Social Obligations after Reforms: The Case of Fiji's Corporatized Public Enterprises

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Abstract

This paper investigates the social obligation fulfillment of corporatized public enterprises of a South Pacific nation (Fiji), using qualitative methods. The study, carried out in 2015, finds that fulfillment of such obligations adversely affects the fulfillment of commercial objectives when the cost of social obligations is high and inadequately compensated by the government. The paper proposes a model based on Institutional Theory. While much is written on reforms undertaken by the public sector, there is scant literature on social obligation fulfillment. While the empirical study is based on a small island economy, the study has potentially wider application for public enterprises in developing nations and elsewhere.

Introduction

The social economy no doubt attracts growing policy attention, yet there is little research in this important area (Seyfang, 2006). While much is written on reforms undertaken in the public sector, there is scare literature on social obligations - such inclusion has largely been neglected. This study is an attempt in this direction. Social obligations are known as *Community Service Obligations* (ADB, 2011, 2014; Martin, 1996) or *Public Service Obligations* (PSOs) (Santana, 2009; Williams & Pagliari, 2004). Social obligations are non-commercial activities which do not generate profits but need to be carried out to serve the wider public.

Relatively few articles have investigated issues surrounding social and/or multiple objectives of public enterprises. According to Brown et al. (2000), when compared with the privatization and corporatization reform efforts, it is the commercialization phase that maintains service delivery as well as allows for the retention of social obligations. However in Fiji, corporatized enterprises are required by Government to continue with social obligations together with commercial objectives (s69(1), *Public Enterprise Act, 1996*). What remains a challenge is that there is inadequate framework to identify CSOs and to assist in their funding by government in the corporatisation phase (Martin, 1996). Whereas the multiple objectives of the Public and Non-profit Service Organizations (PNSOs) add value to multiple stakeholders (Wright et al., 2012), this sector has been subjected to constant changes (Jurisch et al., 2013), hence more systematic efforts are needed to address the economic and societal challenges (Bloch and Bugge, 2013). Jurisch et al. (2013) recommends that public sectors rethink, adapt and change their underlying service processes to tackle the current financial, social and political challenges.

During the past decades, many process-change projects, both in private and public sectors, failed to realize their objectives (Jurisch et al., 2013). The call for effective guidance for policy formulation for good governance and social cohesion has been critical (Wallis et al., 2004). According to Wallis et al. (2004), early contributors to the field of social capital were pessimistic about the government's ability in stimulating social capital formation. Nonetheless, of late, there has been much interest in the application of community development principles to foster social capital at the micro level (Wallis et al., 2004).

What also matters is the context in which the market based performance system is implemented. As Rkein and Andrew (2012) argue, market-based performance management systems fail to achieve the intended objectives particularly because these are introduced in socio-economic contexts that are not so supportive of market management practices. It is no surprise then, that in many cases, service delivery to the public remains largely driven by social rather than economic imperatives. In the absence of other service providers, a government has to continue with its social responsibility towards its citizens (Rkein and Andrew, 2012). A government's role therefore, should not be limited to mere policy-making but should also create a balance between the social and economic objectives (Luke and Martie-Louise, 2006).

Nunan (2014), highlighting the importance of welfare objectives, argues that the public sector often pursues multiple objectives which may in some instances, conflict or compete with each other. Also, the expectations of a community may differ from that of the government when it comes to CSOs (Martin, 1996). Without the incorporation of welfare objectives, policies will neither be politically accepted nor fully implemented. Additionally, where there are major inconsistencies in a given industry, broader policy initiatives may be easily undermined (Williams and Pagliari, 2004). Such situations warrant a good balance between wealth and welfare objectives and measures (Nunan, 2014). Wealth and welfare objectives can be likened to commercial objectives and social obligations, respectively.

Social obligation issues have received little attention from both empirical and theoretical research in public administration, with the exception of Martin (1996) who discussed CSOs in general; Santana (2009) and Williams and Pagliari (2004) who looked at PSOs in air transport industry, and Chisari et al. (2001) who analysed subsidies and service obligations in Latin America.

The Context and Contribution

This paper looks at the theory and practice of social obligations in state enterprises. To the best of the researchers' knowledge, the only other study done in this area is Chisari et al.'s (2001) study on access and affordability to the poor in Latin America. This study looks more at the impact on public enterprises of a small island nation. Little is known about social obligations of specific public enterprises in small economies. This is seen as an important and contemporary area in need of investigation. Because the public sector is susceptible to governmental pressures, the continued fulfillment of social obligations together with commercial objectives raise 'important questions for the field of public administration and has consequences for' public enterprises, 'which are funded and regulated by government' (Frumkin and Galaskiewicz, 2004: 283). While this study is based on a small island economy, the study does have potentially wider application for public enterprises in developing nations and elsewhere. Policy makers, public sector managers, and scholars of public sector and institutional theory will benefit from its findings. The discussion on implications can direct the concerned stakeholders to key strategies to better deal with public sector conflicting objectives.

