally, a structure describes the rules that shape social actions while resources provide the agents with the power that makes it possible (to varying degrees) for them to act (Lane, 2001).

" 'Dual nature' is central to structuration theory" (Lane, 2001: 297). Duality of Structure refers to the balancing of agency and structure. 'Duality' can be explained as social actions (agency) being made possible because of social structures and at the same time, these very structures being recreated by social actions (agency) over the years. In Giddens's view, social structures do not exist outside of actions (Fuchs, 2003). The second assumption then is - actions depend on structures as structures provide guidance on how agents should act. Such a structure continues as actions (created and bound by this structure) are repeated over the years. The following section gives more details on how agents depend on as well as change structures.

Giddens (1984) labels human actions as agency and explains that structures are enacted by 'knowledgeable' human agents who know what to do and how to do it. He elaborates that agents refer to rules and resources (which are structured properties of social systems) when carrying out their activities. As agents carry out activities, their knowledge about the world also changes (Lane, 2001). The third assumption thus is, with new knowledge, agents continuously recreate human activities (Fuchs, 2003). Transformation of existing structures is possible because agents have the power to both make use of the existing structures as well as to act differently. It is when the agents act differently; they transform existing structures (Rose, 1998). This explains why Giddens labels his theory as 'the Theory of Structuration' indicating that structuration is a process of evolving structure and agency whereby agents continuously create and recreate social structures which constrain as well as enable them.

However as Giddens explains, while intentional activities are necessary for social reproduction, not all activities will end in desired outcomes (simplified by Fuchs, 2003), leading to some unintended consequences. This is because the end result of agents' actions cannot be predicted (Fuchs, 2003). This leads to the fourth assumption which is; the future of an organisation cannot be predetermined because its employees' (agents) actions cannot be predicted since employees can ignore structure or not act as guided by the structure.

The Structuration Theory also implies that every individual as well as their organisation have the capacity for agency (O'Neill et al., 2004). This is true as explained by Sewell (1992) as follows. An agent (employee) can always communicate with the others (other employees) and has the ability to persuade, coerce and monitor his or her own as well as others' activities. In this way, agency can be both individual (one employee) as well as collective (group of employees).

2.3.3.3 Usefulness of Assumptions for Public Enterprises

The first assumption of the Structuration Theory is that, rules can be extended to or put into practice in different situations. In Fiji, the GCC related rules were extended to those public enterprises that were corporatised as GCCs.

The second assumption of the Structuration Theory is that, actions depend on structures since structures provide guidance on how agents should act. The importance of structure in the performance of a public enterprise is by way of its structure providing specific guidance and directions to the enterprise and its employees on what should be done how, to achieve the public enterprise's goals. Without structures, the public enterprises and their employees will be aimless and clueless on what should be done why, how and by whom. Employee actions therefore, depend on the structures of public enterprises since structures guide them on how they should carry out their duties to meet their performance targets and in turn contribute to the overall public enterprise's goals. As Lusthaus et al. (2002) mentions, engineering optimal ways of behaviour among employees can help to produce more at lower cost, enhancing profits.

The third assumption of the Structuration Theory is that, with new knowledge, agents continuously recreate human activities. This means that over time with new knowledge, a structure can change. This implies that new knowledge can help public enterprises to make continuous improvements on a given structure to enhance its financial performance. However, the fourth assumption of the Structuration Theory highlights that, the end result of such changes to structures may not always be as desired since employees can ignore structure or not act as guided by the structure.

This is a crucial assumption since the public enterprises (GCCs) have experienced the same structural changes but not all have been able to improve their financial performance. The key reason behind changing the structure from a typical public enterprise to a corporatised enterprise in Fiji was to bring about positive changes to its performance. The Department of Public Enterprises (1998: 9) informs that, at the time of early reforms of public enterprises, the Fiji Government had explained that "there is no real option but to reform this ailing sector". Back then, this department labeled the public sector as economically inefficient leading to heavy losses and being a burden on the taxpayer - "a significant drain on the public purse" (p. 11-12).

The above assumptions of the Structuration Theory's will be tested using the empirical evidence of this thesis in chapter eight. The empirical findings will give evidence to the extent this theory's assumptions hold true in the real life setting of the corporatised public enterprises of Fiji.

2.3.3.4 Theory Limitations

Even when Giddens's work has been accepted as considerable contribution to social theory, his work has attracted much criticism (Rose, 1998). Structuration Theory fails to indicate the particular kinds of agents and structures that can be expected in a given social system (Wendt, 1987).

Sewell (1992) has come up with a number of flaws in Giddens's explanations as follows. Giddens fails to give examples of rules that bring about actual social practices and while he emphasises a lot on social actors being 'knowledgeable', he does not specify the content of such knowledge. Giddens has also almost entirely ignored culture and anthropology. Giddens's definition of resources is unexceptional and uninformative and his definitions of authoritative and allocative resources need to be reformulated and explained in ordinary English (p. 9).

Sewell (1992) also brings up Giddens's definition of structures[4]. He argues that in the case of nonhuman resource, the view of resources being virtual is doubtful because nonhuman resources like factory will only exist in particular times and places. This thesis disagrees with this argument of Sewell since Giddens does emphasise on storage capacities which explains how resources can be virtual. Storage allows certain resources such as the acts, decrees and deeds to be used over the years. In this way, acts, decrees and deeds when stored, can be used across different times and places, as Giddens states.

Other authors highlight more flaws in the Structuration Theory. Rose (1998) argues that Giddens's work lacks concrete empirical example, offers few clues on how useful understanding of the real world can be gathered and how it can be related back to the real world. He points out that Giddens also does not mention much on organisations or groups of people in a direct manner. He explains that this can be a problem for researchers of management, organisation, institution or information systems since Giddens's work is more concerned directly with societies (at macro-level) and social relationships with individuals (at micro-level). Moreover, he says that researchers, who are unfamiliar with the Social Theory, will find Giddens's writing style and explanations of concepts difficult to understand. Other authors like Gregor and Johnston (2000), express that the theory fails to explain the impact of factors outside of the social structure that may be relevant. This thesis agrees that factors outside a given social structure such as that of a public enterprise are as important as internal factors.

Given that there are deficiencies in Giddens's theory, Rose (1998) recommends that the Structuration Theory be used with other theories, suggesting an interpretative longitudinal case study methodology. The empirical aspect of this thesis is based on longitudinal case studies of public enterprises. An additional contribution of this thesis is that it will test the Structuration Theory in the empirical setting of public enterprises. Largely, the application of this theory has been in the theorising and analysing modes (Rose, 1998).

[4] Giddens defines structures as 'virtual'. Virtual is defined in the Oxford English Dictionary as almost existing or being described as existing but not strictly or officially existing. In other words, if something is virtual then it continues to exist. It will not cease to exist.

While the Structuration Theory is inward-looking, emphasising on how a given organisation's structure affects human actions and how human actions reshape this very structure, there is another theory, the Institutional Theory that discusses the connection between structures and external pressures. Institutional Theory, in this manner negates the inward-looking flaw of the Structuration Theory as it considers the impact of external factors on structure. It is also the other way around. Institutional Theory is not able to explain changes well. This criticism is addressed by the Structuration Theory with the dynamics associated with its duality of structure (Dillard et al., 2004). Institutional Theory is discussed next.

2.3.4 Theory 4: Institutional Theory

2.3.4.1 Origins

In the late 19th century and early 20th century, sociologists began to systematise the study of how institutions interact with one another. Peters (1999: 21) informs that "there is a strong tradition of institutional analysis, going back to monumental figures in the field such as Marx, Weber, and Durkheim". Scott (1987) also acknowledges the work of Philip Selznick and his students (including Burton Clark, Charles Perrow and Mayer Zald) as one of the earliest and most influential versions of Institutional Theory in organisations. He mentions that Selznick (1949, 1957) viewed organisations as adaptive structures that continue to evolve while responding to the external environment. He further mentions that, the later versions - the second and third versions of the Institutional Theory, is highly indebted to the work of Peter Berger, particularly the work co-authored with Luckmann. The argument of Berger and Luckmann (1967) is that social order is based particularly on a shared social reality which is created by human beings during social interaction.

2.3.4.2 The Four Assumptions

Scott (1987) explains Berger and Luckmann's (1967) definition of institutionalisation as the social order generated when individuals take action, interpret this action and share these interpretations with others. These interpretations are viewed as the way individuals should act when they are in a similar situation.

Institutionalisation is the process in which such actions are repeated over the years and given similar meanings by everyone. Certain actions will be associated with certain class of actors. For instance, managers give orders, subordinates follow them.

The Institutional Theory has the ability to explain the no-choice behaviour of organisations towards the 'taken for granted' norms and beliefs. This includes the strategic choices of organisations as they hold on to their institutional processes of which they are unconscious of, blind to or take for granted (Oliver, 1991). Thus, the first assumption of this theory is that, structure has a role in determining the behaviour of individuals (as it is able to regulate behaviour) as well as determining organisational outcome (Peters, 1999).

This theory also explains the connection between the pressures (of the state, society and culture) and the effects of history and rules on organisations (Oliver, 1991). The institutional agencies (within the environment) such as the government, parent organisations, courts, laws, professional associations and the general public prompt structural changes in organisations. The second assumption then is, organisations are either forced by law to adopt structures and processes or persuaded by other agencies on which they depend on. Organisations may also do so given norms and general expectations or because such actions are deemed adequate and efficient by organisational decision makers. The focus of institutionalisation is hence, not on the organisations having some control or power but on conformity, habit and convention which are arguably the elements that lead to stability (Oliver, 1991).

The third assumption of the theory is that, organisations, too often feel the pressure from all sides due to unilateral conformity. Pfeffer and Salancik (1978) explain that organisations are faced with incompatible and competing demands which make unilateral conformity difficult, if not impossible. And as these authors argue, such incompatible and competing demands lead to the fourth assumption which is - satisfying one constituent (state, public, other interest groups) will clash with or ignore the demands of the other.

2.3.4.3 Usefulness of Assumptions for Public Enterprises

The first assumption of the Institutional Theory is that, structure has a role in determining the behaviour of individuals as well as determining organisational outcome. This theory centres on organisational conformity, habit and convention which are arguably the elements that lead to stability. This assumption as challenged by Riaz (2009) is not true since organisations such as the public enterprises do try to reduce pressure exerted on them. When public enterprises are successful in reducing pressures, the reduced pressures can positively affect their performance. This thesis thus, agrees with Riaz (2009) on this point that organisations are not always conformists but can try to reduce outside pressures exerted on them. However, this point will be further elaborated on in chapter eight using empirical evidence.

The second assumption of the Institutional Theory is that, organisations are either forced by law to adopt structures and processes or persuaded by other agencies on which they depend on. In Fiji, the Fiji Government through the Ministry of Public Enterprises, Tourism and Communication (MPETC) created structural changes when corporatising public enterprises into GCCs.

The assumptions of the Institutional Theory that are most meaningful to this thesis are the third and fourth assumptions. The third assumption is that, organisations often feel the pressure from many directions due to unilateral conformity. Unilateral conformity is satisfying the demands or interests of all stakeholders. In such situations, organisations are faced with incompatible and competing demands which make unilateral conformity difficult, if not impossible since satisfying one group (state, the public, other interest groups) will clash with or ignore the demands of the other and this is the fourth assumption. In the case of public enterprises, there can be a clash between the competing political demands of commercial objectives (generating profits and paying dividends to the government) and social objectives (provision of goods and services which benefit the wider society but are not profitable for any profit making enterprise. For example, providing core postal or shipping services to remote populations at lower prices).

The fulfillment of social objectives adversely affects the fulfillment of commercial objectives especially when the cost of fulfilling social objectives is high and not at all or inadequately compensated by the government. The requirement that public enterprises fulfill both the commercial and social obligations has an adverse impact on their financial performance since the cost of meeting social obligations increases expenses, leading to declines in profits. In such situations, meeting the objective of social obligations clashes with the commercial objectives since the fulfillment of the social objectives lowers commercial gains - profits. ADB (2011) asserts that poor management of social objectives not only depresses profitability of public enterprises but also contributes to inefficient resource allocation. It states that conflicting mandates is one of the causes of poor performance in public enterprises. It further explains that public enterprises established without the needed structures and policies to support commercial operations are likely to be driven by political imperatives then commercial goals, which adversely affects their financial performance.

The above Institutional theory assumptions will be tested using the empirical evidence of this research in chapter eight.

2.3.4.4 Theory Limitations

Peters (1999) mentions that the Institutional Theory does not really explain the subject organisation or how structures are formed and transformed. He argues that this theory is more concerned with how institutions or their structures affect decisions and outcomes. The Structuration Theory negates this gap since it focuses on the formation and transformation of structures.

One of the other researchers, Riaz (2009) quite strongly challenges the Institutional Theory. He contends that the argument that organisations are 'imprisoned', held hostage or constrained through the powerful institutional processes presents only half the picture. He explains that while constraints are imposed on organisations by certain institutions within the institutional environment, these very constrained organisations engage in activities which can determine the survival and success of such imposing institutions.

For instance, if government announces to impose a new tax on an organisation, the affected or the constrained organisation can try to change this decision of the government. This shows that, the constrained organisation is not submissive but tries to change its constrained situation. For example, the Australia's mining tax imposition attracted threatening stances from affected companies, compelling the government to reconsider its taxation structures or to lose out on economic activities brought about by the mining companies. Riaz (2009) hence claims that, the simple notion of institutions exerting pressure on organisations, forcing them to conform does not always apply. Chapter eight will also shed some light on this point using empirical evidence. Overall, the common criticism is that, Institutional Theory pays too much attention to institutional forces stemming from the societal and inter-organisational levels and gives little attention to the role of individuals in shaping their organisational environment (Currie, 2009).

Structuration Theory negates this gap since it emphasises on how a given organisation's structure affects human actions and how human actions reshape its very structure. A theory that can explain why structural changes attract resistance and what can cause delays in bringing out the desired changes in individuals, is the Organisational Culture Theory. This is the fifth and the final theory selected for this thesis. It is discussed next.

2.3.5 Theory 5: Organisational Culture Theory

2.3.5.1 Origins

Calabretta et al. (2008) inform that management scholars began to show an increasing interest in organisational culture since the 1980s. They pinpoint Schein as possibly the most influential author in the 1980s decade, being the first to create a model for analysing culture of organisations.

Dingwall and Strangleman (2005) state that, overall, Organisational Culture is not a new phenomenon. They point out that this concept has been ever-present and scholars have always documented them. They say that, while references have not been clearly made to culture, the phenomenon has been clearly identified.

2.3.5.2 The Four Assumptions

Organisational Culture has been defined in different ways. For instance, Kirkbride (1987) defines Organisational Culture as the 'atmosphere' of the organisation or the attitudes, feelings and beliefs of employees. Using six elements, Schein (1988: 7) defines culture as "1) a pattern of basic assumptions, 2) invented, discovered, or developed by a given group, 3) as it learns to cope with its problems of external adaptation and internal integration, 4) that has worked well enough to be considered valid and, therefore 5) is to be taught to new members as the 6) correct way to perceive, think, and feel in relation to those problems". As per Cameron and Quinn (1999: 15), Organisational Culture reflects at "what is valued, the dominant leadership styles, the language and symbols, the procedures and routines, and the definitions of success that make an organisation unique".

Martins and Terblanche (2003: 65) describe the culture concept as "deeply seated (often subconscious) values and beliefs shared by personnel in an organisation" while Dingwall and Strangleman (2005) express that culture is an organisation's outward expression - it is how members feel towards "what goes with what". Du Plessis (2006) defines culture as a combination of values and beliefs. Amongst these many definitions, a common theme that emerges is that Organisational Culture is a combination of values which give rise to behaviour (Chernatony and Cottam, 2008).

The first assumption of the Organisational Culture Theory is that, an organisation can have a culture of its own if this said culture has been stable for sometime (Schein, 1988). Schein (1988) further mentions that every sub-group (units, sections or departments) within an organisation can also have its own culture if it has its own history of stability - this is known as sub-culture. According to Cameron and Quinn (1999), the individual sub-cultures will, however, have common aspects of the overall organisational culture which is the overarching culture. They explain that people are not really aware of their culture until it is challenged, until they experience a new culture or until it is brought out into open.

They state that constant pressure is exerted on cultures to grow and evolve in organisations; however, the emergence of any new culture will not necessarily lead to the disappearance of all sub-cultures in an organisation.

The second assumption of the Organisational Culture Theory is that, employees do not readily give up some of their assumptions just because external events disregard their beliefs (Schein, 1988). Schein (1988) further says that it is not easy for individuals to give up some of their assumptions which provided stability and meaning to their lives. He asserts that employees are influenced a lot by the sub-cultures they belong to.

Organisational cultures can also be hostile. The fourth assumption of the Organisational Culture Theory is that, a hostile culture of fear where risk and new initiatives are discouraged and punished, fails to bring out the best in employees and creates a conformist and rule-bound culture (Chernatony and Cottam, 2008). Chernatony and Cottam (2008) express that a hostile culture is one that is unnecessarily hostile, discipline oriented and unsupportive to employees. They say that the heightened form of this culture makes it highly risk-averse and less innovative. They suggest that employees be empowered to take risks but within reason. To foster creativity and innovation, support mechanisms (such as rewards and recognition) and availability of resources (like time, information technology and creative people) should be present in organisations (Martins and Terblanche, 2003).

The third assumption of the Organisational Culture Theory is that, a fundamental realignment of culture can take years to translate throughout the organisation as organisations try to respond to external environment (Denison and Mishra, 1995). According to Cameron and Quinn (1999), culture realignment is prolonged since tools and techniques to improve organisational performance are given more attention while the fundamental culture of the organisation (such as values, ways of thinking, managerial styles, paradigms and approaches to problem solving) gets little attention and remains the same. They claim that management find it hard to identify and describe culture, let alone change it.

They conclude that involvement, commitment and active support of all employees are required to inculcate a change in culture. A change in culture therefore requires that the many elements of culture be identified and then changed. Du Plessis (2006) state that this is a major challenge because culture in most organisations is invisible and taken for granted or not given much attention since organisations neither want to recognise nor want to deal with cultural issues. He states that sometimes, this is deliberate since understanding culture is one of the most difficult of tasks.

2.3.5.3 Usefulness of Assumptions for Public Enterprises

Literature has well documented the connection between Organisational Culture and organisational performance (Chernatony and Cottam, 2008). Du Plessis (2006) elaborates as follows. A management team can influence and usually sets the culture of an organisation as it establishes policies and procedures. Organisational Culture has an impact on organisational goals since it "determines how people act, how work is executed, and how human interaction takes place. It dictates how the organisation operates from day to day" (p. 163). In this way, Organisational Culture is influenced to be in line with the organisational goals. Its link to financial performance is as follows.

An employee's performance can affect the overall performance of the public enterprise. A public enterprise employee instilled in laid-back work culture will perform less efficiently when compared to an employee who is commercially-oriented. The less commercial-oriented or the more laid-back the employees, the less efficient they will be in their performance. Their less than optimal performance affects the overall performance of the public enterprise adversely. The more the number of laid back employees, the greater the adverse effect on the public enterprise's performance.

The first assumption of the Organisational Culture Theory is that, an organisation can have a culture of its own if this said culture has been stable for some time. The second assumption of the theory is that, employees do not readily give up some of their older beliefs when organisations try to inculcate a new culture.

This leads to the third assumption which is, a fundamental realignment takes years to translate throughout the organisation. Literature on past studies on Fiji's public enterprises highlights the ever-present issues of hard to change public service culture, still prevailing bureaucratic practices and the persistence of the traditional management style (Reddy, 1997; Reddy, 1998; Sarker, 2000; Appana, 2003; Narayan, 2008). The ever-present issues of hard to change public service culture in Fiji is in line with the first, second and third assumptions of the Organisational Culture Theory. The harder it is for the public enterprise employees to change, the more efforts will be required to change culture. Changing culture for example through trainings, workshops and further education can increase the public enterprise's expenses, adversely affecting its financial performance especially if such ongoing programmes fail to bring about the desired culture change in employees. If it does, then the public enterprise benefits through productivity gains.

Furthermore, in a culture where employees are motivated and fulfilled, they are more strongly committed in their work and thus work better (Calabretta et al., 2008). In contrast, a culture that is unnecessarily hostile, punitive and unsupportive to employees, is not conducive in bringing out the best in employees (Chernatony and Cottam, 2008). The fourth assumption of the Organisational Culture Theory is that, a hostile culture can make an organisational culture highly risk-averse and less innovative. Such a culture can also have an impact on financial performance. Creativity and innovation can lead to many advantages such as better products, enhanced internal systems and so forth. If creativity and innovation are discouraged in cultures which are hostile, employees will be discouraged or even demotivated. Such public enterprises may even lose its good employees and lose any chance they have towards improving their performance. However, the other point the Organisational Culture Theory makes is also effective and that is - employees must be empowered to take risks but within reason. Too much empowerment may lead to many ideas but not all ideas can lead to success. Failed initiatives can be costly, adversely affecting the financial performance of public enterprises.

These assumptions will be tested using the empirical evidence of this thesis in chapter eight, providing evidence on assumptions that hold true.

2.3.5.4 Theory Limitations

Schein (1988) highlights that, the culture concept has witnessed both popularity as well as increasing scepticism on its lack of clarity and value over the years. He explains that this is particularly because most managers attach 'culture' to anything to do with beliefs, values, norms, ideology and managerial style which leads to the confusion and suspicion that culture research is just a fad. He justifies that what is also true is that programmes designed by psychologist fail when cultural forces are ignored. Thus, he suggests that "we must give culture its due" (p. 44).

2.4 Conclusion

This chapter presented relevant details on five theories that will be used to explain the differences in financial performance of GCCs, deductively. The chapter explained the need to use multiple theoretical perspectives, informed on its selection of relevant theories and, highlighted the link between assumptions of these theories and financial performance of organisations.

Overall, these theories have their own strengths in explaining what causes differences in financial performance. However, the relationship between them is not entirely separate. For instance, both the Agency and Structuration theories mention that individuals have the capacity for agency. Both the Resource Dependence and the Institutional theories emphasise on organisations being affected by external forces. Both the Resource Dependence and the Agency theories argue on optimal board composition. However, there are some differences also, as follows.

There are some inconsistencies between some theories on certain assumptions such as the assumption on optimal board composition. The Agency Theory arguments on board of directors differ from that of the Resource Dependence Theory.

The Resource Dependence Theory argues that having too many or too few outsiders may be less beneficial to an organisation. Braun and Latham (2009) point out that this theory contends that a good combination of insiders as well as outsiders in a board may be the most favourable. They mention that the Resource Dependence Theory further justifies that while insiders provide a balance through their entity-specific knowledge, outsiders serve as a bridge to critical resources. They explain that, in contrast, the Agency Theory favours independent outside directors as it asserts that independent outside directors in a board can lessen insider entrenchment (agent opportunism) and their influence over the board. They further add that the Agency Theory views those board members as important who have expertise in overseeing management and the management's use and misuse of organisation's resources. This thesis will highlight its views on which of the two theories' assumption holds correct regarding board composition in the concluding chapter.

There is also an interesting ongoing debate between the Agency and Structuration theories. Cockerham (2005) reveals the following. None of the present-day theorists deny the importance of agency or structure. The debate between agency and structure is more about which one of these is more dominant. The proponents of structure emphasise on the power of structure as affecting the way individuals behave within the prescribed guidelines. In contrast, the advocates of the Agency Theory argue that individuals have a choice on how to behave regardless of structural influences. Agency is no doubt important but structure can act back on individuals affecting their lifestyle patterns in particular ways. Agency can allow individuals to reject or modify their lifestyle patterns. However, structure can restrict the behaviour options that are available to individuals. This thesis adds onto Cockerham's (2005) above arguments as follows. If agency is more dominant, then agent opportunism can continue without being detected. The greater the agent opportunism, the higher the loss to the principal. If structure dominates then agency will be restricted, punished and loss will be recovered which will protect the interest of the organisation, provided the principal has the correct information.

The empirical evidence discussed in chapter eight will give evidence on which one of the two, agency or structure is more dominant in the real life setting of Fiji's public enterprises.

Each theory also has certain limitations. The common limitation of using a single theory is addressed by using multiple theories. Some of the limitations are negated by the other selected theories. For instance, while Structuration Theory is more inward looking, Institutional and Resource Dependence theories consider external factors also. The 'constrained organisation' limitation of the Institutional theory is negated by Resource Dependence Theory assumption which argues that an organisation can also shape its own destiny. The limitation of the Resource Dependence and Institutional theories of ignoring culture is negated by the use of Organisational Culture Theory which highlights the importance of inculcating effective work culture in an organisation to bring out the best in employees.

The assumptions of the five selected theories will be tested, using the empirical evidence in chapter eight. From these discussions and analyses, chapter eight will make a comparison between the inductive and deductive methods.

The next chapter will provide details and justify the methodological approach selected for collection, recording, verification and analysis of the collected data for this thesis.

Chapter 3

Methodology

3.1 Introduction

The previous chapter discussed the deductive approach to this research, using five theoretical perspectives. This chapter outlines the inductive approach to this research and explains the recording, verification and analysis of the collected data. The inductive approach relies heavily on qualitative research methods. However, this research begins with the readily available quantitative financial data obtained from the Ministry of Public Enterprises, Tourism and Communication; selected case studies and the ADB (2011) to place the case studies into better or poor financial performers. The financial performance (in particular revenue, profits and dividends and, financial ratios of asset utilisation, liabilities to total assets, cash ratio and return on assets) are treated as the dependent variables while the causal factors that affect the financial performance are seen as the independent variables. This chapter also acknowledges the research limitations and problems encountered during the research period.

3.2 Rationale behind Qualitative Method

No single research method or instrument is excellent or superior to another (Morse and Richards, 2002; Wilkinson and Birmingham, 2003). The relevance of research method depends on how well it can answer the research question. The key research question of this thesis - why is it that some reformed public enterprises perform better while others continue to struggle - necessitated the use of qualitative research methods. The quantitative financial data may say a great deal about companies but on its own, it does not reveal the underlying reasons for such financial results. This is where qualitative data comes in since its relevance goes beyond the mere counts (Lusthaus et al., 2002), which is why qualitative research method is given much more importance in this thesis. As Lusthaus et al. (2002) explains qualitative data can also provide some insights into other concerns such as the social, environmental, political and cultural factors.

According to Morse and Richards (2002), qualitative research also involves a wide range of ways of exploring and understanding data that would be wasted and will lose meaning if preemptively reduced to numbers. They see qualitative methods as enabling the researcher to understand, explain, discover, explore, be aware of context and make sense of the world in a particular way, resolving confusions with defensible and useful conclusions. While "some people believe that qualitative data are 'soft', intangible, and immaterial… such data involve documenting real events, recording what people say (with words, gestures, and tone), observing specific behaviours, studying written documents, or examining visual images. These are all concrete aspects of the world" (Neuman, 2006: 157). According to Trochim (2006), qualitative research excels in generating very detailed information giving rise to rich descriptions, appearing as a narrative story.

A compromise position for researchers would be to incorporate both the qualitative and quantitative methods to create a balance. However, this position is risky since the researcher will not be able to do justice to both the methods and risks being condemned by both the quantitative proponents as well as the qualitative proponents (Lusthaus et al., 2002).

Given the above strengths, this research used qualitative research methods to collect data which was gathered through in-depth face-to-face interviews and relevant primary and secondary data. To answer the specific research question, an analytical study of multiple institutional case studies was used. This forms the inductive approach which commenced with data collection then moved onto data analysis. Inductive reasoning is more open ended and exploratory (Trochim, 2006). In using the inductive approach, this research began with a review of literature, identified the gap in current literature, developed the key research question, explored seven GCCs, and identified factors that cause differences in financial performance, compared the cases and then developed generalisations.

While qualitative research is often inductive (Neuman, 2006) and tend to be exploratory, it can be used to confirm specific deductive hypotheses (Trochim, 2006). As such, this thesis also used the deductive approach, using the theoretical perspectives. In using the deductive approach, this thesis selected five theories. The assumptions of these theories were modified to link them to factors that can affect financial performance. This was covered in chapter two. The deductive method finally leads to the confirmation (or not) of the theoretical assumptions once these assumptions are tested with specific data (Trochim, 2006). While the empirical data is based on evidence from the real world, theoretical data is abstract or purely analytical and need to be tested in the real world (McNeil and Chapman, 2005).

The following Figure 3.1 illustrates the research framework for this thesis. The inductive approach which is the empirical aspect of this thesis is covered in detail from the section placed after Figure 3.1.

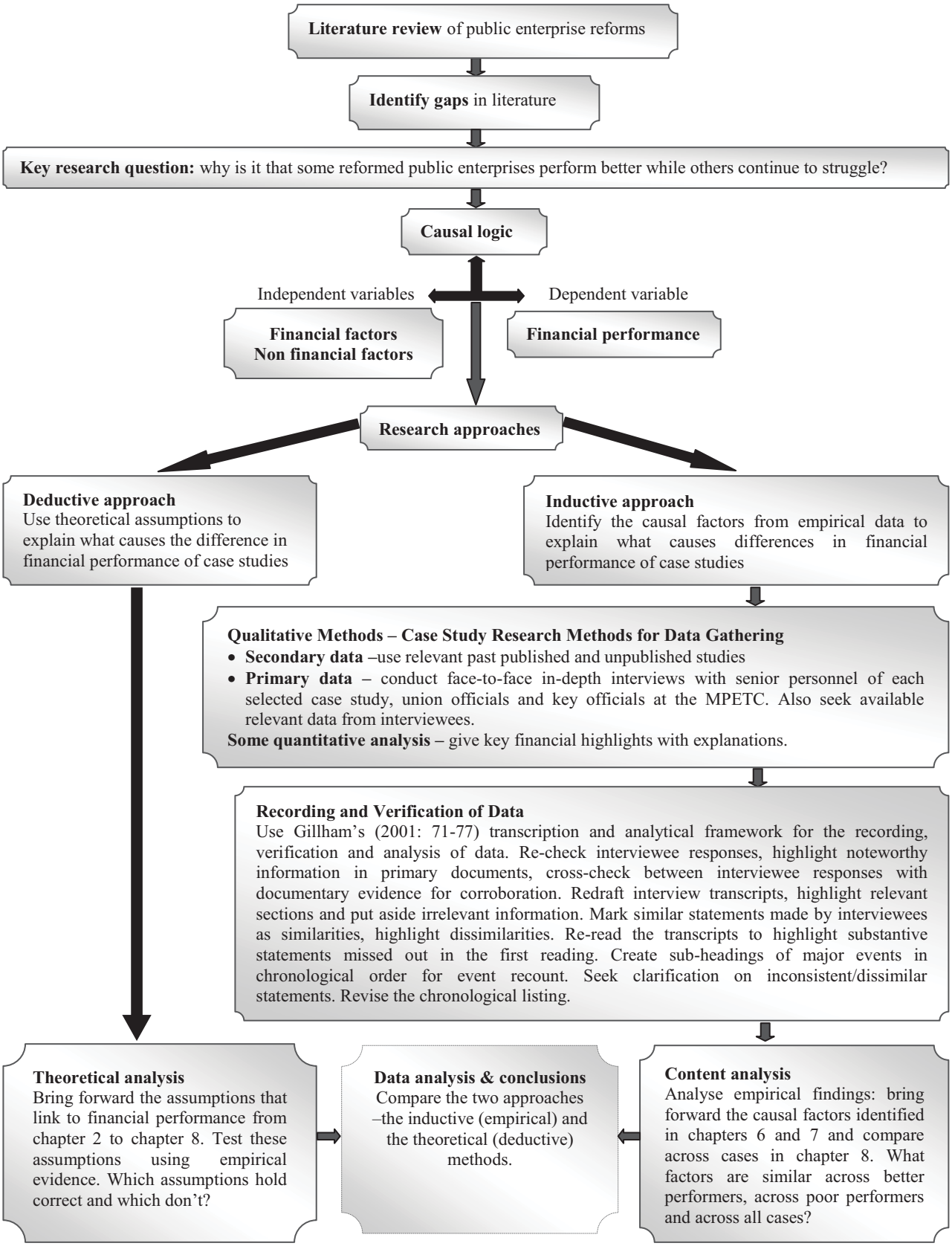

Figure 3.1: Research Framework for this Study

3.2.1 Sampling and the Case Study Approach

Since this research is qualitative in nature, it has used the nonprobability sampling of purposive sampling. "Qualitative researchers tend to use nonprobability or nonrandom samples" (Neuman, 2006: 220). This sampling began with a purpose in mind with specific predefined groups (Trochim, 2006), the GCC styled public enterprises. Chapter one and chapter five explains why the GCCs were selected instead of the other types of public enterprises in Fiji. In addition, this research used a subcategory of purposive sampling – the snowball sampling. Snowball sampling begins with identifying someone who can be included in the study and who can recommend the sample that may not be as readily accessible by the researchers on their own (Trochim, 2006). "It begins with one or a few people or cases and spreads out on the basis of links to the initial cases" (Neuman, 2006: 223). For this thesis, the researcher first interviewed a key senior official (the Senior Financial Analyst) at the Ministry of Public Enterprises, Tourism and Communications (MPETC) who recommended names of key contact personnel at the selected GCCs.

Gillham (2001: 1) defines a case as "a unit of human activity embedded in the real world; which can only be studied or understood in context; which exists in the here and now; that merges in with its context so that precise boundaries are difficult to draw". He states that to a large extent unless an individual gets into the real context, he or she will not know what they are looking for in literature. According to Trochim (2006), a case study is an intensive study of a specific individual or specific context using a combination of methods. In a case study, the researcher examines many features over a period of time in depth (Neuman, 2006). However, generalising from one group or one institution is often a suspect since there are a lot of elements specific to a particular group or institution (Gillham, 2001). To reduce this limitation and for meaningful generalisations, multiple cases were analysed in this thesis. In this respect, the thesis used the case-study comparative approach which helps to identify factors that are invariable or that vary among a few cases (Neuman, 2006).

Another reason for using the case study approach is that this approach is best suited to the research question of this thesis since "…traditionally 'scientific' methods are often not adequate as a way of understanding how people behave 'in context' " (Gillham (2001: vi). Case studies can be carried out using any method of research though qualitative methods are the most popular (McNeil and Chapman, 2005: 120).

To the best of the researcher's knowledge, this research is the first scholarly larger-scale, multiple-case study research on public enterprise reforms in Fiji (see literature review on Fiji in chapter four).

3.2.2 Research Methods

Both primary and secondary sources were used. These were in-depth face-to-face interviews with primary and secondary document review.

3.2.2.1 Primary Sources

Face-to-face Interviews

Semi-structured in-depth face-to-face interviews can prove to be the richest single source of data in a case study research when done well (Gillham, 2001). However, it is important that researchers make intensive use of interviews to get facts straight, to understand the dynamism, to provide a coherent account of past events and to get access to information stored at personal level (Barzelay et al., 2003). To better understand the actual developments that had occurred and are occurring at the selected case studies, there was a need to: 1) go back to the seven selected Government Commercial Companies (GCCs) where the reform related changes were conceived and instituted and; 2) talk to individuals such as the senior managers, human resource managers, finance managers, long-serving lower-level employees and where possible staff associations/unions. The rationale behind the selection of these interviewees is with respect to the amount of relevant data (given the interviewees positions' and experiences) that could be gathered on and around the research question.

Because the CEOs were not long enough in their current jobs in these GCCs, they directed the interviews to their long-serving staff that were in a better position to provide the information sought. This combination of interviewees helped to extract factual information as perceived by those who are on the implementing side and those on the receiving end of the reform process.

A detailed description of the interviewees is withheld given political reasons and job security concerns. Fiji is currently under military rule and individuals particularly government employees are wary of information they release to any member of the public. During interviews, some interviewees even requested that they not be quoted directly. Assurance of anonymity encouraged the interviewees to agree to interviews and to speak more openly, without having the fear of being questioned later on their responses. For this reason, any information such as names and job positions that could have indentified the interviewees was withheld.

Before and after the above interviews, a key senior official (the Senior Financial Analyst) at the Ministry of Public Enterprises, Tourism and Communications (MPETC) was interviewed. This official is the key official in this ministry as far as the GCCs are concerned. This official was interviewed first, given that through him key contact personnel of relevant GCCs snowballed. The selection of the seven GCCs (four better performing and three poor performing GCCs) for this thesis was also ascertained during this interview. The seven GCCs selected for this thesis are 1) Airports Fiji Limited, 2) Post Fiji Limited, 3) Fiji Ports Corporation Limited, 4) Unit Trust of Fiji (Management) Limited, 5) Food Processors (Fiji) Limited, 6) Fiji Hardwood Corporation Limited and 7) Rewa Rice Limited. The earlier four (1,2,3,4) are better performers. They are able to generate profits and pay dividends to government. However, fluctuations and/or declines in revenue, profits and dividends have been witnessed over the years, which is why they are not labeled the best or excellent performers. Even then, these four are comparatively better in financial performance when compared with the latter three that are poor performers.

The latter three (5,6,7) are riddled with numerous problems, operate in losses or generate insignificant profits and are not in a position to pay dividends to government.

The MPETC was initially approached through a written request with a supporting letter from the primary supervisor (as suggested by the key staff of this ministry), explaining the purpose of this research, seeking approval for access to the ministry and GCCs and, for permission for interviews with the key staff at a mutually convenient time. As an incentive for cooperation, it was agreed to at the outset in such letters, that a copy of the final thesis will be submitted to the ministry for their records. Subsequently, upon the formal ministry approval, similar letters were also sent to each of the selected GCCs. A number of visits were made to the subject GCCs, union offices, the MPETC and the University of the South Pacific library for interviews and primary data collection.

Before the actual interviews, it was made known to all interviewees that the purpose of the interview was for academic research and that their names will not be disclosed. For this reason, this thesis does not disclose names of interviewees and of individuals who were/are somehow involved in the reform process of the case studies for ethical reasons, to ensure anonymity and for employment security. This non-disclosure encouraged some interviewees to give out substantial information without having the fear of being questioned later on their responses. When interviewees know they will not be identified, they are more willing to reveal all sorts of information (McNeil and Chapman, 2005).

The questions in the interview questionnaire acted as guidelines on relevant interview topics to discourage divergence into irrelevant issues by interviewees. The topics selected for interviews evolved around the situation prior to, during and after the reform process; forces behind reforms; the benefits, problems and resistance confronted with during the process and; the aftermath of the process. These topics allowed for the fulfillment of the aim of this thesis. See appendix 3.1 for interview questionnaires.

The interview questions were reframed and added onto as more details surfaced upon archival search (for instance, newspaper articles, past research articles, ministerial reports, business magazines) before the interview sessions. In particular, the researcher noted important developments throughout the life of GCCs from the archival search for certain interview questions given that interviewees may not or cannot recall all key events or would simply want to avoid talking about adverse events. This was done to provide the context within which reform changes are designed, implemented and revisited. This thesis called for a flexible and unrestrictive questionnaire structure.

Questions were thus asked in an open-ended manner to allow for sufficient flexibility so that interviewees could respond in their own way and to help generate a rich source of field data. When compared to a fixed set of questions, flexibility in inquiry also allows questions to emerge as the researcher becomes more familiar with his or her research (Trochim, 2006).

In addition, when compared to questionnaire handouts, in-depth "interviews are traditionally resource-intensive"…, "give the researcher more of an insight into the meaning and significance of what is happening" (Wilkinson and Birmingham, 2003: 6, 44), have the advantage of extracting detailed information, clarifying unclear answers on the spot and allows for further probing of responses.

The researcher outlined the intended interview format before the interview sessions. The interview sessions were for forty-five minutes to one hour fifteen minutes in length, keeping in mind the respondents' time and concentration. Interviews were not tape-recorded given the discomfort it causes the interviewees who speak freely, otherwise. Even though the recorded interviews are more reliable than any notes, quotes, remarks or manually jotted down summaries (Wilkinson and Birmingham, 2003), tape-recording was not given importance in this research. This is because interviewees do not feel comfortable with their views being tape-recorded and speak more freely when no hard evidence (taped responses) is collected from them especially given the current political climate in Fiji. For this reason, notes were manually written down in such interviews.

In almost all cases, questionnaires were forwarded to the interviewees before the scheduled interviews to allow them to prepare themselves. This was done because the questionnaire was lengthy and timeliness was important. During the interviews, the researcher used probes to gather more elaborate information.

For further effectiveness in communication, most responses by interviewees' were restated for clarification and elaboration on certain issues (Wilkinson and Birmingham, 2003). However, the researcher, throughout the interviews was mindful of ethical considerations with respect to the confidentiality of data disclosed. In line with this, informants were not forced to answer questions they refused to for one reason or the other.

After key questions and the interviews, the researcher rephrased the information disclosed by the interviewees in a summarised manner to correct inaccuracies and to ensure that the receiving, understanding and interpretation of information were the same as expressed by the interviewees (Wilkinson and Birmingham, 2003). The interviewees were thanked for their time and assistance at the close of the interviews and once again assured of anonymity. The collected feedback was cross-checked on similar points between interviewees' responses' and documents for validity and even further reliability. Altogether, thirty in-depth interviews were conducted. See bibliography for details.

Additionally, information and reports were gathered through personal communication (that was not readily available) from knowledgeable people/researchers such as professors who have extensive research experience in this subject area for useful recent insights. Thaman (1992: 8) highlights that correspondence with these people "is one of the best ways of getting new and up-to-date information about a subject".

Primary (Archival) Documents

The GCC annual reports; corporate plans and; union, GCC and ministerial correspondences, memorandums, brochures and magazines that were available were examined to formulate certain GCC-specific questions for interviews and to cross-check on interviewee responses. Cabinet decisions, ministerial speeches, legislation and parliamentary reports were also sought.

3.2.2.2 Secondary Sources

The secondary sources used were journal articles, textbooks, conference proceedings, theses and dissertations, newspapers and the internet. Both the published as well as the unpublished sources were referred to.

As far as secondary document review is concerned, the major source of information was journal articles for reliability reasons. As per Goddard and Melville (2001), journals are also reflections of more recent work while texts act as the base for information. Latest and earlier dated texts were used in support of journal articles and for more detailed information.

Conference proceedings were also sighted. Such gatherings of researchers are valuable and most current sources of critical, in-depth and interesting information, though not as reliable as journals since peers do not stringently review these (Goddard and Melville, 2001).

In addition, theses and dissertations were viewed to get a feel of the topic, to become alert and to check on the discoveries of related topics researched earlier. Such unpublished materials are often excellent sources of original information on a subject (Thaman, 1992). The investigations by academics, donor agencies and consultants prove helpful in a sense that these empirical evidences and adequately researched studies authenticate arguments and conclusions (Amosa, 2002).

Newspapers were merely used to track down more reliable information and were treated with caution (Goddard and Melville, 2001). The media plays the worthy role of a 'disclosing agent' in revealing the daily events of companies and, opinions and views of and for the lay people. For instance, Fiji TV and newspapers (The Daily Post and The Fiji Times) disclosed corrupt activities of management, boards and political leaders in the subject GCCs. Chapters six and seven shed more light on this.

The use of other information on the internet was done on a smaller scale due to the uncertainty associated with data accuracy and credibility.

Above all, with the information explosion of recent years, it is "virtually impossible to read *everything* published in a particular field,…" (Goddard and Melville, 2001: 15). The combination of different (though not each and every) relevant sources helped to narrow down the limitations of gathering data from a single source. This enhanced the profundity of data gathered, often with opposing perceptions between those who advocate public enterprise reforms and those who criticise it. Such richness helped to 'top-up' the researcher's knowledge on recent developments and helped to build up analysis in a realistic and meaningful manner.

3.2.3 The Recording and Verification of Data

The researcher was mindful of the validity and reliability of data collected throughout the research. This thesis used Gillham's (2001) transcription and analytical framework for the recording, verification and analysis of data as follows.

Substantive statements in each interview note and extra details (furnished during the interviews) were highlighted while repetitions, digressions and irrelevant materials were put aside. Similar statements made by interviewees were noted as similarities and dissimilarities were marked. After going through all interview notes, the researcher went back to these notes the second time to highlight substantive statements that might have been missed out in the first reading. Following this, the researcher went through the collected primary documents to highlight noteworthy information.

The researcher then went back to the entire interview notes and documents to note the highlighted statements and categorised these as the main events during the life of the case studies. The researcher, firstly created major headings (pre-reform stage, reform and post-reform stage) to note the main events which were separated into meaningful sub-headings. For each GCC, an overall chronological listing of the main events was then created to narrate historical developments.

For validity and reliability reasons, statements were cross-referenced between interviewees' responses' and with documents such as previous research articles, company and ministry documents, published interviews in reputable magazines and newspaper articles. The dissimilar statements were marked as queries and after an interval of a few days; queries were clarified through quick repeat interviews, emails or telephone inquiries. The chronological listing was revised after sorting out queries. This chronological listing helped to recreate the context and sequence of events that enabled the researcher to understand what was recounted.

3.2.4 Data Analysis and Validity

This research is a qualitative study rather than a quantitative study. However, while the research is qualitative, financial highlights which are quantitative in nature are discussed to give evidence on the selected GCCs' financial performance. The key financial data is highlighted and explained in chapters five to eight. This thesis treats the financial performance (in particular revenue, profits and dividends and, financial ratios of asset utilisation, liabilities to total assets, cash ratio and return on assets) as the dependent variables. Financial performance is treated as the dependent variable since while it shows how an enterprise performs financially, it does not explain 'why' an enterprise performs the way it does. According to Trochim (2006), the dependent variable of financial performance is affected by the independent variables where the independent variables are the factors that manipulate a treatment or a programme. He states that such distinction in variables is important in investigating cause-effect relationships. The causes or factors leading to different financial performances can better explain 'why' there are such differences.

This thesis considers these causal factors as the independent variables. In this research, the independent variables are the factors that affect the financial performance. The causes are the factors that affect financial performance while the better or poor performance is the effect. The descriptions in the empirical chapters of six and seven identify and bring these emerging independent variables to the forefront for comparisons across the selected cases in the concluding chapter.

The collected data was analysed on the basis of findings from subject case studies in forms of responses from the interviewees and from primary and secondary sources which helped the researcher to document, explain, compare, contrast and understand the process of reforms as it unfolded in the subject GCCs.

Data analysis was particularly based on content analysis to identify major patterns, themes or major ideas in the text (Trochim, 2006). As Neuman (2006) explains, in a qualitative research, the researchers measure during the data collection process and, re-examine and reflect on data and concepts simultaneously and interactively. Since this thesis used the case study approach, it used the logic of analytic instead of enumerative induction. For comparison across cases, the study used analytic comparison - a logic of comparison developed by a British philosopher and theorist John Stuart Mill (1806-1873), still used widely today (Neuman, 2006). Neuman (2006) gives details as follows. Using this qualitative data analysis, a researcher uses the method of agreement and method of differences to find out the causal factors that affect an outcome among a small set of cases discussed intensively. In the method of agreement, focus is on the common factors across cases. The method of differences identifies factors that are similar but differ in few crucial ways. It then pinpoints the set of cases which are similar in outcome as well as the causal features and, another set where cases have different outcome and causal features. This method of analytic comparison enabled factors to be identified in chapters six and seven which were brought together in chapter eight for comparisons across cases.

In this thesis, similarities across better performers, similarities across poor performers and, similarities and dissimilarities across all cases were identified in chapter eight. For each case study, the causal factors were further separated into the conducive and impeding factors. The conducive factors are those that positively affect the financial performance of a GCC while the impeding factors are those that adversely affect a GCC's financial performance. The theoretical assumptions of chapter two were also brought forward in chapter eight. These were tested using the empirical evidence.

In this way, this thesis tried to gather evidence inductively as well as deductively, to explain why there are two groups of GCCs in Fiji – the better and poor financial performers. Chapter eight also compares between the inductive (empirical) and deductive (theoretical perspectives) approaches of explanation behind what causes differences in financial performances of GCCs.

For validity, this research used the criteria for validity of qualitative research which involves credibility, transferability, dependability and confirmability (Guba and Lincoln quoted in Trochim, 2006). In contrast, the criteria for quantitative method include internal validity, external validity, reliability and objectivity. In terms of credibility, the participants are the ones who can judge the credibility of results where the sample of the study also enables valid inferences (Trochim, 2006). The researcher assured credibility of this research by verifying interviewee responses as explained in the above section 3.2.3. In terms of transferability, the results of this research can be tested in other settings of public enterprises. The research enhanced transferability by being thorough in descriptions (Trochim, 2006). However, as Trochim (2006) explains, other researchers wishing to do the transfer of results to another context are responsible for deciding how sensible the transfer will be. He describes dependability of qualitative research as follows. Dependability emphasises that the researcher account for the changes in the research context. Unlike the true score theory of quantitative method that can estimate the reliability on results, in qualitative method it is the researcher's responsibility to describe such changes and to explain how these changes affect the way the research is done.

This thesis has been detailed in its description of the changes that have taken place in the case studies from the outset. This research has also indicated the time limit in the following section and acknowledged that more changes would have taken place after this period. Confirmability relates to the extent to which results can be confirmed by others. To enhance confirmability, the researcher checked and rechecked data obtained from the interviewees throughout the research. This cross-referencing was explained in section 3.2.3 above.

3.3 Research Limitations

It is not uncommon for every methodology to suffer from certain limitations. This thesis is no exception.

First, researchers themselves suffer from preconceptions and prejudices. For instance, before conducting this in-depth research, the researcher of this thesis was of the view that the better performing public enterprises are those that are monopolies because such enterprises do not face any competition. Given no competition, these enterprises can charge the price they want and customers would have no choice but to purchase from these enterprises only. There are some monopolies that can be natural monopolies. A natural monopoly is "where a single firm can produce a product more cheaply than any combination of smaller or more specialised firms" (Morton, 1999: 53). During this research, the researcher realised that monopoly is just but one factor. In addition, the researcher found that even when a GCC is a monopoly, it is not free to charge the price it wants and has to seek approvals from regulatory authorities which do not always give into the demands of such GCCs. Most importantly, there are also other factors that can enhance or impede financial performance. The researcher for this reason tried to maintain an open mind as much as possible throughout the research. A balanced approach was undertaken in gathering diverse data evidences from a wide array of sources.

The researcher also acknowledges the problems associated with access to and release of pertinent information from the selected GCCs.

Under the current strict military regime and the continuous extensions of the emergency decree, unions in Fiji are not as vocal or powerful as before. The emergency decree has come about from the time of the 2006 military coup. Fiji was declared a state of emergency on 5 December 2006 after the military assumed executive authority and ousted the elected government (The Fiji Times, 2007e). Any gathering, marching or meeting of groups require prior approval from the military government to prevent anyone from inciting instability in Fiji.

The inclusion of union officials helped to gauge the employee concerns and views of the reform process that would not be readily expressed by the interviewed senior management and employees. Management and employees are also wary of and reluctant in disclosing adverse information. In addition, the senior management staff in particular, may most certainly suffer from management predilection thus, may not reveal adverse information which results in partiality. These are the common limitations in almost every research.

Retrieval of complete and accurate data was thus not possible only through interviews. The reasons for these are confidentiality of certain information, fear of job security upon release of adverse information, interviewees fabricating certain information to please the interviewer or interviewees not being able to accurately recall past events. Sole reliance on interviewee data can render discussions, analysis and recommendations incorrect.

Given these reasons, the interviewee data was complemented with data available at the library (past to current annual reports [current at the time of research], past company-specific staff newsletters and articles of 'as and when' occurred company-specific events and interviews published in reputable magazines such as The Fiji Island Business magazine and The Review magazine). Authentic reports and articles accessible through the internet (company-specific reports, websites and newspaper [The Daily Post and The Fiji Times]) were also referred to.

Furthermore, the researcher is mindful of the fact that the interpretation of any study by one researcher can be challenged using a different perspective or in the wake of a different historical period (Anderson and Poole, 2001).

Also, since this research is based in Fiji, findings may be country-specific and hence not be transferable to other countries while theory may be generalisable.

Lastly, time limit of this study was also taken into account when undertaking the research. It must be noted that data gathering from all relevant sources commenced March 2009 and ceased at the end of April 2012. There may have been further developments or up-dates after this date. Also, for certain GCCs, MPETC only released audited financial data some of which were based on year 2010 performance or earlier, while some others were quite recent. Data was then also requested from the Ministry of Finance but the request was redirected to MPETC. The researcher then had to await the availability of such data.

3.4 Conclusion

This chapter outlined the inductive approach to this research and explained the recording, verification and analysis of the collected data. While the inductive approach relied heavily on qualitative research methods, there was also some use of the quantitative method by way of key financial data highlights and explanations. The chapter also acknowledged the research limitations and problems encountered during the research period.

The next chapter will review literature on Public Enterprise Reforms (PER). It will begin with an overview on PER and then discuss PER around the world. Because Fiji is a small Pacific Island economy, a lot more will be discussed on PER in Pacific Island Countries. The chapter will then describe the start off of PER in Fiji, then discuss the PER process in Fiji as well as critically address the work of earlier and current authors who have investigated into PER issues in Fiji.

Chapter 4

Public Enterprise Reform

4.1 Introduction

This chapter reviews literature on Public Enterprise Reforms (PER). It begins with an overview on PER and then discusses PER around the world. This section will be kept brief, focusing on emerging issues only to take note of recent developments on PER worldwide. PER in Pacific Island Countries (PICs) will be discussed next. The chapter will then describe the start off of PER in Fiji, then discuss the PER process in Fiji as well as critically address the work of earlier and current authors who have investigated into reform issues in Fiji. In this way, this discussion towards the end of this chapter will bring to the forefront, the essence of this thesis.

4.2 Public Enterprise Reforms: Overview

Public Enterprise Reforms (PER) is not a new phenomenon. It has been in existence for some time and keeps on evolving.

After World War II between the 1950s and 1970s, donors supported state dominated economic development strategies for developing countries. At that time, they paid little attention to how the public sector operated. However, when the developing countries became victim to financial crisis in the late 1970s and 1980s, donors began to question the state-dominated model. The view towards the state then changed. The state was then viewed as the problem. Development assistance from then onwards focused on the reduction of the economic role of the state, the size of the public sector and of public expenditure with emphasis on reforms of the public sector. This marked the beginning of the New Public Management (NPM) which put the market at the forefront for socio-economic development in the industrialised as well as in the developing world with catch phrases of ‘get the prices right’ and ‘less government is best’ (Brinkerhoff, 2008: 986).

Brinkerhoff (2008) explains as follows. By the 1990s, there came about a renewed appreciation for the public sector given the following factors: experience of the 'Asian Tigers' which proved that the state could be quite effective towards economic development; the cumulative twenty year experience of structural adjustments which revealed a serious shortfall in the expected socio-economic results; the collapse of the Soviet economies and; the failure of privatisation in creating effective markets. The view towards the public sector then changed again to the state being part of the solution, not just the problem. The current view hence focuses on good governance where the state connects to citizens, the civil society and the private sector for socio-economic progress but with accountability, transparency, responsiveness, participation and impartiality.

Despite this revised view, there still appears to be only one issue for the neoliberals: state versus market (Foster et al., 2011). Common criticisms of public enterprises are: they are often subsidised by governments, many operate in losses ultimately borne by their governments [and tax payers], provide inferior goods and services, restrict choice of consumers and remain static (Yaqub et al., 2011). The main arguments of inefficiency, corruption and liability of public enterprises are true to some extent. The claim that some state leaders seek political gains from public enterprises which are in strategic sectors like energy (Flores-Macias and Musacchio, 2009) also has some truth in it. However, as some supporters of public enterprises such as Kumar (2010) argue, the private sector is not entirely free from such ills. The sickness of the public sector is more on the spotlight though. Private firms are also susceptible to political influence but in the case of public enterprises, a more direct control is possible (Flores-Macias and Musacchio, 2009). According to Hughes (2012: 144), "some private companies owe their very existence to government contracts; and lobbying activity can be directed at achieving commercial advantage from governments". The proponents of PER recommend that public enterprises be placed on a fully commercial footing independent of political directives, be fully compensated for community service obligations and be exposed to competition with hard budget constraints and full accountability (Anere, 2009).

Donor agencies such as the Asian Development Bank (ADB), Organisation for Economic Cooperation and Development (OECD) and the World Bank (WB) often extend loans with conditions which require countries to engage in reforms to improve and to get returns from their public enterprises. According to the ADB, public enterprises can be successfully reformed if they are subjected to the same discipline and competition as that of private firms given that the lack of competition results in sub-standard services for which consumers often end up paying more (Jaine, 2011). As such worldwide, reforms have been undertaken to better the performance of public enterprises. However, over time PER has attracted both commendation as well as condemnation. Whereas efficiency and effectiveness became the catchphrases justifying reforms, over the years, considerable debate emerged between the critics and the advocates over reform issues. As reforms began to be implemented, a large part of such debate was fueled by the outcomes of reforms and, in many cases, by the evidence of failed experiments. Worldwide, the performance of reformed public enterprises has varied. This is because universal management standards have been emphasised as the answer to the universal state problems by donor agencies such as the ADB and WB.

On the whole, literature points out that countries around the world have undertaken reforms of their public enterprises but these reform initiatives have not been successful the world across. Clearly, results from PER experiments have been mixed, raising the question of why this is so. More on this issue is discussed below with examples from different countries around the world. This section is kept brief focusing on emerging issues only since a lot has already been written on PER worldwide.

4.3 Public Enterprise Reforms around the World

Individual countries have their own unique problems to deal with which affect reform results. For instance, Sarker (2006) highlights that Bangladesh has been less successful when it implemented reforms under pressure particularly because it failed to establish sound institutional frameworks, rule of law, proper control structures, checks and balances and, accountability.

He mentions that it is also aid-dependent and thus has always felt the pressure from the international donors towards reforming its public sector. He also blames the donor agencies for failing "to make the political leadership and the public bureaucracy understand that their prescriptions will bring positive results" (p. 195) Malaysia is another example. Despite wide-ranging changes, the Malaysian public sector remains large. Citizens continuously rely on it for much of their service needs. According to Siddiquee (2008), public governance is better than what it was but Malaysia still has much to do to achieve excellence in governance and service delivery.

There are also countries which are reluctant in carrying out reforms of their public sector. For instance, the Colombian Government is reluctant to do so because of crime and violence. It also fears public protests which can be created by economic reforms (Urrutia, 2004). In such countries, reform changes can worsen conflict situation. Elsewhere political opposition has led to reform failures. Ghana's experience proved just this (Caspary, 2008). Caspary (2008) thus recommends that countries and agencies understand how the key stakeholders view reform proposals and the related incentives to minimise opposition and to maximise support. The politically volatile countries also find it hard to reform their public sector successfully. The case of Tajikistan reflects at the failure in the successful implementation of reform initiatives because of civil war, country's location in a politically volatile region, noticeable out-migration of qualified experts and the inability of the central government in properly adapting to transition requirements (Mirzoev et al., 2007).

In other smaller less developed countries, their own developmental problems make reform initiatives such as private sector involvement difficult. For instance, the small Eastern-Caribbean countries, namely Antigua and Barbuda, Dominica, Grenada, St Kitts-Nevis, St Lucia, St Vincent and the Grenadines suffer from their own 'developmental' problems of: small population, small land areas, a long history of dependence on export of one or a few agricultural commodities, poor living standards and inadequate socio-economic infrastructure (Bissessar, 2010: 26).

Bissessar (2010) highlights the following. When compared with the larger Commonwealth Caribbean and Barbados, these smaller economies were seen as backward needing special assistance, classified as less developed. In many Caribbean economies, independence brought the fear of economic stagnation and political instability. Governments, in such economies dominated many aspects of the economy, leading to weak private sectors and oversized public sectors with poor emphasis on profit or outcomes. Two thirds of GDP went towards staff salaries. The costly and inefficient public sectors contributed to economic depressions by the late 1980s. Public sectors thus attracted much criticism. Governments were then left with no choice but to resort to financial assistance from the IMF and World Bank which recommended sectoral reforms. Accordingly, many economies began with comprehensive reform programmes. Jamaica saw success in the introductory aspects of planning, budgeting and monitoring of reforms. However, in countries such as Suriname, Guyana and Trinidad, there is very little agreement between the government and the opposition parties which are polarised ethnically. Budgets and resource allocations also influence electoral outcomes. Ministers who are favoured are generously accommodated in fund allocations. Those who think of changing the existing systems need to be cautious given that even the top public officers can be transferred or be asked to take immediate leave. Also, many politicians in a number of Caribbean countries are cautious of introducing new changes that have long-term benefits given that electoral terms fall between four to five years. In addition, public bureaucracies across the Caribbean are also a major obstacle for reformers.

Then there are countries which are successful in some areas but remain problematic in other areas such as Mauritius. The case of the Mauritian public sector is interesting. While it has been successful in some areas, the country is not without problems. Chittoo et al. (2009) reveal the following in their article. This country developed and delivered the best quality public services in the whole of Sub-Saharan Africa for which it won the second prize at the Pan-African Public Service Excellence Awards in 2007. It is among the best performing economies in Sub-Saharan Africa due to its successful implementation of reforms of its public sector.

However, there are areas that remain problematic. Even then Mauritius has done comparatively well. Its problem areas are: the government remains the single largest employer, upper class is too small and middle class is largely employed by the government and are loyal to it and, the government is not that appreciative of criticisms because of which the media is selective in putting pressure on the government for changes. Even the academics cannot be too critical in their write-ups because of promotion and job security reasons.

Also, there are countries which have had success in PER but such successes could not be sustained overtime. For instance, in New Zealand the fourteen public enterprises corporatised in 1987 proved to be successful in terms of productivity and profitability (ADB, 2011). Hughes (2012) explains that New Zealand saw privatisation as a way of focusing more on core activities and of earning revenue. However in the last nine years, with an improved economy and significant successive fiscal surpluses, the reform process has slowed down because the fiscal necessity for PER as well as the political commitment has waned, leading to deteriorating public enterprise performance (ADB, 2011).

Interestingly, literature also points out that some state dominant countries have also been successful reformers while being selective in their reform initiatives. Singapore is one such example. According to Sarker (2006), Singapore and some other countries in the East and Southeast Asia have proven that even if a state is dominant in an economy, it can successfully implement some aspects of NPM. He explains as follows. Some of these states have embarked on corporatisation and privatisation programmes as well as placed performance measurement and service quality on agenda. Singapore has been selective and has shown that even when the state dominates, some aspects of the NPM model can be implemented successfully. It embraced actions such as corporatisation, deregulation as well as divestment. However, its state retains control through state investment of a holding company that holds complete or majority ownership.

India also has examples of successful reformed public enterprises. Gurtoo (2009) gives India's examples of oil and petroleum, telecommunications and banking services. He states that given the experience of operating and managing large-scale technologies and systems, such public enterprises offer economies of scale benefits. He explains that such strengths and adaptation strategies help public enterprises in their post-reform stage.

Where reforms have not led to desired outcomes, researchers have been less enthusiastic and even critical of PER initiatives. Some radical opponents of reforms like Marobela, (2008) raise their doubts on reforms resulting in efficiency and the overall good for all. He highlights that in Botswana's case, while reforms are preached as resulting in efficiency, 'in practice such has not been the case' (p. 431). He states that commercialised government operations 'is unquestionably accepted, but not argued convincingly...' (p. 428).

The following opponents also highlight the unsatisfactory outcomes of reforms. Quiggin (2001) mentions that the market processes such as compulsory competitive tendering have eroded state capacity and generally produced unsatisfactory outcomes. He states that the widespread view is that reforms have benefited a small portion of the population located primarily in and around the central business districts of Melbourne and Sydney. Overall, in Australia, while the 1995 reforms fulfilled its competition policy targets, it failed to deliver widespread economic, social or environmental benefits to the Victorians (Everett and Robinson, 2004).

There are also arguments against reforming public enterprises completely through privatisation as well as strong sentiments of retaining certain public enterprises under state control. Hughes (2012) clarifies that privatisation has been successful at least in the narrow sense of less government owned enterprises in current times. He also states that the efficiency gains of private provision might be present in many cases but this should be investigated, not just assumed. He mentions that from the early 1980s, many countries significantly reduced the scale and scope of public enterprises through widespread privatisation.

He mentions that consumers are unlikely to reap major benefits if privatisation fails to bring about greater competition and that many countries have some sort of competition policy or antitrust legislation to enforce private sector competition to restrain possible collusion and monopoly among private companies. He argues that to safeguard public interest, regulation of private markets is required.

Public enterprises that have gone through the final stage of PER (those that have been privatised) have been labeled socially insensitive. Vagliasindi (2008) explains that in the absence of regulation, a private monopoly may end up providing a higher priced, poor quality goods or services. Chang (2007) mentions that if services such as post, water and transport are left at the mercy of profit-seeking private firms, the remote area consumers may be denied essential services because private firms will not venture into unprofitable services. He says that, it is in such cases that a public enterprise can ensure universal access to essential services for all citizens. Smaller countries in particular, need public enterprises since they do not have the economy of scale unlike the bigger nations. The private sector will also not venture out into unprofitable tasks. The public enterprises are thus mandated by the government to provide goods and services that the private sector is either unable to or unwilling to provide (ADB, 2011).

Chang (2007) gives the example of the Korean public enterprise, a steel-maker namely Pohang Steel Company which, unlike the common claim did not abuse its public monopoly position to make extra profits. It passed on its productivity gains to its buyers. He explains that what are of importance are reforms within the public enterprises rather than the final stage of privatisation. Authors such as he, impress on the point that even when public enterprises retain government ownership, their performance can be improved. He elaborates that competition does not always have to come from the private sector and gave an example of the Republic of Korea which established a new public enterprise, Dacom in 1991. He mentions that the competition between Dacom and the existing dominant state owned telephone enterprise (Korea Telecom) largely enhanced efficiency and service quality.

Flores-Macias and Musacchio (2009) give the example of the Brazilian government which in 1997 opened up its domestic oil industry to international competition, allowing the company - Petrobras to sell shares in stock markets as long as the government controlled 51 per cent of the voting stock. They reveal that through this initiative, Petrobras became more accountable, successfully expanding internationally while developing world-class technologies. Chang (2007) gives other examples of successful public enterprises in the likes of Singapore Airlines, 57 per cent owned by a government holding company - often voted the best airline in the world, and the Bombay Transport Authority of India. He says that the world-class companies like the Brazilian regional jet manufacturer EMBRAER, the French carmaker Renault, and the Korean steel-maker Pohang Steel Company all initially succeeded as public enterprises.

During the global financial crisis of the late 2000s, governments in the UK and the USA intervened in the private sector by taking a stake in or by taking full ownership of private companies (Hughes, 2012). In his work, Kumar (2010) highlights the rise of the importance of public enterprises in current times. He claims that the pendulum has now swung from public enterprises being problematic, to them playing important roles in economies. He backs this by arguing that in the face of the current global financial crisis, it was the public money and the governmental agencies that came forward to salvage the collapsing economies. These are the very economies that stood guided by the monopoly capitalism and neoliberal ideology which challenged the roles of these very national governments and their social control over economies. Chapter one highlighted the contributions of public enterprises towards societal welfare using examples of Fannie Mae and Freddie Mac. However, while salvaging their economies, these public enterprises themselves suffered heavy losses when many Americans defaulted on their mortgages.

At the other end, again as mentioned in chapter one, the supporters of PER like Schuman (2011) criticise state capitalism, arguing that state capitalists can strangle their economies and crowd out the private sector.

On the whole, literature points out that, encouraged and financed by the donor agencies, countries worldwide have undertaken reforms of their public enterprises to improve their performance. At the same time, literature also provides clear evidence that reforms have not corrected the ills of all public enterprises, the world across. Clearly, countries have their own unique problems which have not been fully addressed by reform initiatives undertaken. There are also evidences of public enterprises which are well run. Then there are evidences of those which have been reformed fully to the final stage of privatisation but have only benefited few people. In addition, recent work highlights the re-emergence of the importance of public enterprises in economies. Some of these public enterprises are very different in their performance from what they were in their earlier days. In his most recent book, Hughes (2012) claims that public enterprises may not have a long-term future in large scale delivery of goods and services. He goes onto say that; it is likely that such enterprises will eventually disappear except for small scale activities. The debate thus continues between the proponents and opponents on the success and failure of PER.

The following section discusses PER in Pacific Island Countries (PICs). Fiji, the country case study of this thesis is one of the PICs. For this reason a lot more is discussed in this section. PICs are much different from the other countries around the world and such differences affect their reform initiatives as well as their reform results.

4.4 Public Enterprise Reforms in Pacific Island Countries

Within the PICs, there are countries which are at very different levels of development. When compared with the larger and more developed economies, these PIC economies are at a significant cost disadvantage in providing public utilities, public administration, educational and health services. Reforms are being carried out to enhance foreign private direct investment. Such investments do occur but vary because the scope for profitable private investments is limited in most PICs. Clearly, investors can obtain higher returns when investing overseas (Tisdell, 2002). In addition, national economic stability can encourage foreign investment leading to economic sustainability.

According to Tisdell (2002: 919), a common problem in such island states is that many donor countries have paid little attention to their cultural background, institutional issues and other constraints which "are more diverse than might be imagined by an outsider". He emphasises that these very factors when ignored create social conflicts, adversely affecting reform efforts, for example, respect for elders is strong in Kiribati. These elders have considerable political influence and often promote communal ethic which conflicts with the western ethic of competition. He adds that the accelerating globalisation and the associated policy related processes coupled with reduced foreign aid and internal socio-economic dynamics have resulted in major social conflicts and tensions in the Pacific. He concludes that such economies are under external pressure to reduce the size of their public sectors and place faith in private business-led economic growth guided by market forces because of the resource gaps they face (p. 920). However, he mentions that, it is not clear how well this new approach will work in stimulating their economic development given the special obstacles they face. He states that there is also some degree of uncertainty regarding the value of market centred reforms in the smallest of economies particularly because such reforms are being implemented in times of reduced foreign grants and aid which are often subjected to policy conditions. The ADB and World Bank strongly campaign the adoption of the New Zealand model to improve public services and to reduce resource wastage in PICs (Amosa, 2010).

In its recent report, ADB (2011) provides updates on PER in Fiji, Republic of the Marshall Islands, Samoa, Solomon Islands and Tonga as follows. In its report, ADB (2011, 2009) uses the term SOEs for public enterprises. The results of SOE reforms in Fiji, Republic of the Marshall Islands, Samoa, Solomon Islands and Tonga have been mixed. Apparently, progress is directly related to government's effectiveness in protecting SOEs from undue political influence. Overall, Tonga continues to set the pace for reforms as its SOEs continue to outperform those in Fiji and Samoa. Fiji and Samoa struggle to develop the necessary political consensus for change.

According to ADB (2011), Tonga has the strongest political commitment to SOE reforms, resulting in ambitious SOE programmes and governance practices.

Reforms of SOEs in Tonga commenced in 2002 with faster progress post 2006. The government set a target of removing all politicians from the SOE boards by the end of 2008 but was not able to meet this target. Nonetheless in 2009 and 2010, some SOE boards were successfully restructured. Tonga has also increased its level of public disclosure of financial and operational results of its SOEs; implemented a detailed policy on community service obligation; developed job descriptions for SOE directors and chairs and; developed director performance and evaluation process to assist in further training and development. Tonga's SOEs have thus outperformed SOEs of Fiji, Republic of the Marshall Islands, Samoa, and Solomon Islands for the past seven years (ADB, 2011).

Tonga's case is important since it is one small island economy which outgrew its inefficiency and now sets the pace in PER in the small PICs. Amosa (2007b) researched on reforms in Tonga and highlights the early struggles and later success of Tonga as follows. It is the unique social and political setting of the Tongan Kingdom that made it more difficult to reform its public service with the crown prince and the royal family exerting some control on the economy. For long, Tonga suffered from low economic growth and stifled private sector growth, depending mainly on remittances from relatives abroad. Tonga's inefficient and ineffective public service was burdened with more than the needed employees. Most of its public enterprises failed in paying dividends to the government. It was the other way around. Government had to bail out the poor performers to allow them to continue operating. The poor performance of Tonga's SOEs is also attributed to its poor legislative framework, one that could determine the key roles of government officials. The ministers as directors to the boards had almost unlimited discretion. From year 2002, Tonga saw meaningful progress towards reforms. ADB funded an extensive reform programme for all its SOEs leading to noticeable progress towards reforms of its public enterprises since 2002. Public Enterprise Act (2002) was introduced. A new Ministry of Public Enterprise was established in 2006 for the review and monitoring of SOE performances. A number of SOEs such as the Waste Management Authority Limited, Tonga Print, Tonga Machinery Pool, and the Tongatapu Market Authority have been corporatised.

SOEs made remarkable turnaround to profitability after 2002. In 2006 and 2007, government also received dividend payments. Performance reviews also saw major progress. However, what proved out to be very difficult was the review of salary levels of the entire public service through a job evaluation exercise and job cuts by way of voluntary redundancy packages. Such a move was not well received and in 2005, majority of the civil service staged a strike for three consecutive months. But the situation was eventually resolved with many public servants applying for redundancy packages, reducing the public service posts from 5,558 of 2004 to 4,581 in 2006. Restructuring has also seen some progress. Despite its poor beginnings, Tonga has been able to achieve significant milestones in reforming its public enterprises. Stiff objections from the civil service itself and to some extent from the political sphere failed to deter the firm political commitment in Tonga at the highest level from His Majesty, Cabinet and the government. In contrast, Tonga's neighbours - Fiji and Solomons have suffered periods of political instability, struggling to complete their reform agenda. In both of these countries, public service delivery remains sub-standard as well as costly, impeding economic investment. Other islands like Cook Islands and Samoa which have had political stability are ahead in reform agendas. In particular, the case of Tonga provides some good lessons to its island neighbours as follows. The role of senior public servants at the second level is very important in the reform process since they are in a better position to influence the lower ranks in their ministries. Including senior officials of line ministries on board can cool down resentment, securing their much-needed support. Amosa (2007b) expresses that the pace of reforms in Tonga deserves acknowledgment since despite strong opposition. Tonga was able to make considerable headway with short-term achievements made within a short timeframe. He notes political commitment, moral support of senior public servants and quick economic recovery as the key factors for Tonga's success.

Samoa has also been successful in SOE privatisation and is said to be one of the most aggressive of SOE reformers in the Pacific. It has restructured and/or divested more than half of its SOEs since the mid-1980s (ADB, 2011).

Unlike many of its neighbours, Samoa has enjoyed a lengthy period of stable government (Amosa, 2007a; Narayan 2010g). Amosa (2007a) provides further details as follows. The government's recommendation to reduce the number of ministries from twenty-eight to eighteen in 2004 proved out to be politically popular. While the result was not favourable to those made redundant, government was able to enlist cooperation and remove doubts amongst the opponents. The adoption of the performance budgeting model by the Ministry of Finance marked the beginning of reforms, followed by an extensive reform of human resource management in 1999. In the initial stages of its reforms, Samoa realised the importance of taking ownership of reforms. It addressed this by establishing a steering committee and a number of sub-committees which saw wider consultation and participation of important stakeholders in the human resource management part of the reform. One of its reform related projects involved capacity building, whereby each ministry was required to recognise the basics of reform. They were also required to revisit their core functions and to make the needed amendments to minimise wastage of resources. Through such activities the ministry better understood how it contributed to the broader government objectives. As a result, many ministries (such as ministries for Agriculture and Fisheries, Customs and Inland Revenue, Health, Public Works, and Education and Justice) amended their regulations, altered their structures, reviewed their policies and procedures as well as conducted extensive staff training. However, despite such efforts the civil servants at the lower levels continue with their old habits and beliefs. This has led to abuse of office and negligence of duties. At the other end with better training, as staff becomes more marketable, they leave the public sector for better offers. In addition, while the action of Public Service Commission in re-centralising the disciplinary function to keep line ministries within the boundaries of reform has been crafted carefully and considered valuable, certain processes such as those relating to salary are still subjected to this Commission's approval. Line ministries point out that the only major change is additional operational activities. In 2001, Samoa also adopted the Public Bodies Performance and Accountability Act. This was said to be the best practice in the Pacific and one that also improved the New Zealand SOE Act on which it is based.

However, progress in the implementation of the SOE policy and act has been slow because of the constant lack of political support (ADB, 2011). According to Amosa (2007a), the enthusiasm, momentum, focus and language no longer remain the same given the end of financial assistance from the donors (in particular the Australian Government - AUSAID) and the departure of expatriates. He explains that the focus now appears to be on sustaining of reforms, however, when compared with the earlier years, this stage attracts little publicity and energy despite its equal importance. As of July 2010, not much progress had been made towards restructuring or closing down of the loss-making or insolvent SOEs. Samoa has also not yet formulated the amending of legislation to facilitate the SOE board restructuring. Resultantly, the performance of the SOEs has further worsened. SOEs recorded a consolidated ROE of -0.7% in 2009. Nonetheless, there are signs that some progress have been made such as the establishment of an independent director selection committee (ADB, 2011). Amosa (2007a) suggests that Samoa look into activities such as rewarding desirable behaviour, commitment from senior managers, sound leadership from central agencies, support for reformers, a learning environment and continuous feedback to sustain reform efforts. He stresses that creativity and a change in the mindsets of public servants need immediate attention.

As for the Republic of Marshall Islands, over the last two decades, SOE reform efforts could not create much sustained effect, as explained by ADB (2011) as follows. The reasons behind this are: reform initiatives failed to address the basic issues such as the ability of recovering the service delivery costs, operating commercially with proper accountability and, poor monitoring and legislative framework. Even the relationship between the government and the SOEs appears to be short-term focused. SOEs, thus incurred operating losses every year during the 2002–2008 period. Accounts receivable keep rising, averaging 66 per cent of revenue between 2002 and 2008. Lack of political commitment towards reforms persists.

Another PIC, Solomon Islands, has suffered long from poor SOE performance.

ADB (2011) reveals the following. SOE management in Solomon Islands has been rather political than commercial in nature. However earlier in late 1990s, the then government did embark on aggressive restructuring and divestiture programme for twenty-one of its SOEs. In so doing Solomon Islands prepared many SOEs for sale. It also completed two privatisation transactions but the change in government in 2000 brought about a stop to its privatisation programme and saw the abandonment of SOE restructures. Decades of poor governance have seen persistent underperformance with almost half of the SOEs now insolvent. The SOE boards put more emphasis on political imperatives, violating the country's strong SOE Act enacted in 2007. However, even when the Solomon Islands SOEs are the poorest of performers when compared with the abovementioned four countries, there are encouraging signs towards reforms. For instance from 2009, three large SOE boards have been restructured. In 2010, the new government made its commitment to implement the terms of the SOE Act.

