

Australian federalism

[Parts of the World](#), [Australia](#)



This essay will outline the issues discussed during the ‘ Policy Roundtable on Federalism’ hosted by the Academy of Social Sciences in Australia (ASSA) and the Institute of Public Administration Australia (IPAA) on the 17–18 May 2007 and will explore their impact on federalism and provide possible steps to overcome them. The Roundtable discussion made it apparent that Australian federalism is dysfunctional and needed shaping up. The reasons included a combination of external and internal factors and pressures. The pragmatic reform process could address these factors and pressures to improve Commonwealth-State relations.

This could achieve enhanced policy outcomes for the Australian community and provide a system of government that “ delivers the Australian people the opportunities they deserve” (Brumby 2008). David Black (1998) describes federalism as ‘ the process by which the Commonwealth of Australia was formed on 1 January 1901, was unusual then, and still is”. The federal system has provided a relatively stable cooperative form of government, however, changing demographics, global pressures and fiscal situations within government have meant that the system is now seen as being in a malaise and in need of repair (Wanna 2007).

The modernisation and globalisation of markets, media and communication has eroded regional identities in Australia. In the past the Australian states were protected from a centralised form of federalism but as modern technology reduced the physical distance institutional barriers were decreased. These global pressures mean that Australian states risk becoming agent providers for a central government (Wanna 2007: page).

Increased activity has resulted in hyper-interaction involving all three levels of government.

Additionally, lack of cultural regions in Australia unlike most other federations meant lack of regionally based governance system (Wanna 2007: 276). Australia retains a highly centralised fiscal system, holds a high amount of concurrent powers across all levels of government and lacks institutional barriers that prevent a centralised system. Fiscal imbalance between states and the Commonwealth impacts directly at a regional level even though policies are driven nationally.

Concurrent Commonwealth-State powers also impact at regional level due to lack of adequate attention given to real impacts while decisions are made at federal level. The reduced effectiveness of federalism has contributed towards these issues and has failed to keep pace with modern times. It is now in need of repair to make it more efficient and capable of providing support to the modern Australian public. Current federal arrangements are holding back necessary micro-economic reform while there is a continuous struggle to respond to global economic forces. (Podger 2008).

Although federalism can work it is not performing at the level expected. Participants at the Roundtable agreed that the process of reform can improve federalism but needs a different policy approach. Individual agreements on shared responsibilities will be needed to reshape policy areas. Increased cooperation and collaboration around national and state issues would need to be achieved. Participants started by looking at

improving the generic architecture by enhancing the primary cooperation of levels of government through the Council of Australian Governments (COAG).

This could be the platform for any further detailed reform in order to avoid policy making failures around shared responsibility between governments. It is also important to note that the attendees agreed reform would need to start from the current position and not echoing any previous attempts. The Australian federal system is characterised by a significant level of vertical fiscal imbalance and this issue would need to be addressed to assist in reforming federalism.

The Commonwealth holds the monopoly on tax revenue from income and GST and much of this is paid back to the states by way of Specific Purpose Payments (SPPs). These SPPs allow the Commonwealth to grant funds to states with conditions in areas that are constitutionally the states' domain. As SPPs make up 40 % of Commonwealth grants the streamlining of these with a focus on outcomes would allow increased efficiency. In addition, guaranteed revenue would allow states to fund their responsibilities without central pressures.

Whilst this imbalance could be reduced by assigning state expenditure responsibilities to the Commonwealth, it is an unrealistic expectation to reduce such a significant imbalance. (Carling, 2008: page/s) Clearly defined roles and responsibilities for the different levels of government is essential, as Carling (2008: page) states, " A federal system needs to be firmly anchored to a rational allocation of roles and responsibilities for the different levels of government" Lack of clearly defined roles can cause duplication of

processes and conflict in policy making, giving states the opportunity to avoid accountability.

A review of roles and responsibilities is a logical starting point, with the functional roles of Commonwealth and the state' clearly defined. This may require that the Commonwealth takes a leadership role to ensure states are able to effectively deliver services. It is important to understand that the distribution of responsibilities between the levels Government has evolved over time, and will presumably continue to change as policy and political imperatives require. (Podger 2008)

Collaboration between governments to deliver long term sustainable national solutions is needed to face the significant social, economic and environmental challenges. Recently, all three levels of government have become receptive towards the idea of cooperative federalism. For effective federation architecture of cooperation consisting components such as principles to guide, supporting legal and institutional arrangements and appropriate cultural practices and attitudes are required.

Focus could be on formalisation of COAG through intergovernmental agreement, clarification of COAG and ministerial council relation, ongoing review of federal financial relations and development of cultural practices to support the best of federalism. The change offers opportunities to make lasting improvements and Australian governments should seize the opportunity towards delivering effective national responses and generating substantial benefits for Australians. (Wanna, J. May 2009)

Although the Australian federal system is perceived as declining and in need of reshaping, Australia is a prosperous nation. Federalism has seen Australia through times of significant stress including depression and war, and has led to the development of a welfare state. Rapid globalisation and modernisation demands that federalism adapt and adjust to meet competing demands. The options outlined in this essay provide the extending steps for already happening improvements by an ambitious government.