

Chapter 1: Introduction

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The symposium

Australia's federal system of governance is in a state of flux, and its relevance in a globalised world is being challenged. After decades of debate about different possibilities for institutional reform – some of them predating Federation itself – dramatic shifts are occurring in the way in which power and responsibility are shared between federal, state and local governments, and in the emergence of an increasingly important 'fourth sphere' of governance at the regional level of Australian society. For those who fear a continuing growth in the power of the Commonwealth Government, the shifting state of federalism may seem unwelcome; but whether we see state governments as in decline or a new ascendancy, the fact remains that in the early 21st century, subnational regionalism is a live issue amid the practical realities of Australian public policy. Far from simple questions of local administration, the effectiveness, legitimacy and efficiency of new regional approaches are 'big ticket' issues on the contemporary political landscape. The management of our cities, of our sea-change regions, of natural resources through regions of every type, of hospitals and health services across the Australian community; these are all issues focussing the attention of decision-makers and communities from the top to the bottom of our system of government.

In May 2006, around 100 experts with diverse experiences in public policy, academic research and community arenas from across eastern Australia came together in Parliament House, Sydney, New South Wales, to discuss current shifts in the relationship between federalism and subnational regionalism, their implications for existing institutions of government, and the directions in which public institutions could and should evolve as a result of these new approaches. The symposium '*Federalism and Regionalism in Australia: New Approaches, New Institutions?*',¹ resulted in a broad consensus that traditional institutional frameworks are indeed changing, in response to the quest for more adaptive, effective, legitimate and efficient forms of governance. The main question put to the symposium, was whether it was also time to start addressing how new regional approaches fitted into overall trends in institutional restructuring and reform affecting the Australian public sector, rather than simply noting and tracking a plethora of developments that otherwise remain fundamentally *ad hoc*. The consensus arising was, again, that the answer was 'yes'. The policy 'drivers' behind new governance approaches were identified as not simply national, but also, at the same time, fundamentally local and regional in nature.

As a result, this volume, based on papers and presentations given to the symposium, is intended as a first step towards understanding these new trajectories of Australian federalism and regionalism.

The purpose of the volume is to test – and confirm – two basic propositions about the future of Australian federalism. The first is that the evolution of state, regional and local institutions has become a vital issue for the future of federal governance. In other words, making federalism work is not simply a matter of continual improvement in public administration, or fine-tuning intergovernmental relations between the Commonwealth and existing State governments, but a question of structural reform involving the distribution of roles, responsibilities and governance capacities throughout our system of government. The second proposition is that this question needs to be addressed in a conscious and concerted way, through a program of informed restructuring, if the federal system is to be made adequately legitimate, effective, adaptive and efficient in the medium to long term.

These propositions immediately inspire a lot of questions. What do we mean by adequacy, when it comes to goals such as legitimacy, effectiveness, adaptiveness, and efficiency? What types of reform are we talking about? What path of reform are we on already, if we are on one? What research is needed to better inform that path? The chapters in this volume provide the basis for a more informed debate by fleshing out these questions and, in many cases, providing clearer answers. While a variety of suggestions are made, no specific institutional prescription arises from this discussion about how federalism should be reformed. Indeed, it is a strength of these chapters that all the contributors argue, directly or indirectly, for a new debate which better establishes the common principles that reform proposals need to address, in order to establish a more coherent direction for the federal system. Together these chapters set out multiple examples of the current ‘drivers’ for reform, including a range of new approaches and imperatives in regional policy, against a background of old and new institutional options for the strengthening of local and regional governance in Australian federalism. Drawing on the diverse experience of a disparate group of people, collected from many corners of the country, walks of life and areas of government, the discussion sets the scene for the development of more concrete ideas about options, future directions and methods for generating better information and higher quality debate about our federal system.

Part 1: Setting the scene

In the remainder of this first part of the book, we seek to further outline the scope and content of these issues by placing them in the context of existing political history, and current public attitudes. After this introduction, the next two chapters together frame some of the existing case for institutional reform to deliver more legitimate, effective and efficient forms of regional governance.

In Chapter 2, *'Federalism, regionalism and the reshaping of Australian governance'*, A. J. Brown discusses the importance of current pressures for reform with reference to five key facts about the place of 'regionalism' in the culture and practice of Australian federalism, and five key lessons from constitutional and political history that form the context of current challenges. He also briefly reviews past reform ideas including attempts to create new states and some of the arguments underpinning calls for devolution reform.

