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FROM SEWERAGE SYSTEMS TO SEPTIC TANKS

Federal-State Financial Relations and Urban
and Regional Development, 1972-1977

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DECLARATION

I declare that this dissertation, **FROM SEWERAGE SYSTEMS TO SEPTIC TANKS**, has not been submitted in any form for another degree or diploma at any university or other institution of higher learning. The dissertation is the author's original work. The subject is **Federal-State Financial Relations and Urban and Regional Development, 1972-1977**. A list of references is given.

Dissertation submitted by

Rodney Alan Wemyss Nettle

In March, 1980

R.A. Nettle

5 March 1980

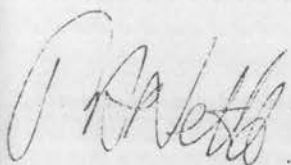


in partial fulfilment of the requirements
for the Degree of Bachelor of Economics
with Honours in
the Departments of Economics and History
of the James Cook University of North Queensland



DECLARATION

I declare that this thesis is my own work and has not been submitted in any form for another degree or diploma at any university or other institute of tertiary education. Information derived from the published or unpublished work of others has been acknowledged in the text and a list of references is given.

A handwritten signature in cursive script, appearing to read 'R.A. Nettle', is written over a faint horizontal line.

R.A. Nettle

5 March 1980

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LIST OF ABBREVIATIONS

AGD	Australian Government Digest
AGWD	Australian Government Weekly Digest
AQ	Australian Quarterly
CLR	Commonwealth Law Reports
CR	Commonwealth Record
CRFFR	Centre for Research into Federal Financial Relations
DURD	Department of Urban and Regional Development
EHCD	Department of Environment, Housing and Community Development
H of R	House of Representatives
URD	Urban and Regional Development

INTRODUCTION

The period 1972-77 marked a watershed in Australian political and economic approach, commencing with the election of the first Labor Federal government for more than two decades, ending with the re-election of a conservative government virtually indistinguishable from its predecessors in the 1950's and 1960's. The period also marked a shift in Australian political attitudes. It began with a form of nationalism, a naive belief that anything could be achieved provided an "Australian" government put its mind and purse to it; the new "Australian" government was only too willing to oblige. But the experiment ended with a loss of this confidence, and a rejection of the party which promised reform. The Australian electorate, for a number of reasons, rejected the grand plans of its Labor government and instead adopted initially a government that had an obviously lesser commitment to the activities then being undertaken and later, at the 1977 election, a government that had little intention of doing anything toward fulfilling those urban, environmental, and social reform promises upon which Labor had swept to power five years previously. The vision of an affluent, self-conscious, and more egalitarian society, nurtured during the turmoil of involvement in overseas conflicts and domestic unrest was soured. It can be viewed in one respect as an ideological switch, from Labor to Liberal, from reform to reaction, from the grand plan to no plan, from sewerage systems to septic tanks.

The subject of this thesis is essentially the conflict that developed between the Federal government and the States because of the increasing use of the specific purpose, or tied, grant. This study uses the urban and regional policy aspect of the relations between the Federal and State government to show how this conflict came about. This area was chosen as it is ideally suited to illustrate the changing financial relationship throughout the 1972-77 period. The eight programs of the

labor government's Department of Urban and Regional Development were concerned with objectives both at the State and local government level. They were funded through specific purpose grants and loans with fairly rigorous conditions. The programs themselves and the method of funding generated a large degree of opposition, ostensibly because of the conflict of priorities between the Commonwealth and the States, but at the roots, because of a struggle for political power. Indicative of its resolution was the rapid demise of them along with the Department of Urban and Regional Development soon after the 1975 election. Hence, the Department and its programs are ideally suited to demonstrate the rise and decline of central government activities within the States in the changing political and economic environment.