All in all in Fiji, the Republic of the Marshall Islands, Samoa, Solomon Islands and Tonga, government has continued to invest in larger public enterprises leading to limited opportunities for private investment. ADB (2011) provides with the following statistics.

Table 4.1: Economic/Financial Impact Indicators of SOEs

SOE contribution to GDP in 2008				
Fiji	Republic of the Marshall Islands	Samoa	Tonga	Solomon Islands
3.3%	2.1%	6.2%	5.5%	-0.3%
Average Return on Equity (ROE) of SOEs between 2002 and 2009				
Fiji	Republic of the Marshall Islands	Samoa	Tonga	Solomon Islands
0.7%	-13.2%	0.2%	6.0%	-13.9%
Average Return on Assets (ROA) of SOEs between 2002 and 2009				
Fiji	Republic of the Marshall Islands	Samoa	Tonga	Solomon Islands
0.4%	-5.9%	0.1%	3.6%	-4.5%
Government Funding to Underperforming SOEs between 2002 and 2009				
Fiji	Republic of the Marshall Islands	Samoa	Tonga	Solomon Islands
US$42m	US$80m	US$97m	US$15m	US$52m

Source: ADB (2011)

Table 4.1 shows that SOE contribution to GDP was highest in Samoa followed by Tonga in 2008. SOE contribution to GDP was lowest in Solomon Islands followed by the Republic of the Marshall Islands. The average Return on Equity (ROE) was highest in Tonga between the years 2002-2009. ROE measures a company's profitability, indicating the amount of profits a company is able to generate from the investment of its shareholders. If earnings are reinvested in the company at a high ROE rate, then the company benefits with a high growth rate. A high ROE indicates that an enterprise is capable of generating cash internally. The average Return on Assets (ROA) was also highest in Tonga between the years 2002-2009. ROA reflects at the efficiency of the management in utilising the company's assets in generating income. The higher the ROA, the better. Government funding to underperforming SOEs between the years 2002-2009 was highest in Samoa followed by the Republic of the Marshall Islands and was lowest in Tonga.

The above section discussed PER on PICs. It highlighted how different PICs make efforts in reforming their SOEs in their own time. Each PIC also has problems unique to it. While some are clearly forerunners like Tonga, others lag behind. On the whole, the governments of these countries have long realised the need for SOE performance improvement. However, ADB's (2011) report has shown that the pace and extent of reforms have been directly related to political commitment. This report criticises PIC economies in the following areas. SOEs continuously constrain the PIC economies given that while they absorb large amounts of scarce capital, they provide very low returns. The SOEs that operate as pure commercial enterprises also crowd out the private sector. Too often the benefits sought from corporatisation do not materialise because of incomplete commercialisation process of the SOEs where SOEs are driven more by political imperatives than commercial goals. The report suggests commercial orientation, independent operations free from political interference and result oriented accountability for better SOE performance. This ADB report on SOE performance in PICs particularly centres on economic and/or financial indicators. It does not give elaborate explanations of what causes differences in financial performance between individual public enterprises in each PIC.

The remainder of this chapter focuses on PER in Fiji. This section is more detailed since this thesis is Fiji based. Extensive discussion is warranted in light of limited extensive studies of such nature in Fiji. In the second part of this section, the chapter gives a background on PER in Fiji, informing of the rationale behind the Fijian reforms, the start off of reforms and the stages of the PER process in Fiji. It then critically reviews the work of earlier and current authors who have investigated into reform issues in Fiji. This discussion brings to the forefront, the essence of this thesis in terms of addressing some of the gaps apparent in local studies.

4.5 Public Enterprise Reforms in Fiji

4.5.1 Background

According to Snell and Prasad (2001), Fiji ranked one of the most developed of the Pacific Islands until the mid-1980s. They mention that Fiji was in a steady economic position with import substitution policies and a small but growing manufacturing sector. They state that from 1987, Fiji witnessed economic recession and Structural Adjustment Policies (SAPs) such as deregulation of labour market (1989-removal of wage indexation), promotion of export oriented policies (1989-Tax Free Factory Scheme) and Public Sector Reforms (PSR) (1990s). They claim that the earliest major change emerging from SAPs was the 1984 unilateral wage freeze imposed on the entire Fijian economy. This was done to make Fiji's export oriented industries more competitive. As per Appana (2003: 56), the 1984 wage freeze was the "first substantive step in the direction of public sector reforms…".

Chand (1996) and Prasad (1998) inform that Fiji pursued import substitution policy since its independence in 1970. They indicate that the beginning of the policy shift from import substitution strategy towards an export oriented economy was clearly visible from 1984.

Fiji has about sixteen years of reform experience after the enactment of the Public Enterprises Act (1996).

The PER process is still developing as mistakes are made and lessons are learnt leading to further improvements. The reform process was initiated by the Soqosoqo Vakavulewa ni Taukei (SVT) Government and, supported and continued by the Sogosogo Duavata ni Lewenivanua (SDL) Government. Even the current military-led government is encouraging and promoting PER vigorously as it pushes reforms further.

4.5.2 Why reform?

There is a close agreement among local authors in general on the reasons behind the start off of reforms in Fiji. Reddy (1998) and Sarker (2000) mention that such reasons involve a combination of internal as well as external factors. They state that political changes throughout the globe and the pressure from stakeholders (the public, international financial institutions and other lending agencies) compel governments worldwide to relook at their roles and to come up with alternative means for efficiency and effectiveness. They also bring up the issue of the inefficient expanded roles of public enterprises in Fiji. Reddy (1997) further elaborates that the key reasons behind the reform programme in Fiji are to 1) restructure the public sector (which was becoming unmanageable, inefficient, getting larger in size and chewing government funds), 2) reduce the size of public sector, 3) put up with market competition and to 4) ultimately make it more efficient. As per the Department of Public Enterprises (1998), there was pressure from the late 1980s to reduce the role of the government to activities it could best handle excluding the commercial activities which were considered better handled by the private sector. Fiji has shown initiative towards engaging the private sector with the introduction of Public Private Partnership (PPP). Some of the examples of the PPP projects are the Suva market and bus terminal, airports, water and waste water projects, road maintenance and Fiji slipway.

4.5.3 Politics and Public Enterprise Reforms

Reforms began mid-1980s in Fiji but were delayed because of the uncertainty created in the economy post the dual military coups of 1987 (Reddy, 2000).

In his paper, Appana (2003) gives details on the interplay of politics and PER in Fiji as follows. After the initial economic improvement post independence in 1970, Fiji entered a recessionary phase in the 1980s facing weak economic growth, rising unemployment and low investment levels. At this point Fiji realised that it could no longer ignore the global trend of deregulation. It thus began to plan economic reforms and restructuring of the public sector but only to have its efforts disrupted by the 1987 coups. The situation took a turn for the worse. A month after the coup, the economy almost collapsed forcing Fiji to take quick actions in order to retain and attract the much-needed investment. By 1989, the military, in the absence of parliamentary opposition, endorsed structural adjustments[5]. The very first reforms were implemented in the following four companies between 1990 and 1992. Post and Telecommunications Department first came up as Fiji Post and Telecommunications Limited in January 1990. Later in 1996, the company was separated into two, Telecom Fiji Limited and Post Fiji Limited. Ika Corporation became Ika Corporation Limited in January 1990. Fiji Pine Commission was incorporated as Fiji Pine Limited in September 1990. National Marketing Authority became National Trading Corporation Limited in 1992 (Reddy, 1997).

The Rabuka Government's structural adjustment policies centered on private sector led developments between 1996 and May 1999, giving public sector restructuring much importance. Restructuring involved corporatisation of public enterprises and selected government departments with the aim of subsequent sale of their shares to the private sector. The reforms and the restructure of public enterprises brought with it redundancies making reforms very unpopular to the working public (Appana, 2003). The Rabuka Government as a result, paid the price by losing the next elections while the People's Coalition political party which opposed restructuring won the elections (Reddy, 2000; Snell, 2000).

With the Peoples' Coalition Government in power from May 1999 under the leadership of a former unionist Mahendra Chaudhry, restructuring programs were shelved and some of the Rabuka Government's reform initiatives were rolled back.

[5] It was in 1992 elections when the 1987 coup leader, Colonel Sitiveni Rabuka was elected as the Prime Minister.

The Fiji Labour Party (FLP)-led People's Coalition Government due to its adherence to the general labour principles (Appana, 2003) was clearly populist, left leaning and sympathetic to workers (Reddy, 2000). Accordingly, three companies namely, PowerGen Fiji Limited, Powerlines Fiji Limited and MegaPower Fiji Limited formed after the restructuring of Fiji Electricity Authority (FEA) were deregistered (Reddy, 2000). Also, the privatisation plans for Government Supplies, Government Printery and the Water Unit of the Public Works Department and, the reorganisation plans for the Marine Department and the Ports Authority were all halted (Snell and Prasad, 2001).

The Peoples' Coalition Government was removed by another coup in May 2000. The next new SDL led government, also being pro reform, declared renewed commitment towards reforms. In addition, it emphasised on increased participation of the ethnic Fijians in the reform process (Appana, 2003). The SDL Government was overthrown by yet another coup by the military in 2006. This current interim government led by the military is also pro-reform. However, unlike the deposed SDL Government, it promotes racial harmony.

Fiji is a coup ridden economy. It has developed a coup culture. Because of the changes in government brought about by the coups, progress on PER has varied. The number of coups has dimmed Fiji's business climate attractiveness, led to brain drain, brought about reduction in foreign funding and led to devaluation of the Fijian dollar, making Fiji a politically unstable economy. After every coup and the subsequent change in government, some degree of uncertainty engulfs the country. Every new government also comes up with changes in policies which require reversals and amendments made to the previous policies. Unions in Fiji have also been relatively strong. However, they are not as strong as before under the current military led interim government. Chapters six and seven shed more light on this.

ADB (2011) provides the following highlights on progress on PER in Fiji. As indicated earlier, ADB uses the term SOEs for public enterprises in its report. Fiji was the early implementer of SOE reforms with a generally sound Public Enterprise Act (1996).

Fiji has also been the leader in public–private partnerships and contracting-out. However, little progress has been made since the December 2006 coup. Government received dividends of only F$15.8 million from its 100 per cent owned SOEs between 2007 and 2009. Since 2007, fourteen out of twenty SOEs showed declines in profits. According to the ADB (2011), a key problem with reforms in Fiji is the lack of specific guidelines on director appointments. Details on director duties and obligations are also inadequate. However since 2008, government is focusing on improving the monitoring and compliance aspects and has undertaken performance assessments of certain SOEs. It is currently working towards greater private sector involvement and corporatisation. The empirical chapters, chapters six and seven shed some light on political appointments to boards in Fiji. These chapters also explain why some qualified members of the public may not want to become a board member in public enterprises of Fiji.

4.5.4 The Legal Framework for Reform

Fiji's legal framework for PER is based on the New Zealand reform model. Even though the Fiji Government had two important structures in place in 1992 and 1994 (Public Enterprises Unit, 1992 and Ministry of Finance and Public Enterprise, 1994), the real breakthrough towards PER was the enactment of the Public Enterprises (PE) Act in 1996 (Sarker, 2000). Thus, a full-scale implementation of reforms did not occur until 1996.

Appana (2003) informs that the Public Enterprises Unit (PEU) was established in 1989 within the Ministry of Finance. He notes the establishment of PEU as the first step towards PER. PEU was a separate unit within the government that dealt with public enterprises. PEU is now known as the Ministry of Public Enterprises, Tourism and Communications (MPETC). This ministry was established in 1996. Its duties are to facilitate the implementation of the PER programme and to monitor the performance of such enterprises. In October 1993, the elected cabinet approved a reform programme for the public enterprises. The 1987 coup leader - Rabuka was elected as the Prime Minister after the 1992 elections.

In December 1996, given the pressure from the international agencies, the PE Act (1996) was ratified by the House of Representatives and the Senate (Snell and Prasad, 2001). The PE Act (1996): 1) outlines the guidelines for the reform policy, 2) outlines the operations of the MPETC, 3) targets specific public enterprises for reorganisation and 4) oversees the roles and responsibilities of MPETC. Overall, the 1996 legal framework looks into the reorganisation and corporatisation of government nominations, the principal commercial objectives, structural regulation, the relationship between GCCs and the government, and the reporting and accountability regulations (Interviewee 6, 2009, 2011, 2012). As a result of the PE Act (1996), three types of public enterprises were created. These were the Reorganisation Enterprises, Government Commercial Companies (GCCs) and Commercial Statutory Authorities (CSAs) (Government of Fiji, 1996; Reddy, 2000). Appendix 5.1 summarises the PE Act (1996). This act was first amended in 2002 to further enhance improvements on the reporting timeframe of public enterprises.

In February 2003, cabinet approved a policy on managing redundancies resulting from corporatisation and privatisation. Earlier, cabinet had approved a policy of 'no compulsory redundancy' given the huge industrial relations problems emerging from redundancies of restructured enterprises. Through this change in policy, government gives public enterprises a number of options (such as voluntary redundancy, freezing of external recruitment, redeployment, early retirement, job sharing, reduction in hours etc) to minimise redundancies. In this respect, the GCCs and CSAs are required to identify and forward a list of the number of surplus workers and the associated employment cost to the Minister for Public Enterprises, Tourism and Communications. The GCCs and CSAs are also required to consult the respective unions on the options available to manage the proposed redundancy. Another policy accepted by the cabinet was the Performance Policy Framework. This framework promotes 'Pay for Performance Culture' whereby financial rewards are based on employee performance. With Job Evaluation Exercises (JEE) and the Performance Management System (PMS), the framework ensures that pay increases are productivity based rather than fixed rate increases across the board (Ministry of Finance and National Planning, 2004).

Later in December 2003, another policy was announced – the Corporate Governance Framework. This policy incorporates the strategic direction of a public enterprise, effective monitoring of management by the Board of Directors (BOD) and the accountability of the BOD to the enterprise and the shareholders. Through this framework the BOD are made more accountable for their decisions and actions. The Chairman on behalf of the BOD is required to regularly update the shareholders (the MPETC and the Ministry of Finance) on the performance of the public enterprises. Chapter eight of this thesis analyses and explains the role of BOD in principal-agent issues using empirical evidence. The Minister for Public Enterprises, Tourism and Communications has primary accountability and powers under the PE Act (1996).

The other minister, the relevant Minister is nominated by the Prime Minister. The relevant Minister is the Minister of the line Ministry which are different for different enterprises. For instance, the relevant or the line ministry of Food Processors (Fiji) Limited and Rewa Rice Limited is the Ministry of Agriculture. For Yaqara Pastoral Limited, the relevant ministry is the Ministry of Primary Industries. In most instances, the Minister of Public Enterprises, Tourism and Communications consults with the relevant Minister in exercising his powers in activities such as payment of dividends, acquisition or disposal of shares, appointment of directors, providing directions to a GCC, declaring a CSA, approving the corporate plan and, approving the statement of corporate intent. The Minister of Finance is also consulted as the relevant Minister in many fund related cases. The board is obligated to keep the relevant Minister informed on matters it discloses to the Minister of Public Enterprises, Tourism and Communications.

4.5.5 The Public Enterprise Reform Process

The PER programme in Fiji is illustrated in Figure 4.1 on the following page.

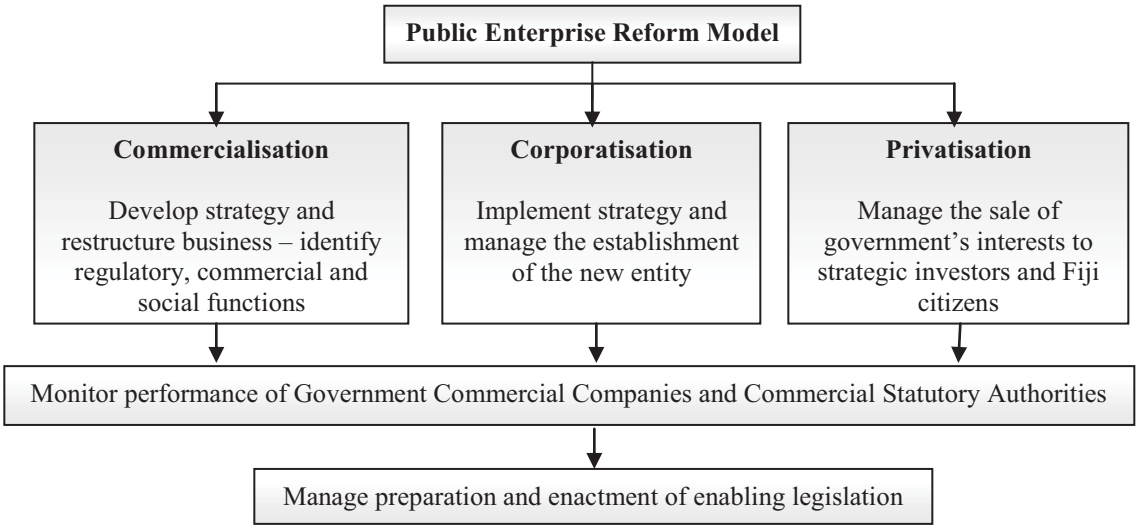

Figure 4.1: The Public Enterprise Reform Programme of Fiji

Source: The Department of Public Enterprises (1998)

In addition, Fiji has come up with the following steps for commercialisation and corporatisation as part of its reorganisation process where step 1 represents the commercialisation stage; steps 2-5 describe the transition from commercialisation towards corporatisation while step 6 represents the corporatisation stage.

According to MPETC (2009a), the below step by step process is followed to initiate commercialisation and corporatisation in selected public enterprises.

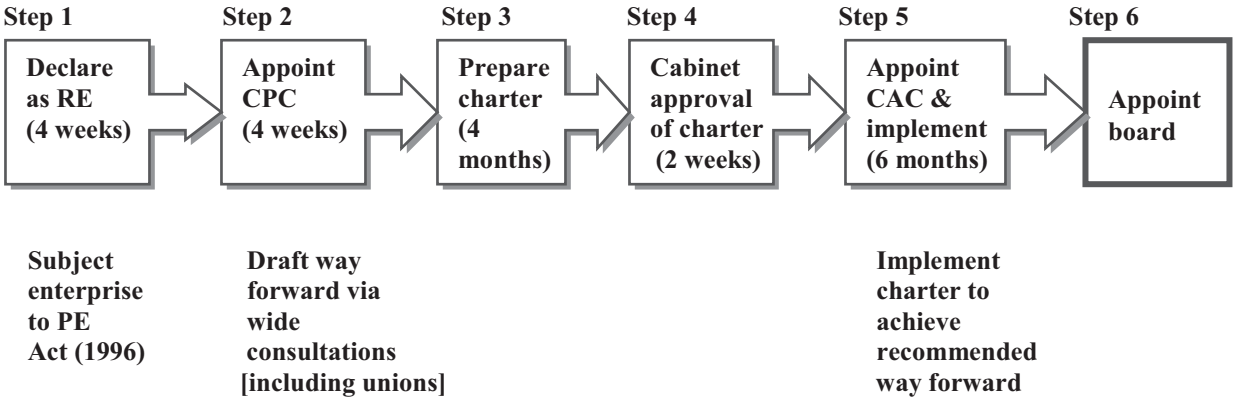

Figure 4.2 Reorganisation Process

Source: MPETC (2009a)

Figure 5.2 is explained by MPETC (2009a) as follows.

Step 1: Declare as Reorganisation Enterprise

In this step, a selected public enterprise is declared a Reorganisation Enterprise (RE) in line with the PE Act (1996) upon consultations between the minister responsible for the enterprise and the Minister of Public Enterprises, Tourism and Communications. Cabinet approval is then sought. From this time onwards, the MPTEC assumes a lead role in the reform process of the RE.

Steps 2 & 3: Appoint a Charter Preparation Committee/Prepare Charter

A Charter Preparation Committee (CPC) is appointed to prepare a reorganisation charter in this step. Its key task is to formulate the 'way forward' for the RE so that it can operate in line with the principles of the PE Act (1996). A scoping study determines whether the enterprise is to be changed to a CSA, GCC or remain as it is with changes to its processes. The formulation of this charter does not take place in isolation. Extensive consultations are undertaken with the relevant stakeholders whose views are also considered. During the preparation of the Charter, the Charter Committee identifies stakeholders relevant to the project and meets with them accordingly. This includes the unions.

Steps 4 & 5: Cabinet Approval of Charter/Appoint Charter Administration Committee

The reorganisation charter is presented before the cabinet for approval. Upon approval, a Charter Administration Committee (CAC) is appointed by the minister for charter implementation. The CAC facilitates and oversees the transition of the RE as per the charter recommendations. The CAC can also review the reorganisational structure and the legislation of the RE.

Step 6: Appoint Board

The minister appoints a board for the RE if the RE is to be structured as a GCC or CSA. MPETC engages in ongoing monitoring process.

The monitoring process involves a twenty month cycle of submission and evaluation of corporate documents for the financial year's operations. MPETC also looks into an enterprise's adherence to corporate governance policies.

According to The Department of Public Enterprises (1998), an enterprise is not required to go through the three stages of commercialisation, corporatisation and privatisation one after the other. Only when it is clear that government lacks the expertise as well as the needed capital then straight privatisation is considered. In cases where straight privatisation is not possible or will not be effective given the unattractive status of the public enterprise, government tries to turnaround these enterprises to make them financially attractive to the private buyers before selling them to the private sector. Such enterprises are subjected to the first two stages of the PER process – the commercialisation and corporatisation stages (The Department of Public Enterprises, 1998).

The following are taken into account for privatisation process. Government allows GCCs to operate as commercial enterprises to enhance their shareholder value before making privatisation decisions. If the public enterprise's activities are of national strategic importance, government will hold onto the controlling interests of the enterprise targeted for privatisation but the value of such an enterprise will be set by market conditions and the same will be approved by the cabinet and parliament. The sale process will need to be on a competitive tender basis and the sale of shares may also be open to strategic partners for inflow of expertise and capital. Divestment is directed towards individuals or companies who have funds, technical expertise, managerial expertise and access to markets. Employees can also be offered shares to give them a chance to become shareholders in the public enterprises they work in.

The following section reviews literature on PER in Fiji to highlight the apparent gaps leading to the importance of this thesis. It critically addresses the work of past and current authors who have investigated into PER issues in Fiji.

4.5.6 Research on Public Enterprise Reforms in Fiji

Not too many studies have been carried out on PER in Fiji. Thus far, past research reveals that the following public enterprises have been investigated: Airports Fiji Limited (Snell, 2000; McMaster 2001; Singh, 2002), Customs and Excise Department (Chand, 1999), Fiji Pine Limited (Reddy, 1997, 1998), Fiji Post and Telecommunications Limited (Reddy, 1997, 1998), Fiji Sugar Corporation (Reddy, 2003; Lal and Rita, 2005; Reddy and Kumari, 2007; Kumari, 2007), Government Shipyard and Public Slipways (McMaster 2001; Narayan, 2005, 2008), Housing Authority (Nath, 2000; Sharma and Hoque, 2002), Inland Revenue Department (Chand, 1999), National Bank of Fiji (Reddy, 1998; Chandra et al., 2004; Lodhia and Burritt, 2004), Ports Authority of Fiji (Singh, 2002) and Public Rental Board (Sharma and Lawrence, 2005).

Most of these studies have focused on reform implementation and its aftermath in public enterprises except for the research by Chand (1999 - on Inland Revenue Department and Customs and Excise Department) and Nath (2000 - on Housing Authority). These two authors have focused on Performance Management Systems (PMS) in the public sector.

This thesis agrees with some of the authors who have researched on PER issues in Fiji on the following points.

Appana (2003) points out that NPM has gaps and fails to fully acknowledge the peculiarities of individual countries such as Fiji. Appana's (2003) article critically analysed the NPM model for public sector reforms and outlined the political and economic framework within which the public enterprise restructuring in Fiji takes place.

The articles of Reddy (1997, 1998), Singh (2002) and Narayan (2010b, 2010d) reflect at the problems Fiji faces as its public enterprises journey into the PER process.

Reddy's conference paper (on Fiji Posts and Telecommunications Limited and Fiji Pine Limited), Singh's thesis (on Ports Authority of Fiji and Airports Fiji Limited) and Narayan's articles (on Fiji Posts and Telecommunications Limited, Fiji Pine Limited, National Bank of Fiji, Civil Aviation Authority of Fiji, Ports Authority of Fiji and, Government Shipyard and Public Shipways) have highlighted the common industrial relations problems as public enterprises go through the PER process. Such problems do not allow the reform efforts to produce desired outcomes. Another key problem highlighted in these studies is the difficulty of instilling commercial work practices in such reforming public enterprises. Changing the civil service work culture to commercial culture has proved very challenging since such employees have been in the public sector for long periods of time and have become so set in their work habits that they either resist changes or do not feel the need to change.

The point Sharma and Lawrence (2009) make in their article is also noteworthy. They researched the Housing Authority and Telecom Fiji Limited. They highlight that employees refuse to go along with new ideas of commercialisation, new accounting and strategic management oriented systems or technologies. They explain that employees react in such ways because of redundancy fears and, because the new ideas conflict with the organisation's social obligations and Fiji's cultural and political context.

It is also clear that public enterprises are neither adequately prepared nor equipped with the needed institutional framework. Lodhia and Burritt's (2004) research provided evidence on structural inadequacies creating bottlenecks in the reform process. Lodhia and Burritt's (2004) research also showed failure of accountability mechanisms where poor management and corruption were present.

Political uncertainty, coups and changes in regimes contribute to PER related policy shifts. This was well explained in the study by McMaster (2001). At times, restructuring of public enterprises are undertaken not to turnaround poor performing public enterprises but to undermine trade union and worker resistance who/which become stumbling blocks in the PER processes. This point was well explained by Snell (2000).

According to Snell (2000), the hiring of New Zealand contract employees in Fiji's civil aviation during its restructure was a ploy used by the SVT Government to undermine the trade union and worker resistance who/which was a hurdle in Fiji's privatisation schemes at that time.

Too often PER is seen as a quick fix solution to better the performance of poor performing public enterprises. This was clear from the studies undertaken by Narayan (2008) and Narayan and Reddy (2009) on the failed privatisation process of Government Shipyard and Public Slipways (GSPS) which showed that a rush into privatisation only exacerbates poor performance. After privatisation, GSPS faced receivership. It was bailed out through a re-nationalisation process which once again gave 100 per cent ownership of this public enterprise to the Fiji Government.

The factors emerging from the above studies also suggest the relevance of the theories of Agency, Structuration, Institutionalisation (inadequate institutional framework, structural inadequacies in institutions and organisations, poor accountability mechanisms, poor management and corruption, PER related policy shifts) and Organisational Culture (human resource and industrial relations issues - trade union and worker resistance and the difficulty in instilling commercial culture) in the public sector setting.

Overall, whereas the findings and recommendations of these local studies are worth noting, these studies are weak in certain areas. This thesis notes that many of these studies are broad-based, reviewing reforms in Fiji as a whole such as the articles of Appana (2003), Sarker and Pathak (2003), Appana (2005), Amosa (2010) and Narayan (2010g).

Also, almost all local studies on PER in Fiji are only based on one, two or just three case-studies such as the studies carried out by Reddy (1997), Chand (1999), Snell (2000), McMaster (2001), Sharma and Hoque (2002), Singh (2002), Reddy (2003), Lal and Rita (2005), Chandra et al. (2004), Lodhia and Burritt (2004), McMaster and Nowak (2005), Sharma and Lawrence (2005), Narayan (2008, 2009a, 2009b, 2010a, 2010b, 2010c, 2010e, 2010f, 2011), Narayan and Reddy (2009), Sharma and Lawrence (2009) and Karan (2010) except Narayan's (2010d) article which discussed industrial relations issues of six public enterprises. The one to three case study based research are thus weak in generalisations and comparability due to examination of very few case studies. Empirical larger-scale evidence such as the research undertaken for this thesis is limited in Fiji.

In addition, most of these studies such as those researched by Reddy (1997, 1998, 2003), Snell (2000), McMaster (2001), Sarker and Pathak (2003), McMaster and Nowak (2005), Narayan (2008, 2009a, 2009b, 2010a, 2010b, 2010c, 2010d, 2010f, 2010g, 2011), Narayan and Reddy (2009) and Karan (2010) are silent or weak in theoretical explanations which are needed to put empirical studies into perspective except for the studies done by Chand (1999) who used socio-cultural perspectives, Sharma and Hoque (2002) who used the institutional theory, Sharma and Lawrence (2005) who used the new institutional sociology and the technical-rational perspectives, Amosa (2010) who used the principal-agent theory and Narayan (2010e) who used the theoretical debate between agency and structure. However, these studies only relied on one or two theoretical perspectives which fail to bring out a holistic understanding of the cases. Also, while Amosa's (2010) paper is interesting, its conclusion of the agency theory not recognising various relationships and common interest shared by the principal and agent in public enterprises needs to be further tested in a more detailed empirical work on specific public enterprises. On the whole, a number of papers while rich in empirical work, lack sufficient theoretical backing.

Furthermore, some studies are weak in data sources because of dependence on one or very few sources.

For example, the research done by Sharma and Hoque (2002) was based on interviews with employees and internal documentation only. Chandra et al. (2004) used published studies and official documents only. Lodhia and Burritt (2004) depended on materials published for otherwise reasons – archival research techniques.

Some articles like those by Snell (2000) and Singh (2002) are also left leaning giving their articles, a socialist touch. Accordingly then, these gaps deserve a greater scholarly attention in Fiji than given so far. To this end, first, this thesis will attempt to address these apparent gaps with a research on multiple cases of seven GCCs in Fiji (Airports Fiji Limited, Fiji Hardwood Corporation Limited, Fiji Ports Corporation Limited, Food Processors (Fiji) Limited, Post Fiji Limited, Rewa Rice Limited and Unit Trust of Fiji (Management) Company Limited) to allow for appropriate generalisations. The thesis will compare the reform efforts in these seven public enterprises, a combination of better and poor performing GCCs. This is especially because much more is known about what has not worked in the past than what is likely to work in the future, leading to many examples of obvious failure but fewer cases of success (Schacter, 2000).

With respect to past research in Fiji, few comparative studies and even fewer multiple PER related case studies have been investigated. This thesis will do better as it will investigate into GCCs which sit at different levels of financial performance. Such companies experienced reforms which resulted in mixed outcomes (a combination of positive as well as negative end results). With seven case studies, this thesis is more extensive than past studies and can thus lead to more concrete generalisations. To the best of the researcher's knowledge, this thesis is one of the first larger-scale, multiple-case study research on PER in Fiji. In this way, this thesis also responds to previous calls in literature for future multi-site based studies (Sharma and Hoque, 2002), contributes towards calls for more empirical support or condemnation of PER rationales in a developing country context such as Fiji (Sharma and Lawrence, 2005: 3) and answers calls for careful reviews of public sector management practices in such economies to further substantiate the claim of failures of NPM (Lodhia and Burritt, 2004).

4.6 Conclusion

This chapter reviewed literature on PER. It began with an overview on PER and then discussed PER around the world. Since a lot has already been written on PER worldwide, this section was kept brief and only focused on emerging issues. Because Fiji is a PIC, a lot more was discussed on PER in PICs which followed the discussion on PER around the world.

The chapter then highlighted how PER began in Fiji, described the PER process in Fiji and then critically looked at the work of earlier and current authors who have investigated into reform issues in Fiji. This discussion towards the end of this chapter brought to the forefront, the importance of this thesis.

This thesis attempts to do better than the previous studies in the area of comparative studies using case studies which vary in financial performance. However, this thesis only focuses on the financial performance of the corporatised public enterprises of Fiji. It does not consider privatised enterprises since Fiji has more examples of corporatisation than privatisation. Government exercises caution when privatising public enterprises given its failure in privatising Fiji Ships and Heavy Industries. This thesis also uses various data sources as well, as it tries to keep a balance between empirical research and theoretical elaborations unlike most of the previous studies.

The next chapter will discuss the financial performance of public enterprises in Fiji.

Chapter 5

Financial Performance of Public Enterprises

5.1 Introduction

A review of literature on Public Enterprise Reforms (PER) was carried out in the previous chapter, chapter four. Since a lot has already been written on PER worldwide, the chapter discussed a lot more on PER in Pacific Island Countries, in particular in Fiji. In its description on the PER process in Fiji, the chapter stated that the public enterprises which were corporatised into Government Commercial Companies (GCCs) followed the same process.

This chapter, chapter five focuses particularly on the financial performance of public enterprises of Fiji. Table 5.1 presented later in this chapter lists all the public enterprises in Fiji. In spite of the same structure being followed for their corporatisation process as shown in chapter four, chapter five will reveal notable differences in the financial performance of these GCCs. In discussing the financial performance, chapter five establishes the fact that while all GCCs have been structured the same way for their corporatisation process, their financial performance has differed. While some GCCs are able to generate profits, others operate in losses. In addition, there are a few GCCs whose financial performance has fluctuated.

To explain the difference in financial performance, this thesis takes up inductive as well as deductive methods which are explained below. The inductive method of research will describe the developments in the case study GCCs over the years to identify the causes of differences in financial performance. To this effect, this thesis treats the financial performance (in particular revenue, profits, dividends and financial ratios of asset utilisation, liabilities to total assets, cash ratio and return on assets) as the dependent variables. Financial performance is treated as the dependent variable since it shows how an enterprise performs financially.

However, financial performance does not explain 'why' an enterprise performs the way it does. It does indicate the bottom line but does not explain 'why' there are differences in financial performance.

The causes or factors leading to different financial performances can better explain 'why' there are such differences. Such causes can be both financial as well as non financial in nature. This thesis considers these causal factors as the independent variables. The descriptions in the following empirical chapters of six and seven and the analysis in chapter eight identify and bring these emerging independent variables to the forefront for comparisons across the selected cases. These causal factors are those that affect the financial performance of the GCCs, positively or adversely. Such factors can be identified inductively, from in-depth empirical data which describe the developments in GCCs over the years. Overall, these emerging causal factors will help to solve the key puzzle of why reforms fare well in some public enterprises, not all - the question central of this thesis.

In addition, this thesis makes use of theoretical perspectives. In so doing, it uses empirical evidence of this research to test theoretical explanations behind differences in financial performance. This is the deductive method. Chapter two discussed these theoretical perspectives and explained the selection of relevant theories, highlighting the link between the assumptions of these theories and financial performance of organisations. Chapter eight will test the assumptions of the five selected theories of Resource Dependence, Agency, Structuration, Institutional and the Organisational Culture to ascertain their relevance in the realistic setting of GCCs.

In this way, this thesis tries to gather evidence inductively as well as deductively, to explain why there are two groups of GCCs in Fiji – the better and poor financial performers.

This chapter begins with a discussion on the financial performance of Fiji's public enterprises over the years, sourced particularly from the available Fiji Government data and ADB research. These are the readily available data on the financial performance of the public enterprises in Fiji.

This chapter first covers the financial performance of all public enterprises in Fiji which include the GCCs, Commercial Statutory Authorities (CSAs), government majority owned enterprises and the government minority owned enterprises. The chapter then narrows down the discussion to the financial performance of the wholly government owned, commercialised and corporatised public enterprises – the GCCs and the CSAs.

However, for case studies of this thesis, the focus will be on GCCs. The reasons behind the selection of GCCs over CSAs are as follows. Data accessibility from CSAs has been a problem in the past. CSAs like Fiji Electricity Authority are not receptive to research requests. An earlier request was rejected.

The GCCs are more in number when compared to the CSAs, thus give the opportunity to examine more cases. These GCCs also significantly differ in their financial performance levels from each other, allowing for effective comparisons.

Also, GCCs such as Rewa Rice Limited and Fiji Hardwood Corporation Limited have never been scholarly researched into earlier. Literature on past studies on Fiji's public enterprises in the previous chapter, have no mention of these cases.

While there are few articles on the other GCCs, research questions have been different with little to no comparison. Examples are the articles by Snell (2000); McMaster (2001); Singh (2002); McMaster and Nowak (2005); Narayan (2008, 2009, 2010, 2011 except 2010d); and Narayan and Reddy (2009). The analysis on the past studies on Fiji's public enterprises in the previous chapter gives details on these.

Furthermore, the author of this thesis has a particular interest in GCCs from the time of her earlier Masters research in which she researched into a, the then GCC, Government Shipyard and Public Slipways (GSPS), now known as Fiji Ships and Heavy Industries Limited (FSHIL), a subsidiary of Fiji Ports. In this Masters research, the failed privatisation process of GSPS was examined. After it was incorporated as Shipbuilding Fiji Limited (SFL), GSPS was privatised through a sale of its 51 per cent shares to a consortium, MCI Carpenters Limited (MCIC). As this privatised entity underwent receivership, the entity was re-nationalised. The re-nationalisation process once again gave back 100 per cent ownership to the Fiji Government. The study found out that the privatisation of GSPS was rushed and seen as a quick fix solution. The privatisation deal itself was questionable. This doctoral research will broaden and further build on the author's understanding on GCCs.

Following the discussion on financial performance, this chapter gives brief descriptions of each GCC. It also highlights the key financial outcome of profits generated by each GCC to place them into categories of better and poor performers. The chapter then points out the GCCs that are selected as the case studies for this thesis. These are just brief highlights to provide background to what will be described and discussed in detail on selected GCCs, in the remainder of this thesis.

The next section discusses the financial performance of Fiji's public enterprises over the years. This data is particularly sourced from the available Fiji Government data and the ADB research.

5.2 Financial Performance of Public Enterprises of Fiji

This section covers the financial performance of all public enterprises in Fiji.

The following table presents the list of all public enterprises in Fiji.

Table 5.1: Public Enterprises in Fiji

	Public Enterprises	Government Shares	Sector/Portfolio
	Government Commercial Companies (GCCs)		
1	Airports Fiji Limited (AFL)	100	Transport & Infrastructure
2	Fiji Broadcasting Corporation Limited (FBCL)	100	Communication
3	Fiji Hardwood Corporation Limited (FHCL)	100	Fisheries & Forests
4	Fiji Ports Corporation Limited (FPCL)	100	Transport & Infrastructure
5	Fiji Public Trustee Corporation Limited (FPTCL)	100	Trade & Finance
6	Food Processors Fiji Limited (FPFL)	100	Agriculture
7	Post Fiji limited (PFL)	100	Communication
8	Rewa Rice Limited (RRL)	100	Agriculture
9	Unit Trust of Fiji (UTOF)	100	Trade & Finance
10	Viti Corporation Company Limited (VCCL)	100	Agriculture
11	Yaqara Pastoral Company Limited (YPCL)	100	Agriculture
	Commercial Statutory Authorities (CSAs)		
1	Housing Authority of Fiji (HA)	100	Trade & Finance
2	Public Rental Board of Fiji (PRB)	100	Trade & Finance
3	Fiji Meats Industry Board (FMIB)	100	Agriculture
4	Fiji Electricity Authority (FEA)	100	Transport & Infrastructure
	Government Majority Owned Companies (GMAOC)		
1	Air Pacific Limited (APL)	51	Transport & Infrastructure
2	Air Terminal Services Limited (ATS)	51	Transport & Infrastructure
3	Fiji International Telecommunications Limited (FINTEL)	51	Communication
4	Fiji Pine Limited (FPL)	99.8	Fisheries & Forests
5	Fiji Sugar Corporation Limited (FSC)	68	Agriculture
6	Pacific Fishing Company Limited (PFCL)	98	Fisheries & Forests
7	Copra Millers Fiji Limited (CMFL)	94	Agriculture
	Government Minority Owned Companies (GMIOC)		
1	Air Fiji Limited (AFL)	11.5	Transport & Infrastructure
2	Amalgamated Telecom Holding Limited (ATH)	35	Communication
3	Daily Post Limited (DPL)	44.7	Communication
4	Fiji Television Limited (FTL)	14	Communication
5	Pacific Forum Line Limited (PFLL)	23	Transport & Infrastructure

Source: Ministry of Finance (2011)

The above table shows that public enterprises in Fiji include the GCCs, CSAs, the government majority owned companies and government minority owned companies. The GCCs and CSAs are 100 percent Fiji Government owned. A GCC is a corporatised government enterprise and is required to operate purely on commercial objectives, to generate profits. Its Board of Directors is appointed by the Minister for Public Enterprises.

The rules and regulations of GCC operations are stipulated in the Public Enterprise Act (1996) and the Companies Act (1984)[6]. The social objectives fulfilled by the GCCs are said to be compensated by the government.

As for CSAs, its Board of Directors is appointed by its Line Ministry[7] but MPETC oversees the monitoring of its commercial activities. The CSAs were given the statutory authority status to assist in the monitoring of their commercial functions and to make them more accountable. CSAs have dual objectives of commercial and non-commercial objectives. The non-commercial activities are those which do not generate profits but CSAs are required to carry out these activities to serve the wider public as a social obligation. A CSA also has its own legislation. For instance, the Fiji Electricity Authority is guided by the Electricity Act (1985). CSAs were established well before the Public Enterprises Act (1996).

The public enterprises in Fiji also include the Government Majority Owned Companies (GMAOC) with between 51 per cent and 99.8 per cent of Fiji Government ownership. The other type of public enterprise is a Government Minority Owned Company (GMIOC) with less than 50 per cent of Fiji Government ownership.

The GCCs are more in number when compared with any other type of public enterprise in Fiji.

ADB (2011)[8] carried out a research on public enterprises in selected Pacific Island economies including Fiji.

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[6] The Companies Act (1984) has been labelled outdated by the ADB (2011). ADB states that Fiji's Companies Act (1984) is based on the antiquated New Zealand Companies Act (1955). A review of Fiji's Companies Act (1984) commenced in 2010 (ADB, 2011). However, according to the Senior Financial Analyst (Interviews, 2009; 2011; 2012), a lot of time and effort is required to complete the review of this act.

[7] The Line Ministry is different for different enterprises. For instance, the Line Ministry of Food Processors (Fiji) Limited and Rewa Rice Limited is the Ministry of Agriculture.

[8] This is the latest available report by ADB on SOE performance in selected Pacific Island economies, at the time of this research. While the report was released in 2011, it only covers the period 2002-2009 since unaudited data is not released by the Fiji Government.

In this report, ADB presents details on the overall economic impact and financial performance of public enterprises in Fiji as follows. ADB (2011) uses the term SOEs for public enterprises in its report.

Table 5.2: Economic/Financial Impact Indicators of SOEs

SOE proportion of total fixed assets in the economy	12% to 26%
SOE contribution to GDP	3.3%
Contribution to GDP per $1 of investment in SOEs	$0.19
Contribution to GDP per $1 of investment in non-SOE sector	$1.26
Average GDP growth rate for the economy FY2002–FY2008	1.06%
Average Return on Equity (ROE) of all SOEs FY2002–FY2008/2009	0.7%
Average Return on Assets (ROA) for all SOEs FY2002–FY2008/2009	0.4%

FY = Fiscal Year, GDP = Gross Domestic Product, SOE = State-Owned Enterprise
Source: ADB (2011: 4)

Table 5.2 shows that Fiji invests a lot in its SOEs, representing 12 to 26 per cent of total fixed assets in the economy. Despite such considerable investments, SOEs' total direct contribution to GDP is just 3.3 per cent. Overall, this reflects at low productivity of SOE assets. According to ADB (2011), every dollar invested in SOEs produced substantially less output (seven times less) than the same dollar invested in the rest of the economy in the non SOE sector. The financial returns from SOEs' were also poor. Between 2002 and 2009, the average Return on Equity (ROE) was 0.7 per cent while the average Return on Assets (ROA) was 0.4 per cent (ADB, 2011). ROE measures a company's profitability, indicating the amount of profits a company is able to generate from the investment of its shareholders. If earnings are reinvested in the company at a high ROE rate, then the company benefits with a high growth rate. A high ROE indicates that an enterprise is capable of generating cash internally. ROA reflects at the efficiency of the management in utilising the company's assets in generating income. The higher the ROA, the better. Both the average ROA as well as the ROE have been poor for SOEs between the years 2002-2009, reflecting at poor asset utilisation and poor return on shareholder investment.

The following Table 5.3 presents the performance indicators of SOEs between 2002 and 2009.

Table 5.3: Financial Performance Indicators

State-Owned Enterprises	
Net contributions by government (all SOEs) FY2002-FY2009 ($million)	42
Actual earnings (all SOEs) FY2002-FY2009 ($million)	33
Target earnings (all SOEs) FY2002-FY2009 ($million)	406
Commercial SOEs (excludes the infrastructure SOEs of FEA, AFL, FPCL, PFL, FINTEL and FBC)	
% of total SOE assets 2008	46%
ROE FY2002-FY2009	-1.0%
ROA FY2002-FY2009	-0.4%

FY = Fiscal Year
Source: ADB (2011: 10)

Table 5.3 highlights that between the years 2002-2009; government injected $42 million into SOEs. In return, SOEs generated earnings of just $33 million. This fell short of the government-targeted returns which was a very high $406 million. This shortfall in earnings in addition to the new investment in SOEs totalled $414 million. The table also shows that commercial SOEs represent 46 per cent of total SOE assets. During the period 2002-2009, the Commercial SOE ROE averaged -1.0 per cent while ROA averaged -0.4 per cent. ROA and ROE of Commercial SOEs have been negative, reflecting at even poorer asset utilisation and poorer return on shareholder investment. Between the years 2007-2009, fourteen out of twenty SOEs showed declines in profits. The inability of a number of SOEs to perform better financially was particularly due to the lack of commercial obligations (The Ministry of Finance and National Planning, 2008). This led to the establishment of a Non Commercial Obligations (NCO) Steering Committee led by the Ministry of Public Enterprises, Tourism and Communication (MPETC) to look into commercial and non commercial obligations of public enterprises.

The abovementioned ADB (2011) report only covers the period 2002-2009.

There have been changes in financial performance after this period and this is covered in the following section, based on the available Fiji Government data. Ministry of Finance (2010, 2011 reports for Budget Supplements of 2011 and 2012) provide with more public enterprise related information as follows. Fiji, like a few other PICs - Marshall Islands, Samoa, Solomon Islands and Tonga use the term public enterprises (ADB, 2011) for its SOEs.

As ADB (2011) has indicated, assistance from the government to public enterprises has been quite significant in Fiji. One of the key ways the government has done so is by being the guarantor of debts undertaken by public enterprises. Such guarantees are government's contingent liabilities. A contingent liability is government's unmaterialised fiscal obligation which when realised will affect its financial resources and fiscal position (Ministry of Finance, 2011). Should a public enterprise default on debt/loan repayments, government will then be partly or fully responsible for the settlement of these debts since it is the guarantor of these debts. In terms of such liabilities, the balance as at 31 December 2010 was $1.8 billion, equivalent to 29.0 per cent of GDP. As at September 2011, the balance was $1.9 billion, equivalent to 28.0 per cent of GDP (Ministry of Finance and National Planning, 2010). The following Table 5.4 presents the contingent liabilities between 2005 and 2011.

Table 5.4: Contingent Liabilities 2005-2011

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011** (Sept.)
Total Portfolio ($billion)	1.22	1.33	1.72	1.76	1.96	1.79	1.94

Source: Ministry of Finance (2010, 2011)

The gradual increase in total guarantees until 2007 was particularly because of the roll-over increases in guarantees to Fiji National Provident Fund (FNPF), Fiji Development Bank (FDB) and Housing Authority (HA), as well as the guarantee to Fiji Sugar Corporation (FSC) for its short-term borrowings towards mill upgrade programme (Ministry of Finance and National Planning, 2008).

The increase in 2009 resulted from the additional guarantee to FSC for its domestic loans and to Fiji Electricity Authority (FEA) for its Chinese loan towards the Nadarivatu Hydro-Electricity Project (Ministry of Finance and National Planning, 2010). Except for the year 2010, the overall public enterprise contingent liabilities (includes Fiji Development Bank, Fiji Electricity Authority, Fiji Hardwood Corporation, Fiji National Provident Fund, Fiji Pine Limited, Fiji Sugar Corporation, Housing Authority, Fiji Sports Council, Fiji Ports Corporation Limited and Fiji Broadcasting Corporation) continuously increased from 2005 to 2011, reflecting at increasing risk to government (Ministry of Finance, 2011).

The Fiji Government has come up with a way to manage its risks in such contingent liabilities. The public enterprises are required to pay guarantee fees to government to allow it to manage its risks in such liabilities. Government has put in place due diligence requirements such as public enterprise audits of financial reports to verify their commercial viability and their payments of guarantee fees. Guarantee fees of up to 2 per cent is a minimum premium for government's financial risk (Ministry of Finance and National Planning, 2008). The government is relooking at its guarantee policy to minimise its risks (Ministry of Finance, 2011).

The above section discussed the financial performance of all public enterprises in Fiji as a whole. The following section narrows down the discussion to the wholly government owned enterprises, the GCCs and the CSAs. The early part of this chapter distinguished between GCCs and CSAs.

Both the GCCs and CSAs are required to submit timely draft planning documents, half yearly reports, draft annual reports and unaudited accounts and, final annual reports and audited accounts. Most GCCs fail to submit such reports in a timely manner which drags audits of the reports. The delayed audit in turn drags the release of the financial report for public use. According to the Ministry of Finance, untimely reports and even non submission of reports is common amongst the public enterprises.

Since the GCCs and CSAs are commercial enterprises, they are required to achieve a 10 per cent Return on Shareholders Funds (ROSF). They are also required to pay 50 per cent of their after-tax net profit as dividends to the government. However, they are allowed to negotiate on the dividend amount given their financial status, ongoing cash flow requirements and capital structure. This 10 per cent baseline attracted a lot of complaints from the GCCs and CSAs. Because the GCCs and CSAs have complained that the target of 10 per cent ROSF is too harsh, this policy has been revised, requiring these enterprises to improve their financial performance by at least 2 per cent annually (Interviewee 6, 2009; 2011; 2012). This baseline will be revised based on corporate plan targets once the annual return expectations are better established. All GCCs and CSAs are also required to pay corporate tax on profits and to service loans owed to government as well as other institutions. At the same time, they are expected to continue to fulfil social obligations which are said to be paid for by the government. The non-commercial or the social/community services undertaken need to be clearly defined to be paid for by the government through a contractual agreement. The enterprises are required to submit relevant information on these activities to the government before government's budgetary process begins. Chapters six, seven and eight highlight the case-study GCCs which are compensated and which are not compensated for fulfilling social obligations. As stipulated in the Public Enterprises Act (1996), the board is made responsible for the commercial direction of the enterprises.

The performance of the boards are evaluated based on the achievements of the enterprises against their targets as agreed to in their corporate plans, statements of corporate intent and, employment and industrial relations plans. The MPETC continuously monitors the performance of these enterprises and works closely with the boards to improve their performance and to explore other avenues such as privatisation to ensure better utilisation of resources. It promotes productivity by reviewing individual processes to contain costs of operations. This has proved difficult. The past trend shows that as income rises, so do operational costs. Such a situation has led to a lot of emphasis on the strengthening of the capital base to ensure sustainability (Interviewee 6, 2009; 2011; 2012).

The following Table 5.5 presents the Return on Assets (ROA) and Return on Equity (ROE) of GCCs and CSAs in 2009 and 2010.

Table 5.5: Average ROA and ROE

	2009		2010	
	ROA (%)	**ROE (%)**	**ROA (%)**	**ROE (%)**
GCCs	-0.4	0.1	4.6	8.2
CSAs	4.3	25.5	5.3	9.1

Source: Ministry of Finance (2011: 60)

ROA reflects at the efficiency of the management in utilising the company's assets in generating income. The higher the ROA, the better. However, because ROA depends on a number of key variables like total assets and profits (before-tax), it fluctuates. ROA for GCCs improved in 2010 by 5 per cent. ROA for CSAs also improved but by 1 per cent only. The improvement in ROA suggests better utilisation of assets. ROE measures a company's profitability, indicating the amount of profits a company is able to generate from the shareholders' investments. If earnings are reinvested in the company at a high ROE rate, then the company benefits with a high growth rate. A high ROE indicates that an enterprise is capable of generating cash internally. For the GCCs, ROE improved much in 2010 by 8.1 per cent, indicating better profitability and cash generation. For CSAs, it has been otherwise - ROE decreased noticeably by 16.4 per cent in 2010.

Table 5.6 below presents a) the total dividends received by the government and b) dividends received from GCCs between 2006 and 2011.

Table 5.6: Dividends Received 2006-2011 ($m)

	2006	**2007**	**2008**	**2009**	**2010**	**2011** (Revised)
Overall dividends	27.6	21.97	21.51	22.8	29.3	29.2
Dividends from GCCs	4.7	3.2	3.1	5.6	7.9	Not Available

Source: Ministry of Finance and National Planning (2008); Ministry of Finance (2009, 2010, 2011)

Dividends have fluctuated over the years given mixed performances of public enterprises. Dividends from GCCs declined in 2007 and 2008 but improved in 2009 and 2010, reflecting at better profitability and better return to government overall. Government received significant dividends from the following public enterprises in 2008: Fiji International Telecommunications Limited – FINTEL ($6.4m), Air Pacific ($6.35m), Amalgamated Telecom Holdings – ATH ($5.17m), Fiji Ports Corporation Limited - FPCL ($2.02m) and Airports Fiji Limited – AFL ($1.0m). A number of other enterprises were unable to pay dividends. While there were substantial increases in dividends from AFL and ATH who paid $2.3 million and $11.7 million respectively in 2009, there were also a few notable declines from Air Pacific, FINTEL and Fiji TV Limited. Compared to their year 2008 financial performance, there was an improvement in the financial performance of public enterprises in 2009, in terms of profits generated. This was mainly because of the improved performances of two GCCs in particular, FPCL and AFL, earning profits of $9.9 million and $5.8 million, respectively.

According to the 2012 Budget Supplement, in 2010 there were mixed results on financial performance of GCCs. The GCC, Rewa Rice performed poorly. Yaqara Pastoral and Food Processors improved on their performance. Fiji Broadcasting, Airports Fiji and Fiji Ports performed well while Unit Trust and Fiji Public Trustee achieved high returns. Post Fiji recorded negative returns (Ministry of Finance, 2011). The GCCs, Airports Fiji and Fiji Ports together with two government minority-owned companies of ATH and Fiji TV, contributed 96 per cent towards total dividends. Whereas nine out of the eleven GCCs performed reasonably well, four CSAs of Fiji Electricity Authority, Fiji Meats Industry Board, Housing Authority and Public Rental Board achieved positive returns.

5.3 The Case Studies of this Thesis

Overall, the performance of GCCs as assessed by the Fiji Government and the ADB has particularly centred on economic and/or financial indicators without elaborate explanations on what causes differences in financial performance between individual public enterprises.

The next chapters, chapters six and seven, will carry out an in-depth study of case study GCCs to identify the causes of better and poor financial performance. Seven GCCs have been selected for in-depth analysis since more data was available and accessible on these GCCs. These GCCs are a combination of better as well as poor performing GCCs. This combination allows for meaningful comparisons. The seven GCCs are 1) Airports Fiji Limited, 2) Post Fiji Limited, 3) Fiji Ports Corporation Limited, 4) Unit Trust of Fiji (Management) Limited, 5) Food Processors (Fiji) Limited, 6) Fiji Hardwood Corporation Limited and 7) Rewa Rice Limited.

An in-depth study of the case study GCCs is required to understand why the financial performance differs despite the same corporatisation process followed for reforming them. This search for evidence on causal factors requires a close examination of the developments in each GCC over the years. This study finds that such financial and non financial causal factors affect the financial performance of public enterprises and are thus the root causes of either good or poor financial performance. The following Table 5.7 highlights the GCCs and their core roles.

Table 5.7 Core Roles of GCCs

GCCs	CORE ROLES
1. Airports Fiji Limited (AFL)	Management of international airports and outer island airstrips.
2. Fiji Broadcasting Corporation Limited (FBCL)	Radio broadcaster that operates four commercial stations and two public service broadcasting stations. The company has also invested into a free-to-air television station from 2009.
3. Fiji Ports Corporation Limited (FPCL)	Management of all ports of entry.
✓ Fiji Ships and Heavy Industries Limited (FSHIL) – a subsidiary of FPCL	Provision of slipway, ship repair and heavy industries construction services.
✓ Ports Terminal Limited (PTL) - a subsidiary of FPCL	Provision of stevedoring services.
4. Fiji Public Trustee Corporation Limited (FPTCL)	Manages the estates of deceased persons and prudently invests trust funds to earn good returns for the trustees. The company also prepares wills for the public.

5. Food Processors (Fiji) Limited (FPFL)	Processing of food items especially agricultural products.
6. Post Fiji Limited (PFL)	Is the provider of postal services nation-wide and globally including, postage stamp sales and other related sales of post box rental, agency commission and rental income. The other major commercial arm of the company includes the operations of retail post shops Fiji-wide and provisions of courier services locally and internationally via Express Mail Service.
7. Rewa Rice Limited (RRL)	Mills and processes local brown rice
8. Unit Trust of Fiji (Management) Limited (UTOF)	Is involved in fund management which is administered by a trust deed. The trust funds are mobilised into capital markets to earn higher returns for the unit holders. The fund's investments include stocks and joint venture capital projects. The fund managers earn management fees for managing the trust fund.
9. Viti Corp Corporation Limited (VCCL)	Is the landlord which leases land - currently leased to Tebara Halal Meats (Suva) Limited.
10. Yaqara Pastoral Company Limited (YPCL)	The company produces and breeds beef cattle on commercial scale with the capacity to breed 4500 cattle every year. It is the country's largest beef producer. Other products and services include sheep, goat, honey, sugarcane and mangoes.
11. Fiji Hardwood Corporation Limited (FHCL)	Management of mahogany forest and processing of mahogany.

Source: Ministry of Public Enterprises, Tourism and Communication (2012)

These GCCs can be placed into categories of better and poor performers given their ability to generate profits. Dividends to government depend on profits generated. The GCCs are required to pay 50 per cent of their after-tax net profit as dividends to the government. Profit is a significant as well as a valid aspect of good performance (Lusthaus et al., 2002) and is thus the key financial outcome. According to Chandra (2008: 51), "when the profit after tax is positive the firm is said to be in the black; when it is negative, the firm is said to be in the red". Companies that ignore the importance of generating profits, put their survival at risk (Lusthaus et al., 2002). More financial highlights on revenue, dividends and key financial ratios are presented in chapters six and seven on the case study GCCs.

See the following Table 5.8 for Net Profit (after-tax) generated by each GCC.

Table 5.8: Net Profit (After-Tax) of GCCs

GCCs	2005	2006	2007	2008	2009	2010	2011
AFL	$2,562,378	$631,559	$710,744	$4,585,414	$5,761,861	$8,759,106	
FBCL	$89,943	$92,257	$92,721	$481,818	664,108	2,289,375	
FSHIL	$41,022	($505,111)	($1,199,044)	($274,619)	*		
PFL	$914,296	($1,749,072)	$743,844	$368,252	$869,639	($795,495)	
FPCL	$1,604,294	$4,021,487	$4,042,078	$1,445,596	$9,861,580	$5,283,285	
PTL	$1,288,086	**					
RRL	($69,059)	($56,361)	($106,377)	1,408	(52,786)	(89,602)	
UTOF	$139,036	$139,699	$229,654	$299,921	($280,153)	$115,120	$148,552
VCCL	($117,151)	$49,800					
YPCL	$563,248	$770,026	$1,442,204	$1,243,847	$279,287	$1,448,443	
FHCL	($2,064,733)	($6,791,920)	($25,860,163)	1,170,694	(3,000,982)	1,633,366	
FPTCL	***	$215,828	$349,319	$263,543	$602,763	$870,600	
FPFL	$47,480	$41,458	$112,302	(95,701)	64,072	87,785	

Source: Ministry of Public Enterprises, Tourism and Communication (2012)

The grey areas indicate that audits are underway. MPETC does not release unaudited figures.
FPCL was incorporated in mid 2004 and began operations in 2005.
**FSHIL became a subsidiary of FPCL in 2009.*
***PTL became a subsidiary of FPCL after 2005*
****FPTCL was incorporated as a GCC in 2006.*

According to the above table, the GCCs that continue to report profits are AFL, FBCL, FPCL, YPCL, FPTCL, UTOF (except in 2009) and PFL (except in 2006 and 2010). While FPFL is able to generate profits (except in 2008), its profits are low. The GCCs that continue to report losses are FSHIL (now a subsidiary of FPCL), RRL (except in 2008), and FHCL (except in 2008 and 2010).

The following Table 5.9 shows dividends paid by each GCC to the government.

Table 5.9: Dividends Paid by GCCs to Government

GCCs	2005	2006	2007	2008	2009	2010
AFL	$1,281,189	$315,780	$1,000,000	$2,292,707	$3,000,000	$1,000,000
FBCL	$26,387	$39,000	*na*	*na*	*na*	*na*
PFL	$457,148	*na*	$371,722	$184,126	$434,820	*na*
RRL						
UTOF	$65,500	$69,800	$114,827	$118,189	*na*	*na*
VCCL	*na*	*na*	*na*	*na*	*na*	*na*
YPCL	$245,122	$385,013	$768,818	$300,000	*na*	*na*
FHCL						
FPCL	$1,609,352	$2,010,746	$2,021,041	$875,983	$ 1,758,465	*na*
FPTCL	*na*	*na*	*na*	*na*	$3000,000*	*na*
FPFL						

Source: Ministry of Public Enterprises, Tourism and Communication (2012)

na: data not available at the time of research.
** This comprises of dividend of $0.5m from retained earnings and special payment to government of $2.5m from capital reserves for the financial years 2006 - 2009.*

The above table shows that except for RRL, VCCL, FHCL and FPFL, the other GCCs – AFL, FBCL, PFL, UTOF, YPCL, FPCL and FPTCL have paid some dividends to the government. Of these AFL, FPCL, PFL, UTOF and YPCL are quite regular in their dividend payments. FPFL, FHCL and RRL have never paid any dividends.

The better performing GCCs are those that are able to generate profits and pay dividends to the government. However, fluctuations and/or declines in revenue, profits and dividends have been evident over the years, which is why these GCCs are not labeled the best or excellent performers. Even then, these GCCs are better in financial performance when compared with the poor performers. AFL, FPCL and UTOF remain better financial performers. PFL was a better financial performer since its inception, except in 2006. However, in recent years from 2009, PFL's performance has been disappointing. FBCL, YPCL and FPTCL have seen fluctuations in their financial performance but are currently doing well financially. The poor performing GCCs of FPFL, FHCL, RRL and VCCL are riddled with numerous problems. They particularly operate in losses or generate insignificant profits and are not in a position to pay any dividends to the government. Chapters six and seven present more financial highlights on the case study GCCs.

Overall, in terms of profits after-tax and dividends paid to the government, all GCCs except VCCL can be grouped into two categories as follows. Not much can be said about VCCL given that profit figures are unavailable from 2007. It reported a loss in 2005 and profits in 2006.

Better Performing GCCs	**Poor Performing GCCs**
Airports Fiji Limited (AFL)	Food Processors (Fiji) Limited (FPFL)
Fiji Ports Corporation Limited (FPCL)	Fiji Hardwood Corporation Limited (FHCL)
Fiji Broadcasting Corporation Limited (FBCL)	Rewa Rice Limited (RRL)
Yaqara Pastoral Company Limited (YPCL)	
Fiji Public Trustee Corporation Limited (FPTCL)	
Unit Trust of Fiji (Management) Limited (UTOF)	
Post Fiji Limited (PFL)	

Ministry of Finance (2011) highlights the following on sectoral performance in terms of sectoral contribution towards Gross Domestic Product (GDP). For FPFL and RRL, their sectoral performance (Agriculture) declined between 2008 and 2010. For FHCL, its sectoral performance (Forestry) declined in 2009 but improved in 2010. For AFL, its sectoral performance (Air Transport) declined in 2009 but improved in 2010. For FPCL, its sectoral performance (Supporting & Auxiliary Activities) increased in 2009 but declined in 2010. For PFL, its sectoral performance (Post & Telecommunications) increased in 2009 but declined in 2010. Sectoral performance of all these GCCs has fluctuated except for RRL and FPFL whose sectoral performance has declined in terms of GDP.

5.4 Conclusion

This chapter discussed the financial performance of Fiji's public enterprises over the years. These financial highlights provide evidence of GCCs sitting at different financial performance levels despite going through the same structural changes of corporatisation. This thesis explores this variance in financial performance further.

The in-depth description of the GCCs which will include the financial performance of each selected GCC in chapter six (the better performing GCCs) and in chapter seven (poor performers) will bring out the emerging causal factors. The concluding sections on each GCC in chapters six and seven will point out such factors labelling them conducive or impeding factors. The final chapter, chapter eight will bring together these causal factors for comparison across cases for analysis to better understand the causes of difference in financial performance. This forms the inductive method of finding the causal factors that affect financial performance.

This thesis also employs the deductive method. The deductive method uses the five selected theoretical perspectives that have been discussed in chapter two. The final chapter will bring forward the assumptions of the theoretical perspectives described in chapter two, testing the relevance of their assumptions in explaining the differences in financial performance.

Chapter 6

The Better Performing Government Commercial Companies

6.1 Introduction

This chapter describes the selected four better performing Government Commercial Companies (GCCs), namely Airports Fiji Limited (AFL), Post Fiji Limited (PFL), Fiji Ports Corporation Limited (FPCL), and Unit Trust of Fiji (Management) Limited (UTOF), in this order. Chapter five explained the selection of these GCCs. These GCCs are labeled the better financial performers given that they are able to generate profits and pay dividends to government. Like private firms, they either depend on their profits or seek funds from commercial banks for their operations and projects. They only request for funding for social obligations met. However, they are not labeled the best because issues of corruption, internal bickering between board and management, poor investments, recent declines or fluctuations in revenue, profits and dividends have been witnessed over the years. Even then, these four are better in financial performance when compared with the other three selected poor performing GCCs (these GCCs will be discussed in the next chapter). This chapter will also point out the factors that are conducive to reforms and those that adversely affect profitable performance of each better performer. The chapter is descriptive in nature to help better understand the events and developments in these GCCs. Analysis with respect to research questions is reserved for chapter eight where the key findings from all cases will be brought together for overall analysis. This is in line with the research framework discussed in chapter three.

In the first part of this chapter, the researcher describes Airports Fiji Limited. This section is organised into major sub-titles of 1) Pre-Reform Stage; 2) Reform and Post Reform Stage; 3) Board and Management; 4) Human Resources; 5) Projects, Products and Changes; 6) Financial Performance and, 7) Concluding Remarks. These will be the sub-titles in all sections of AFL, PFL, and FPCL except for UTOF. UTOF will have all sub-titles except the first two of the Pre-Reform Stage and, Reform and Post Reform Stage sub-titles since it was established as a GCC.

Unlike Airports Fiji Limited, Post Fiji Limited and Fiji Ports Corporation Limited, reforms at UTOF have not been carried out in defined reform stages or steps. Instead, reforms have been implemented as a number of changes over the years for the better. The sub-titles were determined in terms of major events and/or developments over the years in each GCC. Such sub-titles ensured better flow on good coverage of key developments in the GCCs. The subsequent sections will describe the other three better performing GCCs.

6.2 Airports Fiji Limited

Airports Fiji Limited (AFL) is one of the eleven Government Commercial Companies (GCC)s. Being Fiji's only airport management company, it operates fifteen airports/airstrips which include the Nadi and Nausori International airports and thirteen other domestic airstrips located on islands scattered over Fiji. Nadi is located on the west side of Fiji's main island, Viti Levu while Nausori is situated on the eastern side of this main island. The thirteen smaller airstrips on the outer islands of Fiji are situated in Labasa, Savusavu, Taveuni, Rotuma, Koro, Gau, Bureta, Vanuabalavu, Lakeba, Cicia, Moala and Kadavu. These domestic airstrips are operated under the non-commercial obligation of AFL (World Investment News - WINNIE, 2003). In addition, AFL provides Air Traffic Management (ATM) services which include the air spaces of Tuvalu, New Caledonia, Kiribati and Vanuatu (AFL Website). The core business of AFL are a) provision of world class airport facilities and its safe and efficient operation, b) provision of air navigation services in the Nadi Flight Information Region and, c) management of commercial activities through the development of its assets (AFL Annual Report, 2010). The core function is air traffic control while the support activities are telecommunications, electrical, building services, finance and human resources (Interviewee 3, 2011).

The airport handles 98 per cent of incoming international visitors, of which 80 per cent are tourists. It also handles freight activities, services airlines and serves twenty-eight airlines, connecting Fiji to eighteen cities internationally. In 2010, the Nadi International Airport witnessed 1,412,499 international passengers and 581,393 domestic passengers.

For both international and domestic travelers, this airport also provides shopping and dining experience (AFL Website).

6.2.1 Pre-Reform Stage

Civil Aviation Authority of Fiji (CAAF) was a statutory body established by the CAAF Act (1979). Prior to this, its functions were carried out by the Department of Civil Aviation (Interviewee 3, 2011).

According to Singh (2002), the restructure of CAAF was not triggered by poor financial performance but was part of a broader public enterprise restructuring programme adopted by the then Rabuka-led Government. She explains that CAAF neither had outstanding debts nor incurred any loss ever since it was declared an authority with operating profits before-tax of about $6.22 million in 1997 and $7,829,114 in 1998. The Rabuka-led Government, in particular the then Minister for Public Enterprises took a chance on reorganisation in the face of opposition from some cabinet members who suggested that the reorganisation be deferred till after the coming elections. A few cabinet members cautioned that the then Public Enterprises Minister "was putting the party and its coalition partners at risk" (The Review, 1999: 18). Back then, most cabinet members somewhat took it for granted that the same government will return for a third term. Singh (2002) claims that AFL's restructuring may also have been further influenced by the then New Zealand Finance Minister who at that time was visiting Fiji. As per Snell (2000), CAAF restructure had more to do with the undermining of the powerful union's - Fiji Public Service Association's (FPSA) influence on airport operations. He states that CAAF was always profitable and not a burden on the government or taxpayers. He further adds that it was generally seen as one of the most profitable public enterprise between 1979 and 1999. Its technological achievement included it being the first in the world to implement the Global Positioning System (GPS) which gave it the cutting edge in global aviation technology. Two thirds of its revenue was generated from non-core activities. However, even when CAAF was operating profitably, there were anomalies. According to a long-serving employee (Interviewee 3, 2011), profitability was not an issue. He explains as follows.

The problems were those which are normally inherent in a public enterprise such as the laidback, lax work habits where drinking of 'grog' (national traditional drink made of powdered kava roots mixed in water) was a key regular event. In addition, there were no proper controls and no accountability. CAAF was not really run like a business but was still generating profits because of its monopoly status. This explains why, its return on assets was just 5 per cent against the expected 10 per cent even when CAAF generated a profit (after interest and tax) of $5.8 million at that time. Even if CAAF tried to get commercial it felt restricted because of too much control over it by the government. For instance, CAAF submitted a draft legislation seeking approval to charge the public for using the car park. It kept waiting and was told that it has no right to charge the public. In addition, it was claimed that CAAF was carrying a much higher burden of employees than what was needed. When compared with the Auckland International, the Nadi Airport handles ten times less traffic and freight but employs twice as many employees (The Review, 1999). However, the 2003 appointed CEO justified that unlike the Auckland International, the Nadi Airport oversees fourteen other airstrips.

The reorganisation initiative at CAAF was activated in 1997. CAAF's reorganisation charter was formerly endorsed in January 1998 by the Ministries of Finance, Civil Aviation and Public Enterprises.

6.2.2 Reform and Post-Reform Stage

AFL was declared a GCC on 3 June 1998. It formally began operating as a GCC from 12 April 1999. It was established as a result of the reorganisation of CAAF under the Public Enterprises (PE) Act (1996) to make it more efficient, productive, profitable, accountable, better organised and commercial oriented (Loanakadavu, 2003b). The Civil Aviation Reform Act was enacted on 18 February 1999 (Singh, 2002). An early study of 1990 by the International Civil Aviation Organisation (ICAO) advised against a second authority and privatisation, recommending structural changes from within CAAF, instead. The CEO of CAAF and Fiji Public Service Association (FPSA) were in agreement with this view.

Later government hired consultants who did not refer to this report in the early stages of reorganisation (Singh, 2002).

The CAAF restructure saw a split of it into two separate companies of Civil Aviation Authority of Fiji Islands (CAAFI) and AFL. CAAFI was charged with the regulatory aspects of Fiji's aviation industry while AFL took over the commercial operations of all airports and airstrips (Pareti, 2003a). The separation was seen as important for checks and controls since AFL would be a monopoly (Singh, 2002).

6.2.2.1 Board and Management

AFL reports to two ministries. For its commercial performance, it reports to the Minister for Justice, Anti Corruption, Public Enterprises, Communications, Civil Aviation, Tourism, Industry and Trade. For policies relating to the aviation industry, it reports to the Minister for Foreign Affairs, International Cooperation and Civil Aviation (AFL Website).

Like all GCCs, AFL is managed by a board consisting of four directors and a chairman who are appointed and can be removed by the Minister of Public Enterprises (AFL Website). In 2010, the board was chaired by an Acting Chairman with three directors (AFL Annual Report, 2009). The current chairman was appointed in January 2011 (AFL Annual Report, 2010). The board is responsible for the establishing, implementing and monitoring of policies as well as processes which ensure that it complies with its fiduciary and statutory duties to AFL and its stakeholders. The directors also ensure that AFL's corporate goals and objectives are achieved (AFL Website). Like other GCCs, AFL is expected to meet its requirement of 10 per cent return on shareholders funds to the government.

In addition to the board, there are board committees of Finance, Human Resources, Commerce and Physical Resources which deliberate on issues and then make recommendations to the board (AFL Annual Report, 2010).

AFL's management team consists of the CEO, General Manager Airports, General Manager Commercial, General Manager Air Traffic Management (ATM) and Aviation Academy, General Manager Engineering and Infrastructure, General Manger Finance and IT, Manager Special Projects ATM, Manager Telecom Services, Manager ATM, Manager Risk and Safety, Manager Nausori Airport, Manager Human Resources and Administration, Manger Airport Security Services, Manger Legal Services and Acting Airport Manager - Nadi.

At AFL, the CEO position saw a number of individuals changing chairs. Of particular interest is the political involvement in the recruitment and the dismissal of CEOs. A former CEO of 1998 was an expatriate from Britain with background in banking and international finance. He expressed that "it is not altogether surprising that commercial decisions which might have been taken more quickly in a commercial environment have not been taken" given AFL's past civil service environment (Keith-Reid, 1998: 22). He admitted to being pressured into awarding contracts to those companies which were formed by ex-CAAF staff (The Review, 1999). According to Snell (2000), he was appointed to ensure that the new employment regime of individual contracts was swiftly implemented given his experience with the New Zealand model. When he resigned, his predecessor was reappointed as the CEO in 2001 (Pareti, 2003a). This reappointed CEO's earlier dismissal resulted from his refusal in renewing the Strategic Air Traffic Control Company's (SASL) contract even after the then board's and government's insistence (Pareti, 2003b). This CEO also had a history of victimising FPSA members (Singh, 2002). In addition, the landowners who owned the land leased by AFL for the airports were not pleased with his reappointment and wanted him out of AFL. Under his leadership, their tenders for shops and cafes at the airports were rejected (Pareti, 2003a). This reappointed CEO was thus replaced in 2003.

The 2003 appointed CEO, AFL's fifth CEO in five years was an economics graduate. Prior to being appointed as the CEO, he was a Senior Economic Advisor and the Head of the Policy Analysis Unit to the Prime Minister (Pareti, 2003b), having worked for the Fiji Government for fourteen years (The Review, 2004e).

This CEO understood the critical relationship between AFL and landowners given that it was their land on which the airports were built. Realising the importance of this relationship, he planned to fully involve the landowners in the commercial developments of the airports. For instance, the cleaning and maintenance of the 2004 built terminal at the Savusavu airport was contracted out to the landowner companies (The Review, 2004e). This CEO often complained that the then government was not too kind to AFL since it wanted AFL to run the loss-making airports/airstips (Loanakadavu, 2003). He also felt pressured by the board into awarding the airspace management contract to SASL. Assisting Fijian owned enterprises was in line with the Qarase Government's blueprint. What is also worth noting is that the board chairman of SASL was an experienced economist who was the key strategist of the Qarase led political party (Pareti, 2003b: 4). The Qarase-led Government's Public Sector Reform Minister expressed in written, his displeasure over the public statements made by this CEO. In his public statements, the CEO often implied that the AFL/SASL agreement was a 'lose agreement'. Post the events of 5 December 2006, this CEO alleged that the military was threatening of physically removing him from AFL because he was not abiding by their demands (Fiji Today, 2010).

Even in current times, AFL faces too much interference of very close supervision by the government. It often feels restricted since it does not have fully autonomy. The board is no doubt more powerful than management as HR is required to update the board every month. Certain issues are also often dragged for a month or two awaiting board meetings because flying minutes are only arranged for urgent issues. There also appears to be an understanding gap between AFL and the board particularly because of the different backgrounds. However, AFL considers the current board better than the previous board since the previous chairman lost no opportunity of putting them down during meetings (Interviewee 2, 2011).

6.2.2.2 Human Resources

From 1999, it was emphasised that AFL 'think business-like' and become 'customer oriented'. The then Minister of Commerce, Industry, Cooperative and Public Enterprises made a presentation to unions and selected staff. They were told that the change will come in the form of the PE Act (1996) which was a tool to assist the process. However, the CEO and the top management of that time were not comfortable with the restructure idea because they were not thoroughly consulted with on the process (Interviewee 3, 2011). "Continued lobbying by [this CEO] to retain the ICAO recommended structural status quo with the SVT government [Rabuka-led Government], may have been a catalyst in his departure from CAAF later in 1999" (Snell, 2002: 47). CAAF circulated notices to employees indicating that CAAFI will assume the regulatory aspects while AFL will handle the commercial functions (Singh, 2002).

A senior employee who has been with AFL since the time of restructuring, revealed the following on staff resistance towards CAAF restructure (Interviewee 5, 2011). In the early stages of CAAF restructure, the GCC was faced with staff outrage and fear because staff lacked full understanding and appreciation of the reorganisation process and the consequences of this process. Some staff were of the view that such an action was a political move to garner support for the then ruling party and that such a move will eventually be diffused by the opposition in parliament. Overall, staff stood divided in their views towards restructuring. The following options were proposed a) employees could set up their own companies, submit tenders and receive preference for contract work with AFL. If successful as bidders, these employees were to resign from CAAF; b) those unsuccessful in securing jobs with AFL or CAAFI were to be given redundancy packages; c) all employees needed to reapply for open ended individual agreements with annual reviews for bonus payments. As per Singh (2002), the proposal also indicated that all collective agreements were to be terminated. She mentions that at that time, FPSA represented most of CAAF's multi-ethnic workforce within one collective agreement.