In theoretical terms, this paper contributes by extending two of the assumptions of the Institutional Theory to the context of reformed public enterprises. A model is presented to illustrate the same.

This research is based on Fiji, a small developing country.

Materials and data are drawn from five Government Commercial Companies (GCCs). Over the years, governments in Fiji have instituted structural changes of commercialization and corporatization in their quest to improve the financial performances of GCCs. A GCC is a wholly government-owned corporatized enterprise. The corporatization process transforms a government entity into a separate legal entity via legislation but government remains the sole shareholder (Greiner 1999). Such 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). The public enterprises selected for this research, while corporatized, still carry out social obligations. The selected GCCs are: Airports Fiji Limited, Post Fiji Limited, Fiji Ports Corporation Limited, Food Processors (Fiji) Limited, and Rewa Rice Limited.

The key aim of this paper is to investigate the social activities carried out by these GCCs and to find out if these activities are compensated by the government (as should be the case for corporatized government enterprises).

The Fiji Government is aware of multiple conflicting objectives for various public enterprises. The government itself admits to social obligation burdens. In fact, such objectives were recognized as problems from as early as 1998 when the Department of Public Enterprises (1998) acknowledged that one of the contributing factors to the public sector economic inefficiency is multiple, and often conflicting, objectives. Even after a decade, the Ministry of Finance and National Planning (2008) reported that public enterprises failed to perform better because of lack of commercial obligations. This led to the establishment of a 'Non Commercial Obligations Steering Committee'. The impact of this committee on the burden of social obligations and on compensation by the government to corporatized public enterprises, is still uncertain While progress on restructuring has been limited in recent years, Fiji is looking into further corporatization of some government functions.

Institutional Theory

In the late 19th and early 20th century, sociologists began to systematise the study of how institutions interact with one another. Scott (1987) acknowledges the work of Philip Selznick and his students as one of the earliest and most influential versions of institutional theory in organisations; the second and third versions of the theory are highly indebted to the work of Peter Berger, particularly the work co-authored with Luckmann. This paper briefly describes the four key assumptions and focuses on the assumptions that are at the heart of the paper – related to multiple, conflicting objectives. This assists in the development of a model on this key issue in the corporatized public enterprises. While many have applied this theory, there is rarely any vivid mention of the relationship between the third and fourth specific assumptions of unilateral conformity and conflicting objectives of the public sector. This paper extends these assumptions to the context of corporatized public enterprises that are required to fulfil both social as well as commercial objectives. Whereas there may be other perspectives, this study makes use of this theory because it appears the most relevant to the research aim.

The Four Assumptions

Institutionalisation is the process in which actions are repeated over the years and given similar meanings by everyone. This theory has the ability to explain the no-choice behaviour of organizations towards the 'taken for granted' norms and beliefs. This includes the strategic choices of organizations 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 organizational 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 second assumption then is, organizations are either forced by law to adopt structures and processes or persuaded by other agencies on which they depend on. Organizations may also do so given norms and general expectations or because such actions are deemed adequate and efficient by decision makers. The focus of institutionalisation is hence, not on the organizations 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, organizations often feel the pressure from all directions due to unilateral conformity. Pfeffer and Salancik (1978) explain that organizations are faced with incompatible and competing demands which make unilateral conformity difficult, if not impossible. Such 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. These third and fourth assumptions of the Institutional Theory are consistent with the key aim of

this study, in that the public enterprises often find themselves fulfilling conflicting multiple objectives, both social and commercial (Nunan, 2014). 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 obligations. In some cases, some public enterprises have to report to two shareholding ministers who seek fulfillment of competing objectives (Martin, 1996). ADB (2011) reports that poor management of social obligations depresses profitability of public enterprises. It highlights conflicting mandates as one of the causes of poor performance in public enterprises. Social obligations are ambiguous making their costing and identification difficult (Martin, 1996). Public enterprises established without the needed structures and policies to support commercial operations are likely to be driven by political imperatives than commercial goals, which adversely affect their financial performance (ADB, 2011). Santana's (2009) research did prove that social obligations in Europe affected the regional air carriers' economic performance.

The above third and fourth assumptions will be tested using the empirical evidence of GCCs. As per the research aim and in keeping consistency with the literature reviewed, the following theoretical model was developed, illustrating the problem of unilateral conformity in the face of incompatible/competing demands. The logic of the Institutionalization Theory from the perspective of a reformed public enterprise is givenin Figure 1.