The specific purpose payment under Section 96 of the Constitution has always been anathema to the States as it allows the Commonwealth to direct part of a State's expenditure into areas that may not be considered by the individual State to warrant the priority that the Commonwealth ascribes it. Section 96 of the Constitution states:

During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

The Commonwealth was given a free hand to impose whatever conditions it desired upon this flow of money and it is these conditions, and the increasing use of Section 96 that is the source of much conflict between the Commonwealth and the States. The developments in the financial relationship between the Commonwealth and States is covered from Federation to 1972 in the first chapter which amply vindicates Deakin's belief that:

As the power of the purse in Great Britain established by degrees the authority of the Commons, it will ultimately establish in Australia the authority of the Commonwealth. The rights of self-government of the States have been fondly supposed to be safeguarded by the Constitution. It left them legally free, but financially bound to the chariot wheels of the Central Government. Their need will be its opportunity....Our Consitution may remain unaltered, but a vital change will have taken place in the relations between the States and the Commonwealth. The Commonwealth will have acquired a general control over the States, while every extension of political power will be made by its means and go to increase its relative superiority. 1

The period of greatest conflict over the use of tied grants occurred between 1973 and 1975 as the newly elected Labor government endeavoured to put into effect the social and environmental reforms that it had promised and upon which it was elected. With opposing governments in a majority of States, Federal Labor faced an uphill task in instituting its plans despite its electoral mandate. Hence, the Federal government came increasingly to rely upon the specific purpose payment with attendant conditions and, predictably, considerable conflict ensued.

The period from 1975 to 1977 is included to show the decline in the use of the specific purpose payment in the face of heavy opposition from the States. It was this opposition which was the indirect cause of the change in government in 1975. As State opposition to the Labor government's movement into areas of traditional State responsibility crystallized, the Liberal-National Country Party gathered considerable support from the States, especially New South Wales and Queensland, which in turn was instrumental in bringing about the downfall of the Labor government.

1. Alfred Deakin, 1902, cited in L.F. Crisp, *Australian National Government*, Melbourne, 1978, p. 106

Despite the inclusion of a large political content in this thesis, the extraordinary events leading to the demise of the Labor government in 1975 have not been covered. Political comment has been restricted to those areas where it was necessary to fully comprehend whatever changes were taking place. Nevertheless, the whole area of financial relationships between the levels of government is highly political and without some understanding of the political events that were taking place, intergovernmental financial relationships, in any period, would probably appear incomprehensible.

The justification for this study rests on whatever lessons can be learned from this particular conflict. It in no way offers any solutions to the vexing problem of Federal-State financial relations which have existed since Federation, but it does reveal the opposition that can be generated when one level of government is insensitive in its dealings with another level. Additionally, it points out the ground of disharmony that can exist through Commonwealth insensitivity and some of the difficulties, political and economic, that flow from it. Ultimately, it shows how a Federal government in Australia can commit political suicide if it unrelentingly antagonises other levels of government, aside from the fact that the Constitution itself is an effective impediment to Federal government excesses.

This study concentrates upon only one of the vehicles by which the Commonwealth increased its involvement within the States between 1973 and 1975 and decreased its involvement between 1976 and 1977. Where it was thought necessary for greater clarity, however, more general data has been provided, particularly in relation to the rise and fall of all specific purpose payments, rather than just those for urban and regional development. Not all payments from the Commonwealth to the States were reduced after 1975, some actually increased,

but overall there was a real reduction. To this extent the urban and regional development payments represent in microcosmic form the overall trend in the financial relationship.

The thesis makes no comment on the effects of the abolition of those programs undertaken by the Department of Urban and Regional Development. This is an area which could be explored by further research. The urban and regional component of this thesis is concerned with its historical aspect; its development, why it came about, the politics behind it, why it ceased to have the importance after 1975 that it had in 1972. In addition, it reveals something of the bureaucratic machinations that went into instituting a comprehensive urban and regional philosophy.

