# REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT: THREE GENERATIONS OF FEDERAL INTERVENTION[1]

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**ABSTRACT:**    Contemporary Australian local government faces several daunting problems, not least escalating financial un-sustainability and local infrastructure depletion. The main response of the various state and territory governments has taken the form of a series structural reform programs, with a strong emphasis on forced amalgamation. However, widespread dissatisfaction with the consequences of these compulsory consolidation programs has led to a search for alternative policy solutions based largely on shared services and various types of regional co-operation between local councils. This paper seeks to place proposed 'regional' solutions to contemporary problems in historical perspective by providing a comparative account of three distinct federal government initiatives of 'region-directed' policy in the post-World Two era: the 'nation-building' of the 1940s; the 'paternalism' of the 1970s; and 'self-sufficiency' of the 1990s. We argue that, not withstanding the complex relationship between historical circumstances and changing state-federal relations, important lessons for current local government policy making can be learnt from a critical assessment of these episodes of federal intervention at the regional level.

## 1. INTRODUCTION

Contemporary Australian local government is beset by a number of difficult problems. Three distinct constellations of economic and political forces seem to have led to these problems. Firstly, grinding ongoing financial distress has given rise to grave concerns over the financial sustainability of many local authorities, particularly in regional, rural and remote areas of the country. In a path-breaking report, the Commonwealth Grants Commission (CGC 2001, pp. 52-3) identified five chief causes for the financial crisis in Australian local government: (i) 'Devolution' – where a higher tier of government obliges local councils to assume new functions; (ii) 'Raising the Bar' – where a higher level of

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government, through legislative enactments, increases the complexity and/or standard of provision of local government services thus raising costs; (iii) 'Cost Shifting' – where a municipal council provides a service for federal or state government agencies without adequate financial compensation and where a higher tier of government no longer provides an essential service thereby forcing a local authority to accept responsibility; (iv) 'Increased Community Expectations' – where local communities demand improvements to local services or the provision of an entirely new service; and (v) 'Policy Choice' – where a given council voluntarily expands or improves services. In addition, local councils are also sometimes partially responsible for their financial problems; for example, in many instances local councils have been reluctant to strike rates and other charges and fees at realistic levels (Johnson, 2003).

As a consequence of these financial pressures, existing service provision arrangements have been maintained only at the cost of depreciating local infrastructure. This has obvious dire long-run implications for local government. In this regard, in its Final Report *Rates and Taxes: A Fair Share for Responsible Local Government,* the House of Representatives Standing Committee on Economics, Finance and Public Administration (2003a, p. 59) noted that 'there is a significant infrastructure renewal gap across the country and asset standards are decreasing'.

Secondly, there is ongoing concern by all state and territory government policy makers over the operational efficiency of local authorities, especially small regional and rural councils. The primary policy instrument for addressing this perceived problem has been structural reform, with a strong emphasis on council amalgamations (Vince 1997). During the 1990's, South Australia, Tasmania and Victoria all experienced compulsory consolidation programs and more recently New South Wales and Queensland have also undergone compulsory amalgamation. At the time writing the Northern Territory is poised for drastic structural reorganisation. Only Western Australia has thus far escaped unscathed.

Thirdly, in the past two decades the various enabling acts of the different Australian local government jurisdictions have been amended to give local councils greater latitude in conducting their affairs. This has led to a substantial expansion of the role of local government and growing complexity in its relationships with state and federal governments (Dollery, Wallis and Allan, 2006). In this regard, the National Office of Local Government (NOLG) Annual Report for 2000-01 pointed to the excessively complicated intergovernmental institutions, which involved the Council of Australian Governments, in excess of forty Commonwealth-State Ministerial Councils and fora, the Local Government and Planning Ministers' Council, and numerous other ministerial councils, many of which affect local government (NOLG, 2003, p. 8).

In addition, significant differences in the functions of the different state local government jurisdictions have widened (Marshall, 2008, pp. 23-27). As a result, state government oversight mechanisms are now dissimilar, which has served to diminish the possibility of a uniform national approach to local government. Moreover, an uneven devolution of additional functions to local councils both

within and between the state and territory local government systems has further complicated the pattern of intergovernmental relations.

Various solutions have been proposed to tackle these problems. As we have seen, amalgamation has been the main weapon in the arsenal of policy instruments employed in local government reform. However, the results of council merger programs have proved disappointing. This disillusionment has followed a series of national and state-based inquiries into financial sustainability into local government. For instance, the South Australian Financial Sustainability Review Board's (FSRB) (2005) *Rising to the Challenge* report defined financial sustainability and then assessed South Australian councils against this measure. Along similar lines, the *Independent Inquiry into the Financial Sustainability (LGI)* for the New South Wales Local Government Association (2006) sought to determine financial sustainability in New South Wales local government. More recently, an independent survey of one hundred of New South Wales' most populated councils found that over one third are 'financially unsustainable' (FiscalStar Services Pty Ltd, 2008: pp. 4 and 11). Both the (now defunct) Queensland Local Government Association's (LGAQ) (2006) *Size, Shape and Sustainability* (SSS) program and the Western Australian Local Government Association's (WALGA) (2006) *Systemic Sustainability Study Inquiry* considered financial sustainability in their respective local government systems, as did a report commissioned by the Local Government Association of Tasmania (LGAT) (2007). At the national level, a study by PriceWaterhouseCoopers (2006) entitled the *National Financial Sustainability Study of Local Government* examined the problem of financial sustainability in local government.