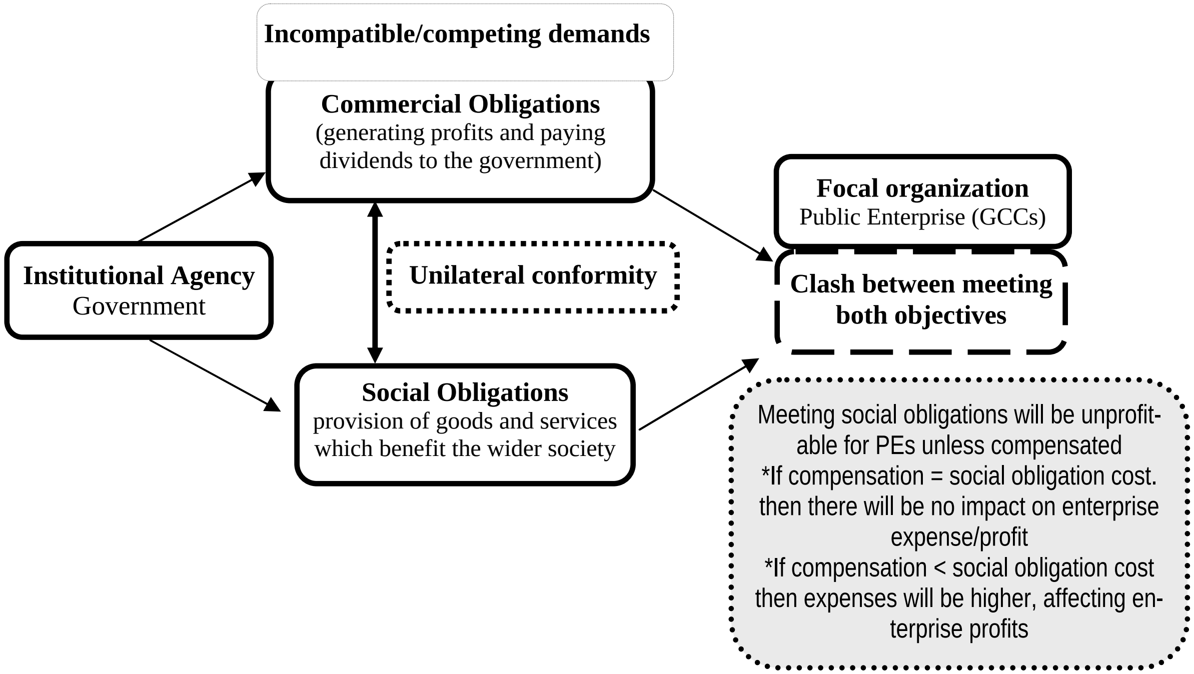
This specific model, explaining the conflicting situation of a public enterprise is one of the key contributions of this paper, paving the way for the development of more effective models and advancing the research in social obligations.

Methodology

This research employs institutional case based approach with qualitative methods to collect data. Qualitative research was preferred because it involves a wide range of exploring and understanding data that would be wasted and lose meaning if preemptively reduced to numbers (Morse and Richards, 2002).

The research used semi structured in-depth face-to-face interviews. Since the research is qualitative in nature, it used the nonprobability sampling of purposive sampling where sampling began with a specific predefined group, the GCCs.

Fig. 1: Reformed Public Enterprises with Social Obligations



Source: Narayan, Singh & Naz (2015) prepared for this research

In addition, this research used a subcategory of purposive sampling – the snowball sampling, where the researchers first interviewed the Senior Financial Analyst (three interviewees) at the Ministry of Public Enterprises, Tourism and Communications (MPETC) who recommended names of key contact personnel at GCCs. The rationale behind the selection of these interviewees is the amount of relevant data (given the interviewees positions' and experiences) that could be gathered. Altogether, twenty-two in-depth interviews were conducted. Interviewees included the Financial Accountant, HR Manager, Long-Serving Employee, Management Accountant and Senior HR Officer (AFL); GM Finance, GM Ports Terminal Limited and Manager HR (FPCL); Acting CEO, Long-Serving Employee and the Union Area Organizer of National Union of Factory Workers (FPFL); Acting HR Manager, Financial Controller, Long-Serving Employee and Acting General Manager Finance (PFL); and the Manager, Accountant, Accounts Clerk and Sales Officer (RRL). Because the CEOs were not long enough in their jobs in some GCCs, they directed the interviews to their long-serving staff who were in a better position to provide the information sought. A detailed description of the interviewees is withheld for reasons of job security and political safety. Anonymity encouraged the interviewees to give out substantial information without the fear of being questioned later on their responses. This helped generate a rich source of field data and allowed for easier further probing of responses. Some of the questions asked were: Comment on the GCC's operations. What are the main activities of the GCC? What are the commercial and social objectives? What role does Ministry of Public Enterprises play? What are the challenges the company faces? These questions in the questionnaire acted as guidelines to discourage divergence into irrelevant issues by interviewees.

