User Fees for Land Grant Universities—the Scottish Experience

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ABSTRACT In 1987 the U.K. government required the organizations through which it provided an extension service to adopt a cost-recovery system. Generally, this requirement applied to all advice with the exception of advice given in the areas of welfare, pollution control, and farm diversification. The Scottish Agricultural College (SAC), which provided advice in Scotland at this time, adopted a strategy aimed at maintaining its extension base in Scotland. The strategy was based on reforming the Extension Service into an Advisory Service. Whereas clients had received information from the Extension Service free of charge, fees were charged for most services offered by the Advisory Service (there were a few exceptions for which the government paid). In order to develop the service, the advisers started servicing contracts outside Scotland, firstly in the U.K. and, more recently, across the world. As the industry has changed, so the service offered has changed, with increasing reliance being put upon specialist advisers who provide advice not to the farm staff but to company technologists.

(Key words: extension service, cost-recovery, land grant universities, Scottish advisory service, user fees)

INTRODUCTION

Although few governments have “privatized” their extension service in the strict sense of the word, several countries have now introduced some form of commercialization. Examples of the different forms this has taken have been reviewed by Rivera (1997) and include fully privatized agencies, cost-recovery schemes, voucher systems, and what Rivera refers to as “gradual” and “gentle” privatization. The U.K. government’s extension service in Scotland is provided by the Scottish Agricultural College (SAC). The SAC, which is structured in a similar way to the so-called land grant universities, is partly funded by the (U.K.) government through the Scottish Office for Agriculture, Environment and Food (SOAEFD) for the purposes of providing a research, extension, and education service for the “land-based industries” and the rural community.

Scotland has a population of 5 million (compared with England’s population of 50 million) and although the number of people employed in agriculture (31,000 in 1996) is declining, agriculture is still a key industry, producing goods to the value of £16,046 million in 1995 (3.2% of gross domestic product) of which the poultry industry accounts for some 8% of gross output. The SAC currently has some 1,200 full-time staff and in 1997 received approximately £19 million from SOAEFD (approximately 45% of SAC’s total income) of which £5.8 million (50% of total extension income) was specifically for the provision of an extension service. Until 1987, SAC (known at the time as the Scottish Agricultural Colleges) provided advice free of charge through either its General Advisers (based in one of 25 centers across Scotland) or its Specialist Advisers (based in one of the three main centers). Two years earlier, in 1985, SAC was notified by the Scottish Office that its budget for extension services would be cut by 41.5%. In effect, the U.K. government wanted to move its extension systems in Scotland (SAC) and England and Wales (the Agricultural Development and Advisory Service, ADAS) from fully subsidized status to cost-recovery services. In principle, information and knowledge that previously had been available free of charge suddenly acquired a price, and if the price could not be paid, information was denied. The advantages of a “user-pays” system, apart from the financial saving to the relevant government department, may include an increase in the quality of the advice provided and increase in the self-worth of the adviser; however, it can prevent or retard the raising of the knowledge base, cause resentment in existing staff, and increase the cost of administration. This paper examines the way that SAC responded to the move to a cost-recovery system, how

Abbreviation Key: ADAS = Agricultural Development and Advisory Service; SAC = Scottish Agricultural College; SOAEFD = Scottish Office for Agriculture, Environment, and Food.
the service provided has evolved since 1985, and how the service is expected to change in the immediate future.

**DISCUSSION**

**Move to a Cost-Recovery System**

In 1985, SAC and the ADAS were notified that in 1987 the government would require that the extension services operate on a cost-recovery basis. The advantages and disadvantages of this approach have been reviewed by van den Ban and Hawkins (1996) and include a reduction to the government in the cost of providing this service. However, whereas applying the user-pays concept to SAC’s extension service reduced the cost of providing this service to the government, the potential impact of the 41.5% reduction in funding (approximately equivalent to £3 million) to SAC was significant. In practice, however, the 2-yr lead time, combined with knowledge of the size of the reduction, meant that it was easier to cope with the cut when it was imposed.