These inquiries all found widespread problems of financial sustainability in may local councils, regardless of whether amalgamation had occurred in the jurisdiction in question. Moreover, they were unanimous in dismissing amalgamation as a 'magic bullet' for tackling financial problems. An important consequence of these deliberations has been a growing scepticism over the unsatisfactory economic, political and social outcomes of council amalgamations (Dollery, Byrnes and Crase, 2007a).

As a result, alternative solutions have been canvassed. Three main avenues have been explored. In the first place, some commentators have called for additional sources of revenue. For example, Byrnes, Dollery, Crase and Simmons (2008) have proposed a municipal bond issue on the Australian equity market. Secondly, others have called for greater funding from higher tiers of government, including the establishment of a Commonwealth Local Infrastructure Fund (PriceWaterhouseCoopers, 2006; Dollery, Byrnes and Crase, 2007b). Thirdly, and most importantly, local councils across Australia have explored models of local government that present alternatives to amalgamation. These models are usually based on shared service arrangements and have displayed high levels of ingenuity (see, for instance, Dollery and Crase 2006). In other words, shared services now represent the most important method of tackling the problems of contemporary Australian local government.

However, the ongoing debate has ignored a potentially crucial aspect of the

move towards shared service models, which has been obliquely touched, but not examined in the WALGA *Systemic Sustainability Study Inquiry* (2006) with its Regional Model. In essence, this 'elephant in the room' resides in the impetus shared services give to the evolution of existing local government towards a system of regional government. This paper seeks to remedy this neglect in the literature by evaluating three historical antecedents of regionalisation in Australia in an effort to draw lessons from these failed episodes in Commonwealth policy that may help inform contemporary policy making. To this end, we consider (i) the 'nation-building' of the 1940s; (ii) the 'paternalism' which characterised the drive to regional socio-economic equity in the 1970s; and (iii) the 'self-sufficiency' of the 1990s. All these attempts were 'top-down' in nature and as such have embodied 'regionalisation', i. e. the initiation of structures designed by higher level of government, as opposed to 'regionalism', i. e. the initiation of structures from local and regional areas themselves (Gray, 2004). Interestingly, it was federal Labor Governments that pushed ahead with policies of regionalisation.

The paper is divided into five main parts. Section 2 discusses the Commonwealth government's first major initiative in regionalisation in the 1940s. Section 3 tackles the Commonwealth's second important initiative in the early 1970s. Section 4 contemplates the Commonwealth's third initiative the 1990s. Section 5 considers subsequent policy making in the area. The paper ends by attempting to extract some useful lessons in a brief concluding section 6.

## 2. THE COMMONWEALTH'S FIRST INITIATIVE: NATION BUILDING IN THE 1940s

The Commonwealth first directed its attention toward regional Australia as a specific policy concern under PM John Curtin and the Minister for Post-War Construction and later PM Ben Chifley. According to Sandercock (1975), underlying socio-economic policy objectives included the utilisation of natural resources, defence imperatives and urban decentralisation. A plan for regional infrastructure and resource development arose through a series of Commonwealth/state conferences, culminating in 1949 with the publication of *Regional Planning in Australia* (Commonwealth Department of Post-War Reconstruction (CDPWR)). This was preceded by other reports on public housing and social welfare which also encompassed regional planning (Reddel, 2005, p. 188). The CDPWR 'attracted a variety of talented visionaries preoccupied with creating a better social climate' (McMullin, 2000, p. 245), seeking national reconstruction by ensuring equitable living standards based on secure male employment, adequate housing and planned communities.. For social impact to be achieved, the CDPWR encouraged coordinated resource development in under-populated rural areas (Harris, 1976, pp. 108-9; Taylor and Garlick; 1989, p. 80).

Under the CDPWR, the nation was divided into almost 100 regions leading to, in many instances, the establishment of 'regional development committees' (RDCs) that were expected to prepare resource inventories and regional plans 'directed towards the full development of the region's resources in order to

maintain the maximum population' (CDPWR, 1949, p. 18; see also Harris, 1989, p. 109; Neutze, 1989, p. 50). The CDPWR's purview extended beyond 'physical' resources (listed as climate, physiography, water, soil, minerals, vegetation, fisheries and land-use) to 'economic resources' such as industrial development and 'social resources', including housing, hotels and hospitals (1949, pp. 21-4). The Commonwealth and state Governments determined the regional boundaries together (Dore et al, 2003, p. 158). RDCs were founded with significant Local Government representation, although composition varied between jurisdictions. Municipal representatives generally comprised 50 per cent of membership, whilst the remainder consisted of 'three or four senior officers of State Government departments resident in the region and two or three members who [were] prominent in commerce or secondary industries of the region' (CDPWR, 1949, p. 17; see also Harris, 1989 p. 108). The number of council delegates reflected the Commonwealth's belief that councils could break out from their straitjacket of 'wastebin' functions to regional cooperation on broader issues.