The secondary sources used were journal articles, textbooks, conference proceedings, theses and dissertations, newspapers, reputable magazines and the internet (see reference list). Both, published as well as unpublished sources were referred to.

The collected data was analysed on the basis of findings from the case study in forms of responses from the interviewees and relevant documents which helped the researcher document and explain findings. This research used the logic of analytic rather than enumerative induction. It used Gillham's (2001) transcription and analytical framework for the recording, verification and analysis of data. 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 researchers 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 researchers went through the collected primary documents to highlight noteworthy information. They then went back to the entire interview notes and documents to note the highlighted statements and categorized these as important points. For validity and reliability reasons, statements were cross-referenced between interviewees' responses' and with documents such as 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.

This paper is limited in its scope since it is premised on one country and five GCCs only. Case studies are usually not generalizable because there are a lot of elements that are specific to that organization. In addition, case study evidences achieved are valid only for the concrete cases under analysis. As such caution must be exercised when making generalizations. Nevertheless, studies such as these are not only timely but can also have policy and practical implications in the area of social obligations. It is suggested that future research employ larger scale quantitative as well as qualitative studies to advance studies in this area. It is envisaged that this study will inspire scholars to further scrutinize.

Findings

Background: The Five GCCs

Airports Fiji Limited (AFL): AFL was declared a GCC on 3 June 1998 (Narayan, 2013). Being Fiji's only airport management company, AFL operates fifteen airports/airstrips which include two international airports and thirteen other domestic airstrips located on islands scattered over Fiji (Narayan, 2013). These thirteen outer island airports are operated on a non–commercial basis supported by annual capital grants (AFL Annual Report, 2012-2014). The larger international airport generates 94 per cent of total revenue and 100 per cent of AFL profits (AFL Annual Report, 2012-2014).

Post Fiji Limited: Since its inception until 1989, Fiji's postal operation was a division of the Department of Posts and Telecommunications (Narayan, 2013). In June 1996, the separation of Posts and Telecommunications was formalized resulting in two new enterprises, Post Fiji Limited (PFL) and Telecom Fiji Limited (TFL). PFL 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).

Fiji Ports Corporation Limited (FPCL): FPCL was formally known as Ports Authority of Fiji (PAF). Ninety-five per cent of imports and exports are traded through FPCL's subsidiary, Ports Terminal Limited (PTL). In addition, FPCL tries to meet its social obligations (fulfilling the port related needs of the outer islands of Fiji) (Narayan, 2013). FPCL was established upon dual reforms in the port industry which saw the amalgamation of PTL and MPAF into one GCC, FPCL. FPCL began operations from 1 July 2005.

Food Processors (Fiji) Limited (FPFL): FPFL was established in 1984 (Mcmaster and Nowak, 2005). It is an agro-food manufacturing company. According to the Acting CEO,

> 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 (CEO, Interview).

By 1986, FPFL stood as the biggest canned foods operator in Fiji but was plagued with high equipment maintenance costs (Narayan, 2013). It was declared a GCC in July 2003 (while NATCO was liquidated in 2004) (Mcmaster and Nowak, 2005).

Rewa Rice Limited (RRL): The life of RRL dates back 1960 (RRL Background Notes). It was established when the Colonial Sugar Refinery (CSR) Company Limited ceased operations in Nausori (Narayan, 2013). Through this action, the government provided continuous employment to those left jobless after CSR closure. The core functions of RRL are to purchase and mill paddies supplied by the rice farmers and then market the milled rice. Through the establishment of the mill, RRL offered the much needed assistance to farmers. Farmers could use the facilities of RRL and in return sell their paddy to it to sustain themselves. RRL is wholly owned by the government and operates as a GCC (Interview, Manager and Accountant).

Discussion

The proposed theoretical model is supportive of the finding that public enterprises do feel the pressure from all directions due to unilateral conformity. While the GCCs exist to 'solely make profits, to operate the same as a private company' (Interview with Senior Financial Analyst), they are also expected to fulfill certain social obligations.

In the AFL, for instance, the thirteen smaller domestic airstrips are operated under the social obligation of AFL. According to the 2003 appointed CEO, AFL lost 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 which had been insufficient compared to the stated annual losses. The Nadi Airport thus cross subsidizes these losses since AFL does not get operating grants for the loss-making airports (Interviews with Financial Accountant and Management Accountant). This is confirmed by AFL's (2009) annual report that states that 'although the public enterprises act requires the Government to reimburse the Company for all Non-Commercial Obligations, such costs are not refunded' (2009: 8). The Public Enterprise Act, 1996 (s71) states the following:

> If the State requires a Government Commercial Company to perform a noncommercial obligation, and there is no agreement between them as to the calculation and payment of the cost thereof, then the State shall pay that the amount the Public Enterprise Minister, after consulting the Minister of Finance calculates is the full cost, direct and indirect, to the Government Commercial Company, after making such adjustments as are reasonable, including an adjustment for any ancillary or contingent benefits that accrue or are likely to accrue to the Government Commercial Company as a result of it providing the goods and services.