When FPSA presented the proposed changes to its members, majority of the members objected to the extent of changes proposed (Interviewee 5, 2011). Interviewees 3 and 5 (2011) reveal more on staff resistance as follows. Employee resistance was obvious since the company officials as well as the then government failed to properly educate the staff on the changes and the resulting outcomes. No form of reorientation training or rehabilitation programs were implemented. Employees just had to accept change. In the absence of necessary information on the changes, employees turned to their unions. The major union, FPSA questioned the restructuring move. It argued that because satisfactory social safety net does not exist in Fiji, the redundancy package will not be of much help in the medium to long-term. Later in 2006, AFL ran training on stress management and customer focus since a few workers were rumoured to have died from stress earlier.

Not surprisingly, Fiji Air Traffic Controllers Association (FATCOA) and Civil Aviation Workers Association (CAWA) lent their support towards reforms when their companies, Airport Maintenance and Technical Services (AMATS), Fire Control Fiji Limited (FCFL) and SASL were successful in securing contacts. FCFL's contract was later cancelled given their inadequate manpower while AMATS was wound up in 2000. During April 1999, CAWA and FATCOA demanded the removal of the then expatriate CEO. This CEO was alleged of creating a rift between the unions with the way he awarded contract work. Consequently, the CEO was relieved of his duties within a week of such developments (Singh, 2002).

Unlike the other unions, FPSA stood opposed to the restructuring idea, taking its concerns to AFL, the parliament and the courts but to no avail (Interviewee 5, 2011). Each time their response was that FPSA would be contacted at the appropriate time (Singh, 2002). The then government nevertheless, promised that service contracts will be awarded to the new company established by the ex-staff of CAAF (Interviewee 5, 2011). Most of the FPSA union members rejected CAAF's redundancy package and went on strike (The Review, 1999).

While FPSA was not dead against the restructure or reform idea it stood strongly opposed to the idea of individual contracts and the way the restructure was being executed (Interviewee 3, 2011). "… the CAAF/FPSA collective agreement had been at the very heart of the conflict from the onset of the restructuring exercise" (Singh, 2002: 74). Individual contracts when opposed to collective agreements weaken a union, strengthen the management (Interviewee 3, 2011) and threaten the long-term existence of a union (Singh, 2002).

According to Snell (2000), CAAF/AFL sought to unilaterally impose individual contracts and promote an enterprise or a non-unionised workforce. FPSA took this as management undermining its power. Singh (2002) informs that FPSA wished to continue with its previous agreements even after restructuring. She reveals the following. To the management, FPSA's agreements were restrictive, inflexible, disregarded the need for multi-skilling, blocked redeployment and constrained development. On 11 April 1999, CAAF highlighted that 500 employees neither accepted the redundancy packages nor were offered positions in the new companies and if this impasse continued they would lose their jobs. A day after, AFL decided to lay off 358 employees who either refused or were not offered the package at the Nadi Airport. Three hundred and twenty employees opted for the package and were paid on 21 April 1999. Also, during the restructuring phase, the landowners on whose land the airports were built, demanded the return of their land. Resultantly in May 1999, the cabinet granted 15 per cent equity in AFL to the landowning unit to solve the landowner issues. On 12 May 1999, workers were told to either accept the individual contracts or stay with the union. Since majority of the employees did not understand what was happening, they remained with the union feeling protected and comfortable being union members. In total, thirty-five FPSA members accepted the redundancy package.

It was rumoured that FPSA was politically motivated and wanted to strike back at the ruling government. The secretary general of the FPSA was the leader of the Fiji Labour Party which promised workers return of their jobs in return for votes in the coming elections (The Review, 1999).

According to a senior employee (Interviewee 5, 2011), certain other union leaders also exploited the situation for personal gains. He elaborates as follows. The other union leaders did so by becoming the principal officers of companies formed by the ex-staff. A leader of one of the management supported unions used his position to become the GM of the company formed by the ex-staff. In such positions, these leaders took advantage of the lack of knowledge, unquestionable trust and loyalty of their members as they made use of member funds to their advantage. On the political front, the restructuring move also proved disastrous for the then ruling party in that it lost its backing and dominant status during the 1999 elections.

The current staff roll is almost equal to the staff number common at the time of CAAF operations before the restructure. Ironically, overstaffing was one of the reasons behind CAAF restructure. Before the CAAF split, staff roll was 754, comprising of 449 salaried staff, 302 wage earners and three expatriate staff (The Review, 1999). After the split, forty-two staff were taken in by CAAFI, ninety-eight by AFL, fifty-five were employed by FCFL, 100 by SASL, fifty-five by AMATS and sixty-eight by security services, leaving 343 out of job. Of this 343, a few took up jobs elsewhere (The Review, 1999: 18).

In 2010, there were a few new recruitments to strengthen the skills and knowledge base of AFL (AFL Annual Report, 2010). While the restructure brought down the staff roll, in 2000 staff roll was higher because of the directive by the 1999 elected Labour Government which instructed AFL to rehire the redundant employees (The Review: 2004e). As per its pre-election promise, the Labour Government directed AFL and CAAFI to rehire the striking workers. CAAFI took back sixty-five workers while AFL took back the remaining and four more (The Review, 1999: 18).

Unlike its predecessor, the Labour Government's (the People's Coalition Government) view on the civil aviation facilities was that it should remain in public hands. Numerous arguments thus erupted over continuation of the CAAF restructure. One such argument was related to employee awards/agreements and overtime pay.

For instance, there were three employee awards/agreements with different terms and even different working hours. Some awards were considered extremely generous leading to certain employees earning much higher salaries. High overtime levels have also been a concern. For instance in one case, a senior traffic controller was earning over $150,000 because of overtime claims (The Review 1999). According to Interviewee 1 (2011), the management level employees were initially on a three year contract and not entitled to overtime pay which helped to reduce overtime claims. However, given the interference from the powerful FPSA union and their legal actions, AFL ended up paying for overtime.

Another argument was related to contracts awarded to companies created by ex-staff. The then Attorney General (AG) labeled the AFL/SASL deal unlawful and dubious (The Review 1999). He alleged that SASL was paid $1 million more than what it was actually owed. He also alleged that tenders were awarded before being advertised. SASL was contracted out by AFL for airspace management (Keith-Reid, 2003). It was established by about eighty local air traffic controllers (former employees of CAAF) as part of its reoganisation process. According to Interviewee 1 (2011), contracting out air traffic control and cleaning services were amongst the key changes after the restructure which brought about another change of decline in the number of employees and overtime costs. For some time there was a tussle between AFL and SASL because AFL also had designs for its own airspace management but it later decided to focus on its core business of airport development. Amid this tussle, AFL lost the Tonga and Samoa airspace management to Airways New Zealand, costing AFL $3.5 million in lost revenue every year (Keith-Reid, 2003). AFL employees, themselves expressed their anxiety to the 2003 appointed CEO over the ten year length of the AFL/SASL contract. They argued that SASL was a private enterprise and could be later sold to foreigners while AFL is a public enterprise.

A senior industry official of Vanuatu at that time also expressed concern. He mentioned that island countries are uncomfortable with AFL/SASL deal since their understanding was that they were dealing with a government agency (Pareti, 2003b).

In addition, SASL was alleged of mismanagement. While all employees were urged to contribute $5000, only two senior employees of the management team were listed as shareholders (Singh, 2002).

In terms of awarding contracts, even a former expatriate CEO admitted being pressured into awarding the contracts to those companies which were formed by ex-CAAF staff. For instance, FCFL was awarded a three year contract worth $6.617 million even when similar companies placed tenders a little over $1 million only (The Review 1999). However, FCFL's contract was cancelled in 1999 (Singh, 2002).

Then there were issues of some redundant employees who had already collected their severance packages but were later recruited. The then AG's allege also included the high salary of $268,000 of the expatriate CEO. AFL Management provided justifications for all these allegations. In defense, it argued that it was caught between the policies of two different governments (The Review 1999). Interviewee 3 (2011) states that in the earlier years, the expatriate Finance Manager was paid ten times the salary of the local managers. He complained that the expatriates are always recruited at much better pay even when there are qualified locals who can do the job just as well at a tenth of that salary.

Another issue was the conflicting roles of employees who were taken back by the companies. The ninety-eight employees who were initially employed by AFL with individual contracts threatened to walk off their jobs if the company took back the redundant employees. However, the board and management managed to calm them down. The action of taking back redundant workers at CAAF set a bad precedent for restructuring, signaling to workers that government can give back their jobs after they are made redundant (The Review 1999).

In mid 2006, the ongoing AFL/SASL tussle led to major fallout between the two because of SASL's poor management. Interviewee 1 (2011) mentions the following.

The core business of SASL, which is airspace management is critical as well as the major revenue earner for AFL. SASL's poor management and strained relationship with AFL made the SASL staff unhappy, affecting their performance and adversely affecting the image of AFL. AFL could not let this situation continue and realised that bringing back SASL employees and this core business to itself is the better option than contracting out SASL

Another major issue for AFL is the drawn out management/union disagreement. Interviewee 2 (2011) informs that AFL has a long history of union disagreement and has three unions to deal with. He explains further as follows. There have been ongoing issues with the three separate unions of FPSA, AFL Staff Association and Air Traffic Management Association of Fiji (ATMAF). Air Traffic Controllers belong to the ATMAF. The other employees are either with FPSA or AFL Staff Association. The lingering issue has been the different terms and conditions for employees belonging to different unions. There were cases where employees in the same line of work were getting higher or lower overtime pay just because of the different terms and conditions AFL has with different unions.

According to Interviewee 3 (2011), FPSA is not as powerful as it was because of fewer members. He states that some of its members joke around that they will be better off with ATMAF given their better conditions. He highlights that FPSA's eleven year battle with AFL has strained their relationship. FPSA sought reprisal through High Court, Appeal Court then Supreme Court. He informs that the matter has just recently been resolved in 2011. An agreement relating to employee terms and conditions has been signed with the unions.

Staff Development Issues

The HR Manager makes decisions in consultation with a panel of GMs and Managers for recruitments at manager levels.

The selection criteria includes formal tertiary qualifications, work experience as well as attributes such as leadership qualities, tact, initiative, good judgment, well developed organisational and interpersonal skills, ability to accept responsibility and work to defined deadlines, well developed English, verbal and written communication skills, maturity, reliability, motivation and initiative. The board decides on recruitments at the General Manager (GM) level (Interviewee 2, 2011).

Staff training is ongoing at AFL and includes both local as well as overseas training. For instance in 2009, AFL spent $200,000 in thirty-one local as well as nine overseas trainings. Trainings were conducted on risk assessment and safety. Four exercises on rescue and firefighting services were also conducted to train the employees as well as to test the effectiveness of equipment. In addition, AFL Annual Report (2009) informs that suitable graduates were recruited for cadet training in Air Traffic Control and adequate training was provided to the existing staff for their career development. This report also states that in 2009, AFL implemented a new HR system to automate most of its HR functions to allow it to communicate to all staff as well as to make all policies, procedures and financial performance available to all staff. From 2009, overtime claims were also better managed with the help of a new system which requires that overtime claims be raised online. Such a system allows for better monitoring and control of overtime claims (Interviewee 1, 2011).

In 2010, AFL relaunched its quarterly newsletter – Runaway News and organised 'Family day' for its employees and their families so that everyone could socialise and know one another.

In 2011, AFL spent a quarter of a million dollars on training of all employees on supervision, communication, training of trainers, customer service, emotional intelligence, building effective management and good governance (Interviewee 2, 2011). AFL also encourages and provides financial assistance to employees who undertake studies for self development (AFL Annual Report, 2010).

However, employees are required to take the initiative first towards undertaking studies. When they pass courses undertaken, AFL reimburses them upon formal approval (Interviewee 2, 2011).

In terms of salary, Interviewee 5 (2011) complains that the majority of the employees have not gained much in real terms because there is no consistent salary structure and the base staff salary is based on an outdated 2004 report. He confirms that salary of employees have remained constant for some time. There are also a number of unpaid bonus cases. There are situations where the board agrees to pay out bonuses but the government rejects the decision. Staff on individual contracts have not received bonuses from 2009. This goes against what they were initially told. Interviewees 1 and 4 (2011) reveal that staff were told that if and when the company makes profit at a certain level, they will be paid bonuses. They emphasise that team work and motivation is adversely affected in the absence of bonus payments or salary increases for the past several years. Expatriates getting higher salaries than locals make the situation even worse (Interviewee 3, 2011). In the absence of monetary motivation, the company relies on the Manager/General Manager levels to instill discipline and cohesion among staff (Interviewee 5, 2011). However, efforts are being made to address the salary increment and bonus issues. To this end, a new Performance Management System (PMS) proposal has been submitted by management to the board for further deliberation and final approval. This PMS includes salary structure movements unlike the current job evaluation structure which has no such movements (Interviewee 2, 2011).

According to Interviewee 2 (2011), the existing appraisal system is incomplete since it is not linked to Key Performance Indicators (KPIs). Under the current appraisal system, employees are required to identify gaps, weaknesses and training needs at the end of every year. These analyses are then forwarded to the Training department which formulates the needed training programmes. A consultant from New Zealand has conducted trainings on PMS with the GMs, managers and the supervisors who are in turn required to train their teams (Interviewee 1, 2011; Interviewee 2, 2011; Interviewee 4, 2011).

AFL has a procedure in place to address issues of problematic staff. Interviewee 2 (2011) gives details as follows. For instance, employees who perform poorly or have attitude problems are first counseled then given first, second and final warnings before termination. An employee will only be terminated if their warnings reach the third or final level in a particular year. If not, then warnings begin afresh the following year. According to Interviewee 3 (2011), four employees were terminated over their 'grog' drinking habit during working hours. Termination over 'grog' drinking was unheard of in the earlier days which made workers complacent. There is a separate procedure for inappropriate behaviours such as theft. This procedure requires an initial investigation on any allegation of inappropriate behavior. The alleged employee is then informed of the same in writing and is asked to respond within seven days. The alleged employee is suspended to allow for further investigation. Later, the alleged is invited to pick a representative. During the presentation of the final evidence, the alleged is also allowed to defend himself or herself. HR then prepares a recommendation report and submits this to the staff committee, comprising of the CEO and the GMs for final decision.

6.2.2.3 Projects, Products and Changes

From the onset, AFL has engaged itself in many projects as follows to further enhance its operations.

In 1999, AFL Aviation Academy (AFLAA) was made part of AFL operation. AFLAA provides training to air traffic controllers of Fiji and other Pacific Islands (AFL Annual Report, 2009). AFL has expanded the range of aviation disciplines and courses over the years to develop manpower needs in the future (AFL Annual Report, 2010).

In 2001, AFL set aside $7 million to upgrade technology at the Nadi International Airport. This was part of its $20.6 million expenditure approved by its board for the year. Upgrade in technology was given much importance particularly because Fiji lagged behind in technology that was needed to maintain the increasing demands at the Nadi International Airport and the region (WINNIE, 2003).

The cracks on the Nadi runaway and terminal was more than fifty years old and could not accommodate the higher passenger volume and the different era of aircrafts (Loanakadavu, 2003). Such worn-out condition of the airports given lack of investment and maintenance had concerned many.

In addition, AFL upgraded its air traffic control system based on the latest satellite technology. ATM is a state of art system that significantly enhances the capabilities of AFL in regional surveillance. It helps AFL to provide an advanced technology for the Flight Information Region (FIR), an area of over 7.5 million square kilometres where AFL maintains constant communications with all aircrafts flying within the area. The opening of an ATM Centre at Nadi allows Fiji to increase the number of inbound flights within the same volume of airspace AFL currently controls (WINNIE, 2003).

AFL also engaged a Singapore Airport consortium to look into: 1) its immediate and short-term requirements to bring the Nadi and Nausori Airports up to standards, and 2) its long-term developments to prepare it for major increases in both passengers and aircrafts over the next fifty years. In April 2002, the Singaporean team submitted their completed reports of the revised airport master plan for Nadi Airport and a new airport master plan for the Nausori Airport to AFL's board. The master plan for the Nadi Airport proposes state of art facilities, services and shopping for passengers. The plan for Nausori Airport includes provisions for the new control tower with an upgrade of its terminal building (WINNIE, 2003). Nadi did have a master plan and the same was reviewed. However, Nausori never had a master plan. Nadi's master plan was extended to include Nausori (Pareti, 2003a). The construction of a new terminal building is proposed for more commercial floor space to increase non-aeronautical revenue (rental revenue) and to avoid the continuing cross-subsidy from Nadi Airport (WINNIE, 2003) for the operating losses of the Nausori airport. In addition, there is an overall plan to make the airports more 'user friendly' to aircrafts as well as passengers.

In 2002, AFL reduced its fuel prices twice to counter competition in jet fuel prices from Samoa.

This action proved effective as the number of cargo flights rose by three to five a week. However, in order to remain competitive, no changes were made to aeronautical charges since 1997 (Pareti, 2003a).

In 2003, AFL set aside $72 million for the upgrades of the Nadi and Nausori Airports to improve the comfort and the level of services provided to passengers and to enhance Fiji's position as the Gateway to the South Pacific. For domestic airstrips, it sealed and fenced the Labasa Airstrip, sealed the runway at Taveuni and Savusavu, renovated the terminal building at Kadavu and sealed the runway which improved the runway drainage in Lau. It also provided for the general maintenance of all government airstrips it services. By 2003, the stage one of the first phase development of the Nadi Airport terminal building was completed. Upgrading facilities included aerobridges, more space for aircraft parking, more commercial space to increase rental revenue and more space to better facilitate passenger flow to improve AFL's ability to serve passengers and users of the airport facilities. Also as part of its ongoing campaign, AFL has managed to progressively lower its fuel prices to encourage more aircrafts into the Nadi Airport. So much so that from being the highest priced fuel in the region, AFL has now become one of the lowest, leading to more aircraft movements and higher landings in Fiji.

As a requirement by the International Civil Aviation Organisation (ICAO), AFL also upgraded its automatic voice logging equipment which digitally records all voice conversations and communications between several parties including those between aircraft and control towers. The voice recording is vital during investigations of aircraft incidents and accidents. In addition, AFL accepted the commissioning of a $2.06 million message switching system that provides instant airport and airline related information worldwide, making Fiji the only country in the region with this particular system. Nadi is designated by ICAO as the switching centre in the region. To reduce conflicting movements between aircraft and vehicles, an airside roadway system was also established (WINNIE, 2003).

A local company, Tappoos Group of companies and a Singaporean company, Neocorp placed the bid for the airport project of renovation and upgrades at the Nadi Airport to bring it to international standards and taste (Loanakadavu, 2003). The former CEO was not impressed with the quality of work done at the airport. The Review (2004e) reports the following on this matter. The roof was not fixed which gave way to the ceiling that fell off just eight months after the completion of the project. The 2003 appointed CEO clarified that while the contractors could be blamed for the poor quality of work done, they could not be blamed for the roof incident. The roof related decision was that of the consultants, AFL management and the former board. The then new board and he were brought in at a time when the project could not be deferred any longer. As for the contractors, AFL held onto their bond payment to safeguard against any defect liabilities.

In 2004, AFL formulated a new business plan to restructure its business to ensure efficient operations, to enhance standards of safety and security, to maximize profits and to enhance shareholder returns (The Review: 2005a). While the airport security personnel at the Nadi Airport handle security checks and crowd control, the set up of a police post added further to the safety and security of the nation (AFL Website).

In 2005, AFL signed a contract with Airbiz Limited for the development of a twenty-two year master plan for the projected growth in passenger, cargo and aircraft movements. The plan also considers the future accommodation of new and larger aeroplanes and the relevant development of the facilities and infrastructure that can enhance the non-aeronautical income such as the commercial rental space and car parking. Airbiz is a New Zealand based specialised airport planner with expertise in planning of similar sized airports (The Review, 2005b).

In 2009, improvements were made to air-conditions, roof structure, sewerage and plumbing of the Nadi Airport. AFL also installed a new surveillance system, commissioned a telephony network to enhance communication across airports, installed new screening equipment at the Nadi Airport and replaced the old ATM system.

In July 2010, AFL introduced a $7 million latest available state-of-the-art technology of air traffic control system. This system provides instant data communication between pilots and air traffic controllers. It has in-built safety features that automatically alerts a controller on aircrafts flying too close. According to AFL Manager ATM, the improved safety features allows aircrafts to maximise fuel savings (Islands Business International, 2010). AFL also upgraded its Nausori Airport terminal, repaired runaway, replaced digital voice recorder, purchased vehicles as well as upgraded buildings, equipment and outer island infrastructure in 2010. Land area of 1,197 acres and buildings of CAAFI were also transferred to AFL in January while the housing estate of 186 homes managed by CAAFI was transferred in June 2010. Special importance was also placed on the 'meet and greet' procedures, signage, billboards, additional ATM machines, foreign exchange outlets, internet computer stations at Nadi, food outlet in Nausori as well as the beautification of both airports (AFL Annual Report, 2010).

In February 2011, AFL won the tender to purchase all three hangars at the Nausori Airport to better its commercial and operational developments. The three hangars were owned by a local financially troubled airline - Air Fiji, the ownership of which was taken over by the banks (AFL Website).

In May 2011, AFL's Telecommunications Service Group presented its Certificate of Approval: Maintenance Organisation for Air Navigation Services. Authorised by CAAFI, this certification allows AFL employees to perform maintenance activities on aviation infrastructure. AFL considers this as a major achievement since the certification allows its Telecommunication Service Group full control over all navigational systems from air traffic control systems to ground landing systems for aircrafts. In other words, all activities of AFL can now be done locally and by locals. According to the CEO, this achievement of its Telecommunications Service Group has set the stage for its other sectors such as Air Traffic Services, Aeronautical Information Services and the Civil Aviation Academy which are also instructed to be certified (AFL Website).

In September 2011, Fiji signed a Memorandum of Understanding (MOU) with Solomon Islands for the management of its upper airspace. The MOU also makes it possible for the Solomon Islands Ministry of Civil Aviation to make arrangements with AFL for training and technical assistance on needs basis such as training of Solomon Islands air traffic controllers and other personnel involved in managing airspace (Islands Business International, 2011).

Currently AFL awaits government approval for a proposal for the upgrade of its Nausori Airport. It also plans to request for a small increase in domestic passenger charges to compensate for the losses suffered from operating domestic airstrips. In addition, it plans to seek rental review from the Commerce Commission for space occupied at the airport by airlines and other companies (Interviewee 1, 2011; Interviewee 4, 2011). Once its master plan is approved, AFL will also begin work towards its long–term developments which include upgrades of airports to global standards, strengthening of internal cost effective processes and review and development of revenue streams. For the next three years, AFL has set aside a budget of $120 million for upgrades at Nausori, Labasa, Savusavu, Lakeba, Matuku and Rotuma (MPETC, 2012).

6.2.2.4 Financial Performance

In its early restructuring days, both AFL and CAAFI were adversely affected by the change in government and the subsequent directive of the Labour Government to rehire redundant workers. The expected cost of rehire was $9.3 million a year in wages and overheads for both companies. An amount of $7 million was already spent on redundancies (The Review, 1999: 19). A few of these rehired staff were forced to pay back their severance payments but such a move was put to a stop in early 2002 (The Review, 2004e).

The 2003 appointed CEO held strong views on AFL's profitability. He revealed such views to The Review (2004f: 1) as follows. According to this CEO, the factors that prevent this monopoly from being more profitable are the 'fundamental business and people problems'.

He stated that concessions (duty-free, food and retail operations) were an important source of revenue but the concession system was not helping AFL to maximise its revenue. He complained that the duty-free outlets were also not performing at their optimal level. Currently there is a dispute with Motibhai and Tappoos duty-free shops at the airport over fixed concessions. Negotiation is underway to get this sorted (Interviewee 1, 2011; Interviewee 4, 2011). In terms of people problems, the CEO explained that resistance from employees towards change is understandable since people get used to a particular culture or way of carrying out activities. He added that employees not accepting change could become a liability and would need to be displaced (The Review, 2004e). In terms of the actual revenue sources for AFL, air traffic management and landing/parking fees contribute 55 per cent to total revenue while 45 per cent comes from concessions, office rentals and warehouses, passenger service charges and, the airport development and security fees. The following table presents total revenue, profit and dividend figures of AFL from 1999 to 2011.

Table 6.1: Key Financial Figures from 1999 to 2011

Year	**Total Revenue** (,000)	**Profits after Tax** (,000)	**Dividends** (,000)
1999	25,756	497	249
2000	33,887	1,989	-
2001	34,698	1,851	1,000
2002	32,245	(641)	-
2003	35,945	548	-
2004	41,931	2,956	1,478
2005	45,467	2,562	1,281
2006	40,959	632	316
2007	39,658	711	1,000
2008	43,777	4,585	2,293
2009	45,604	5,762	3,000
2010	54,851	8,759	1,000
2011	60,100	8,750	NA

Source: MPETC (2012)
2011 results are unaudited
NA: Not Available

The low and negative profit of earlier years is attributed to factors such as the rehire of redundant employees (which increased the salary expenses), the lost airspace management arrangement of Tonga and Samoa and the meteorological expenses (which required AFL to pay a lump sum amount because of previous short payments) (Interviewee 1, 2011; Interviewee 4, 2011).

The CAAF reorganisation also brought with it competition from New Zealand which lured Tonga and Samoa with bigger returns out of airspace management arrangement with Fiji. This was 'a major blow' to AFL, however, the unprecedented growth in visitor arrivals into Fiji provided some relief (Pareti, 2003a). While AFL is a monopoly, it does compete with other air navigation providers such as Air Services Australia and Airways New Zealand for airspace management in the region (MPETC, 2012).

Unusually in 2004, AFL was labeled a poor performing GCC (The Review, 2005a). However, while it appeared to be underperforming, it was the most improved GCC since 2002, improving well over 100 per cent. The factors that led to such improvements were improved revenue performance and cost reductions though operational efficiency in addition to the increase in international passengers and aircraft traffic. AFL's voluntary redundancy programme also led to cost savings in salary expenses. In order to reinvest in business to enhance its position, AFL did not pay dividends to government in 2000 and 2003. The 2003 appointed CEO pointed out that the non-commercial obligations of operating the loss-making airstrips erode AFL's profits. What reduced profits even further was the excess staff of around 140 AFL has had to carry, costing it $2.8 million annually. In addition, the government departments that occupy commercial office space for free at the Nadi and Nausori Airports, cost AFL $400,000 annually (Interviewee 1, 2011; Interviewee 4, 2011). The CEO explained that the extra staff and salary baggage was a problem given political interference, nonetheless between 2003 and 2004 AFL managed to reduce staff by 111 through voluntary redundancy, outsourcing and vacancy freezes resulting in about $2 million savings per year. $1.1 million was spent on redundancy packages (The Review: 2004f: 1). Even then, AFL suffered from excess staff.

AFL places these staff in the departments they can fit in or redeploys them to departments that are short-staffed. Because of a freeze on vacancies except for in critical areas, staff are reassigned to needed areas. During this period, the CEO was able to address overtime claims to some extent. Other expenses such as telephone bills were also brought down (The Review, 2004e).

Of all the airports/airstrips, the Nadi Airport is the only airport that generates profits (Loanakadavu, 2003; Vuibau, 2011b). The Nadi Airport contributes about 97 per cent to AFL's total revenue and 100 per cent to its profits (AFL Annual Report, 2010). For instance in 2003 of the $35.9 million revenue, $34.3 million (96 per cent) was earned by the Nadi Airport (The Review: 2004f: 1).

According to the 2003 appointed CEO, AFL loses some $3.3million annually because of its loss-making domestic operations (Loanakadavu, 2003) which have lower passenger and aircraft volumes (AFL Annual Report, 2009). The Nausori Airport alone contributes $2 million towards such a loss (Loanakadavu, 2003). On top of this, an additional capital expenditure of around $1million is required to ensure that airports/airstrips are compliant with operational standards. The Fiji Government only meets capital grants, providing AFL about $1 million a year. This is insufficient against the above stated annual losses. The Nadi Airport thus cross subsidises these losses since AFL does not get operating grants for the loss-making airports (Interviewee 1, 2011; Interviewee 4, 2011). For instance, the 2008 non profit activities of more than $3 million was fully subsidised by the Nadi operations as per the AFL Annual Report (2009). This report states that "although the public enterprises act requires the Government to reimburse the Company for all Non-Commercial Obligations, such costs are not refunded" (p. 8). In 2009, the loss from the domestic airports was $3.439 million (AFL Annual Report, 2010). Requests have been made to the government for full subsidy which is in line with the government's commitment as per the PE Act (1996) (The Review, 2004e). Efforts towards an appropriate arrangement are underway for a relevant compensation mechanism for AFL (MPETC, 2012). The board is working towards making its other airports/airstrips profitable also (Vuibau, 2011b).

AFL has been able to pay dividends to government except for in years 2000, 2002 and 2003. In 2002, it suffered a loss and in the other two years it ploughed back profits into operations (AFL Annual Report, 2010). In the later years between 2008-2010, AFL has improved much in terms of revenue, profits and dividends despite market pressures and difficult global economic conditions, given its careful planning, financial discipline and better utilisation of existing assets. In January 2009, in addition to global crisis, AFL suffered from external conditions which proved out to be the worst in a decade. These external conditions were negative reporting on Fiji's political situation by overseas media, adverse travel advice by Fiji's major trading partners and the swine flu pandemic. Passenger demand for the entire year was lower by 3.5 per cent, international passenger movement which is a key source of revenue for AFL was down by 12.7 per cent. The stronger Fiji dollar before devaluation also made other destinations more attractive to visitors. AFL was however, able to increase its revenue from its high rental income, high interest income and by revising its aeronautical fees and charges (AFL Annual Report, 2009). The main impact of the September 2008 revised fees was felt in 2009. Such fees were last revised much earlier in 1998 (Interviewee 1, 2011; Interviewee 4, 2011).

AFL tries to maintain its passenger numbers by expanding into new markets such as China, India and Singapore. In 2010, the international passenger movement was up by 14.5 per cent as a result of competitive ticket prices and marketing of the Fiji brand in major markets. There was also an increase in airline partners and new routes in 2010. Repair and upgrades of the landing strips continue to be the major and continuous expense. In the last five years till 2010, AFL has spent $42 million in expansion and upgrades. In 2009 and 2010, AFL achieved the best ever revenue since 1999. The increase in passenger numbers and aircraft movements led to increases in the aeronautical revenues. The non aeronautical revenue has also increased given the rental income received for the land and housing estate that was transferred from CAAFI to AFL. AFL has managed to improve its financial performance in the last few years particularly because of its continuous focus on improving processes. Such a focus resulted in it wining the Achievement Level prize in the Fiji Excellence Business Award.

AFL also won the first prize in Category C of the South Pacific Stock Exchange Annual Report Competition.

ADB (2011) reports the following on the performance indicators of AFL.

Table 6.2: AFL Performance Indicators for Year 2009

Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
27%	28%	1.23	1.2%

Source: ADB (2011: 36)

Asset utilisation ratio measures management effectiveness in using company's assets in daily operations. AFL's asset utilisation ratio is 27 per cent. This means it earned 27 cents for each dollar of asset held. Liabilities/total assets ratio reflects at the proportion of a company's assets which are financed through debt. The higher the ratio, the higher the risk. AFL's liabilities/total assets ratio indicates that 28 per cent of its assets is financed through debt, thus its risk is lower. While a lower liabilities/total assets ratio reflects at a safer company, such companies may miss out on investments and growth by being too safe. The cash ratio is a measure of company liquidity. AFL's cash ratio is 1.23. A cash ratio below 1 is not necessarily bad but holding large amounts of cash reflects poorly at asset utilisation. ROA indicates the efficiency of the management in using the company's assets in generating earnings. The higher the ROA, the better. AFL's Return on Assets (ROA) is very low, 1.2 per cent. This means AFL earned just 1.2 cents for each dollar it invested in its assets.

6.2.2.5 Concluding Remarks for AFL

AFL has always managed to generate revenue and profits except for in 2002. The rehiring of redundant workers led to higher salary expenses which affected profits in 2002. Except for years 2000, 2002 and 2003, AFL has regularly paid dividends to the government and has been financially independent.

Factors that are conducive to AFL's better financial performance are: financial independence; qualified and experienced board members and top management; continuous focus on renovations, upgrades and purchase of new equipment and technology; projects undertaken to further enhance efficiency and effectiveness; ongoing training to up-skill staff; and the implementation of redundancy schemes to control its workforce size. AFL's monopoly status is also a key attribute. Factors impeding AFL's financial performance are: political interference, ongoing tussle between the board, top management, and union/employees; hard to change work culture; loss-making domestic airstrips towards which government only contributes through capital grants and; external factors such as global crisis, negative reporting on Fiji's political situation by overseas media and adverse travel advise by Fiji's trading partners. Such factors have adversely affected AFL's operations.

The next section describes Post Fiji Limited. The subsequent sections will discuss the other two better performing GCCs.

6.3 Post Fiji Limited

Post Fiji Limited (PFL) is also a GCC. It is responsible for the collection, processing and delivery of letters, parcels and urgent documents to about 56,000 letterboxes and some 15,000 residential addresses in Fiji (MPETC, 2012). Its extensive infrastructure of 'being located everywhere' (Chaudhari, 1999: 16) with sixty post offices and 127 postal agencies across Fiji, allows this access (MPETC, 2012). PFL has created vision and mission statements in line with its commercial objectives. Appendix 6.1 gives its vision, mission and service obligation statements.

Interviewee 17 (2009) states that, given its commercial status, PFL is expected to operate at an arms length and seek funds on its own accord such as from commercial banking institutions like the ANZ Bank. She expresses the following. PFL does desire preferential treatment. To this end, it often seeks tenders for the mailing systems of other government departments but only to be refused since the government focuses on creating a level playing field.

As a GCC, despite its commercial status, PFL is also required to fulfill its community obligations of ensuring reasonable access to letter services. The community obligations include the delivery of standard letters at a uniform price throughout Fiji. PFL can only rely on the government for funding of operations in rural areas. Government provides grants to PFL for social obligations whereby it meets social obligation related costs until breakeven. This is explained better below. Government presents a list to PFL indicating the locations where it wants post offices to be established. The cost of establishing these post offices is borne by the government while the cost of running the post offices is met by PFL. PFL compares the revenue earned with the costs incurred. In the situation where costs are more than revenue, government meets the shortfall. PFL submits quarterly reports on the same to the Ministry of Finance. Government also subsidises PFL for making provisions for banking services at its rural post offices. Such services are currently provided by Bank South Pacific or previously through the Colonial National Bank (Nasiko, 2011a).

6.3.1 Pre-Reform Stage

Postal services in Fiji began in 1871. On 2 December 1871, the first postal act, the Cakobau Postal Act was enacted by the Legislative Assembly of the Fiji Government (PFL, 2005). The enactment of this act led to the official launch of: a postal department in Fiji, a general post office, post offices in other parts of Fiji and, the appointments of a chief postmaster and the other postmasters. The Cakobau Postal Act acted as a guide to the pioneers of postal services in Fiji.

Since its inception until 1989, Fiji's postal operation was a division of a government department, the Department of Posts and Telecommunications. Later in January 1990, this department was corporatised as Fiji Posts and Telecommunications Limited (FPTL).

6.3.2 Reform and Post Reform Stage

There were some individuals who labeled Post Fiji, the 'poor cousin of the FPTL', complaining that Post Fiji was given step brotherly treatment before it branched away from Telecom (Chaudhari, 1996b: 131).

According to the former Managing Director (MD) of Post Fiji, the issue of Telecom subsiding Post Fiji was an overstatement (Chaudhari, 1996a). While the superior performance of Telecom was undenied as it was the better performing partner, contributing 92 per cent to overall profits (Chaudhari, 1996b), the independent profit making status of Post Fiji could also not be ignored. Post Fiji earned $680,000 profit in 1993, $691,000 in 1994 and $1.37 million in 1995 (Fiji Business, 1996a: 23). Despite being paid little attention during the days of FPTL, Post Fiji was able to generate profits annually. It earned almost $1.2 million in profits before its split from Telecom in 1996 (The Review, 1997b: 32). Figure 6.1 below shows profits earned by Post Fiji from 1990 to 1997. The later financial figures from 1997 to 2010 are presented in Table 6.3 under the sub-title Financial Performance.

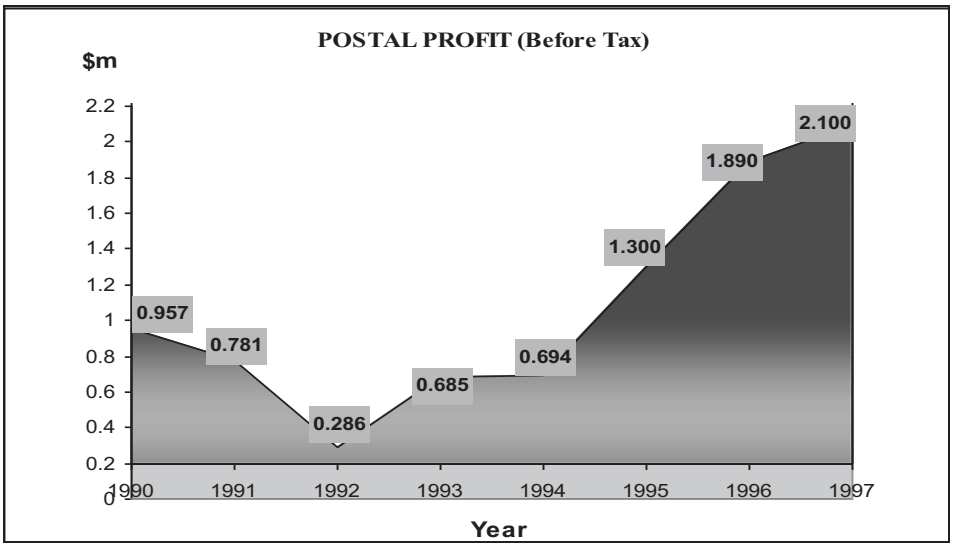


Figure 6.1: Profits Earned by Post from 1990 to 1997

Source: The Review (1997b: 32)
1996 and 1997 figures are estimates

In June 1996, the much awaited separation of Posts and Telecommunications was formalised, resulting in two new enterprises, Post Fiji Limited (PFL) and Telecom Fiji Limited (TFL). At that time, there was a worldwide trend of splitting the postal and telecommunication services because of the different target markets both served.

Fiji was following this trend since globally, the highly technologised telecommunication operations rushed ahead particularly because of rapid technological advancement over the years whereas growth in the labour intensive postal services remained slow (Postel, 1995a). In addition, many of the postal services like faxes were also taken over by telecommunications (Chaudhari, 1996a). The then Prime Minister explained that the separation of FPTL was part of government's policy of reforming the public sector so that such enterprises could robustly contribute to Fiji's development (Postel, 1996e).

PFL was registered and incorporated under the Companies Act and commenced operations as an independent enterprise from 1 July 1996 (PFL, 1998).

6.3.2.1 Board and Management

PFL is led by a government nominated board of directors. All directors except for the MD or CEO (the recent arrangement) have been outsiders (not from within the company). The directors are experienced individuals from various business sectors, having served at various other boards. In a combination their backgrounds involve: business and training consultants, former company secretaries and legal advisors of several government enterprises, chairmen and CEOs of known organisations, recipients of honourable awards, business owners, active members of provincial councils, farmer and community worker, former senator, Justice of Peace, lawyer, policy advisor, educator, trainer and Non Governmental Organisation (NGO) activist.

The executive management team including the MD or CEO is made up of individuals who are well versed with postal operations. These individuals have been with PFL for a long time (as early as 1967) and rose through the ranks from very humble positions. A number of them also took up studies towards Bachelors and even Masters degrees (PFL, 2005).

A former and PFL's first MD who held office from 1 July 1996, attained a Master of Business Administration (MBA) from the Melbourne-based Monash University. His career with FPTL dates back 1968.

This MD worked in various capacities throughout Fiji as a Postmaster in Suva, Lautoka and Lomaloma (in Lau) and, as the Head of Bureau, Manager Operations (Post) and, Manager Retail Business (Postel, 1996d). He had also served on various committees which played an important role in the growth of FPTL following its corporatisation (PFL, 2005). New Zealand Post was his role model. He hoped to create a mini version of New Zealand Post out of PFL. New Zealand Post was initially a weak performer but turned around to become an award winning corporatised postal business (The Review, 1997b).

While the profitable performance of PFL until 2005 cannot go unnoticed (key financial data is presented later under the sub-title of Financial Performance), what can also not be ignored is the year 2007 allegations made at the former top management and the board (names undisclosed for ethical reasons). Four former PFL executives were charged with various offences ranging from abuse of office, extortion, aiding and abetting abuse of office and, false certificate by public office (Fiji TV, 2007). Furthermore, the PFL audit reported serious allegations of malpractice of the former MD. It is claimed that upon his resignation in February 2007, the former MD was paid a gross compensation of $246,479.89, a net of $122,481.39 after deductions. In addition, he received $24,000 as gratuity, a payment he was neither entitled to nor allowed for in his contract. It is further claimed that this payment was not even approved by the Higher Salaries Commission. Two other executives were also reported as corrupt (The Fiji Times, 2007b). Even the former board chairman was alleged to have received allowances not entitled to. It was also alleged that the former MD approved a payment of $75,000 for the purchase of an external Seiko clock for PFL building from a company owned by the former chairman without following proper tender procedures. Allegedly, the former board chairman allowed this to happen, failing to disclose his interest and relationship with the company (The Fiji Times, 2011a). The former board chairman claimed he knew nothing about the discussions on the purchase of the Seiko clock. The court convicted both (Nasiko, 2011c).

Accordingly, a new board was appointed. The chairman and three new board members were appointed in May and June 2007. Only one of the previous board members continued while three others resigned in December 2006. The five member board was told to seriously consider the recommendations of PFL's audit report during their board induction session. Through such induction sessions, the directors are made aware of their roles and informed on what the government expects from them as the company's shareholders.

In 2007, an acting CEO was appointed by the new board following the exit of the former MD on 28 February 2007. In January 2009, a former executive from the Colonial National Bank was appointed as the CEO. He was appointed given his strong commercial background and experience with an international financial organisation, together with strong moral and family values (The Fiji Times, 2009a). This CEO was described by his staff as a matured, patient, disciplined and not easily undermined individual who believed in getting things done and knew how to tackle difficult situations (Interviewee 18, 2009). This CEO also left PFL. As at April 2012, the CEO position is vacant.

The way activities are currently carried out at PFL can be described as stringent. For instance, the CEO is not part of the board but a representative of PFL who makes presentations to the board. The board then discusses the presentations amongst themselves for final decisions. Board meetings are held every month. Representatives from the Ministry of Finance and MPETC also sit in board meetings. The CEO also does not have the discretion to approve funds of above $10,000 needed for capital purchases. All capital purchase requests of above $10,000 require board approval (Interviewee 17, 2009). In addition, the board needs to be kept informed on everyday affairs even operational matters. For example, matters such as the qualification and experience requirements of senior vacant positions are also determined by the board.

The CEO is thus not given full autonomy. PFL's board is heavily involved in the operations of PFL. However, the board-management relationship is quite good.

All requests are thoroughly looked into before final endorsements but at times further information is requested before approvals. This drags approvals onto the next monthly meeting. It is this delay that is problematic. Coming from a commercial environment, the PFL environment can prove restrictively different for a CEO.

6.3.2.2 Human Resources

The separation of Post Fiji from Telecom saw the movement of 277 staff out of the 1388 from FPTL to PFL (Fiji Business, 1996a: 23). While this split from Telecom created different sections in PFL, workers were generally happy because the change brought with it better wages (Interviewee 20, 2009). Interviewee 19 (2009) confirms that there was little complain after the 1996 split because employees were in a better position in terms of wages and did not lose their privileges or benefits after the split. This was very much in line with the promise the company made to its employees during the pre-separation period.

The split from Telecom also required a change in corporate or work culture. Corporate culture underwent changes from the time of the separation (Fiji Business, 1996b) but was not without challenges. The former MD recalled the early disappointing days (when he returned from studies and assumed the MD position) as follows.

> I looked at the way things were going, the management at that time were laissez-faire. They just let things happen, they took things for granted. I came in with a different frame of mind, of doing things differently because of the way in which I was trained. I looked at our core business, which is mail. It was hardly growing (Waqa, 1996a: 21).

To inculcate commercial thinking in his staff, the MD tried to break the "old die-hard habits" instilled from the earlier civil service days which gave Post Fiji "a slow coach reputation" (Motufaga, 1996: 25). The MD admitted that this was his biggest challenge at that time. He also tried to widen the professional training opportunities for his staff through trainings and briefings to groom employees into thinking 'commercial' (Waqa, 1996a). An all-inclusive approach was taken in staff briefings to make everyone aware of the company's state of affairs.

The MD was also not too happy with the bureaucratic mentality that existed from the time of FPTL. He tried to create a correct mix of human resources by recruiting skilled private sector individuals in key positions (Fiji Business, 1996b). In addition to training, encouraging further education and recruitment of skilled individuals, PFL organised sports days to give employees a break from work and to create an atmosphere of friendship (Posnews, 1997a).

What was also changed in 1996 was the bonus incentive programme. Prior to 1996, the on-going bonus incentive programme based on company performance was used to enhance staff productivity. The new structure introduced Key Performance Indicators (KPIs) and required that bonuses be paid quarterly to permanent staff, depending on the KPIs achieved during that period. KPIs were used to measure staff performance in line with their positions (Postel, 1996b). A good example of how KPIs positively affected productivity is the early 1996 example. Targets were given to post offices to grow by 10 per cent and to reduce costs. The condition was - employees could lose out on their bonuses if their targets remained unmet. At the end of nine months, post offices running at losses were able to reduce their loss figures while those that were generating profits were able to further increase their profits. The target with the bonus condition pushed the rural postmasters to meet and encourage their business clients to increase their use of postal services. This push in productivity turned around seven post offices at that time (Chaudhari, 1996a). In March 1996, the bonus payments were made part of the agreement between PFL and the employee union, Fiji Posts and Telecommunications Employees Association (FPTEA) effective 1 January 1997.

In 2002, PFL and FPTEA agreed to introduce a performance based management system in the following year on the basis that both the incentive types (bonus based on company performance and bonus based on individual employee performance) continue. This performance based management system was rolled out in 2003 (PFL, 2003).

In July 2006, a staff voluntary redundancy scheme was implemented. This saw the voluntary exit of sixty-one staff (PFL, 2006).

Workers were given the choice of either to keep their jobs or to take voluntary redundancy packages. Because no one was forced to go home, there were no union issues. The vacant positions were filled by the junior staff of that time (Interviewee 20, 2009) and by cheap labour because of financial constraints which helped to lower the wage and salary expenses and, thus overall expenses as planned (Interviewee 19, 2009).

Despite the above efforts, there were still areas that needed much improvement. The 2009 appointed CEO identified gaps in all areas of reporting, point of sale, accounting and HR systems and initiated upgrades in these areas. The current processes have simple formats and are done manually. Accordingly, automation of Job Evaluation, PMS and HR are being looked at. Employment relations activities also need to be aligned to the recruitment and selection processes of PMS. The HR software is undergoing review. Before finalisation, all such changes will be first run through MPETC and the union, especially in the areas of working conditions and disciplinary processes.

Interviewee 18 (2009) mentions that consultation with the ministry and the union has been good overall. According to her, the ministry and union are kept fully informed and are in agreement on the proposed changes. However, it is now a well known fact that at present, unions in Fiji have a weaker position. Given the strict military regime and the active emergency decree, unions are not in a good position to raise objections. For instance, it is rumoured that proper employment relations procedure was not followed in the dismissal of a former HR Manager of PFL. The board interfered and the said staff was sent home.

KPIs are also being reviewed. In the earlier structure, KPIs based on profits and targets were particularly for the managers. The forthcoming move is to do the same for the other staff. Once this is finalised, training will be provided on productivity based systems. Under the proposed system, bonuses will not be automatic and promotion will be based on performance not job positions. This system is perceived to be fair since it allows an excellent performer to reach level three from level one, bypassing a poor performer sitting in level two. Staff members have been updated on this change during training sessions.

Job descriptions (JDs) are also being looked at. Currently, JDs are not detailed. For this reason, JDs are being tailored to each staff in line with their positions. This is currently being vetted by HR before being finalised. Talks have also commenced on an internally driven restructure and employees have been informed. The tall hierarchy of many levels of reporting will be streamlined to four levels of CEO, heads, managers and team leaders. Manpower needs will be reviewed and processes will be streamlined in the areas of reporting, the use of software and current systems.

PFL does face some resistance towards the above proposed changes. A few employees have anonymously written to the Prime Minister's office. The reason behind such resistance is related to the 2006 redundancy. A few employees acted on certain positions when many employees left PFL with redundancy packages. These employees still continue to hold these acting positions. If the restructure rolls out as planned, a few of them will be confirmed in their acting positions while others will be moved back to lower positions. It is this 'moving back' that has led to resistance. PFL justifies that only one employee can be made a team leader but it is willing to reconsider the salary scales of those who will be moved back.

Overall, consultations and meetings between the top management and employees have been good (Interviewee 20, 2009). According to the Interviewee 17 (2009), employees do acknowledge an all-inclusive policy where they are not shut out but consulted and kept informed. She explains that a previous GM Finance faced problems due to her exclusive policy which left staff unconsulted.

The long-serving employee states that given good consultation and better terms, there has not been any major issue since the 1996 split (Interviewee 20, 2009). He remarks that there have been minor grievances but these have been resolved by the union and management. He highlights a give and take approach between the management and employees as follows. When required, employees work overtime without a fuss. Management is also not quick to 'cut-pay' when employees take time off, for instance to visit the hospital during working hours.

The senior personnel (Interviewees 17; 18 and 19, 2009) all agree that culture change remains the biggest challenge. They confirm that culture is hard to change and might take a decade to transform. This is a long wait but reflects at how slow and difficult culture change can be. For example, the 8.00am to 4.30pm mentality is deeply set. If a task is given at 4.15pm, some employees leave it for tomorrow (Interviewee 19, 2009). Unlike a number of lower-level employees, the top management staff are market-driven given their private sector background. For instance, the 2009 appointed CEO previously worked at the Colonial National Bank. The Manager Retail is from Carpenters Motors and the Acting GM Finance is from an accounting firm, Ernst & Young.

While some employees have improved on their performance, there are a few who remain laid back and resist changes. Such employees feel that their jobs are secured for life. Arriving to work ten to fifteen minutes late is common amongst such employees. However, PFL has a process to deal with difficult and unproductive employees. The process is quite bureaucratic requiring three warning letters before dismissal of any employee (Interviewee 18, 2009). Only when warning letters reach three in number in a year, then an employee can be terminated. Warning letter count begins afresh every year if warning letters are less than three in a given year. PFL has a union to deal with which advocates that employees be given chances to improve on their performance. PFL also has a corporate manual for staff practices but at times even the senior staff members fail to abide by the manual giving excuses. Such a situation led to the set up of a disciplinary committee which had existed for sometime but was not functional. A new disciplinary committee was thus set up to look into gross misconduct. There are evidences of dismissal of employees who abuse office and are unproductive (Interviewee 20, 2009).

Staff Development Issues

PFL has made allocations for staff training and development every year since 1996. Such trainings are aligned to job descriptions. In September 1996, the 'Operation Taubale' team made up of PFL's mail delivery men participated in a TQM program that focused on faster and easier delivery.

The PFL management took heed of the team's recommendations and purchased six bikes for postmen who delivered mails within the greater Suva area. This saw a reduction in delivery time by half from 877 to 416 hours. The team won a bronze award, a recognition plague and $500 cash prize in the Fiji National Training Council's (FNTC) quality control circle competition (Chaudhari, 1996j: 93). FNTC is now known as Training and Productivity Authority of Fiji (TPAF).

In 1997, the Nadi airport post office team was nominated to represent PFL at the National Convention on Quality. The team chose the project of repairing damaged mails received at the Nadi airport post office with the motto of "sorting day and night, getting it right, on time all the time" (Posnews, 1997b: 1). The team won a silver award, a plaque and $700 cash. The team came up with recommendations which were immediately approved and implemented by PFL (Posnews, 1997b).

From 2006, all training sessions have been affiliated to TPAF. The long-serving lower-level employee highlights that line managers are the ones who identify the skills lacking in employees they supervise (Interviewee 20, 2009). He expresses that such courses are helpful as well as a refresher. The HR Department coordinates relevant training to upskil staff. Moreover, to reduce boredom tied to routine work year after year, employees are also placed on job rotation after every three years.

In addition, a few selected employees are sent overseas for specific trainings, seminars and workshops. Employees are also encouraged to take up university level studies and when they do, they are sponsored by PFL. However employees need to show initiative and commitment first towards personal development by pursuing few courses. This demonstrates their eagerness towards career advancement. PFL sponsors such employees afterwards but employees are required to refund PFL upon failing a sponsored course.

6.3.2.3 Projects, Products and Changes

PFL differs from other communication and distribution media given its Fiji-wide accessibility.

The Post and Telecommunications Decree (1989) which is still applicable, gives PFL the exclusive authority to accept, receive, collect and deliver letters (MPETC, 2012). However, vast distances between the islands in Fiji and remote conditions as well as difficult airline and shipping schedules make letter delivery very challenging. The above decree does provide some protection to PFL from direct competition but this does not mean that PFL does not face any competition. This is explained better below. The demand for letters is primarily influenced by factors such as technology, social patterns, communication needs, marketing and prices. According to the then Mail Operations Manager, letter writing is not everyone's favourite past-time in Fiji. Many prefer talking to writing. As per the then Executive Manager Mails, "on average, a person in Fiji writes 33 letters per annum, compared to 238 in Australia and 285 in New Zealand" (Motufaga, 1996: 25) and 600 in USA (Chaudhari, 1996a: 45). Also over the years, competition in PFL's core business of mails has increased because of electronic communications, substitutes and courier operations. The physical letter competes with the faster electronic communication technologies such as telephones, faxes, emails and electronic banking. There is a change in communication culture with the availability and access to the less expensive and faster modes of communication such as a mobile phone. Such a trend changes the time-honoured role of post offices worldwide. In particular, the problem with the physical mail is the lengthy and tedious process of sorting and dispatching of mails to different towns, islands and overseas countries (Chaudhari, 1996c).

On top of such competition, the cost of delivering standard letters at a uniform price is higher than the amount PFL charges the customer. This has led PFL to make requests to the Commerce Commission for increases in charges but such efforts have not been as successful. January 2001 saw the much awaited increase in postal tariff though. Despite this increase, Fiji's postal charges remain the lowest in the Pacific. PFL argued that while this increase is a relief, postal tariff needs to be removed from the control of Prices and Incomes Board (PIB) for business growth and returns. Year 2002 did just that. In December 2002, PIB approved the removal of international postal tariffs and other miscellaneous charges from PIB regulation. The domestic postal rates were only affected by an increase in the Value Added Tax (VAT). This allowed PFL to better align its fees with costs (PFL, 2002).

Later, the Commerce Commission approved a request for an increase in domestic postage from 16 cents to 20 cents, effective 16 October 2006. In spite of this increase, the public still stand to gain since the cost of delivering mail for PFL is 52 cents while its postage charge to customer is 20 cents (PFL, 2006). PFL thus subsidises the public. The Commerce Commission rejected further requests of increases in postal charges justifying that PFL can afford such costs since it is able to generate profits.

In the parcels market, PFL has no legislated advantage. It faces unrestrained competition from larger as well as smaller courier companies. PFL also competes with banks and other operators in the area of financial services and agency services such as utility bill payments. As for retail merchandise, it competes with stationery shops and bookshops. Given competition and rejected requests for increases in postal charges, PFL sought resolution in product diversification and automation, adopting innovative ideas and trends from successful overseas postal businesses. Interviewee 19 (2009) who has been with PFL for thirty-seven years mentions that when Post Fiji was part of FPTL, it earned about $0.3 million in profits. He states that with diversification after the split from Telecom, PFL's profits jumped to approximately $2 million. He also stresses that in the absence of PFL's quick thinking on co-products and associated businesses, survival of PFL would have been difficult if not impossible.

The following paragraphs give details on PFL's products and automation related projects.

Postal Network and Letterboxes

PFL continuously sets up new post offices as well as installs additional letter boxes to meet increasing demand. PFL also makes changes in terms of relocations and ceasing of operations. Over the years, mail services has seen lots of improvements such as the use of PFL's own vehicles for mail carriage around Viti Levu, mail delivery by postmen on motorcycles, modernisation of mail processes and the introduction of FastPost products. For instance, in October 1996, horse-shoe type sorting units were introduced in the mail centers to enhance sorting efficiency (Posnews, 1997a). Sorters were given standards to maintain in terms of number of articles sorted per hour.

This helped to reduce the number of staff as a cost cutting measure and also helped maintain delivery standards. Excess staff were re-deployed to areas needed. Three shifts were introduced to cater for peak business hours. Since the Nadi Airport post office is the International Mail Exchange office, it was decided that it be staffed 24 hours. Mails were recorded on a daily basis to gauge periods having variations in mail volume. Such statistics help to anticipate the mail volume in advance to accordingly engage the appropriate number of staff needed in different periods. Post offices are also put on tests to assess whether or not they are able to meet their targets and delivery standards.

Mail room operations saw further improvements in 2006 as it underwent automation in two key areas of parcels and registered posts (PFL, 2006). One such improvement was the introduction of the printed Universal Postal Union (UPU) barcode labels. These labels come with a track and trace system whereby such mails can be scanned by postal administrations worldwide. This system also provides PFL with computer generated dispatch lists which are more legible and time efficient. In addition, Parcel Notification and Duty Entry Forms (PNDE) are also computer generated leading to overall improvements in quality and professionalism.

Postal Agencies

There are 127 postal agencies which provide basic postal services, particularly in small rural communities (Ministry of Information, 2010). Located in shops or homes, postal agencies are not PFL employees but village based individuals acting as agents for PFL, selling stamps and issuing money orders. Chaudhari (1996g) informs that such postal agencies are given an allowance depending on the amount of business they generate. She mentions that even when these agencies are not profitable since allowances paid are higher than revenue earned, government wants postal agencies to continue as a social obligation of serving rural dwellers.

Post Shops

Established in 1992, the idea of post shops was the brainchild of the former MD who at that time was the Manager Retail Shop. He made additional changes by widening the product range.

Retailing in post shops includes sale of postal packaging products, greeting cards, stationery, children's books, novels, magazines, faxing facility as well as card services. The Card Service Business operates within the post shops. The Phonecards Section distributes and wholesales the prepaid telecommunication service of Telecards, Recharge Cards, Quick Dial, Internet Prepay and E-Pay which is an electronic prepay card system. In rural areas post shops also sell clothes as well as groceries.

Post shops have had a positive impact, particularly on rural post offices. The rural post offices had not been operating profitably and their losses were subsidised by profits of urban post offices. Diversification brought about by post shops turned around many rural postal operations increasing the popularity of post shops, so much so that post shops grew from $400,000 in turnover in 1995 to a noticeable $6 million by 2004 (PFL, 2004). The competitive advantage in rural areas is price. The prices of clothes and other post shop items are comparably cheaper than what is offered by the other rural retailers. The other rural shops often sell products at higher prices because of higher cost of sales due to higher transportation costs of getting products from towns and cities to rural areas. PFL can afford lower prices since it sells from its already established post shops. It does not have to pay rent on these shops and uses its post office staff to serve post shop customers (Chaudhari, 1996d). Post shops' wholesale sales teams' continuously target corporate organisations and schools to market post shop. PFL's 'Back to School' promotional period marks the largest revenue earning period. This end-of-year to start-of-year promotions is a major promotion for post shop products (PFL, 2004).

Adpost

AdPost provides businesses, non-profit organisations and church groups with an alternative to advertising through an unaddressed advertising technique of mailing direct to customers. It is the mass advertising medium of PFL. Flyers, brochures, catalogues and circulars are dispatched to every single mail box at a small postage charge. While mail volume has decreased, AdPost volumes rise significantly (PFL, 2004).

Courier

Mail Management and Door to Door Mail Service

Mail management involves handling of an organisation's mailing functions. The clients are billed for postage and service afterwards. Organisations normally contract out this function since PFL is comparatively quicker and more efficient. This arrangement also allows PFL's business clients to focus on their core activities. Door to door mail service was introduced later as an extension to the mail management service. This service does not require the business clients to visit the post office. This service involves picking up and dispatching of mails from customers' letterboxes and private mail bags.

FastPost

FastPost is the speediest mail service for carriage of documents and parcels (Fiji Business, 1996b). It was launched in June 1996 to tap into the domestic market as well as to lure competitor customers (Chaudhari, 1996h). PFL experiences stiffest competition in the courier market which is continually flooded with courier service providers (Chaudhari, 1996a). It faces tough competition from international companies like Thomas Nationwide Transport (TNT), DHL (originally stood for Dalsey, Hillblom and Lynn), Federal Express (FedEx), United Parcel Services (UPS) and local courier companies.

Express Mail Service Courier Post

In 1991, PFL introduced Express Mail Service (EMS) courier post. Initially the EMS courier began as domestic courier service. Given the overwhelming public support and demand, the business expanded to international courier service. This product's popularity has grown over the years, so much so that, "even their rivals sometimes use Post's large network to remail their bulk consignments posted from overseas" (Chaudhari, 1996i: 145). PFL introduced the EMS track and trace system in 2000. In the same year, it introduced another service, Import Express (PFL, 2000) which enables customers to import goods without having to go through the hassle of customs clearance. In 2002, the EMS track and trace system was upgraded to International Postal System (IPS) version (PFL, 2002).

SmartMail

SmartMail, a data processing and mail production service was also launched in 2002 (PFL, 2002). PFL worked with DataMail NZ, a subsidiary of New Zealand Post to establish SmartMail. SmartMail permits electronic acceptance of raw data, its printing, collation and insertion into envelopes. It pre-sorts data to the point of delivery (post box or street address) before reaching the packaging stage. It also offers support services such as data analysis, stationery purchase and storage. The key advantage of SmartMail is its speed in printing, packing and dispatching of high volume mails for major organisations. Telecom bills are printed in this division.

Jetpack and SeaFast

Two new products were introduced in 2003. The first was Jetpack, a co-branded product of EMS Courier and interestingly its competitor DHL to give a boost to the international outbound documents. The alliance allows both the companies to use each other's strengths for mutual benefit. PFL joined hands with DHL because DHL has strength in the international market with a large network and own aircraft (Waqa, 1996a). The second new product was SeaFast for goods and parcels weighing 20 kg and 1000 kg per one cubic metre.

Financial Services

Financial services at the post offices include bill pay services, money orders, international money transfers and rural banking services.

Bill Pay Services

What was once known as agency business is now known as bill pay service. From May 1996, PFL began counter queue management for timely customer service. Multi-purpose counters were established which shortened the long exhausting queues with specialised counters set up for busy days. More counters were added to improve service at the telephone account payment area.

Bill pay service was launched in mid 1998 alongside Post Link II (PFL, 1998). Post Link II is its supporting technology that links up with Fiji-wide post office computers.

This allows for online posting. The connectivity allows bills paid at the post offices through-out Fiji to be recorded at the Suva office without delay. Revenue earned by each post office can also be determined at the close of business daily. Previously, data was saved on disks at the close of each month and then sent to the Headoffice (Chaudhari, 1999).

PFL operates the largest over-the-counter bill payment service. Because of its convenient facility of more than fifty post offices, it is able to offer attractive rates for this service. PFL's advantage as a cash collecting agent also lies in its longer opening hours and trading days of six days per week. Under the bill pay services, companies sign-up with PFL, authorising it to accept their bill payments on their behalf. The bill payment system updates payment records and settlement the next working day in the clients' record systems. PFL benefits through agency commission earned for providing bill collection and payment services. According to the former MD, bill pay service is easier and cheaper for large companies (Chaudhari, 1999). He rationalised that setting up their own agencies would be a waste of funds for such large companies. Customers are able to pay bills to companies like Courts Homecentres, Fiji Gas, Fiji Times, Fiji National Provident Fund, Housing Authority, Islands Network, Merchant Bank, Native Land Trust Board, Pacific Sun, Public Rental Board, Suva City Council, Sky Fiji and Sky Pacific, Social Welfare, Telecom, Tower Insurance and Vodafone (PFL website).

Money Orders and International Money Transfers

A money order serves as an alternative to cheques and banks' telegraphic transfers. Money orders are popular with remittances to and from rural communities and are convenient to those without bank or cheque accounts. A money order is a simple, paper-based process that allows transfer of funds. From May 1995, the form fill-out process has been made simpler with a new mail order form of carbonated pages. The use of forms has been reduced. Fax machines are now used to send money orders. This has reduced the processing time from five minutes to a minute and a half, reducing overheads (Postel, 1995a). For international money transfers, PFL acts as an agent of Western Union for receipt and transfer of money, internationally.

Rural Banking Services

PFL works with Colonial National Bank now Bank South Pacific, in providing limited but essential banking services to the rural communities especially in the islands. There are twenty-seven rural based post offices and a few postal agencies which offer such services. From year 2010, Digicel has partnered with PFL and Westpac Banking Corporation for its 'Digicel Mobile Money' service. This service offers the public a range of services such as transfer of funds to any mobile phone in Fiji, payment of Digicel bills, top-up and deposit or withdrawal of cash. Customers can deposit and withdraw money through their mobile money accounts at selected PFL outlets. Such a partnership provides simple and accessible financial transactions to the public throughout the country who do not have access to basic financial services (Emmanuel, 2010).

Locksmith Services

Postal locksmith at the Suva General Post Office (GPO) commenced operations in February 1996. At that time its duties were restricted to servicing PFL's post office letterboxes of duplicating letter box keys and repairing letter box locks. Since 1998, the locksmith services have extended to provide general locksmithing services to the public.

Philately

The philatelic bureau provides products and services for philatelic trade and to stamp collectors (Fiji Business, 1996b). Chaudhari (1996e) informs that the bureau plans, designs, prints, produces, distributes, markets and sells stamps. She highlights that the philatelic bureau is more popular in the collectors market with 98 per cent being international collectors. Collectors are interested in keeping track of the worldwide postal history and value stamps highly. The bureau releases a few stamp issues on an annual basis. Appendix 6.2 presents Fiji's past commemorative stamps. PFL acts as a sales agent for stamps for a number of neighbouring Pacific Islands. It also has stamp agents who sell its stamps in different countries for a commission (Fiji Business, 1996c).

In 1997, the bureau went on-line at www.stampsfiji.com for universal presence. The website's email facility enables online orders as well as on-spot response to customer queries. The bureau also participates in a number of international exhibitions. For instance in 2002, it participated in Philakorea exhibition in Seoul (PFL, 2002).

In addition, the bureau initiated a project to launch personalised stamps whereby by 2003, customers could have their own photos on stamps with a pre-printed design, one that could be used as postage within Fiji. In 28 November 2003 as scheduled, personalised stamp was launched. This generated much interest.

The year 2004 marked an important year in the life of the bureau (PFL, 2004). This year, Fiji philatellic bureau signed up for the World Numbering System (WNS) with UPU. This system was introduced to set up a database for all authentic postage stamps issued by the UPU member countries. Stamps are added to the WNS website upon verification of authenticity and registration.

PFL also engages in Numismatics. To this end, it liaises with the Reserve Bank of Fiji for the mint coins.

Automation and Related Services

Post Link II and Integrated Management Accounting System

PFL has continuously installed and upgraded the technological side of its operations. In 1998, PFL appointed project teams for the installation and implementation of the Post Link II system (enables counter automation) along with an upgrade of PFL's accounting system with Integrated Management Accounting System (IMAS). Post Link II was officially launched on 18 August 1998 at the Suva GPO. Post Link II helps provide daily financial information as it interfaces with the IMAS. Post Link II has facilitated growth in bill pay services as well as post shop sales. Automation has led to faster and more transactions at a given point in time.

PFL is looking into further upgrading its point of sale system and its back office accounting functions. Its current system is not that user friendly. Tailored reports needed by different departments and employees are difficult. Also, the accounts receivable, accounts payable, account reconciliation and fixed asset reports are prepared manually at present. Such internal processes need to be strengthened. Training will also be required once the point of sale system is fully automated and upgraded from its earlier version.

International Postal System

International Postal System (IPS) Light is another technological change at PFL. IPS Light was introduced in 2000 (PFL, 2000). IPS is an integrated international mail management application which combines mail processing, operational management and messaging into one application. It provides a means for postal enterprises to have an accurate and full view of their mail movement, covering every point of transit between the origin and destination such as the transit offices of exchange, international carriers and custom handling. IPS Light not only exchanges electronic information, it also allows the generation of all documents and labels which can be attached to an international mail unlike the previous time-consuming manual documentation.

V-Retrieve

In 2004, PFL launched another system, V-Retrieve. V-Retrieve provides the authorised staff of PFL's clients' with online access to all unstructured data (for example paper and microsoft office documents, emails, PDFs) via internet or extranet connections within the clients' organisations. The system enables the staff of PFL's clients' to locate and view actual business or customer documents or statements with much ease and speed. For instance with V-Retrieve, TFL's customer service staff can view the copy of customer bills whenever customers visit its office to enquire on their bills.

External Connections

From time to time, a delegate from PFL attends and participates in the Asia Pacific Postal Union (APPU) organised workshops.

The delegation also attends and participates in the Universal Postal Union (UPU)[9] congress, organised every four to five years. The congress is held for the member countries of UPU to discuss ideas and issues (Chaudhari, 1999). For further effectiveness, PFL has an International Affairs Department that seeks assistance from UPU at the international level for continuous improvements. The department oversees all UPU related matters as well as monitors domestic and overseas business transactions to ensure that PFL complies with UPU regulations (PFL, 2005).

Sponsorships

PFL closely associates itself with the student market. It has gone a step further by adding more excitement. In 2002, through its initiative and in partnership with Fiji Television, it launched Fiji's first TV quiz show, the IQ Active quiz competition between schools, the first of its kind in Fiji.

PFL also sponsors oratory contests and sporting activities. In addition, it sponsors Fiji Sports Awards Night, Head Teachers Seminar, Principals Seminar and Primary Schools Quiz. There has always been a marketing catch to these sponsorships. The sponsorship is in itself a campaign to raise awareness on post shops and postal products in schools. During sponsorship events, post shops items and banners are displayed to maximise exposure.

In 2002, PFL joined hands with ten other major sponsors in providing financial assistance of $750,000 towards the South Pacific Games (SPG) hosted in Fiji (PFL, 2002). PFL was the exclusive ticket retail outlet for SPG as well as the exclusive distributor and retailer of general merchandise.

[9] UPU is an independent body looking after its member postal administrations worldwide. It is globally funded through its 189 member contributions, payable annually by the government of each member country. UPU has a team of experts who are always in search of new ideas to further develop postal businesses and see to it that postal services are the best and least costly when compared with the other courier businesses. In addition, UPU provides many consultancy services in specialised areas at a request, free of charge to its members (Posnews, 1997-98).

PFL is currently working towards the following: adopting an internationally recognised standard into operations for international recognition; adopting effective business process for efficiency; driving high performance in employees through PMS; automating major offline stations and labour intensive manual processes through automation and integration of technological system; adopting a pro-active service delivery model to become the preferred partner for suppliers and customers; rationalising product and service lines for growth in revenue for business sustainability, diversifying into two new profitable business lines every year; developing and enabling e-commerce business and; becoming fully compliant with legislations and obligations of UPU and the EMS Co-operative (MPETC, 2012).

6.3.2.4 Financial Performance

Around 1999, PFL was one of the six profitable postal operations in the world (Chaudhari, 1999; Interviewee 19, 2009). From its inception, PFL has been able to generate profits until 2009 except in 2006. It reported a loss in 2006 because of the decline in revenue (in fastfone, telecards, agency commission and philatelic business) and the substantial payout of $3,012,491 towards staff redundancy package (PFL, 2006). Interviewee 19 (2009) explained that prior to 2006, PFL was able to perform particularly well given little competition. He mentioned that in later years, competition became more aggressive. He highlighted the rising costs in 2006 which he says also shrunk the postal market that further worsened with the introduction of email and mobile phone SMS messages. As a cost control measure, the immediate remedy was the voluntary redundancy financed through a long-term borrowing (PFL, 2006). No dividend was declared in 2006. Year 2007 saw a turnaround from the loss situation of 2006.

The following table presents total revenue, after-tax profit and dividend figures from 1997 to 2010.

Table 6.3: Key Financial Figures from 1997 to 2010

Year	**Total Revenue** (,000)	**Profits after Tax** (,000)	**Dividends** (,000)
1997	12,931	1,565	448
1998	17,480	1,483	297
1999	21,719	1,281	256
2000	22,567	936	187
2001	26,691	1,109	277
2002	30,793	1,030	309
2003	31,772	1,054	527
2004	37,588	1,270	635
2005	40,112	914	457
2006	35,744	(1,749)	-
2007	33,219	744	371
2008	29,123	368	184
2009	29,055	870	434
2010	26,174	(795)	-

Source: PFL (1998, 2000-2006) and MPETC (2012)
2011 results not available
NA: Not Available

The above table shows that total revenue increased until 2005 but declined thereafter. After-tax profits declined between 1997-2000 and fluctuated between 2001-2010. Dividends paid to government declined between 1997-2000, increased between 2001-2004, decreased between 2004-2008 and then increased in 2009. Overall, the later years has seen declines in revenue and fluctuations in profits as well as dividends, raising concerns on PFL's financial performance.

ADB (2011) reports the following on the performance indicators of PFL.

Table 6.4: PFL Performance Indicators for Year 2009

Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
94%	57%	0.43	2.1%

Source: ADB (2011: 36)

Asset utilisation ratio measures management effectiveness in using company's assets in daily operations. PFL's asset utilisation ratio is 94 per cent. This means it earned 94 cents for each dollar of asset held. Liabilities/total assets ratio reflects at the proportion of a company's assets financed through debt. The higher the ratio, the higher the risk. PFL's liabilities/total assets ratio indicates that 57 per cent of its assets is financed through debt. A lower liabilities/total assets ratio reflects at a safer company but then such companies may miss out on investments and growth by being too safe. The cash ratio is a measure of company liquidity. PFL's cash ratio is 0.43. A cash ratio of less than 1 is not necessarily bad. In fact, holding large amounts of cash reflects poorly at asset utilisation. ROA indicates the efficiency of management in using company's assets in generating earnings. The higher the ROA, the better. PFL's ROA is low, 2.1 per cent. This means PFL earned just 2.1 cents for each dollar invested in assets.

Overall, while PFL has been generating profits and paying dividends in most years, it has suffered from corruption, lack of transparency and the inability to remodel its business in line with the current technological changes. The government is not earning the expected returns from this company. Cabinet has thus endorsed further reforms in order to improve its financial performance and service delivery. Cabinet has indicated that expressions of interest will be called locally and internationally to implement the best options for PFL. Fiji's Attorney General explains that postal operations is no longer what it used to be twenty years ago. He stresses that "the advent of emails and facebook has completely changed the business structure of post offices. Post offices have had to change their business model entirely to be able to mitigate and also negotiate the changes in technology" (Nasiko, 2011b).

6.3.2.5 Concluding Remarks for PFL

On the whole, the following are the key attributes that made PFL a better performing GCC, particularly in its earlier years after the split from Telecom until 2005.

These attributes are: foresight and a proactive approach, diversification of products and services, counter queue management, marketing, enhancement of the corporate look by making changes to the interior as well as the exterior of post offices, sponsorships, financial independence, seeking compensation on social obligations met, training and encouraging further education to upskil staff, allowing employee teams to engage in competitions and implementing their suggested recommendations, building and maintaining external alliances with organisations such as the UPU and, continuous investments in relevant technology. The final attribute needs to be further strengthened. The abovementioned attributes have placed PFL amongst the better performing GCCs. At one time, PFL was noted as one of the six successful postal operations in the world (Chaudhari, 1999).

However, while PFL is able to generate profits and pays dividends to government (except in years 2006 and 2010), it has also suffered from corrupt activities of the former top management and board chairman, increased competition given the rapidly changing technological environment, hard to change work culture and a powerful board which the top-management might find restrictive. These factors have led to fluctuations in revenue, profits and dividends and, the inability to remodel business in line with the current technological changes. Changes are being made but lack speed.

The next section discusses the third better performing GCC, Fiji Ports Corporation Limited.

6.4 Fiji Ports Corporation Limited

Fiji's multimodal transport is well developed comprising of road, maritime, rail and air transport. See Appendix 6.3 for the map of Fiji. The port sector and its facilities are amongst the strategic assets of Fiji.

Fiji Ports Corporation Limited (FPCL) operates under the Seaports Management Act (2005). It is the landlord and is responsible for local wharves, property, development and maintenance of wharf infrastructure, marine services and land based services.

Ninety-five per cent of imports and exports in Fiji are traded through the FPCL ports, handled by its subsidiary, Ports Terminal Limited (PTL). PTL provides port management and stevedoring/cargo handling services. Fiji depends on its two main ports of Suva and Lautoka for imports and exports and for domestic and regional transport of cargo and passengers. In addition, FPCL tries to meet its social obligations (fulfilling the port related needs of the outer islands of Fiji) essential for the socio-economic development of Fiji. However, when the fulfillment of these obligations is not commercially viable, FPCL then handles this through an appropriate contract with the government.

6.4.1 Pre-Reform Stage

FPCL was formally known as Ports Authority of Fiji (PAF). The history of PAF dates back 1 November 1975 when it was first established as a statutory body under the PAF Act (1975, No. 20) (PAF, 1996). With the establishment of PAF, all port operations were integrated into a single independent entity. From its inception, PAF was supervised and controlled by the Marine Department of the Ministry of Communications, Works and Energy (MCWE) until late 1992 (ADB, 2002). PAF and MCWE operated under two Acts, the PAF Act (1975) and the Marine Act (1986) (Seniloli, 2005).