With national prosperity being the driving objective, there was substantial faith in the development potential of seemingly under-utilised regions, such as the Murray Valley (Orchard, 1999a, p. 20). The subsequent Minister for Post-War Reconstruction under PM Chifley, John Dedman, stressed in the CDPWR foreword (1949, p. 3) that 'scientific study' and the 'careful working out of long-range plans' were vital in obtaining the 'best use ... of our resources'. This reflected the emerging notion of 'wise use' principles to guide and promote natural resource development (Frawley, 1994, p. 66), underscored by a complex interplay of social ideals and embryonic science. Regionalisation provided an attractive administrative framework for this to occur. Because modern environmentalism of the 1960s/1970s had yet to dawn, the CDPWR Report contained no reference to conservation other than listing 'natural vegetation' as a subset of 'physical resources'. (1949, p. 22).

Regional boundaries tended to observe council perimeters as 'building blocks'. The CDPWR believed that only 'small differences' existed between physiographic regional boundaries and Local Government borders, basing its functional regions mainly on physical factors such as "fundamental unity in topography" but also economic features and communities of interest (1949, p. 22). This was despite some of the archaic council borders based on old police districts (Power, Wettenhall & Halligan, 1981, p. 8; Barrett, 1979, p. 70; Larcombe, 1973, pp. 210-12). Reliance on council borders would have offered considerable convenience due to the CDPWR's intention to rely on individual councils to collect important information (1949, p. 22). More importantly, it would have also reflected 'communities of interest' derived from 'cultural and historical legac[ies]' that had emerged from democratically elected councils with their headquarters at the centre of town (Dollery, Crase and Johnson, 2006, p. 150).

In 1949, the newly elected conservative Government led by PM Robert Menzies abandoned the scheme and returned all regional development policy to the states. But it seems that the program had already suffered from deep-rooted

problems.    Neutze noteed that whilst some plans reached completion, implementation received insufficient attention (1989, pp. 50-1; see also Sandercock, 1975, p. 106).  The CDPWR's own report failed to address this crucial element. Taylor observed that cost implications were 'barely addressed' (1990, p. 57), whilst Wettenhall and Power lamented that 'debates of the period never explained clearly what was to happen to existing State and local units' (1975, p. 201).  There must have been grave concern in some quarters that regional bodies set up by the Commonwealth might comprise one step towards reorganisation of the federal framework.  Whilst the CDPWR stressed that regional planning was 'a matter primarily for the states' (1949, p. 15), it provided little or no policy indication of how this was to happen.  Despite an express desire to avoid trespass on State jurisdiction (CDPWR, 1949, pp. 3, 15-6 and 18), political suspicion and resentment increased (Lloyd and Troy, 1981, pp. 12-3; Orchard, 1999a, p. 21).  Wettenhall and Power (1975, p. 201) observe that by the late 1940s, the 'mood' of the nation was 'anti-planning and avowedly pro-federalist'.  But as we will see, intergovernmental conflict was to continue throughout all Commonwealth attempts to establish potentially strong regional institutions (Dore et al, 2003, p. 159).

This jurisdictional tension within the federal system highlights the question of local government's role in this nation building phase of regional policy.  PM Curtin himself had recognised local government's inherent interest in assisting local economies (CDPWR, 1949, p. 1).  His successor, PM Chifley, was indeed a member of his local authority, the then Abercrombie Shire Council in the NSW Central West.  The CDPWR regarded councils as 'most intimately concerned with conservation and development of regional resources' (1949, p. 16).  But there is little mention in the Report of a role for local government beyond feeding information into the inventories.  Whilst the Report refers to councils being advised of regional plans through the RDCs (CDPWR, 1949, p. 19), there is nothing beyond passing reference about how councils might have given effect to them.  This is not surprising.  At that stage, Local Government's functional activity was narrow and primitive (Maiden, 1966, p. 128; Purdie, 1976, p. 37).  Councils had no background at all in strategic planning.  Furthermore, having been weaned on subservience to colonial and state governments, they had minimal experience in entering into partnerships with other spheres of government.  In short, local government was ill-equipped to seize opportunity from a poorly planned, albeit well-intentioned scheme, despite the initial involvement of local representatives.

## 3.  THE COMMONWEALTH'S SECOND INITIATIVE: PATERNALISM IN THE EARLY 1970s

The municipal and regional terrain again underwent dramatic change after the 1972 federal election of the Labor Whitlam Government, which sought a closer relationship with local government.  In his pre-election policy speech, future PM Gough Whitlam promised that Labor would 'make local government a genuine partner in the federal system' (quoted in Wettenhall and Power, 1975, p. 203).  Furthermore, he believed that 'some programs and services of government

[were] most efficiently and effectively planned, coordinated, and delivered at a level intermediate to those of state and local government' (press statement quoted in Harris, 1976, p. 101). The result, according to Jones (1989, p. 163), was local government's rescue from 'long-term decline and impending irrelevance'. Labor saw local government as a convenient mechanism through which to pursue regional fiscal equalisation in terms of equity of access to public services, especially in poorer outer metropolitan areas (Taylor and Garlick, 1989, p. 81). This arguably led to a major opportunity for local government to enter the national stage. The rhetoric and policy trajectory stood in contrast with the previous conservative government's establishment of the National Urban and Regional Development Authority, whose main task was to advise the Prime Minister, William McMahon, and guide the making of grants to the states on urban and regional matters (Lloyd and Troy, 1981, pp. 20-1). But this was to be shut down by tumultuous change under PM Whitlam.