In 2009, the loss from the domestic airports was $3.439 million (AFL Annual Report, 2010). Such a situation adversely affects the financial performance of AFL which could have performed even better if social obligation costs were fully compensated. Uncompensated or lower compensation means greater expenses and lower profits when compared to government fully meeting social obligation costs of running loss making airstrips. Nonetheless, the board claims to be working towards making its other airports/airstrips profitable (Vuibau, 2011). Efforts have also been made towards an appropriate arrangement for a relevant compensation mechanism for AFL (MPETC, 2012). Government's contribution has increased as a result. In this respect, AFL was notified that effective January 2010, all government grants were to be regarded as capital contribution (Qounadovu, 2015). In 2013, government did make a higher capital contribution of $4.199m (Qounadovu (2015: 26). The AFL Annual Report (2012-2014) highlights recent figures of AFL contributing $3.85m to its social obligations in operating and maintaining Nausori and its thirteen other outer island airport/airstrips in 2014.

A key matter which escapes Management and the Board of AFL has been that the legal obligations of the Government, as per the Public Enterprises Act, were not met by the Government. The legal obligations are binding obligations. The Board failed in its duty to enforce the implementation of the binding legal requirement. In this context, serious questions arise on the reasons for the Board failing in its duty of care to the organisation. In a private sector setting of a listed company, the Board could be subjected to legal proceedings for criminal negligence.[1]

Another GCC, the FPFL, assists government in raising rural incomes as well as enhances rural livelihood by purchasing fresh produce from rural farmers (Mcmaster and Nowak, 2005). The Acting CEO clarifies:

> For such rural dwellers, there are few to no alternatives of selling agricultural produce. These rural farmers can either sell to FPFL or to 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 (of buying produce from Fiji's rural population) while simultaneously pursuing commercial objectives of profitability in order to provide returns to its shareholders. FPFL is not refunded for social obligations. Despite changing to a profit-oriented firm, it has kept its social obligations. Obligations is a controlling factor, holding FPFL back (Interview).

[1] Board members of AFL were not interviewed. Similarly, no external board member of the any other organisation was interviewed to get responses on the reasons for the failure of the Board to seek redress for the breach of the law by the Government as concerns 'social obligations'.

The Public Enterprise Act, 1996 (s69(1)) states: 'Government Commercial Companies are to operate along commercial lines, but it is recognised that for the benefit of Fiji, there will be occasions when it is beneficial for Government Commercial Companies to undertake non-commercial activities'. The researchers were unable to acquire copies of or cite policy instructions from the Government to the FPFL instructing the entity to carry of specific non-commercial activities. But Mcmaster and Nowak state that to 'compensate the company for fulfilling this social obligation, the government, through the Ministry of Finance, used to provide grants to FPFL. Since FPFL became a commercial entity, the situation has changed… the company is expected to operate and be profitable without government subsidies" (2005: 17). To make matters worse, the farmers, whom FPFL tries to assist, conveniently disregard the contracts and sell their produce to the market at higher prices which adversely affects the production process (Mcmaster and Nowak, 2005) and the ability of FPFL in meeting demands of processed produce. FPFL collects about 90 per cent of its domestically sourced raw materials from the door steps of its rural suppliers (MPETC, 2012). McMaster and Nowak (2005) highlight the supply related problems of quality, reliability and sustainability of produce collected and delivered. Farmers want FPFL to purchase what is left surplus of their perishable fruits and vegetables when the local fresh vegetable market is oversupplied which forces declines in prices. When market prices are high, farmers disregard their contractual commitment and sell their produce in the local markets fetching higher prices. While government does not compensate FPFL for social obligations, it has assisted FPFL by reviewing and waiving its dividend requirement given its heavy capital expenditure programme and social obligations (FPFL, 2009). 'This temporary arrangement requires reinvestment of the dividend sum into capital expenditure. Since FPFL cannot sacrifice working capital, it needs to plough back profits' (Interview with the Acting CEO).

The fundamental question which remains unanswered with regards to supply is whether the FPFL is offering sufficient (market) prices to the farmers to supply their products, for, were the prices be sufficient, then farmers would be indifferent to who bought their produce. That this seems to be a perennial problem in FPFl indicates the inability of the Management and Board to do what would be required of a competent professional board.