PAF was in operation from 1975 to 1998 (ADB, 2002). According to the Review (1993a: 39), PAF was "a self-financing outfit since 1985". PAF was quite profitable since its inception until 1992. After this period, it started to struggle to make changes to meet its debt financing requirements, following government's refusal to increase tariff (The Review, 1993b). The Review (1993a) reports the following. While there were no increases to tariff since the late 1980s, salaries, maintenance and utility rates kept increasing. When government rejected requests of tariff increase, PAF then decided to reassess itself rather than blame the government. It was then, when PAF decided that tariff should be made simpler (from 16-18 page booklet to 2-4 pages) and market based to pass on productivity-efficiency savings to the business community.

Between 1992 and 1994, PAF began reporting losses due to losses in foreign currency denominated loans, redundancy payments, write-offs of subsidiary company debts, payment of indemnities and value-added tax adjustments. Between 1994 and 1997, it generated moderate operating profits. However, it also suffered heavy abnormal and extraordinary losses during the same period. In 1996, PAF recorded the highest (since the enterprise's inception) overall cargo tonnage of 2.79 million tonnes.

In October 1996, in anticipation of the Public Enterprise (PE) Act (1996) and its corporatisation, PAF commissioned an Australian consultancy firm to thoroughly assess its business operations (FPCL Website). PAF assumed a consultative approach to the review and worked hand in hand with the Ministry of Infrastructure, Public Works and Transport and, the Public Enterprises Unit.

6.4.2 Reform and Post Reform Stage

FPCL was established upon dual reforms in the port industry, a change initiated by the government through the public sector reform programme.

There were a number of reasons behind the port restructure. The reasons were to address PAF's poor financial management record (Singh, 2002), to develop the ports in line with the world trends (Tabureguci, 2004b), to instill transparency, to reduce bureaucracy, to increase efficiency and, to separate all regulatory functions. According to the Interviewee 9 (2009), there was "no commercialisation in the equation and no customer-driven mentality towards work". He explains as follows. The stevedore workers were paid even when there was no port work. This permanent nature of job of stevedore workers resulted in high port costs. Comparatively in the other neighbouring island countries, such workers are kept on a casual basis.

Given such problems, the first reform (reorganisation exercise) was instituted in March 1998. The following paragraphs give a background to the lead up to the PAF reorganisation.

6.4.2.1 The First Phase of Reform

On 18 April 1997, PAF was nominated and declared a reorganisation enterprise by the then Minister of Public Enterprises. The reorganisation process involved the split of PAF into two enterprises, a Commercial Statutory Authority (CSA) - Maritime and Ports Authority of Fiji (MPAF) and a Government Commercial Company (GCC) - Ports Terminal Limited (PTL). In December 1997, MPAF was declared a CSA. PTL and MPAF commenced operations from 1 March 1998 (FPCL Website). MPAF, being the legal successor of PAF inherited all PAF liabilities including the accumulated loss of $1.826 million (MPAF, 1998). PTL assumed the commercial responsibilities of PAF which included cargo handling whereas MPAF took over the regulatory responsibilities and majority of PAF's assets. MPAF was required to carry out duties such as 1) port asset management, 2) ports and maritime regulation and licensing within ports, 3) port state control and, 4) maritime regulation and policy formulation of the Marine Department.

MPAF was managed by a board while the daily operations were run by a CEO assisted by the Financial, Technical, and Corporate GMs. In 1998, a former PAF board member became the chairman with five new members. The Permanent Secretaries for Tourism and Transport Ministries, though not appointed as board members also sat and participated in board meetings. The board was accountable to the Ministry of Public Enterprises and MCWE (ADB, 2002).

In 2000, there were three sets of board of directors. However, during the months of March, most of April, June and July, MPAF operated without a board. A new board was appointed (the second set) but this appointment was later found to be illegal. This led to the appointment of yet another new board in July 2000. In this board, there were two members from the first set, one of whom was part of all three sets. Five members were from set two with a change in chairmanship (MPAF, 2000). In 2003, there were again five new members with two former members, one of whom was the chairman.

Projects

In 1998, major projects included the construction of the $1.2 million fishing terminal at the Muaiwalu wharf 1 (in Walubay, Suva), purchase of plants and equipments for Suva and Lautoka, dredging and reclamation works at the Lautoka port, geotechnical investigations at the Rokobili and King's wharf, and major renovations at the Kaunikuila House in Flagstaff, Suva for MPAF Headquarters. These activities were fully funded by MPAF's internal cash resources. In 1999, renovation works were carried out at the King's wharf and Levuka, capital works were carried out at the Muaiwalu wharf 2, and a 2.18 hectare land area was reclaimed in Lautoka (MPAF, 1999). Further work was also carried out on the master plan of the Lautoka port.

In 2000, a new property management system was introduced; accounting software programme was upgraded; the computerised financial and accounting networks were expanded; the three phased master plan for Lautoka port was approved; Malau port was declared a port of entry and; maintenance, renovation and upgrade works were carried out in Suva, Lautoka and Levuka (MPAF, 2000).

Year 2003 saw the completion of demolition works at the King's wharf, consultancy works for phase three of the Lautoka port development, implementation of the risk management programme (which saw the removal of decaying cranes) and, the maintenance and refurbishment works at Suva, Lautoka, Levuka and the Muaiwalu complex in Walubay, Suva. MPAF's initiative of further developing the Rokobili Terminal into a trans-shipment cargo handling terminal was also approved by the government in 2003 (MPAF, 2003).

Financial Performance

The downturn in revenue and operating profit between 1997 (PAF) and 1998 (MPAF) was largely attributed to reduced cargo throughput. Tariff rates were reviewed in 1998. Unchanged rates and rising costs (particularly administration related) led to declines in profits. At that time, it was also decided that the tariff structure be further simplified.

In 1998 before the reorganisation, the cargo handling productivity at the Suva port was 5.23 containers per vessel-hour. There were no new borrowings. Total loans and borrowings for the year saw a decline from $6 million to $4.1 million (MPAF, 1998).

In 1999, cargo throughput increased but vessel calls were lower. Revenue decreased, however, MPAF was able to maintain net cash flow with controls and cuts on expenditure (MPAF, 1999). By 1999, exports plunged sharply to 38,000 tonnes due to factors such as shipping rationalisation through Suva, reduced sugar exports given the decline in price of sugar, periods of drought and, a slight downturn in the garment industry. Between 1998 and 2000, ship calls remained steady at an average of 150 calls annually. With the use of the ships' lifting gear, cargo handling efficiency improved to 8 containers per vessel-hour.

In 2000, the political situation in Fiji affected cargo volumes. ADB (2002) reports the following. Consumer expenditure and demand for imports declined due to the slowdown in the economy. Between 2000 and 2001, gross profit as a percentage of revenue declined to 18 per cent and 16 per cent respectively, given lower traffic volumes. The 19 May 2000 coup and the resulting trade bans further worsened MPAF's performance. In July 2000, MPAF paid out a three year (1998-2000) dividend of $713,000 to the government when the government directed it to pay 25 per cent of its net profits. However, liquidity was good at all times because MPAF's terms of business required prepayments on port charges. On 1 July 2001, the port tariff structure was revised and rates were simplified. With tariff revision, profitability was restored. Year 2003 saw increases in vessel calls and total operating revenue.

The above activities characterised the first phase of the port reform. However, as per the charter, PAF reform was still incomplete (MPETC, 2009b). While PAF's reorganisation exercise did lead to a substantial reduction in labour, MPAF's seven years of operations also exposed irregularities that needed addressing. The port sector continued with weak technical and financial performance.

In 2000, the Singaporean Government granted Technical Assistance (TA) for a technical study on Fiji's port developments (ADB, 2002). The TA was designed to help the government identify an action plan to support the port sector reform for efficiency and effectiveness. With extensive support, a draft reorganisation charter was approved by the cabinet in July 2004. The above activities gave rise to the second reform, the details of which are discussed next.

6.4.2.2 The Second Phase of Reform

FPCL was established during the second reform of PAF which saw the amalgamation of PTL and MPAF into one GCC, FPCL (Seniloli, 2005). FPCL was first incorporated under the Companies Act (1982) to declare it a GCC under the PE Act (1996). It was registered on 18 August 2004 as a company and began operations from 1 July 2005.

The dual reforms of PAF can be illustrated as follows.

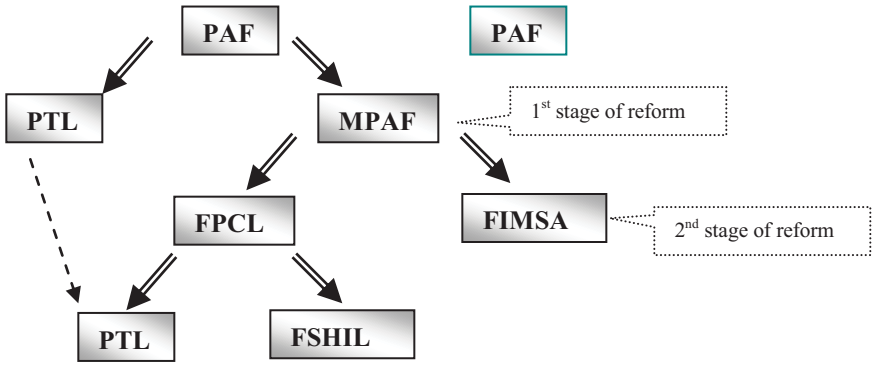


Figure 6.2: Dual Reforms at PAF[10]

MPAF ceased operations from 1 July 2005 as FPCL took over wharf assets and business and, absorbed its commercial functions (Fiji Government Website).

[10] In June 2009, FPCL took in another GCC as its subsidiary. This GCC is the loss-making Fiji Ships and Heavy Industries Limited (FSHIL). FSHIL was a government minority-owned entity that underwent receivership in 1999. It was later bought back by the government at F$6.25 million (Narayan, 2008). FPCL's aim towards FSHIL is to rejuvenate its existing slipway facilities and business for the provision of ship repair and shipbuilding work for much bigger vessels. Work has commenced on the 1000 tonne slipway.

The MPAF regulatory functions of sea worthiness and safety aspects were transferred to Fiji Islands Maritime Safety Administration (FIMSA), another state agency while PTL became a subsidiary of FPCL.

FPCL owns and operates the three main ports in Fiji, expecting a fourth one - the Port of Wairiki to be transferred under its ownership soon. The major ports are port of Suva (King's wharf), port of Lautoka (Queen's wharf) which are located in Viti Levu on Fiji's largest island and, the port of Levuka which is located at Levuka, the old capital of Fiji (FPCL Website). The Suva and Lautoka ports were constructed more than forty years ago. These ports allow about 1000 vessels to berth annually (Shute-Trembath, 2007). The land on which these two ports are constructed, are leased from the government.

The Suva Port

Of the abovementioned ports, the port of Suva is the largest and the busiest port of entry. It is the main port for international trade with the biggest container. It is the general cargo port that provides the maritime gateway to Fiji's capital city, Suva. In addition, this port is a base for fishing and ship repair industries as well as a crucial point for outer island domestic services. Appendix 6.4 presents a layout of the Suva port.

The Suva port concentrates on containerised traffic (ADB, 2002). It loads items such as groceries, hardware, cars, beer, wheat and coconut oil on and off vessels (Shute-Trembath, 2007). Compared with its neighbours in the South Pacific, this port is said to be better in its port infrastructure. The Suva port has strong air links to Australia, New Zealand, Asia and the USA (FPCL Website).

The port of Suva consists of the multi-purpose cargo handling complex of King's wharf, Muaiwalu fishing wharf complex, Narain jetty and the Rokobili terminal. Constructed in 1963 at the Suva port, the King's wharf lies at the northern end of Suva city's central business district. ADB (2002) highlights the following. Industries that import and export products from Fiji depend much on the King's wharf, if not on the Lautoka port.

PTL's cargo operations take place at the King's wharf. At King's wharf, containers dominate cargo operations. However, the wharf also handles unitised, wheeled, break-bulk, dry bulk and liquid bulk. With effective policing and high charges, container dwell times in the yard have shortened to three days. This compares well with international standards. The Suva port was rehabilitated, upgraded and developed for containerised cargo with the initial US$7.0 million loan from ADB in September 1979.

In 1995, a loan of E0.4 million was approved for the preparation of the Suva port master development plan to cater for the demand for special handling equipment, transportation and documentation as well as to keep up with changing technology (Wavu Newsletter, 1996b). This project did attain its objectives of improving port operations as well as successfully increased traffic at the Suva port (ADB, 2002).

The Lautoka Port

The Lautoka port is the second largest port of Fiji. Built in 1961, it is a relief port to Suva. Its location at the northwest coast of Viti Levu makes it a crucial link between regional shipping and Suva. It also serves as a hub for the tourist cruise industry. The port caters for around six international cruise vessels annually. The port of Lautoka is the largest cargo handling bulk export port. It is strategically located within the surroundings of industry and the agricultural production sites. It specialises in exports of bulk sugar, molasses, woodchips, fertilizer, petroleum, gas and bottled water (Shute-Trembath, 2007). The port receives around 26 per cent of all ship calls and 25 per cent of all foreign ship calls. In 1992, the port was rehabilitated and upgraded with the assistance of the European Investment Bank (EIB) (ADB, 2002). Queen's wharf was constructed in 1962 at the Lautoka port. It is a four-sided island wharf with Roll-On-Roll-Off (RORO) facility which can hold up fully laden forklift trucks with a maximum load of 95 tons. It was repaired in 1965. Later in 1992, it was further improved, rehabilitated, upgraded and treated for corrosion through an EIB loan of E6.0 million.

The Levuka Port

The third major port is the port of Levuka. The port of Levuka acts primarily as the fishing port. It caters for fishing vessels berthing at Levuka. The first wharf at the Levuka port was constructed in 1886. Year 1980 saw further upgrades such as the replacement of timber decking with concrete and an extended length which gives the wharf ample berthing space for ten fishing vessels at any one time (FPCL Website).

The Other Ports

The Port of Wairiki is situated at the south-eastern side of Vanua Levu. The port is mainly a woodchip port used by Fiji Pine Limited. It is being declared a port of entry for Fiji. FPCL is awaiting the transfer of ownership of this port to itself. Another facility that is privately owned by Fiji Sugar Corporation (FSC) Limited is under the jurisdiction of FPCL under the Seaports Management Act (2005) (FPCL Website). This is the port of Malau. With deep water anchorage and berthing, it is principally a molasses port facility. It is located at the north-western side of Vanua Levu and caters for sugar cane farmers of the Vanua Levu sugar industry and the bulk vessels that berth at Malau. In 2000, this port was declared a port of entry. It commenced operations in January 2001 (MPAF, 2000). In addition, FPCL is responsible for the operations and certain requirements for the other ports of entry. These are the ports of Rotuma (owned by the Rotuma Council and declared a port of entry in 2008) and Vuda (owned by Mobil Oil) (FPCL, 2008).

Ports Terminal Limited (PTL)

PTL, the subsidiary of FPCL provides port management and stevedoring/cargo handling services. It has manpower as well as equipment available for all aspects of stevedoring operations. Stevedoring productivity has significantly improved port efficiency (FPCL Website). Fiji's ports operate seven days, twenty-four hours. This requires PTL to carry out stevedoring duties during the period any vessel is at berth except for on Good Friday and Christmas Day. Previously, Sunday was not a working day but this has changed. Earlier, PTL also paid stevedore workers for unproductive hours.

For instance, if vessels came in at 12pm, workers then began actual stevedore work from 12pm, but they were still paid from 8am. In this way, they were paid for no work between 8am to 12pm. This has changed. Work hours are now based on vessel imports (Interviewee 9, 2009).

PTL was declared a GCC in December 1997 and is still a restructuring enterprise but it has not experienced any reforms since July 2005 (Interviewee 8, 2009). It is clearly a stevedoring monopoly. According to the earlier reorganisation charter, government should have sold its PTL shares to PTL employees and its strategic partners within the first three years of its operations by 15 March 2001. Towards the end of 1999, MPAF confirmed private sector interest in cargo handling at the Suva and Lautoka ports. During the 1999 period, competitors were to be licensed to operate as well. MPAF was to carry out an appropriate tender process before February 2003. It was to award two or more stevedoring licenses by February 2003[11]. The hold back was political instability.

Government does have privatisation plans but only upon gradual introduction of competition. It is expected that private sector involvement will lead to competitively priced cargo handling services to be achieved through training, productivity incentives and provision of suitable equipment. Interviewee 9 (2009) justifies the gradual approach as follows. Competition is good and welcomed but it should depend on cargo volume. There should be a level playing field for all shipping stevedoring companies with proper administration on competition. A former CEO thought likewise. Chaudhari (2000) reported his views as follows. This CEO defended that if competition is to work, then there should be adequate cargo volume for competitors to serve. He argued that "what we don't want is that having issued, say four licenses, we find after one year three have gone bankrupt" (p. 54). He was also skeptical on whether PTL would allow others to use its assets to compete with it. Should PTL refuse to accommodate competitors, then competitors will have to fund their own wharf.

[11] At that time, PTL held a five year non-exclusive license agreement with MPAF. Contract was set to expire in February 2003 (ADB, 2002).

Recently, outsourcing of some cargo handling activities in a competitive manner with attached terms and conditions has been identified as a possible area for future strategic partnership (MPETC, 2012).

6.4.2.3 Board and Management

FPCL and its subsidiary are governed by a board of directors. The board oversees the company's performance. It ensures that the company achieves the corporate targets set for the respective year. It also formulates correct policies and implements good governance policies. The company's two major shareholders are MPETC and the Ministry of Finance. The board is accountable to MPETC and is expected to furnish regular reports and briefs on the company's performance.

The first set of directors was appointed on 4 February 2005 by the Minister of Public Enterprises and Public Sector Reform[12]. The appointment was for a period of three years (FPCL Website). The first CEO was also appointed in February 2005 (Seniloli, 2005).

A former board chairman was charged with one count of abuse of office by the Fiji Independent Commission Against Corruption (FICAC) for which he appeared in court. He was alleged to have approved $177,000 in payment to the then CEO between 7 and 13 December 2006. The problem with this payment was that it was neither approved by the board nor by the Higher Salaries Commission (Fiji Village, 2008). The plea of the chairman has been deferred and he has been released on a $1000 cash bail. The Fiji Times (2008) provides updates as follows. As a result of such allegations, he was removed from the board and chairmanship of FPCL. In November 2006, the then CEO was also sent on leave to allow for investigations into his alleged mismanagement. It is also alleged that he was paid during this investigation period.

On 28 February 2007, the current chairman was appointed for a term of three years.

[12] The Ministry of Public Enterprises, Tourism and Communication (MPETC) was formally known as the Ministry of Public Enterprises and Public Sector Reform.

Having attended Dalian Maritime University, he is a qualified and certified master mariner with certification in Maritime Auditing from Pacific Maritime Institute. In addition, he has extensive commercial and naval experience. Another board member, appointed on 4 February 2005 is the owner of shipping companies which services inter-island shipping in Fiji. He has extensive local shipping background.

The deputy chairperson who was appointed later on 28 February 2007 was relieved of board duties from 30 June 2008. Two other members appointed on 16 and 28 February were also terminated on 30 June 2008. A director who was appointed on 30 June 2008 passed away on 9 December 2008. FPCL is currently administered by a board of three directors (MPETC, 2012).

The top management structure of FPCL includes a CEO and four GMs who manage and run the overall policies and operations of both FPCL and PTL. Unlike the board, the management is more involved with day to day operations. Like the board members, the top management is also well qualified and experienced.

On 1 January 2008, an expatriate CEO was appointed. He attained Master Class 1 certificate of Competency (STCW 95) and Graduate diploma in Business (Port and Terminal Management) from the Australian Maritime College. He has an extensive forty-four years of experience in the maritime industry.

The GM Infrastructure and Services is a graduate of Canterbury University (NZ) with a Bachelor of Engineering (Civil) degree. He commenced his career at PAF in 1990 as a Port Engineer. He was appointed as the Director Engineering at MPAF in 1998 and then promoted to GM Technical Services in 1999. He holds the position of the GM Infrastructure and Services since 2005.

The GM of PTL is a graduate of Cardiff University. He attained diplomas in Ports and Shipping Administration (Wales, UK), Business Studies from Fiji Institute of Technology (Fiji) and a Masters in Science in International Transport (Wales, UK).

At PAF, he began his career as a Marketing Officer in 1990. He was appointed the Port Manager at PTL in 1998 and was promoted to the position of GM Operations in 2001. He holds the position of GM PTL since July 2005.

The GM Finance and Administration is a graduate of USP. He holds a Bachelor of Arts degree in Accounting (Fiji). He joined FPCL as an Accountant in February 2007 and was later promoted to the position of GM Finance and Administration.

The GM Corporate Services is also a graduate of USP. She holds a Bachelor of Arts degree in Economics and Management, a Masters degree in Business Administration as well as a certificate in Diplomacy and International Relations. Prior to joining FPCL, she worked at the Ministry of Public Enterprises and Public Sector Reforms from 1998 to 2008. She joined FPCL in May 2008.

Overall, FPCL cannot be described as a private sector firm. It cannot really operate independently given interferences and challenges. It is part of the government, thus has to be mindful of the government as well as its own policies. The board is described as very active and the key decider. Some say that its social obligations are political in nature. Some even speculate that the board lacks relevant qualification and that board appointments are also political in nature. There are claims that there could be better people around but many refuse to be part of boards in public enterprises in Fiji because of travel bans. These travel bans are imposed by countries like Australia and New Zealand who do not recognise the current military-led government which took over the previous elected government in December 2006. These countries often remind Fiji to democratically elect its government. Qualified and experienced individuals who do not want to be adversely affected in travel matters refuse to be board members of public enterprises in the current military regime. Those who are part of the current government or even their relatives are declined visitor visas to countries like Australia and New Zealand. From 2012, Australia and New Zealand have relaxed their visitor visa policy as election related work has commenced in Fiji. This may encourage qualified and experienced individuals to become part of public enterprise boards.

The relationship between the board and management is also not amicable. The situation is tight, so much so that the senior management almost unanimously voiced out disagreements but only to get suspended. As matters took a turn for the worse, MPETC interfered. Resultantly, the CEO and the GM Finance were suspended[13]. Interviewee 8 (2009) complains that "management is not allowed to manage". He exposes that a high level of bureaucracy is present in forms of government dictation and political interference, stating this as the biggest challenge for FPCL. He explains that all decisions have to go through the government. New innovative strategies are often declined. He reveals that FPCL has many plans but these remain plans because the government, as shareholders "tells them what to do". In August 2009, the chairman resigned from the board after his attempts of solving the ongoing internal bickering failed and went out of control. In his effort in protecting the independence of the board and the integrity of the position of the chairman, he offered to resign.

Apparently, political interference at FPCL is nothing new. According to Singh (2002), PAF has been marred with allegations of political interference and cronyism in all facets of its operations since its inception. She discloses a "complex story of deceit and politicisation" which exposes that most of the dockworkers were active in the 1987 military coup given promises of "employment for life" – a "political trade-off to support the coup in return for employment security" (p. 37-38). She claims that this was said to be channeled through the then Director General who was also the Minister of Public Enterprises at the time of the 1997 restructuring. She explains as follows. What is even more surprising is that, these same employees were part of the retrenched group who did not get the Suva stevedoring contract during reorganisation. The Suva port workers, given the deceit faced by the dockworkers, switched allegiance to a rival political party in 1999. The MPAF CEO also commanded a lot of political clout which led to MPAF retaining some commercial functions of the ports. This in turn caused duplication of commercial functions between MPAF and PTL, resulting in confused and disappointed customers and shipping agents who had had to deal with two separate enterprises.

[13] The GM Finance was interviewed just a day before his suspension.

6.4.2.4 Human Resources

Retrenchment of excess staff began before the second phase of reorganisation and concluded in August 2005 (Seniloli, 2005). For instance, in the 1980s when technology necessitated port restructure, PAF reduced its workforce to 100 despite widespread protest and strike threats. This saved PAF $600,000 per annum (Singh, 2002: 30). In the 1990s, PAF struggled to make changes to meet its debt financing requirements. This led to more than 100 redundancies, costing $850,000 in payments. These redundancy packages were offered directly to workers (Singh, 2002: 31).

In 1997, the Voluntary Severance of Employment (VSE) package cost PAF $1.26 million for the release of forty-two employees to pave the way for the establishment of MPAF. Voluntary exit plan was implemented to soften any threat of industrial unrest (Tabureguci, 2004b). According to PAF (1997), it fully compensated all employees on their outstanding leave and other entitlements.

Singh (2002) informs that the employees union - Fiji Public Service Association (FPSA) filed a trade dispute with the Ministry of Labour in May 1997 but this was rejected. She gives more details as follows. In the same month, PAF employees expressed a strike threat which worsened the union-management relationship. So much so that the union threatened to burn down the wharf if employees were excluded from the new enterprise under the existing terms and conditions. While the PE Act (1996) requires GCCs and CSAs to prepare an employment and industrial relations plan, PAF did no such thing and failed to consult FPSA despite FPSA's continuous requests for consultation. FPSA was continually given reassurances of consultation, but at a time appropriate. In August 1997, voluntary redundancy packages were offered but with a threat that compulsory redundancy will result should voluntary packages be declined. In December 1997, FPSA filed a series of legal actions at the Lautoka High Court against PAF and the government on the reorganisation process.

In March 1998, FPSA actions were dismissed. Undiscouraged, FPSA filed an appeal to the Fiji Court of Appeal but withdrew its claims by 1999 (MPAF, 1998; 1999).

The abovementioned legal actions caused delays in the establishment and operation of MPAF and PTL. All employees including the CEO had to reapply for their positions in the two new enterprises. On 1 March 1998, MPAF commenced operations with fifty-seven staff. In addition to PAF employees, MPAF also inherited the claims filed by the PAF employees for unfair dismissal and voluntary severance compensation.

In line with the PE Act (1996) No. 35, employment terms and conditions saw a number of noticeable changes such as 1) individual contracts, 2) introduction of flexible days and working hours based on organisational needs and, 3) work pattern designed to rid overtime and penalty rates while providing fair and equitable rewards to employees. Work structure also changed from permanent to three-year employment contracts, subject to annual performance reviews (Singh, 2002). Fifty-five staff members were subjected to the new partnership agreement (PAF, 1997) which is an employment contract between the employer and employee/union (Interviewee 10, 2009). It looks at meeting the needs of workers as well as abides by the Employment Act requirements (FPCL, 2008).

During the year 1998, MPAF also recruited a few more employees (MPAF, 1998). The remaining PAF employees were taken in by PTL. PTL also faced labour actions during the transition period of changeover from civil service contracts to individual contracts. This was resolved in a judicial process, in favour of PTL (ADB, 2002).

Before the changes, PTL educated workers on the forthcoming change, informing them that the change is for the better and will bring better work conditions. Meetings with the union were also organised in the same regard. However, there was resistance from those who were loyal to the union. As a result, PTL had to face court proceedings twice. According to Interviewee 9 (2009), the PTL management took the government initiated change favourably. He mentions that the transition to a GCC was surprisingly smooth without major disturbances unlike during the pre-reform stage when strikes could be staged anytime.

For instance in August 1993, when the board decided to forge ahead with a cost-reduction programme by privatising stevedoring services at Lautoka, dockworkers staged a twelve-hour strike. The cabinet then directed the board to put a stop to its cost-reduction programme (The Review, 1993b).

In 1999, MPAF recruited skilled personnel to begin in-house handling of legal matters. During the year, MPAF staff became members of the employees union, FPSA. The union-management relationship did not start on a positive note at MPAF. MPAF did agree to the voluntary recognition of the union. Despite that, the union went ahead with its application after which it was granted compulsory recognition. MPAF took this action in bad faith and as an unwillingness to promote a cordial and effective union-management relationship. In a reaction, it declined FPSA's application for the 'check-off'[14] facility (MPAF, 2003). According to Singh (2002), MPAF argued that employees preferred physical payment for union dues which led to the eventual collapse of the FPSA membership and the emergence of a non-unionised ports sector. She reveals that MPAF and PTL also used traditional Fijian ceremonies and protocol to secure the loyalty of the predominant ethnic Fijian workforce towards reform objectives. This led the employees to sideline union solidarity issues because of traditional obligations.

There have been no serious industrial disputes at FPCL and PTL since 1998 as per Interviewee 10 (2009). He explains as follows. Regular meetings take place between the management and its current union, Longshoreman's Union. This recognised enterprise union represents the staff of both the enterprises. FPCL emphasises on amicable relationships whereby parties, the Manager HR and the union are often brought together. In the case of disagreements during meetings, employees are redirected away from other unnecessary issues to what is on the employment contract. FPCL tries to avoid unpleasant surprises by keeping employees/union updated through regular meetings and ongoing consultation However, it is now a known fact that under the current strict military regime and the continuous extensions of the emergency decree, unions in Fiji are not as vocal or powerful as before.

[14] The 'check-off' facility allows union fees to be directly deducted from members' wages.

Staff Development Issues

Training is ongoing to ensure that staff are at par with the industry based technological changes (FPCL Website). In 1998, staff were trained for revised roles and responsibilities. From 1999, given the implementation of performance appraisal system, trainings were based on information gathered during the process of individual staff appraisal. Because year 2000 was affected by the May coup, a number of training courses were suspended to reduce costs, in anticipation of economic downturn. However, staff were trained and familiarised with the upgraded accounting software programme. Quarterly performance workshops were also held in Suva and Lautoka to give staff a chance to evaluate and discuss performance of their divisions and the enterprise as a whole.

In 2003, all staff were trained to use computer technology effectively. To expand staff capacity, staff were also sent for training to a number of training institutions. A total of nine institutions conducted all training courses. Between 30 October 2007 and 2 November 2007, FPCL headoffice hosted a port management and engineer's seminar, inviting senior managers and engineers from the regional port authorities as participants. In order to promote regional cooperation, FPCL, since the days of PAF, has acted as the Secretariat of the South Pacific Ports Association (SPPA) from 1978. SPPA was established in 1978 to further develop island ports through the exchange of information, experience and knowledge amongst the member ports. A FPCL delegation attends the SPPA Executive Committee meetings and its annual conferences. SPPA is now known as Pacific Countries Ports Association (PCPA) (PNG Ports Website).

FPCL is also a member of International Association of Ports and Harbours (IAPH), International Cargo Handling Co-ordination Association (ICHCA) and the Association of Australian Ports and Marine Authorities (AAPMA) (MPAF, 2000). As a member, it participates in conferences organised by these associations. In addition, it is a member of all the Fiji Business Councils as well as Fiji Employers Federation (MPAF, 2000). It is also a member of the Cruise Liner Task Force in Suva (FPCL, 2008).

In 2008, trainees were drawn from every sector of the enterprise for a specialised training. FPCL also has a Performance Management System (PMS) in place. Change towards a performance based culture is promoted through leadership but changes need to be in line with the employment agreement. Interviewee 10 (2009) comments that PMS is misinterpreted by many FPCL employees who claim that it is monetary-oriented not performance based. He explains that given such misinterpretations, an awareness programme will be organised to educate employees on the specifics of PMS.

The following diagram presents the PMS of FPCL.

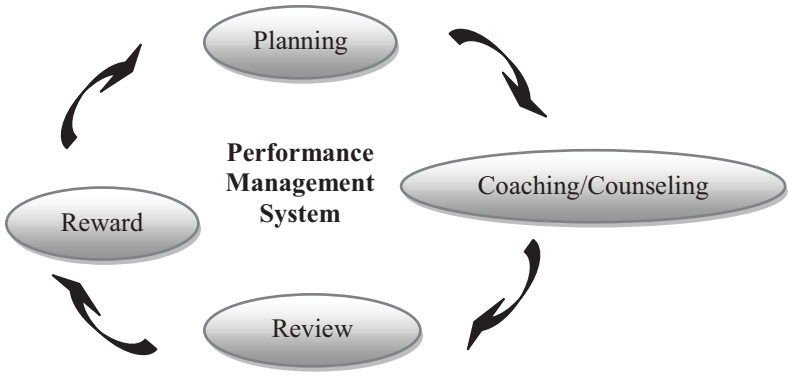


Figure 6.3: The Cycle of Performance Management System of FPCL
Source: Interviewee 10 (2009)
** Planning takes place at the start of the year while coaching and/or counseling is ongoing*

Interviewee 10 (2009) admits that organisational change is not always easy as changes continue to face obvious worker resistance. He adds that to some extent, resistance depends on the quality of leadership and how changes are implemented. According to Interviewee 8 (2009), culture change at FPCL is a big problem -"they just don't want to change". He complains that the worker mentality is the other way around - "we will change you". However, he highlights that slight but slow improvement has been noticed.

Interviewee 9 (2009) has likewise comments on culture change at PTL. He explains as follows. Work culture is a common problem but is better than before. Resistance to change is an obstacle but is nothing major and is understandable.

PTL is a monopoly, as such does not face any competition. However, workers are continuously told to work in a manner as if PTL faces competition. But not much can be expected from workers (dockworkers) who are mostly educated only up to the class 8 standard (primary school).

Overall in FPCL and PTL, culture change continues to pose a huge challenge. Even in the days of MPAF after the first round of restructuring, MPAF continued to be plagued by absenteeism and the previous civil service work culture (Singh, 2002).

The previous work culture still pervades. However, there are ways to deal with problem employees. The practice at FPCL is to counsel such employees and when needed, issue warning letters (Interviewee 10, 2009). In fraudulent cases, strict procedures are followed. In serious situations, workers are told to "shape up or ship out" (Interviewee 8, 2009).

FPCL tries to bring together all staff as well as customers on a number of occasions. For instance on 25 and 26 October 2008, board members and all employees with their families were invited to a two-day event of a sports day and church service. Annually, the board and management staff meet to discuss reviews and to draw up plans such as the corporate plan, statement of corporate intent and budget for the coming financial year. In 2009, other employees were also invited to participate in the formulation of the 2009 corporate plan. Key stakeholders including government agencies were invited in internal workshops, allowing wider participation in the formulation of the eEnterprise's strategic direction (FPCL, 2008). In addition, FPCL holds regular meetings with its customers to discuss and resolve issues. In so doing, the board conducts meetings at different venues which give the board members a chance to visit their customers, Fiji-wide.

Change in Organisational Structure

In October 2008, FPCL reviewed and realigned its organisational structure. This was done to improve operational efficiency and financial returns. Overheads were further reduced and functions were streamlined to remove duplication and to improve management responsibility and accountability.

In the past, FPCL and PTL had separate operational arms within their structures. The change has seen the realignment of marine and stevedoring into a single Port Operations Division but without any changes to PTL's status of a separate, fully owned subsidiary of FPCL.

FPCL has assumed the responsibility of all marine operations within the ports it manages. This allows FPCL to control and manage all commercial functions of the ports under its responsibility. Previously, this role was performed by FIMSA officers. The way these changes were instituted ensured that there were no employee losses. It was also ensured that the reasons behind the realignment were fully understood by employees. This change only materialised after a lengthy consultation process with all stakeholders. FPCL also shifted its Headquarters from Flagstaff to the Suva port. This was done to bridge the physical and psychological divide, to be more visible to the wharf workforce, and to be seen as working as a team for internal consolidation (FPCL, 2008).

6.4.2.5 Projects, Products and Changes

FPCL continuously engages in useful projects. Its completed projects list includes the work done on the port of Wairiki. FPCL wishes to declare this port, Fiji's fifth port of entry under its Seaports Management Act (2005). Another completed project is the extension of the Lautoka wharf from 150m to 300m, and the upgrades and rehabilitation of the Suva wharf which cost FPCL $52 million. This project concluded in May 2005. The $8 million project of the Lautoka Queen's wharf rehabilitation is also one of the projects in the completed projects list (FPCL Website).

Year 2006 saw the completion of the Fiji Ports Development project. This project was funded by a loan from the ADB and FPCL. FPCL acted as the executing agency. The Fiji Government worked with ADB particularly because of its good relationship with ADB. The project concluded successfully in 2006 as it demonstrated some specialised engineering features and a climate-adaptation component which guards against natural disasters such as earthquakes and tsunamis.

See Appendix 6.5 for the extension plan of the Lautoka Queen's wharf. The project has significantly enhanced the productivity and capacity of the Suva and Lautoka ports, resulting in efficient turnaround time. So much so that the transition between one cargo ship loading and leaving and, another vessel arriving and unloading, appears flawless. The seismic protection processes at the Suva port now enables it to endure earthquakes.

The ability of the Suva port deck in holding up heavy cargo loads was doubted earlier because it was badly corroded and riddled with concrete cancer and poor lighting. But this was before the completion of this project. The upgrades at the two ports set the conditions right for an investment in mobile cranes which facilitate mechanised stevedoring (Shute-Trembath, 2007). Three Gotwald mobile harbour cranes were purchased at $20 million. This has reduced waiting periods and ship lay-up times as well as reduced operating costs (FPCL Website).

By October 2006, security and safety aspects at the Suva and Lautoka ports were also upgraded and enhanced through the purchase and installation of surveillance cameras, costing FPCL $300,000. Key officials watch the wharves through surveillance cameras twenty-four hours a day (FPCL Website). The key advantage of surveillance cameras is the strengthened security at the Suva and Lautoka ports. Power supply at the Suva port is now supported by a generator.

In March 2007, the port operations software was upgraded. This allowed FPCL's port control to view its container layout electronically from a seventy-two inch screen, allowing the control officers to direct traffic, yard operators and forklift drivers into an interconnected logistical operation. The move into the new technical era has an added advantage of attracting gearless vessels to call into Fiji (FPCL Website). Also in May 2007, a twenty-eight acre land area around the port of Lautoka was reclaimed at a cost of $9 million. FPCL views this land as critical for its future development. FPCL desires to subdivide this land to sell it as individual lots with individual titles on a 75-year lease (The Fiji Times, 2009c).

FPCL (2008) informs of successful projects completed in 2008 as follows. In 2008, a number of IT projects concluded successfully. One such project was the Radio Data Telegraphic (RDT) which permits stevedores to input charges, track location and access information on specific containers. In September 2008, the gazetting of the Sea Port Management Regulations (2008) was approved by the cabinet which gives the Sea Ports Management Act (2005) the much needed support. In late 2008, Muaiwalu No. 2 (Narain wharf) was upgraded to benefit the local shipping industry as a component of FPCL's community service obligation. Also in 2008, marketing was given some importance. The aim was to improve public awareness of the enterprise through a number of activities such as 1) 'rebadging' - trademark name changed to Fiji Ports from FPCL but the logo remains unchanged and; 2) Fiji Ports signage has been updated in all port facilities including advertising. Metro Fiji Limited, a specialised marketing agency was awarded the exclusive rights for billboard advertising; and 3) the company website, www.fijiports.com.fj has been reconstructed to make it more professional and informative. FPCL has introduced attractive conditions and rates to encourage sea trans-shipment of containers between ports instead of by roads. This is not only good for business but also allows for road maintenance and safety.

The reclamation, extension and upgrading projects do not end here. FPCL has future plans as well. FPCL Website informs of the following. In its list of future plans, there is a proposal for a local terminal to be situated at Muaiwalu for the local shipping industry. It will include check-in counters, departure lounge access and controlled movement of people for practical and easy access for boarding and de-boarding onto local vessels. What is also in the pipeline is, FPCL's acquisition of important local trunk routes of locations such as Natovi, Savusavu, Ellington and Taveuni. Through this acquisition, FPCL plans to capitalise on its know-how in providing world class port facility to the local shipping industry as well as to the traveling public. The EIB has approved the Rokobili container terminal plan, covering fifty-five hectares of reclamation. FPCL is on the verge of assessing its funding options to create a multi-faceted terminal for the future growth of Fiji's economy.

MPETC (2012) reveals more as follows. In the next five years, FPCL plans to secure funding for the construction and management of the slipway and shipyard facilities; work towards the Rokobili Container terminal project through strategic contractual agreement or Public Private Partnership arrangement; improve management of local wharves for facilitation of inter-island trade services; and attract port related industries in the major port centers through tax incentives and concessions. In addition, the following have been identified as possible areas for future strategic partner arrangement: development of the port infrastructure including consolidation of port business to a single location for all port centers; provision of modern and up to date equipment for handling containers and cargo; outsourcing of some cargo handling activities in a competitive manner with attached terms and conditions; and engaging in shipbuilding and ship repair businesses through the subsidiary of FSHIL with immediate priority on upgrade of its facilities.

6.4.2.6 Financial Performance

FPCL is one of the better performing GCCs given its continuous profitability and dividend payouts to the government. From its inception from the days of PAF, FPCL has shown financial independence. It does not rely on government funding. It either funds operations and/or makes purchases from its own profits or from borrowings from financial institutions (Interviewee 8, 2009). The following table presents total revenue, profit and dividend figures of FPCL from 2006 to 2010.

Table 6.5: Key Financial Figures from 2006 to 2010

Year	Total Revenue (,000)	Profits after Tax (,000)	Dividends (,000)
2006	34,713	4,021	2,011
2007	37,640	4,042	2,021
2008	37,192	1,446	,876
2009	48,665	9,862	1,758
2010	44,692	5,283	NA

Source: MPETC (2012)
FPCL began operations from 1 July 2005

Dividends paid represent 50 per cent of the after-tax profit. Dividend payments of 50 per cent of the after-tax profit are as per the agreement between the Fiji Government and the GCC boards (Fiji Daily Post, 2006). FPCL paid more than $2 million in dividends in 2006 and 2007. A continuous focus on improving internal performance with strict controls on expenditure has led to a considerable reduction in expenses. In 2007, FPCL put forward a new tariff structure to the Commerce Commission but only to have it declined in January 2008. FPCL has made failed attempts in the past two-three years for tariff increases (Interviewee 8, 2009). Undeterred, the enterprise resubmitted an agreed position to the Commission in August 2008. FPCL requested a 15 per cent increase in tariff. It justified that since May 2001, there has been no increases in port charges while operating costs kept increasing since the past seven years (FPCL, 2008). An increase of 7.5 per cent was accepted against the request of 15 per cent increase (Interviewee 9, 2009).

In 2008, FPCL saw a higher volume of shipping and cargo handling by its ports. This was well reflected by a marked increase in imports as well as exports during the first six months of 2008 compared to the other years. While 2008 reported an increase in total foreign vessel calls, cargo carrying vessels, vessel numbers and vessel tonnage, it also saw increases in operating expenses and exchange losses. The group's (FPCL and PTL) success has been affected by global economic crisis. The fluctuating currency exchange rates and the devaluation of the Fiji dollar resulted in an unrealised exchange loss of $3.5 million due to its ADB loan repayment. In contrast, the enterprise had reported an unrealised exchange gain of $1.7 million the previous year (FPCL, 2008: 5). Overall, while the 2008 Net Profit After-Tax (NPAT) was less than the previous year, the actual NPAT was 47 per cent better than the 2008 forecasted figure. In 2009-2010, the increase of 7.5 per cent in tariff led to higher revenue and profits. Revenue, profits as well as dividends have seen fluctuations during the period 2006-2010. Revenue and profits was highest in 2009 while dividend paid was highest in 2007.

ADB (2011) reports the following on the performance indicators of FPCL.

Table 6.6: FPCL Performance Indicators for Year 2009

Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
26%	44%	1.7	2.0%

Source: ADB (2011: 36)

Asset utilisation ratio measures management effectiveness in using company's assets in daily operations. Asset utilisation ratio of FPCL is low, 26 per cent. This means it earned only 26 cents for each dollar of asset held. Liabilities/total assets ratio reflects at the proportion of a company's assets financed through debt. The higher the ratio, the higher the risk. FPCL's liabilities/total assets ratio is 44 per cent. This means that FPCL's assets are 44 per cent funded by debts. The cash ratio is a measure of company liquidity. FPCL's cash ratio is 1.7. FPCL may be holding larger amounts of cash reflecting poorly on asset utilisation. ROA indicates the efficiency of management in using company's assets in generating earnings. The higher the ROA, the better. FPCL's ROA is low, 2 per cent. This means FPCL earned 2 cents for each dollar invested in assets.

6.4.2.7 Concluding Remarks for FPCL

Overall, the following are the attributes that have made FPCL one of the better performing GCCs. These attributes are: financial independence since the days of PAF; qualified and experienced board members and top management; continuous focus on renovations, upgrades and purchase of new equipment and machinery; engaging in projects which further enhance efficiency and effectiveness; ongoing training to upskil staff; involving staff in company sports days and annual functions which strengthens worker-management relationship; including customers as well as ministries in company functions; implementing redundancy schemes to control workforce size and; creating and maintaining relationships with relevant associations such as the Pacific Countries Ports Association, International Association of Ports and Harbours, International Cargo Handling Co-ordination Association, Association of Australian Ports and Marine

Authorities, Fiji Business Councils, Fiji Employers Federation and the Cruise Liner Task Force. PTL's monopoly status is also a key attribute.

However, while this GCC is able to generate profits and pay dividends to the government, it is not without problems. The case study reflected at the problematic attributes of corruption, political interference, ongoing tussle between the board and top management and, global crisis. The following section discusses the fourth better performing GCC, Unit Trust of Fiji (Management) Limited (UTOF).

6.5 Unit Trust of Fiji (Management) Limited

"An investment vehicle for 'the man on the street', particularly Fijian people" - this was the idea once floated by the Fijian Affairs Board (FAB) and the Native Land Trust Board (NLTB) (Unit Trust of Fiji-UTOF, 2001: 4). This idea gave birth to the largest Unit Trust company in Fiji **(**Maggs, 2003). UTOF records a quantum leap of extraordinary increases in funds over the years (Singh, 2003).

Unit Trust of Fiji (UTOF) is basically an investment company. It was established in 1976 and launched on 25 April 1978 under the Unit Trusts Act of Fiji (1978). UTOF has a Management company and a Trustee company.

The Unit Trusts Act (1978) sets out specific guidelines under which a unit trust is required to operate (UTOF, 2001). The provision in the Act allows one company to manage the trust and an independent company to hold title to all the investments of the trust.

The UTOF (Management) Limited is 'the Manager' of the Trust. It is wholly owned by the Fiji Government. It is a GCC and is responsible for selecting investments and for making relevant business decisions. Like any other GCC, the Management company or the 'Manager' operates under MPETC and the Ministry of Finance. MPETC monitors the performance of the company.

The UTOF (Trustee Company) Limited is 'the Trustee'. It was registered in line with Section 6 of the Unit Trusts Act (1978). It is 51 per cent owned by directors and 49 per cent owned by the Fiji Government. This company has fiduciary responsibilities. It exists to ensure that the Management company acts in the best interest of unit holders. To this end, the 'Trustee' company protects the rights and interests of the unit holders as per the trust deed, prospectus and the law. It receives all investments, holds all assets on behalf of the unit holders and distributes dividends through the Management company. It ensures that proper accounts are kept and that unit holders are sent a copy of annual accounts and the auditors report each year. In addition, it supervises the buy-back of units and also appoints auditors.

Overall, UTOF must always operate according to the Trust Deed. Signed on 25 April 1978, a Trust Deed is a written agreement which sets out the relationship between the Management and the Trustee companies. The operations of UTOF, Management and the Trustee companies are governed by the Unit Trusts Act (1978) and the Trust Deed (UTOF, 2000). In addition, UTOF is required to abide by the various provisions of the Capital Markets Authority of Fiji (CMDA) Act, the PE Act as well as the Companies Act (UTOF, 2001).

UTOF is licensed, regulated and supervised by CMDA. CMDA is the regulatory authority. Its role requires it to carry out on-site examinations which involve a review of the risks of businesses UTOF engages in and, an assessment of how UTOF identifies, manages and monitors such risks. It also issues a guide which has more information on investing in unit trusts. Its website, www.cmda.com.fj provides a list of licensed investment advisors who can provide investment advice to potential investors (UTOF, 2008b).

UTOF started with and continues with a specific aim. The aim is to give Fiji's small investors a chance to own shares and other investments, irrespective of racial differences (UTOF, 2008b).

These small investors can be ordinary citizens including individuals, 'mataqalis' (clans), social groups such as parents and teachers associations, clubs, church organisations, provincial councils and, companies and institutions in both the private and public sectors (UTOF, 2004). UTOF has been offering an attractive investment opportunity ever since it commenced operations. It has been meeting the needs of investors, in particular small investors for over more than thirty years. In this way, UTOF assists the government in promoting wider involvement of local residents in Fiji's economic development.

The public purchases units from the Management company. Units can be purchased from UTOF's Suva or Lautoka offices or at any Fiji Development Bank (FDB) or Post Office branches (UTOF, 2008b). In addition, there are CMDA licensed agents such as Kontiki Stock Brokers, Fiji Stockbrokers and Mr Rick Croker of Fortune Consultants. Styled as an "open ended fund", UTOF applies no upper limit to the number of units that can be purchased (The Review, 1997a: 26). The initial investment is "tailor-made for small investors" (The Review 2000a: 28). As such, the minimum purchase requirement is 100 units (UTOF, 2001). The former GM explained that it "is an amount other funds won't look at, but it is in line with the Trust's socio-economic ideals" (The Review 2000a: 28).

Over the years, UTOF has continued with its dividend policy[15] of distributing all net income (UTOF, 2003). Unit holders do not only earn returns on their investments through cash dividends, they also benefit from capital growth (the value of units purchased may increase over the years) of UTOF's investment portfolio as this increases in value. Capital growth can be realised when unit holders sell back their units to the Trust. There is no exit fee. The then board chairman compared the selling back of units to UTOF to selling back company shares. He commented that, "in most cases, you can get your cash within a week… Compare that with shares of companies which are difficult to sell quickly" (The Review, 1997a: 26) because for company shares, buyers may not be readily available (The Review 2000a).

[15] Since the inception of UTOF, dividends earned by the investors were non-taxable but this has changed. Under the 2008 Budget, government has made changes to dividends exceeding $200. Depending on the income threshold of the investor, dividends exceeding $200 is now taxable (UTOF, 2008b).

Unit holders can also continue to purchase additional units. This can be automated through the dividend reinvestment plan whereby dividends earned are reinvested[16]. With regular dividend payments (paid twice yearly on 15 June and 15 December) and an easy method of selling back of units, UTOF ensures that it remains an attractive investment option for investors (UTOF, 2008b).

Service standards and policies are continuously reviewed for ongoing improvements. The company has a complaint handling procedure in place which deals with customer concerns and complaints. It prefers written complaints but over the phone complaints are said to be solved immediately, wherever possible. However, if a complaint cannot be solved over the phone, customers are then asked to put the complaint in writing. A verbal or written acknowledgement of the complaint is made within five working days. Customers are updated on the progress of their complaint resolution if the complaint remains unsolved within ten working days. Alternatively, complaints can also be made at the CMDA or the Trustee company.

6.5.1 Board and Management

The two ministries that are involved in the operations of UTOF are the MPETC and the Ministry of Finance (Interviewee 25, 2009). The directors of UTOF are appointed by MPETC for a three-year term (UTOF, 2008b).

The directors have many years of experience in the public as well as in the private sector. They have proven track record in business and related activities. There are four directors including a chairman in the Management company. Between 2000 and 2004, there was a different set of four directors including a chairman. In 2002, another member was added bringing the total number of directors to five. This latest member remains one of the four directors at present. A separate set of four directors including a chairman served the board in years before 2000 (UTOF, 2000).

[16] According to the dividend reinvestment plan, additional units are bought from dividends but at the purchase price applicable for that particular period (UTOF, 2008b).

As for the Trustee company, its three directors retired on 31 December 2007. On 13 March 2008, two new directors were appointed. In 2009, these two also retired from their appointments. Since then, government took control of the Trustee company (The Fiji Times, 2009b). Later in 27 May and 8 June 2009, the Trustee company appointed two directors.

The role of the board is to look into policy issues and to set directives at strategy levels. Currently the board is looking into policies and procedures since the existing ones are out of date. The existing policies and procedures were more appropriate in the 1980s. Given changing times and trends, such policies and procedures have become impractical. The board is tasked to create and work on new policies for overall changes (Interviewee 25, 2009). Procedure manuals are also being prepared which will help to follow these policies. The policies being considered are in the areas of accounting, bonus, employee role, job description, KPIs, motivation, PMS and staff training (Interviewee 30, 2009).

The daily operations of the company is left to the Management company. Between 2000 and 2008, the Management company was managed by the former GM who was also the Company Secretary. Interviewee 25 (2009) gives details as follows. The former GM was a qualified insurance professional with sound local and international management experience. He held a Doctorate degree in Business Administration (2003) and a MBA (1999) from the Southern Cross University of Australia. He retired in January 2008. Currently, the Management company is headed by the former Manager Finance. The former Manager Finance is acting in the positions of the GM and Company Secretary, following the former GM's departure. The Acting GM has served the company as an Assistant Accountant, Accountant, Senior Accountant and Manager Finance. He attained a Bachelor of Arts (BA) degree with double majors in Accounting and Financial Management and Economics from USP, completed the bridging Certified Public Accountant (CPA) units from the Fiji based Central Queensland University and a postgraduate diploma in Finance and Investment from Australia through correspondence. He is pursuing a Masters degree through correspondence.

The Acting GM is assisted by a management team that has first hand product knowledge. The Trust Accountant, formally the Assistant Accountant attained a diploma in Business Accounting from the University of New South Wales. He has also completed a postgraduate certificate in Accounting and has spent eight years with the Management company (Interviewee 30, 2009).

UTOF has recruited an Investment Analyst with a BA degree in Accounting. He is pursuing overseas postgraduate courses through correspondence (Interviewee 26, 2009).

The Manager HR holds a BA degree with double majors in Accounting and Financial Management, and Management and Public Administration (Interviewee 27, 2009).

The Registry Supervisor holds a certificate in Secretarial Studies. She has fine knowledge of the company's registry system (UTOF, 2003). She climbed the rank from a receptionist, was moved to customer service and then promoted to the Registry Supervisor position (Interviewee 28, 2009).

According to the Interviewee 25 (2009), government does not interfere with the company's day to day operations. It only comes in to set the KPIs of the board, to analyse board efficiency and when there are changes in the Act. He reveals that there are situations when the board and management disagree. In such instances, management is required to carry out further analysis and then get back to the board. However, there are no serious issues. Interviewee 30 (2009) confirms that government has its own dos and don'ts for GCCs but it does not directly interfere with the operations of UTOF.

6.5.2 Human Resources

The Management company has always had a lean and efficient structure. From 1999 until 2002, the Management company was staffed with nine employees (UTOF, 2004). Staff numbers have changed but little over the years. New positions were created in accordance to the organisational changes. It was decided that all existing staff would continue and be given training if they are not suitably qualified in their positions (Interviewee 27, 2009). By 2008, the number of staff increased to fifteen.

This increase was needed to cater for the opening of a new branch in Lautoka and a separate customer service office at the ground floor in Boulevard, Suva (Interviewee 28, 2009). Interviewee 25 (2009) states that staff numbers also increased to cater for the expansion in investments and to adhere to a number of changing regulations and the related acts. He explains that given the small number of staff, UTOF neither has an in-house union nor is it affiliated to any union body. He informs that employees are updated on all changes through weekly staff meetings. However, matters which are confidential are not disclosed to all staff. Information release depends on what all staff should know. Two way communication and open discussions are encouraged in all meetings. The environment is such that staff do not fear talking about how they feel. There is also a company-wide agreement which promotes that whatever is discussed at the meetings is left at the meeting room to discourage any afterward gossip. Hence, there are no serious unsolved employee related problems given open door policy (Interviewee 28, 2009). According to Interviewee 27 (2009), senior managers are usually successful in resolving internal problems. She explains that because the company is a small entity, the senior managers try resolving issues by discussing it amongst themselves first. However, if they are unsuccessful, a report is then written and forwarded to the Acting GM for his assistance.

Staff Development Issues

With the belief that staff make a company strong, the Management company constantly invests a lot towards staff training, development and research to better the skills and knowledge of staff in the four key areas of customer service, finance and investment, corporate governance and, information technology (UTOF, 2008b).

All staff including the managers are encouraged to pursue further studies and whenever possible, attend workshops, seminars and conferences. When possible, the company also allows trainers or academics from institutions such as USP and TPAF to train their staff exclusively in their fields (Interviewee 27, 2009).

For instance in 2009, a full two-day course was organised on two consecutive Saturdays. Employees, including those from the Lautoka branch were trained on customer service approaches by TPAF trainers (Interviewee 28, 2009).

The company also supports its staff in pursuing further education. It has gone further into establishing a strategic relationship with overseas investment institutions. Such institutions provide the required training and advice on investments, marketing and other relevant fund management areas. The company also takes advantage of courses and trainings offered by local institutions such as CMDA, Fiji Institute of Technology (FIT), Securities Institute of Australia (SIA), and TPAF[17] (UTOF, 2004).

In 2007, the Management company introduced PMS. Interviewee 27 (2009) states that while staff do not show resistance, apparently they do seem to have some reservations on changes. She explains that accordingly, all employees were invited to a presentation by a consultant who discussed PMS and the changes it would bring. Employees were also given a chance to ask questions to clarify on their doubts. She further mentions that "once staff were assured that their jobs were secured, they felt relaxed". She adds that, while most staff are experienced in their own fields, they are encouraged to further their education and upgrade their skill levels should they lack certain skills. This usually happens in the case of internal promotion. The decision to recruit a staff from within the organisation comes from the board HR sub-committee. This sub-committee specifically suggests that particular staff members upskil themselves within a given timeframe.

A bonus system is also in place. However, the bonus amount paid is not the same across the board. It depends on the position of an employee in the company. The board is currently looking into policies relating to bonus.

6.5.3 Projects, Products and Changes

UTOF is able to spread risks and, ensure stability and sustainability through diversification (UTOF, 2004).

[17] FIT and TPAF are now part of the Fiji National University.

Investors' funds are invested in not one type of investment but across a number of different investments such as cash, shares, bonds and property. UTOF has invested across sectors of industrial, real estate, media, tourism, finance, insurance and health care (UTOF, 2000). It invests in listed (on South Pacific Stock Exchange-SPSE) as well as unlisted companies and, buys bonds and other government or government guaranteed papers offered for sale in local or overseas capital markets. "Unit holders therefore indirectly buy into a wide range of assets which might not have been possible or available to them as individuals" (The Review 2000a: 28). UTOF pools together the funds of many investors. A team of expert investment managers make investments on behalf of the investors. UTOF invests in the shares of profitable companies, bonds and other securities. The remaining of the portfolio, excluding shares and bonds are invested in bank term-deposits and property.

UTOF continuously analyses and monitors the market and its investments. This is done to avoid potential losses and to capitalise on investment opportunities. The investment portfolio is assessed every fortnight. The unlisted securities are valued at least once every financial year. A comprehensive research is carried out on companies UTOF wishes to invest in, to assess the quality of such investments.

All investments carry varying degree of risks and are affected by various factors which in turn affect their performance (UTOF, 2008b). For instance, generally equities bring with it higher risks when compared to bonds. However, higher risks also mean higher possible returns (UTOF, 2003). Nonetheless, the Management company has risk management policies in place. Such policies help to identify and analyse the risks faced, to set appropriate risk limits and controls and, to monitor risks and adherence to limits (UTOF, 2008a). Also, there are guidelines and policies set by the UTOF's board audit, finance and investment sub-committee, board of directors, trust deed, Unit Trusts Act (1978) and the applicable regulatory authorities. These guidelines are considered when making investment related decisions and to ensure that the investment portfolio is properly managed.

For instance, one of the guidelines set by the board is that the total costs of an investment in any given company should be no more than 20 per cent of UTOF's total managed funds (UTOF, 2008b). Another example is the directive by the Reserve Bank of Fiji (RBF) to UTOF. RBF is a regulatory authority that oversees offshore investments.

In 2008, UTOF was directed to redeem and bring back its offshore investments into Fiji by 17 April 2009. Unless reviewed otherwise, there will be no overseas portfolio. The transfer of proceeds to Fiji was affected by the exchange rate of that time and by the market prices of these investments on the date liquidated (UTOF, 2008a). Redeeming these investments does result in good capital gain but the positive effect is just short-term. Offshore investments are beneficial. Approval will thus be sought to recommence such investments after sometime (Interviewee 25, 2009).

UTOF has also undertaken a number of projects. The Momi Bay development project was one such project. UTOF, together with FDB and FNPF, invested in the Momi Bay development project. The project turned sour when local investors realised that they were cheated by the developer Matapo Limited, a Bridgecorp-related company. Investments into this project totaled more than $100 million. It is claimed that a lot of details, even a feasibility study were missing in the paperwork of this deal (Fiji Government Website). See Appendix 6.6 for details.

Unlike FDB, UTOF was a wary investor. It refused to extend a loan to Matapo for stage one. However, its wariness did not continue and it ended up extending $12 million loan for stage two through Muanairewa Resorts Limited. Muanairewa Resorts Limited was also a subsidiary of Bridecorp Limited. At the end of this fiasco, UTOF faces a $12 million debt, topped up by interest costs. Later, UTOF held talks with FNPF to take over its $13.5 million (NZ$10.14 million) interest in the Momi project. UTOF's loan for the second stage is secured by a first registered mortgage over the freehold land adjacent to and forming part of the Momi Bay resort development.

A third party (name undisclosed in UTOF's 2008 annual report) has agreed to take over UTOF's loan including interest with a condition that the caveats lodged over the properties be removed. An October 2007 dated valuation report highlights the values of the properties at $51 million. Legal advice to UTOF is that the caveat removal condition should not be an obstacle to the proposed assignment. The final resolution of this condition remains. UTOF believes that the condition will be determined satisfactorily with ongoing discussions.

Interviewee 25 (2009) argues that the Momi Bay development project is not a complete loss. He explains that UTOF will try to recover its loss by selling the property through legal means. He defends that their second stage funding is more secured than the funding advanced by the first stage investors. He states that UTOF never takes a lead role in any investment. He blames the behind-the-scene activities and miscommunication for the 'Momi' mess. He justifies that since 2003, a full study was done and all information was at hand. He explains that failure was unexpected and as environment changes, so does the degree of risks. He claims that the situation is not too serious but admits that they are affected. However, he adds that instead of reminiscing in the past, UTOF chooses to take challenges head on in order to keep moving. Because of UTOF's failure in the Momi project, it was placed under scrutiny. In August 2009, CMDA issued a directive for UTOF to be under the formal control of an accounting firm, G. Lal and Company (Baselala, 2009).

UTOF has entered into another project which involved the acquisition of land containing substantial spring water flows. The plan is to bottle spring water for overseas export including the USA. To this end in 2006, the spring water was tested in its natural form and has passed the USA requirements. This Naseyani (in Rakiraki, Viti Levu) project is a partnership between UTOF and the USA production plants. Construction works on this project plant began in 2011. The opening of this water extraction and bottling plant is scheduled for 2012 (Chaudhary, 2011a).

Unlike Airports Fiji Limited, Post Fiji Limited and Fiji Ports Corporation Limited, reforms at UTOF have not been carried out in defined stages or steps. Instead, reforms have been implemented as a number of changes over the years for the better. Such changes are described in the following section.

The positive changes are in the areas of staff training, new investments, increased investments, marketing, nationwide accessibility and computerisation. Such factors have led to consistent returns to unit holders and, increases in the number of unit holders, total funds and unit prices. In spite of difficult periods of falling interest rates, limited investment opportunities in Fiji, unstable economic and political situations and the related aftermath and, the failed Momi-Bay project, UTOF has maintained good returns to its unit holders.

The former GM identified gaps and noted four key areas of improvement (Interviewee 25, 2009). These were creating awareness, educating investors, properly managing, analysing and monitoring investments and, focusing on sales and marketing. With such changes, the number of investors increased resulting in improved returns. The former GM correctly sensed that one of the major priorities was explaining the benefits of a trust fund to the public, particularly the ethnic Fijian population. He took a simple approach, one which appealed to the target customers. He realised that the public attitude towards savings needed to change. He explained that savings is seen as accumulating wealth in certain societies while in some others, it is frowned upon. He used the biblical story of the Pharaoh to publicise the advantages of savings. In an interview with a Fijian language newspaper, the former GM narrated the story of Pharaoh who dreamt of seven fat healthy cows and seven thin unhealthy ones interpreted as a future of seven bountiful years followed by seven years of famine. After being advised by an interpreter, Pharaoh ordered granaries during the years granaries were in abundance to ensure that no one starved in the coming years of scarcity. The former GM creatively "likened investing in the Unit Trust, the government-owned investment company, to loading the granary in preparation for possibly lean years in future" (The Review 2000a: 28).

Affected by the story, a small grass-root investor from the Yasawa group of islands in Fiji purchased 400 units soon after. Citing the case of this islander, the former GM said that the bible which commends thriftiness and condemns wastage and extravagance can be used to drive out negative views towards savings.

With respect to the government's 1999 surprise announcement of selling off the Management company, government later decided against it. The Interviewee 25 (2009) gives all credit to the former GM for changing government's decision. The former GM held parliamentary discussions and made ministerial presentations. He advised the ministers that there will be a turnaround and requested that the company not be divested.

In September 2000, UTOF also began computerising all unit holder information and transaction records. Computerisation was viewed as a milestone since UTOF was without a computerised system for twenty years or so. It took staff two years to just input all information into the computer system (Interviewee 28, 2009). With the change from the manual system to a computerised system, documentation and retrieval became much faster and less tedious.

In 2001, a new and more efficient computer system was launched and implemented. UTOF also purchased high yield investments and made new equity investments. In 2002, UTOF launched a new marketing plan with the theme "creating customer value" (UTOF, 2002: 6).

In 2003, UTOF won the 'commitment to business excellence through quality management' prize in the Fiji Quality Award (FQA) competition. UTOF competed with other entrants in the area of implementation of the 'best practice' strategies into its business. UTOF has since adopted the FQA, a global framework for business excellence to improve its quality of management, customer service and, to maintain sustainable growth and returns to unit holders. The success of year 2003 was attributed to higher sales, strong cost management, strategic investments and consistent marketing.

Competition was also monitored. These led UTOF to quicken responses towards development and to keep up with steady results (UTOF, 2003).

By 2004, UTOF entered into a partnership agreement with Post Fiji Limited to use their Fiji-wide post offices as its Sales Agency to reach out to rural dwellers as well as investors in the outer islands and other remote areas. UTOF (2004) informs of further improvements as follows. To improve the quality of its diversified investment portfolio, UTOF disposed the non-core or low growth securities and obtained those which could boost returns to unit holders. In the same year, the marketing plan (2004-2005) was reviewed and updated with a focus on 'sustaining customer value'. Also from 2004, UTOF adopted the Fiji Accounting Standard 39 (FAS 39) financial instruments of 'Recognition and Measurement'. This superseded the previous FAS 25, 'Accounting for Investment' (p. 6). The financial statements of 2003 were amended accordingly.

Effective from 1 October 2006, UTOF adopted International Financial Reporting Standards (IFRS). Conformity with IFRS involves the use of certain important accounting estimates. It also requires the Trustee and Management companies to exercise their judgment when applying UTOF's accounting policies (UTOF, 2008a).

Other changes are in the areas of training, accounting standards and reports required by the government. Transition towards the Market Value Accounting standards began in 2004 and have continued since. UTOF has been able to fully comply with the new accounting standards since 2008. Staff have been trained to make effective use of the new system (Interviewee 25, 2009).

Strong emphasis has been placed on reports required by the government as a shareholder. Government has instructed UTOF to prepare its second strategic plan for year 2010 onwards. The earlier strategic plan is currently under review for a roll-over to the next one. There are delays with respect to submission of reports at times but with good reason such as when changes are required in the style of reporting or when new additional reports are required.

For instance, UTOF never had a strategic or corporate plan in the past. According to Interviewee 30 (2009), the overall changes at UTOF are initiated by both the government as well as the UTOF management.

Currently UTOF faces certain investment related challenges such as lack of good and competitive investment opportunities. UTOF also fears increases in regulatory requirements as well as changes to unit price should the regulator, Reserve bank of Fiji increase the official interest rates. Such factors can reduce investment values of bonds and listed stocks at SPSE.

MPETC (2012) reveals the plans of UTOF as follows. Despite such challenges, UTOF has recently developed and implemented a New Investment Product Income Fund and two plans of Income plus Plan and Children Investment Plan. It has also prepared a new prospectus for the period 2011-2014 as well as introduced Vodafone's M-PAiSA Money Transfer services to its existing unit holders. For the next three years, UTOF will work towards: increasing sales, reducing unit repurchase and promoting investment plans to increase its funds under management; actively managing portfolio to be able to pay out consistent return to unit holders; achieving 10 per cent rate of return to shareholders through revenue, management fees, cost management and by achieving a targeted level of net profits; promoting the new Income Fund and the Children Investment Plan to increase the number of unit holders to 13,000 by 2014; further streamlining business processes to improve service delivery; and amending trust deed, UTOF's policy and procedural manual and, engaging in effective reporting and accountability to maintain good corporate governance to strengthen compliance and reporting.

6.5.4 Financial Performance

Interviewee 25 (2009) clarifies that in the earlier years, UTOF was not doing too well until 2000 which led the government to decide on the closure or privatisation of it. He reveals that at that time UTOF was a small company. He mentions that the size of its portfolio, amount of dividends and the number of unit holders were considered too low for operations, deemed unviable for the government.

He gives full credit to the former GM for the turnaround of UTOF. He explains that it was then when the former GM came in and turned UTOF around from a $15 million portfolio to around $90 million by 2008.

In 2000, UTOF remained popular despite political uncertainty. Towards the end of the year, it did see growth except for a brief period of poor growth. Number of unit holders as well as total funds saw growth (UTOF, 2004). The former GM told The Review (2000b) that he was surprised that there was no capital rush despite the coup. He took this as a sign of the public learning from their 1987 mistakes, saying that this reflects at broader understanding of investment funds. During 2000, UTOF acquired a significant shareholding in local companies. However, because of lack of viable local opportunities, it made an off-shore investment in the Australian market through the Bank of Hawaii for the first time (The Review 2000a).

Despite the not so good effects of the May 2000 political events, year 2001 saw growth in the number of unit holders and total funds. The overall growth was attributed to higher sales, strong cost management, strategic investments, consistent marketing and careful consideration of competition (UTOF, 2001). In 2002, number of unit holders saw a further growth. Size of total funds was 25 per cent higher than 2001. UTOF also made new equity investments. For a more secured financial future of reduced risk, UTOF expanded its diversified portfolio even further by investing offshore but cautiously, in fixed income securities such as corporate bonds and interest bearing deposits.

By the end of 2003, the number of unit holders grew at 55 per cent and surpassed 6,200. Size of total funds was over $62 million, 21.57 per cent higher than 2002 (UTOF, 2003). This growth resulted particularly from earnings, positive acquisitions, developments as well as good past performance. While total funds grew significantly, total returns took an opposite turn due to the disappointing performance of the listed local equities which led to a fall in their share price. UTOF then turned its attention to new investment instruments such as preference shares, convertible notes and short-term financing facility.

By the end of 2004, the number of unit holders grew by 22.53 per cent to 7,597 with over $72 million in total funds (UTOF, 2004: 7). Growth in 2004 was largely attributed to the strengthened Sales and Marketing department (UTOF, 2004). According to the Interviewee 25 (2009), by 30 September 2007, UTOF's total funds grew from an initial government investment of 500,000 to $72.2 million in 2010 (UTOF, 2011). Over the years, UTOF liquidated and paid up this financial involvement of government, reducing government's investment to an even smaller $50,000 (Interviewee 25, 2009). UTOF's total fund was highest in 2006 at $94.4 million. The following chart presents growth in total funds over the years. Appendix 6.4 shows the actual amounts of total funds.

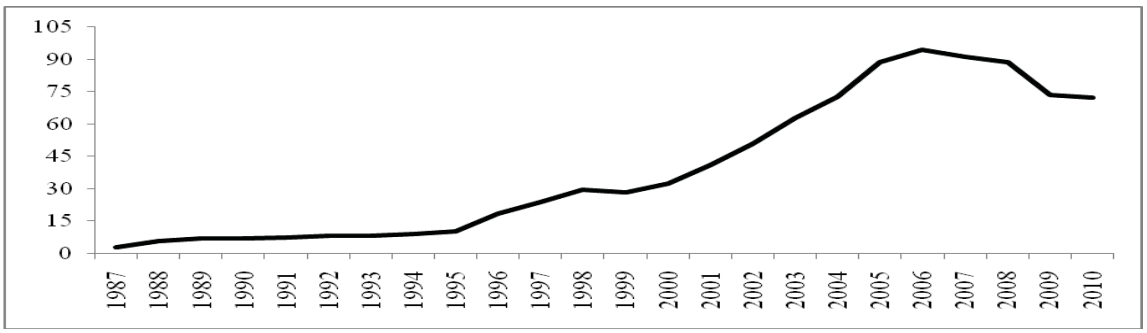


Figure 6.4: Over time Growth in Total Funds
Source: UTOF (1996, 1997, 2000-2004, 2008b, 2011)

In terms of number of investors, there were over 12,473 unit holders by the year 2010 (UTOF, 2011). The following chart gives a snapshot of the growth in number of unit holders from 1987 to 2010. This growth continues at a good rate, reflecting at unit holders' confidence in UTOF (UTOF, 2004). See Appendix 6.5 for actual figures.

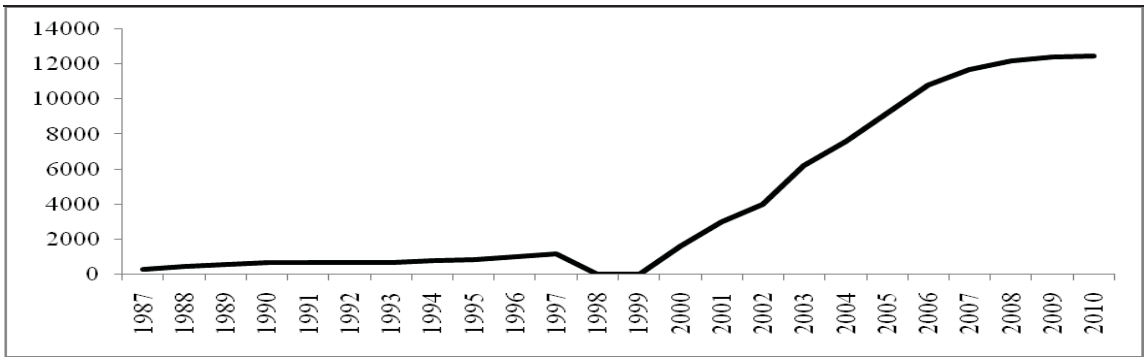


Figure 6.5: Growth in the Number of Unit Holders from 1987 to 2010
Source: UTOF (1996, 1997, 2004, 2008b, 2011)
**1998 and 1999 figures were not available at the time of research*

In 2008, despite the challenges of economic downturn and global crisis, UTOF managed to provide investors with a total return of 2.45 per cent and gained 505 new customers bringing the total number of unit holders to 12,186 (UTOF, 2008a: 2). However, annual revenue from investments, dividends to unit holders and the value of investment portfolio declined from year 2007.

In 2010, UTOF paid 5.85 cents per unit as dividends to unit holders. Despite its Momi Project disaster, it managed to pay higher dividends, an increase of 66 per cent compared to the 2009 dividend distribution. The dividends per unit to unitholders was 3.74 and 3.53 cents in 2008 and 2009, respectively (UTOF website).

Overall, UTOF's total managed funds increased between 1987-1998, declined in 1999, increased between 2000-2006 and then declined in 2007. Number of unit holders grew between 1987-1991, declined in 1992 and then increased between 1993-2007. The following table displays total revenue, after-tax net profit and dividend (paid to the government) figures from 1999 to 2010.

Table 6.7: Key Financial Figures from 1999 to 2010

Year	Total Revenue (,000)	Profits after Tax (,000)	Dividends (,000)
1999	249	42	125
2000	326	10	NA
2001	790	139	NA
2002	794	156	70
2003	944	74	NA
2004	1,112	42	62
2005	1,231	139	66
2006	1,398	140	70
2007	1,571	230	115
2008	1,546	300	118
2009	1,464	(280)	NA
2010	1,638	115	NA

Source: MPETC (2012)
NA: Not Available

Table 6.7 shows that profits fluctuated between 1999-2004, increased between 2004-2008, was negative in 2009 and then increased in 2009. Revenue increased between 1999-2007 and fluctuated thereafter. Dividends decreased between 1999-2004 and then increased between 2005-2008.

ADB (2011) reports the following on the performance indicators of UTOF.

Table 6.8: UTOF Performance Indicators for Year 2009

Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
128%	40%	0.26	3.6%

Source: ADB (2011: 36)

Asset utilisation ratio measures management effectiveness in using company's assets in daily operations. UTOF's asset utilisation ratio is good, 128 per cent. This means it earned 1.28 cents for each dollar of asset held. Liabilities/total assets ratio reflects at the proportion of a company's assets financed through debt. The higher the ratio, the higher the risk. UTOF's liabilities/total assets ratio is 40 per cent. This means that UTOF's assets are 40 per cent funded by debts. The cash ratio is a measure of company liquidity. UTOF's cash ratio is 0.26. A cash ratio below 1 is not necessarily bad. In fact, holding smaller amounts of cash reflects well at effective asset utilisation. ROA indicates the efficiency of management in using company's assets in generating earnings. The higher the ROA, the better. UTOF's ROA is 3.6 per cent. This means UTOF earned 3.6 cents for each dollar invested in assets.

According to MPETC (2009e), UTOF currently holds over 57 per cent of the unit trust industry market share. Interview 28 (2009) confirms that there has never been a situation where customers have not been paid dividends even after the Momi project disaster. Interviewee 30 (2009) explains that while UTOF continues to pay dividends, profitability has seen an actual decline due to poor economic conditions. Due to this in recent years, UTOF has become more active in monitoring its investments.

Interviewee 25 (2009) informs that UTOF has come up with a schedule to dispose off poor performing investments since it does not want to waste time in non-performing investments. He says that UTOF has been able to strengthen its portfolio to improve returns. He states that UTOF is self-reliant as it does not depend on the government for grants or assistance. He emphasises that dividend payments to the government have at times been above government's 50 per cent benchmark even when UTOF is not profit-motivated and principally exists to serve small investors. However, he acknowledges that government's aim for all GCCs is to maximise returns. UTOF only relies on its fees and charges to run the Management company for project evaluations. The only income for the Management company is the management fee it earns from the UTOF body for managing public funds on behalf of the public. The fee is pegged at 1.5 per cent of deposits (Interviewee 26, 2009; Interviewee 30, 2009).