At least two major and directly related policy shifts arose. First, an overhaul of the Commonwealth Grants Commission (CGC) led to substantial injection of funding to local authorities. This had to be carried out via the states because direct funding to local government is constitutionally unlawful. A referendum launched by the Whitlam government to overcome this problem was unsuccessful. Nevertheless, a new financial nexus between municipal and Commonwealth governments via the state governments provided a foundation for local government's maturity. The system, subject to sequential structural change (Johnson, 2003, p. 53), is still in place. Significantly, because the grants are unconditional, there is no assurance on how the moneys are spent. According to the Commonwealth, the main object of the 'general purpose' component of 'federal assistance grants' (FAGs) is to 'strengthen' local government and 'promote equity between councils' (Department of Transport and Regional Services (Cth), 2003, p. 29). Together with local rates, the FAG mechanism remains a centrepiece of Australian local government revenue.

Second, the Whitlam Government developed a novel way to disperse FAG revenue. Councils could only apply for funding through compulsorily established ROCs (originally known as 'regional assemblies'), a fresh regional structure established by Minister Uren's Department of Urban and Regional Development (DURD). Whilst the legislation enabled grants to be made directly to the ROCs themselves, this never took place (Else-Mitchell, 1976, p. 191; Fulop and Sheppard, 1988a, p. 6). Instead, the ROCs served as funding conduits for FAGs and other funding schemes (Advisory Council for Inter-Governmental Relations, 1986, p 55; Lloyd and Troy, 1981, pp. 157-192; Parker, 1978, p. 407; Miles, 1976, p. 180; Hawker, 1975, p. 28). In his autobiography, Uren described FAGs as 'the beginning of an evolutionary process that … changed local … politics forever' (1994, p. 270). Their purpose was not to supplement rate income but, in PM Whitlam's own words, to enable poorer councils 'to provide a standard of services to their communities that will be comparable with that enjoyed by communities elsewhere' (House of Representatives Parliamentary Debates, Hansard, 17 May 1973, 2304; see also Else-Mitchell, 1978, p. 75; Self, 1985, pp. 4, 46-7; DURD, 1975, p. 4). In order to move forward to regional

social equity, the CGC undertook the complex task of surveying areas throughout the nation in terms of revenue-raising capacities and expenditure disabilities (Thomson, 1979, p. 90).

Membership of the Department of Urban and Regional Development's ROCs was limited to local government, with about 80 bodies inaugurated (Osborn and Robin, 1989, p. 51). Importantly, unlike the previous RDC system, the ROC system included metropolitan areas (Fulop and Sheppard, 1988b, p. 615; Huxley, 2000, p. 132). This highlights the peculiarity of countless current references to 'regional' Australia as meaning 'non-urban' Australia. As soon as one moves away from rural physiographic factors alone, social and economic dimensions demand inclusion of metropolitan areas and, indeed, the wider landscape.

The DURD invested substantial research into choosing relevant council boundaries, dismissing the 1940s lines as 'somewhat arbitrary' (DURD, 1975, p. 11). It divided metropolitan areas by means of socio-economic data whilst identifying rural regions through analyses of 'interaction of people and activities', with most attention given to the methodologically interesting notion of telephone traffic (DURD, 1975, pp. 7-8, 19). Ecological factors played no role at all. Although the DURD did intend at a later stage to map 'large ecosystems' throughout Australia (DURD, 1975, p. 19), the system was disbanded before such opportunity arose. The Commonwealth never recognised natural resource management as an obvious ROC function. The primary aim was to help 'minimise spatial economic and social inequities' across regions through direct participation by a better-funded local government (Taylor and Garlick, 1989, p. 81).

The Whitlam/Uren ROCs never became major forces. The CGC regarded them as mere 'administrative devices' or 'post-offices' that collated funding submissions (Hawker, 1975, p. 28; see also Miles, 1976, p. 180; Parker, 1978, p. 407). Fulop and Sheppard (1988b, p. 615) describe the CGC as a politically conservative bureaucracy that refused to cooperate in what it saw as an intrusion into state territory. In any case, the level of CGC grants received by councils comprised 'a relatively minor part of that Government's spending on urban and regional development' (Manning, 1992, p. 50).

While the ROC system was driven by the underlying idea of socio-economic equity, it was only one of several regionalisation initiatives under the Whitlam/Uren government, with these other initiatives reflecting the paternalism of the administration more precisely. The Commonwealth instituted the Australia Assistance Plan (AAP), which established Regional Councils for Social Development to coordinate social welfare programs. These were very different to ROCs, being based on fresh boundaries and 'controlled by citizen's groups' rather than councils (Fulop and Sheppard, 1988b, p. 616). This imposition of jurisdiction by federal government helped fuel municipal discontent with Commonwealth regional policy. Fulop and Sheppard noted that councils 'either avoided the AAP or … played an obstructionist role' (1988b, p. 615; see also Reddel, 2005, p. 191). Another strong regional scheme was the doomed Growth Centre Program, designed to facilitate decentralisation to selected centres with improved services. There were also further DURD

projects, including the Area Improvement Program (AIP), which assisted the sustainability of active ROCs. Whilst the AIP placed emphasis on particular welfare, employment and infrastructural projects (Huxley, 2000, p. 133), in many circumstances it ceded total discretion on expenditure to ROCs and local authorities. In one instance, funds were used for controversial parkland development at Auburn in western Sydney, involving construction of an artificial hill (Lloyd and Troy, 1981, pp. 45-57). Interestingly, the location is now recognised by the local council as having significant potential for a habitat corridor, containing remnant patches of important ecological communities and an endangered plant species.