Another GCC, the RRL also complains about fulfilling social obligations:

> RRL operates to meet social obligations of the government to enhance the livelihoods of rice farmers. Government instructed RRL to add $300 as subsidy. Initially, the price per tonne was $270 around year 2003. From that time until April 2008, farmers were paid $570 per tonne (Interview with Manager, 2009).

Since May 2008, RRL paid farmers $643 per tonne (Interview, Accounts Clerk). The 'subsidy' has been part of the payment to farmers, but to date 'government has not compensated RRL on subsidies. Half of the paddy price was to be met by the government' (Interview with Accountant, 2009). According to the Sales Officer, the more 'popular and tastier white rice is cheaper'; RRL adds five cents markup to its wholesale price and supermarkets add their markup which increases the consumer selling price. Further, farmers 'at times disregard the contractual arrangement with RRL and sell directly to supermarkets. They need to be taught to honor contracts. The current contract is just a piece of paper, good for the rubbish bin (Interviews). In addition, farmers 'are not encouraged to increase production given labour issues and thus are not able to supply the quantity required.' The Accountant explains:

> While the government does not compensate RRL for social obligations, it has assisted by converting $4.6m of its $6 million debt into a grant. Because of this $6 million debt, RRL had been unable to secure loans from lending institutions. However, RRL has to pay the tax liability of $500,000 but is in no position to pay this levy.

RRL has been requested to submit a schedule for tax payment installments to the Inland Revenue Department. Qounadovu (2015: 26) reports that overall, RRL still HAS $6.819m in liabilities while its assets are much lower, at around $1.867m.

The other enterprise, the PFL, is also required to meet its social obligations:

> As a GCC, despite its commercial status, PFL is also required to fulfill its social obligations of ensuring reasonable access to letter services. The social obligations include the delivery of standard

> letters at a uniform price throughout Fiji. 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 (Interview with Financial Controller, 2009).

In December 2002, the Prices and Incomes Board (PIB) approved the removal of international postal tariffs and other miscellaneous charges from PIB regulation. This allowed PFL to better align its fees with costs. Later, the Commerce Commission approved a request for an increase in domestic postage from 16 to 20 cents, effective 16 October 2006. In spite of this increase, the cost of delivering mail for PFL is 52 cents while its postage charge to customer is 20 cents (PFL, 2006; Interview with Financial Controller). 'PFL thus subsidizes 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' (Interview with Financial Controller).

PFL is a monopoly in standard letter delivery but 'its charges are regulated, while for other services like courier and post shop products, it competes with other courier companies and stationery shops' (Interview with Acting HR Manager). 'Even with standard letters, the public has a choice of using faster means of communications enabled by technology like mobile phones and the use of internet' (Interview with Financial Controller).

> 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. 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 subsidizes PFL for making provisions for banking services at its rural post offices (Interviews with Acting GM Finance, 2009).

Another GCC, the FPCL tries to meet its social obligations - fulfilling the port related needs of outer islands of Fiji. This is regarded as essential for socio-economic development of the country. The company 'has its polices but has to be mindful of government's political and social policies also' (Interview with Manager HR). However, when the fulfillment of these obligations is not commercially viable, FPCL handles this through an appropriate contract with the government (Narayan, 2013). Like PFL, FPCL does face tariff issues though.

> PTL is a monopoly but it is a regulated monopoly, one that needs government approval for tariff increases. It's spending increased over the years but no to little change in tariff affects revenue. In 2007, FPCL put forward a new tariff structure to the Commerce Commission but only to have it declined in January 2008. FPCL had made failed attempts in the past few years for tariff increases (Interview with GM Finance).

Undeterred, FPCL resubmitted an agreed position to the Commission in August 2008. It 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' (Interview with GM Ports Terminal Limited).

The cases given about prove Rkein and Andrew's (2012) point - that in the absence of other service providers, governments continue with social responsibilities towards their citizens, and that public service thus remains largely driven by social rather than economic imperatives. This paper finds that while doing so, the public enterprises experience conflicting situations. The social obligations produce burdens to the organisations whose performances are assessed through profitabilities or using commercial guidelines. Nunan's (2014) study on fisheries sector highlighted the same – given multiple objectives, the sector experienced conflict or competition with each other. Mcmaster and Nowak's (2005) article also confirmed the social obligation burdens of public enterprises; many public enterprises of Pacific islands are mandated to carry out social obligations but rarely receive funding for such activities. ADB's report corroborates the same as it asserts that partial compensation or compensation with competitive tenders have negative impact, affecting rate of return (2014: 32-33). In island countries, 'CSOs are haphazardly imposed, poorly costed, and generally underfunded' (ADB, 2014: 3).