6.5.5 Concluding Remarks for UTOF

Overall, the following are the key attributes that have made UTOF one of the better performing GCCs over the years. These attributes are: strong leadership; qualified and experienced board and top management; meaningful training and upskiling of staff; portfolio diversification; consideration of competition; effective marketing which appeals to target market; continued growth; effective strategies; strong cost management; risk management; computerisation; quick and easy methods of purchase and redemption for customers; and Fiji-wide investment made possible through Post Office and FDB branches.

While these are the key positive attributes, the Momi Bay project disaster cannot be ignored. However, UTOF is working towards minimising the loss incurred from this project. The future will be more telling on whether UTOF was able to minimise this loss and by how much.

6.6 Conclusion

This chapter described the four selected better performing GCCs, namely Airports Fiji Limited, Post Fiji Limited, Fiji Ports Corporation Limited and Unit Trust of Fiji (Management) Limited, in this order. These GCCs are labeled as better performing since they are able to generate profits and pay dividends to the government. However, each of these GCCs have their own problematic issues which adversely impact on their financial performance leading to declines or fluctuations in revenue, profits and dividends paid to the government over the years. Nevertheless, when compared to the GCCs that will be discussed next in chapter seven, these four are better performers.

The chapter described the journey of these better performing GCCs since their inception. In doing so, it brought to the forefront the factors that were conducive to reform initiatives and those that hinder progress. It revealed the not so smooth journey at times or rather a bumpy ride to success due to mistakes made and obstacles faced. The chapter was very descriptive. This was required to better understand the context in which reforms were/are implemented. Incomplete or insufficient details can often lead to poor understanding of the case studies, resulting in misanalysis and meaningless generalisations. Discussion and analysis of and between the GCCs have been reserved for a later chapter, chapter eight. The factors identified from this chapter and the next will be brought forward in chapter eight to make comparisons across cases. These factors will be discussed using empirical evidences presented in chapters six and seven. Apart from the identification of the factors that are either conducive to reform efforts and those that are impeding, no other analysis have been done in chapters six and seven to avoid repetition of analysis in chapter eight where it is more suited as it brings together findings of all cases.

The next chapter will thoroughly describe the three selected poor performing GCCs. These poor performers have been selected on the basis of having experienced reforms but remain plagued. The chapter will also highlight the factors that are not conducive to reform initiatives, adversely affecting the GCCs as well as those factors that can provide with some opportunities.

Chapter 7

The Poor Performing Government Commercial Companies

7.1 Introduction

This chapter describes the three selected poor performing GCCs, Food Processors (Fiji) Limited (FPFL), Fiji Hardwood Corporation Limited (FHCL) and Rewa Rice Limited (RRL). Chapter five explained the selection of these GCCs. These GCCs are labeled poor performers because they are not able to generate profits or generate insignificant profits and are unable to pay dividends to the government. These poor performers have been selected on the basis of having undergone reforms, yet remain plagued. The chapter also reveals the factors that adversely affect the financial performance of these GCCs as well as those that can provide them with some opportunities. Like the previous chapter, this chapter is also descriptive in nature to help better understand the events and developments in these GCCs. Analysis is reserved for chapter eight where the key findings from all cases will be brought together for overall analysis. This is in line with the research framework discussed in chapter three.

In this chapter, the work of Joint Australia/Fiji Review Team (1986), Frank (2000), Food and Agriculture Organisation (2002), ABC Radio International (2004) and, McMaster and Nowak (2005) are particularly acknowledged.

In the first part of this chapter, the researcher describes the first poor performer, Food Processors (Fiji) Limited. This section is organised in major sub-titles of 1) Pre-Reform Stage; 2) Reform and Post Reform Stage; 3) Board and Management; 4) Human Resources; 5) Projects, Products and Changes; 6) Financial Performance and, 7) Concluding Remarks. These will be the sub-titles in all sections of FPFL, FHCL and RRL in this chapter.

7.2 Food Processors (Fiji) Limited

Food Processors (Fiji) Limited (FPFL) was established in 1984. It is an agro-food manufacturing company (The Fiji Times, 2007d) wholly owned by the Fiji Government (FPFL website). Like any other GCC, FPFL is required to operate like a commercial company and is expected to operate profitably without government subsidies. It is required to source funding from banks and other financial institutions on its own accord like any private sector firm. However for poor performing GCCs, seeking loans from such institutions is not easy since loan approvals are based on profit figures which should be four times the interest needed to be paid on loans.

In addition to commercial objectives, FPFL is required to fulfill its social obligation which was the basis of its establishment. FPFL's social obligation involves purchasing of agricultural produce from the rural farmers to help raise rural income. Fresh produce are then processed and sold in the local and overseas markets. This was the key reason behind the establishment of FPFL. FPFL is tasked to provide market outlets for seasonal and surplus agricultural produce of remote areas. This is because in such areas, there are few to no alternatives of selling agricultural produce. These rural farmers can either sell to FPFL or to the fruit and vegetable market. They cannot further process their produce on their own to sell to overseas markets. In this way, FPFL assists the government in raising rural income as well as enhances rural livelihood. While FPFL continues to fulfill its social obligations, it is not compensated for such duties by the government (Interviewee 11, 2009).

7.2.1 Pre-Reform Stage

Since 1984, FPFL operated under a joint venture partnership between Burns Philp (South Sea) Company Limited and National Marketing Authority (NMA) (Keith-Reid, 1984). NMA was responsible for: locating markets for surplus local fruits and vegetables; liaising with the Agricultural Department, Fiji Development Bank and the other relevant agencies to achieve production volumes needed; and entering into a joint venture wherever possible to increase the value of produce by processing it (Island Business, 1984).

FPFL began operations after Burns Philp decided to enter into food processing. Burns Philp targeted NMA as a joint venture partner to help it "stop the grower-versus-miller syndrome" (Keith-Reid, 1984: 52). It was aware that farmers were easily put off by disputes regarding prices, grading and delivery arrangements. With the joint venture arrangement, Burns Philp put NMA between itself and the farmers. NMA was later renamed National Trading Corporation (NATCO).

By 1986, FPFL stood as the biggest canned foods operation in Fiji. However, ever since the takeover of the defunct assets of Castle Trading Limited[18], FPFL was plagued with high costs. Nevertheless from 1986, it started to breakeven. The most saleable product then was whole peeled tomato. The then new 'Red Ribbon label' tomato sauce also became popular. At that time, average monthly sales for all FPFL products was $50,000. Back then, FPFL was seen as "a small substitution business for the local market, [which was established] to give the farmers an opportunity to do something with a surplus that they can produce" (Gardiner, 1986: 4-5).

In 1992, FPFL was made a subsidiary of NATCO (Appana 2003). In addition to FPFL, NATCO (the parent company) managed two other subsidiaries namely, Tropical Food Products Manufacturing (Fiji) Limited (TFPMFL) and Batiri Orchard Company Limited (BOCL). After the disposal of its business and assets between 1998 and 1999, TFPMFL ceased operations. In March 2003, the assets of BOCL were transferred to the Ministry of Agriculture, Sugar and Land Resettlement.

McMaster and Nowak (2005) highlight the board situation of FPFL between 2000-2003 as follows. In its earlier days except for the 2000-2003 period, FPFL was governed by a board who were appointed by the Ministry of Agriculture. Between 2000 and 2003, FPFL operated without a board because of the political setback in Fiji. During this period, the FPFL GM managed the enterprise under the directive of the Ministry of Agriculture and through the indirect involvement of the Ministry of Finance.

[18] Castle Trading Limited was a factory/business that processed pineapple, tomato and desiccated coconut. The business commenced operations a few years before 1984. It was owned by a Malaysian family in Suva. The business collapsed after suffering from all sorts of problems.

At that time, FPFL reported to three government ministries of Agriculture, Finance and Public Enterprises. FPFL was without a board between 2000 and 2003. During this time, it was not declared a GCC.

7.2.2 Reform and Post Reform Stage

FPFL was reformed because its parent company could no longer sustain itself as its debts increased. Without a change in direction, NATCO could have taken down all its subsidiaries with it (Interviewee 11, 2009). FPFL survived as the only subsidiary of NATCO. In July 2003, it was declared a GCC when NATCO was liquidated. Accordingly, as the ultimate shareholder of the enterprise, government decided that all of NATCO's assets, together with the debt of $2.9 million be transferred to FPFL (FPFL, 2009). The parties that encouraged above reforms were the Ministry of Public Enterprises through the Public Enterprises (PE) Act (1996) and a Charted Accountant firm, G. Lal which acted as the advisor/consultant.

7.2.2.1 Board and Management

As a GCC, FPFL has always operated as directed by the Ministries of Public Enterprises and Agriculture (FPFL, 2009). It also liaises with the Ministry of Finance (Interviewee 11, 2009). The PE Act (1996) and the reorganisation charter set out the accountability for its performance. Like other GCCs, FPFL is also governed by a board appointed by MPETC (McMaster and Nowak, 2005).

Between 2000 and 2003, FPFL attracted much criticism because of the absence of a board. Given this in 2003, a seven member board was appointed. This board assumed an independent stance towards reforms and believed in steering FPFL in a direction where it could secure funds from lending institutions rather than depend on handouts (McCutchan, 2003).

Currently FPFL has a three member board (MPETC, 2012). With a commercial focus, its directors are pro-reform and have business knowledge as well as experience.

The directors are the major decision makers. They meet with the management monthly for presentations and discussions of monthly reports. After meetings, key decisions are made to move the enterprise forward (FPFL, 2008). The board also handles approvals of all major capital expenditure, however, all major asset disposals need the approval of the government (FPFL, 2009). Disagreements between some directors and management do emerge at times during meetings but these are resolved through voting of show of hands.

For some time, FPFL was led by an Acting CEO who serves in other positions as well. The Acting CEO was the Financial Controller/Company Secretary. In addition, he handled HR as well as marketing issues. As the Company Secretary, he was also the Secretary of the audit committee. He is a degree qualified individual with nineteen years of experience in senior positions. He joined FPFL as a Financial Controller/Company Secretary. Prior to this, he held financial controller positions in tourism related companies in the 1990s (Interviewee 11, 2009). The day to day management is now in the hands of a new full time CEO (MPETC, 2012).

The other senior staff members are also capable, skilful as well as experienced. The heads of each division and the line supervisors are empowered to lead their own Strategic Business Units (SBUs) (FPFL, 2008).

7.2.2.2 Human Resources

Realising the need for skilled employees, the 2003 appointed directors began thinking about reorganisation (McCutchan, 2003). Accordingly, they put together a management team which was in turn tasked to recruit the right individuals at given positions and to work towards a corporate plan based on targets. Interviewee 11 (2009) explains this process and the problems related to it as follows. The board worked towards creating a management team while the management team worked on strengthening the middle management level through trial and error for six years. In their first experiment of trial and error, the management team worked with the existing FPFL employees. Some of these existing employees were promoted to senior and supervisor levels but this experiment was not without problems.

FPFL faced problems of nepotism, lack of employee cooperation, issues being swept under the carpet, absence of research and development, absence of proper quality control and disappearing field officers. Thus, in its first year of experiment, FPFL failed to make any significant improvements to Human Resources (HR). FPFL then realised that its organisation chart was narrow with vital roles missing. See Appendix 7.1 for the current organisation structure. Effective changes to HR only began from 2005 and continued in 2006 and 2007. Employee resistance was noticed as FPFL embarked on changes towards inculcating commercialisation in employees. Work standards were poor and there were employees who felt that being government employees, they will never be out of job. Strong resistance led to resignations and terminations of some employees.

FPFL still faces some reluctance towards adaptation of commercial work practices from its operations workforce (FPFL, 2009) particularly from those who have been with FPFL for a long time. Such employees show resistance by refusing to listen to new recruits who are appointed at higher positions (Interviewee 11, 2009).

In terms of making changes towards improving employee performance, a number of measures have been taken as follows. Targets are set based on past performance and intuition. Targets are then measured against actual performance to assess worker productivity. Interviewee 11 (2009) gives the following example of how productivity of factory workers is measured. A worker should be able to peel 50 kg of cassava per hour in a normal shift. This is equivalent to 450 kg. In addition, the recovery rate (peeled cassava) should be 70 per cent. FPFL came up with this recovery rate when the Acting CEO tested it out himself. He actually peeled a cassava and measured the recovery rate. The benchmark was then set at 70 per cent. The recovery rate by workers on cassava at that time was 56 per cent, lower by 14 per cent. There were workers who did not meet this benchmark. At that point, it was decided that a supervisor be appointed to conduct a one hour check on workers. Supervision brought about a positive impact, so much so that the recovery rate of workers went beyond the benchmark to 76 per cent. Noting this, FPFL set a new benchmark at 80 per cent for further improvements.

Improvements have also been seen in the amount (in kg) of peeled cassava per hour. This has now reached 60 kg per hour as opposed to the previous 50 kg.

Staff Development Issues

FPFL has adopted a competency approach to manage and further develop its workers. It has come up with a performance measurement mechanism to identify development needs of each employee. In this respect, it has put in place Job Descriptions (JDs), Key Result Areas (KRAs) and Key Performance Indicators (KPIs). FPFL (2008) highlights more on these as follows. These are assessed quarterly through Performance Management Review (PMR). Effectiveness of these mechanisms has been evident. For instance, in the quarterly PMR of March 2009, 60 per cent employees who scored less than 50-60 per cent in the earlier PMRs of October and December 2008, scored above 50 per cent.

According to Interviewee 11 (2009), performance related mechanisms were unheard of at FPFL and took two years to implement. He provides more details on this as follows. Employees who excel with performance of above 100 per cent are rewarded with a 10 per cent bonus as a reward based on productivity. Those who attain less than 100 per cent are either counseled or given warning letters, whichever is appropriate in a given situation. After three warning letters in a year, the worker is terminated. However, as per an agreement with the union, the warning letter count is nullified at the end of the year unless it is three in number. Warning letter count is begun afresh the following year.

Upon evaluation of employees, FPFL puts in place developmental programmes to improve performance the following year. This helps FPFL to focus on skills with formal training programmes as well as develops employees through on the job coaching and mentoring (FPFL, 2009). Employees are either trained in-house or through TPAF but trainings are restricted to their specialised areas of work (FPFL, 2008). Interviewee 12 (2009) explains that process workers (production line workers) are also moved around to process other products to acquire skills in the process of other products and to reduce boredom of working on the same product all the time.

In 2008 and 2009, FPFL used a deployment tactic to fast track its reform efforts. FPFL (2008) gives details as follows. FPFL's deployment strategy involves five actions of terminating non-performers, retraining good employees, recruiting new staff with necessary qualifications, rewarding employees through PMR and engaging in management and staff succession planning. Accordingly, FPFL laid-off certain individuals to hire qualified and experienced personnel who could focus on higher quality and lower costs. Those who were laid-off were employees who were performing at a level lower than expected despite ongoing counseling and training.

For appointments of temporary and permanent employees, FPFL conducts face to face interviews then briefs the appointees on procedures and processes before the start of the production process. Employees are given a permanent status only after their performance has been reviewed after a period of time. FPFL also plans to implement a performance based remuneration system, tied to specific individual measures to complement the overall corporate plan. At present, emphasis is on training the sales and marketing, and production and quality control staff.

Nineteen process workers are members of the National Union of Factory and Commercial Workers. As per FPFL (2008), the union is invited in its decision making process. However, the union informs that they are not consulted on everything and are only communicated on areas needing improvement. Interviewee 13 (2009) reveals the following. In particular, the union engages in consultations regarding log of claims such as the Cost of Living Adjustment (COLA) payout. While the union argument is that factory workers are not civil servants and thus should be paid COLA based salary increments, FPFL argues that the government does not allow COLA payouts. In 2009, this difference of opinion led to the registration of a trade dispute at the Ministry of Labour. The union clarifies that a matter only ends up as a trade dispute when it remains unresolved after three or four meetings or when the management fails to respond. According to Interviewee 11 (2009), there are occasional arguments but no issue has been that serious to develop into an industrial problem.

He claims that at all times, FPFL tries to be ethical, stating that FPFL was the first enterprise to comply with the minimum wage level. The union states otherwise. It highlights a few employment grievances of unfair dismissals as follows. Workers who closely align themselves to the union are victimised by way of discriminatory dismissals. In such instances, FPFL brings up a past small issue such as reporting to work late to justify dismissals. According to the union, if demotion or dismissals result from poor performance then it agrees with FPFL but if it is discriminatory then it needs to be addressed. The union also complains that FPFL uses delaying tactics to prolong matters such as sending those staff to union-management meetings who have no authority to make on spot decisions. As per the union, FPFL's management practices are strict in that it is quick to issue disciplinary letters even when issues are negligible. The union clarifies that it is not that the FPFL management does not listen to them at all but in certain situations, FPFL feels "whatever they say is right". In such situations, FPFL refuses to listen to the union. The union then turns to the Ministry of Labour for assistance as a last resort. Overall, the union admits that at present it is not as powerful or as vocal as before. It elaborates that in general the Employment Relations Promulgation (2007) has weakened the union power in Fiji. For instance, a strike expression lodged at the Ministry of Labour can just be called off anytime. The current system is such that strike actions are discouraged and only allowed as the last option. The union explains that the aim is to create harmony between the management and union. Such a situation forces the two parties to consult one another to discuss matters for amicable solutions rather than to resort quickly to drastic measures like strikes (Interviewee 13, 2009).

7.2.2.3 Projects, Products and Changes

Factory and Machines

FPFL operates from an unappealing, more than twenty year old factory located at 68-70 Millet Road in the Industrial Subdivision of Vatuwaqa in Suva. The processing of produce is carried out within 80,000 square meters of its building (McMaster and Nowak, 2005) with inadequate storage space (FPFL, 2009).

While FPFL has wide export potential for its existing products, it is restrained because it does not meet certain standards of some countries because of problems of limited factory space (MPETC, 2012). The processing plant normally operates a nine-hour shift daily with regular breaks in between. The production line is also allowed a two-week maintenance break usually between Christmas and New Year on an annual basis.

Over the years, there have been changes to machines and equipment which have led to faster and higher levels of production and productivity (Interviewee 12, 2009). In the earlier days, process workers used axes to chop coconuts into half. Female process workers would then peel the brown coconut husks before scrapping the same. Now workers use a machine which not only axes the coconut into half but scraps it as well. According to Interviewee 11 (2009), while FPFL's machines and equipment appear old and obsolete, these are specialised machines and can be used for a number of years with regular upgrades and technological replacements. Machine breakdowns are still common though. Machine breakdowns average between forty to fifty hours of lost time monthly, leading to lower production volume since productive time is taken up by maintenance activities. For FPFL, given that an outright purchase of new machines and equipment is not possible because of funding constraints, it is important to keep its equipment up and running with a detailed maintenance programme. To this end, an engineer from Australia was brought in to train FPFL's maintenance workers on machine maintenance. The FPFL Maintenance Department is required to follow the engineer's directions strictly as well as file maintenance reports regularly (FPFL, 2008). In addition, they are trained to follow their maintenance procedure manual. However, FPFL can only do so much servicing of equipment and machinery which have passed their useful life (McCutchan, 2003). Some of FPFL's existing machines are as aged as the building that houses it (FPFL, 2009). FPFL realises that modern processing plant and equipment is very much needed. Accordingly in 2003, the FPFL board with its management applied for funding from the government to facilitate plant modernisation but only to be refused. Similar requests for government support were also made much earlier in the days of NATCO but to no avail. However, there are plans to upgrade FPFL building on a stage by stage basis from its small profits generated.

In 2003, an experienced scientist from the USA Kraft Foods and a senior technician from Australia trained FPFL staff in a food safety plan, the Hazard Analysis of Critical Control Points (HACCP) and also assisted in the development of four HACCP plans. HACCP looks into the processing methodologies (processes and procedures for produce) from the farm gate through the factory to the supermarket shelf. It involves cleaning of produce and killing of bacteria to ensure that a product is safe and can sustain shelf life (Interviewee 11, 2009). FPFL has also attained accreditation for its seafood section and is working towards completing the requirements for the attainment of accreditation for dry goods production (FPFL Website).

Raw Materials and Suppliers

One of the key objectives of FPFL is to buy produce from rural areas and then process these into value-added marketable food products. Despite this objective in 2003, FPFL imported 60 per cent of its raw materials - tomato paste, cans and bottles. FPFL did not always import tomato paste. Import of tomato paste only began after the deregulation of this industry in Fiji (McMaster and Nowak, 2005). FPFL was adversely affected from 1995 due to government's deregulation policy on imports. It suffered from lower sales and substantial operating losses (NATCO, 1995).

Before deregulation, raw materials for tomato sauce were sourced locally (McMaster and Nowak, 2005). During this period, FPFL contracted out farmers in Sigatoka, Rewa and Tailevu (in Viti Levu) to supply it with tomatoes. At that time, FPFL was the only producer of tomato sauce in Fiji but not for long. Deregulation opened doors for other companies to import tomato sauce.

McCutchan (2003) interviewed the then FPFL Manager and reveals the following through his article. Deregulation saw the entry of big international players such as Watties and Heinz in the market with products priced cheaper than FPFL. The then FPFL Manager expressed, "with tomatoes, it's a pity that we are importing overseas tomato paste to produce our tomato sauce" (p. 11).

She explained that the locally grown tomatoes were not really suitable for processing since these were very low in solids, needing a higher volume of tomatoes to produce paste. FPFL is not able to obtain adequate quantity of good quality local tomatoes at an affordable price due to the ongoing strong demand for fresh tomatoes in the local markets. In order to compete effectively with the international giants, FPFL opted to import tomato paste from China. FPFL blends the imported paste to their formulation, adding as much local content as possible (such as spices) to produce their sauce. FPFL has contracts with two suppliers from China who were selected on the basis of consistent supply of good quality tomato paste.

The products produced from imported raw materials are tomato and soy sauces. The Worcestershire Pick Me Up (PMU) sauce is produced from imported ingredients and is produced under a license for Goodman Fielders (Fiji) Limited (FPFL website).

The other major local suppliers are the villages of Tailevu, Namosi, Rewa delta and Naitasiri in Viti Levu for Saccharum edule (duruka), coconuts, chilli, Tahitian Chestnut (ivi), breadfruit, taro leaves, cassava and taro (dalo) roots (McMaster and Nowak, 2005). Farmers are briefed and educated on FPFL's expectation to allow for a positive two-way relationship. Farmers who are loyal to FPFL are invited over for meals and presented with promotional gift packs (FPFL, 2008). About 90 per cent of the produce bought from farmers does not have any chemical content (Prasad, 2006). A number of these local produce is not really cultivated but grown wildly for village consumption. Examples of such produce are breadfruit, ivi and duruka. Most of these produce are also seasonal.

FPFL collects about 90 per cent of its domestically sourced raw materials in non air-conditioned trucks from the door steps of its rural suppliers. Poor road conditions to rural area suppliers lead to high maintenance costs for vehicles used for collection of raw materials (MPETC, 2012).

According to McMaster and Nowak (2005), only 10 per cent of locally sourced raw materials are delivered to FPFL by its suppliers. They mention the following. The supply of produce by locals is not without problems. Such problems relate to quality, reliability and sustainability of produce collected and delivered. For instance, by the time breadfruit reaches FPFL, its quality deteriorates (too soft, overripe or rotten) especially when the breadfruits are collected from villages from the western division. Another example is cassava. FPFL complains that it is difficult to get cassava, especially the right quality. McCutchan (2003) mentions that supply related problem extends to coconuts as well. He explains as follows. FPFL has orders which it cannot fulfill for coconut oil. It is only able to obtain less than half a million against the requirement of more than a million coconuts on an annual basis. While FPFL can get a million coconuts per year from regions outside of Viti Levu such as from Taveuni, Koro, Kadavu or even Rotuma, the high shipping freight costs make the entire process very expensive, resulting in a much higher selling price to the end consumer. Adverse weather conditions also severely affect the availability of raw materials, especially for seasonal products (MPETC, 2012).

McMaster and Nowak (2005) highlight more problems relating to supply as below. The failure of farmers in abiding by the agreed supply quantity and the specified pick-up times adversely affects the production schedules and efficient utilisation of FPFL's production capacity. FPFL often faces the problem of irregular supply due to the seasonal nature of fruits and vegetables and because farmers prefer to sell their produce to local markets at prices higher than what FPFL can afford to pay for bulk supply. Farmers want FPFL to purchase what is left surplus of their perishable fruits and vegetables in times of overabundance when the local fresh vegetable market is oversupplied which forces declines in prices. When the market prices are high, farmers disregard their contractual commitment with FPFL and sell their produce in the local markets fetching higher prices. For instance in 2009, FPFL faced a short supply of duruka because of all-year-around demand for this produce. FPFL only managed to export about 8000 bundles. Faced with the problem of irregular supply or when there are insufficient local fruits and vegetables to process, FPFL spends most of its time processing tomato sauce.

It spends 50 per cent of its production time on processing imported tomato concentrate into tomato sauce.

FPFL is hopeful that some of the abovementioned problems will be resolved once the Agricultural Marketing Authority (AMA) becomes fully operational. When it was established first, AMA's key responsibility was to purchase agricultural produce directly from villagers and farmers who do not have or face difficulty in accessing market outlets for their produce. AMA has freezer trucks as well as storage space. FPFL hopes to purchase produce directly from AMA rather than buying directly from farmers (McMaster and Nowak, 2005). While AMA has begun operations, it only assists farmers to find markets for root crops, ginger and yagona at present (Latianara, 2011).

FPFL Products

FPFL is primarily involved in the processing, canning or bottling and sale of agro-food products. Its products are tomato sauces and purées, coconut cream, coconut oil, duruka, chilli products (chillie sauce), ivi, jackfruit, breadfruit or uto **(**Artocarpus Altilis), honey as well as leafy vegetables like taro leaves (palusami), bele in brine, ota in brine, bora bean in brine, root crops such as cassava and dalo (taro) and seafood such as fish, crabs, lobsters, prawns and kai (fresh water mussels). FPFL is also licensed to produce Soy and Worcestershire PMU sauces (FPFL website).

Except for Worcestershire sauce which is packed for another company, all other products produced by FPFL carry the same brand name of Pacific Crown. According to FPFL, there are benefits of using a "blanket family branding strategy" (McMaster and Nowak, 2005). McMaster and Nowak (2005) analyse the use of such a strategy as follows. The same strategy is also used by FPFL's competitor, Heinz. Under this strategy, all products of a company carry the same brand name. This strategy is advantageous because the cost of developing a brand name is low which also reduces the advertising expenditure of creating brand recognition. In addition, the established popularity of a given brand name when put on new products, benefits the new products in its introduction stage.

However for FPFL, this is not always the case since FPFL has hardly made any effort to build and market its brand equity through advertising or merchandising. In addition, poor merchandising in some supermarkets does nothing to create a better brand exposure. The design of the label is such that the brand name is overpowered by the product name. McMaster and Nowak (2005) highlight that only a few consumers in Fiji are able to associate the brand name of Pacific Crown to FPFL's manufactured products. However, they do acknowledge that there are no survey results to substantiate this claim.

The canned and frozen local fruits and vegetables which are exported are duruka, breadfruit, ivi, palusami, cassava and taro. These are sold particularly to the former Fiji citizens residing overseas, the "ethnic markets" (Gardiner, 1986) in countries like Australia, New Zealand, Canada and the USA (FPFL website). McMaster and Nowak (2005) mention how FPFL manages overseas and local markets as below. For overseas markets, FPFL relies on agents who are former Fiji residents who visit FPFL frequently to plan their orders. For the local markets, FPFL sells directly to the local retailers through its own sales force. It uses two sales merchandisers to directly market its products as well as to take orders from local retailers and other local customers. It has also entered into negotiations with Punja and Sons for local and overseas distribution of its products. Punja and Sons is one of Fiji's large distribution companies.

New Product Development

FPFL continues to develop food products from local indigenous fruits, vegetables and root crops for local and export markets. For example in 2003, to boost the quantity of chillies purchased from rural areas, FPFL introduced a new product, sweet chilli sauce. FPFL began marketing canned bele and ota the following year. However as years pass by, not many new products have been launched (McMaster and Nowak, 2005).

For FPFL, research and development is one of the key elements to its future growth and sustainability. It has recruited university graduates with degrees in Food Science to help it come up with fresh and innovative ideas which can add value to produce.

These employees research on FPFL's competitor products and prices by web browsing to get ideas on new products. They then test their idea by carrying out lab tests and by producing five or six cans of the new product. Upon production, costings are done and selling prices are determined. The selling price is then compared with the competitors' prices. FPFL only progresses further with the new product idea if it has the ability to offer a superior product at a good price (Interviewee 11, 2009).

There are several new products in the pipeline but these are still in the product-concept testing stages, thus have not reached the market as yet. This is because a few products require a year and a half in shelf life testing. An example is breakfast cereals. Breakfast cereal did catch media attention, creating some excitement since it is original and promising. The breakfast cereal makes use of a variety of locally available ingredients. It is a combination of dried cassava, kumala, breadfruit, taro, pawpaw (papaya), mango, pineapple and banana. However, the progress is slow. The product is still in its testing stages. From 2003, FPFL's product range has increased from seventeen to thirty-six out of which twenty-six products are produced from local raw materials (MPETC, 2012).

Marketing Efforts

In the absence of a Marketing Manager (Interviewee 11, 2009), FPFL has an officer responsible for sourcing of raw materials (McMaster and Nowak, 2005) and a Sales and Marketing Team that monitors prices, packaging, cleanliness and shelving of its products. This team is also required to submit reports on these activities on a daily basis (FPFL, 2008). Marketing effort has always been reduced to sales projections put together in its overall annual budget. In the absence of a marketing plan, specific segmentation and targeting of local markets has not been carefully considered (McMaster and Nowak, 2005). However, FPFL does collect and monitor data with respect to its prices, market share, competitor information, economic factors and profitability to ensure that customers enjoy the desired price and to maintain its customer base.

From their research, McMaster and Nowak (2005) found out that FPFL products are mass produced and mass marketed to the local supermarket retailers. They point out that FPFL adheres to the rule of "just produce and sell later" (p. 14). As for its export markets, while FPFL targets niche markets of former Fiji citizens residing overseas, here again, its customer groups are broad based. They state that, "there's no deliberate mapping out of the various customer groups to be targeted and export sales are largely generated by unsolicited orders from foreign prospective customers" (p. 14)

FPFL also does not make specific promotional effort to reach out to its prospective overseas customers. It has never set aside funds for advertising or sales promotion activities. According to McMaster and Nowak (2005), FPFL depends on word-of-mouth advertising while promotion is limited to distribution of free product samples to retailers rather than giveaway items like posters, caps and cups. However in recent times, a slight change in promotions has been noticed as indicated below by FPFL (2008). For instance, FPFL has created a POP poster featuring its flagship product, tomato sauce. In addition, it has begun telemarketing. Using telemarketing, employees educate customers on FPFL's products over the phone and at the same time seek feedback. The comments and feedback are then analysed and submitted to FPFL's research and development team for further improvements

Competition

FPFL faces domestic as well as international competition. Its competitors are companies that manufacture and/or distribute similar product lines that compete with its products.

FPFL competes with fifteen private sector firms in terms of exports and five key manufacturing companies (Interviewee 11, 2009). In their article, McMaster and Nowak (2005), mention the following on competition faced by FPFL. The products of food processors such as Foods Pacific Limited and Eagle Ridge are in direct competition with FPFL products. Foods Pacific Limited is the biggest food manufacturer of food products in Fiji. It offers a wide-range of products under reputable brand names.

FPFL faces tough competition from Foods Pacific Limited because of its size, financial resources as well as its well-run marketing campaigns. However, the other competitor - Eagle Ridge, while offering competing products is weak in product quality. Quality of its products is perceived to be much lower than that of FPFL's products. In addition to these two competitors, there are two local distributors, namely Punjas Distribution Company and Ashabhai & Company Limited who import similar products. Their products are particularly imported from India, Thailand and China. Quality of their products is not superior to FPFL's products. Quality of Ashabhai products is said to be particularly low. Heinz-Watties Limited (a New Zealand subsidiary of Heinz) and the Nestle's Maggi brand are FPFL's largest overseas competitors. Their products are found everywhere in Fiji. FPFL does not even try to compete with these two giants head on since Heinz-Watties Limited and Nestle's Maggi brands are big global players with much larger resource bases. Comparatively, these competitors offer higher-quality, higher-priced products. FPFL also faces competition from Asian countries whose products are substitutes of FPFL products and whose production standards are high.

FPFL does not have a competitive edge over imported products since it focuses on adding value to local produce by preserving seasonal crops for out of season use (Prasad, 2008). In spite of tough competition, FPFL prides itself in being the market leader in Fiji for tomato sauces. It captures 55 per cent of the total market (McMaster and Nowak, 2005) but increased competition from other tomato sauce producers has started to erode this market share (MPETC, 2012). FPFL's market share is relatively small in the other product categories in which it faces competition. However, it does not face competition in the canned items of seasonal local vegetables and fruits it produces (bele, ota, ivi, breadfruit and duruka) because it is the only producer of these in Fiji (McMaster and Nowak, 2005). While FPFL cannot compete in terms of price with the fresh alternatives of palusami, coconut lolo (coconut milk) and ivi, it allows for a taste of local food with minimum preparation time to Fiji citizens living away from home (Prasad, 2008). Even though FPFL is the only company in Fiji which cans coconut cream, it does face competition in this product category from imported canned coconut cream (McMaster and Nowak, 2005).

Higher tariffs on imported food substitutes can assist local food processors but such tariff barriers must only be made applicable for a limited time to prevent local companies from becoming too complacent (Prasad, 2008). While higher tariffs on imported food substitutes can assist local food processors, it is not a good policy for long-term survival or competitiveness.

7.2.2.4 Financial Performance

FPFL's achievements include the following awards. In 2008, FPFL won the Fiji Business Excellence Award of the 'agro processing exporter of the year'. In 2009, it was awarded the Fiji Business Excellence Award for 'commitment to business excellence'. In 2010, it won the Prime Minister's award of 'the agro processing exporter of the year' (MPETC, 2012). However, its financial performance has seen much fluctuation in revenue and profits over the years. The following table presents total revenue and profit figures of FPFL from 1998 to 2011.

Table 7.1: Key Financial Figures from 1998 to 2011

Year	Total Revenue (,000)	Profits after Tax (,000)
1998	1,104	80
1999	1,299	148
2000	909	84
2001	1,182	(37)
2002	1,181	(23)
2003	1,355	46
2004	1,806	60
2005	2,426	47
2006	2,898	41
2007	2,468	112
2008	2,408	(96)
2009	2,681	64
2010	4,054	88
2011	4,140	40

Source: FPFL (2009); MPETC (2012)
2007 to 2011 figures are unaudited

Tomato sauce and its related products represent 51 per cent of total sales. Total revenue fluctuated between 1998 and 2003, increased between 2003 and 2006, then decreased in 2007 and 2008 but increased much between 2009 and 2011. The increase in production and sales is attributed to the Marketing and Information Unit. This unit was established in early 2006 upon the reorganisation of FPFL. FPFL has also been focusing a lot more on its major products that contribute to high profits. In 2011, sales could have been even higher but factors such as Brisbane floods and the announcement of sale of FPFL factory affected its export sales.

As for profits, FPFL reported losses in 2001, 2002 and 2008. Between 1998 and 2000, profits fluctuated then turned negative and fluctuated thereafter. Profit was at its highest in 1999 followed by 2007. It was lowest in 2008. Through its 2009 corporate plan, FPFL announced its strategies to better its position. See Appendix 7.2 for details. According to Interviewee 11 (2009), FPFL's profitability is extremely sensitive to the external factors of competition, supply of produce and price of imported raw materials. These factors are affected by the economic status of Fiji and the world. Over the years, competition as well as the price of raw materials has also increased. For instance, the price of cans increased in 2006. FPFL relies heavily on New Zealand for imported packaging material and on China and now Thailand for raw materials for tomato sauce. In addition, the increasing factory fixed costs as well as the major capital expenditure of factory roof repairs in 2011 have affected profits (MPETC, 2012).

Government has not received any dividends from FPFL so far. FPFL (2009) explains why this is so as follows. FPFL's dividend requirement has been reviewed and waived given its heavy capital expenditure programme and social obligations. This arrangement requires reinvestment of the dividend sum into capital expenditure. However, the arrangement is said to be temporary. Interviewee 11 (2009) justifies that FPFL cannot sacrifice working capital thus needs to plough back profits.

ADB (2011) reports the following on the performance indicators of FPFL.

Table 7.2: FPFL Performance Indicators for Year 2009

Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
69%	40%	0	1.0%

Source: ADB (2011: 36)

Asset utilisation ratio measures management effectiveness in using company's assets in daily operations. For FPFL, this ratio is 69 per cent. This means it earned 69 cents for each dollar of asset held. Liabilities/total assets ratio reflects at the proportion of a company's assets which are financed through debt. The higher the ratio, the higher the risk. FPFL's liabilities/total assets ratio is 40 per cent. This means that FPFL's assets are 40 per cent funded by debts and 60 per cent from own sources. The cash ratio is a measure of company's liquidity. For FPFL, it is zero. ROA indicates the efficiency of management in using company's assets in generating earnings. The higher the ROA, the better. FPFL's ROA is very poor, just 1 per cent. This means FPFL earned only 1 cent for each dollar it invested in its assets.

FPFL's corporate plan of 2009 indicates its eventual divestiture to the private sector to raise it to the next level as one of its objectives. The plan suggests strategic partnership with a major international or local player as one of its opportunities. McMaster and Nowak (2005) argue that while strategic partnership can add value to make it attractive for eventual sale, establishing such partnerships may not be possible for FPFL given its poor state of factory plant and equipment. They correctly point out that in the absence of major capital injections, skill upgrading and restructuring of the main areas of its business, it is unlikely that FPFL will become more profitable. In its 2009 corporate plan, FPFL does admit that uncertainty in national policies, in addition to high costs of fuel, electricity and canning threaten its operations.

Interviewee 11 (2009) states that the divestiture goal of FPFL is nothing new. He clarifies as follows. The divestiture goal did exist for some time but the issue is no one is interested in purchasing a poor performing enterprise.

What is important is to add value to FPFL to pave the way for its eventual sale. Strategies also keep changing as governments change since different governments hold different views. For instance, the previous government wanted to sell off FPFL but was caught between a commercial versus social choice. It then planned to upgrade the enterprise to such an extent that its shares could be floated in the stock market while it retained full ownership.

The current government has identified the areas of funding and upgrading of the factory (to make it compliant with globally accepted standards) and distribution and promotion (of products in export markets) for possible strategic partner involvement. MPETC (2012) provides the following updates. FPFL is currently focusing on: the HACCP compliance and accreditation for its entire factory by December 2012; disposal of NATCO and Savusavu property to pay off a $1.9million loan which was approved by Cabinet in 2009; continuation of the rehabilitation programme for the Batiri farm; and the establishment of a Fiji Food Processors Association for the protection of local food processing companies. The long–term possibility of divestment which was endorsed by Cabinet in 2005 is also part of this list.

7.2.2.5 Concluding Remarks for FPFL

Overall, the following key attributes have made FPFL a poor performer. These attributes are financial dependence on the government, no compensation for social obligations met, raw material dependence on rural farmers, supply shortages, high unmet demand, farmers dishonouring contracts, the inability to take to task the farmers who ignore contractual agreements, high cost of produce if sourced from outer islands, the inability to purchase from whoever can supply, lack of proper equipment and machinery, old buildings, limited processing space, lack of effective marketing, lack of skilled and experienced personnel given financial constraints and, the rising cost of raw materials such as cans.

The next section discusses the second selected poor performing GCC, Fiji Hardwood Corporation Limited.

7.3 Fiji Hardwood Corporation Limited

According to the report prepared by the Joint Australia/Fiji Review Team (1986), eighty-seven per cent of the total land in Fiji is native land and most of it is not suitable for commercial agricultural development. This report informs that, these land are suitable for forestry, a key industry that allows participation of the ethnic Fijian landowners. It also highlights that about 0.9 million hectares or 49 per cent of Fiji remains under the natural forest cover even after thousands of years of human occupation and over a century of European influence.

Fiji's forest resource can be divided into two, 1) the commercial softwood dominated by the variety *Pinus carribea* and 2) the commercial hardwood which is mainly mahogany, the *Swietenia macrophylla* variety (Food and Agriculture Organisation-FAO, 2002; The Review, 2004d: 13). The indigenous forest occupies 855,000 hectares or 46 per cent of the land area out of which 253,000 hectares make up the unexploited production forest. This area is occupied by the hardwood industry which comprises 31 per cent of all forest (Joint Australia/Fiji Review Team, 1986).

Fiji Hardwood Corporation Limited (FHCL) manages an estate size of 63,357 hectares. MPETC (2012) describes FHCL's estate as follows. 53,603 hectares are the stocked areas in the fourteen forests. These sites are dispersed on Fiji's two largest islands of Viti Levu and Vanua Levu. The sites comprise of 41,659 hectares of mahogany and 11,247 hectares of other plantation species. FHCL holds 104 leases with 215 mataqalis. Seven of these leases are held with the state (crown land). FHCL's targeted harvesting rates have gradually increased from the log production of 80,092 m^3 to 100,000 m^3 in 2010. The operations of FHCL is divided into two divisions which are 1) Forest Division that includes the four harvesting sites of Nukurua in Tailevu, Naboutini and Galoa in Serua (Viti Levu) and, Korotari (Vanua Levu) and, 2) Manufacturing Division that includes the Waivunu sawmill in Deuba and the Navutu remanufacturing facility in Lautoka in Viti Levu.

7.3.1 Pre-Reform Stage

The introduction of mahogany in Fiji dates back 1911 when it was introduced from Central America as ornamental species (FAO, 2002) by the British more than forty years ago (ABC Radio National, 2004). This introduction was part of a global forestry experiment done to spread the British colony in the South Pacific and to generate a new source of mahogany for the British furniture makers (Frank, 2000).

The mahogany species grew well leading to the establishment of small experimental mahogany plantations. FAO (2002) provides the following information on mahogany trials in Fiji. In the early 1930s, it was realised that Fiji could not continue to make the most of its natural forest at the given rate. Management of natural species was then recommended but the growth rate of such species was too slow to be economical. Subsequently in 1935, the Department of Agriculture began conducting mahogany trials on several sites around Fiji. Other species were also put on trial alongside mahogany but mahogany showed the highest potential in natural forest.

From 1952, mahogany was put on trial in a bigger way with significant planting in the southern division (Joint Australia/Fiji Review Team, 1986). This brought about the 1960s expanded programme of reforestation whereby trees were set up in lines (FAO, 2002). By 1960, about 689 hectares of hardwood was planted. Between 1961 and 1962, forest stations were established at Galoa and Naboutini. The establishments of forest stations saw a major increase in the annual rate of hardwood planting (Joint Australia/Fiji Review Team, 1986). Infrastructure was further developed to accommodate this programme (FAO, 2002). The estimated total cost of reforestation over its four-year period (1987 to 1990) was $14.74 million (Joint Australia/Fiji Review Team, 1986: viii). The reforestation exercise was quite strong on social grounds since the programme provided developmental opportunities for the rural communities in the remote areas.

According to the Interviewee 6 (2009, 2011, 2012), the intention of the government was noble as it tried to spread out economic activity for the next thirty to forty years through the establishment of these fourteen stations around Fiji. Such opportunities enhanced rural employment, living standards and preservation of the traditional community structures and values. The programme led to the establishment of more forest stations (FAO, 2002). Currently, there are fourteen stations, six in Vanua Levu and eight in Viti Levu (MPETC, 2012). See Appendix 7.3.

The year 1972 proved problematic for mahogany. The report by the Joint Australia/Fiji Review Team (1986) elaborates as follows. One of the problems was the ambrosia beetle attack. While ambrosia beetles could not breed, they did damage wood which lowers the value of mahogany. Initially, Fiji was selected for the establishment of mahogany plantations because of the absence of the tip-shoot borer (*Hypsipyla robusta*) pest that has prevented extensive success of mahogany in many other parts of the world. Problems of pests and diseases lead to other problems such as the decline in the value of trees produced, reduction in the volume produced or in extreme cases, prevention of any wood being produced at all from the forest. Mahogany plantations in Fiji are not totally free from these issues.

There was yet another problem. FAO (2002) explains this problem further as below. The second problem was the establishment of the Pine Scheme (now Fiji Pine Limited) which required more resources in terms of staff and finance, constraining resource availability for mahogany plantations. Such factors led to a major drop in the planting rate of mahogany leading to temporary suspension of mahogany planting. This suspension provided the opportunity to review what was experimented on earlier - the experimental planting of other introduced species in addition to the main indigenous species. The idea was to introduce an alternative plantation species. Two years later in 1974, the planting of mahogany and a number of other hardwood species picked up from where it was left.

Other hardwood species were developed to make up around 30 to 35 per cent of total plantation for security reasons, in case other pests damage mahogany. A fast growing species (*Cadamba*) was also introduced for peeler log production as a reserve until mahogany became available in larger quantities. A review undertaken on the ambrosia beetle attack concluded that the beetle problem was not serious and within acceptable limits (Joint Australia/Fiji Review Team, 1986). The period thereafter proved out to be a lucky one for mahogany.

The programme of hardwood planting achieved between 1,000 and 2,000 hectares of planting per annum until 1983. In 1983, the cabinet decided to increase planting target to 5,000 hectares per year. This target was later reduced to 4,500 hectares when the higher target appeared unachievable (FAO, 2002). Also in 1983, the pattern of planting changed with a refocus on mahogany but with concentration of it in the northern division. By 1984, mahogany plantations picked up pace reaching over 15,000 hectares. Around 26,000 hectares of about 70,000 hectares of logged forest were re-afforested. Out of these, 23,000 hectares was hardwood while the rest was pine. Forty-five per cent of the entire plantation programme was conducted in the northern division (Joint Australia/Fiji Review Team, 1986).

In 1987, the annual harvest from Fiji's mahogany plantations was 5,000m^3. By 1991, the success of mahogany surpassed the success of other species. For this reason, the planting of these other species was stopped by this period. Mahogany was given complete attention because of its higher growth rates, health attributes as well as the market value of its wood. The land on which the species are planted is the cutover natural forest – natural forest cleared or cut down to create space for planting. Much of this land is leased from the landowners by the government for periods between 10 to 99 years (FAO, 2002).

One of the fourteen mahogany plantations in Fiji is in Nukurua. Nukurua is located just outside the town of Nausori. Nausori is about 40 minutes drive north of Fiji's capital, Suva. This location holds one of the largest and oldest of all mahogany plantations.

More than forty years ago, the chief of the Nukurua clan agreed to lease their land to the government at a nominal rent just for the purpose of planting mahogany (ABC Radio National, 2004).

The agency that comes between the landowners and the government is the Native Lands Trust Board (NLTB). NLTB was established by the British in the 1940s to save indigenous Fijians from exploitation (Feizkhah, 2001). As a custodian for all indigenous land in Fiji, NLTB is responsible for leasing out customary (mataqali) land and keeps records of owners and the land they act for (FAO, 2002). FAO (2002) reveals further details as follows. About 50 per cent of all leases are held as fifty year leases. Most of these leases run short or are inadequate in mahogany cases when terms are less than thirty years because mahogany has a thirty to thirty-five year rotation. Such situations can either lead to leaving the land idle for the remaining part of mahogany rotation or negotiation of new leases to allow for the completion of a crop cycle.

The value and importance of Fiji's mahogany plantation lingered on for some time. In 1986, it was expected that the saw log yield of mahogany would reach over 700,000m^3 annually by 2020. Another prediction was that the total hardwood yield would exceed 1.0 million m^3 based on moderate growth rate assumptions (Joint Australia/Fiji Review Team, 1986). It was believed that the plantation would be Fiji's major source of grown mahogany for many years to come as the natural forest supply of mahogany diminishes around the world (FAO, 2002). According to Frank (2000), Fiji was said to be in a position to supply up to two-thirds of the world demand within the next 10 years which meant a new source of revenue and growth for Fiji, yielding between $50 million to $200 million annually. He mentions that, mahogany trees grew until the late 1990s in Fiji but were largely unnoticed until several factors put them on the world stage. These factors were over logging and the rising pressure from the environmental movement (Frank, 2000) in countries like Brazil (ABC Radio National, 2004) which put suppliers such as Robinson Lumber (Tabureguci, 2004a) and other timber companies under pressure to look elsewhere for "green" alternatives. Fiji's plantation mahogany is a "green-friendly alternative" (ABC Radio National, 2004).

The tall majestic (Digitaki, 1998a: 37) mahogany trees are thin but these are the ones that can produce some of the world's finest furniture. The same species are found in South and Central America (ABC Radio National, 2004) but timber supply in these countries are drying up, particularly at the upper-quality end of the market which is not readily substitutable even by the closely related African mahoganies. It is Fiji that has the advantage of growing true mahogany (Joint Australia/Fiji Review Team, 1986).

Fiji, with its steamy climate and volcanic soil, far removed from the insects (especially the shoot borer that cripples young trees) that plague mahogany in other countries was seen as the only place that could grow mahogany plantations on a large scale. Because these trees grow on plantations not wild in forests, they are also labeled ecologically correct (Frank, 2000). Fiji's mahogany forest is thus "widely regarded as the world's best mahogany plantation resource" (The Review, 2004d: 13) placing it alongside the major world suppliers such as Brazil (Tabureguci, 2004a: 12). So much so that "it's prompted commentators to say that it won't be long before the industry takes over from tourism and sugar as the biggest export earning sector in the [Fijian] economy" (Digitaki, 1999: 27).

7.3.2 Reform and Post Reform Stage

The Ministry of Forests was responsible for the development and maintenance of the mahogany plantations between the 1960s and 1997 (MPETC, 2012). In the 1980s and 1990s, government realised that it was not good in commercial business. It then decided to reform its public enterprises (Interviewee 6, 2009; 2011; 2012). Accordingly in 1996, a study was carried out to ascertain the viability of establishing a hardwood plantation corporation based on the successful transition of the softwood plantations into Fiji Pine Limited. The study recommended corporatisation (FAO, 2002). Later in September 1997, a reorganisation charter was approved which outlined the establishment process of a new company to manage the mahogany plantations (MPETC, 2009c). The Department of Public Enterprises commenced with the corporatisation process in 1998 (FAO, 2002). In March 1998, Fiji Hardwood Corporation Limited (FHCL) was established as a GCC to administer the commercialisation of the mahogany resource.

Initially as per the reorganisation charter, the intention was to establish FHCL as a medium to transfer forestry resource and its management to the private sector either through private placement and/or by public offering (MPETC, 2012). The idea was to inculcate commercial orientation within FHCL so that it could attract credible investors and then eventually shift the control of it to the private sector (Interviewee 6, 2009; 2011; 2012). It was particularly the former staff of the Forestry Department who were involved in the establishment of FHCL. The operations side of things was led by the GM Establishment (MPETC, 2012). In a way, FHCL was "plucked out of the Forestry Department" (ABC Radio National, 2004). Overflowing with bureaucracy and overheads, the over-staffed FHCL was pushed into a new corporation and told that they were now in business (ABC Radio National, 2004).

In early 1999, FHCL sought listing on the local stock exchange to go public. During the same period, it also sought a strategic partner to acquire its 40 per cent shares. Digitaki 1999 (27) reveals more on this partnership decision as follows. This decision was to be endorsed by the cabinet in early February 1999 but landowners were not convinced and uncomfortable in handing over their land to FHCL. This landowner reluctance led to a new proposal which offered shares to individual 'mataqali' members at highly discounted prices from the 10 per cent shares that was to be offered to the public. This enabled the 'mataqali' members to buy shares through a holding company. The 10 per cent shares were later gifted to the 'mataqali' members through the holding company.

In 2000, the Great Council of Chiefs initiated a committee to identify the way forward for the mahogany industry. MPETC (2009c) provides the following details. Resultantly in August 2002, a new mahogany policy was approved. Through this policy, government aimed to localise the development of the industry. Localising the industry benefits the locals through employment in terms of sub-contracts for harvests and cartages. A strategic partner was also to be involved in specialised areas lacking in Fiji. In addition, through localisation, government wanted to further encourage the landowners through Fiji Mahogany Trust (FMT).

In November 2003, the Fiji Mahogany Act was enacted. Interviewee 6 (2009; 2011; 2012) informs of the following. FMT was later established under the Fiji Mahogany Act. In June 2005, FMT began operations. It receives $200,000 from the government per year to fund its administration. FMT is an independent landowner organisation that coordinates all landowner aspirations while the commercial responsibilities sit with FHCL. FMT acts as a filtering agency to which landowners can first take up their issues to. FMT then facilitates resolution by liaising with FHCL. From March 2006, FMT was also made the custodian of the 10 per cent gifted shares.

FHCL saw the following changes and extensions to its role over the years (Interviewee 6, 2009; 2011; 2012). From the start until 2002, it was a forest grower/manager. In this period, it looked after the plantation and the weeding of it until maturity. While trees matured in 1998, the trial phase of commercial harvesting of mahogany commenced in November 2002. At that time the objective was to test the market and the potential of Fiji's mahogany. Between 2002 and 2004, FHCL's role changed to a log supplier. In this phase, it cut down trees and sold logs. No processing took place in this period since FHCL sold logs to companies who were involved in the process of value-adding. FHCL thus left the processing of logs to customers who bought logs. Such customers were the other government enterprises like Fiji Pine Limited and Tropik Wood Industries Limited. At that time, each tree could be sold to such companies. However in 2003 and 2004, FHCL's situation changed. It started facing difficulties in selling logs since its customers found it hard to sell timber. FHCL then began searching for a sawmill facility to extend its role from a grower and log seller to a processor of sawn timber and semi-processed items like decking. From January 2005, its role extended to a sawmill operator. FHCL's current products are logs and, rough and semi processed sawn timber (MPETC, 2012).

The Mahogany Coup

The interest in Fiji's mahogany plantations has traveled far given the belief that Fiji holds the world's largest mahogany plantations.

Holding up a mahogany sapling, a fifty-two year old prawn farmer's wife exclaimed, "this is what everyone is fighting over… we never knew these trees were worth so much money. Fijians call them 'white people's trees' " (Frank, 2000). Logging companies call this species the 'king mahogany' because this species can be used to process anything ranging from boardroom paneling to yacht decks to furniture. As many became aware of the value of mahogany, fights over claiming and/or making use of it, soared. One such event is related to the bidding competition of mahogany timber rights. On 13 September 2000, a Wall Street Journal article by reporter Robert Frank surprised a lot of people when it revealed the pre-2000 coup mahogany negotiations, involving the May 2000 coup instigator. At one time, the 2000 coup instigator was the chairman of the FHCL board (The Fiji Times, 2006b). The May 2000 coup set off waves of unrest throughout the region. According to ABC Radio National (2004), "… mahogany had a part to play in the many complex factors and forces behind the coup, including the personal opportunism of coup leader…". See Appendix 7.4 for more details.

As per the Interviewee 6 (2009; 2011; 2012), while negotiations for the mahogany plantations continued even after the 2000 coup, the developments with respect to the British based strategic partnership were put on hold. With People's Coalition Government deposed and harvesting deals on hold pending new elections, the mahogany landowners split into many groups. The then Interim PM played a lead role in the continuation of negotiations for the mahogany plantations. The aim of the Qarase-led Government was to optimise benefits within Fiji rather than privatising FHCL, only seeking outside help when required. The landowners were again wary of any outside involvement.

7.3.2.1 Board and Management

After the 2000 coup, there was a change in government to the Qarase-led SDL Government. This government set up a new board for FHCL (Fiji Mahogany Act 2003: Online Resource). The changes to the board and the CEO incumbents at FHCL has seen a 'come and go' trend. The following paragraphs give details on these changes.

The first CEO was an expatriate from New Zealand who held office from September 2003 to December 2003 (MPETC, 2009c). He cited personal reasons for his departure. This CEO and the next CEO knew each other for about twenty-five years. According to his successor, the first CEO left because he felt restrained by government interference. The second CEO also admitted his frustration with such meddling. He complained that, "…, there is a lot of bureaucracy around. The issue is highly politically charged, it always has been, I think it always will be" (ABC Radio National, 2004). According to the second CEO, the first CEO contributed a lot towards the progress of FHCL despite his short stay. The first CEO contributed in four major ways of getting FHCL properly funded, securing a loan for working capital, increasing turnover of logs and by significantly cutting down on overheads.

In 2004, the second CEO was appointed. He was also a New Zealander. His appointment was based on his twenty-five years of experience in the logging industry and knowledge of forest values (MPETC, 2009c). He was not new to the local timber industry. He had previously worked in Fiji as a consultant for Robinson Lumber Company for more than a year. Robinson Lumber Company is one of the large mahogany traders of South America (Tabureguci, 2004a). The focus of this CEO was to reduce the level of bureaucracy and layers of reporting lines (ABC Radio National, 2004). This CEO also resigned after two years. The third CEO was appointed in 2005 (MPETC, 2009c).

In May 2006, a new board was appointed. In November 2006, the third CEO was terminated while he was away overseas. According to the board, the break off of the CEO's contract marked the start of FHCL's reorganisation exercise. This came as a surprise to the CEO who was away in Australia. Upon query he exclaimed, "I don't know what's going on" (The Fiji Times, 2006a). The board took the opportunity to terminate this CEO when his health deteriorated (and because of a police enquiry-explained in the following paragraph) six weeks before his termination (Fiji Mahogany Act 2003: Online Resource).

As per the MPETC (2009c), the third CEO was terminated on the grounds of poor performance. While FHCL engaged in exports and appeared to be doing well, the reality was otherwise. FHCL's insolvent status was brought out into open. It was said to have achieved exports of containerised dressed mahogany timber (timber with premium finishing - very accurately sized with a very smooth surface, allowing coatings to be applied easily) within a short span of time. According to some staff, six containers were exported every week. Based on these reports, FHCL should have generated at least $12 million in income annually. But this was not so. Before the end of 2005, FHCL ran out of funds because the cost of production of mahogany timber was much higher for FHCL than the revenue it earned by exporting timber. By the time police could question the CEO, he was said to have fled Fiji (Fiji Mahogany Act 2003: Online Resource). FHCL was technically insolvent in 2006 (Interviewee 6, 2009; 2011; 2012).

A review of FHCL's operations was then carried out (The Fiji Times, 2006a). As a result, the board adopted five strategies which included the termination of the contract of the CEO to refocus and restrategise FHCL, recruitment of an excellent CEO, engaging an accounting firm - PricewaterhouseCoopers (PWC) on a short-term basis, maximisation and sustainable exploitation of hardwood forests to enhance export levels and earnings and, seeking government (shareholder) support towards financial assistance for FHCL. The board, when announcing the above changes and strategies also indicated that it had assumed executive control from then onwards. An officer from PWC was appointed as the FHCL Administrator between December 2006 and February 2008. An expatriate was also appointed to the position of the Financial Controller (MPETC, 2009c). Together, the PWC Administrator and the expatriate Financial Controller highlighted internal anomalies at FHCL.

For the fourth time in February 2008, a new CEO was appointed. However, in November 2008, the board chairman resigned. He expressed his disagreement on the new direction/set up for FHCL that was decided by the cabinet in June 2008 (this is discussed later).

The chairman feared chaos and doubted the workability of the new set up (Interviewee 6, 2009; 2011; 2012). And once again, the fourth CEO resigned in April 2009 (MPETC, 2009c). An interim CEO was appointed in May 2011 (Koroi, 2011a). In May 2010, a three member board was appointed which increased to seven members in May 2011. Currently, FHCL has a three member board (MPETC, 2012).

While FHCL has had capable boards all around, it has seen many changes to the CEO position. Interviewee 6 (2009; 2011; 2012) mentions the following. If the data presented is inaccurate or if the needed information cannot be processed from the data held by the enterprise, then the board will not be able to make effective decisions. A number of CEOs left out of frustration because the enterprise did not have sufficient control over its activities. The management has had to consult and seek approval from the key stakeholder - the landowners and this has not always been easy (Interviewee 6, 2009; 2011; 2012).

7.3.2.2 Human Resources

FHCL was created by simply moving the employees of the Forestry Department to the new enterprise. At the onset, FHCL began operations with about fifty employees. During FHCL's establishment in 1998, its board chairman approached about half of the staff of the Forestry Department. A number of these employees were members of the Viti National Union of Taukei Workers. This union reveals that the chairman bypassed it when giving letters of offer directly to the staff. The chairman did this without consulting the union. The union only came to know about such offers when union members began complaining about the unspecified terms and conditions in their offer letters (Interviewee 7, 2009).

Since its establishment, FHCL has faced a tough challenge of transforming its corporate culture into a fully commercial one (ABC Radio National, 2004). This is a key challenge. Plucked out of the Forestry Department with overflowing bureaucracy, overheads and staff instilled in public service culture, commercial culture has been difficult to inculcate (ABC Radio National, 2004).

FHCL workforce has also seen fluctuations over the years. In the last quarter of 2003, FHCL had no choice but to restructure. This saw redundancy of seventy staff costing FHCL $0.8 million in redundancy payments (MPETC, 2009c). What were the many workers doing at FHCL, is an interesting question.

According to the board, workers were discouraged or rather prevented from generating sales from the very first day because of the political environment they were working in, the landowner difficulties and the 2000 coup. ABC Radio National (2004) reports the following. Until 2004, the staff size was 130. The arrival of the second CEO saw a reduction in workforce from 130 to fifty with a 'planned' reduction to twenty by year 2005. This was believed to be the right staff size. However, the CEO was aware of the workforce size in Fiji's government enterprises. He remarked, "… there's certain aspects of Fiji that you just have to live - a bigger staff - and also we don't pay them that well anyway". As FHCL expanded its role to a sawmiller in 2005, the size of its overall workforce increased to over 200 workers. A third of them were engaged in the forest, two thirds in processing and 10 per cent of both were involved in administration. The breakdown of staff spread out was as follows.

FHCL Headquarters had seventeen staff, Forest Division (Viti Levu) had forty-two, Forest Division (Vanua Levu) had eight, Manufacturing (Lautoka yard) had 108, Manufacturing (Waivunu sawmill) had 151. The current total staff roll is 321 (ADB, 2011). Appendix 7.5 presents the organisation structure.

Training initiatives are left to the discretion of the managers of the operational sites. Recently, only TPAF courses have been conducted. The senior employees at the top management level are contracted and assessed on performance. Staff members are only entitled to bonuses in years that generate profits (Interviewee 6, 2009; 2011; 2012).

Staff of the Manufacturing Division and some from the Forest Division belong to unions namely, FPSA and Viti National Union of Taukei Workers. The Viti National Union of Taukei Workers explain the weakened position of unions in Fiji as follows.

The current emergency regulation which keeps extending month after month, has weakened union power overall. Unions are required to make an application to conduct all meetings. The opportunist managements tend to gain since they know that unions cannot really fight back. Unions have "no teeth" in the present political structure (Interviewee 7, 2009).

7.3.2.3 Projects, Products and Changes

> With the decimation of tropical rainforests driving up the price of hardwood, Fiji's mahogany plantations are more valuable than their British founders ever dreamed. So why can't cash-strapped Fiji convert its green wealth into gold? (Feizkhah, 2001: 21).

"Mahogany in Fiji is synonymous with big dreams, schemes, hopes, fears, competing interests and hidden agendas, not to mention a lot of hype" (ABC Radio National, 2004).

Currently, the mahogany products of FHCL are logs and, rough and semi processed sawn timber (MPETC, 2012). Success of any mahogany related projects, its products and positive changes continues to meet many obstacles. Such obstacles and their effects are discussed below.

Natural Issues

One of the obstacles hindering the success of FHCL relates to natural issues. For instance, entomologists based at a forestry station outside Suva received reports confirming presence of mahogany shoot borers on the island of Espiritu Santo, about 900 miles away (Frank, 2000).

Apart from this potential threat, there have been termite attacks on mahogany in the past in Fiji. FAO (2002) highlights the following. Termites seem to attack mature trees and are capable of killing a tree within several years. Termite attack in older trees average 6 per cent. While the termite attacks are not taken as a terminal threat at this stage, the attack has reduced the expected level of annual mahogany harvest.

However, the mahogany plantations in Fiji are introduced species and are successful partly because they are not so much affected by their natural pests and diseases unlike in other parts of the world. The challenge for governments of geographically isolated countries is to ensure that severe pests and diseases of the introduced species do not enter the country. A sawing study that was conducted on Fiji's mahogany plantation highlighted that overall, 67 per cent of logs sawn had defects that could not be seen from outside. Such defects were decay and insect damage which led to holes and staining of the wood. It was revealed that many of the defects could be attributed to various management practices of the past that caused physical damage to trees, allowing decay fungi to enter. Such defects can lower the value recovered from the plantation to a large extent which in turn can discourage investments as the returns from the forest decline. The sawing study mentioned that with correct management, high value products can be produced.

Another challenge is whether or not the harvested land will be suitable for replanting. While this is a technical matter, it does require a solution given that the existing crop was planted in the cutover natural forest. This means that after the first crop harvest, the harvested land will be more open than before. It is these open conditions that may be much less suitable for replanting the next crop. This is normally the case with plantation forest. Hence, it is important to remove all trees rather than using the selective process of removing only the very best trees from the wildly grown forests for economic reasons.

Land and Landowners

Another ongoing issue for FHCL is land insecurity. FAO (2002) explains as below. Land is central to any development of forest plantation. In Fiji, management of mahogany will have repercussions on the development of hardwood plantations since land as well as its ownership forms an important part of the Fijian society. Notably, any form of tenure does not necessarily imply land security.

While the sound set up of legal and government systems in Fiji provide investors with a good level of comfort, the political upsets of 1987, 2000 and 2006 do otherwise.

Land security is tied to national stability. This is a condition through which the landowners and the lease holders or land tenants can be given a surety by the government and the other associated organisations that the terms of their rights will be complied with. NLTB is the party that is capable of assuring the rights of lessees (the lease holders). The assurance of rights however, must be supported by Fiji's legal system. As previously mentioned, NLTB is the independent third party that comes between the investor/lease holders and the landowners. It is mandated to manage leased land, hence holds the institutional memory on what has been agreed to. These agreements can even outlive the individuals involved.

The other challenge is the protesting landowners in Fiji. Landowners often stage protests to take back the trees which occupy their land even when the subject land is leased by the government (Frank, 2000). The second CEO of FHCL explained the FHCL-landowner problems when interviewed by Tabureguci (2004a) as follows. FHCL cannot access these plantations because of unresolved issues over crop ownership. Plantations are also not accessible when landowners become skeptical about revenue distribution after harvest. Then there are doubts on the legality of certain leases which makes it difficult for FHCL to access land for harvesting.

Landowners also lack understanding and need to be educated on what exactly the tenant-landlord relationship should be. Furthermore, the inability to deal directly with the landowners is another problem. The involvement of NLTB, while necessary for Fiji has not been much help since the direct effect of payments made by FHCL does not really get to the landowners.

Particularly, the landowners have been wary of government's decision to privatise the hardwood industry. In 1998, the people of Vusena (near Navua) sued the government for its decision to privatise the hardwood industry (Digitaki, 1998a). Feeling unfairly compensated, a fifty-two year old prawn farmer's wife exclaimed, "we took care of these trees all our lives… now we want something in return" (Frank, 2000).

A chief of the Naimasimasi village explained their situation to Feizkhah (2001) as follows. He mentioned that at first there was work (clearing the forest and planting) for the villager but the situation changed after a while. At that time the villages did not give much thought to the forest but in the mid 1990s when they came to know about the value of mahogany, "… he and his neighbors resolved to get a share of the treasure". The chief justified, "its for our young people… They should have something for the future" (p. 21).

Landowners have also staged a few roadblocks. For instance, two landowning units of Tailevu (in Viti Levu) organised roadblocks to claim compensation. The Mataqali Rara of Naimasimasi Village in Tailevu also demanded back their thirty-eight acre land leased to FHCL on which mahogany was planted. They justified that this land was reserved for them by their forefathers, arguing that the company planted mahogany without their permission. FHCL leased forty-eight acres of an eighty-six acre land mass (The Fiji Times, 2006b).

Some landowners have also taken the government to court. For example, the chief of the Nukurua clans took a legal action against the government. It claimed that the government failed to honour the terms of the deal. Nukurua holds the largest and oldest of the fourteen mahogany plantations.

The clans of Nukurua stand divided. ABC Radio National (2004) elaborates on the relationship between landowners and government as follows. Unlike the other clan, there is a clan that cooperates with the government. The clan that works with the government operates a small logging company. Not discouraged by the court case event, the leader of this clan went ahead to sign up on the government's new mahogany plan. In return, they were promised better rent, a percentage of money from log sales as well as other benefits. Since then, this clan has been involved with the mahogany industry in terms of harvest. The clan leader explained that they had to start somewhere. In his view, the only way to start somewhere was to give their land for harvest and commercial trials. The clan-operated company rose from humble beginnings.

The once simple company which used to work with outdated equipment and poorly skilled workers now possesses an expensive heavy machine (a skidder) to extract logs from the forest.

There is yet another clan that sought compensation from the government as well as NLTB. This clan's multi-million dollar court case sought compensation for loss of indigenous timber and the suspected adverse effects on the environment such as discolouring of streams. In addition, the clan claimed that the government failed to honour the understanding that landowners would have the right to buy back the trees on maturity. In a reaction before the hearing of the case, the government and FHCL organised roadshows in rural areas. During these roadshows, they not only explained the plans for mahogany but also indicated how these would benefit the landowners. The roadshows did get most of the landowners back on their side.

According to the then Commerce, Business and Development Minister, while government invested much in the mahogany plantations, it was mindful of the landowners' interest. He explained that whatever is going to be good for the landowners will be good for the government. This minister acknowledged that at the time of the initial lease, the rent paid to landowners was low and appalling – 'peppercorn rent'. Landowners were not paid the commercial rent for the past thirty to thirty-five years.

The SDL Government offered a package of benefits such as much higher rent as well as a royalty payment on log sales. It also gifted the 10 per cent equity to landowners in FHCL. A landowner trust holds this landowner shares. Landowners will be able to raise their shares up to 49 per cent over the years. Furthermore, assistance by way of financial assistance and training in business and forestry skills was provided to landowner companies[19].

[19] The second CEO of FHCL expressed that the standard of logging scared him the most when he first joined FHCL in 2004. He remarked that the past indigenous logging were way below the standards. He revealed that there was no form of training. This explains the outdated felling techniques. He then arranged training on felling and hauling techniques for the landowners which they very much appreciated. But, he added, 'it's a long, long way away from where I'd like to see it' (ABC Radio National, 2004).

In addition, landowners were given the first chance on contracts for forest activities like logging and cartage. There were also talks about landowners receiving 50 per cent of benefits from FHCL activities.

Apart from land rental, landowners also worry about income relating to working on plantations. FAO (2002) describes landowner fears relating to income as follows. What complicate matters related to land tenure is the landowner expectations. It took ten to fifteen years to establish mahogany plantations. To the local rural community, this meant a major source of income with a rise in living standards. The rural community soon grew to rely on the plantation establishment but there was yet another ten to twenty year waiting period for the completion of the establishment period. During this period, there was little work in forest which resulted in a fall in income. This decline in income worries (job insecurities) the local rural communities.

Joint Australia/Fiji Review Team (1986) also highlight the following on landowner income related issues. Income received from harvesting timber is hardly more than moderate. It is irregular and only received during harvesting times. At times, even this is not the case because the harvesting job is specialised in nature and requires skilled workers and often a capital intensive plant given the conditions of topography and soil in plantations. One cable hauler unit will probably be adequate for all steeper areas of plantations, eliminating the need for ordinary workers.

There are no instant riches in this industry. ABC Radio National (2004) explains the landowner issues as follows. Waiting for decades for the reward of big money promised in return for using their land has driven landowners restless. In the opinion of a Suva lawyer, the rumours, allegations and reports on mahogany led a lot of rural landowners to feel that the major obstacle to their progress is not from the Indians but from the government and its system[20]. This in turn adversely affects their direct participation in economic activities. Landowners are thus pushing for concepts such as trust.

[20] Too often, the Indo-Fijians are blamed or accused of being an obstacle in the progress of indigenous Fijians.

They need to be told "that they have a greater position than what they really have" (ABC Radio National, 2004). According to a timber executive and a former Fijian diplomat, "we have this asset that people learn has tremendous value… I'm afraid that unless we get a solution that's agreeable to Fijians, it's going to create more instability" (Frank, 2000).

Other Interested Parties

Mahogany in Fiji is "a species so valuable they exude millions of dollars in riches" (Digitaki, 1998a: 37). This "rich legacy has become a national ulcer, inflamed by greed, ambition and mistrust" (Feizkhah, 2001: 21). Apart from the landowners, there are also government agencies making claims over mahogany (Frank, 2000).

In 2001, NLTB had designs on mahogany, hoping to buy back leases on all plantations. Feizkhah (2001) reveals the following. NLTB wanted to look for its own investment partner to cut and market timber. The then NLTB GM justified that, "it's all for the landowners. We are fighting for them" (p. 22). He complained that it is hard to understand why certain landowner groups "seem to say we are against them. They need the board's protection more than ever… With the troubles at the moment, there are a lot of sharks about". However, with complains of inefficiency, secretiveness and indifference to landowner issues, many landowners prefer to "swim with sharks then trust their official godfather" (p. 22). Landowners have often raised concerns about the way NLTB distributes income from leased lands. NLTB takes out 20 per cent for its administration fee and then pays 25 per cent of the remaining 80 per cent. This raises suspicions on what happens to the remaining 55 per cent. Ordinary clan members numbering sixty or more end up with a pittance. A high chief complained that, "most of the top chairs, they just want to fill their pockets… That's why we decided to kick out those people and go with the American company ourselves" (p. 22). Landowners do hold the trump card. With a grin, the high chief explained, "we will just block the road to the plantation. Without an agreement with us, nobody will be able to get in to cut the mahogany – unless they have helicopters.

But there must be a peaceful way to solve it… so everybody sits down for their piece of cake…What would upset me is if people try to exploit it without the landowners" (p. 22).

There were also outside parties from Europe and Canada who approached the government and landowners (Frank, 2000). Even China showed interest in mahogany. Mahogany was very much on agenda when Fiji's Prime Minister visited China in June 2004. Also, when the sixth highest Chinese government official met local Chinese and Chinese businesses in Fiji, they did have mahogany in mind (ABC Radio National, 2004).

As many parties expressed interest, mahogany attracted more attention than ever. ABC Radio National (2004) mentions the following on external interests on mahogany. An unusual Australian-Greek businessman who called himself Jimmy the Greek **(**Jim Bastiras) offered an enormous amount. Jimmy was involved in some fishing, logging as well as timber businesses. When he learnt about mahogany, he approached a lot of people such as the saw millers, indicating that he could harvest mahogany. Around the same time, the media highlighted the worth of mahogany in millions - $300 million, $292 million, $400 million and $136 million by other companies. According to Jimmy, mahogany is worth three to four times more in value than the figures suggested by other companies. Jimmy then decided to make an offer to the Fiji Government, an offer too good to refuse. Jimmy's offer attracted a lot of publicity. According to FHCL, his offer was a 'pie in the sky'. Yet Jimmy continued to persist. Eventually when issues got out of hand, a letter was sent to Jimmy informing him of the following, "after listening to you at our meeting and after reading your letter, the only option open to us is to completely ignore you. We do not regard you as someone who can add any value whatsoever to the mahogany issue". While Jimmy maintained that he was not a crook but an honest and straight person, many in the industry said "they don't really know what to make of [him]". Jimmy insisted that mahogany was undervalued by the Fiji Government. He argued that its decision to leave the developing of it to FHCL will not serve the people of Fiji well.

The competition and valuations by the American and British interests gave rise to higher expectations as well as confusion on just how much Fiji's mahogany is really worth. According to the British company (CDC), Fiji's mahogany was worth $110 million in Australian dollars. The Americans valued mahogany at $320 million. Fiji Government's independent valuation was $130 million. Jimmy's valuation was way higher - a billion! The FHCL CEO argued that since there is no real transaction evidence of past sales on mahogany timber, forest valuations can be a bit tricky. This is because one would normally look at the past transactions to value anything. Given his experience in conducting forest valuations, the CEO was comfortable with the FHCL balance sheet book value of $160 million for the trees. He explained that the valuation of mahogany timber reflects at how much the timber can be sold for over the years. The CEO added that he couldn't imagine the valuation being neither a lot below a hundred nor much below two hundred. In line with his experience, he mentioned that there may be a little upward movement in the log price as mahogany related operations speed up and become more established but not to the extent of approaching half a billion because at that time, FHCL cut one third of the sustainable yield per year with turnover in log sales totaling F$7 million (ABC Radio National, 2004).

The CEO believed that there was an air of over-optimism over the crop but he admitted that the industry has a lot of potential provided mahogany is properly developed. Tabureguci (2004a) states the views of the CEO as follows. The CEO expressed that "the six to even seven figure digit that has been tagged onto this crop has the potential to disappoint everyone when the reality of the business finally sinks in" (p. 11). The CEO expressed the following.

> One problem about mahogany in Fiji is that the thing is so pumped up there's huge expectation of it here.
>
> Crazy figures have been bandied around and that's one of our biggest problems because everyone thinks it's a bonanza. Well, I think it will be a good solid and productive business but it's not a gold mine by any means (Tabureguci, 2004a: 11).

All the above events signify that mahogany has and can stir up disturbance as chiefs, timber companies, government agencies and even rural farmers begin making claims.

Value-adding and Downstream Processing

ABC Radio National (2004) informs that about 70 per cent of mahogany leave Fiji in the relatively unprocessed form of rough sawn timber. ABC Radio National (2004) highlights the views of the then Commerce Minister and the GM of Tropik Wood Industries as follows. Even in the earlier days, government wished to change this so that money earned in Fiji stayed in Fiji. The buzzwords of value-adding and downstream processing gave rise to the eventual vision. Downstream processing activities include processing timber into furniture, plywood, flooring and other construction products. The vision was - most of Fiji's mahogany should leave the country in the form of finished products such as furniture. The government policy is to add value to mahogany timber locally 'because that's really where the money is'. The then Commerce Minister illustrated this in terms of dollar value, "if we harvest and export logs or sawn timber, all we're getting will be about $50-million a year, but if we do the value-adding we'll be looking at almost $200-million a year". The GM of Tropik Wood Industries (the manufacturing arm of the government-owned Fiji Pine Limited) argued that furniture manufacturing within Fiji is not as easy as it appears. He simplified his argument as follows. For furniture manufacturing, "you need to manufacture in competition with the rest of the world markets". While Fiji has the climate and the economy to compete in that market, it has not managed to demonstrate the reliability to enable it to do so. To utilise mahogany to the fullest, you would have to attract furniture customers, but this cannot happen overnight. China will be a more likely option than Fiji. There is a speculation that China just might be interested in setting up a shop in Fiji to strengthen its influence or to gain access to timber. And if not, it may take Fiji twenty years before it can own a fully value-added mahogany industry, that is if at all. Its future may be in investing in local companies to produce products such as mouldings or furniture components.