Power and Wettenhall (1976, p. 122) claim that other Commonwealth authorities were 'not far behind' in developing 'comprehensive regionalising schemes'. But the abundance of regional programs was poorly coordinated (Harris, 1976, p. 109; Wettenhall and Power, 1975, p. 207). Power and Wettenhall (1976, p. 119) go as far as to portray 'veritable chaos'. It must have provided a confusing milieu for local government which, apart from distant memories of the 1940s, was unfamiliar with Commonwealth interest, let alone enforced regional structures. Those councils that did exploit the ROC mechanism were far more interested in receiving money to supplement rate revenue and repay debts rather than embracing the Commonwealth's regional vision (Power and Wettenhall, 1976, p. 123; Fulop and Sheppard, 1988b, p. 615; Daly, 2000, p. 214).

State governments resented interference with their traditional jurisdictional territory, viewing the ROCs as an unnecessary tier of government that threatened their own power base. Councils adopted a similar view notwithstanding that DURD sought to strengthen local government's financial muscle (Chapman, 1997, p. 46; Harris, 1989, p. 120). The Commonwealth insisted that the ROC network could 'eventually lead to permanent forms of regional organisations without necessarily disrupting existing systems' (DURD, 1975, p. 2). Yet local government remained generally suspicious, seeing ROCs as a first step towards dismantling individual authorities (Chapman, 1997, p. 46; Harris, 1989, p. 120; Miles, 1976, p. 180; Parker, 1978, p. 405). Some councils were outright hostile (McPhail, 1978, p. 111; Bowman, 1983, p. 176). King (1978, p. 108) citeed the vitriolic remarks of one NSW councillor from Port Stephens challenging a $1M Commonwealth grant for employment purposes. Councils receiving minimal financial support were especially bitter (Self, 1985, p. 65). As a result, local government raised little resistance when the subsequent conservative Fraser Government, elected in 1975, stopped ROC support and shut down many federal regional programs. Councils were more preoccupied with coming to grips with managing their own undertakings rather than pursuing active participation in additional regional arrangements. As a result, the overwhelming majority of ROCs foundered.

The DURD's regional experiments were too short-lived to bear fruit. But even with more time, their downfall was probably inevitable. The concept of regional priorities being determined by structures imposed from above was arguably misplaced. In 1976, Harris suggested that:

*'[i]t is hardly conceivable that a regional view could emanate from a Regional Organisation of Councils, or that all local government areas within a defined region faced sufficiently common problems as local authorities to enable such a regional view to emerge' (1976, p. 103).*

It appears that this criticism was based on the compulsory nature of the ROCs, together with the then limited outlook of individual councils, rather than any lack of appreciation of regional dimensions to municipal activity. Harris went on to refer to the 'significant advantages' of regional cooperation, noting that some functions such as 'physical and environmental planning decisions' were suitable for cross-boundary collaboration (1976, pp. 106-7). In similar fashion, Power and Wettenhall (1976, p. 118) argued that 'regionalism … imposed from above is usually a weaker form than that which could emerge if the initiatives arose from within the region itself' (see also Wettenhall and Power, 1975, p. 208; Gray, 2004). Grounds (1987, p. 1) is more direct in attributing the ROCs' ultimate failure to their involuntary nature. Morgan (1993, p. 4) holds a similar view, pointing to their 'prescriptive nature and undertones of compulsion'.

A handful of DURD ROCS have survived, including the Western Sydney ROC (WSROC), Illawarra ROC (IROC) south of Sydney (now known as the 'Southern Councils Group') and the Hunter ROC (HROC, renamed 'Hunter Councils Inc') in the Newcastle region. WSROC then represented Australia's most heavily funded region (Fulop and Sheppard, 1988b, p. 615; Fulop and Sheppard, 1988a, p. 6), which must have helped galvanise municipal commitment. Those ROCs that outlasted the Fraser Government's cutbacks did so only because of financial and political support from member councils. They tended to be located in socially disadvantaged areas that had fared best under Whitlam's fiscal equalisation policies such as, notably, the AIP scheme.

It is at least feasible that the DURD's efforts helped lay groundwork for later regional municipal collaboration (McPhail, 1978, p. 111; Orchard, 1999b, p. 200). A novel, ongoing and evolving network of voluntary ROCs has since arisen from the ashes of DURD. Their purpose, however, is not to provide a channel for Commonwealth funding. Rather, they themselves seek revenue from any source available, with co-operative well-crafted grantsmanship skills derived from earlier experience. This tends to undermine any criticism that the DURD's efforts were merely fleeting. It should also be borne in mind that local government was then turning the corner into functional expansion. Land use planning schemes were emerging, albeit slowly (Wilcox, 1967, pp. 207-11), giving councils 'unprecedented power' to influence land value through zoning controls (Harrison, 1988, p. 27). In addition, some councils took the initiative to embrace the social environment, providing community, welfare and cultural services such as personal counselling, subsidised meals and arts festivals (Rentschler, 1997, pp. 130-3; Miles, 1976, p. 175; Walsh, 1989, p. 118). These fall within the broad umbrella of 'human' services (House of Representatives Standing Committee on Economics, Finance and Public Administration, 2003a, p. 10; Dollery, Wallis and Allan, 2006, p. 555; Dollery, 2005, p. 392). For those councils keen to modernise their portfolios, the Whitlam/Uren government

provided considerable potential for new ideas.

