

## ***Modernising the Federation***

In 2006, the Business Council of Australia (BCA) put forward a 12-point plan for improving federal-state relations. This provides a good **roadmap towards governance reform** in Australia:

### *PRINCIPLE 1: CLARIFY ROLES AND RESPONSIBILITIES<sup>1</sup>*

The actions needed to clarify the roles and responsibilities of the Commonwealth and states are:

*ACTION 1:* A Federal Convention should be held with a wide range of participants to develop a framework for reassessing the respective roles of the Commonwealth and states.

*ACTION 2:* The Federal Convention should examine the arguments for and against the Commonwealth Government taking over the management and regulation of key national markets.

*ACTION 3:* The Federal Convention should report its findings publicly and to the Council of Australian Governments (COAG).

*ACTION 4:* Once the Federal Convention has reported, COAG should agree on priority areas where rationalisation of government functions can be achieved quickly and/or where considerable efficiency gains can be made.

*ACTION 5:* COAG should request the Federal Commission (see Action 11) to identify government functions that are inconsistent with the framework proposed by the Federal Convention and agree on a program for rationalising these functions.

*ACTION 6:* COAG should agree to set a deadline for significant progress in harmonising those regulatory 'hot spots' already agreed by COAG.

*ACTION 7:* If significant progress is not made, the Commonwealth Government should develop national business schemes for core areas of business regulation, allowing corporations to elect to opt into those schemes and out of state-based schemes.

*ACTION 8:* The Commonwealth and state governments should work together to initiate and support an amendment to the Constitution to include an express provision that the states may choose to allow Commonwealth courts to determine matters under state laws and to allow Commonwealth agencies to administer state laws.

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<sup>1</sup> A Charter for New Federalism, Business Council of Australia (December, 2007)

*PRINCIPLE 2: INSTITUTIONALISE COOPERATION*

The actions needed to institutionalise better cooperation between the Commonwealth and states are:

*ACTION 9:* COAG should be strengthened, including more frequent meetings and through providing an independent secretariat.

*ACTION 10:* Ministerial Councils should be strengthened by requiring them to prepare annual work programs with key performance indicators (KPIs) and to report regularly to COAG and publicly on progress against those KPIs.

*ACTION 11:* A Federal Commission should be established to identify emerging issues requiring a collective response from governments, advice on response options and report to COAG on progress with implementing COAG agreed reform agendas.

*PRINCIPLE 3: FIX FISCAL ARRANGEMENTS*

The action needed to begin the process of fixing fiscal arrangements between the Commonwealth and states is:

*ACTION 12:* The Federal Commission should undertake an inquiry and report to COAG on the extent and consequences of vertical fiscal imbalance and horizontal fiscal equalisation, and the feasible options available to overcome any negative consequences.

**Local Government Reform**

In addition to Federal-State reforms, local government also needs to be modernised.

Although the Commonwealth Government traditionally has no direct responsibility for this area, through COAG it can help modernise this sphere of government and help states and territories implement the following reforms.

**Modernising the Federation - Recommendations:**

**First:** Respond to the Business Council's **12-point plan for improving federal-state relations.**

**Second:** Help to reform and improve the performance of local government with the following programs:

- institute an **inquiry into the optimal size of local councils** that balances democratic representation, efficient delivery of services, environmental catchments, funding powers and ability to attract (and retain) professional staff;

- encourage state and territories to **review local government boundaries** based on the model developed by the inquiry;
- **establish a constitutional commission** to develop a model for establishing councils as **local parliaments**. A key feature of the model would be the application of the separation of powers doctrine to key local government activities;
- introduce electoral process reforms such as **fixed terms** (preferably four years), **a cap on councillor numbers**, which should be related to the size of the council and **direct popular election of mayors**.

The remuneration of mayors that lead major councils should be linked to a cabinet minister's salary;

- instruct the Productivity Commission to develop a **standard format for reporting** that is equal in scope to the obligations of listed public companies;
- require all councils to develop **strategic plans based on key performance indicators** (KPIs), similar to the approaches adopted by the New South Wales and South Australian Governments. All councils should develop 25-year infrastructure plans;
- require **councillors who sit on planning committees** to undertake **professional development** provided by a registered training provider, until such time as independent assessment panels are established;
- require councils to prepare **regulatory impact statements**, particularly **for planning policy changes**;
- establish state and territory **misconduct commissions** for the local government sphere or extend the brief of existing commissions to do so, where this is not already the case;
- offer **incentive payments** to, and abolish rate capping for, local governments that undertake reforms; and
- establish a **fiscal responsibility protocol** for local government.



**Sources:**

*A Charter for New Federalism*, Business Council of Australia (December, 2007)

*Reshaping Australia's Federation: A New Contract for Federal-State Relations*, Business Council of Australia (October, 2006)