Optimising benefits within Fiji will require a high proportion of value adding processing on-shore (The Review, 2004d: 13). There are three reasons to insist that hardwood logs leave Fiji in the form of finished goods. The reasons are: to protect environmental damage resulting from excessive logging, to generate more revenue for Fiji (finished goods attract more revenue than logs) and, to generate more business activities and employment in Fiji (Digitaki, 1999: 27). FHCL cannot carry out value-adding processing on its own. ABC Radio National (2004) expresses that FHCL needs a strategic partner since such processes not only require expertise and the know-how but also marketing skills as well as capital. However, before inviting a strategic partner, it cautions that FHCL should brace its operations first in terms of its workforce and financial aspect.

According to the report by the Joint Australia/Fiji Review Team (1986), quality timber like mahogany which attracts high prices do not need to depend on wood products processed within Fiji. This report elaborates that mahogany holds world-wide prestige in furniture manufacture, high class joinery and interior decorative finishing. It emphasises that, precision manufacturing, finishing and presentation that are important in the marketing of other timbers become less important since it is the intrinsic properties of mahogany that count.

Ongoing Search for Strategic Partners

Searching for excellent strategic partners can be equally difficult given continuous coups and the resulting political instability in Fiji. While Fiji maybe generally stable, it does carry with it the image of political upsets of coups in 1987, 2000 and 2006.

FAO's (2002) report explains how instability can affect investment as follows. These coups have created a perception of political instability which brings about uncertainty. Uncertainty is the most difficult factor to overcome when encouraging investment. Long-term investors should be able to feel that level of confidence in the future political situation of Fiji. The report thus, suggests corporatisation as the next step for the mahogany industry.

This is because investors will be conscious of the coups and the after-effects which could affect either the price or the desire to establish on-shore processing.

In 2003, FHCL contacted many interested parties for strategic partnership. The Review (2004d: 13) gives details as follows. FHCL noted that the on-shore parties were generally under-capitalised and posed a credit risk. It achieved limited success in locating reliable, promptly paying log customers. The off-shore investors, while interested in purchasing mahogany timber and timber products were reluctant to take the risk. These investors did not want to purchase and process in Fiji until such time FHCL established a credible track record of producing a consistent supply of log or unless they received a heavily discounted log price or some other form of "risk premium". Given these problems, FHCL decided to engage in processing activities itself.

Soon after the passing of the Fiji Mahogany Act (2003), the wood processing plant was shifted from Suva to Lautoka to start processing of mahogany (Fiji Mahogany Act 2003: Online Resource)[21]. Interviewee 6 (2009; 2011; 2012) gives the following details. From 2003, FHCL began some processing of mahogany in the form of dressed mahogany timber. From January 2005, FHCL's role extended to a sawmill operator. FHCL commenced with the sawmilling activity but without a proper system. It almost jumped to this new activity which was very different from its previous activities. The rushed transition gave way to abuse of office, leakages and anomalies at the top management level. Working capital needs were not properly coordinated. While cash was flowing in, expenses needed to be paid as well. During this period, FHCL was also channeling its working capital towards capital expenditure such as repaying the sawmill facility loan. Corrupt senior personnel added to FHCL's woes. For instance, it was alleged that the then GM Manufacturing was underselling Fiji's product overseas for a commission in Hong Kong.

[21] One of the board members was the former chairman of the Fiji Development Bank (FDB). He used his influence with FDB to obtain funds to acquire the Fenning assets - wood-working machinery of a small/medium sized wood processing plant. This plant was wound up in April 2003 by the Suva High Court. The Fenning assets used at the Waivunu sawmill (Galoa, Serua) and Navutu timber processing yard (Lautoka) helped FHCL to better serve its selective log customers such as Tropic Woods and Sustainable Forest Industries (MPETC, 2009c).

According to the new Financial Controller, a similar case in Sri Lanka would have delisted those caught in such anomalies from accounting positions/jobs but the FHCL board did not take it up any further except for declining to renew the employment contracts. The board decided not to waste time in investigations but took note of lessons learnt (Interviewee 6, 2009; 2011; 2012).

Potential

Sold mainly to the USA and Britain, most of the world's mahogany comes from the rain forests of South America, in particular Brazil (Frank, 2000). The USA mahogany market holds huge potential for Fiji, worth millions of dollars. Fijilive (2008c) mentions the views of the then Fiji's Trade Commissioner to the USA as follows. The potential viability of Fiji's mahogany industry can be enough to hit the billion dollar mark. However, the commissioner stated that Fiji can lose out on the big USA mahogany buyers if small exporters from Fiji export to the USA market separately. He warned that if small exporters irregularly supply low quality export products to the USA market, the frustrated USA buyers will choose to purchase from other countries. The commissioner added that this will not only damage the image of Fiji as a supplier and as an industry but also adversely affect the economy as a whole.

According to the second CEO of FHCL, in order to create the presence of Fiji mahogany in the market it is important to ensure "that there is a consistent supply of raw materials, enough to get big suppliers to take our industry seriously" (Tabureguci, 2004a: 12). FAO (2002) explains why the guarantee of steady supply and consistent quality is important as follows. When the trees planted in the 1970s are ready for harvest, supply in the long-term will see a considerable shortfall which will become an issue to the processing investor who needs a guaranteed stable supply of a consistent good quality of wood. Over the years, as processing becomes global and sophisticated, forest growers will be under more pressure to provide expected volumes of logs of particular grades of wood. Whereas investment in processing is necessary, what is equally important is high level of confidence on continuous wood supply.

As it is, the 1970s disruption in the mahogany planting rates did affect the annual harvest which could have been much higher in the absence of any disruption.

In their report, Joint Australia/Fiji Review Team (1986) make the following interesting suggestions. There are other species of quality timber that can be grown in addition to mahogany, for instance *Cordia alliodora.* In addition, other species such as *Anthocephalus chinensis* which grow fast and has a higher yield can be of real economic potential whereas species like *Endospermum macrophyllum* can offer some control over the ambrosia beetle. While the latter two may not qualify in the quality timber markets, they can fill the local raw material supply gaps for peeler logs or as specialty timbers.

Way Forward

As promised, the Fiji Government plans to transfer ownership of mahogany plantations to the landowners. In June 2008, cabinet approved this transfer of ownership through FMT. Interviewee 6 (2009; 2011; 2012) explains that such ownership will not give the landowners full control and they cannot act as they please. He expresses that the transfer will come with responsibilities and conditions in line with the newly approved direction for the mahogany industry. The Attorney General is coordinating the transfer initiative. Appendix 7.6 presents the main features of this new direction.

After a thorough look at FHCL's problems as well as its constraints, government has decided on a new setup. Interviewee 6 (2009; 2011; 2012) explains the new setup as follows. Until now FHCL assumed all controls. It currently controls the flow of wood from the silviculture stage to the marketing of semi-processed timber products like logs and, rough and sawn timber. Logs are only available for the local market whereas rough and sawn timber is for the local as well as the export markets of Australia, New Zealand, Dominican Republic and the USA (MPETC, 2009c). Under the new set up, the role of FHCL will be confined to a forest manager. It will only be engaged in the planting and maintenance of plantations until maturity. The planting and maintenance functions will be contracted out to the landowners.

Under the existing set up, from the $200 income earned from a cut tree, only 5 to 10 per cent goes to the landowners while $180 is enjoyed by FHCL. FHCL uses this income to pay its workers and to pay off loans. The new set up will reverse this arrangement whereby landowners will gain with returns of about 80 to 90 per cent. The remaining will go to FHCL as licensing fees for carrying out its functions. FHCL will not have to worry about funding since it will not be a profit-motivated enterprise.

Government has also decided that the industry operate under a new licensing regime. The processing and marketing aspects of the industry will be handled by the new licensers who should be forestry experts in plantations. In the new licensing process, tenders will be invited from credible investors who have proven record in timber processing. Bids will be sought and about three licenses will be awarded for 50,000m^3 units each. Attached to the license will be two terms and conditions which are 1) licensers would need to invest in the value-adding process in Fiji not only in sawn timber but also in the processing of final products and, 2) licensers will be required to use Fiji's name such as Fiji timber or Fiji mahogany when marketing products overseas. Fiji's name on mahogany will put Fiji on the world stage, associating it with fine quality mahogany as well as allow mahogany products to cash on Fiji's name given that Fiji is well placed to provide the world with the best quality mahogany. New licensers are also expected to assist in the processes of waste reduction, increasing recovery by about 40 to 50 per cent. The existing local sawmill is tailor made for a native forest. In producing sawn timber, wastage is present and recovery is minimal. Due to wastage and minimal recovery, the quantity of sawn timber extracted is lower. New licensers can also assist in power generation efforts to help utilise resources better.

A number of benefits are expected from the proposed set up. These are higher landowner benefits, better recovery rates and sustainability of resources. Sustainability of the mahogany resource will not be impossible due to the following. While the potential capacity of the annual harvest is 160,000m^3, the actual harvest has only been about 50,000m^3. In 2008, the harvest reached 80,092m^3, its highest to date. This is still 50 per cent below the harvest capacity.

Harvest levels are much lower because of stricter controls on harvest levels and because forest areas are further away from the processing plants, leading to higher transportation costs. Harvest is gradually increasing to 100,000m³ (MPETC, 2012).

MPETC (2012) provides with the following updates on FHCL's new set up. In March 2010, a new legislation of Mahogany Industry Development Decree was promulgated. Another legislation of Mahogany Industry (Licensing and Branding) Decree was announced in 2011, made effective from 13 December, 2011. There are still three requirements and challenges that need immediate attention though. These requirements include: the need to upgrade infrastructure and to reorganise FHCL, seek clarification on the implementation of the June 2008 cabinet decision; and to secure leases which have been declared invalid by the courts especially those within their fifty-year lease terms. Also, there are three pending initiatives of forest certification, facilitation of a registered survey and strategic partnership. The last initiative remains pending since 2005. A strategic partner is desired particularly for the value-adding and downstream processing phase.

In May, 2011, the FHCL board decided that FHCL be subjected to a special audit on its current financial position. Another special inventory audit will be done on FHCL logs, timber and saleable products at its yards and premises (Nasiko, 2011e). To this end, the board has invited expressions of interest from qualified individuals or bodies (Koroi, 2011b). Upon such audits, decisions will be made on FHCL management and its operations. Government also announced a major reorganisation of FHCL management (Nasiko, 2011d). In December, 2011, an expression of interest was advertised for the restructure and management of FHCL. In April 2012, the brand of Fiji Pure Mahogany was launched (MPETC, 2012).

Interviewee 6 (2009, 2011, 2012) explains the reluctance of a few stakeholders towards the proposed set up as follows. FHCL is one such stakeholder. It has been reluctant from the time it was first informed of the new direction.

Workers are concerned about job security which saw employee representatives visiting the MPETC officials who have assured that government is mindful of the social impact. The ministry officials reassured the representatives that there will be government change mechanisms in place to ensure that adverse effect is minimal. Landowners also fear opening up the plantations to the market. To them, it means losing control over their resources. Business customers also feel reluctant. In their analysis, FHCL may not be in operation after sometime. They might wish to adopt a wait and watch approach. The government is not blind to such fears. This is the reason why government has used mechanisms such as legislation and a reduced role for FHCL.

7.3.2.4 Financial Performance

To date, government has not received any dividend from FHCL. All that FHCL has fulfilled is the social task of providing employment. It is one GCC that has seen huge turbulence. Interviewee 6 (2009; 2011; 2012) elaborates on FHCL's turbulence as follows. Extraordinary events have impacted much on the financial side of FHCL. FHCL was not entirely left to function commercially. It was never really given a commercial environment to work in, has been exposed to external shocks and sensitive happenings, not forgetting the ongoing arguments between the key stakeholders. Landowners have been unhappy due to nominal returns. The private sector is unhappy because their involvement has not been coordinated well. Government has interfered too often. With changes in government and their subsequent policies, the enterprise has not progressed much. While FHCL has had capable boards, many CEOs have come and gone because the enterprise does not have sufficient control over its activities. Consultation and approval of landowners is necessary but not without problems.

From its inception until 2003, FHCL remained dependent on government funding. MPETC (2012) discloses the following funding amounts. Government injected in approximately $15.9 million into FHCL by way of operating grants between 1998 and 2003. During its first term in office after the 2000 coup, the SDL Government injected $3.5 million into FHCL towards its working capital needs.

FHCL was technically insolvent in mid 2003 owing to high operational costs, low sales and the difficulty in accessing funds on its own.

Interviewee 6 (2009; 2011; 2012) mentions that another factor that contributed to FHCL's poor performance between 1998 and 2002 was the changes in government and their respective directives. 1998 to 2003 was a difficult period for FHCL financially because of no harvesting activity. It had no choice but to rely on government funding to keep it going until harvesting. At that time, government affirmed that when harvesting begins, FHCL will have to live within its own means. Thereafter, FHCL received assistance by way of government guarantees.

Government assisted with guarantees of $7 million in November 2003, $5.8 million in 2006 and $2.1 million in December 2008 for the FDB and FNPF loans (MPETC, 2012). In 2004 and thereafter, FHCL wanted to borrow funds to finance its operations but this proved difficult at that time because FHCL could not put up its forest assets as security since the plantations were never appropriately surveyed. Getting landowner consent for the same was yet another problem (ABC Radio National, 2004).

FHCL has been a disappointing performer. It did not show any progress since its inception in 1998 until 2007 (MPETC, 2009c). The 2003 history repeated itself in 2006. In 2006, FHCL was again technically insolvent. Returns did not flow in as expected. Government was forced to bail out FHCL (Interviewee 6, 2009; 2011; 2012). MPETC (2009c) discloses the following government guarantee figures. In February 2006, the SDL Government granted a guarantee for a $5.8 million loan from FDB. Not surprisingly, 2008 saw yet another government guarantee towards a $2.1 million loan from FDB. Including the 2008 guarantee, financial assistance to FHCL from the government totaled $30.8 million by 2009.

The following Table 7.3 presents a summary of FHCL's financial performance since its inception.

Table 7.3: Key Financial Figures from 1998 to 2011

Year	Total Revenue (,000)	Profits after Tax (,000)
1998	310	(559)
1999	5	(3,982)
2000	57	(2,938)
2001	13	(2,972)
2002	361	(1,842)
2003	3,371	(3,669)
2004	6,017	(2,354)
2005	14,445	(2,065)
2006	14,284	(6,792)
2007	13,433	(25,860)
2008	19,658	1,171
2009	15,903	(3,001)
2010	25,300	1,634
2011	NA	(164)

Source: MPETC (2012)

NA: Not Available

The 2006 to 2008 statistics are unaudited and based on management accounts in board papers. All government funding were treated as advance from 1998 to 2002. These were reclassified as operating grants in 2002. Thus the amendment to retained earnings was significant. Transfer of Forest Assets worth $160.3m and non Forest Assets worth $1.5m from the state was treated as additional shareholder's equity. In 2006, the reduction of share capital of $61.84m was reflected in the company's financial record.

The above table shows that between 1998 and 2007, FHCL only reported fluctuating losses, losses being the highest in 2007. FHCL only reported profits twice in years 2008 and 2010. Year 2008 marked the first year of profits for FHCL. As per Interviewee 6 (2009; 2011; 2012), credit for these positive changes goes to the PWC Administrator and the then appointed Sri Lankan Financial Manager. The two worked closely to identify loopholes and put in place financial controls. They introduced internal restructure and identified targets for individual managers.

They also came up with recovery rates which could meet the targeted average selling price and set a target on unit costs that should incur. Such moves resulted in cost savings, higher revenue and a turnaround from losses.

As at 31 January 2011, debts of FHCL totaled about $26 million. Out of this, around $16.8 million is guaranteed by government (Nasiko, 2011e). FHCL is also behind in its repayments to FNPF. Because FHCL is about 80 to 90 per cent export based even when it is yet to fully develop its export market, global crisis also has a significant adverse impact on it (Interviewee 6, 2009; 2011; 2012).

ADB (2011) indicates the following on the performance indicators of FHCL.

Table 7.4: FHCL Performance Indicators for Year 2009

Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
9%	15%	0.2	-1.3%

Source: ADB (2011: 36)

Asset utilisation ratio measures management effectiveness in using the company's assets in daily operations. FHCL's asset utilisation ratio is too low, 9 per cent. This means it earned just 9 cents for each dollar of asset held. The liabilities/total assets ratio reflects at the proportion of a company's assets which are financed through debt. The higher the ratio, the higher the risk. For FHCL, liabilities/total assets ratio is low, 15 per cent given that most of its borrowings are sourced from government or government owned enterprises. A lower liabilities/total assets ratio reflects at a safer company but then such companies miss out on investments and growth by being too safe. The cash ratio is a measure of company liquidity. For FHCL, the cash ratio is 0.2. A cash ratio below 1 is not necessarily bad. In fact, holding large amounts of cash reflects poorly at asset utilisation but FHCL's asset utilisation is also poor. ROA indicates the efficiency of management in using company's assets in generating earnings. The higher the ROA, the better. ROA of FHCL is very poor, -1.3 per cent. This means FHCL lost 1.3 cents for each dollar invested in assets.

7.3.2.5 Concluding Remarks for FHCL

Overall, the following are the key attributes that have made FHCL a poor performer: the ongoing tussle and mistrust between the key stakeholders - the landowners and the government; landowner and political interference in FHCL's operations; financial dependence on the government; resource dependence on landowners; issues of pests, diseases and land insecurity; sensitivity to political and economical situations which gives investors a negative image of the industry; and lack of adequate skills, experience and resources for value-adding processes. While the proposed set up appears hopeful and may address some of the mentioned problems, the abovementioned specific problematic attributes deserve serious attention particularly the first issue. The comment of a timber executive and a former Fijian diplomat is reiterated here, "we have this asset that people learn has tremendous value… I'm afraid that unless we get a solution that's agreeable to Fijians, it's going to create more instability" (Frank, 2000).

The next section discusses the third selected poor performer, Rewa Rice Limited (RRL).

7.4 Rewa Rice Limited

> When the Colonial Sugar Refining Company Limited closed milling operations in Nausori in 1959, some two thousand families were left with farms that could no longer be worked on in the scale they were originally intended (Rewa Rice Limited-RRL Background Notes).

The above situation gave birth to Rewa Rice Limited (RRL). The history of RRL dates back 1960 when it was first established, particularly as "a viable compromise for the farmer" (RRL Background Notes). RRL was established when the Colonial Sugar Refinery (CSR) Company Limited ceased its operations in Nausori. Through this action, government provided continuous employment to those left jobless after CSR ceased operations in Nausori. Because the climatic condition in the central division was unsuitable for sugar cane planting, rice was introduced as an alternative crop (MPETC Website).

According to RRL, while it was a humble beginning it brought with it genuine appreciation of basic human needs. Initially, RRL established itself as a buyer of paddy from the rice farmers.

RRL used an emotional approach to persuade the farmers to grow rice which helped the farmers realise that in addition to earning a living, the process would also restore their self-respect. It was this sensitive approach that encouraged the former sugar cane farmers to pioneer Fiji's rice industry. In order to revitalise, RRL underwent different administrations since the late nineties. Despite such efforts, the enterprise continues to face financial and operational difficulties, with debts owed mostly to government.

The core functions of RRL are to purchase and mill paddies supplied by the rice farmers and then market the milled rice. All along RRL has made continuous effort to encourage farmers to increase rice production and in turn helps Fiji to reduce its import bills. It also sells its by-product of manure to hotels which is good for flowers (Interviewee 21, 2009).

7.4.1 Pre-Reform Stage

In its early days between the 1970s and early 1980s, the rice industry had people, power and money to invest in infrastructure (Interviewee 23, 2009). Interviewee 23 (2009) explains as follows. For instance in 1975, Fiji's first retail packing machine was put in place when RRL installed a new rice processing machinery. Subsequently in 1980, RRL made further progress. To expand its operations in the northern division (Vanua Levu), RRL set up a modern rice drying and processing mill in Dreketi. Appendix 7.7 illustrates the milling process of rice.

Through the establishment of the mill, RRL offered the much needed assistance to farmers of the rice growing belt of Bua, Korokadi, Nasorowaqa and the other areas close by. Farmers could use the facilities of RRL and in return sell their paddy to it to sustain themselves. RRL used to have two mills, one at Dreketi in Vanua Levu and the other in Nausori in Viti Levu. At present, only the Dreketi mill is in operation.

Details on what happened to the Nausori mill are given later. While interest is much less in rice farming elsewhere in Fiji, rice farmers in Vanua Levu number between 4000 to 5000 (MPETC Website).

RRL continued with a comprehensive expansion and modernisation program a decade later. This involved the construction of a new building, the installation of a fully computerised receiving and weighing machinery with sixteen tempering dryers, installation of two new dust extractors, construction of storage silos with a capacity of handling 4,000 tonnes of rice (RRL Background Notes), installation of conveyor belts and the replacement of oil-fired driers (The Review, 2002: 27). Such changes not only created a cleaner and better work environment but also allowed for speed and efficiency.

The 1993 deregulation of the industry brought with it problems of competition. The then chairperson who was also a government senator at that time mentioned that even back then, RRL received no preferential treatment despite being government owned. She remarked that they were told otherwise during the 1993 senate. In the 1993 senate, the officials from the Central Planning Office, Ministry of Trade and the Ministry of Finance assured that interest of the farmers will be unaffected by deregulation. The end result of deregulation was dismal. According to the chairperson, "there [was] hardly any local rice to be milled" (Singh, 1998: 26).

7.4.2 Reform and Post Reform

RRL is wholly owned by the government and operates as a GCC. Faced with poor supply of local rice, RRL began purchasing rice from overseas for its Nausori mill in Viti Levu. This brought with it the problem of foreign exchange losses. At one shipment per month, Fiji spent some $US2.5 million.

As the status of RRL changed to that of a GCC, it changed directions for its survival. In 1997, RRL decided to do what the bigger companies did. Singh (1998) interviewed the then CEO and discloses the following in his article. RRL began offering other products but to different target markets.

It tapped into the wholesale market to distribute a range of grocery items to rural areas to ward off competition and to be at par with competitors. In so doing, RRL opened up wholesale outlets around Fiji in Ba, Taveuni, Savusavu, Koro, Kadavu and Lakeba. Such areas were selected because of lack of competition. For most wholesalers, these areas were not viable for business. Unlike its competitors, RRL used a profit sharing technique with selected districts, provinces or whoever's premises they used. The then CEO elaborated on what they did in these areas as follows. Because villagers do not buy in large quantities given their low spending capacity, RRL sold groceries in smaller packs such as milk powder packs of 250g instead of 500g. In addition, RRL transported groceries to small shops to ensure lower selling price. For small shop owners, coming into town to buy items in small quantities and then going back to sell them in villages was not feasible. They lost out on time and ended up with items that had to be sold at higher prices to cover transportation costs. Initially, RRL purchased eight new trucks to increase its delivery capability to get itself established. However, later it decided to cut back on its fleet to save costs by contracting out deliveries. The then CEO admitted that diversification was needed for survival. RRL was competing with larger rice millers such as the Rice Company of Fiji and Visama Rice Mill who offered better prices to customers. The CEO complained, "we couldn't rely on rice because customers told us our price was too high". If we try matching competitor prices, "then our profit is reduced (Singh, 1998: 26). The CEO explained that the other companies were giving rebates on other items which attracted retailers to buy their rice. RRL's high overhead costs made it difficult for it to compete in terms of price. Diversification helped it to regain some of its lost margins.

7.4.2.1 Board and Management

The major shareholders of RRL are the Ministry of Finance and the MPETC. Ministry of Agriculture is also part of the equation. It comes between RRL and the MPETC. RRL liaises with and reports to the MPETC through the Ministry of Agriculture (Interviewee 21, 2009). In the earlier days, the board was appointed by the Ministry of Agriculture in consultation with the Minister for Trade.

Approval was then sought from the Prime Minister's Office (RRL Background Notes). As a GCC, the board members are now appointed by MPETC.

In February 2004, a local consultant was appointed as the new executive chairman. Frustrated with the government for "… pouring money in the sugar industry, albeit a dying industry, but nothing in rice, a subsistence food," and with the Ministry of Agriculture for not providing adequate support to local rice millers despite their desperate attempts, the chairman left RRL in July 2008 (Fijilive, 2008b). According to this former chairman, RRL needs adequate infrastructure for growth. He also often complained that it was the laziness of the local farmers that forbids Fiji from reaching its potential in rice production (Fijilive, 2008a).

In November 2008, a new chairman was appointed. Two new board members were also appointed in 2008. At present, RRL has a four member board including the chairman. Interviewee 23 (2009) comments on the effectiveness of the current board as follows. Only one of the current board members has served the board since 2004. The current chairman is a Financial Consultant. The other directors are the Deputy Secretary of Agriculture, a High Chief and an Assistant Manager of NLTB of the Northern Division. A representative from the MPETC also sits in board meetings as an observer. All board members are hardworking. The current board is more effective now in terms of decision making and task allocation between the directors. This board as well as the government are very supportive and active in their roles. Their efforts and support has in turn encouraged and motivated the management and employees of RRL. For instance, despite the recent increase in board allowance to $6,000, the current chairman announced that his allowance remain at the previous allowance of $2,000. He mentioned that he will accept the increase only when the turnover of RRL increases. This chairman also uses his own transport without seeking refunds for fuel.

Prior to the appointment of the current manager, one of the former directors served as the Acting GM when the previous GM passed away in mid 2007. In the present set up, a Manager heads RRL not a GM.

The Interviewees 21 and 22 (2009) describe the previous Acting GM as domineering. They highlight his abuse of office through misuse of vehicle that resulted in higher fuel expense. They add that during his stay, cases remained pending. The current Manager was appointed in 2008. Before joining RRL, he was the Branch Manager of the Seqaqa (in Vanua Levu) FDB branch for seventeen years from 1990 to 2007. He was also a member of the Rice Revitalisation Taskforce.

7.4.2.2 Human Resources

The RRL workforce includes a Manager, Accountant, Accounts Clerk, four Sales and Marketing officers, two Administrative staff and fourteen Dreketi mill workers. Given the small size of workforce, RRL does not have a union (Interviewee 22, 2009).

The employees are adequately qualified and/or experienced. The Accountant is Bachelors Degree qualified with majors in Accounting and Economics. She has been with RRL since 2006. The Accounts Clerk has a Certificate in Computing and has served RRL since 2002. Sales and Marketing officers have marketing experience.

On 7 September 2009, RRL laid off two administrative staff and two mill workers to curb expenses (Interviewee 22, 2009). These employees are re-employed on needs basis as sales improve (Interviewee 21, 2009). RRL sends employees for training occasionally. For instance, the Accounts Clerk attended three training sessions on accounting, finance and telephone handling in 2006 and 2007 (Interviewee 22, 2009).

7.4.2.3 Projects, Products and Changes

In May 2002, government hired a Chartered Accountant (CA) to evaluate the operations of RRL to determine its state of affairs. The Review (2002) interviewed this CA and reports the following in its article. This highly qualified CA is a Managing Partner of a local Chartered Accountant and Consultants firm. She was commissioned to manage the company for six months to put it back on track and to determine whether RRL had a future. The CA evaluated the company operations in both Nausori (Viti Levu) and in Dreketi (Labasa, Vanua Levu).

Within two months, she confidently concluded that RRL can be a viable enterprise. She came up with interesting recommendations as follows. Fiji's rice has export potential in the long-term. In terms of value-adding, there is also potential for other rice products such as Ric bics (rice cake made from broken rice grains) and board for walls and partitions which can be made from rice husks. Discipline towards finance and corporate management and a commercialised approach were also recommended.

The CA explained that some fifteen years ago, RRL was able to provide for 70 per cent of rice needs in Fiji. This compares badly to the much reduced current level. According to her, there appears no reason why Fiji cannot go back to its higher past level again. The CA highlighted that around mid 2002, local rice was processed only at the Dreketi mill for Vanua Levu customers. Brown rice was imported from Thailand to be processed and packed at the Nausori mill to be sold at the local shops in Viti Levu. Viti Levu customers rarely know and eat the brown rice variety. By 2002, RRL stood small in the local rice consumption market, face to face with big competitors like Flour Mills of Fiji (the parent company of Rice Company of Fiji) who import processed rice for local consumption.

The CA emphasised on greater government support for longer-term viability. In addition, she stressed that farmers also needed to be business oriented, suggesting that they shift from brown rice to the more popular white rice with hybrid varieties that could grow together with traditional varieties. She remarked that both the farmers as well as the government need to change their attitude.

According to Interviewees 21, 22 and 23 (2009), RRL did take the white rice suggestion on board but without success. They clarify as follows. New varieties were tested but crops from these varieties were destroyed because Fiji's climatic condition was not conducive to the introduced varieties. The idea of introducing new varieties in Fiji was then dropped. RRL also tried polishing its 'star variety' brown rice to whiten it. The brown rice did whiten but breaks in the process, reducing its quality. The 'star variety' brown rice is a ninety day variety which means the crop matures in ninety days.

Interestingly, while RRL's brown rice is very nutritious, high in protein, it is much less popular than the very popular, good looking, tasty yet unhealthy white rice (The Review, 2004b).

The CA stated that the infrastructure of a mill and the irrigation system are already in place and in good shape. She pointed out that with regular maintenance, the mill can run for ten years or more. The former chairman's views were different. He complained that it was the large unproductive asset base of old machinery, factory, land and buildings that made RRL uncompetitive (The Review, 2004b). Like the CA, Interviewee 21 (2009) confirms that the more than fifty year old mill is still good but the maintenance of it is costly. Interviewee 23 (2009) explains more on maintenance as follows. RRL focuses on servicing the motors. While the mill is in running condition, RRL needs initial assistance for mill upgrade. MPETC is in agreement with RRL on the upgrades required to infrastructure in terms of machinery to assist farmers, upgrades to the mill as well as upgrades to the rice access road from the mill to the main road. RRL has submitted a proposal to MPETC with quotations, seeking funds for such upgrades. Response from the MPETC is awaited. The office of RRL also needs renovation. With peeled off paint, it almost sits deserted and uninviting in Labasa town. It used to be the old agriculture office and still looks like one. Its run down office neither motivates its staff nor does it create a positive marketable impact. While the inside of its office seems workable, the outside of it at the first glance gives an impression of an ancient small building no longer in operation.

According to the CA, it is production that needs a boost. She explained that given the small market, processing at the mill is often below capacity. With an ambitious outlook for RRL, the CA concluded that if Fiji could grow more rice by engaging the entire Vanua Levu in rice production, RRL could begin exporting to the region within five years (The Review, 2002). Government has encouraged Navua and Nausori area farmers to begin rice farming to meet its aim of reducing rice importation by 2014. Robust rice planting programmes will commence in 2012 (Chaudhary, 2011b).

The CA also admitted that RRL suffers from a number of setbacks such as the lack of sustained approach to farming programmes. She elaborated that assistance towards farming programmes should be consistent not ad-hoc or fragmented and should continue until such time farmers become self-sufficient. There are farmers who have been taught the Indonesian techniques (The Fiji Times, 2010a). In 2004, three Indonesian agricultural specialists were sent by the Indonesian government to Vanua Levu to examine the existing rice farming practices and to see how their expertise and improved technology could be passed onto the local rice farmers (Ministry of information, 2004a). The Indonesian technique involves a system of planting rice in lines to utilise ground space in a manner that avoids overcrowding of crops and results in high density production (Interviewee 23, 2009)[22].

The CA mentioned that farmers needed to be honest, loyal and enthusiastic, stressing on a give and take approach. She stated that farmers could not just want and not give anything in return. According to MPETC, the relationship between the farmers, Ministry of Agriculture and RRL has improved with renewed interest taking place in extension staff (MPETC Website). According to RRL, there is neither much support nor consultation from the Ministry of Agriculture (Interviewee 21, 2009).

Interviewee 23 (2009) clarifies that relationship with the ministry is fine but what is less satisfactory is the actual work carried out by the ministry. He complains that while some agriculture officers are adequately qualified, they lack practical understanding. The CA recommended that government assist RRL to bring it back on its feet but RRL to sustain itself thereafter. RRL confirms that the current government has shown much commitment and support unlike the previous government (Interviewee 21, 2009).

[22] At one time, the introduced Indonesian seed was linked to a deadly fungus. Tabureguci (2007) of Fiji Business magazine reports the following. At one time, the rice blast fungus gripped Vanua Levu. The fungus had the potential of reducing production by around 75 per cent in infected areas. The Indonesian Government, under a Bilateral Programme of Assistance assisted Fiji by introducing new, very high yielding varieties of rice such as IR64, GITU Baggendit and Ceheran varieties in Vanua Levu (Ministry of Information, 2005a).

In 2009, the current government announced its interest in reducing rice imports to $5 million from the current $40 million per annum (Interviewee 23, 2009). According to Interviewee 21 (2009), government can further assist by educating and encouraging customers to consume the locally produced nutritious rice. She mentions that government can also assist by meeting half the payment made out to farmers as subsidies, while RRL pays the remaining half.

A Rice Revitalisation Taskforce (comprising of farmers representatives; Fiji Development Bank (FDB); Ministries of Regional Development, Agriculture and Land Resettlement, Finance and National Planning and Cooperatives, Public Enterprises and Public Sector Reform; NLTB and RRL) has been in place for some time. It was specifically established for the revitalisation of the rice industry as per the government's 'Look North Policy'. The taskforce was established to ensure better co-ordination amongst the stakeholders in order to implement and coordinate the revival of the rice industry (Ministry of Information, 2005). Through the Ministry of Agriculture, the taskforce sought assistance from the Indonesian Government for the introduction of new varieties. This taskforce still exists but it now includes the Commissioner Northern, FDB, NLTB, representatives from the Farmers Association, RRL and the Ministry of Agriculture (Interviewee 23, 2009).

From 2004, RRL managed to make some meaningful internal changes to improve its financial status. For instance, it closed its operations at Nausori in Viti Levu to capitalise on its assets and to cut back on losses. At the Nausori mill, RRL processed imported unmilled rice to sell rice in Viti Levu. Competitors such as the Rice Company of Fiji began similar production in larger quantities. RRL could not compete with such larger competitors. It started facing cash flow problems and could no longer import in large quantities. It began reporting losses. The Nausori mill was thus closed in 2004. The mill was dismantled and sold. The mill's space has since been rented out (MPETC Website) at $15,000 per month (The Review, 2004b).

In September 2004, the chairman of the Rice Company of Fiji made an offer to the RRL board. The Rice Company of Fiji is a subsidiary of Flour Mills of Fiji (FMF) which is a prominent local rice importer. FMF offered a fee to use the RRL brand - 'Rewa Rice' for the rice they import from Thailand. RRL board agreed to this in exchange of a payment of $4,500 (Interviewee 21, 2009), allowing the Rice Company of Fiji to use the 'Rewa Rice' brand name for five years with a renewal option. However, the deal allowed RRL to continue to sell locally grown rice under the same brand name (The Review, 2004b). This strategic alliance was meant to facilitate private investment and growth in the rice industry (The Review, 2004c). The contract expired in September 2009 (Interviewee 21, 2009). The Rice Company of Fiji then offered to purchase the 'Rewa Rice' brand name. RRL's refusal of this offer led to an argument between the two parties. According to the Rice Company of Fiji, they have promoted RRL's brand by using it on their imported rice. According to RRL, their brand name has promoted the imported rice sold by Rice Company of Fiji. From September 2009, this franchise revenue is no longer part of RRL's revenue equation.

One of the other internal changes is in the area of payments made out to farmers. In the earlier days, farmers were paid after seven days of supply. This saw farmers switching from RRL to supermarkets who paid farmers on time and much more. RRL then changed its payment procedure and began paying farmers on supply. RRL also increased its rate of purchase over the years (Interviewee 22, 2009).

Initially, the price per tonne was $270. Government instructed RRL to add $300 as subsidy (Interviewee 23, 2009). From that time until April 2008, farmers were paid $570 per tonne. Since May 2008, RRL pays farmers $643 per tonne (Interviewee 22, 2009). The subsidy has been part of the payment to farmers for the past six to seven years. However so far, government has not compensated RRL on subsidies. Half of the paddy price was to be met by the government. But government has contributed towards mini tractors which farmers hire from RRL (Interviewee 21, 2009). Even after above increases in payments, farmers continuously ask for further increases in payment. Interviewee 23 (2009) explains further on price paid to farmers as follows.

An increase in price never led to increases in supply. When RRL added an incentive of $100 bonus to the normal price of $643 on supply of five tonnes or more, only two farmers qualified for the bonus. RRL then increased price to $743 but only to be disappointed. It then reverted to $643 per tonne.

The other internal change is in the area of accounting processes. Interviewee 21 (2009) reveals that when she first joined RRL in 2006, she noticed an outdated and messy accounting system. She mentions that the system and accounts are now up to date and reconciled. Interviewee 22 (2009) confirms that some ten to twenty years ago, accounts were done manually. She states that with the new system, internal processes have quickened and report generation has become much easier.

RRL has also implemented small yet effective cost cutting measures. For instance, continuous efforts are made to reduce phone calls. The air-condition in the office is switched off when staff are away or when it is cool enough (Interviewee 21, 2009). It is also ensured that appropriate payment is received from farmers who use RRL tractors. Previously, this was not managed properly. Personal use of tractors was also put on the spotlight at one time. Furthermore, RRL has got rid of machines which were not generating income but using up its funds through depreciation and regular maintenance. RRL only keeps income-generating machines (Interviewee 23, 2009).

RRL has also experienced external changes over time. These are discussed next, in the following paragraphs.

The Lakena Irrigation Scheme is one such external change. It began in the 1970s with the assistance of the Food and Agriculture Organisation. Bound by the Irrigation Act (1973), farmers at that time planted two crops of irrigated rice annually. Under the scheme, farmers were provided with many highly subsidised services such as land preparation, irrigation water management, harvesting and threshing and, the supply of all agro inputs. However in the early 1990s, the uplifting of subsidies on farm inputs led to a decline in rice production. Subsequently, this led to the closure of the project in 1994.

The rice industry then suffered another blow from the then new economic policy and deregulation. Later with the assistance of the Ministry of Agriculture, farmers began growing a combination of traditional as well as improved varieties of rice once again. Such varieties grow well, enabling farmers to sell rice in the local markets as well as to those who visit their homes to purchase rice. In 2002, the Ministry of Agriculture provided farmers with fertilizers. Farmers were to pay one third for fertilizers while the government met the remaining costs. Farmers are also grateful to the Ministry of Agriculture for making drains on the farm and for providing agro inputs like fertilizer (Singh, 2007).

However, farmers often complain about labour issues. Because their children leave home for white collar jobs in towns and cities, they are the ones left behind to tend their farms. Manual farming is not easy and even harder for elderly farmers. Cost of production has also gone up over the years. Reasons such as these have turned farms to ruins (Ralogaivau, 2009). The Northern Rice Farmers Association stresses that while farmers have the will to produce more, "the cost has increased over the years due to the increase in labour demands and increase in the prices of agro inputs, which forced some farmers to grow other cash crops" (The Fiji Times, 2010b: 6). Accordingly, farmers have requested for combined harvesters (Ralogaivau, 2009) since it is harvesting, collecting and thrashing of paddy that takes a lot of effort (Interviewee 23, 2009). A combined harvester can harvest paddy, thresh (separate paddy from husk) and winnow (clean) the husked paddy. Swamp dozers are also needed to prepare the rice fields for planting. Both the harvester ($50,000) and the dozer ($0.3million) cost far beyond what the farmers can afford on their own (Ralogaivau, 2009: 1).

While RRL appreciates the efforts of the current government towards revitalisation of the local rice farming projects, it is not sitting idle. As part of the Northern Development Programme, RRL is looking at ways to mechanise the industry. RRL is considering purchase of thirty tillers to ease the process of planting and to solve the problem of labour shortages. RRL will need to meet 25 per cent of the project costs while the balance can be financed through a loan from FDB. RRL has already identified the company from which it can purchase the tillers.

The idea is to purchase the tillers and hire these out to farmers. The company selling the tillers is also willing to assist RRL with technical expertise as well as training on the use of the tillers (Interviewee 23, 2009). Interviewee 23 (2009) discloses that even when faced with labour shortages, farmers try to complete the entire process of planting, harvesting, storing and thrashing themselves. He suggests that farmers only concentrate on planting and leave the milling and processing functions to RRL. He states that in this way farmers will tire less, produce more and thus earn more. However, he adds that farmers need to be properly educated on this.

One of the major problems affecting RRL is supply shortage. According to MPETC (Website), the Dreketi mill is capable of milling up to 3000 tonnes of paddy. However, farmers only supply 500- 650 tonnes to RRL on average annually. Interviewee 23 (2009) reveals that at first, RRL requested farmers to supply it with 300 tonnes. RRL then increased its request to 500 tonnes but when that appeared impossible, it reverted to its earlier request of 300 tonnes. Even when that seemed problematic, RRL asked the farmers to inform it of the number of tonnes they could supply. Farmers mentioned that $100 bonus be maintained. When only seventy tonnes was supplied, no one qualified for the bonus (Interviewee 23, 2009). The Manager of RRL complained that of the 18,000 tonnes of rice produced in 2008, RRL was supplied with only 450 tonnes (The Fiji Times, 2009e). He then raised the now popular question, where has the remaining tonnes of rice gone?

Labour shortage and lack of mechanisation do affect production and thus supply. What adds to supply shortage problem is that some farmers produce for their own consumption since it is cheaper to produce and eat rather than supply (Interviewee 23, 2009). Much of Fiji's total rice production is thus, for farmers' own use (Fijilive, 2008a). However, there are farmers who do produce for sale but prefer to make direct deals with the supermarkets despite holding contracts with RRL. Farmers complain that RRL's price is lower than what is offered by the supermarkets (The Fiji Times, 2010b).

Farmers seek price increases. RRL argues that farmers fail to meet market demand and the quota requested by it. RRL maintains that farmers should first be able to supply the quantity required if they want increases in price.

As per Interviewee 23 (2009), while the contract is binding, farmers give it little regard and renege on it at will. He explains the supply related issues as follows. The nature of the contract is such that liability cannot be enforced when farmers renege on contracts. He states that farmers need to be taught to honour contracts. The Ministry of Agriculture can play an important role here since it has control over water supply. The ministry can in a way, force farmers to comply with the contract they hold with RRL. While the ministry has promised to assist in the contract situation, nothing has been done. Given that the farmers do not respect their contracts with RRL, the contract is of little value.

Despite the ongoing production and supply problems, rice production was higher in 2009. This is attributed to the municipal encouragement which led to saturated supply from Dreketi. Not surprisingly, farmers started asking for bonuses when they were able to supply more than five tonnes. The problem of insufficient supply does handicap RRL from fulfilling market demands of those who currently buy brown rice and those who can be persuaded to buy brown rice.

In 2009, RRL conducted a survey to gauge the status of the rice industry (Interviewee 23, 2009). The survey indicated that RRL is able to meet local rice needs by 30 per cent only. RRL aims to increase this to 75 per cent by the next three years by 2012. In its view, the aim is not overly ambitious since in the past (between 1992 and 1994), RRL was self-sufficient by 75 per cent. To this effect, RRL has prepared an action plan to help it fulfill this aim. Since August 2009, RRL has ventured out into expanding its market in the western and central of Viti Levu through the chain supermarkets of Morris Hedstrom and New World (Interviewee 21, 2009; Interviewee 24, 2009). In addition, RRL has embarked on awareness programmes to address declining sales. Such programmes have been conducted in communities to educate the locals on the nutritious value of local rice (The Fiji Times, 2009e).

The less expensive substitutes are of inferior quality.

Other developments include a relook at packaging and export options. In an attempt to improve its packaging with an informative label on nutrients, RRL has submitted its brown rice samples to the Koronivia Research Station for testing of its nutrient components. The nutrient information printed on its packaging will be part of RRL's awareness programme. RRL engages in organic rice production which does not use any herbicides or pesticides. Given that the RRL rice is highly nutritious, RRL is pondering on exporting to health conscious overseas markets. A few Japanese companies have expressed their interest. Interviewee 23 (2009) appreciates the assistance of the Permanent Secretary of Agriculture and Agricultural Marketing Authority (AMA) in this regard. He mentions that RRL is also making strong efforts to recover debts owed to it by its previous directors in the amount of $167,000 since the past seven years. The Commissioner of Police who has guaranteed recovery of such debts has asked RRL to prepare a list of its debtors.

In January 2010, the Ministry of Agriculture offered much hope and assurance to farmers. The ministry has pledged to improve infrastructure by 1) reviving small irrigation schemes at Luvuluvu, Votua and Naruwai, 2) handing over the machinery at the Dreketi Irrigation Center to the Rice Farmers Cooperative after it is repaired, 3) building stores at Dreketi from which farmers can buy chemicals and fertilizer at retail price and, 4) teaching farmers the techniques of modern rice cultivation.

Competition

Another problem that continues to plague RRL is stiff competition from the unhealthier yet more popular, tastier and cheaper imported white rice (Interviewee 22, 2009). Import of white rice in Fiji is quite high and has continued to increase over the years. For instance in 2006, Fiji imported 25,000 tonnes worth $24 million (Singh, 2007). Around 2009, rice imports stood at 42,000 in tonnes and $40 million in dollar value (Ralogaivau, 2009: 1). As a result of high local consumption of imported rice, RRL lost some $100,000 in sales between January 2009 and August 2009 (The Fiji Times, 2009e). Imported white rice is cheaper because of lower import duties.

Hence, RRL often calls for some control over imported rice to save the local industry (Interviewee 21, 2009). To this end, it has submitted a proposal to the government, requesting an increase in import duties. This is in line with its corporate plan. However, for the government it is not easy to just increase import duties to save the local rice industry. Government is pressed between RRL and FMF which is the parent company of the Rice Company of Fiji. This is because this major white rice importer, FMF is a key local player in Fiji's economy from which government earns substantial tax revenue. This is the reason government is taking time to come to a decision.

In the past, certain governments have favoured the Rice Company of Fiji. The articles of People's Coalition Government (2001a and 2001b) reveal the following. Rumour has it that in 2001, the then Prime Minister (PM) extended special favours to the Rice Company of Fiji. In contrast, the People's Coalition Government which when elected in 1999, imposed the quota system to assist RRL to gain share in the rice market. Not surprisingly while the move was welcomed by the rice farmers, the Rice Company of Fiji condemned it. Allegedly, the Rice Company of Fiji benefited a great deal when the Rabuka-led Government deregulated the rice industry. It flooded the market with cheap rice from the Australian and Asian nations squeezing out local producers. This led to a collapse of the major irrigation project in Lakena, forcing farmers to search for cash employment in urban areas. In its disappointment with the decision of the People's Coalition Government, the Rice Company of Fiji began lobbying with the government to change the policy, including placing pressure on the government through the Australian Government. That the family of the ethnic Indian businessman had substantial interest in FMF and the Rice Company of Fiji, military sources at that time alleged that such individuals were involved in plotting the 2000 coup. It was claimed that the said businessman's name topped the list of alleged financiers of those who took the People's Coalition Government hostage in 2000.

According to Interviewee 21 (2009), government can assist through encouraging consumption of local rice by making it cheaper. Interviewee 24 (2009) agrees with her. He suggests that government promote RRL rice.

He explains that RRL is unable to compete in terms of price. According to him, promotion is not an issue. Price is the issue. Local consumers are undoubtedly price sensitive. They seek cheaper options especially in times of recession. He states that promotion will only be effective if price is reasonable. Currently, marketing and promotional efforts are reduced to visiting supermarkets such as Morris Hedstrom and New World to take orders (Interviewee 24, 2009). Interviewee 21 (2009) mentions that an increase in import duties will make the imported white rice expensive. She justifies that consumption of local rice can then be promoted at least for the smaller population of Labasa where some actually like brown rice and the remaining can be persuaded. She explains that while RRL may not be in a position to cater for everyone in Fiji, it can accommodate the Labasa population.

Outside parties have shown no interest for strategic partnership in RRL until now. However, MPETC has identified the following four potential areas for strategic partner involvement (MPETC Website). These are 1) continued assistance in the rice revitalisation program, 2) funding and upgrading of the Dreketi mill to global standards, 3) value-adding initiatives for the development of new rice products and, 4) large scale rice farming of at least 2000 tonnes on an annual basis.

7.4.2.4 Financial Performance

The Review (2002: 27) reports that from after the 1980s era, RRL has been plagued with declining rice production, almost forcing it into stagnation. In 1995 and 1996, RRL reported small profits despite high turnovers (Singh, 1998: 26). The Review (2004c) reports that from 1999 until 2003, RRL only reported profits of $2.41 million and $121,399 in 1999 and 2001, respectively. The high profit of 1999 is attributed to the rice quota system introduced by the then reigning regime, the People's Coalition Government. RRL has thus seen more downs than ups in the past three decades (The Review, 2002). It is one of the "least productive entities" of the government (The Review, 2004b: 2; The Review, 2004c: 13). After the closure of the Nausori mill, the major revenue sources of RRL are the sale of milled rice and the rental income from the Nausori property.

The following Table 7.5 presents financial figures from 2003 to 2010.

Table 7.5: The Financial Position of RRL from 2003 to 2010

Year	Revenue ($)	Profits ($)
2003	1,623,214	(331,815)
2004	1,099,558	(576,275)
2005	751,475	(69,059)
2006	106,359	(56,361)
2007	748,290	(106,377)
2008	na	1,408
2009	na	(52,786)
2010	na	(89,602)

Source: Interviewee 21 (2009), MPETC (2012)

Despite ongoing problems, RRL has no doubt shown improvements. As per the MPETC (Website), the overall performance of RRL has seen some improvements in the areas of liquidity position, asset management and profitability. However, Return on Shareholders' Funds remains negative as RRL awaits a restructure to its balance sheet by the government.

The year 2008 presented RRL with an opportunity. The rising world market price for imported rice resulted in lower imports in Fiji. There was little incentive to import given that importers had to pay over a thousand dollars per tonne for imported rice (Fiji TV, 2008b). RRL tried its best to fill the gap of rice shortage. To encourage increased supply, it offered farmers $750 per tonne for two months. The shortage of white rice and the availability of RRL's brown rice at a cheaper price, led the locals to purchase RRL's rice. After years of losses, RRL reported a net profit of $73,000 (for the first six months of 2008) which declined to about $8,000 towards the end of the year (Interviewee 21, 2009; Interviewee 23, 2009).

Interviewee 21 (2009) states that in July 2008, RRL requested government to write off its $6 million debt. This interviewee provides with the following explanations. Because of this $6 million debt, RRL is unable to secure loans from lending institutions.

As per the former chairman, lending institutions shun RRL because of this debt. He explained that the People's Coalition Government approved this loan in 2000 to bail RRL out from its debts owed to overseas creditors. The plan is to convert this debt into a grant. However, the write off of this debt has a side effect. If the debt is turned into a grant, then RRL will be required to pay taxes on it. $4.6m of the said amount was converted to a grant with a tax levy of $500,000 but RRL is in no position to pay this levy. Interviewee 23 (2009) informs that RRL has to pay the tax liability of $500,000 and that RRL has been requested to submit a schedule for payment installments to the Inland Revenue Department.

ADB (2011) reports the following on the performance indicators of RRL.

Table 7.6: RRL Performance Indicators for Year 2009

Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
29%	365%	1.5	-12.6%

Source: ADB (2011: 36)

Asset utilisation ratio measures management effectiveness in using company's assets in daily operations. RRL's asset utilisation is on the lower side, 29 per cent. This means it earned only 29 cents for each dollar of asset held. Liabilities/total assets ratio reflects at the proportion of a company's assets which are financed through debt. The higher the ratio, the higher the risk. RRL's liabilities/total assets ratio is very high, posing higher risks. The cash ratio is a measure of company liquidity. For RRL, it is 1.5. RRL maybe holding large amounts of cash reflecting poorly at asset utilisation. ROA indicates the efficiency of management in using company's assets in generating earnings. The higher the ROA, the better. RRL's ROA is very poor, -12.6 per cent. This means RRL lost 12.6 cents for each dollar invested in assets.

7.4.2.5 Concluding Remarks for RRL

Overall, the following are the key attributes that have made RRL a poor performer. These are short supplies; farmers ignoring contracts; the inability to take to task farmers who renege on contracts; past debt and the related tax liability; competition from the popular, tastier and cheaper substitute of white rice; lack of mechanisation; costly upgrades to infrastructure; poor marketing; subsidy included in paddy price but the same not compensated by the government; and the lack of support and consultation between RRL and the Ministry of Agriculture. Such problems affect RRL adversely and if left unattended, poor performance will continue. However, the support and interest of the current government and the RRL board is worth noting.

7.5 Conclusion

This chapter described the selected three poor performing GCCs, namely Food Processors (Fiji) Limited, Fiji Hardwood Corporation Limited and Rewa Rice Limited in this order.

The chapter discussed the journey of these GCCs since their inception. In doing so, it disclosed the many factors that were not conducive to reforms or change exercises. At the same time, it also unveiled the small successes at times and positive plans for a better future.

Overall, the case studies reflect at a number of issues that continue to plague them. These issues are heavy dependence on the most powerful stakeholders - the suppliers or owners of resources from whom cooperation has been sought but without much luck; reliance on natural resources which are susceptible to natural disasters and pests; financial dependence on government; no compensation from government for fulfillment of social objectives (FPFL and RRL); obsolete machinery, equipment, technology and buildings which are in dire need of upgrades; the need for extensive and creative marketing; lack of forethought on diversification; and ambitious plans which may not be workable. However, the positive attitude, support and interest of the current government towards all these enterprises is noteworthy.

Pacific Island Countries (PICs) like other countries establish public enterprises to use better business practices to bring in funds into government to improve programs and services. When PICs simplify the change process and just move the same staff to the changed or reformed enterprise, then there is little success (if any). The problematic issues with boards of such enterprises also point towards the need for public-private member checks and balances. If not, such enterprises resort back to poor government practices or to private sector priorities (ignoring its public interest).

In certain instances, these enterprises cannot be blamed for their own state of affairs since they are adversely affected by external factors as well. Such attributes led to little to no improvement in their performance, at times even leading to worsened situations. The three said enterprises are not profitable, thus in no position to pay dividends to the government. However, little improvements such as small profits (FPFL) have been witnessed but the mentioned persistent problems overshadow such small 'wins'.

The chapter has been very descriptive in nature. However, full details are warranted to better understand the context in which reforms were/are implemented. Incomplete or insufficient details can often lead to incomplete understanding of the cases, resulting in misanalysis and not so meaningful conclusions.

Discussion and analysis of and between the GCCs in terms of the aims of this research have been reserved for the next chapter, chapter eight. The next chapter will thoroughly analyse the selected better and poor performing GCCs in line with the aims of this study as stated in the opening chapter.

Chapter 8

Analysis and Conclusion

8.1 Introduction

This thesis has been organised in eight chapters. The first chapter introduced the subject matter and stated the relevance of the study. It also highlighted how it defined performance of public enterprises for this thesis. It then stated the specific research questions of this thesis and described what the later chapters would cover.

Chapter two discussed the theoretical perspectives. This chapter explained the selection of relevant theories as well as highlighted the link between assumptions of these theories and financial performance of organisations. These assumptions will be tested, using the empirical evidence in chapter eight.

The third chapter outlined the research methodology for this study. It specified and justified the research methods used. Additionally, it explained the recording, verification and analysis of the collected data as well as acknowledged the research limitations and problems confronted with, during the research period.

Chapter four reviewed literature on Public Enterprise Reforms (PER). It began with an overview on PER and discussed PER around the world. This section was kept brief focusing on emerging issues since a lot has already been written on PER worldwide. Because Fiji is a small Pacific Island economy, a lot more was discussed on PER in Pacific Island Countries (PICs). The chapter then described the start off of PER in Fiji, the PER process in Fiji as well as critically addressed the work of earlier and current authors who have investigated into reform issues in Fiji.

Chapter five discussed the financial performance of Fiji's public enterprises as a whole, over the years. The chapter described the four types of public enterprises in Fiji, of which GCCs are one. These financial highlights provided evidence of GCCs sitting at different financial performance levels despite going through the same structural changes of corporatisation. Following the discussion on financial performance, the chapter briefly described each GCC. It also highlighted the key financial outcome of profits generated by GCCs to place them into categories of better and poor performers. The chapter then stated the GCCs selected as case studies for this thesis, providing background to what was to be described and discussed in detail, in the later chapters.

Chapter six described the selected four better performing GCCs in-depth. The chapter also revealed the presence of factors that are conducive to reform initiatives as well as those that affect the GCCs adversely.

Chapter seven described the selected three poor performing GCCs and highlighted the main problems. The chapter also highlighted the factors impeding growth and performance and thus diluting the effects if any, from reform endeavours.

Chapters six and seven were very descriptive in nature. Discussion and analysis was reserved for chapter eight since chapter eight brings together the findings from all selected GCCs.

This chapter, chapter eight is the discussion and analysis chapter. The seven cases will be compared and contrasted with each other in this chapter. The chapter will first discuss and analyse the causes of differences in financial performance on the basis of empirical findings from the subject GCCs (inductive method). It then discusses and analyses the findings, testing the assumptions of the selected theoretical perspectives (deductive method). From these discussions and analyses, the chapter makes a comparison between the inductive and deductive methods.

The following section is organised in two parts of empirical explanations on causes of difference in financial performance and theoretical explanations on causes of difference in financial performance.

8.2 Discussion and Analysis

8.2.1 Empirical Explanations on Causes of Difference in Financial Performance

This research showed that reforms in GCCs have not brought about improvements in all GCCs. There are GCCs that remain plagued or have even worsened in financial performance such as Food Processors (Fiji) Limited (FPFL), Fiji Hardwood Corporation Limited (FHCL) and Rewa Rice Limited (RRL).

Even the better performers have faced fluctuations and/or declines in revenue, profits and dividends in some years. Airports Fiji Limited (AFL), Fiji Ports Corporation Limited (FPCL) and Unit Trust of Fiji (Management) Limited (UTOF) are the better financial performers. While they have seen fluctuations in their financial performance, they are currently doing well financially. Post Fiji Limited (PFL) was a better financial performer since its inception, except in 2006. However, in recent years from 2009, PFL's performance has been disappointing.

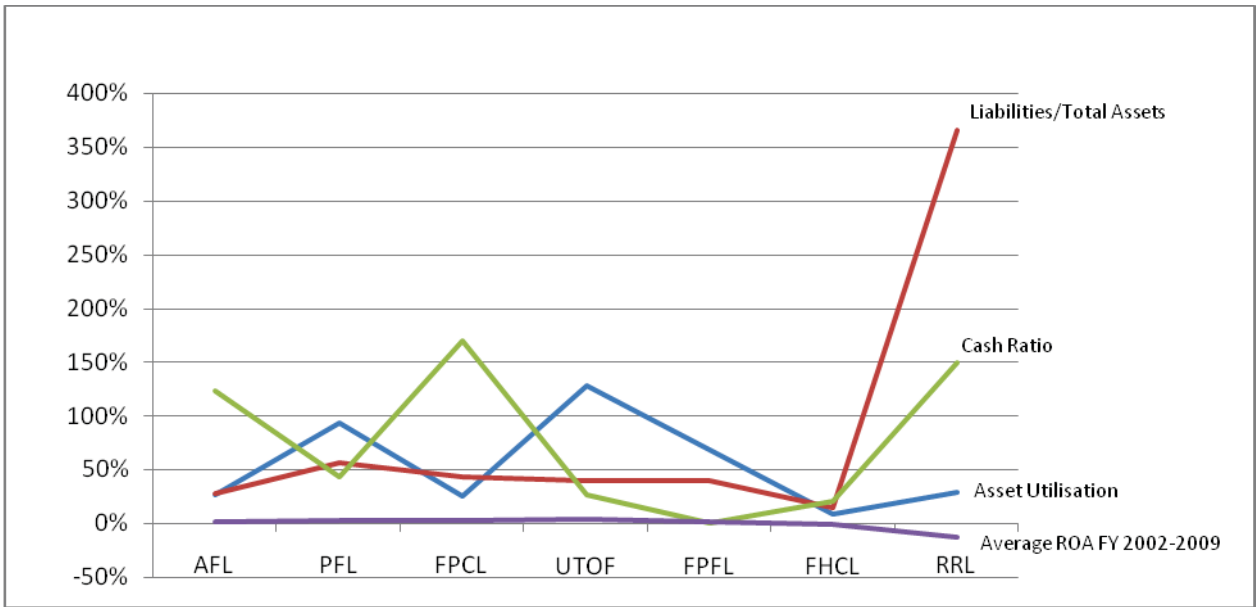
The following section compares across the seven case study GCCs.

Table 8.1: Financial Ratios

	Asset Utilisation	Liabilities/Total Assets	Cash Ratio	Average ROA FY2002-2009
AFL	27%	28%	1.23	1.20%
PFL	94%	57%	0.43	2.10%
FPCL	26%	44%	1.70	2.00%
UTOF	128%	40%	0.26	3.60%
FPFL	69%	40%	0	1.00%
FHCL	9%	15%	0.20	-1.30%
RRL	29%	365%	1.50	-12.60%

Source: ADB (2011)

Figure 8.1: Financial Ratios



Asset utilisation ratio measures management effectiveness in using company's assets in daily operations. The higher the ratio, the better. FHCL's asset utilisation ratio is the lowest at 9 per cent. This means it earned just 9 cents for each dollar of asset held. The asset utilisation ratio for FPFL, AFL and RRL is also on the lower side at 26, 27 and 29 per cent, respectively while this ratio for FPFL is 69 per cent. This means FPFL earned 69 cents for each dollar of asset held. PFL's and UTOF's asset utilisation ratio is better than the rest at 94 and 128 per cent. Out of all the GCCs mentioned, UTOF's asset utilisation ratio is the best at 128 per cent. This means it earned 1.28 cents for each dollar of asset held.

Liabilities/total assets ratio reflects at the proportion of a company's assets financed through debt. The higher the ratio, the higher the risk. AFL's liabilities/total assets ratio indicates that 28 per cent of its assets is financed through debt, thus its risk is lower. FHCL's liabilities/total assets ratio is the lowest at 15 per cent. This is because most of FHCL's borrowings are sourced from government or government owned enterprises. UTOF's and FPFL's liabilities/total assets ratio is 40 per cent which means that their assets are 40 per cent funded by debts and 60 per cent from own sources. FPCL's liabilities/total assets ratio is 44 per cent, meaning FPCL's assets are 44 per cent funded by debts.

PFL's liabilities/total assets ratio indicates that 57 per cent of its assets is financed through debt. A lower liabilities/total assets ratio reflects at a safer company but such companies miss out on investments and growth by being too safe. RRL's situation is very risky with the highest ratio among the GCCs, at 365 per cent.

The cash ratio is a measure of company liquidity. The cash ratio of FPFL, FHCL, UTOF and PFL is at the lower side below 1. While a cash ratio below 1 is not necessarily bad, holding large amounts of cash reflects poorly at asset utilisation. RRL's, FPCL's and AFL's cash ratio is above 1. FPCL's cash ratio is the highest at 1.70. It maybe holding larger amounts of cash, reflecting poorly on asset utilisation. While holding smaller amounts of cash may reflect at effective asset utilisation, in FHCL's case its asset utilisation is also poor.

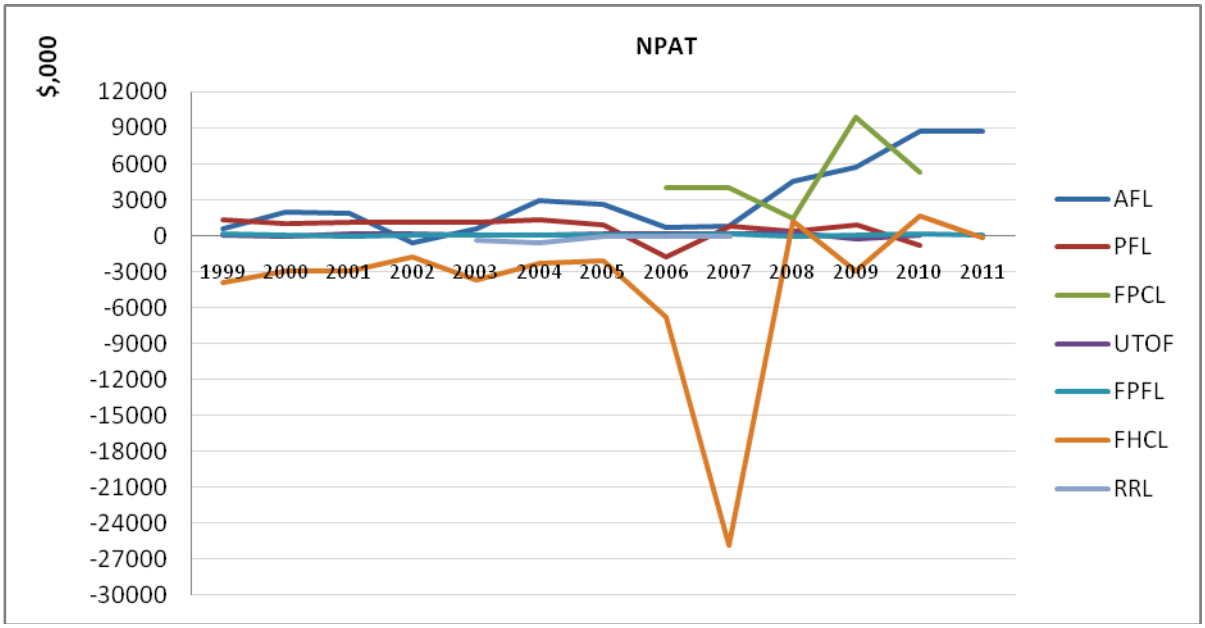
Return on Assets (ROA) indicates the efficiency of the management in using its company's assets in generating earnings. The higher the ROA, the better. RRL's ROA is the lowest at -12.6 per cent. This means RRL lost 12.6 cents for each dollar invested in assets. Similarly, FHCL lost 1.3 cents for each dollar invested in assets while FPFL just earned 1 cent for each dollar it invested in assets. For FPFL, ROA is zero. AFL earned just 1.2 cents for each dollar it invested in its assets while PFL earned just 2.1 cents for each dollar invested in assets. FPCL earned 2 cents for each dollar invested in assets. UTOF's ROA is 3.6 per cent. This means UTOF earned 3.6 cents for each dollar invested in assets, which is the highest among the case study GCCs.

Table 8.2: Net Profit After Tax (,000)

Year	AFL	PFL	FPCL	UTOF	FPFL	FHCL	RRL
1999	497	1,281		42	148	-3,982	*na*
2000	1,989	936		10	84	-2,938	*na*
2001	1,851	1,109		139	-37	-2,972	*na*
2002	-641	1,030		156	-23	-1,842	*na*
2003	548	1,054		74	46	-3,669	-332
2004	2,956	1,270		42	60	-2,354	-576
2005	2,562	914	1,604	139	47	-2,065	-69
2006	632	-1,749	4,021	140	41	-6,792	-56
2007	711	744	4,042	230	112	-25,860	-106
2008	4,585	368	1,446	300	-96	1,171	1
2009	5,762	870	9,862	-280	64	-3,001	-53
2010	8,759	-795	5,283	115	88	1,634	-90
2011	8,750			149	40	-164	

Source: MPETC (2012)
FPCL was incorporated in mid 2004 and began operations in 2005.
The grey areas indicate that audits are underway. MPETC does not release unaudited figures.
na – not available at the time of research

Figure 8.2: Net Profit After Tax (,000)



According to the above table and chart, the GCCs that continue to report profits are AFL (except in 2002), FPCL, UTOF (except in 2009) and PFL (except in 2006 and 2010).

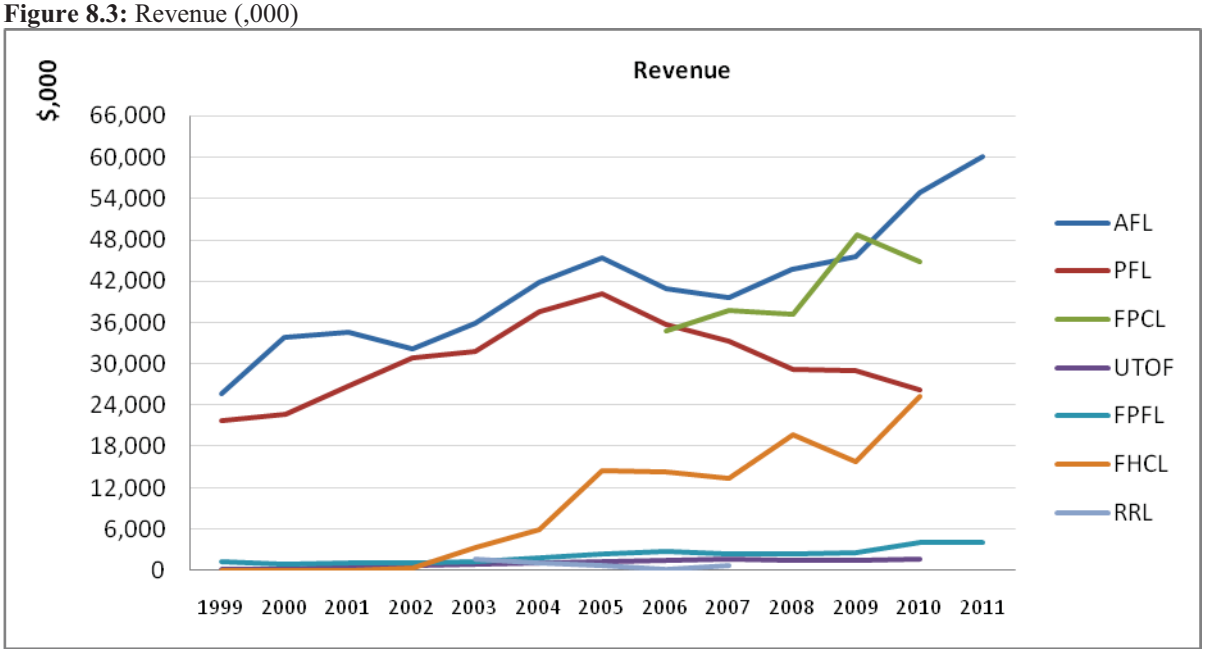
While FPFL is able to generate profits (except in 2001, 2002 and 2008), its profits are low and fluctuates. The GCCs that continue to report losses are RRL (except in 2008), and FHCL (except in 2008 and 2010).

Table 8.3: Revenue (,000)

Year	AFL	PFL	FPCL	UTOF	FPFL	FHCL	RRL
1999	25,756	21,719		249	1,299	5	*na*
2000	33,887	22,567		326	909	57	*na*
2001	34,698	26,691		790	1,182	13	*na*
2002	32,245	30,793		794	1,181	361	*na*
2003	35,945	31,772		944	1,355	3,371	1,623
2004	41,931	37,588		1,112	1,806	6,017	1,099
2005	45,467	40,112	*na*	1,231	2,426	14,445	751
2006	40,959	35,744	34,713	1,398	2,898	14,284	106
2007	39,658	33,219	37,640	1,571	2,468	13,433	748
2008	43,777	29,123	37,192	1,546	2,408	19,658	*na*
2009	45,604	29,055	48,665	1,464	2,681	15,903	*na*
2010	54,851	26,174	44,692	1,638	4,054	25,300	*na*
2011	60,100			*na*	4,140	*na*	

Source: MPETC (2012)
FPCL was incorporated in mid 2004 and began operations in 2005.
The grey areas indicate that audits are underway. MPETC does not release unaudited figures.
na – not available at the time of research

Figure 8.3: Revenue (,000)



The table and chart shows that revenue earned by AFL has fluctuated but increased from 2007. For PFL, revenue increased between 1999 and 2005 then continued to decline. For FPCL, revenue has fluctuated. UTOF shows increases in revenue between 1999 and 2007, declines till 2009 but an improvement in 2010. FPFL reports fluctuations between 1999 to 2003, increases between 2002 and 2006, then decreases till 2008 and increases thereafter. For FHCL, there are fluctuations with periods of improvement between 2002 and 2005. RRL has shown declines from 2003 to 2006 then reported an increase in 2007. Sectoral performance can shed light on how the industry, within which the GCCs operate, performed in recent years. Ministry of Finance (2011) highlights the following on sectoral performance in terms of sectoral contribution towards Gross Domestic Product (GDP). For FPFL and RRL, their sectoral performance (Agriculture) declined between 2008 and 2010. For FHCL, its sectoral performance (Forestry) declined in 2009 but improved in 2010. For AFL, its sectoral performance (Air Transport) declined in 2009 but improved in 2010. For FPCL, its sectoral performance (Supporting & Auxiliary Activities) increased in 2009 but declined in 2010. For PFL, its sectoral performance (Post & Telecommunications) increased in 2009 but declined in 2010. Sectoral performance of all these GCCs has fluctuated except for RRL and FPFL whose sectoral performance has declined in terms of GDP.

Table 8.4: Dividends

GCCs	2005	2006	2007	2008	2009	2010
AFL	$1,281,189	$315,780	$1,000,000	$2,292,707	$3,000,000	$1,000,000
PFL	$457,148	*na*	$371,722	$184,126	$434,820	*na*
RRL						
UTOF	$65,500	$69,800	$114,827	$118,189	*na*	*na*
FHCL						
FPCL	$1,609,352	$2,010,746	$2,021,041	$875,983	$1,758,465	*na*
FPFL						

Source: MPETC (2012)
na – not available at the time of research

Figure 8.4: Dividends

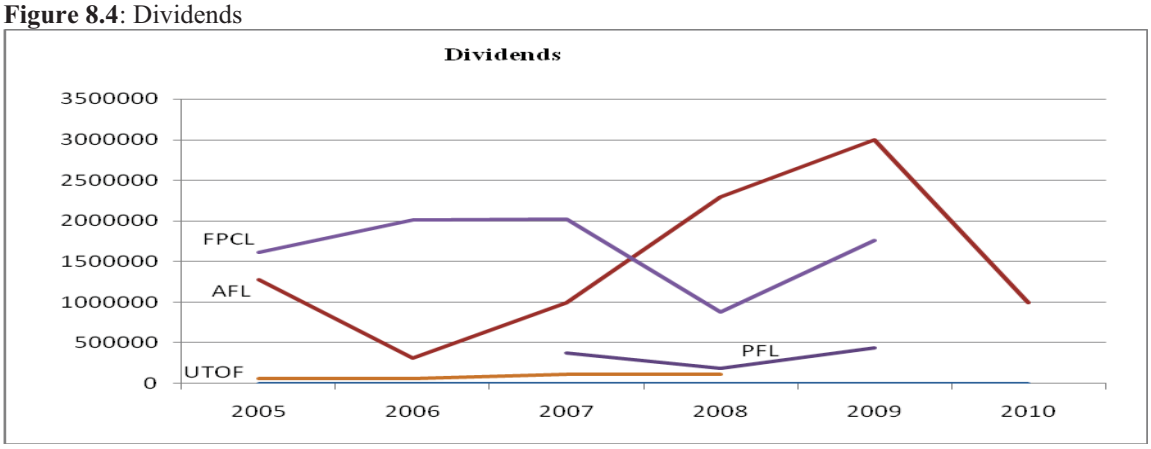


Table and chart 8.4 show that except for RRL, FHCL and FPFL, the other GCCs – AFL, PFL, UTOF and FPCL have paid some dividends to the government. AFL, FPCL, PFL and UTOF are quite regular in their dividend payments. RRL and FHCL, given their negative profits in most years have not been able to pay dividends while FPFL with its small profits sought waiver on dividend payments.

In terms of their profits after-tax and dividends paid to the government, the case study GCCs can be grouped into two categories. The better performing GCCs are those that are able to generate profits and pay dividends to the government. However, fluctuations and/or declines in revenue, profits and dividends have been evident over the years, which is why these GCCs are not labeled the best or excellent performers. Even then, these GCCs are better in financial performance when compared with the poor performers. AFL, FPCL and UTOF remain better financial performers. PFL was a better financial performer since its inception, except in 2006. However, in recent years from 2009, PFL's performance has been disappointing. The poor performing GCCs of FPFL, FHCL and RRL are riddled with numerous problems. They particularly operate in losses or generate insignificant profits and are not in a position to pay any dividends to the government. Chapters six and seven presented more explanations on fluctuations on the financial data on the case study GCCs.

Table 8.5 below highlights the factors which were found to affect the financial performance of the case study GCCs.

The descriptions in the preceding empirical chapters of six and seven brought these emerging independent variables to the forefront. Such factors were identified inductively from the in-depth empirical data which described the developments in GCCs over the years. Table 8.5 shows the presence and absence of factors in the better and poor performers. Some of the factors which are conducive for better performers are actually impeding factors for the poor performers. The following are examples of such factors. While financial independence is a conducive factor for the better performers, financial dependence is an impeding factor for the poor performers. The other factors of the ability to generate profits and, the ability to invest into capital projects, upgrades or investments into relevant technology, equipment and machinery are conducive factors for the better performers.

For the poor performers, their inability to generate profits and being constrained in the areas of investments into capital projects, upgrades or investments into relevant technology, equipment and machinery are impeding factors. However, not all conducive factors are absent in poor performers. An example here is ongoing training and further education of employees – a conducive factor common across case studies.

Further elaboration is done in the paragraphs that follow the table. These paragraphs separate the conducive and impeding factors for each case study and then bring together factors that are similar across case studies.