This research shows that the government treats GCCs differently when it comes to social obligations. The different treatment by the government is unusual and hard to understand since AFL, PFL and FPCL are better performing enterprises when compared to RRL and FPFL. The

tables below present the profit and dividend figures available at the time of research (2015).

Table 1: Net Profit After Tax (,000)

Year	AFL	PFL	FPCL	FPFL	RRL
2005	2,562	914	1,604	47	-69
2006	632	-1,749	4,021	41	-56
2007	711	744	4,042	112	-106
2008	4,585	368	1,446	-96	8
2009	5,762	870	9,862	64	-54
2010	8,759	-795	5,283	88	-90
2011	8,750			40	

(Note: At the time of the research, annual reports after 2011 were not available. Source: Narayan, 2013; Qounadovu, 2015)

Table 2: Dividends

<table>
<tr><th>GCCs</th><th>2005</th><th>2006</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th></tr>
<tr><td>AFL</td><td>$1,281,189</td><td>$315,780</td><td>$1,000,000</td><td>$2,292,707</td><td>$3,000,000</td><td>$1,000,000</td></tr>
<tr><td>PFL</td><td>$457,148</td><td>na</td><td>$371,722</td><td>$184,126</td><td>$434,820</td><td>na</td></tr>
<tr><td>RRL</td><td colspan="6">No dividends given losses</td></tr>
<tr><td>FPCL</td><td>$1,609,352</td><td>$2,010,746</td><td>$2,021,041</td><td>$875,983</td><td>$1,758,465</td><td>na</td></tr>
<tr><td>FPFL</td><td colspan="6">Dividend requirement waived</td></tr>
</table>

(Source: Narayan, 2013).

While a common argument explaining the better financial performance can be the monopoly status (of GCCs such as AFL, PFL 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, currency movements (which increased the repayments of overseas borrowings), and political intervention. They are regulated monopolies that cannot increase tariffs or charges without government approval.

This research concurs with the view of Bloch and Bugge (2013) that economic and societal challenges of public sectors need addressing. Accordingly, this paper recommends that GCC social obligations be dealt specifically for each specific enterprise, be adequately costed, and costs taken care of. This paper suggests that a GCC be compensated for the social obligations fulfilled if the GCC is the only enterprise that can fulfill the social obligation and no private firm is willing to carry out the social activity. This is inline with the ADB suggestion on subsidy - that 'because SOEs [State Owned Enterprises] are required to operate as commercial enterprises, they also require a subsidy to provide CSOs' (ADB, 2014: 37). If, however, a private firm is willing to carry out the activity, then the social obligation can be contracted out to that firm, relieving the GCC of this obligation. This recommendation is in line with Mcmaster and Nowak's (2005) suggestion that such obligations could be more effectively provided through a private firm that can be paid a subsidy for uneconomic community services.

In specific terms for FPFL and RRL, government can look into compensating them for social obligations met the way it compensates GCCs like PFL. The costs of the subsidies need to be calculated and monitored on a regular basis. For instance, the RRL can work out the compensation due to it for carrying out the social objectives from the time adequate compensated stopped (2003). While the government has converted its debt to a grant; a detailed examination of data would show whether this compensation was enough. For FPFL, the government can start to provide grants as it used to before the entity was declared a GCC (Mcmaster and Nowak, 2005). However, government has waived its dividend requirement for a few years (FPFL, 2009; Interview with Acting CEO) which again can be seen as compensation. This paper suggests that FPFL be allowed to purchase produce from farmers who can regularly supply the needed quantity and quality in situations where the contracted farmers are unable to meet the quality requirements and where they dishonor contracts and sell to the market. This is parallel to the question raised by Mcmaster and Nowak (2005: 18) - whether 'the company should or can continue providing farmers in remote areas with an opportunity to sell their produce even if it is uneconomical for FPFL to procure from them'.

It is clear that public enterprises should incorporate and align their social obligations and undertakings with their objectives, strategies and policies. FPFL and RRL were initially established to provide for the livelihoods of the farmers; their foundation is social obligation. However they were later registered as GCCs. AFL, PFL and FPCL are monopolies but for PFL and FPCL, there are smaller competitors like courier companies and shipping companies. Also, for PFL and FPCL, tariff is regulated by the government, thus these enterprises cannot increase charges at will as the government tries to ensure that these charges are affordable for the general public. While the attitude and essence of social responsibility should be part of and has been part of the enterprise values

from the outset, public enterprises should be cognizant of how the fulfillment of such obligations should be steered without adversely affecting their listed commercial obligations. This is where compensation (for obligations met) or contracting-out (to private firms) comes in. In this regard, governments should create a balance between the social and economic objectives (Luke and Martie-Louise, 2006).