Prior to the introduction of a cost-recovery system, SAC serviced those poultry operations based in Scotland, leaving the ADAS to service England and Wales. At this time, the Scottish Industry consisted of some 4 million laying hens and pullets, 7 million broilers, 1 million breeder birds, and 100,000 turkeys, which compared with the larger English and Welsh industry of 39 million laying hens and pullets, 61 million broilers and 6 million breeder birds (MAFF, 1998). Then (as now) chicken accounted for about 30% of the total meat market (British Chicken Information Service, 1987, 1998).

The objectives set for the 2-yr lead time was to move from the fully government-funded extension service to a commercialized advisory service. To achieve this, a number of factors had to be considered, such as the type of services that the industry wanted as opposed to what services SAC could provide and the level of fee that could be charged for those services. Systems had to be put in place that set financial targets for the advisers and that enabled clients to be managed and charged. Staff also needed to be retrained in selling a service. Therefore, although the imposition of charging had an effect on both SAC and the poultry industry, the effect arguably was greatest on SAC and the advisers.

When charging was introduced, it was anticipated, and indeed proved to be the case, that the majority of farmers who had small poultry units would either stop using the Advisory Service or use it infrequently. The SAC decided that it was the larger poultry producers, in particular the integrated companies and the feed companies, that would be targeted. This decision immediately put pressure on both the General Advisers and the numerically fewer (−10) Specialist Advisers—the former because the smaller producer made up the majority of their client type and the latter because they were put under increased pressure to deliver a service with new aims.

There is a risk when commercializing extension services that the provider acts as “production company,” selling services that it knows it can deliver rather than a “market-oriented company” that acts on what the market requires. The issues of particular interest to the Scottish companies in the mid-1980s included the environment in broiler houses, health and safety audits, and environmental and welfare audits.

In order to encourage as many clients as possible to use the new user-pays service, SAC was careful to provide a range of entry level prices and to offer a service at a level that the farmer would associate with value for money. It was decided to offer a range of packages consisting of basic subscriptions, premium subscriptions, a series of services packages, individual contracts, and an analytical service. Apart from servicing contracts arranged by the General Advisers under the auspices of one of the above schemes, the Specialist Advisers, who were all based in one department, negotiated individual contracts directly with the larger companies. Typically, these contracts would specify the service to be provided (in terms of hours of telephone advice, farm visits, literature, etc.), the fee, and the additional cost of any service provided outside the main contract.

Due to a failure to appreciate the hidden costs, fees were calculated initially on what, in retrospect, was arguably an inaccurate basis. Fees are now calculated on the basis of a “minimum survival rate” and take into account the number of days that a member of staff providing the service is available for work (deducting time for holidays, sick days, and down-time), costs (salary and overheads), and the need (or otherwise) for a margin.

With the possibility of a number of staff providing advice through one contract to a company, it was essential to have a nominated Client Manager to co-ordinate the service to that client. Client Managers became responsible for the provision of primary technical advice, developing a relationship with the client, resolving service queries, organizing (and developing the role of) other SAC services for the client, processing invoices, and recording relevant client information for local and central management purposes. Systems were devised to log the time spent dealing with specific clients, to trigger invoices (for the General Advisers in particular this involved dealing with large numbers of relatively low value invoices), to recover debt, and to monitor the renewal of business (through “lost business” reports) and new clients.

The financial element played an important role in the way that SAC’s Advisory Service responded to the loss of over 40% of its core funding. Financial targets were set either for the individual or the office. These targets should be agreed on between the member of staff and their line manager, they should be related to the farming area, and they should be realistic. In practice, particularly as operating margins shrink, there is an inherent tendency for increasing pressure to be brought to bear on the members of the staff to increase their income. It is also important in an organization such as SAC, where staff are
not allowed to undertake private consultancy work, that good performance is recognized. In the case of SAC this was, and continues to be, through a performance related pay scheme.