Table: 8.5: Factors affecting Financial Performance

Causal Factors	Present in Better Performers	Present in Poor Performers
Financial independence	Yes	No
Ability to generate profits	Yes	No
Ability to invest into capital projects	Yes	No
Fulfilled social obligations compensated by the government	Yes but AFL is not fully compensated.	No
Upgrades or investments into relevant technology, equipment and machinery	Yes	No
Continuous engagement in projects to further enhance company performance	Yes	Some efforts made but constrained by fund inavailability
Qualified and experienced board, top management and employees	Yes	Yes mainly, but FPFL mentioned some budget constraints in recruiting certain qualified personnel
Ongoing training and further education of employees	Yes	Yes
Effective approach of leaders in learning from past mistakes and rectifying problems and workable future plans	Yes	No, evidence of some failed projects and unworkable future plans
Cooperation from the suppliers or owners of resources	Generally NA. AFL was a little affected at one time but the issue was resolved	No. This is a major issue
Diversification and/or expansion of operations	Yes	Not much effort, slow efforts or failed efforts
Seeking outside professional assistance when needed	Yes	Some effort
Memberships in relevant associations	Yes	Not much effort
Conducting feasibility studies	Yes	Some effort
Pro-active approach towards marketing	Yes	Not much effort, slow efforts or failed efforts
Competition	Yes apart from AFL (except in air space management) and FPCL	Yes but FHCL has monopoly over the mahogany resource
Difficult to inculcate commercial culture	Yes	Yes
Corruption	Yes	At FHCL
Strained board-management and management-union relationships	Yes	Yes
Political involvement (support-conducive; interference-impeding) and changes in government and in its polices	Yes	Yes
Negative reporting overseas about Fiji by its trading partners and overseas media	Yes	Yes
Natural disasters	Except UTOF, PFL	Yes
Pests and diseases	NA	Yes
Adverse effects of global recession, deregulation and devaluation	Yes	Yes
Exchange rates adversely affecting overseas loan repayments	Yes	NA

The poor performers FPFL, FHCL and RRL are clearly dependent on their key resource providers or landowners such as fresh produce suppliers (FPFL), paddy suppliers (RRL) and mahogany landowners (FHCL). The better performers such as AFL, PFL, FPCL and UTOF have no such dependence and are not constrained in this area. At one time AFL was a little affected during its restructuring phase when the landowners on whose land the airports were built, demanded the return of their land. In May 1999 when the then cabinet granted 15 per cent equity in AFL to the landowning unit, the issue was resolved (Singh, 2002).

The following paragraphs present the pre-reform and post-reform performance and, provide more explanation on the above factors for each case study GCC. The factors mentioned in table 8.5 are further grouped into the conducive or impeding factors for each case study where the conducive factors are those that enhance financial performance of enterprises while the impeding factors are those that adversely affect performance. The later paragraphs in this section state the factors that are common across the better performers, factors common across poor performers and those that are common across both better and poor performers. The better performers AFL, FPCL, PFL and UTOF are discussed first.

Performance Before and After Reforms

Airports Fiji Limited (AFL)

Pre-reform Performance

AFL was declared a GCC on 3 June 1998. It was established as a result of the reorganisation of the Civil Aviation Authority of Fiji (CAAF). CAAF was always profitable and not a burden on the government or taxpayers (Snell, 2000). It was generally seen as one of the most profitable public enterprise between 1979 and 1999. It neither had outstanding debts nor incurred any loss ever since it was declared an authority with operating profits before-tax of about $6.22 million in 1997 and $7.83 million in 1998 (Singh, 2002). However, even when CAAF was operating profitably, there were anomalies.

The problems were those which are normally inherent in a public enterprise such as the laidback, lax work habits where drinking of 'grog' (national traditional drink made of powdered kava roots mixed in water) was a key regular event. In addition, there were no proper controls and no accountability. CAAF was not really run like a business but was still generating profits because of its monopoly status (Interviewee 3, 2011). This explains why, its ROA was just 5 per cent against the expected 10 per cent even when CAAF generated a profit (after interest and tax) of $5.8 million at that time.

Post-reform Performance

Upon corporatisation from 1999, AFL reported profits except for year 2002 given the higher salary expenses when redundant workers were brought back into the company. Its revenue fluctuated until 2006 but has increased since. It has also regularly paid dividends to the government except for years 2000, 2002 and 2003. AFL loses some $3.3million annually because of its loss-making domestic operations (Loanakadavu, 2003). AFL's asset utilisation ratio and ROA is on the lower side indicating that management is not so effective in utilising assets in daily operations. However, its liabilities/total assets ratio indicates lower risk. In this respect, it is the second safest GCC among the seven GCCs. Its cash ratio is slightly above 1. This may mean that it is holding larger amounts of cash that in turn affects asset utilisation adversely. In the later years between 2008 and 2010, AFL has improved much in terms of revenue, profits and dividends despite market pressures and difficult global economic conditions because of its careful planning, financial discipline and improved utilisation of existing assets. It has also been financially independent. For all its investments, it either ploughs back its profits and/or seeks funds from commercial banks on its own accord.

Factors that are conducive to AFL's better financial performance are: financial independence; qualified and experienced board members and top management; continuous focus on renovations, upgrades and purchase of new equipment and technology; projects undertaken to further enhance efficiency and effectiveness; ongoing training to up-skill staff; and the implementation of redundancy schemes to control workforce size. AFL's monopoly status is also a key attribute.

Factors impeding AFL's financial performance are: political interference, ongoing tussle between the board, top management, and union/employees; hard to change work culture; loss-making domestic airstrips towards which the government only contributes by way of capital grants and; external factors such as global crisis, negative reporting on Fiji's political situation by overseas media and adverse travel advise by Fiji's major trading partners. Such factors have adversely affected AFL's operations.

Fiji Ports Corporation Limited (FPCL)

Pre-reform Performance

FPCL was formally known as Ports Authority of Fiji (PAF). According to the Review (1993a: 39), PAF was "a self-financing outfit since 1985". PAF was quite profitable since its inception until 1992. After this period, it started to struggle to make changes to meet its debt financing requirements following government's refusal to increase tariff (The Review, 1993b). While there were no increases to tariff since the late 1980s, salaries, maintenance and utility rates kept increasing (The Review, 1993a). Between 1992 and 1994, PAF began reporting losses. Between 1994 and 1997, it generated moderate operating profits. FPCL was established upon dual reforms in the port industry. During the first phase of reforms, PAF was split into two enterprises, Maritime and Ports Authority of Fiji (MPAF) and Ports Terminal Limited (PTL). However, even after this first phase of reform, there were irregularities that needed addressing as the port sector had continued with weak technical and financial performance even after this initial reform.

Post-reform Performance

The second reform saw the amalgamation of PTL and MPAF into one GCC, FPCL. In 2008, FPCL saw a higher volume of shipping and cargo handling by its ports. While 2008 reported an increase in total foreign vessel calls, cargo carrying vessels, vessel numbers and vessel tonnage, it also saw increases in operating expenses and exchange losses. Revenue and profits were highest in 2009 while dividend paid was highest in 2007. In the past two-three years, FPCL made failed attempts for tariff increases (Interviewee 8, 2009).

In 2009, however, an increase of 7.5 per cent was accepted against the request of 15 per cent increase (Interviewee 9, 2009). Revenue and profits have fluctuated since its inception. FPFL's asset utilisation ratio is 69 per cent but it is the third best among the seven GCCs in this ratio. ROA is on the lower side indicating that management is not so effective in utilising assets in daily operations but it is again the third best among the GCCs in ROA. Its liabilities/total assets ratio indicates a lower risk at 44 per cent. Its cash ratio is the highest amongst the seven GCCs which means it may be holding larger amounts of cash, affecting its asset utilisation. Overall, FPCL has always managed to generate profits and is also financially independent. It only receives grants from the government for the social obligations met. A continuous focus on improving internal performance with strict controls on expenditure has led to a considerable reduction in expenses. From the outset, FPCL has generated revenue and profits but these have fluctuated. However, it regularly pays dividends to government.

Factors conducive to FPCL's better financial performance are: financial independence since the days of PAF; qualified and experienced board members and top management; continuous focus on renovations, upgrades and purchase of new equipment and machinery; projects undertaken to further enhance efficiency and effectiveness; ongoing training to upskil staff; involving staff in company sports days and annual functions which strengthens worker-management relationship to some extent; including customers as well as ministries in company functions; implementation of redundancy schemes to control workforce size and; creating and maintaining relationships with relevant associations such as the Pacific Countries Ports Association, International Association of Ports and Harbours, International Cargo Handling Co-ordination Association, Association of Australian Ports and Marine Authorities, Fiji Business Councils, Fiji Employers Federation and the Cruise Liner Task Force. PTL's monopoly status is also a key attribute.

Factors impeding FPCL's financial performance are: corruption at the highest level, political interference, ongoing tussle between the board and top management, global crisis, devaluation of Fiji dollar affecting exchange rates which in turn increase the overseas loan repayments. This GCC is able to generate profits and pay dividends to the government. However, if the mentioned impeding factors are addressed it will be able to perform even better.

Post Fiji Limited (PFL)

Pre-reform Performance

In its early days, Fiji's postal operation was a division of a government department - the Department of Posts and Telecommunications. Later in January 1990, this department was corporatised as Fiji Posts and Telecommunications Limited (FPTL). While the superior performance of Telecom was undenied as it was the better performing partner, contributing 92 per cent to overall profits (Chaudhari, 1996b), the independent profit making status of Post Fiji could also not be ignored. Post Fiji earned $680,000 profit in 1993, $691,000 in 1994 and $1.37 million in 1995 (Fiji Business, 1996a: 23). Despite being paid little attention during the days of FPTL, Post Fiji was able to generate profits annually. It earned almost $1.2 million in profits before its split from Telecom in 1996 (The Review, 1997b: 32).

Post-reform Performance

With diversification after the split from Telecom, PFL's profits jumped to approximately $2 million (Interviewee 19, 2009). Around 1999, PFL was one of the six profitable postal operations in the world (Chaudhari, 1999; Interviewee 19, 2009). From its inception, PFL has been able to generate profits until 2009 except in 2006 and 2010. Interviewee 19 (2009) explains that prior to 2006, PFL was able to perform particularly well given little competition but in the later years, competition affected its performance. PFL has reported increases in revenue until 2005 since its inception but has seen declines since then. PFL's asset utilisation ratio and ROA is the second best among the seven GCCs. However, its liabilities/total assets ratio indicates higher risk at 57 per cent. It has the second highest liabilities/total assets ratio among the seven GCCs.

PFL's cash ratio is below 1. Holding smaller amounts of cash reflects at effective asset utilisation. PFL has continued to report profits except in years 2006 (given the redundancy payout) and 2010. It has also regularly paid dividends to government except for the years it generated losses. Overall, the later years has seen declines in revenue and fluctuations in profits as well as dividends, raising concerns on PFL's financial performance. In recent years from 2009, its performance has been disappointing. But it has been financially independent. It only receives grants for the social obligations met.

Factors conducive to PFL's better financial performance are: foresight and a proactive approach in the earlier days of corporatisation, diversification of products and services, counter queue management, marketing, enhancement of the corporate look by making changes to the interior as well as the exterior of post offices, sponsorships, financial independence, seeking compensation on social obligations met, training and encouraging further education to up-skil staff, allowing employee teams to engage in competitions and implementing their suggested recommendations, building and maintaining external alliances with organisations such as the Universal Postal Union and, continuous investments in relevant technology. The final attribute needs to be further strengthened. The abovementioned attributes had placed PFL amongst the better performing GCCs for some time. At one time, PFL was noted as one of the six successful postal operations in the world (Chaudhari, 1999).

Factors impeding PFL's financial performance are: corrupt activities of the former top management and board chairman, increased competition given the rapidly changing technological environment, hard to change work-culture and a powerful board which the top management might find restrictive. These factors have led to declining profits and dividends, and the inability to remodel business in line with the current technological changes. Changes are being made but lack speed.

Unit Trust of Fiji (Management) Limited (UTOF)

Pre-reform Performance

Interviewee 25 (2009) clarifies that in the earlier years, UTOF was not doing too well until 2000 which led the government to decide on the closure or privatisation of it. He reveals that at that time UTOF was a small company. He states that the size of its portfolio, amount of dividends and the number of unit holders were considered too low for operations, deemed unviable for the government. He gives full credit to the former GM for the turnaround of UTOF. He explains that it was then when the former GM came in and turned UTOF around from a $15 million portfolio to about $90 million by 2008. With respect to the government's earlier surprise announcement of selling off UTOF, government later decided against it. The former GM held parliamentary discussions and made ministerial presentations. He advised the ministers that there will be a turnaround and requested that the company not be divested.

Post-reform Performance

Unlike AFL, PFL and FPCL, reforms at UTOF have not been carried out in defined stages or steps. Instead, reforms have been implemented as a number of changes over the years for the better. Such positive changes are in the areas of staff training, new investments, increased investments, marketing, nationwide accessibility and computerisation. By 30 September 2007, UTOF's total funds grew from an initial government investment of 500,000 to $72.2 million in 2010 (UTOF, 2011). Over the years, UTOF liquidated and paid up this financial involvement of government, reducing government's investment to an even smaller $50,000 (Interviewee 25, 2009). UTOF's total fund was highest in 2006 at $94.4 million. Overall, its total managed funds increased between 1987 and 1998, declined in 1999, increased between 2000 and 2006 and then declined in 2007. Number of unit holders grew between 1987 and 1991, declined in 1992 and then increased between 1993 and 2007. UTOF's asset utilisation ratio and ROA is the best among the seven GCCs. Its liabilities/total assets ratio also indicates lower risk at 40 per cent. Its cash ratio is below 1 and holding smaller amounts of cash has a positive effect on asset utilisation.

UTOF's profit was only negative in 2009 and highest in 2008. Profits have improved in 2010 and 2011. Revenue has been the highest in 2010. UTOF is also a financially independent GCC. It is able to generate profits and pay dividends. Given its small non-unionised qualified and experienced workforce, culture change is not that big an issue when compared with AFL, PFL and FPCL.

Factors conducive to UTOF's better financial performance are: strong leadership; qualified and experienced top management; meaningful training and up-skilling of staff; portfolio diversification; consideration of competition; effective marketing which appeals to target market; continued growth; effective strategies; strong cost management; risk management; computerisation; quick and easy methods of purchase and redemption for customers; and Fiji-wide investment made possible through Post Office and Fiji Development Bank (FDB) branches.

UTOF's Momi Bay project disaster cannot be ignored. In this project, UTOF, FDB and Fiji National Provident Fund (FNPF) were cheated by the developer Matapo Limited, a Bridgecorp-related company. At the end of this fiasco, UTOF faces a $12 million debt, topped up by interest costs. It is claimed that proper due diligence was not done and that there were early warning signals of the project going under but these were ignored. A lot of details, even a feasibility study were missing in the paperwork of this deal. This raises questions on UTOF's risk assessing strategies. However, UTOF is working towards minimising the loss incurred from this project. It is holding talks with FNPF, asking it to take over its $13.5 million (NZ$10.14 million) interest in this project. Its liability is lower than the other investors since UTOF is never the leading partner in any project. The future will be more telling on whether UTOF was able to minimise this loss and by how much.

The following section highlights the impeding and conducive factors of the poor performers which are FPFL, FHCL and RRL.

Food Processors (Fiji Limited (FPFL)

Pre-reform Performance

Since 1984, FPFL operated under a joint venture partnership between Burns Philp (South Sea) Company Limited and National Marketing Authority (NMA) (Keith-Reid, 1984). FPFL began operations after Burns Philp decided to enter into food processing. NMA was later renamed National Trading Corporation (NATCO). By 1986, FPFL was the biggest canned foods operation in Fiji. However, ever since the takeover of the defunct assets of Castle Trading Limited, FPFL was plagued with high costs. In 1992, FPFL was made a subsidiary of NATCO (Appana 2003). FPFL survived as the only subsidiary of NATCO. In July 2003, it was declared a GCC when NATCO was liquidated. FPFL was reformed because its parent company could no longer sustain itself as its debts increased. Without a change in direction, NATCO could have taken down all its subsidiaries with it (Interviewee 11, 2009).

Post-reform Performance

FPFL's financial performance has seen much fluctuation in revenue and profits over the years. Total revenue fluctuated between 1998 and 2003, increased between 2003 and 2006, then decreased in 2007 and 2008 but increased much between 2009 and 2011. FPFL has also been focusing a lot more on its major products that contribute to high profits. As for profits, FPFL reported losses in 2001, 2002 and 2008. Profits fluctuated between 1998 and 2000, and then turned negative and fluctuated thereafter. Profit was at its highest in 1999 followed by 2007 and lowest in 2008. FPFL's asset utilisation ratio is low but it is third best among the seven GCCs. Its liabilities/total assets ratio indicates lower risk at 40 per cent. Its ROA is low but better than the two other poor performers, FHCL and RRL. FPFL is, however able to generate small profits but it is in no position to pay dividends to the government. It has requested and has been granted a waiver on dividend payment for a few years.

Factors impeding FPFL's financial performance are: changing the mindset of all its employees towards commercial operations, financial dependence on the government, no compensation for social obligations met, raw material dependence on rural farmers, supply shortages, high unmet customer demand, farmers dishonouring contracts, the inability to take to task farmers who ignore contractual agreements, high cost of produce if sourced from outer islands, the inability to purchase from whoever can supply, lack of proper equipment and machinery, old buildings, limited processing space, lack of effective marketing, lack of skilled and experienced personnel given financial constraints, and the rising cost of other raw materials such as cans.

Its key strength lies in some of its high in demand products. For instance, Pacific Crown Tomato Sauce is a market leader. The high demand of some of its products in overseas markets also shows much potential in export earnings but supply related problems makes it difficult to meet demand. There are little improvements such as small profits generated in some years but the mentioned persistent problems overshadow such small 'wins'.

Fiji Hardwood Corporation Limited (FHCL)

Pre-reform Performance

The Ministry of Forests was responsible for the development and maintenance of the mahogany plantations between the 1960s and 1997 (MPETC, 2012). In the 1980s and 1990s, government realised that it was not good in commercial business. It then decided to reform its public enterprises (Interviewee 6, 2009; 2011; 2012). Accordingly in 1996, a study was carried out to ascertain the viability of establishing a hardwood plantation corporation based on the successful transition of the softwood plantations into Fiji Pine Limited. The study recommended corporatisation (FAO, 2002).

Post-reform Performance

In March 1998, FHCL was established as a GCC to administer the commercialisation of the mahogany resource. FHCL is one GCC that has seen huge turbulence (Interviewee 6, 2009; 2011; 2012). From its inception until 2003, FHCL remained dependent on government funding. It has been a disappointing performer. It did not show any progress since its inception in 1998 until 2007 (MPETC, 2009c). Year 2003 history repeated itself in 2006. In 2006, FHCL was again technically insolvent. Returns did not flow in as expected. FHCL has reported fluctuating losses, losses being the highest in 2007. It only reported profits twice in years 2008 and 2010. Year 2008 marked the first year of profits for FHCL. Credit for these positive changes goes to the Administrator and the then appointed Sri Lankan Financial Manager. The two worked closely to identify loopholes and put in place financial controls. They introduced internal restructure and identified targets. As at 31 January 2011, debts of FHCL totaled about $26 million. Out of this, about $16.8 million is guaranteed by government (Nasiko, 2011e). FHCL is also behind in its repayments to FNPF. Because FHCL is about 80 to 90 per cent export based even when it is yet to fully develop its export market, global crisis also has a significant adverse impact on it (Interviewee 6, 2009; 2011; 2012). FHCL's asset utilisation ratio is extremely poor at 9 per cent. It is the lowest among the seven GCCs. Its ROA also runs negative and is the second lowest among the seven GCCs. Its liabilities/total assets ratio is lowest among the seven GCCs since most of its borrowings are sourced from government or government owned enterprises. Its cash ratio is below 1 and is the second lowest among the seven GCCs. While holding smaller amounts of cash may reflect at effective asset utilisation, in FHCL's case its asset utilisation is also poor. FHCL is also the most controversial of all GCCs. Marred with landowner and political interference and the 2000 coup after-effects, FHCL was never entirely left on its own to function commercially from the outset. It was never really given a commercial environment to work in. This explains the departure of a number of CEOs who left out of frustration because the enterprise does not have sufficient control over its activities. Every now and then, management has had to consult and seek approvals from the key stakeholder – the landowners and this has never been easy.

So far, the government has not received any dividend from FHCL. It remains dependent on the government funding and/or guarantees.

Factors impeding FHCL's financial performance include: the tussle between the mahogany landowners and the government and their interferences in FHCL's operations, the politicisation of the industry with frequent changes in the government and the resulting changes in policies which have not helped the enterprise to progress, financial dependence on the government; resource dependence on landowners; issues of pests, diseases and land insecurity; sensitivity to political and economical situation which gives investors a negative image of the industry; changing the mindset of FHCL employees towards commercial operations and; lack of adequate skills, experience and resource for value-adding processes.

Factors conducive to FHCL's financial performance are: the lucrative resource of mahogany and the latest proposed set up described in chapter seven which appears hopeful and may address some of the problems. Under the new set up, the role of FHCL will be confined to a forest manager - it will only be engaged in the planting and maintenance of plantations until maturity. The planting and maintenance functions will be contracted out to the landowners. The industry will operate under a new licensing regime whereby the processing and marketing aspects of the industry will be handled by new licensers who would be forestry experts in plantations. A number of stakeholders, including FHCL have expressed their reluctance towards the new set up, however, the future will be more telling on the effectiveness of this new direction and policy change.

Rewa Rice Limited (RRL)

Pre-reform Performance

RRL was established when the Colonial Sugar Refinery (CSR) Company Limited ceased its operations in Nausori. In its early days between the 1970s and early 1980s, the rice industry had people, power and money to invest into infrastructure (Interviewee 23, 2009). The 1993 deregulation of the industry brought with it problems of competition.

Post-reform Performance

As the status of RRL changed to that of a GCC, it changed directions for its survival. In 1997, RRL decided to do what the bigger companies did. It began offering other products but to different target markets. RRL has seen more downs than ups in the past three decades (The Review, 2002). It is one of the "least productive entities" of the government (The Review, 2004b: 2). The Review (2002: 27) reports that from after the 1980s era, RRL has been plagued with declining rice production, almost forcing it into stagnation. The Review (2004c) reports that from 1999 until 2003, RRL only reported profits of $2.41 million and $121,399 in 1999 and 2001, respectively. The high profit of 1999 is attributed to the rice quota system introduced by the then reigning regime, the People's Coalition Government. In July 2008, RRL requested government to write off its $6 million debt. Because of this $6 million debt, RRL is unable to secure loans from lending institutions. $4.6m of the said amount was converted to a grant with a tax levy of $500,000 but RRL is in no position to pay this levy. It has to pay the tax liability of $500,000 (Interviewee 23, 2009). To this end, it has been requested to submit a schedule for payment installments to the Inland Revenue Department. RRL's revenue declined between 2003 and 2006 but improved in 2007. Between 2003 and 2010, it continuously reported losses except for the small profit generated in 2008. RRL's asset utilisation ratio, while poor at 29 per cent is the fourth best among the seven GCCs. Its ROA runs negative and is the lowest among the seven GCCs. Its liabilities/total assets ratio is the highest among the seven GCCs, reflecting at high risk. Its cash ratio is above 1 and is the second highest. As per the MPETC (Website), the overall performance of RRL has seen some improvements in the areas of liquidity position, asset management and profitability. However, Return on Shareholders' Funds remains negative as RRL awaits a restructure to its balance sheet by the government (MPETC Website).

Factors conducive to RRL's financial performance are: RRL's brown rice product which is a healthier and more nutritious alternative than the tastier, popular and cheaper competing product of imported white rice. It can tap into the health conscious market. The support and interest of the current government and the RRL board is also worth noting.

Factors impeding RRL's better financial performance are: short supplies; farmers ignoring contracts; the inability to take to task farmers who renege on contracts; past debt and the related tax liability; competition from the popular, tastier and cheaper substitute of imported white rice; lack of mechanisation; costly upgrades of infrastructure; poor marketing; and subsidy included in paddy price but not compensated by the government. These factors continue to plague the rice industry.

The reason Pacific Island Countries (PICs) and other countries establish public enterprises is to employ better business practices to bring in funds into government for improvements in programs and services. However, when PICs just move the same staff to the changed or reformed enterprise, then there is little success (if any). There is also a need for public-private member checks and balances of boards. In the absence of proper checks and balances and the same staff being carried forward, such enterprises resort back to poor government practices or to private sector priorities (ignoring its public interest). The following paragraphs state the factors that are common across the better performers, those that are common across poor performers and those that are common across both the better and poor performers.

Comparisons across Cases

Overall, this thesis notes similar key attributes that have made Airports Fiji Limited (AFL), Post Fiji Limited (PFL), Fiji Ports Corporation Limited (FPCL) and Unit Trust of Fiji (UTOF) better performers. Such attributes are: qualified and experienced board, top management and employees; strong focus on ongoing training and further education; proactive approach of leaders who not only learn from past mistakes but also try to rectify problems; financial independence; diversifying and/or expanding operations; conducting of feasibility studies; seeking outside professional assistance when needed; memberships in relevant associations; effective marketing (particularly at PFL and UTOF); upgrading or investing into relevant technology, equipment and machinery; continuously engaging in projects to further enhance performance; and being compensated for social obligations met (PFL and FPCL). These above four GCCs are amongst the better performers.

At one time, PFL was one of the six profitable postal operations in the world. FPCL has ports comparable to Australia and New Zealand. UTOF is said to have shown remarkable growth over the years with 57 per cent market share. In its earlier days, AFL was generally seen as one of the most profitable public enterprise between 1979 and 1999. AFL's technological achievement of being the first in the world to implement the Global Positioning System (GPS) gave it the cutting edge in global aviation technology.

However, these GCCs are not without problems. They have had problems of corrupt former top management/board members (PFL, FPCL), strained board-management relationships (AFL, FPCL, PFL) and management-union relationships (AFL, FPCL), political interferences (all four), hard to change work culture (all four), adverse effects of global recession (all four) and, risky projects (AFL, UTOF) leading to losses. Such negative attributes have been overshadowed, to a certain extent by the positive attributes which have helped these GCCs to continue to generate revenue and profits.

On the whole, while AFL, FPCL, PFL and UTOF are labeled better performers since they are able to generate profits and pay dividends, all of them have their own problematic issues which have affected their financial performance, leading to declines or fluctuations in profits and dividends paid over the years. Addressing the mentioned impeding factors can make them consistent better performers or help them to improve even further.

The poor performers of Food Processors (Fiji) Limited (FPFL), Fiji Hardwood Corporation Limited (FHCL) and Rewa Rice Limited (RRL) remain riddled with numerous problems. They operate in losses or generate insignificant profits and are not in a position to pay dividends to the government.

The description of events over the years at FPFL, FHCL and RRL reflect at a number of issues that continue to plague them. These issues are: heavy dependence on the most powerful stakeholders - the suppliers or owners of resources from whom cooperation is continuously sought but without much luck; dependence on natural resources which are susceptible to natural disasters and pests; financial dependence on the government; no compensation on fulfilled social objectives (FPFL, RRL); obsolete machinery, equipment, technology and buildings which are in dire need of upgrades; the need for extensive and creative marketing and; lack of forethought on diversification.

The above enterprises are also adversely affected by external factors such as deregulation of the industry (FPFL), lower import duties on substitutes (RRL), rising prices of raw materials (FPFL), global crisis and its adverse effect on the economy and, price sensitive customers who prefer cheaper substitutes (RRL). While they are required to operate like a private sector firm, they are also required to fulfill social obligation objectives which no private sector firm will venture into. These GCCs are neither relieved off their social obligations nor adequately compensated. For instance, RRL includes subsidy in its price for paddy to farmers to encourage continuous supply but this subsidy is not compensated by the government. The above attributes lead to little to no improvement in their financial performance, at times even leading to worsened situations. This feedback loop continues with bad situations getting worse. However, little improvements such as small profits have been generated in some years but the mentioned persistent problems overshadow such small ‘wins’. These three GCCs are not profitable operations and in no position to pay dividends to the government.

There are also some similarities between the better and poor performers. These similarities are particularly in the areas of: emphasis on ongoing training and further education; political involvement; changes in government and its polices; strained board-management and management-union relationships; corruption; difficulty in inculcating commercial culture; negative reporting overseas about Fiji by its trading partners and overseas media; and the adverse effects of global recession, deregulation and devaluation.

Out of these factors, the first factor - ongoing training and further education is a conducive factor. Political involvement and changes in government policies can be both conducive and impeding. For instance, political involvement can be positive if it is political support but it can also be negative if it is political interference in day to day operations which management can find restricting.

Likewise, changes in government policies can be conducive if it helps the public enterprise to proceed with positive changes. It can become negative if it requires the enterprise to reverse what was done earlier. Good examples are the reform roll back instructions by the Labour Government. Such reversals and frequent changes in policies can be costly for public enterprises.

The remaining factors of strained board-management and management-union relationships; corruption; difficulty in inculcating commercial culture; negative reporting overseas about Fiji by its trading partners and overseas media; and the adverse effects of global recession, deregulation and devaluation are impeding factors.

Overall, the causal factors as identified inductively from the empirical study, can be grouped into six categories as shown in the following Table 8.6.

Table 8.6: Independent Factors that affect Financial Performance of GCCs

Financial factors	financial independence; ability to generate profits, ability to invest into capital projects, being compensated for fulfilled social obligations
Technological/infrastructure improvement	upgrades or investments into relevant technology, equipment and machinery; continuous engagement in projects to further enhance company performance and proper handling of such projects
Qualification/experience/capability	qualified and experienced board, top management and employees; corruption issues and how these are dealt with; effective approach of leaders in learning from past mistakes and rectifying problems; and workable future plans
Relationship between stakeholders	board-management and management-union relationships, cooperation from powerful stakeholders - the suppliers or owners of resources
Commercial culture	commercial culture inculcation, ongoing training and further education; diversification and/or expansion of operations; seeking outside professional assistance when needed; memberships in relevant associations; conducting feasibility studies and pro-active approach towards marketing
Political involvement	political support, political interference, changes in government and its polices, social obligation compensation by government; and negative reporting overseas about Fiji by its trading partners and overseas media
External factors	competition, natural disasters, pests and diseases; and adverse effects of global recession, deregulation, devaluation and exchange rates increasing overseas loan repayments

While a common argument explaining the better financial performance can be the monopoly status of GCCs such as AFL and FPCL, what is also true is that their monopoly status could not prevent the drop in profits experienced in certain years given the global crisis, coups in Fiji, coup related negative publicity of Fiji overseas and the devaluation of Fiji dollar which increased the repayments of loans borrowed from overseas. They are regulated monopolies which cannot increase tariffs or charges without government approval. In AFL's case, its only profit making airport is the international airport, the remaining domestic airstrips run in losses. Under government directive, they have to operate the smaller domestic airstrips; however, AFL is not adequately compensated for this social obligation.

Then there is the case of FHCL which also holds a monopoly over a very lucrative resource of mahogany but is the worst financial performer. Thus, monopoly status should not be seen as the key or only factor causing differences in financial performance of public enterprises since it alone does not explain what can give rise to differences in financial performance.

The causal factors discussed above help to solve the key puzzle of why reforms fare well in some public enterprises, not all. While the financial performance (the dependent variable), show how the enterprises perform, the causal factors (the independent variables) which include both the financial as well as the non financial factors are able to explain the causes behind the better and poor performance. Such causal factors were identified inductively from the empirical study of the selected GCCs, described in chapters six and seven.

8.2.2 Theoretical Explanations on Causes of Differences in Financial Performance

Using the empirical evidence of this research, this section tests the theoretical explanations behind differences in financial performance. This section tests the assumptions of the five selected theories of the Resource Dependence, Agency, Structuration, Institutional and the Organisational Culture discussed in chapter two to ascertain their relevance in realistic settings.

Resource Dependence Theory

One of the key assumptions of the Resource Dependence Theory is that organisations will respond to and become dependent on those organisations which control and provide it with its critical resources.

The empirical evidence confirms that the poor performing GCCs are very dependent on their key resource providers who are the farmers or the landlord of the critical resources of mahogany (FHCL), fresh produce (FPFL) and paddy (RRL).

The mahogany landowners block the roads to plantation, take legal actions (FHCL) while the farmers disregard their contracts to sell fresh produce (FPFL) and paddy (RRL) when they are able to sell their produce and rice at higher prices. The contracts of these GCCs with the resource providers are such that nothing can be done when resource owners/farmers renege on contracts. In its current form, the contract is just as good as an ordinary piece of paper, offering no surety on consistent supply of agreed quantity and quality at agreed times. This weakness in the existing contract, allow the farmers the liberty to sell their produce/rice when they are able to sell these at higher prices to the produce markets or supermarkets. Such situations make FPFL, FHCL and RRL constrained and their resource providers (the farmers or the landowners) powerful. The following paragraphs explain further on how constrained an enterprise can be in situations of supply related problems of key resources.

The constraining problems relate to quality, reliability and sustainability of raw materials collected and delivered. For instance at FPFL, by the time breadfruit reaches its factory, the quality of breadfruit deteriorates (becomes too soft, overripe or rotten) especially when the breadfruits are collected from the western division villages (McMaster and Nowak, 2005). Another example is frozen cassava. FPFL complains that it is not only difficult to get cassava, what is even more difficult is obtaining the right quality of cassava. The problem extends to coconuts as well. FPFL has orders which it cannot fulfill for coconut oil. The amount it requires is more than a million coconuts annually but the amount it is actually able to obtain is even less than half a million. FPFL can get a million coconuts per year from islands outside of Viti Levu (the biggest island of Fiji) but the high shipping freight costs make the entire process very expensive. A process so expensive would also result in a much higher selling price to the end consumers (McCutchan, 2003). Furthermore, the production schedules and the efficient utilisation of production capacity are disturbed when farmers fail to abide by the agreed supply quantity and the specified pick-up times. FPFL often faces the problem of irregular supply due to 1) seasonal nature of fruits and vegetables and 2) because farmers prefer to sell their produce to local markets at prices higher than what FPFL can afford to pay for bulk supply.

Farmers want FPFL to purchase what is left surplus of their perishable fruits and vegetables in times of overabundance. This is when the local fresh vegetable market is oversupplied which forces declines in prices. When the market prices are high, farmers disregard their contractual commitment of supplying to FPFL and conveniently sell their produce in the local markets fetching higher prices (McMaster and Nowak, 2005). For example in 2009, FPFL faced short supply of duruka. Because of all-year-around demand for this produce, FPFL only managed to export about 8000 bundles. Faced with the problem of irregular supply or when there are insufficient local fruits and vegetables to process, FPFL spends most of its time processing tomato sauce.

For RRL, while its mill is capable of milling up to 3000 tonnes of paddy, farmers only supply it with 500-650 tonnes on average, annually. Also, much of Fiji's total rice production is for farmers' own use and there are farmers who prefer to make direct deals with the supermarkets despite holding contracts with RRL. Farmers complain that RRL's price is lower than what is offered by the supermarkets. RRL argues that farmers fail to meet market demand and the quota requested by it. RRL maintains that farmers should first be able to supply the quantity required if they want increases in price. The insufficient supply does handicap RRL from fulfilling market demands of those who currently buy brown rice and those who can be persuaded to buy brown rice.

At FHCL, the landowners often stage protests to take back the trees which occupy their land, even though the land is leased by the government. The second CEO of FHCL explained that FHCL was often unable to access the plantations because of unresolved issues over crop ownership. In 1998, the people of Vusena, near Navua (in Viti Levu) sued the government for its decision to privatise the hardwood industry. Two landowning units of Tailevu (in Viti Levu) organised roadblocks to claim compensation. The Mataqali Rara of Naimasimasi Village in Tailevu demanded back their thirty-eight acre land leased to FHCL on which mahogany is planted. They justified that this land was reserved for them by their forefathers, arguing that FHCL planted mahogany without their permission. FHCL leased forty-eight acres of an eighty-six acre land mass.

Some landowners have also taken the government to court. For example, the chief of the Nukurua clans took legal action against the government. It claimed that the government failed to honour the terms of the deal. Nukurua holds the largest and the oldest of the fourteen mahogany plantations.

Overall, the key argument of the Resource Dependence Theory of - an organisation will become dependent on and be constrained by those organisations that provide it with its critical resources - is meaningful here since supply related issues of key resources can have an impact on an organisation's financial performance. This is elaborated on further below. The Resource Dependence Theory points out that the organisation which provides key resources will be more powerful than the dependent organisation given that as a supplier it owns and controls the critical resources. When the critical resources are raw materials or inputs to the production process, the production process of the dependent organisation will be affected adversely in situations of short supply, delayed supply or irregular supply. Short supplies, delayed supplies and irregular supplies will lead to a waste of production time and/or lower production levels. These in turn can lead the dependent organisation not being able to meet customer demand, losing out on sales and profits. This implies that a given organisation's performance very much depends on the organisation that provides it with its critical resources. In other words, the dependent organisation is at the mercy of the powerful supplier of critical resources. However, the situation of the better performers (AFL, FPCL, PFL and UTOF) differs since they do not suffer from such dependence. The assumption that organisations depend on organisations which provides them with their critical resources, holds true for the poor performers who depend much on their key resource providers.

The following paragraphs discuss the other assumptions of the Resource Dependence Theory using empirical evidence, testing on whether these also hold true in the real life setting of the GCCs.

The Resource Dependence Theory also argues that the dependent organisations can shape their own destiny as managers continuously engage in making strategic choices in order to weaken or reduce external pressures. The empirical study shows how GCCs have often tried to better their situation but such efforts have not always been successful. For instance in 2003, the poor performing FPFL board with its management applied for funding from government to facilitate plant modernisation but only to be refused. Similar requests for government support were also made much earlier but to no avail. Later, given its heavy capital expenditure, FPFL requested the government for a waiver on dividend payments. It was successful this time as it has been granted a waiver.

RRL requested that its $6 million debt be converted to a grant. $4.6m of the said amount was converted to a grant with a tax levy of $500,000 but RRL is required to pay its tax liability. To this end, it has been requested to submit a schedule for payment installments to the Inland Revenue Department. RRL has also submitted a proposal to the Ministry of Public Enterprises, Tourism and Communication (MPETC) with quotations, seeking funds for upgrades. Response from the MPETC is awaited. While the findings show that the poor performers which are overly dependent on their resource providers for critical resources are constrained in shaping up their own destiny successfully, the empirical evidence does support the argument of - managers continuously engaging in making strategic choices to either weaken or to reduce external pressures. The empirical study also shows that even the better performers try to seek opportunities to better their performance. However, all their efforts have not always been successful. The GCCs also need approvals from the board and government which slow them down especially when the board and government doubt the success of their proposals.

The following paragraphs provide empirical evidence on such efforts which at times are less successful. For instance, in the quest for preferential treatment, PFL often seeks tenders for mailing systems of other government departments but such requests have been declined by the government. It also often requests for increases in postal tariff.

In December 2002, Prices and Incomes Board (PIB) approved the removal of international postal tariffs and other miscellaneous charges from PIB regulation while the domestic postal rates were only affected by an increase in the Value Added Tax (VAT). Later, the Commerce Commission approved a request for an increase in domestic postage from 16 cents to 20 cents in 2006. But further requests to the Commerce Commission for increases in postal charges have been declined.

FPCL, from its earlier PAF days has always requested for tariff increases. In the early 1990s, despite PAF's continuous requests, it was not granted any tariff increase. Tariff rates were reviewed in 1998. In 2007, FPCL put forward a new tariff structure to Commerce Commission. This was declined. FPCL had made earlier failed attempts in the past two-three years for tariff increases. Undeterred, it resubmitted an agreed position to the Commission in August 2008, requesting for a 15 percent increase in tariff, justifying that since May 2001, there had been no increases in port charges while operating costs kept increasing since the past seven years. An increase of 7.5 per cent was accepted against the request of 15 per cent increase. As for AFL, in its earlier days in the mid 1990s, when it was CAAF, it submitted a draft legislation to charge for the public car park. It kept waiting and was told that it had no right to do so. AFL also often requests the government to fully subside its loss-making thirteen airstrips which are operated as social obligation. The Nadi Airport cross-subsidises these losses. The government only provides AFL about $1 million a year but this is not enough since the losses generated for these airstrips are much higher.

In general, the empirical evidence shows that the Resource Dependence Theory argument of managers continuously engaging in making strategic choices to either weaken or to reduce external pressures, does hold true for both the better and poor performers. However, what is also true is that such efforts are not always successful. Successful efforts of managers can have positive impact on financial performance as it can reduce debts, expenses and/or increase revenue.

Another assumption of the Resource Dependence Theory is that competitive advantage can be sustained and strategic options can be broadened with the development and expansion of resources. The theory explains that strategic options can be broadened and resources can be expanded by partnering with other businesses which can provide access to new and improved resources such as technologies, skills and systems. Partnering with other businesses to enhance own business operations is clearly evident in the empirical findings as follows.

AFL signed a contract with Airbiz Limited for the development of a twenty-two year master plan for projected growth, better infrastructure and to enhance the non-aeronautical income such as the commercial rental space and car parking. Airbiz is a New Zealand based specialised airport planner with expertise in planning of similar sized airports. AFL has also signed MOU with Solomon Islands for their air space management.

As for PFL, it is a member of the Universal Postal Union (UPU) which assists postal operations to develop further and provides them with many consultancy services, free of charge. PFL has an International Affairs Department that seeks assistance from UPU at the international level for meaningful and continuous improvements. Its delegation attends and participates in the UPU congress organised every four to five years. PFL also worked with DataMail NZ, a subsidiary of New Zealand Post to establish a document and information management service known as Smart mail. In addition, it even joined hands with its competitor DHL, for its Jetpack product - a co-branded product of EMS Courier to give a boost to its international outbound documents. This alliance allows both the companies to use each other's strengths for mutual benefit. DHL has strength in the international market with a large network and own aircraft. Furthermore, PFL acts as an agent of the Western Union in receipt and transfer of money, internationally. It also works with the Colonial National Bank, now Bank South Pacific in providing limited but essential banking services to the rural communities especially in the islands.

From year 2010, it partnered with Digicel and Westpac Banking Corporation for 'Digicel Mobile Money' service which allows customers to deposit and withdraw money through their mobile money accounts at selected PFL outlets. Such alliances are also common in FPCL. Since the days of PAF, FPCL has acted as the Secretariat of the South Pacific Ports Association (SPPA), now known as Pacific Countries Ports Association (PCPA). Alliance with the PCPA helps port enterprises to further develop their ports through exchange of information, experience and knowledge amongst the member ports. In addition, FPCL is a member of the International Association of Ports and Harbours, International Cargo Handling Co-ordination Association, Association of Australian Ports and Marine Authorities, Fiji Business Councils, Fiji Employers Federation as well as a member of the Cruise Liner Task Force in Suva, Fiji. Furthermore, for its major ports development project, FPCL joined hands with ADB. ADB's technical expertise in the rehabilitation of roads, bridges and ports in the region, encouraged FPCL to partner with it on this project.

UTOF has partnered with other companies for a number of projects. It's Naseyani (in Rakiraki, in Viti Levu) project is a partnership with the USA production plants. The opening of this water extraction and bottling plant is scheduled for 2012. It also, together with Fiji Development Bank (FDB) and Fiji National Provident Fund (FNPF), invested in the Momi Bay development project. This project turned sour when local investors realised that they were cheated by the developer Matapo Limited, a Bridgecorp-related company. Resultantly, UTOF faces a F$12 million debt, topped up by interest costs. It is holding talks with FNPF to take over its F$13.5 million share.

Not only the better performers, the poor performers also joined hands with other companies for mutual benefits. For example, FPFL has a license arrangement with Goodman Fielders (Fiji) Limited for the production of the Worcestershire sauce. It has also entered into negotiations with Punja and Sons for local and overseas distribution of its products. Punja and Sons is one of Fiji's large distribution companies. Its expertise, reputation and experience can enhance the availability of FPFL products, worldwide. RRL had a strategic alliance with the Rice Company of Fiji for some time.

The Rice Company of Fiji is a subsidiary of Flour Mills of Fiji (FMF) which is a prominent local rice importer. FMF used the RRL brand, 'Rewa Rice' as a label on the rice they imported from Thailand. This strategic alliance was meant to facilitate private investment and growth in the rice industry and gave "a new lease of life" to the 'Rewa Rice' brand. A problem erupted in this alliance when the Rice Company of Fiji expressed its interest in purchasing the 'Rewa Rice' brand name; an offer declined by RRL.

Overall, such alliances or partnerships have an impact on company operations (PFL, FPCL) or product saleability which directly impacts on financial performance (PFL, FPFL, RRL). Thus the assumption that strategic options can be broadened and resources can be expanded by partnering with other businesses which can provide access to new and improved resources such as technologies, skills and systems, holds true.

However, what is also true is that in certain cases, as was the case in UTOF's Momi project, if companies are not careful enough then partnering can turn into a liability, adversely affecting financial performance - UTOF faces a F$12 million debt, topped up by interest costs. While partnering can be useful in enhancing operations through better technology and infrastructure, care should be taken on who the partners are.

The Fiji Government has planned to further enhance the poor performers operations through strategic partnership. However, while FHCL has stirred up interest given its lucrative resource of mahogany, FPFL and RRL have not attracted much interest on strategic partnership. Such strategic options are difficult for poor performers which have a history of poor financial performance and age old infrastructure. In the case of FHCL, the struggle between the landowners and the government does not allow such a partnership to eventuate. Landowners fear opening up the plantations to the market. To them, this means losing control over their resources.

Generally then, the assumption of - strategic options can be broadened and resources can be expanded by partnering with other businesses which can provide access to new and improved resources such as technologies, skills and systems, can prove difficult for organisations which may not appear as attractive. This has been the case for the poor performing GCCs of FPFL and RRL.

The Resource Dependence Theory also argues that a good combination of insiders (employees) as well as outsiders (not from within the organisation) in a board will be the most favourable board composition. This assumption is discussed later in the discussion on Agency Theory because it provides a good argument on effective board composition. Both theories offer different explanations and suggestions on effective board composition but this thesis disagrees with both given the empirical evidence.

Overall, the assumption of the Resource Dependence Theory that is most useful in explaining the key constraint in the path of better financial performance for the poor performers is, organisations can be constrained by those organisations which provide it with critical resources such as raw materials for the production process. The empirical study also agrees with most of the other arguments of this theory except for the assumptions that a) the dependent organisations can shape their own destiny b) strategic options can be broadened and resources can be expanded by partnering with other businesses which can provide access to new and improved resources and c) a balanced board with insiders as well as outsiders will be the most effective board. This thesis has shown that the companies which are overly dependent on their resource/raw material providers (the poor performing GCCs) and have a history of poor financial performance with poor infrastructure find it difficult to not only shape up their own destiny but also find it difficult to attract strategic partnerships. Assumptions a) and b) are thus, not true for all public enterprises.

Agency Theory

The key actors in the Agency Theory are the principal and the agent. Central to this theory is the argument that the agent may optimise its profits at the expense of the principal (agent opportunism). The link of this assumption to financial performance is clear and is explained as follows. An organisation will be on the losing side if agent opportunism is substantial and remains undetected. In such situations, the benefits that should accrue to the organisation fill the pockets of the agents, impacting adversely on an organisation's financial performance. The following paragraphs discuss this further using empirical evidence.

With respect to the case study GCCs, the principal is the government while the agents are the top management and the employees. Agent opportunism has been illustrated in the case studies of PFL, FPCL, FHCL and RRL where the top management and/or the board members or managers were engaged in transactions that benefited them personally at the expense of the enterprises they worked for.

At PFL, four former executives were charged with various offences ranging from abuse of office, extortion, aiding and abetting abuse of office, and false certificate by public office. Malpractice of a former MD was also highlighted. Upon his resignation, this MD was paid a gross compensation of $246,479.89. He also received $24,000 as gratuity, a payment he was neither entitled to nor allowed for in his contract. This payment was not even approved by the Higher Salaries Commission. The former board chairman was also alleged to have received allowances not entitled to.

In addition, it was alleged that a former GM approved a payment of $75,000 for the purchase of an external Seiko clock for the PFL building from a company owned by the former chairman, without following proper tender procedures. Allegedly, the former board chairman allowed this to happen, failing to disclose his interest and relationship with the company. The former board chairman claimed he knew nothing about the discussions on the purchase of the Seiko clock. The court convicted both.

They are out on bail and have been asked to submit their passports to court registry. Accordingly, a new board was appointed.

At FPCL, a former board chairman was charged with one count of abuse of office by the Fiji Independent Commission against Corruption (FICAC) for which he appeared in court. He was alleged to have approved $177,000 in payment to the then CEO between 7 and 13 December 2006. This payment was neither approved by the board nor by the Higher Salaries Commission. The chairman was released on a $1000 cash bail and was removed from the board and chairmanship of FPCL. A former CEO was sent on leave to allow for investigations into his alleged mismanagement. It is also alleged that he was paid during this investigation period.

At FHCL, it was alleged that a former GM Manufacturing was underselling Fiji's product overseas for a commission in Hong Kong. The FHCL board did not take it up any further except for declining to renew his employment contract. The board decided not to waste time in investigations but took note of lessons learnt. Also a former board chairman of FHCL, who was the coup instigator in the year 2000, was alleged of bribe-taking from a company he aggressively promoted for strategic partnership with FHCL. His bank statements revealed that two separate payments of $5,000 were made to his Australian bank account. This chairman was dismissed for alleged bribe-taking.

At RRL, an Acting GM was alleged of abuse of office through misuse of vehicle, resulting in higher fuel expense. He did not stay in this position for long.

Agent opportunism is thus clearly illustrated in the empirical study as mentioned above. However, the empirical study also shows that, structure, by way of audits did strike back to take to task the opportunists. More on this will be discussed in the discussion of Structure/Agency debate later in this chapter.

The Agency Theory also highlights that the principal tries to guard against agent opportunism by investing into information systems to control opportunism.

The theory indicates that board of directors is a particularly relevant system for monitoring executive behaviours. This theory highlights that a board represents the key internal control mechanism. All GCCs in Fiji are led by a board of directors who are outsiders (not from within the GCC). The Agency Theory asserts that independent outside directors in the board can lessen insider opportunism as well as lessen insider influence over the board. In contrast, the Resource Dependence Theory argues that a good combination of insiders as well as outsiders in a board will be the most favourable. This thesis disagrees with both these theories. This thesis argues that while a board is established to oversee management and to control agent opportunism, in the cases of PFL and FPCL, it became party to opportunism. In other words, board members can collude with the top management for personal gains. In this way, boards at times may not be the best control mechanisms. Other control mechanisms, such as an independent audit is a better mechanism, unless the auditors are corrupt themselves. Audits can even expose the doings of a board as was the case at PFL, FPCL and FHCL. Board members and the top management can get together to practice agent opportunism. Hence, neither an outsider-dominated board nor a well balanced board can assure complete prevention of agent opportunism. This study thus argues that irrespective of what the board combination is, agent opportunism cannot be totally prevented but can be detected through external audits or a regulatory agency.

On the whole, this thesis agrees with the Agency theory on the explanation that agents may optimise their profits at the expense of the principal but it disagrees with the explanation that a board can be an effective mechanism to curb agent opportunism. With respect to the link between agent opportunism and financial performance, the greater the agent opportunism, the greater the adverse impact on the principal.

The case of FHCL is a good example. Under the leadership of the third CEO, FHCL was reported insolvent. Based on export reports of mahogany timber, FHCL should have generated at least $12 million in income annually. In contrast, before the end of the year 2005, FHCL ran out of funds because the reported cost of production was much higher than the revenue recorded.

By the time police could question the CEO, he was said to have fled Fiji (Fiji Mahogany Act 2003: Online Resource). A former GM Manufacturing of FHCL was also underselling FHCL's product overseas for a commission in Hong Kong. The FHCL board did not take it up any further except for declining to renew the employment contract.

The impact of agent opportunism can even be more serious if opportunism remains undetected. This is where structure can be of importance as it strikes back by way of audits. More on this will be discussed in the discussion on Agency/Structure debate.

Structuration Theory

This thesis is in agreement with Giddens' Structuration Theory on the explanation on how structures are created and how they evolve over the years. Overall, the assumptions of the Structuration Theory hold true when tested in the real life setting of the public sector. The theory also explains well how structures are created, recreated and transformed. The importance of structure in performance is by way of structure providing specific guidance and directions to companies and its employees on what should be done how to achieve the organisational goals, without which organisations and employees would be aimless and clueless on what should be done why and by whom. Actions therefore, depend on structure or structure provides guidance on how agents should act. Employee actions therefore, depend on structures of organisations as structures provide guidance to them on how they should carry out their work to meet their performance targets and in turn contribute to the overall organisational goals which can be both financial and non financial. The theory argues that over time with new knowledge, structures can also change. This implies that new knowledge can help organisations to make continuous improvements on a given structure to enhance its overall performance.

The following assumptions of the Structuration Theory hold true when tested in a real life setting of the case study GCCs.

The empirical study on GCCs confirms the following explanation. While social actions (agency) arise from social structures, social structures are also recreated by social actions (agency) over the years. Most of the GCCs examined in this study were first established as public enterprises. As public enterprises, the rules and regulations that governed these enterprises were different to what it is now for GCCs. Such rules and regulations (structures) guided the actions (agency) of the management as well as the employees. The government later restructured some of the public enterprises to GCCs (structure recreated). This is further elaborated on as follows.

As agents carry out activities, their knowledge about the world changes. With this new knowledge, agents continuously recreate activities. In this way, agency directs both the reproduction and transformation of society. For instance across the world over the years, the public sector reform programme became a popular solution for the ailing public enterprises (new knowledge). The Rabuka led Fiji Government had also realised that reforms were much needed to improve public enterprise performance given their years of poor performance and the poor performance of the Fiji economy overall. With the new knowledge, government restructured the public enterprises to GCCs. This saw changes to the rules or procedures which once guided the public enterprises (reproduction and transformation). The new set of rules or procedures now guide the activities of GCCs (recreation of activities) which are led by boards of directors. This also explains why Giddens labeled his theory as the 'Theory of Structuration' indicating that structure is a process, not a stationary state. He explained that structuration is a process of evolving structure.

The Structuration Theory also indicates that structures are enacted by 'knowledgeable' human agents who know what to do and how to do it. With respect to the GCCs examined in this thesis, the 'knowledgeable' agents were the government officials, the board and the top management. The government agents came up with reform related rules, regulations and guidelines such as the acts, the decrees and the deeds which the other agents - the board and the top management have to abide by.

The board and the top management in turn come up with the enterprise-specific rules and regulations such as those relating to work practices which the employees have to abide by. This also supports Giddens's (1984) explanation of agents referring to rules and resources when carrying out activities.

The Structuration Theory defines structures using rules and resources where rules are described as the generalisable procedures which can be applied when enacting or reproducing social life. In other words, rules can be extended to or put into practice in different situations. This assumption is also confirmed as correct in this thesis as explained below.

The GCCs have a given structure in place with their own set of rules or procedures. For example, the GCCs are 100 per cent government owned, are led by a board appointed by the MPETC, are required to operate like a private firm, are required to operate at an arms length and required to seek funds on their own, are required to pay 50 per cent of their net profit (after-tax) as annual dividends to government and, can only be compensated for the fulfilled social obligations. These set of rules apply to all those public enterprises which have been declared GCCs. In this way, the GCC rules or procedures can be applied to different public enterprises once these enterprises are declared GCCs (rules extended to or practiced in different situations).

One of the other assumptions of the Structuration Theory is that structures can also constrain agents. This assumption also holds true as proved by the empirical study as follows.

The empirical study has shown that the government officials, the board and the top management have changed the structures of selected public enterprises to GCCs. The structure of a GCC requires it to function like a private sector firm which primarily exists to make profits. The rules and regulations of GCC operations are stipulated in the Public Enterprise (PE) Act and the Companies Act. The GCCs fall under the responsibility of MPETC.

The MPETC expects the GCCs to keep it fully informed on major activities. Any major undertaking by the GCCs outside of their discretion, need to be endorsed by the government. Should an audit disclose otherwise, MPETC then investigates into the matter. When allegations are proved correct, the accused is suspended or terminated. In this way the board, the top management and the employees are not free to conduct activities as they please. They are bound or as the Structuration Theory explains, are constrained by the GCC and the enterprise-specific rules and regulations. When such rules are ignored, the accused is taken to task. Good examples are the corruption cases of PFL, FPCL and FHCL. The former accused board and top management executives of these GCCs have had to face court proceedings and/or were removed from their positions. Details on these were discussed under Agency Theory, providing evidence on agent opportunism. Such structural controls, monitoring and actions on agent opportunism can discourage agents' self-interest and encourage them to work towards principal's interest. This can positively impact on financial performance since reduction in agent opportunism will mean corruption is low and productivity is high. Employees would know that they will lose out on their jobs, reputation and future job prospects if they promote self-interest and get caught. Audits favour no one. Even the board members are taken to task.

In addition, the Structuration Theory stresses that while intentional activities are necessary for social reproduction, not all activities will end up in desired outcomes. This is clearly evident in the empirical study. All reform or change activities have not led to profitable outcomes in all GCCs. Even after reforms, FPFL, FHCL and RRL remain plagued. This empirical evidence also supports a related following argument of this theory which is - history is neither pure accident, nor can it be fully determined. In other words, the performance of any GCC is neither a total surprise nor a guarantee. To some extent, past performance can indicate how a GCC will perform in the future. For instance, AFL, PFL, FPCL and UTOF were generating profits from the outset. However, changes to the structure do not guarantee success over the years. FPFL, FHCL and RRL are good examples. They remain poor performers.

Furthermore, the Structuration Theory implies that every individual as well as their organisations have the capacity for agency. This is again proved in the cases of PFL, FPCL, FHCL and RRL where structure could not totally prevent corrupt practices but it did catch up by way of audits. In these GCCs, top officials were engaged in transactions that benefited them personally at the expense of the GCCs they were employed by or associated with. This issue was further elaborated on, in the discussion of Agency Theory.

The assumption of structures being 'virtual' also holds true. According to the Structuration Theory, if something is virtual, then it continues to exist. This is explained better below. As Giddens argued, the non human resource (a part of structure) can be virtual. Examples of nonhuman resources are the acts, decrees, deeds and the GCC related procedures which were established in the past in the 1970s and the 1980s but continue to be applicable to this present day. As Giddens stated, such resources are virtual since these resources can be used across different times and places when stored.

The above discussions do provide evidence on the assumptions of the Structuration Theory being true when tested in the real life setting of the public sector. The theory rightly argues that there is no guarantee that outcomes will be as desired. However, while its explanation of - with new knowledge, structure and activities can change - does imply that new knowledge can make continuous improvements on a given structure to enhance an organisation's overall performance, it does not explicitly point out what type of structure can ensure success. Since the Structuration Theory does not point out the type of structure that can ensure success, it does not help explain the differences in financial performance between public enterprises.

The discussions on Agency Theory and Structuration Theory will be incomplete if the ongoing debate between the two is not discussed. There exists a debate between the two in terms of which one of the two dominates in an organisational setting. This thesis contributes towards this debate with some elaborations as below, using empirical backing.

This thesis agrees with Cockerham (2005) who argues that agency is no doubt important but structure can act back on individuals affecting their lifestyle patterns in particular ways. As per the empirical study, while the board and top management practised agent opportunism at PFL, FPCL and FHCL, structure did strike back by way of audits. This proves that agency can dominate until an element of structure catches up with it. At this point, structure will have an upper hand as it is able to expose and initiate actions to take to task the corrupt agents. This thesis goes a little further than the argument of Cockerham (2005) as follows.

If an organisation is not able to recover what it had lost because of agent opportunism or if the auditors become party to corruption themselves, then agency will have the upper hand. If structure is more powerful then it can enhance organisational performance by reducing agency whereby interests of the organisation will be protected. Thus, if structure dominates then agency will be restricted, punished and loss will be recovered which will protect the interest of the organisation. If agency is more dominant, then agent opportunism can continue without being detected. The greater the agent opportunism, the greater the loss to the principal. If agency remains undetected, an organisation will lose out with accumulating higher losses as agents continue to increase their share of personal benefits at the expense of the organisation. Even when detected it can still be problematic if the principal is unable to recover what it had lost from the agents.

Institutional Theory

Overall, some assumptions of the Institutional Theory hold true when tested in the real life setting of the GCCs. This theory is particularly useful in explaining what or who brings about changes and how enterprises respond to changes. The following paragraphs discuss and test the specific assumptions of the Institutional Theory.

Institutional Theory explains the connection between the pressures (of the state, society and culture) and, the effects (of history and rules) on organisations.

The theory argues that the institutional agencies such as the government, parent organisations, courts, laws, professional associations and the general public prompt structural changes in organisations. In other words, it argues that organisations are either forced by law or persuaded by other agencies (on which they depend on) to adopt structures and processes. It further argues that organisations may also change given norms and general expectations or because such actions are deemed adequate and efficient by organisational decision makers. The empirical study supports these arguments as follows.

The GCCs, in particular FPFL and FHCL were in a way forced or persuaded to carry out reform initiatives given that they did not have any other choice. UTOF itself realised that such changes were needed. PFL and RRL abided by the change initiated by the government but were also proactive in their approach on internal changes. AFL and FPCL, while confronted with ongoing protests from powerful unions, went ahead to abide by the change initiated by the government. The argument of two of the prominent institutional theorists - DiMaggio and Powell (1983) - on the outcome of such changes is also very meaningful here. These theorists mention that the state is a great rationaliser. It creates processes that make organisations more similar than making them more efficient. The end result of such processes is bureaucratisation and other forms of organisational change. The changes made in poor performing GCCs have not made them any efficient. In fact, even in better performers, one or other form of inefficiency is reflected such as laid back attitude of some employees or corruption. Bureaucracy has also not seen a decline. It is still present in the forms of the number of reports that need to be submitted. However, bureaucracy cannot be totally done away with, given that records are needed for assessment, for checks and balances or to be used later. Government approvals are needed for changes, moreso in closely monitored public enterprises.

The Institutional Theory also points out that structure can determine the behaviour of individuals (as it is able to regulate behaviour) as well as determine organisational outcome. This theory centres on organisational conformity, habit and convention which are arguably the elements that lead to stability.

The assumption that structure can determine both the behaviour of individuals as well as organisational outcome is challenged by the researcher, Riaz (2009). This researcher argues that this assumption is not true since organisations do make attempts to reduce the pressure exerted on them. This thesis agrees with Riaz (2009). Empirical findings provide evidence on how constrained enterprises tried reducing pressure exerted on them. For instance, PFL and FPCL continuously request for tariff increases and have succeeded at times. FPFL requested the government for a waiver on dividend payments and was granted a waiver. RRL requested that its $6 million debt be converted to a grant. $4.6m was converted. Thus, organisations are not always constrained and try to better their situations with requests that can either reduce their debts, expenses and/or increase revenue, positively affecting their financial performance.

A further assumption of the Institutional Theory is that organisations often feel pressured from many directions due to unilateral conformity. Unilateral conformity means satisfying the interests or demands of a particular group. In real life situations, satisfying one group (state, public, other interest groups) will clash with or ignore the demands of the other (Pfeffer and Salancik, 1978). In such situations, organisations are faced with incompatible and competing demands which make unilateral conformity difficult, if not impossible. The empirical study finds this assumption meaningful and confirms it as follows. There exists a clash in political objectives for the GCCs. The clash is between the objective of operating on a commercial basis and at the same time meeting the social objectives. This clash adversely affects the GCCs' financial performance when the cost of fulfilling these objectives is not or inadequately compensated by the government. For instance, the thirteen smaller airstrips on the outer islands of Fiji are operated under the non-commercial obligation of AFL. AFL loses $3 million because of these loss-making operations annually because of lower passenger and aircraft volumes. Then there is the additional capital expenditure of some $1million to ensure that the airports comply with operational standards. Government only meets capital grants. It gives AFL about $1 million a year but this is insufficient against the above stated loss. AFL does not get operating grants for these loss-making airports/airstrips. Nadi Airport thus, cross-subsidises these losses.

This situation adversely affects the financial performance of AFL which could be even better if social obligation costs were fully compensated.

Another GCC, FPFL assists government in raising rural income as well as enhances rural livelihood. In such areas, there are few to no alternatives of selling agricultural produce. These rural farmers can either sell to FPFL or the market. They cannot further process their produce on their own to sell to overseas markets. FPFL, despite its commercial status, is required to carry out this social obligation for Fiji's rural population while simultaneously pursuing commercial objectives of profitability in order to provide returns to its shareholders. The fulfillment of social objectives adversely affects the fulfillment of commercial objectives especially when the cost of fulfilling social objectives is not compensated by the government. The farmers, whom FPFL tries to assist, conveniently disregard the contracts to sell their produce at the market when they are able to get higher prices. This adversely affects the production process and the ability of FPFL in meeting demands of processed produce.

For RRL, government instructed it to add $300 as subsidy to the price of paddy. The subsidy has been part of the payment to farmers for the past six to seven years. Half of this price was to be met by the government. However, RRL has never been compensated.

In all of the above situations, where the GCCs are required to be commercial while meeting social obligations, have an impact on their financial performance when the cost of carrying out such obligations is not or inadequately compensated by the government. In such situations, meeting the objective of social obligations clashes with the commercial objectives since meeting the social objectives lowers commercial gains - profits.

Overall, this thesis agrees with the following assumptions of the Institutional Theory: a) organisations are either forced by law or persuaded by other agencies on which they depend on to adopt structures and processes and b) organisations often feel the pressure from many directions due to unilateral conformity. However, this thesis disagrees with following assumption of this theory: structure has a role in determining behaviour of individuals as well as determining organisational outcome. This assumption as challenged by Riaz (2009) is not true since organisations do make attempts to reduce pressure exerted on them. In addition, like the Structuration Theory, the Institutional Theory does not does not point out which structures can ensure successful performance. The theory also puts too much emphasis on how constrained organisations are. It disregards the fact that organisations can change their fate by reducing constraints.

Organisational Culture Theory

The relevance of organisational culture in public enterprises is confirmed especially when most GCCs have the common problem of hard to change work culture. This theory explains well why the employees do not easily change their mindset; why enterprises, despite training efforts find it difficult to change worker mindset and the effects a hostile organisational culture can have on worker performance.

As Du Plessis (2006) explains – a management team influences and usually sets the culture of an organisation as it establishes policies and procedures. In this way, the Organisational Culture is influenced to be in line with the organisational goals which are both financial as well as non financial. Organisational Culture "determines how people act, how work is executed, and how human interaction takes place. It dictates how the organisation operates from day to day" (Du Plessis, 2006: 163). An employee's performance can affect the overall organisational performance since an employee instilled in laid-back work culture will perform less efficiently when compared to the employee who is commercial-oriented. The less commercial-oriented or the more laid-back the employees, the less efficient they will be in their performance. Their less than optimal performance affects the overall performance of an organisation adversely.

The more the number of laid back employees, the greater the adverse effect on organisation's performance. The following paragraphs discuss and test the specific assumptions of the Organisational Culture Theory using empirical evidence.

According to the Organisational Culture Theory, groups do not readily give up some of their assumptions just because external events disregard their assumptions. This is because it is not easy for individuals to give up some of their assumptions which provided stability and meaning to their lives. This has been the case in the GCCs during their transformation processes from a public enterprise to a GCC. During transformations, commercial orientation was and is continuously promoted. When this new change met with the existing public sector culture in which most workers were instilled in, resistance was obvious. Most GCCs including the better performers suffer from the hard to change work culture. Most of the GCCs examined, in particular, AFL, PFL, FPCL, FPFL and FHCL indicated that changing work culture is far from easy and resistance to change is still common. Even at UTOF where culture change is not a big problem, staff seem to have some reservations on changes.

At FPFL, a high level of resistance is noticed from employees who have been with FPFL for a long time, leading to resignations and terminations of a few. At FPCL, resistance by some employees is even stronger. "They [the workers] just don't want to change". Their mentality is, "we will change you" (Interviewee 8, 2009). In the initial stages when FPCL was PAF, the strain (brought about by the need for changes) between the management and the union reached such a height that employees expressed a strike threat which further deteriorated the union-management relationship, so much so that the union threatened to burn down the wharf. At PFL, when it announced an internal restructure, a few employees wrote anonymous letters to the Prime Minister's office, fearing demotion. This is because a few employees acted on certain positions when a number of employees took redundancy packages in 2006. These employees are still acting on these positions. If the restructure rolls out as planned, only a few of them will be confirmed in their acting positions. Others will be moved back to lower positions. It is this 'moving back' that has led to resistance.

It is very clear from the case studies how common resistance is, during the change process of reforms or restructuring of the public enterprises. Such resistance can delay inculcation of commercial orientation. Even after reforms, the presence of resistance with continued laid back attitude will not bring about productivity gains, adversely affecting the overall organisational performance.

Another explanation of the Organisational Culture Theory is that the emergence of any new culture does not imply the disappearance of all other sub-cultures in an organisation. The empirical study also confirms this assumption. In almost all GCCs, the previous public sector work culture continues to exist alongside the commercial culture. In most of these GCCs, there are fewer employees with private sector background and these few are the top management staff. Most of the middle and lower-level employees have always worked in the public sector. For instance, when PFL and FPCL were corporatised, the employees of FPTL and PAF were transferred to PFL and FPCL, respectively. FHCL was somewhat 'plucked out of the Forestry Department' (ABC Radio National, 2004). Because such workers have spent much of their working lives as public sector employees, the public sector mindset is deeply set and remains. The FPFL Interviewee 11 (2009) highlighted that the public sector worker believe of, we "will never be out of job" is common. The PFL Interviewee 19 (2009) gave a common example of the deeply set mentality of working from 8.00am to 4.30pm. He revealed that if a task is given at 4.15pm, some employees leave it for tomorrow. These findings confirm that even when the new commercial culture is promoted, the old culture does not give way to the new culture, it remains and this does little to improve worker productivity.

The Organisational Culture Theory also states that culture is a major challenge and a fundamental realignment of it will take years to translate throughout the organisation. This empirical study supports this assumption, since even after years of the change in status from a public enterprise to a GCC, public sector work culture remains. The GCCs admit that culture change remains a challenge.

It is also clear from the empirical study that some managers expect a quick change towards commercial culture, believing that the change in mindset of workers should or will take just a few years. Management find it frustrating when this does not happen even after continuous training programmes.

Another related explanation of the Organisational Culture Theory is that realignment to new culture is prolonged because more attention is given to tools and techniques to improve organisational performance and less attention is paid to the fundamental culture of the organisation (such as the values, the ways of thinking, the managerial styles, the paradigms and approaches to problem solving) which remain the same. This is evident in the GCCs. The GCCs spend time, effort and funds on trainings, seminars, workshops and further education to inculcate commercial orientation in all employees. Despite much effort, there are employees who have not shown improvements. Many training sessions are more task-oriented than mindset-oriented. In addition, the GCCs use coaching, counseling or in extreme cases issue warning letters to ensure appropriate work behaviour. However, as per an agreement with the unions, the GCCs cannot dismiss employees if the warning letters issued are three or less in a year. The warning letter count begins afresh every year. All GCCs except UTOF and RRL have unions to deal with which advocate that employees be given chances to improve on their performance. Such agreements can prolong desired changes in employees since an employee can better his or her performance after two warning letters in a given year but can go back to old ways the following year. The employee can comfortably continue with old ways until he or she receives the second warning letter. Change in culture is thus clearly a challenge. The harder it is for employees to change, the more efforts will be required to change culture. Changing culture for example through training, workshops and further education can increase an organisation's expenses, adversely affecting its financial performance especially if such programmes fail to bring about the desired culture change in employees. If it does, then organisation can benefit through productivity gains.

However, all case study GCCs have complained about hard to change work culture and the still prevailing public sector culture. This means that productivity is not at a level it can be and worker productivity has a direct link to financial performance.

One of the other assumptions of the Organisational Culture Theory is that hostile organisational cultures can create a culture of fear. Such cultures discourage and punish risk and new initiatives, failing to bring out the best in employees. It creates a conformist and rule-bound culture. The heightened form of this culture makes an organisation highly risk-averse and less innovative. To some extent, the strain in board-management relationship at FPCL depicts a hostile culture. FPCL cannot really operate independently given interferences and challenges. The relationship between the board and management is not amicable. The FPCL Interviewee 8 (2009) complained that "management is not allowed to manage". The situation is tight; so much so that the senior management almost unanimously voiced out disagreements. As matters took a turn for the worse, MPETC interfered which led to the suspension of the CEO and the GM Finance. The Interviewee 8 (2009) exposed that a high level of bureaucracy is present by way of government dictation and political intervention, stating this as the biggest problem and challenge. He explained that all decisions have to go through the government and that new innovative strategies are often declined. He revealed that FPCL has many plans but these remain plans because the government, as shareholders "tells them what to do". In August 2009, the chairman resigned from the board when all his attempts of solving the ongoing internal bickering failed and went out of control.

However, the previous corruption cases at FPCL including the boards and the top management may have led the current boards to tread carefully. But, creativity and innovation does get affected in such situations affecting the commitment, involvement and active support of all employees which is required to inculcate a change in culture. Creativity and innovation can lead to many advantages such as better products, enhanced internal systems and so forth. If creativity and innovation are discouraged in cultures which are hostile, employees will be discouraged or even demotivated.

Such organisations may even lose good employees and lose any chance they have towards improving their performance. However, the other point the theory makes is also effective and that point is - employees must be empowered to take risks but within reason. Too much empowerment may lead to many ideas but not all of these ideas may prove to be a success. Failed initiatives can be costly, adversely affecting financial performance as was the case at UTOF because of its failed Momi project.

The findings of this thesis confirm and agree with all the above assumptions of the Organisational Culture Theory. However, the empirical evidence shows that the challenge of culture change is not specific to the poor performers. Both the better as well as the poor performers suffer from work culture issues.

Furthermore, the findings revealed that employees, particularly at the top management level feel constrained when trying for innovative plans which are either dragged on or discouraged by the overly cautious board members. This implies that should culture be enhanced, it will also enhance creativity as well as innovation in GCCs. This can improve the performance of poor performers and even better the performance of the better performers. Above all, culture change is a sensitive issue and does require more specific attention and effort than what it is getting now.

Overall, the theory that was most effective in explaining the variation between the better and poor performers is the Resource Dependence Theory, especially its argument of an organisation being constrained by its key resource providers. This factor is the most constraining factor for the poor performers.

In specific terms, the better performers are less resource dependent when compared to the poor performers. The poor performers are much more resource dependent when it comes to critical resources. For instance, they are very dependent on their key resource providers who are the farmers or the landlord of the critical resources of mahogany (FHCL), fresh produce (FPFL) and paddy (RRL).

In terms of strategic partnership (local as well as international partnerships), the better performers have clearly made more efforts when compared to the poor performers. Poor performers have been less successful in this area since companies would normally partner with those companies which perform well. Even when the poor performers make some efforts, these efforts prove less successful in contrast to better performers. The poor performing GCCs have a history of poor financial performance with poor infrastructure. They find it difficult to not only shape up their own destiny but also find it difficult to attract strategic partnerships.

Better performers are also better institutionalised in the areas of internal processes and training initiatives since they are less constrained financially. The better performers are able to spend time, effort and funds on training, seminars, workshops and further education to inculcate commercial orientation in all employees. However, despite much effort, there are employees who have not shown improvements. Most of the GCCs examined, in particular AFL, PFL, FPCL, FPFL and FHCL indicated that changing work culture is far from easy and resistance to change is still common. Even at UTOF where culture change is not a big problem, staff seem to have some reservations on changes. Both the poor as well as better performers are affected by the inherited public service culture but the better performers have made stronger efforts to change their work culture when compared to the poor performers. However, more effort is required since the change noticed is not at the desired level.

The empirical evidences also show that all assumptions of the selected theories are not correct, overlap with other theories, contradict assumptions of other theories or do not fit the situation of certain cases. For instance, the Structuration Theory overlaps with the Institutional Theory in the emphasis that structure is the controlling element in organisations. These two theories contradict with the Agency theory which highlights agent opportunism despite structural controls. This thesis elaborates further on the Agency-Structure debate arguing that if structure dominates then agency will be restricted, punished and loss will be recovered which will protect the interest of the organisation.

If the situation is otherwise - agency is more dominant, then agent opportunism can continue without being detected. Thus, the argument that either one of Agency or Structure is dominant is inconclusive and depends on whether agency gets detected or goes undetected.

Furthermore, the Agency and Resource Dependence theories offer different explanations and suggestions on effective board composition. The Agency Theory asserts that independent outside directors in the board can lessen insider opportunism as well as lessen insider influence over the board. In contrast, the Resource Dependence Theory argues that a good combination of insiders as well as outsiders in a board will be the most favourable. This thesis disagrees with both these theories. The thesis argues that a board can become party to opportunism when board members collude with the top management for personal gains. Irrespective of what the combination is, agent opportunism cannot be totally prevented but can be detected through external audits or a regulatory agency.

The following section makes a comparison between the inductive (empirical) and the deductive (theoretical) methods.

8.3 Major Findings: Empirical Versus Theoretical Method

The analyses in the above two sections of 8.2.1 and 8.2.2 has brought out factors which are either common or different between the empirical explanations (Table 8.6) and theoretical explanations.

Table 8.7 highlights the points of similarity and differences between the theories and the empirical study.

Table 8.7: Similarities and Differences between Theory Assumptions and Empirical Evidence

	Theory Assumptions	Empirical Findings
Resource Dependence Theory: Similarities	• organisations become dependent and constrained by critical resource suppliers • organisations can shape destiny as managers make strategic choices	• relationship with powerful stakeholders • capability of board/management/employees
Resource Dependence Theory: Differences	• competitive advantage can be sustained and strategic options can be broadened with the development and expansion of resources • a balanced board is the most favourable board composition	• not true for all enterprises especially those that are overly dependent and perform poorly • composition does not matter, what matters is ethical board members
Agency Theory Similarities	• presence of agent opportunism	• qualification/experience/capability of board/management/employees (corruption issues)
Agency Theory Differences	• board can be effective in curbing agent opportunism	• board members can collude with management for self benefits
Structuration Theory Similarities	• agents continuously recreate activities • structures are enacted by 'knowledgeable' human agents • structures can also constrain agents • every individual and their organisations have the capacity for agency	• commercial culture, qualification/experience/capability and technological/infrastructure improvement • political involvement and qualification/experience/capability • political involvement and relationship • qualification/experience/capability of board/management/employees (corruption issues)
Structuration Theory differences	There are no differences	
Institutional Theory Similarities	• institutional agencies and the public prompt structural changes • organisations are pressured from many directions due to unilateral conformity	• political involvement and relationship • financial factors and political involvement
Institutional Theory Differences	• structure has a role in determining behaviour of individuals and outcomes of organisations	• organisations do make attempts to reduce pressure exerted on them
Organisational Culture Theory Similarities	• groups do not give up their assumptions because of emergence of any new culture; culture is a major challenge and a fundamental realignment will take years • hostile organisational cultures create culture of fear, failing to bring out the best in employees	• strained board/management/employee relationship and commercial culture • strained board/management/employee relationship and political interference
Organisational Culture Theory Differences	There are no differences	

These similarities and differences are discussed further on the next page.