Further evidence supporting the currency of reform demands is found in Chapter 3, Ian Gray and A. J. Brown's paper, *'The political viability of federal reform: interpreting public attitudes'*. This chapter presents some empirical evidence of the extent to which the Australian community considers reform of Australia's federal system of governance to be an issue, and why. These social surveys confirm the importance of the question of reforming the federal system, not simply due to the historical, theoretical and policy rationales set out in Chapter 2, but from the perspective of the average citizen. The level of public interest in a wider debate appears to be such that, depending on how the debate is conducted, institutional reform may well be more politically viable than often assumed by experts and policy-makers.

Part 2: Drivers for change

The six chapters in Part 2 of this volume chart some of the major policy imperatives driving current institutional experimentation, across different social and geographic contexts and in different policy sectors.

The first three of these chapters deal with governance challenges confronting the quite different social-demographic policy contexts in which Australians live – urban, rural and coastal – and the responses needed in terms of improved approaches to regional and federal governance. Chapter 4, Mal Peters' presentation *'Towards a wider debate on federal and regional governance: the rural dimension'*, highlights rural dissatisfaction with current Australian federalism and the issues underpinning the perceived 'city-country divide'. It argues the case for a change in the structure of Australia's governments in the long term, including the possibility of new states or regional governments. In Chapter 5, *'Rescuing urban regions: the federal agenda'*, Brendan Gleeson makes the parallel argument that, of course, 'regionalism' is not just a rural issue, emphasising that urban regions face their own governance challenges which similarly, albeit differently, mitigate in favour of new institutional strategies for recognising the role of urban regions within national discussions and frameworks on regional policy.

Chapter 6, Mike Berwick's presentation, *'The challenge of coastal governance: federalism and regionalism in Australia'*, addresses the failure of Australia's current dysfunctional federal, state and local system of governance to deal

effectively with the 'seachange' phenomenon. It highlights the complex impacts of high growth rates on coastal communities and explores priorities for a more responsive federal-regional-local system that embodies stronger principles of participatory democracy.

The next three papers shift from the geographic context to contemporary challenges of governance seen from the perspective of different policy sectors: environmental management, economic development and human services. In Chapter 7, *'Adaptive governance: the challenge for regional natural resource management'*, Jenny Bellamy examines the current complexity of Australian federal-state-regional institutional arrangements in response to the rapidly growing pressures for sustainable natural resource management. The paper argues the case for a national shift in the focus of these reforms from 'top-down' administrative approaches towards the development of a more participative, deliberative and adaptive governance system. It proposes essential attributes of this adaptive governance system to deal with the long-term challenges of inevitable environmental and societal change. In Chapter 8, *'Regionalism and economic development: achieving an efficient framework'*, Andrew Beer reveals equivalent challenges in the way in which national and state policies aimed at regional economic development – in particular, regionally-specific structural adjustment – fail to achieve their goals in practice at the local and regional level. The paper identifies the tensions between centrally-driven regional initiatives and regional needs, especially in the current context of neoliberalism, and argues the case for institutional reforms to deliver more effective regional development.

In Chapter 9, *'Reconceiving federal-state-regional arrangements in health'*, Andrew Podger deals with the governance challenges facing Australia's health system. He explores the applicability of the subsidiarity principle and the relevance of whole-of-government approaches in the Australian health system, emphasising that the essential attributes of a successful long-term Commonwealth-funded public health system include a transition to new national-regional arrangements. Here, a specific model is suggested for discussion, further setting the scene for the institutional questions confronted by the next part of the volume, but also highlighting that these are 'here and now' practical issues in the short term, and not simply questions for debates about long-term constitutional reform.

Together, Chapters 7 to 9 demonstrate that across all three dimensions of sustainability – environmental, economic and social – the quest for effective policy capacity is increasing pressure for institutional reform both on a national scale and at the regional level.

Part 3: New institutions?

The third and final part of the volume turns toward options for structural reform of Australian federalism to meet these challenges. It takes as its starting point a

view from each existing tier or ‘sphere’ of government, and concludes with more detailed analysis of how the task of reform should be approached, taking into account how the potential costs and benefits of change might best be estimated, as well as more general principles.