Very little of what is outlined above could be achieved without a significant investment in staff retraining. Staff involved in extension work at this time tended to have only very limited experience of selling a service or developing a business. As a consequence, staff tended to become apprehensive as the time approached for a change-over to a user-pays service. In addition to training, proactive management was required to maintain morale and effect the change in attitude required. Key areas identified for training were: selling techniques, techniques to overcome client objections, identification of service features and benefits, debt collection, and the allocation of time between servicing contracts and business development. Existing contacts were used to launch the new service and although some promotional material was produced there was very little money spent on advertising campaigns.

Although SAC faced a significant decrease in funding, SOAEFD was still the largest single client. However, the Scottish Office was now fairly specific about what it would fund. The major part of the funding was available for so-called “public good work” with the remainder being provided to allow Scottish Office to call upon SAC staff for advice and information as required. Government saw public good monies as a way of continuing to provide funding for general advice on animal welfare, farm diversification, and pollution control—in essence, advice in areas that tended not to affect the profitability of a client. Contained within this funding was support for remote areas. This funding supported producers in the remote regions of Scotland by subsidizing the advisers’ travel and subsistence costs.

**Evolution of Service Since 1987**

Once the change to a user-pays system was implemented, the effects were soon in evidence: the number of General Advisers fell from 108 to 58 and the client profile changed. Some advisers found the changes difficult to accept and a small proportion retired early or took other jobs. Often it was those who had been in the Extension Service for many years, who resented having to “sell services”, particularly when over the years they had built up a close relationship with many farmers. As expected, the client profile changed rapidly as many of the smaller producers stopped using the Advisory Service, but the number of larger clients gradually increased. In this respect, SAC made full use of its links between advisory work, education, and research—an advantage that it had over the ADAS and its other competitors. Indeed, this competition in itself was a new aspect to the work in that when the advice had been free there were few if any “competitors”.

Once the user-pays concept was in place, the adviser was faced with competition, sometimes from ex-colleagues who left SAC or ADAS to set up their own businesses, and a client with different expectations. Clients expected “value for money”, that is to say, they expected visits to be carried out at short notice, that the advice given be accurate and correct, and that reports be timely. When it was felt that incorrect advice was given, some clients were more arguably willing to seek financial compensation from the Adviser. A user-pays system also affected the attitude, albeit to varying degrees, of the advisers. In terms of benefits, advisers reported a feeling of greater self worth and an awareness of being technically more competent (coupled with an awareness of needing to keep up to date with advances in their field). This can be set against the disadvantages of a sense of regret at the passing of the traditional role of the extension service, fear of the effect of increasing financial targets and a tendency to over-service contracts, thus creating added pressure on the individual.

Since the introduction in 1987 of a user-pays system, SAC and SAC’s largest client, Scottish Office, have been developing the scheme. In broad terms SAC staff have become more professional when it comes to selling a commercial service, more efficient and increasingly reliant upon computer based technology. For example, relatively sophisticated software packages are now used to manage client databases. In 1997, SOAEFD contributed £5.8 million (50%) of the total Advisory Service budget. SOAEFD now specifies very precisely what it will fund and requires detailed documentation, including records of clients visited and work undertaken.

To counteract the declining income from SOAEFD, SAC adopted a strategy of looking outside Scotland for advisory contracts. Initially, England and Wales were targeted, which suited the Poultry Advisers, as most of the Scottish companies with whom they had contracts were also operating in England and Wales. In some instances, the logistical problems associated with servicing contracts outside Scotland were circumvented by forming joint companies with similar institutes in, for example, England, enabling SAC to establish a presence in England at minimal cost. The Specialist Adviser was then brought in as required once the local adviser had defined the need. A similar approach, using a new SAC company, SAC International, was used to target contracts outside the U.K. SAC International has had considerable success in being awarded substantial consultancy contracts around the world, particularly in Eastern Europe. However, whereas Poultry Advisers have serviced some of these contracts, in the main, the focus for the Poultry Advisers has remained the U.K. and Ireland.