## 4. THE COMMONWEALTH'S THIRD INITIATIVE: THE SELF-SUFFICIENCY OF THE 1990s

The Commonwealth's third major entry into regional policy was heralded by the Taskforce on Regional Development which produced *Developing Australia: A Regional Perspective*, chaired by Bill Kelty (Australia. Taskforce on Regional Development, 1993). The report enjoyed wide release but received strong criticism due to the unrealisable hopes it engendered for new infrastructural investment throughout provincial Australia (Alexander, 1994, p. 6; Forth, 1996, pp. 76-8). Nevertheless, it prompted national debate on regional development which became a strong element in the Commonwealth's Working Nation policy (Fulop, 1997, p. 221; Keating, 1994). This was one of numerous contemporaneous documents on regional issues (Beer, 2000a, p. 176), including the prominent 'McKinsey Report' (McKinsey and Company, 1994) which has been widely regarded as the 'most influential' (Fulop and Brennan, 1997, p. 1; see also Beer, Maude and Pritchard, 2003, p. 15; Fulop, 1997, p. 221). After the Labor party came to power in 1983 under PM Bob Hawke, the Commonwealth instituted various regional arrangements but none directly involved local government (Beer, 2000a, pp. 175-6). A more fervent program based on 'strategic planning' arose after the takeover of PM Paul Keating in 1991 (Beer, 2000a, p. 177).

Regional policy under Keating was very different from the Whitlam/Uren approach. It embraced a heavy emphasis on economic development (Hurley, 1994b, p. 23), still grounded on concerns about regional disparity but less anxious about redistributive fiscal justice. Whilst the initiative was politically expedient, it might be argued that it lacked any 'widely-shared' philosophical underpinning other than promoting economic efficiency (Hurley, 1994b, p. 25; see also Garlick, 1997, p. 277). More recent environmental imperatives such as 'ecologically sustainable development' (ESD) were, according to Alexander (1994, p. 23), 'effectively sidestepped'.

Major differences from the earlier programs included modesty in funding (Sorensen, 1994) and a fresh vision of government as facilitator rather than the driving force (Taylor and Garlick, 1989, p. 99). The deal was to provide a climate for economic initiative from within the regional communities themselves (Martin and Woodhill, 1995, p. 174). Hurley (1994a, p. 5) deciphers the regions as 'units propelling the national economic wagon ... discouraged from seeing themselves as recipients of assistance from a state gravy train'. This ethos of regional self-help saw funds made available under the Regional Development Program (RDP) for the establishment of voluntary structures, known as Regional Development Organisations (RDOs, originally known as Regional Economic Development Organisations), with membership determined by the regional communities themselves. The earlier pattern of enforced regionalisation was thus replaced with a novel form of centrally prodded regionalism – i.e. a federally supported and flexible bottom-up structure. Another parallel program was the establishment of Area Consultative Committees to assist local

communities in improving employment levels and training schemes (Beer, 2000a, p. 176).

Because RDOs were to arise from the ground upwards, the issue of top-down boundary delineation became redundant. It was expected that regional leaders, from both the private and public sector, would join together to form the new bodies with their spatial areas of interest reflecting local economic catchments. RDOs did not emerge everywhere (Beer, 1999, p. 188), and some proved stronger than others. Municipal borders again formed the 'building blocks' although according to Garlick (1999, p. 181), drawing firm lines at the periphery was not a major issue.

One reason for the formation of new bodies rather than utilising councils was the Commonwealth's belief that local government had not played 'a sufficiently active role' in regional economic development (Fulop and Brennan, 1997, p. 21; see also Munro, 1994, p. 15). According to Forth (1996, p. 81), the Commonwealth was initially unwilling to support RDOs that were 'effectively controlled' by local government. Yet such opposition ignored local government's traditional preoccupation with boosting local economic growth as had been recognised by PM Curtin as far back as the 1940s. As Marshall noted (1997, p. 13), the Working Nation document stipulated that local government was assumed to provide a 'key role ... in initiating and establishing RDOs'. Local government was quick to position itself as a key stakeholder. It generally saw itself as having the 'biggest stake' in regional development, thereby wanting to 'play a dominating role' in controlling RDO agendas (Fulop and Brennan, 1997, p. 21). A survey of RDO personnel confirms local government's heavy involvement, including substantial contribution to RDO funding (Marshall, 1997, p. 13). Northwood (1995, p. 32) refers to Local government's 'pivotal' role, providing examples of close linkages between voluntary ROCs and RDOs.

In 1996, the newly elected Howard Government abolished the RDP, resulting in the dismantling of most RDOs across the country. Whilst some RDOs survived, in other places local government filled the gap via voluntary ROCs. It appears that regional economic development has since been a dominating concern in voluntary ROC circles. Significantly, the Commonwealth never dictated the functions of RDOs but made funds available for the preparation of regional economic strategies. Implementation of such strategies, of course, was scarcely straightforward (Murphy and Walker, 1995, p. 128). The RDOs had no political constituency, organisational experience or reliable income beyond the lifetimes of their grants. It is interesting to speculate whether local government, given the same opportunity, would have achieved more.