A key problem with reforms in Fiji is inadequate details on social obligations (ADB, 2011). Even in a later report (2014), ADB suggests that Fiji refine its CSOs by contracting out and developing Public Private Partnerships (PPP) opportunities (2014: 12). Since 2008, the Government began to focus on improving the monitoring and compliance aspects through performance assessments of certain public enterprises. Since January 2014, it claimed to improve this activity through administratement / ministerial realignments (ADB, 2014), the results of which are yet to be assessed..

Boards, Management, and Politics

ADB (2011) argues that poor management of social objectives not only depresses profitability of public enterprises but also contributes to inefficient resource allocation. As stipulated in the Public Enterprises Act (1996), a PE board is responsible for the commercial direction of the enterprises. All GCCs are governed by the respective boards which are composed by the government on the basis of its preferred criteria, which may, but not necessarily would, include experience, qualifications and status. The real problem of PEs in Fiji is weak or at times incompetent boards. If by law, compensation for social objectives are required, then the board and management has to enforce the obligations. This has to be mentioned in appropriate reports as well as linked to how boards are assessed in the private sector. There are claims that there are better people around in the country to serve on Boards of PEs, but many refuse to be part of public enterprise boards because of risks to their personal reputations as well as travel bans imposed by countries like Australia and New Zealand who did not recognise the then military-regime taking power in a coup in December 2006. While from 2012, Australia and New Zealand relaxed their visitor visa policy thereby encouraging some more qualified and experienced individuals to become part of public enterprise boards, the problem of reluctance of competent people from serving on boards continues.

Another problem that emerges is that representatives from the Ministry of Finance and Ministry of Public Enterprises sit in board meetings. While they sit as observers, they act as 'eyes and ears' of the government; for some, they may be seen to be spies in the boards reporting to powers who can personally, professionally or commercially hurt board members who may fall 'out of favour' with vindictive politicians.

Interference of politicians, ministers and Board members with the work of CEOs is also a major issue for Fijian PEs. At AFL, for instance, a particular CEO felt pressured by the board into awarding contracts to a particular Fijian-owned company. Assisting Fijian-owned enterprises then was in line with the government's blueprint (Pareti, 2003b: 4). In the same enterprise, there have been situations where the board decided to pay bonuses to staff but government reversed these decisions (AFL Interviewees, 2011). At FPCL, social obligations seem to be political in nature; some even speculate that the board lacks relevant qualifications and that board appointments are also political in nature.

The relationship between the boards and managements have also not been totally amicable in some GCCs such as FPCL. The situation had been tight, so much so that at one time the senior management almost unanimously voiced out disagreements but only to get suspended. As matters took a turn for the worse, MPETC interfered directly, resulting in the CEO and GM Finance being suspended[2]. An FPCL interviewee (2009) complained that 'management is not allowed to manage', and that a high level of bureaucracy is present in forms of government dictation and political interference, which was the biggest challenge for FPCL. He explained that all decisions had to go through the government. New innovative strategies are often declined. He revealed that FPCL had many plans but these remained plans because the government, as shareholders 'tells [them] what to do'. In August 2009, the chairman resigned from the board after his attempts at solving the ongoing internal bickering failed and went out of control and his effort in protecting the independence of the board and the integrity of the position of the chairman failed.

There are also situations where boards try to do their part to improve the GCCs but to no avail. For instance, 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 earlier but to no avail (Interview with Acting CEO, 2009).

The above problematic issues with boards of such enterprises point towards the need for public-private member checks and balances. If this

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

is not done, such enterprises would roll into cycles of poor governance - poor performance - interference - poor governance. According to the ADB (2011), a key problem in Fiji is the lack of specific guidelines on director appointments. Details on director duties and obligations are also inadequate. Board and Public Enterprise governance remains a major issue for Fiji.

Conclusion

This paper examined social obligation issues in Fijian GCCs. The proposed model helped extend two assumptions of the well-known institutional theory in an important context within the public sector setting. The two assumptions are first, that organizations often feel the pressure from all directions due to unilateral conformity, and second, satisfying one constituent (state, public, other interest groups) tends to clash with or ignore the demands of the other(s). The research suggests that Fijian GCCs are still required to fulfill social obligations but some of them are not fully compensated by the government for doing so. Thus the GCCs are commercial companies only in theory. While exact financial figures have not been provided in some cases, the responses of interviewees and secondary data reflect the social obligation burdens on enterprise performances. There has generally been poor management of social objectives of public enterprises at all levels, including policy making at the ownership level, boards and senior management. Synchronized portfolio management for public enterprises is necessary as it is evident that public enterprises face issues in harmonizing their social, political as well as economic objectives. While this paper particularly draws attention to social obligation burdens, it does not imply that this is the only contributing factor to profit target achievements; uncompensated social obligation is, however, a contributing factor.

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