It is notable that within SAC a restructuing took place in 1997. Eight divisions were created that ran across the 3 main centers, 23 advisory offices, 8 veterinary investigation centers, and 7 experimental farms. The reasons for this were many but undoubtedly one of the effects was to increase efficiency by decreasing the possibility of unhealthy competition developing between departments. Prior to 1997 departments would have been assessed, in
part, on their financial performance. Thus, whereas the General Advisers were based in one department (the Advisory Service) the poultry specialist was based in another (Poultry Science Department). Hence, it was feasible that the Specialist Advisers, for financial reasons, may have been tempted to take on work that would have been more appropriately dealt with by the General Advisers, and vice versa. Restructuring and moving the emphasis of the assessment of financial performance from the department to the division almost completely eradicated this potential problem.

Currently, over 90% of SAC’s poultry extension income comes from the larger companies and will be serviced by the Specialist Advisers. It is no longer cost-effective to compete with the lone extension consultant who has relatively low overhead. The emphasis now is on utilizing the breadth and depth of SAC’s science and consultancy base to offer support to the companies’ field staff and advisers. Since 1987, the Scottish poultry industry has seen a decline in the number of laying hens (from 4 million to 3 million) but an increase in the number of broilers (from 7 million to 10 million). This change is mirrored by the English and Welsh industries, in which the laying hen number has decreased from 50 million to 41 million as the broiler bird number has increased from 70 million to 77 million (MAFF, 1998). In the past few years, the areas of interest and concern have been the control of the environment within broiler houses, the use of feed additives (in particular feed enzymes for wheat-based diets), environmental audits (for existing and new farms), welfare audits, and training and assessment of farm staff.

In the U.K. there are arguably only three types of poultry farmer: the one who works for an integrated company, the one who is self-employed but grows under contract to an integrated company, and the independent farmer. The vast majority, if not all, of the product from the integrated companies is sold through the supermarkets, whereas the independent farmer tends to be servicing a small niche (often “welfare friendly” market). Due to the close proximity to mainland Europe and the economic climate, the supermarket buyers are in a relatively powerful position. Companies that want to supply a particular retailer will frequently have to follow the retailer’s code of practice, which may specify how the crop of birds is to be reared, including such details as the strain of bird, stocking densities, feed ingredients, and levels of gases such as ammonia and carbon dioxide within the house. Therefore, whereas some of SAC’s contracts are with poultry companies with specific production problems (such as depressed breeder or hatchery performance), a substantial part of the work being undertaken may result from demands made by the retailer.

**The Future**

The immediate future will almost certainly see a cessation of General Advisers being involved in poultry-related work. The growth areas will probably be in the areas in which the poultry companies’ own experts are lacking expertise or information. These areas may include such things as pollution control (particularly as the increasing amount of EU legislation is enforced); nutrition; the interaction between nutrition and flock health (especially as the list of pharmaceutical products available for use decreases); health and safety; quality assurance schemes and traceability; expert witness duty in legal cases; control of the environment in poultry sheds; and the management of noncage egg production systems. If a specialist poultry adviser was being appointed now, typically, they would be expected to be a graduate with at least 2 yr experience in the industry. Excellent interpersonal skills and a good grasp of computer technology and information technology would be required, as well as the ability to lecture to students undertaking full-time poultry courses or be involved in research programs.

**CONCLUSION**

As far as the Scottish Poultry Industry is concerned, a user-pays system has led to increased demands in terms of expertise, accountability, and response time on the adviser and has shifted the client base from many small producers to a few large companies. It has required SAC to be more proactive in seeking contracts outside Scotland and has arguably led to a reduction in personnel and an increasing reliance upon computer technology and upon access to the latest research findings. Those who are involved today in delivering consultancy services are as keen, enthusiastic, and competent as their predecessors, but the type of service that they deliver is very different—the time spent on farm is now balanced with time spent in the meeting room or at the computer.

**REFERENCES**