One of the key assumptions of the Resource Dependence Theory is that an organisation will become dependent on and be constrained by those organisations that provide it with its critical resources. This factor is highlighted in the empirical table 8.6 under relationship with powerful stakeholders such as the suppliers and owners of resources. This theory also argues that the dependent organisations can shape their own destiny as managers continuously engage in making strategic choices in order to weaken or reduce external pressures. This factor is highlighted in table 8.6 under the capability of board/management/employees in terms of learning from past mistakes and coming up with workable future plans.

Another assumption of the Resource Dependence Theory is that competitive advantage can be sustained and strategic options can be broadened with the development and expansion of resources. This is reflected under technological/infrastructure improvement (continuous engagement in projects to further enhance company performance and the handling of such projects) and under commercial culture (diversification and/or expansion of operations, seeking outside professional assistance when needed, and memberships in relevant associations) in table 8.6. However, the empirical evidence proves that this assumption is not as straight forward. Empirical evidence has shown that the companies which are overly dependent on their resource/raw material providers (the poor performing GCCs) and have a history of poor financial performance with poor infrastructure, find it difficult to not only shape up their own destiny but also find it difficult to attract strategic partnerships. Thus, assumptions of managers continuously engaging in making strategic choices in order to weaken or reduce external pressures, and the assumption that competitive advantage can be sustained and strategic options can be broadened with the development and expansion of resources are not true for all enterprises.

The Resource Dependence Theory also argues that a good combination of insiders (employees) as well as outsiders (not from within the organisation) in a board will be the most favourable board composition.

Board qualification/experience/capability and its relationship are highlighted in table 8.6. However, empirical evidence points out that it is not the composition that matters since outsider or insider board members can collude with management for agent opportunism. What matters in effective board composition is, board members who are not corrupt and those who can act in the best interest of the principal.

The commonalities and differences between the empirical explanations (Table 8.7) and the Agency theory explanations are discussed next.

According to the Agency Theory, the agent may optimise its profits at the expense of the principal (agent opportunism). This factor is covered under qualification/experience/capability (corruption issues) in table 8.6.

The Agency Theory also highlights that the principal tries to guard against agent opportunism by investing in information systems to control opportunism. It suggests board of directors as a particularly relevant system for monitoring executive behaviours. This factor is also covered under qualification/experience/capability (qualification and experience of board, top management and employees) and under relationship (between board-management) in table 8.6. However, empirical evidence disagrees with the assumption of Agency Theory that explains that a board can be an effective mechanism to curb agent opportunism. Empirical evidence has shown that board members themselves colluded with management for self benefits.

There are also similarities between the empirical explanations (Table 8.6) and the Structuration Theory explanations and these are discussed next. There are no differences.

The Structuration Theory explains that as agents carry out activities, their knowledge about the world changes. With this new knowledge, agents continuously recreate activities.

This factor is covered under commercial culture (commercial culture inculcation, ongoing training and further education), under qualification/experience/capability (approach of leaders in learning from past mistakes and rectifying problems; and workable future plans) and under technological/infrastructure improvement (upgrades or investments into relevant technology, equipment and machinery; continuous engagement in projects to further enhance company performance and the handling of such projects) in table 8.6.

The Structuration Theory also indicates that structures are enacted by 'knowledgeable' human agents who know what to do and how to do it. With respect to the GCCs examined in this study, the 'knowledgeable' agents were the government officials, the board and the top management. This point is reflected under political involvement (political interference and/or support, changes in government and its policies) and qualification/experience/capability (qualification and experience of board, top management and employees). One of the other assumptions of the Structuration Theory is that structures can also constrain agents. This factor is covered under political involvement (political interference and/or support) and under relationship (between board-management) in table 8.6. The Structuration Theory implies that every individual as well as their organisations have the capacity for agency. This factor is covered under qualification/experience/capability (corruption issues) in table 8.6.

As for the Institutional Theory, it argues that the institutional agencies such as the government, parent organisations, courts, laws, professional associations and the general public prompt structural changes in organisations. This factor is covered in table 8.6 under political involvement (political interference and/or support) and under relationship (with powerful stakeholders).

The Institutional Theory also points out that structure has a role in determining behaviour of individuals as well as in determining organisational outcome.

Empirical explanation disagrees with this assumption since organisations do make attempts to reduce pressure exerted on them. A further assumption of the Institutional Theory is that organisations often feel the pressure from many directions due to unilateral conformity. This point is covered in table 8.6 under financial factors (being compensated for social obligations) and under political involvement (social obligation compensation by government).

The similarities between the empirical explanations (Table 8.6) and the Organisational Culture Theory are as follows. There are no differences.

The Organisational Culture Theory explains that groups do not readily give up some of their assumptions because it is not easy for individuals to give up some of their assumptions which provided stability and meaning to their lives. It also argues that the emergence of any new culture does not imply the disappearance of all other sub-cultures in an organisation. This theory further states that culture is a major challenge and a fundamental realignment of it will take years to translate throughout the organisation. Such factors are covered in table 8.6 under relationship (board-management and management-union relationships) and under commercial culture (commercial culture inculcation, ongoing training and further education).

One of the other assumptions of the Organisational Culture Theory is that hostile organisational cultures can create a culture of fear. Such cultures discourage and punish risk and new initiatives, failing to bring out the best in employees. This factor is covered in table 8.6 under relationship (between board/management) and under political involvement (political interference and/or support).

8.4 Concluding Remarks and Recommendations

From the discussions above, it is clear that, no ‘one’ theoretical perspective was able to highlight all factors that cause differences in financial performance.

Each theory has its own strength in given areas as follows. For instance, the Resource Dependence theory focuses on the importance of critical resources. Agency Theory focuses on agent opportunism. Structuration Theory focuses on how structures are created and transformed. Institutional Theory highlights constrained organisations and the Organisational Culture Theory particularly focuses on relationship and culture within an organisation. There are some powerful theoretical assumptions but not all of the assumptions hold true in the real life setting of the GCCs as discussed above under theoretical explanations. However, the selected theories, as a combination, were able to offer some interesting insights into what can affect financial performance.

The empirical study agrees with some explanations of the selected theoretical perspectives. The empirical study has explicitly pointed out the factors affecting financial performance. In so doing, the empirical study provides evidence on the theoretical assumptions that hold true in the real life setting of Fiji's GCCs. These findings may or may not be necessarily generalisable. The empirical setting also provides a practical backing on assumptions that do not hold true in the real life setting of the case studies and points at what needs further elaboration, theoretically as well as empirically.

While the discussion on the theoretical perspectives of this thesis has more international relevance, the public enterprise reform related empirical findings of this thesis have been more country specific. However, its findings can be tested in the public enterprise related studies of other countries.

Overall, the major finding of this research is that there is no single factor that leads to better or poor financial performance public enterprises. There are a number of factors which can either enhance or impede financial performance.

While a combination of factors, which include both the financial as well as the non financial factors affect financial performance of GCCs, this thesis views two factors as the most important. These factors are financial independence and stakeholder relationship since most of the other factors can be connected to these two. For example with financial independence, an enterprise will be able to invest in capital projects, upgrade infrastructure and technology, spend on essential training schemes and marketing, and recruit and retain the needed qualified individuals. Stakeholder relationship involves relationship within the enterprise between board, management, employees and union as well as relationship with the government and suppliers. Most of the impeding factors except for the beyond control external factors (such as adverse effects of exchange rates, negative reporting on Fiji overseas and natural disasters) can be addressed if the two factors of financial independence and stakeholder relationship are given priority.

The following section makes specific recommendations based on the analysis completed in this chapter.

First, monitoring and auditing of the GCCs and their boards should be increased. Agent opportunism such as corruption cases at PFL, FPCL, FHCL and UTOF's Momi Bay Marriott resort project disaster cannot be totally prevented. However, such opportunist activities can be detected through proper oversight and independent audits. The related policy should be clear on penalty the accused can suffer from when proven guilty. Penalty should be at different levels for different corruption levels such as being fined, terminated or serving jail terms. In most severe cases, the accused should even be blacklisted from employment. These consequences should be emphasised and signed off prior to job and board appointments for acknowledgement of and understanding of potential penalties and for transparency reasons.

Second, the government should look into compensating FPFL and RRL for social obligations met, the way it compensates GCCs like PFL and FPCL.

In this respect, a report should be prepared by FPFL and RRL on how much the compensation should be from the time they have not been compensated. The report should also include the impact of non compensation on profits. The point here is that the GCCs are required to operate like a private sector firm but no private sector firm will engage in activities which are not viable for its business. GCCs should then either be relieved off their social obligations or be compensated appropriately. RRL includes subsidy in its price for paddy which should be compensated. In FPFL's case, if it cannot be compensated then it should be allowed to purchase produce from farmers who can regularly supply the needed quantity and quality.

Third, the contract between RRL, FPFL and their suppliers should be relooked at. Contracts should indicate the penalty on reneging contracts and farmers should be properly educated on the same. In its current form, the contract is just a piece of paper which offers no guarantee on consistent supply of agreed quantity and quality at agreed times. The weakness in the existing contract allows the farmers the liberty to ignore contractual agreements with RRL and FPFL when they are able to sell their produce/rice at better prices to the markets or supermarkets. Farmers should thus be properly educated on what can happen on not honouring a contract and this should be stipulated in the contract itself. RRL and FPFL are trying to provide for the livelihood of such farmers. Farmers should not take them for granted and do their part by abiding by the contract. Farmers can be encouraged further when offered some stake in these GCCs. For instance, part-ownership even if at a very small percentage can encourage farmers to work harder and produce only for these GCCs. This part-ownership may reduce supply shortage problems since farmers will also benefit as shareholders when the GCCs generate profits.

Fourth, corporate culture should be given specific attention as well as time. Most GCCs complain about the laid-back work culture despite being exposed to continuous training programmes. The focus on corporate culture change is required because the previous work culture persists despite continuous training sessions and further education.

While there have been some improvements in productivity, the public service culture continues. There is a need for the employees to realise what their role is in a commercialised enterprise. Training sessions should also include sessions that are mindset-oriented rather than just task-oriented to change the worker from within. In addition, the supervisors or the lower-level team leaders should clearly be pro-business so that he or she can continuously foster a commercial mindset in his or her smaller teams. Some degree of firmness in fostering commercial mindset will also be required to reduce employee complacency. For instance, bonus, increments or promotion should be strictly related to individual performance to give employees the needed motivation to continuously work harder. If bonuses are based on overall company performance, then some workers may not work hard since bonus is guaranteed at the end of the year for everyone. A good example is what PFL did. It developed targets with a condition. The condition was - if employees failed to meet targets, they would lose out on their end of year bonuses. This approach proved very effective. It gave the employees the extra motivation that was needed. At the policy or report levels, such efforts towards culture change should be documented by every GCC and submitted to the relevant ministry like any other report.

Fifth, enhance the management-union relationship. GCCs should be involved in the change or reform process as a partner with the government from the very start of the reform process. In turn, in each GCC, the employees and unions should be partnered with from the start. Such an action by GCCs can demonstrate to the union and employees, their willingness to work as a team which in turn can reduce resistance and, increase motivation and receptiveness to change as well as enhance performance. In this way, the change initiative will be ‘shared’ amongst the key stakeholders, giving rise to the benefits of the concept of a ‘shared-vision’. In the ‘shared-vision’ concept, employees are allowed to participate in the creation of the company vision. Because they are part of the vision, the vision is better understood and received well. In a similar manner, if the GCCs, the employees and the unions are involved from the very start, they will have a better understanding and be more receptive to the change initiatives. Better understanding and receptiveness can reduce resistance.

The idea of allowing the GCCs, employees and unions to participate can also instil the feeling of 'ownership' in employees towards the GCC. This can create a bond between the employees and the GCCs giving rise to loyalty rather than resistance. At PFL, employee teams were allowed to take part in competitions and their recommendations were implemented by the management which led to improvements. This indicates that in certain areas, the employees maybe better placed to give specific suggestions on improving the activities they are involved in. Since GCCs have a closer understanding of their own operations than their shareholders in certain areas, they can also make meaningful suggestions towards the structure of specific GCCs. This can allow for some flexibility in the structure of GCCs given their specific operations and performance. For instance, some GCCs have inherited liabilities from the past and continue to report losses. In such instances, the benchmark on return on shares or even dividends can be different. It is meaningless to give the poor performing GCCs the targets they may never be able to meet for a number of years. Such GCCs need realistic targets. They may also need more government attention, assistance and support until such time they are profitable.

Sixth, enhance the board-management relationship. In some GCCs such as FPCL, the heavy involvement of the board in day to day operations leads to management feeling restricted, controlled or even powerless. In such an instance, it is important for both parties to understand one another. For example, management needs to understand why boards many be acting so stringently. The boards may be treading cautiously because they will be held accountable for ineffective decisions. In turn, the boards also need to be aware that creativity, innovation as well as motivation will suffer in strained relationships. The government should indicate to both the boards as well as the management on why boards may be required to be strict and more involved in certain GCCs. The government can highlight the ineffective decisions made in the past by the public enterprises such as was the case in the Momi Bay Marriott resort project disaster. Lots of questions were raised by the public, leading to justifications and corrective action announcements by the government. Such factors do indicate that a GCC cannot really be a pure commercial company.

Some form of government assistance/oversight or control should always be present to monitor performance to prevent corrupt practices and losses. While a GCC is required to operate like a private firm, it is still a public enterprise and the taxpayers lose out when such enterprises make ineffective decisions for which the government is held accountable [23]. Against such background, it makes sense to be strict rather than suffer significant losses for ineffective decisions. The GCC boards should also be well balanced in terms of board membership. Each board member should have relevant skills, experience and qualification pertaining to the industry with ongoing periodic checks and balances on board activities.

Seventh, while it is suggested that government assist the poor performers, such GCCs should be mindful of their autonomous enterprise status. They should look into marketing much more seriously. They can engage a creative and qualified consultant to carry out an assessment of their operations for marketing suggestions. As for advertising, FPFL and RRL can make use of means which may not cost anything or little. For example, they can create 'new-stories'. New stories are not only informative but have greater readability as they appear as news items in the newspapers. Reporters are normally interested and in search of stories.

Other suggestions for advertising are interviews in ethnic TV programmes such as the *Noda Gauna* and *Jharokha*. Again these are not really screened as advertisements but captured as TV programmes, watched by many.

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[23] For example the Fiji Government may take over 100 per cent ownership and control of the Fiji Sugar Corporation (FSC) as it currently holds the majority 68 percent shares (James, 2011). The Fiji Times (2011b) disclosed the following. FSC's delisting from the South Pacific Stock Exchange was government's strategic move to take full control of FSC. For the year ending May 31, 2010, FSC reported a net loss of $175million. From 2001 to 2010, it recorded a total loss of $315.3 million, only recording profits in 2004 and 2007 totaling $7.6 million. Total revenue in the last decade was over $2.4 billion. The government guaranteed a $86 million loan from a bank of India in 2005 to restructure the mills. However, the restructure brought more problems. Government has continued to support FSC through guarantees but these have not resulted in improved performance. Instead, these have increased government debt over the years.

Adpost is another cheaper way of advertising through PFL which at a small charge, dispatches fliers or catalogues to every mail box. FPFL and RRL can use these means to not only advertise but to create greater awareness of their products and at the same time emphasise on the product's nutrient component (RRL). Furthermore, these GCCs can join hands with the Ministry of Health and Ministry of Agriculture for the promotion of their products. RRL and FPFL, together with these ministries can promote their products using 'buy Fiji-made' or 'buy local products' promotional tactics. In addition, in such promotions, the nutrient content can be highlighted with the aim of contributing to a healthier Fiji. RRL can also come up with special deals for hospitals, airlines, prisons while FPFL can come up with new styles for existing products such as pull-over cans for canned products, small sauce sachets that can be used by restaurants, hotels or packaged deals for parties for large organisations.

For FHCL, a wait and watch approach is needed to observe and analyse how the new policy will fare for the mahogany industry. From what has been described in the earlier chapter, it appears that the landowners will benefit much compared to current benefits. However, the future will reveal how effective or ineffective the change in policy will be. The landowners need to be explained in a very sensitive manner that cooperation is required to allow the benefits to flow to all who have a stake in the industry and that significant benefits will not be immediate. Legal matters on the contract between the government and the landowners also need to be simplified and discussed in the presence of landowners' lawyers for common understanding on the terms stipulated in the contract. Traditional methods of ongoing dialogue with the government, landowners, landowners' lawyers and Native Land Trust Board (NLTB) may be more appropriate. Instead of treating landowners as hurdles in the path of the 'way forward', they need to be very much involved in the policy making process as part of the stakeholder community. It might also be a good idea to minimise political interference in this industry. The case study of FHCL has shown much political interference and changing policies over the years. Such changes have not brought about desired progress.

Political influence can be reduced by engaging the landowners and providing them with more benefits in other areas such as providing scholarships to their younger generation to learn about effective planting and harvesting methods and business techniques so that in the future the landowners are better placed to operate this industry without much interference from the government. Not much forward movement will be seen in this industry unless landowners experience some immediate and tangible benefits. Through such benefits, they will be able to rebuild their faith on the government and cooperate in turn. However, there will not be much progress if landowners refuse to cooperate. 'Way forward' will remain just that -'way forward' with hardly any 'forward' movements in the industry without two-way cooperation. The current government is doing its part in bringing about meaningful changes for more landowner benefits but the future will be more telling.

Therefore, since public enterprises are important to PICs' economic sustainability, governments must be able to transform them. Successful PER is critical for PICs to encourage foreign investments and as ADB (2011) highlights, PER is also vital for private sector development. In the words of ADB (2011: 35), 'reform is essential, and to be effective it must address the key areas leading to poor SOE performance'.

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Interviewee 6, interviewed on 19 August, 2009, 11 November 2011 (email), 20 February 2012, Suva.

Interviewee 7, interviewed on 19 December, 2009, Suva.

Fiji Ports Corporation Limited (FPCL)

Interviewee 8, interviewed on 13 August, 2009, Suva.

Interviewee 9, interviewed on 24 September, 2009, Suva.

Interviewee 10, interviewed on 6 August, 2009, Suva.

Food Processors (Fiji) Limited (FPFL)

Interviewee 11, interviewed on 5 September, 2009, Suva.

Interviewee 12, interviewed on 5 September, 2009, Suva.

Interviewee 13, interviewed on 9 January, 2010, Suva.

Ministry of Public Enterprises, Tourism and Communication (MPETC)

Interviewee 14, interviewed on 24 June 2009 and 19 August 2009, Suva.

Interviewee 15, interviewed on 11 November 2011, Suva (email).

Interviewee 16, interviewed on 20 February 2012, Suva.

Post Fiji Limited (PFL)

Interviewee 17, interviewed on 4 September, 2009, Suva.

Interviewee 18, interviewed on 4 September, 2009, Suva.

Interviewee 19, interviewed on 3 September, 2009, Suva.

Interviewee 20, interviewed on 4 September, 2009, Suva.

Rewa Rice Limited (RRL)

Interviewee 21, interviewed on 17 September, 2009, Labasa.

Interviewee 22, interviewed on 17 September, 2009, Labasa.

Interviewee 23, interviewed on 18 September, 2009, Labasa.

Interviewee 24, interviewed on 18 September, 2009, Labasa.

Unit Trust of Fiji (Management) Limited

Interviewee 25, interviewed on 18 August, 2009, Suva.

Interviewee 26, interviewed on 21 October, 2009, Suva.

Interviewee 27, interviewed on 3 September, 2009, Suva.

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APPENDIX 3.1
QUESTIONNAIRE

INTERVIEW QUESTIONNAIRE WITH MANAGER HR

This interview is solely for academic writing purpose and for the attainment of the PhD degree at the University of the South Pacific. The key research aim is to compare and contrast Government Commercial Companies and reform efforts in these companies. Names of individuals interviewed will be withheld for ethical and confidentiality reasons. I sincerely thank you and your company for your time and kind cooperation.

1. Interviewee name: _____
2. Organisation: _____
3. Position: _____
4. No. of years served in this company: _____

5. Qualifications & Experiences:

_____
_____

6. Are all at the senior/top management levels suitably qualified as well as experienced? Is it possible to attach a)brief profiles of senior managers, in terms of their knowledge base and b) organisation chart?

_____
_____

7. What key areas of competency are looked into when recruiting senior managers?

_____
_____
_____
_____

8. Give examples of successful events which were particularly due to the actions of senior managers?

_____
_____
_____
_____

9. Do all staff members (top management as well as lower level employees) get adequate opportunities for training/workshop/seminar participation/further education? Give details.

_____
_____
_____

10. How did employees first react to reform changes? Were they resistant or receptive to such changes?

_____
_____

11. If staff members were resistant, what measures were taken to remove resistance and to gain cooperation? eg. commercial orientation training, consultation.

12. What role did/does the union play during the phase of reforms? eg. is cooperative or not cooperative. What obstacles or opportunities did/does the union create?

13. What were/are the staff changes (number of employees) have incurred due to reforms over-time? eg. redundancy, performance based pay systems.

14. Other comments.

INTERVIEW QUESTIONNAIRE FOR MANAGER FINANCE

This interview is solely for academic writing purpose and for the attainment of the PhD degree at the University of the South Pacific. The key research aim is to compare and contrast Government Commercial Companies and reform efforts in these companies. Names of individuals interviewed will be withheld for ethical and confidentiality reasons. I sincerely thank you and your company for your time and kind cooperation.

1. Interviewee name: _____
2. Organisation: _____
3. Position: _____
4. No. of years served in this company: _____

5. Qualifications & Experiences:

_____
_____
_____
_____

6. Please give details on how reforms have improved company operations overtime, say in the last two decades? eg. improved profitability. If possible, please attach supportive documents such as financial reports.

_____
_____
_____
_____
_____
_____
_____

7. What areas remain problematic?

_____
_____
_____
_____
_____

8. What are the plans to address such problems?

_____
_____
_____
_____
_____

9. Other comments.

_____
_____
_____
_____

INTERVIEW QUESTIONNAIRE WITH A LONG-SERVICE SENIOR MANAGER

This interview is solely for academic writing purpose and for the attainment of the PhD degree at the University of the South Pacific. The key research aim is to compare and contrast Government Commercial Companies and reform efforts in these companies. Names of individuals interviewed will be withheld for ethical and confidentiality reasons. I sincerely thank you and your company for your time and kind cooperation.

1. Interviewee name: _____
2. Organisation: _____
3. Position: _____
4. No. of years served in this company: _____

5. Qualifications & Experiences:

_____
_____

6. Please give a brief background of your company.

_____
_____
_____
_____

7. In what ways was the company unsuccessful in its earlier days? Eg. financial losses

_____
_____
_____
_____

8. Were these (reasons given in qtn 2. above) the reasons behind reforms? If not, what were the reasons behind reforms?

_____
_____
_____

9. Were reforms solely initiated by the government or through joint efforts of key parties? Who are these key parties and how are they involved? eg. Ministries – Public Enterprise, Finance, PSC etc…

_____
_____
_____
_____
_____
_____

10. What is the role of the Board? Are there situations where Top-Management disagrees with Board decisions? If possible, give examples.

_____
_____
_____

11. If government was the initiator, how did this company react to government pushing for reforms in this company?

12. Please give details on how reforms commenced in this company?

13. How would you classify this company in terms of the stage of reform: 1st stage - young reformer, still continuing with reforms; 2nd stage – has undergone reforms and still making further improvements; or 3rd stage – matured entity in terms of reforms.

14. What were/are the conducive/facilitating factors during initiation and implementation of reforms? eg. top-management or government commitment.

15. What were/are the obstacles during initiation and implementation of reforms? eg. employee resistance.

16. What are the future plans or projects of this company? Will this entity remain 100% government owned overtime?

17. Other comments.

INTERVIEW QUESTIONNAIRE WITH A LONG-SERVICE LOWER LEVEL EMPLOYEE

This interview is solely for academic writing purpose and for the attainment of the PhD degree at the University of the South Pacific. The key research aim is to compare and contrast Government Commercial Companies and reform efforts in these companies. Names of individuals interviewed will be withheld for ethical and confidentiality reasons. I sincerely thank you and your company for your time and kind cooperation.

1. Interviewee name: _____
2. Organisation: _____
3. Position: _____
4. No. of years served in this company: _____

5. Qualifications & Experiences:

_____

_____

6. Please give a brief background of your company. Comment on major events.

_____

_____

_____

_____

_____

7. In what ways was the company unsuccessful in its earlier days? eg. incurred financial losses.

_____

_____

_____

_____

8. Do you think these (reasons given in qtn 2. above) were the reasons behind reforms? If not, what were the reasons behind reforms?

_____

_____

_____

9. How were reform changes communicated to employees?

_____

_____

_____

_____

10. What did you think of such changes at first; what about now?

_____

_____

_____

_____

11. How did the union react to reform changes?

12. Comment on the management-union consultation during the reform phase.

13. What training were/are offered to employees as reforms start and now, as reforms continue?

14. Please give details on how reforms commenced in this company?

15. How has reforms changed you as an employee throughout the years?

16. Other comments.

INTERVIEW QUESTIONNAIRE WITH _____ UNION

This interview is solely for academic writing purpose and for the attainment of the PhD degree at the University of the South Pacific. The key research aim is to compare and contrast Government Commercial Companies and reform efforts in these companies. Names of individuals interviewed will be withheld for ethical and confidentiality reasons. I sincerely thank you and your union for your time and kind cooperation.

1. Interviewee name: _____
2. Organisation: _____
3. Position: _____
4. No. of years served in this union: _____

5. Please give a brief background on union relationship with (GCC name).

_____
_____
_____

6. What do you think were the reasons behind reforms at (GCC name)?

_____
_____
_____

7. Were/are the reform changes clearly communicated to union/employees?

_____
_____
_____

8. What did you think of such reform changes at first; what about now?

_____
_____
_____

9. How did this union react to reform changes at (GCC name)?

_____
_____
_____

10. Comment on the management-union consultation during the reform phase and now.

_____
_____
_____

11. DO you think reforms have changed employee productivity throughout the years?

_____
_____

12. Other relevant comments.

_____
_____

QUESTIONNAIRE TO MINISTRY OF PUBLIC ENTERPRISES

This interview is solely for academic writing purpose and for the attainment of the PhD degree at the University of the South Pacific. The key research aim is to compare and contrast Government Commercial Companies and reform efforts in these companies. Names of individuals interviewed will be withheld for ethical and confidentiality reasons. I sincerely thank you and your ministry for your time and kind cooperation.

Section A. Historical developments:

1. Discuss the historical developments of this entity.

2. Please comment on all successful and unsuccessful past events.

3. The company is a government commercial company. What are the company's main activities – its core business? What are your commercial and social objectives? How commercial is this entity? In what ways?

4. Is there a link between reforms being undertaken and what happened in the past in terms of unsuccessful events.

5. Do you follow a particular reform model? If yes, which one?

6. What are the areas that have seen the highest level of change?

7. What are the expectations from this entity by the Government?

8. Is this entity meeting government expectations? If not, why?

9. If yes, what are the success factors?

10. How has employee size changed over the years?

11. Please give details on union affiliations of this entity from the earlier days until now.

Section B. Organisational Inter-relations

1. Comment on management-employee relations in the past and currently?

2. Has there been improvement in relationship between the two?

3. Discuss such improvements. If there have been no improvements, discuss why?

4. Unions are often labeled as hurdles in the path of reforms. Why do you think unions react negatively towards companies undertaking reforms. What is the solution to union-management problems? What in your view is proper union consultation?

5. Comment on management-union relations in the past and currently?

6. Has there been improvement in relationship between the two?

7. Discuss such improvements. If there have been no improvements, discuss why?

8. Comment on management-government (public enterprise ministry) relations in the past and currently?

9. Has there been improvement in relationship between the two?

10. Discuss such improvements. If there have been no improvements, discuss why?

11. What are your suggestions towards improvements in relationships between management/employee/union/government?

Section C. Reform related changes

1. What are the reasons behind this change?

2. Who are the key players behind the reforms within the entity as well as outside the entity?

3. What is government's role in this process? Does government still intervene into management matters after the enterprise has been reformed? In what ways?

4. What role does Ministry of Public Enterprises and Public Sector Reform play as far as this company is concerned?

5. What steps have been taken to introduce reforms?

6. How was the change process communicated to staff?

7. How would you classify this entity in terms of the stage of reform: 1st stage - young reformer, still continuing with reforms; second stage – has undergone reforms and still making further improvements; or 3rd stage – matured entity interms of reforms.

8. In what ways are successes of the reformed enterprises measured? What reports are submitted to ministry? In what ways has the company benefited the government so far? (dividends, return on shareholders funds…)

9. In what ways does the board intervene in company's operations?

10. What happened to the number of employees (employee size) of this entity during reforms? If workers were made redundant, were the laid off staff offered any form of package? If yes, give details.

11. Comment on the downsizing or streamlining process of reforms and industrial relations issues.

12. Comment on employee/union consultation during the reform process?

13. How do you rate the amount of current consultations? Is it enough, or more is needed?

14. What are your suggestions towards improvements in the consultation process?

15. What training programs (employee development tools) have been introduced prior to reforms and during reforms?

16. Have such training changed the mentality of employees from civil service mentality to commercial orientation?

17. If yes, explain how? If no, explain why not?

18. What changes have occurred as a result of enterprise reforms?

19. Some studies reveal that even after reforms, certain organisations still operate as bureaucratic entities, the way these operated before. Give specific examples on areas of improvement/non-improvement/problems.

20. How do you think these problems can be addressed?

21. What steps have been taken by the different parties to solve such problems?

22. How has decision-making changed over the years?

23. How has employee resistance to reforms been tackled?

24. Has resistance subsided?

25. Has reform changes led to changes in the way consultations take place?

26. Comment on how successful the present company is currently when compared to its past performance. What changes have taken place since the start of the company until now?

27. What are the company's current projects?

28. What are the company's future plans? Any possibility of privatisation?

29. What are your views on public enterprise reforms in Fiji?

30. Further comments.

APPENDIX 5.1

THE PUBLIC ENTERPRISES ACT (1996)

1.1.1 Section 56 of the Public Enterprises Act outlines the GCC's Board appointment process. The Minister for Public Enterprises in consultation with the relevant Minister and with approval of the Prime Minister appoints the BOD for GCC's. With regard to CSA, the appointing authority is the relevant Minister.

Section 57 of the Public Enterprises Act outlines the role of the BOD of GCC which includes the following matters:

1.1.1.1 Responsibility of the Company's commercial policy and direction;

1.1.1.2 The appointment of the Company's Chief Executive Officer;

1.1.1.3 Ensuring that the Company achieves its principal objectives as defined in Section 43 of the PE Act;

1.1.1.4 Ensuring that the Company achieves and acts in accordance with its corporate plan and carries out the objectives outlined in its statement of corporate intent;

1.1.1.5 Accountable to the Public Enterprises Minister and the relevant Minister for its performance as required by the Public Enterprises Act and other laws applying to the Company; and

1.1.1.6 Ensuring that the Company performs its function in a proper, effective and efficient way.

1.1.2 Part 3 and Part 5 of the PE Act outlines certain provisions to ensure that GCC's and CSA's are accountable for their actions, that they report to Government regularly and uniformly and that they are properly managed. The following documents form the basis for performance monitoring:

- Corporate Plans;
- Statement of Corporate Intent;
- Half yearly reports;
- Accounts (audited & unaudited);
- Annual Reports; and
- Employment & Industrial Relations Plan;

1.1.3 Furthermore, under the PE Act the BOD is obliged to keep the Public Enterprises Minister and the relevant Minister reasonably informed of the operations and financial performance of the GCC's and CSA's.

Source: Ministry of Public Enterprises, Tourism and Communication (MPETC) Website

APPENDIX 5.2

BOARD AND MINISTRY RESPONSIBILITIES

6.4.1 The BOD are accountable to the shareholders and hence the Chairmen on behalf of the BOD will need to brief the shareholders regularly on the performance of their respective organisations.

6.4.2 The BOD should adopt a "no surprise policy", and keep the Minister for Public Enterprises & Public Sector Reform, the Minister for Finance & National Planning and the relevant Minister well informed of any major Board decisions especially those that may attract public

6.4.3 attention.

SHAREHOLDER REPRESENTATIVES

6.10.1 Representatives from the Ministry of Public Enterprises and Public Sector Reform, the Ministry of Finance and the line Ministry will sit as observers on Boards of GCC and CSA Board's. They shall not be regarded as directors but sit on these Boards to provide policy clarifications and regular performance updates to their respective Ministers.

Source: Ministry of Public Enterprises, Tourism and Communication (MPETC) Website

APPENDIX 6.1
VISION, MISSION AND SERVICE OBLIGATIONS

Our Vision

That the company is recognised as the country's leading provider of high quality and modern postal services.

Our Mission

Post Fiji to be recognised as a leading provider of high quality, cost-effective, modern postal service both domestic and international, operating commercially, fully committed towards meeting customers' and shareholders' expectations through friendly, highly professional and satisfied workers.

Our Service Obligations

- To provide all in Fiji with a universal letter service.
- To carry standard letters within Fiji at a uniform price.
- To ensure that the postal service is accessible on an equitable basis to all in Fiji.

Post Fiji is a commercial enterprise owned by the Fiji Government. As well as requiring Post Fiji to operate commercially and in accordance with Government policy, the Government also requires Post Fiji to meet its obligations to the community.

This obligation ensures that all Fiji Islanders have reasonable access to the letter service provided by Post Fiji, including the delivery of standard letters at a uniform price from anywhere to anywhere in Fiji, even so in instances where the cost of delivery is higher than the price.

To maintain this access to all Fiji Islanders, Post Fiji maintains an extensive infrastructure of 57 post offices and 127 postal agencies across Fiji.

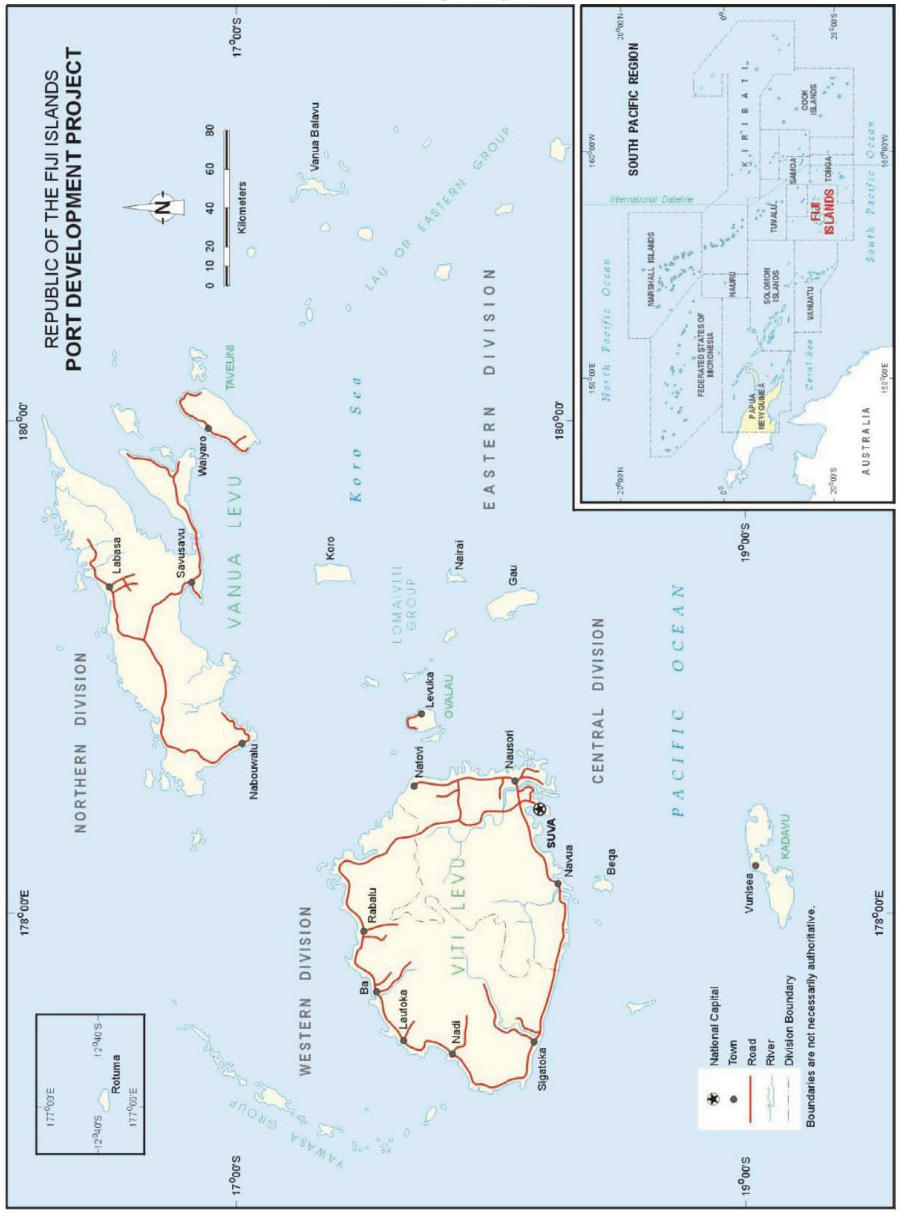
2005 Post Fiji Annual Report

Source: PFL (2005: 2)

APPENDIX 6.2
FIJI'S PAST COMMEMORATIVE STAMPS

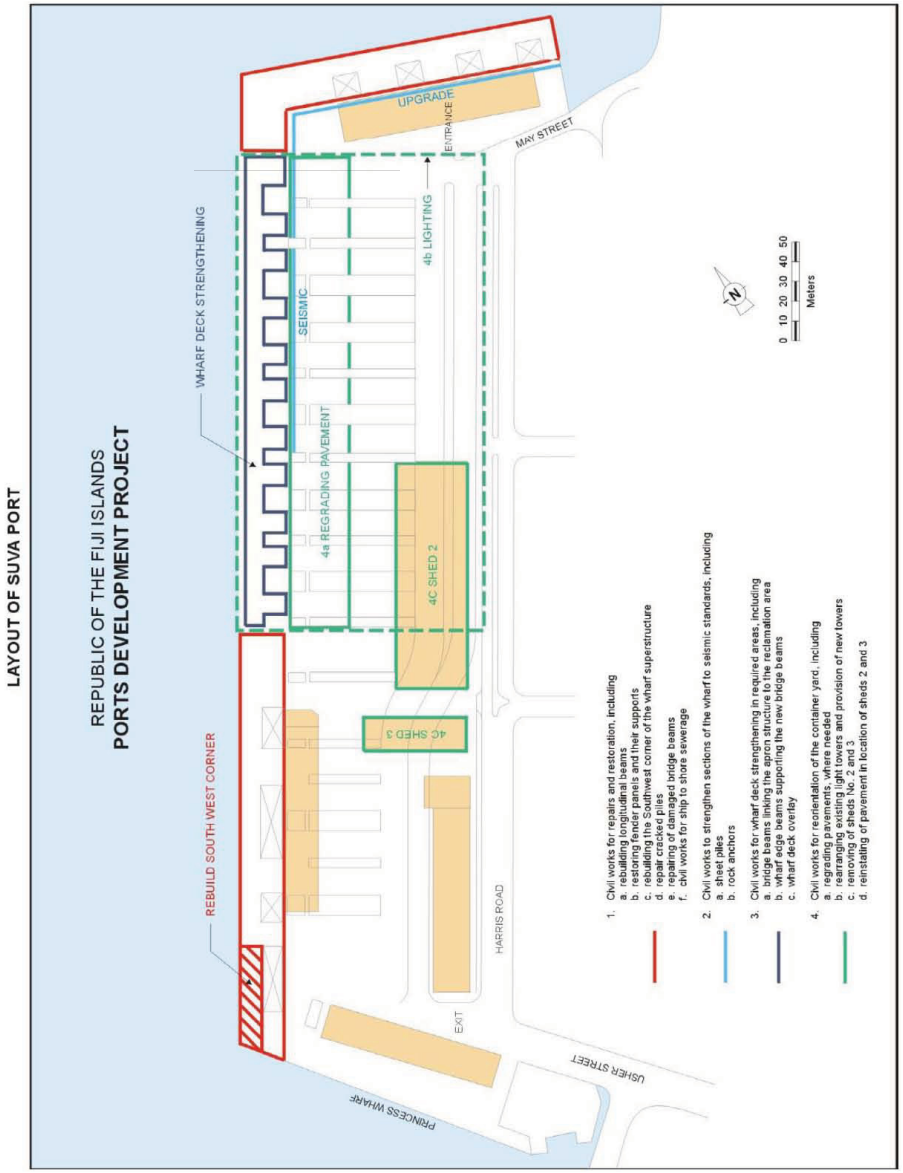
Source: PFL (2005: ii)

APPENDIX 6.3
MAP OF FIJI



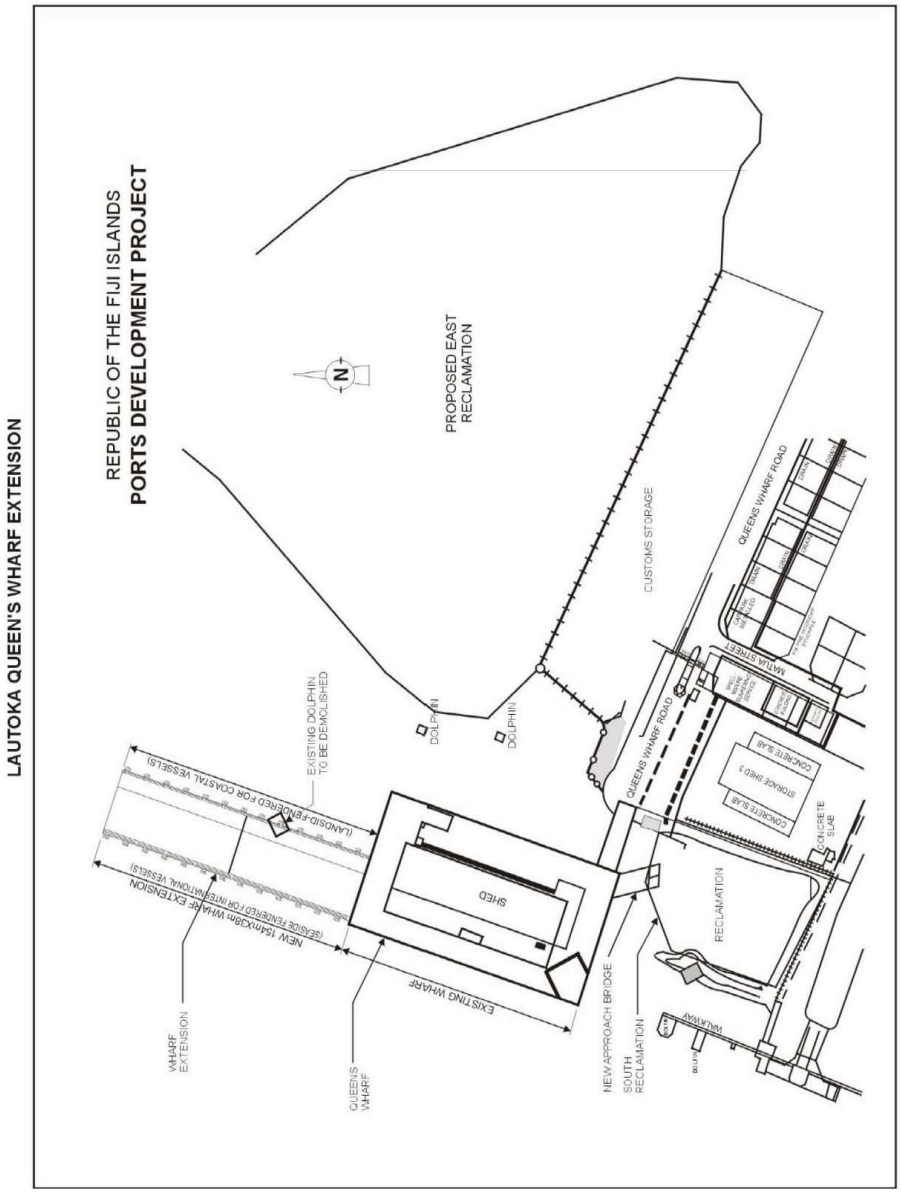
Source: ADB (2002: iv)

APPENDIX 6.4



Source: ADB (2002: 39)

APPENDIX 6.5



Source: ADB (2002: 40)

APPENDIX 6.6

THE MOMI BAY DISASTER

FNPF was the major financier for the first stage of the project while UTOF invested into stage two through a mortgage over the land. The first stage involved the construction of a nine-hole golf course, a beach, a sealed main road from the Queen's highway to the development, the underground services, water and sewerage, and the issuing of separate freehold titles for each lot. Stage two involved the construction of the Ritz Carlton Resort and the residential lots, and the expansion of the golf course.

Mcnabb (2009), an Australian Consultant of 'The Independent' prepared a credit report on this project for FDB. Mcnabb (2009) discloses that the investing government entities of Fiji disregarded many warnings about the risky investment. The project cost millions of taxpayers' money as funds were advanced to a Bridgecorp-related company to develop the biggest resort in Fiji at Momi Bay, near Nadi. Mcnabb (2009) reveals details on this ill-fated project as follows.

Faced with a F$85 million debt from its unpaid loan on Momi, FNPF is now flexing its muscle as a mortgagor. FNPF intends to take over the resort to auction it in order to recoup some of what it spent on the project. FNPF only resorted to this action when the Bridgecorp receivers, PricewaterhouseCoopers failed to find new financial backers. "Bridgecorp went to the wall two years ago" (Mcnabb, 2009). The subject resort was Bridgecorp's single largest investment which involved about $100 million of investors' money. The investors were initially led to believe that $50 million of funding was involved. In reality, the Fiji Government entities lent more than F$100 million into a resort that sits idle with half-built buildings. The research and documents acquired by 'The Independent' reveal that RBF was uncomfortable about Bridgecorp, its associates and the large amount of funds being lent. So much so that in March 2007, RBF commissioned a background and credibility check on Bridgecorp and Urwin Fernandez (NZ) Limited which involved the Momi Bay developer, Garry Urwin. Garry Urwin was one of the directors. Urwin was also a director of Bridgecorp and Matapo Limited. Conveniently, Matapo was the developer of stage one of the Momi project.

Furthermore, 80 per cent of another company, Bawden Holdings was also owned by Bridgecorp. Bridgecorp's boss Rod Petricevic and his right-hand man, Rob Roest were the directors. The background study was prepared four months ahead of the collapse of Bridgecorp. Confirming RBF's doubts, the credibility check reaffirmed other warnings such as the ones from accountants and lawyers in Australia and Fiji during the months leading up to Bridgecorp's collapse. The Bridgecorp director, Petricevic went insolvent in 2008 while Roest faced criminal charges over the $550 million trans-Tasman collapse of Bridgecorp. Consequently, both have been banned from managing or directing any New Zealand company for the next five years. RBF's financial intelligence unit discovered that the Australian Securities and Investment Commission made orders in the Supreme Court of New South Wales for the suspension. Bridgecorp was then banned from raising new funds in Australia. In addition, the order also required an expert to review Bridgecorp's loan book from August 2006.

Apart from RBF's concerns, alarm bells also began ringing at FDB in 2004. This occurred when Matapo Limited requested for an eighteen-month loan of F$12.261 million as part of the F$255 million required to build the resort. Interestingly, amidst the emails and other documents gathered by 'The Independent', there was an email that indicated that Bridgecorp was in no position to honour a guarantee for the significant loan amount since the guarantee involved more than a year's earnings and "a very significant proportion of its total net tangible asset backing" (Mcnabb, 2009). However, despite the Consultant's statement that "Bridgecorp did not operate like a bank and was, in his view, a totally unsatisfactory substitute as guarantor", FDB processed the loan when Urwin dismissed its concerns (Mcnabb, 2009).

The failed Bridgecorp sunk $106.6 million into the Momi development. The five former directors of Bridgecorp, Chairman Bruce Davidson, executive directors Rod Petricevic and Rob Roest and, non-executive directors Gary Urwin and Peter Steigrad face criminal charges as well as civil proceedings. The charges involve allegations of misleading statements in the company's prospectus. Whereas the criminal charges come with an upper limit penalty of up to five years jail term or up to $300,000 in fine, the civil proceedings could carry penalties of up to $500,000 against each director.

Source: Mcnabb (2009)

APPENDIX 6.7

GROWTH IN TOTAL FUNDS UNDER MANAGEMENT

Year	Total Funds under Management ($m)
1987	2.70
1988	5.50
1989	6.70
1990	6.80
1991	7.10
1992	7.90
1993	8.20
1994	8.70
1995	10.22
1996	18.47
1997	23.87
1998	29.24
1999	28.24
2000	32.34
2001	40.90
2002	50.92
2003	62.61
2004	72.62
2005	88.63
2006	94.43
2007	90.94
2008	88.53
2009	73.59
2010	72.22

Source: UTOF (1996, 1997, 2000, 2001, 2002, 2004, 2008b, 2011)

APPENDIX 6.8
GROWTH IN THE NUMBER OF UNIT HOLDERS

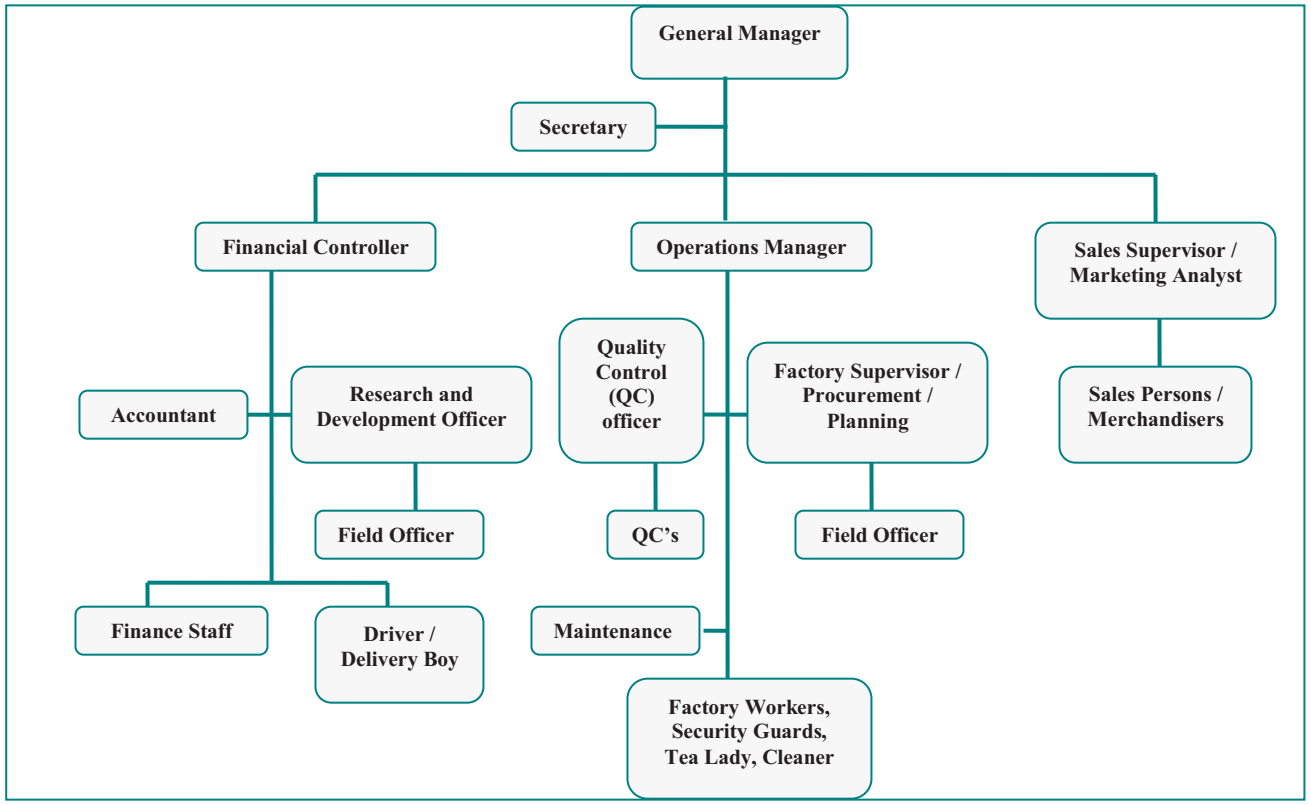
Year	Number of Unit Holders
1987	266
1988	428
1989	579
1990	646
1991	687
1992	667
1993	680
1994	756
1995	845
1996	975
1997	1169
1998	*
1999	*
2000	1,583
2001	3,000
2002	4,000
2003	6,200
2004	7,597
2005	9,224
2006	10,821
2007	11,681
2008	12,186
2009	12,391
2010	12,473

Source: UTOF (1996, 1997, 2004, 2008b, 2011)

*The figures for number of Unit Holders in years 1998 and 1999 were not available at the time of research.

APPENDIX 7.1

FPFL'S CURRENT ORGANISATION CHART



Source: FPFL (2009: 5)

APPENDIX 7.2

STRATEGIES AS PER CORPORATE PLAN

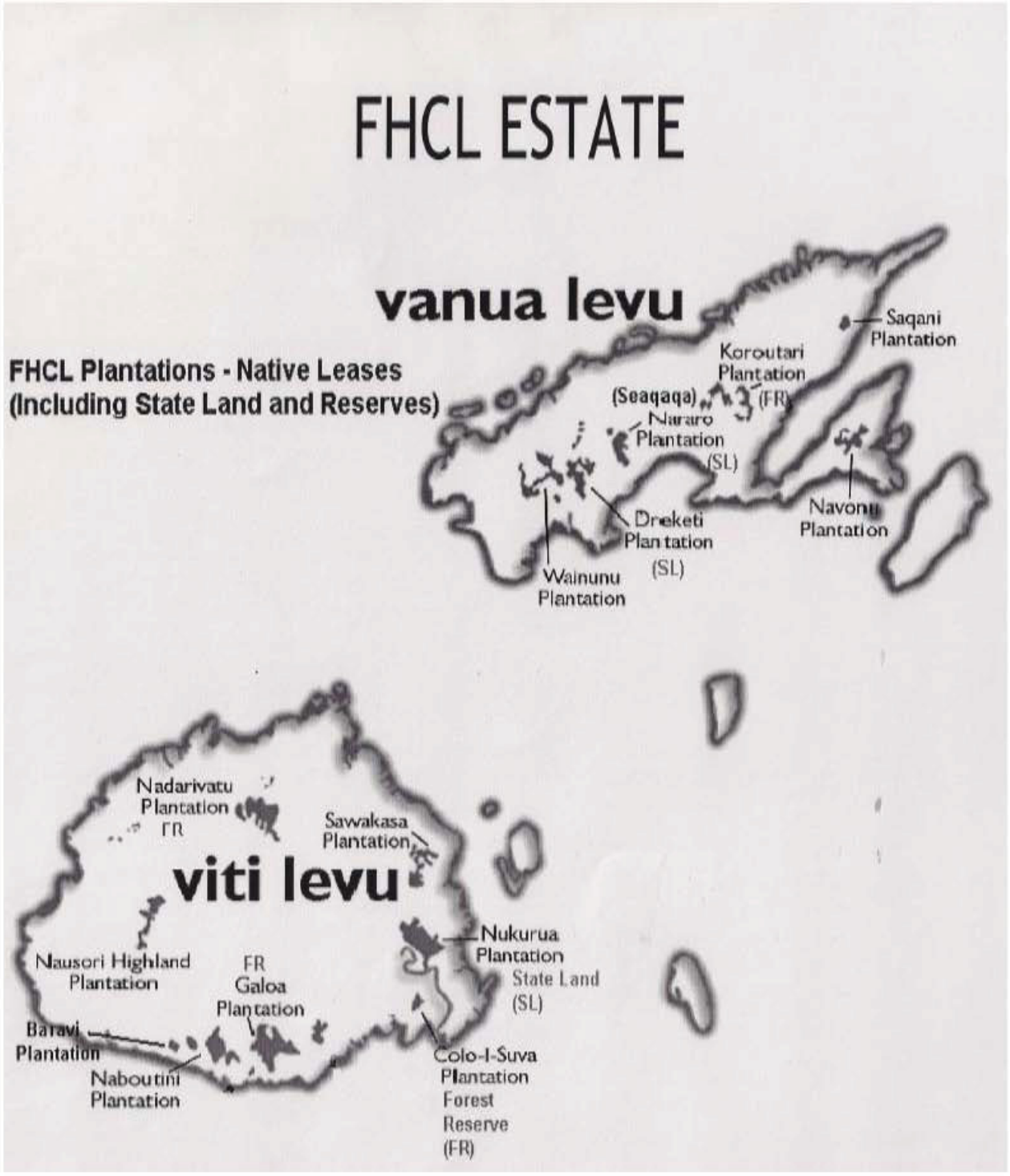
1) Restructure of the $1.94 million NATCO loan. All accrued interest on government loan will be reversed. Batiri loan will also be written off.

2) Negotiation with the Ministry of Primary Industries (MPI) through MPETC regarding the Batiri[24] farm on the following.
A) Temporary secondment of MPI technical staff to Batiri from time to time until Batiri's divestment,
B) Transfer of sheep ownership to FPFL at no cost, to operate it commercially,
C) Transfer of honey ownership to FPFL at no cost, to operate it commercially,
D) Complement government's 'Look North' policy by using Batiri as a buying and processing centre for raw materials, and
E) Facilitation of electricity in Batiri.

3) Disposal of non-performing and non-core assets such as the obsolete equipment and the Savusavu (in Vanua Levu) property (fair value of this property as at 2008 is $75,000) by 31 December 2009. Investments will be made into new plant and equipment. Accreditation will be obtained for dry HACCP, financed by external borrowing of $250,000 and internal cash flow of $100,000. Rehabilitation of Batiri farm to continue, financed by a $150,000 commercial loan until its sale or lease by end of 2009 (FPFL, 2009).

[24] FPFL has a big farm in Batiri. It acquired the Batiri farm upon the liquidation of NATCO and the subsequent transfer of its assets. Since then, FPFL spent quite a lot to rehabilitate it in terms of weeding and planting sugar cane. But even then, instead of bringing in revenue, the farm uses up FPFL funds (Interview with Acting CEO, 2009). The problem is that the farm has not been utilised to its full potential due to lack of adequate labour and capital. For sometime in 2008, improvement in land utilisation was noted. This was due to the recruitment of a better supervisor, new plantations and an improved farm management system. However, the small profits for the past three years (Interview with Acting CEO, 2009) neither met the expectations of the management nor of the shareholders. Further attempts to maximise land utilisation will mean higher capital expenditure (FPFL, 2008).

APPENDIX 7.3
FHCL ESTATE



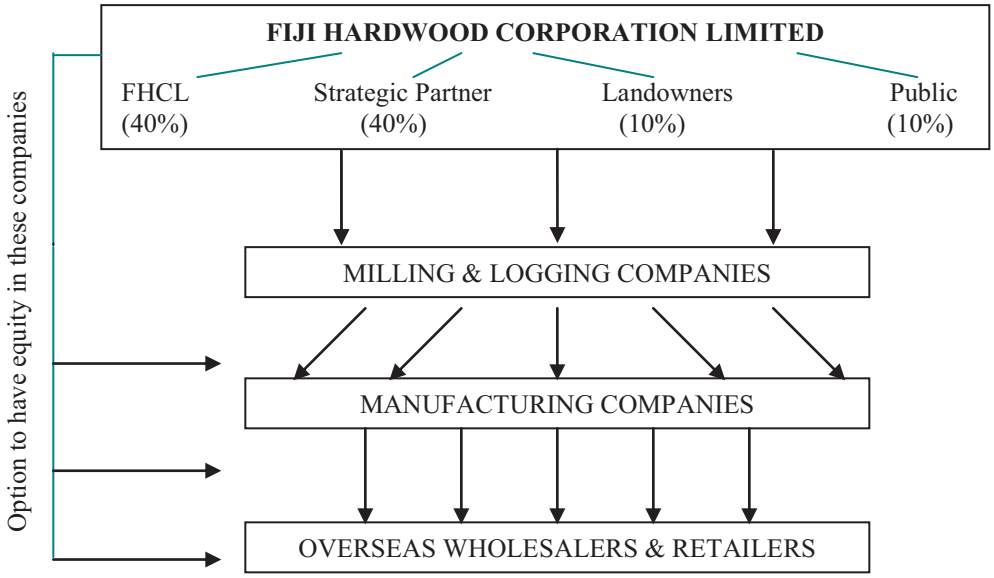
Source: Interviewee (2009, 2011, 2012)

APPENDIX 7.4

THE MAHOGANY COUP

The bidding competition for mahogany timber rights between a USA and British firm resulted in legal tussles flying from Suva to Seattle (Frank, 2000). With billions of dollars at risk, many parties became involved. Such parties were the government officials from the two countries, PriceWaterhouseCoopers (PWC), a Seattle entrepreneur and the former Chairman of the FHCL Board who staged the May 2000 coup in Fiji (Frank, 2000). Frank (2000) reported the following details which explain the lead up to the 2000 coup and how it was connected to mahogany.

By 1998, overseas interest grew noticeably in Fiji's mahogany plantation. Seeing the interest, the Soqosoqo Vakavulewa ni Taukei (SVT) government appointed Price Waterhouse (now PricewaterhouseCoopers) to search for a foreign logging partner with an attached condition. The condition was that the bidder, while taking a stake in FHCL, would also assist in building of roads, sawmills and sanding, and furniture plants needed to process wood (Frank, 2000). When searching for partners, FHCL earmarked investors who were experts in forestry, logging and manufacturing of timber products (Digitaki, 1999: 27). The figure below illustrates the then proposed four-tier industry structure for FHCL.



The Proposed Structure for Hardwood Industry
Source: Digitaki (1999: 27)

According to the structure, the first tier comprised the potential owners. Placed beneath them were the prospective logging companies. Logging companies were to supply timber to selected manufacturers. These manufacturers were to export their finished products to targeted markets worldwide. If landowners met the FHCL guidelines, they were to be given priority to start their own manufacturing businesses (Digitaki, 1999: 27).

About twenty-six local and overseas investors expressed their interest during the bidding process including a few “very big” international timber companies (Digitaki, 1999: 27). Through its analysis within weeks, Price Waterhouse narrowed down the list of six candidates to two finalists, Britain's Commonwealth Development Corporation (CDC) and the American-led Timber Resource Management (TRM) (Frank, 2000).

CDC, the British government-owned investment company offered $68 million and certain cutting rights. This offer was seen as far too low to many in the then Fiji government (Frank, 2000). TRM, a newly established consortium led by Marshall W. Pettit entered a bid of $110 million. TRM offered a rather complicated bond offering which involved a Cayman Islands holding company and millions of dollars in banking and transaction fees. Pettit was said to be a Bellevue based businessman. He was a financier with interests in real estate and natural-resource projects. TRM was 65 per cent owned by the Washington-based Anglo-Pacific Resources but controlled by Pettit. The remaining of the consortium was said to be owned by various New Zealand and Australian timber companies (Frank, 2000).

After analysing the two bidders for sometime, Price Waterhouse recommended CDC. It justified that CDC was more established than TRM, adding that it would provide Fiji with more direct benefits (Frank, 2000). This British company was also already engaged in the harvesting of pine in Fiji (Feizkhah, 2001: 22). The reigning SVT government disputed Price Waterhouse’s recommendation of CDC as the better bidder. This saw the termination of Price Waterhouse during its presentation which was interrupted by government ministers in a crowded conference room in February 1999. The ministers fired Price Waterhouse, arguing that they could handle the mahogany deal, themselves (Frank, 2000). The takeover of the mahogany deal by the SVT government saw the entry of a new player in the mahogany talks. With a MBA from Andrews University in Michigan, this individual was a Fijian insurance executive with a flair for sales, and someone who had close ties with the government. He was the then chairman of FHCL. He was also in charge of the government's mahogany steering committee (Frank, 2000) as well as the chairman of Fiji Pine (Digitaki, 1999: 27). During the meeting in which Price Waterhouse was fired, it was this chairman who led the attack on the CDC recommendation arguing that it “didn't meet the government's requirements” (Frank, 2000) - a point worth noting. The chairman’s outburst against the CDC recommendation raises suspicions on his connection to other other US based bidder.

In late 1998 in the eve of the 1999 elections, the SVT Government decided on its preferred bidder, the US based TRM (Interview with Senior Financial Analyst, 2009). The then FHCL Chairman “aggressively promoted the cause of [the] newly formed American company with no apparent ties to the timber industry” (Feizkhah, 2001: 22). Year 1999 exposed why this was so. The Chairman’s bank statements revealed that Anglo-Pacific Funding wired two separate payments of $5,000 to his Australian bank account (Frank, 2000; ABC Radio National, 2004). What created even more suspicion was the timing of such payments. The payments were made soon after the abovementioned February meeting. What was a further surprise was that the Anglo-Pacific Funding was also controlled by Pettit (Frank, 2000).

The entire scenario changed with the change in government after the May 1999 elections[25]. The May 1999 elections brought about a change in government from SVT to People's Coalition government. Consequently, the FHCL Chairman lost his "timber positions". The new government also initiated widespread investigation into fraud, corruption as well as reopened the mahogany talks (Frank, 2000). The Chairman was dismissed for alleged bribe-taking (Feizkhah, 2001: 22). The decision of the People's Coalition Government was in line with the recommendation of Price Waterhouse in terms of the preferred bidder. Accordingly in July 1999, the new Prime Minister wrote to CDC to inform CDC that it was the "preferred bidder" for the foreign logging partner. Through the letter the government expressed that it "wishes to proceed to complete the negotiations" with CDC. The proof that such a letter did exist, was made known months later.

Unbeknown to the behind the scene activities, TRM continued to make an effort to pursue its bid (Frank, 2000). To this end, it spent more than $2 million on legal fees and other deal-related costs of organising the bond involved in TRM's bid, even to the extent of making arrangements of air-flights for four Fijian government Ministers to New York in September to promote the bid. Because TRM could not pay for the trip given the Foreign Corrupt Practices Act, the trip was sponsored by the US Trade and Development agency. The agency paid $25,000 in air fare, hotel and travel costs for the ministers. TRM only came to know about the July 1999 letter (from Fiji Government to CDC notifying CDC that it was the preferred bidder) and the Fiji Government's commitment to CDC, months after the delegation returned home. Tempers flared. Pettit reacted, "we feel thoroughly taken advantage of", stating that the Fiji government accepted the trip in bad faith wasting the US taxpayer's money. Then in April 2000, Siddique, a travel agency owner from Virginia charged into the then Prime Minister's office and blurted, "no more excuses. You can do what you want with your f---ing forest". He later defended that he did what he did to simply support the commercial interests of a US company (Frank, 2000).

Feeling cheated, TRM filed nine lawsuits in Fiji. It filed four against a former consultant and a former equity holder, two against the government and three against the various Fiji newspapers and newspaper columnists. The newspapers and the columnists were also not spared because reports about TRM and the company's bid were libelous and false, according to Pettit. Pettit's anger was on reports that put the reputation of TRM to question and those that detailed the payments that TRM would receive from the mahogany deal in addition to the usual revenue. "All I want is an apology… We were trying to do something good for the people of Fiji, and all we got were lies and a slap in the face" he said (Frank, 2000). The decision of People's Coalition government of accepting the lower bid of the British firm also gave rise to growing protests against this government (ABC Radio National, 2004).

[25] After the May 1999 elections, there was a change in government from the Rabuka-led SVT government to the Chaudhary-led People's Coalition government. A change in government was witnessed again in 2000 from People's Coalition to Sogosogo Duavata ni Lewenivanua (SDL), the Qarase-led interim government brought about by the 19 May 2000 coup (Narayan, 2008).

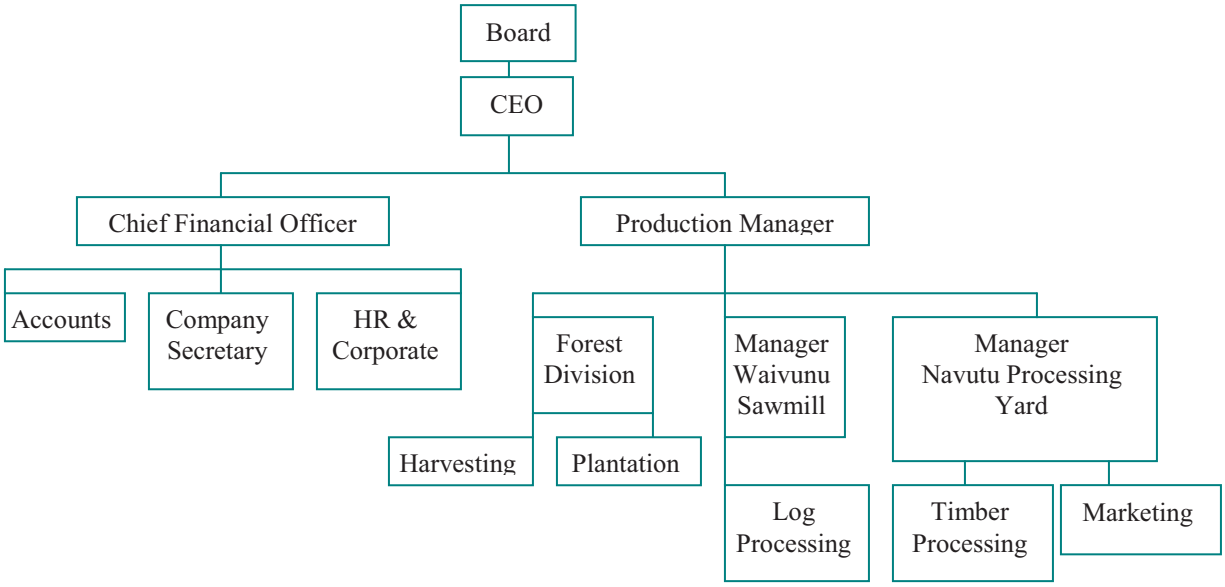
According to Feizkhah (2001: 21), this government's "sober plans collided head-on with the ambitions of" the former Chairman. The former Chairman could not just sit and watch what transpired. He started touring the villages to get support from the mahogany landowners (ABC Radio National, 2004). He lost no time in inflaming the mahogany landowners. He told them that they were being cheated and that, "the government was trying to harvest the mahogany by itself" (Feizkhah, 2001: 22). The resulting unease brought many landowning chiefs to the Chairman's side (Feizkhah, 2001: 22). Incited, the mahogany landowners joined in protest marches in Suva, telling the government to, not to make a decision regarding the future of mahogany without consulting them (ABC Radio National, 2004). Notably, such demonstrations occurred weeks before the 2000 coup. It was believed that the former Chairman instigated these protests against the People's Coalition government's decision because he was already paid consulting payments by the US company but at that point he stood ousted from the position of the Chairman (Frank, 2000).

Exactly three days before the overthrow of the People's Coalition government, this former Chairman justified his position through a striking advertisement in a local newspaper. He defended that he was "not on the take" from the US company and that he acted "in a responsible manner with absolute integrity" during the mahogany negotiations. The advertisement was placed in a reaction to a Fiji television program that exposed the deal between him and the Anglo-Pacific Funding just before the coup. Amidst the allegations, Pettit and the former Chairman confirmed the payments but denied that it had anything to do with the mahogany deal. Pettit defended that the fees were payments for office space and insurance related consulting work carried out by the Chairman for Anglo-Pacific between 1997 and 1998, which was well before the mahogany talks began. But Pettit did say that he thought the payments were being made to an insurance company managed by the Chairman not to his personal account. He added that he was unaware of any coup, arguing that these allegations were fabricated by the political rivals of the former Chairman. Pettit confirmed that the Chairman did not do them any favors. He mentioned that "since other people involved were in effect constantly inferring that [the Chairman] was carrying our banner", TRM's association with the Chairman worked against it during negotiations. Such accusations, claims and defenses warranted further investigation. A special unit of the Fijian police was thus set up to scrutinise the mahogany deal (Frank, 2000). On 19 May 2000, the day of the coup, mahogany landowners were again involved but this time in a gathering in Suva (ABC Radio National, 2004). On this same day, the Chairman led the coup with sixteen other rebels and stormed the parliament, taking the PM and his cabinet hostage (Frank, 2000; ABC Radio National, 2004). "We have secured a civil coup on behalf of the indigenous people of Fiji", argued the coup leader (ABC Radio National, 2004).

In the early morning of 25 May 2000, the FHCL building, owned by the then Opposition Member of Parliament (MP) was burnt to the ground (Ho, 2005) by the supporters of the coup leader (Feizkhah, 2001: 22). The Head of the National Fire Authority told the Pacific Journalism Online that the cause of the fire was a suspected arson. The police was alerted by a phone call at 2.02 am. By the time the fire fighters reached the scene, the building was already in flames and in no state to be saved. However, the fire fighters did manage to put out the fire by 3.10 am (Ho, 2005).

APPENDIX 7.5

FHCL ORGANISATION STRUCTURE



Source: Interviewee 6 (2009, 2011, 2012)

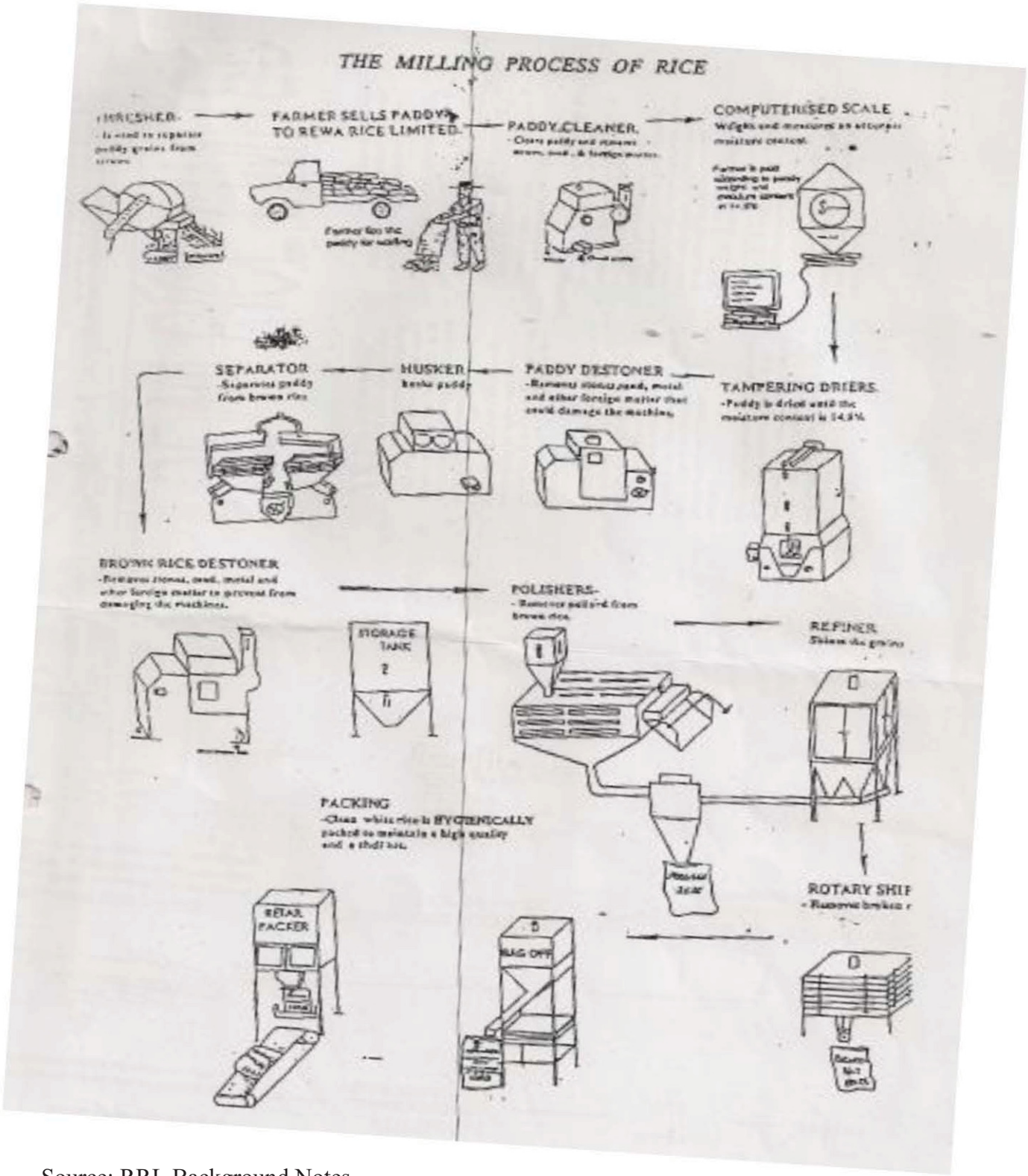
APPENDIX 7.6
KEY FEATURES OF THE NEW DIRECTION

- Transfer of ownership of the mahogany forests currently leased to FHCL to the landowners through the NLTB;
- Implementation of transfer to be made subject to the finalisation of some regulatory, commercial, consultative and enforcement aspects;
- A 10 per cent poundage to be paid to FHCL in consideration of the transfer to allow it to repay its existing debts;
- Granting of licenses to new but restricted number of licensed operators (through a tender process) to harvest mahogany. The licenses include conditions such as replanting and adherence to sustainable practices, value-adding to be done in Fiji and mahogany to be exported as Fiji's distinct product;
- To adopt an annual quota of harvesting in liaison with the forest manager and this to be aligned to the annual sustainable yield;
- License holders to contribute towards funding for forest manager and other industry sustainable initiatives like certification[26] and survey;
- Entrust forest manager with sustainability practices and enforcement of licensing conditions with appropriate disclosure to the licensing authority;
- License holders to pay log proceeds to the respective landowners through FMT;
- Leases to exist and be held by FMT but the terms of these leases to be reviewed;
- In cases of non compliance, penalties to be applied which will also include revoking of licenses;
- A new Licensing Authority to be set up; and
- Drafting of new laws to enable the enforcement of the licensing system including criminalisation of poachers and abusers.

Source: MPETC (2009c: 4-5).

[26] FHCL has been 'planning to obtain environmental forest stewardship council certification to gain entry into the highest value lumber markets' (The Review, 2004d: 13).

APPENDIX 7.7



Source: RRL Background Notes