A chief lesson from the RDP experience is the sheer vulnerability of central government regional programs. Despite the potential popularity of a regional scheme, it will always be liable to abandonment upon change in political direction. There is, of course, no lasting tradition of regional structures in Australia. But the RDP did attract a level of council interest that had been absent during previous excursions into the regional arena. This may be explained, in part, by local government having become a far more aggressive and sophisticated institution. But more importantly, RDOs were voluntary. Local government

was prepared to jostle with other stakeholders to claim its share of the funding pie and play an active role in shaping regional priorities.  It did not want to be left behind, believing it had an essential, if not the cardinal, contribution to make.  This illustrates the point that bottom-up regionalism is unlikely to emerge by itself but requires some form of financial, administrative and/or policy push.  It also exemplifies modern local government's keen nose for new funding sources (Harris, 1976, p. 106).

A significant result of RDO activity was unevenness.  Some regions suffering from 'geographical spread, lack of regional identity or political disunity' suffered from obvious disadvantages (Murphy and Walker, 1995, p. 125).  Remoteness and sparseness of populations will always mitigate against successful cross-boundary structures.  Additional funding to bring people together may help.  Yet most successful RDOs depended largely on 'personality and local goodwill' (Murphy and Walker, 1995, p. 125).  Such ingredients are vital.  They will not be manufactured by legislation or new funding sources alone.

## 5.  SUBSEQUENT DIRECTIONS

After the fall of the Keating Government in 1996 and the ascendancy of conservative PM John Howard, the Commonwealth initially set up no major regional structures after dispensing with the RDP (Beer, 1999, p. 188).  Yet the claim that Commonwealth interest in regional development policy 'evaporated' (Beer, 2000b, p. 114) under the Howard Government can be assessed, with hindsight, to be overstated.  The Commonwealth did not ignore local problems, especially after its re-election in 2002 when rural councils could compete against a wide spectrum of community bodies for funding under a variety of programs (Beer, Maude and Pritchard, 2003, pp. 261-2).  These were not driven by environmental needs, but by community wants.  It is arguable that such moves were designed to assuage disgruntled rural citizens, who saw themselves as left behind in the expanding benefits of national urban economic growth.  In fact, the level of funding was higher than what had been offered under PM Keating (Beer, Maude and Pritchard, 2003, p. 261).  Again, local government was only one party at the coalface.  This was a time of increasing demands on councils, many of which might have regarded the new arrangements as peripheral.

Collits (2007, pp. 186-7) also draws attention to a later initiative of the Howard government to establish a panel to undertake 'Regional Business Development Analysis'.  Similar to PM Keating's experiment; this afforded a funded 'bottom-up' approach but did not establish or even support any particular regional arrangements.  Instead, it relied on the three spheres of government operating together in a strategic manner.  Whilst the concept may have offered some benefits, it was cut short.  Perhaps the traditional local political fear against regional government remained afoot.

Moreover, the Howard government continued to fund the Area Consultative Committees initiated by the Keating government in 1994, although the role of these Committees changed from one being concerned principally with the issue of regional employment (as was initially stipulated with their formation under the Employment Services Act 1994) (Albanese, 2008, p.2), to funding a variety

of types of projects, including educational programs, business alliances, investment strategies, adjustment packages and grant writing workshops, all under an extended charter within the framework of the Regional Partnerships Program. While there was no mandated involvement of local government, the interface in terms of projects and personnel was in some instances marked (see, for example, NENWACC, 2002).

Two other areas of policy pursued by the Howard government involved significant funds being directed toward the regions. The first of these was the use of Natural Resource Management (NRM) bodies to address environmental degradation and ecological sustainability. Summarising this effort, Moore (2005, p. 123) noted that National Action Plan for Salinity and Water Quality Program (NAP) was initially targeted at 21 'designated priority catchment areas across Australia' and as such was regionally directed. It involved initial funding of $1.4 billion over seven years. Although a proportion of the initial funding came from state and territory governments, it was topped up through a National Heritage Trust amount of $1.5 billion in 2001, with a further $300 million added in 2004 to cover all 56 regions in Australia. Moore (2005, p. 125) offered the view that as well as addressing concerns of environmental sustainability, 'regionalising provide[d] a framework for progressing the government's self-help approach'.

The second major initiative taken by the Howard government was the Roads to Recovery (R2R) funding, designed to address the problem of local road infrastructure nearing the end of its useful life and where replacement costs were deemed to be outside the financial capability of local government. Summarising this funding, Dollery, Pape and Byrnes (2006, pp. 2-3) noted that 70 percent of the initial $1.2 billion (or $850 million) was designated to rural and regional Australia from the period January 2001 to June 2005. Additionally, a 2002 review of the program extended this funding to 2009 with an additional $2.55 billion in funding. While Dollery, Pape and Byrnes (2006, p. 3) noted the program was subject to the [pedestrian] criticism of pork-barrelling, of far more significance were their observations that 'R2R has broken with longstanding tradition in Australian fiscal federalism by its sheer scale in bypassing state and territory governments that have typically redistributed federal funding to local government through their Local Government Grants Commissions.' Moreover, they speculated that 'it may also violate the Constitution' and sought to demonstrate how this view could be taken (Dollery, Pape and Byrnes, 2006, pp. 7-12).