In Chapter 10, *‘Taking subsidiarity seriously: what role for state government?’*, Brian Head commences with a general review of major recent arguments for structural reform of Australian federalism, highlighting the difference between radical and incremental reform options. As a former senior State official, he argues against radical reform – assuming this is even possible – but emphasises this provides no excuse for a ‘do nothing’ approach, or a reversion to archaic notions of ‘states’ rights’. On the contrary, the conclusion reached is that state and federal governments alike must take principles of subsidiarity and devolution far more seriously within agreed national policy frameworks, which may still require a commitment to long-term institutional reform and new forms of local and regional power-sharing. By implication, if state governments are unprepared to do this, they may face the prospect of continuing encroachments on their power and yet more pressure for radical reform.

Chapter 11, Paul Bell’s paper on *‘How local government can save Australia’s federal system’*, demonstrates the importance of the local government sector in the response to contemporary governance challenges. Adding bite to Head’s analysis, this chapter argues that, notwithstanding substantial reform over the last 20 years, there has indeed been a failure in national arrangements to enable local government to play its full role in the design and delivery of public programs, compounded by structural problems in the national system of public finance, and inappropriate ‘piecemeal’ approaches to local government reform itself. The extent of necessary reform is dramatic, even limiting institutional reform to the future of the existing three tiers, requiring a revised national approach to the roles and resources of local government, supported if necessary by federal constitutional recognition. Whether pursued in tandem with more coordinated approaches to region-level institution-building, or as a stand alone program, the imperative for major devolution to the local and regional levels is clear.

Presenting a general, national perspective, in Chapter 12 *‘Reforming Australian governance: old states, no states or new states?’*, Ken Wiltshire argues that whatever is done in the short and medium term to streamline and redistribute roles and responsibilities, can and should also be reinforced by Australia’s federal constitutional arrangements. In other words, a new phase of cooperative federalism incorporating stronger elements of devolution, and action to address the present under-capacity and under-utilisation of local government, do not obviate the need to look at more general, permanent reform. Reviewing the history of Australian federalism and recent trends towards centralism, the chapter

outlines basic principles for reform and examines the constitutional paths to achieving it, concluding in favour of not simply the desirability, but the inevitability of major reform within Australia's existing federal traditions.

Together these chapters emphasise the importance of better research into new options for governance, in particular into the economic and financial costs and benefits of meaningful reform. Christine Smith accepts this challenge in Chapter 13, '*Quantifying the costs and benefits of change: towards a methodology*'. Taking a detailed look at existing attempts to estimate the costs of existing federal arrangements and those of alternative approaches, the chapter notes that estimates of potential public finance savings from reform vary wildly, from as low as \$1-2 billion per annum, to up to \$20-30 billion. The result is a proposal for a new approach to the quantification of the costs and benefits of change in structural and/or financial arrangements of the current Australian federal system, building on existing lessons but taking a more comprehensive and functional approach than so far attempted.

In Chapter 14, '*Where to from here: common ground in the new federal reform debate*', we draw on all chapters and key elements of discussion from the floor of the symposium to present a new analysis of the growing points of consensus around the need for reform of Australian federalism. The chapter briefly summarises key next steps for a more robust debate about institutional reform to deliver better long-term public policy outcomes at national and regional levels. In addition, the Appendix to the volume includes an abridged version of the discussion paper, '*Reform of the Australian Federal System: Identifying the Benefits*', which was launched at the symposium, and which contains a suggested evaluation framework for all options for institutional restructuring.

Previously, debate about reform of Australia's federal system has tended to be sharply divided between the immediately practicable and long-term 'dreams'; between those with a deep sense of federalism's dynamic history and those who presume nothing can substantially change; between institutional actors presumed only to be concerned with preserving the status-quo and protecting their own immediate self-interest; and between different assessments of the challenges of federalism, with no relationships drawn between the centralising drift in federal-state relations and the growing pressures for improved governance capacity at the local and regional levels. The analyses in this volume bridge all of these gaps, setting out with new clarity some of the unifying imperatives for institutional reform and basic principles for new institutional design, without prescription as to the result. Federal systems of governance are meant, in theory, to be all about delivering quality governance at the regional level of political community, as well as achieving national goals – how this is to be achieved in practice in contemporary Australia is now a vital question of public administration and political development, underscored by community preferences

and public demand. The pursuit of improved institutional arrangements is an increasingly necessary task, and one for which this volume will help equip a wide range of decision-makers from all professional disciplines and all walks of life.

ENDNOTES

¹ Held on 8 May 2006 – see www.griffith.edu.au/federalism.