Taken together, the federal funding of NRM bodies at a regional level and the funding of the R2R program directly to local government would appear to signify a break with post-war liberal governments' scaling down of programmatic financial commitment to regional development relative to their Labor counterparts, and to the financial support of local government in particular. Further, a recent challenge to the federal government's legality in delivering its 'Nation Building and Jobs Plan' in the High Court by Pape in *Pape vs. Commissioner of Taxation of Australia* (2009) (High Court of Australia, 2009) signalled the potential for continued constitutional implications. While on the one hand ALGA President Geoff Lake welcomed the High Court's decision

to reject the constitutional challenge to the Federal Government's stimulus package, with its potential implication that 'councils [would be] required to pay back in the order of $6 billion of [federal] funding that has flowed to local government over the last few years', on the other hand, he stated that: 'the uncertainty that this case created has the potential to arise again and indeed a differently composed High Court in the future could well decide these sorts of matters in a different way'; further asserting that the issue of funding would not be resolved until the Constitution was amended such that Federal government could directly fund local government (Government News, 2009). We will return to this issue in our concluding remarks below.

Arguably, however, the greatest legacy of the Howard government to regional policy and local government was its launching of major reports emphasising the financial un-sustainability of local government (see Brown, 2005, pp. 29-32), including *Rates and Taxes: A Fair Share for Responsible Local government* (House of Representatives Standing Committee on Economics, Finance and Public Administration, 2003a; known as the 'Hawker Report'). This key document, preceded by *At the Crossroads – A Discussion Paper* (House of Representatives Standing Committee on Economics, Finance and Public Administration, 2003b), has been dubbed 'the most comprehensive recent diagnosis on the ills of Australian local government' (Dollery, 2005, p. 385). It highlighted local government's entrenched nature, functional expansion and ballooning financial desperation, even warning councils against entering functional territory beyond their financial capacity (House of Representatives Standing Committee on Economics, Finance and Public Administration, 2003a, pp. 14-5). This latter concern was re-echoed by the recent 'FiscalStar' report which warned that 'financially unsustainable' councils 'face substantial rates/prices hikes or drastic services cutbacks (or both)' (FiscalStar Services Pty Ltd, 2008, p. 4). The response, undoubtedly, will be an ongoing march in favour of reduction of council numbers. In his discussion of the Hawker Report, Dollery (2005, p. 389) attacked its consideration of the 'advantages' of enforced amalgamation as 'draconian'. At the same time, the Hawker Report also considered the benefits of a direct financial pipeline from the Commonwealth to local government, harking back to the Whitlam era (Brown, 2005, p. 30). Overall, the Howard government did not forsake local government. Yet more was needed than thoughtful and disturbing reports and targeted funding programs for the electorally sensitive issues such of environmental sustainability and local roads.

## 6. CONCLUSION

The historical narrative sketched in this paper offers more than a fascinating story of municipal history. Whilst cross-boundary approaches appear more than desirable, the history of regional structures pushed by the Commonwealth government suggests implementation is another matter altogether. Despite various experiments, regional bodies with political power have never become a fixed part of the enduring regional administrative landscape. Commonwealth regionalisation in particular has always been controversial. Attempts to impose

regional institutions from above have overwhelmingly failed due to a combination of poor planning, insufficient support, change in political climate and opposition from other spheres of government. Local government has traditionally displayed a negative attitude, concerned about loss of dignity and potential amalgamation. Yet its experience with the RDP during the 1990s signalled a softening of its conventional 'dog in the manger' mindset.

However, it cannot be overlooked that local government is far more sophisticated than it was over a decade ago. Whilst this may not be the case for remote struggling authorities, such councils are still vital to their local communities. What is most interesting is that councils are becoming more confident in building up alliances and devising protocols with other local bodies, government agencies, the private sector and social organisations. The spectrum of efficient, flexible and legitimate models is wide (Dollery and Johnson, 2005; Dollery and Johnson, 2007). Even upwards delegation of specified functions to statutory regional bodies, such as county councils in NSW, provides an option (Kelly, 2003). It is here where improved cross-border approaches may evolve without direct requirements imposed from above. The FAG system could be reviewed with a separate portion of funding devoted to acceptable regional planning, leaving elected councils to design their own preferred subsystems. This could demonstrate consistency with the subsidiarity principle, which has yet to be largely accepted in Australia (Aulich, 2005, p. 209). Any council that chooses not to be involved will receive no funding and remain answerable to its electorate. Regional environmental management would be a good place to revise, revitalise or start anew. Flexibility rather than rigidity must be the key.

Beyond these positive, although incremental initiatives, the fact remains that the Commonwealth government is the only sphere with sufficient resources to support regional structures (Beer, 2000a, p. 170). The Howard government's funding of both NRM and R2R, when placed in historical continuum with the recent initiatives of the Rudd government, including the funding of the Local Infrastructure Program to the amount of $800 million (thus far) and the initiation of the Australian Council of Local Government (ACLG) in late 2008 under the newly christened Department of Infrastructure, Transport, Regional Development and Local Government (DTIRDLG, 2009) may signal a bipartisan approach (albeit by default) toward what Brown (2005, pp. 17-18) then regarded as highly unlikely, namely 'a reversion to an interventionist, Keynesian or high investment approach'. Moreover, for the first time, constitutional recognition is not just a partisan political issue (as it was in 1974 and, to a lesser extent, in 1988), but has to be explored through the High Court and canvassed more broadly throughout the polity.

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