Chapter 1 establishes the growth of the Section 96 power from its inclusion in the Constitution through to the early 1970's. In doing so it explains how and why it came about, and, more importantly, what was its intention. Because of the inability to separate Section 96 from the whole gambit of financial relationships between the levels of government in Australia, significant developments in the financial relationship, such as the Financial Agreement (1927), the Grants Commission (1933), and Uniform Taxation (1942), have also been included in order to place the changing use of Section 96 in perspective. The chapter ends shortly before the election in 1972 of the Labor government, pledging that the States could expect the use of Section 96 to be further increased under Labor administration.

Chapter 2 traces the development of the urban and regional philosophy from its inception with the Commonwealth Department of Post-War Reconstruction, through to the refined and comprehensive policy that Labor used so effectively in its election campaign during 1972. It

also reveals the extent of the conservative resistance to urban and regional planning, a fatal error as it turned out at the 1972 elections.

Chapter 3 contains a description of the Department of Urban and Regional Development and what it set out to achieve; while Chapter 4 presents a financial analysis of the Department's programs and the changes that it brought in the Federal-State financial relationship. Chapter 4 also traces the decline of the Department through 1975 in the face of the Labor "consolidation and restraint" Budget that was being proposed and was eventually handed down.

Chapter 5 looks at the change in government at the end of 1975 with particular regard for the implications of the Liberal National Country Party "New Federalism" policy for urban and regional development, and the Federal-State financial relationship in general.

The final chapter is concerned with the developments on Federalism, and the approaches of the different parties to urban and regional development through 1977. The chapter concludes with the relative decline of the urban and regional philosophy in the face of more pressing issues such as unemployment. The eclipse of the desire to make the Australian urban and regional environment more efficient and equitable was confirmed by the 1977 elections.

Most of the information for this thesis has been drawn from publications of the Commonwealth government, in particular the Budget papers of the period. The other main source of information has been papers and articles, published and unpublished, of the Departments of Urban and Regional Development, Environment, Housing and Community Development, and of the Federal ALP. The bulk of this material came from the offices of Tom Uren, M.H.R., at Parliament House, Canberra and Granville Sydney.

CHAPTER 1

Section 96

Despite the political adage that finance is the lifeblood of government, one of the most striking features of the Australian Constitution brought down in 1900 was its uncertainty on financial arrangements between the two levels of government, the new Commonwealth and the States. The Commonwealth Bill of 1891 contained no guarantee of finance to the States although the desire for some assurance was a prominent feature throughout the debates.¹ At the Adelaide session of the 1897-98 Constitutional convention, a Finance Committee was appointed to frame financial recommendations as delegates had pressed the issue of guarantees to the States, and had suggested various forms. The Adelaide Convention recommended the consideration of several proposals; among them, and most important as far as the States were concerned, was the return of 70 per cent of the customs and excise duties contributed by each State. Under pressure, and responding to the strength of concern among delegates, the Financial Committee, and in turn the Convention, eventually agreed to a limitation of federal expenditure, and a provision for the return of a minimum aggregate surplus.² However, at the subsequent Melbourne session, after the implications of the Adelaide guarantees had been fully examined, delegates displayed dissatisfaction, excising the recommendations and proposing a number of alternatives, all of which failed to be adopted. The substitute resolutions reflected a common weakness of being exceptionally complicated or indefinite, the latter category including J. Henry's proposal that "The parliament may, upon such terms and conditions and in such a manner as it thinks

1. John Quick & Robert Randolph Garran, *The Annotated Constitution of the Australian Commonwealth*, Sydney, 1976, p. 825.
2. *Ibid.*

fit, render financial aid to any State."³ A compromise was thus sought. Distribution of excess revenue was eventually resolved by the introduction of the "Braddon Clause", which guaranteed for ten years after the establishment of the Commonwealth the repayment of 75 per cent of the customs and excise revenue collected by the Commonwealth.⁴ The format gave a strict mathematical basis to any distribution based upon population and/or the level of contribution of any particular State.⁵ The smaller States, however, remained concerned about the way the revenue collected would be distributed back to the States, claiming that it altogether ignored their needs, and would result in anomalies. To meet this objection Henry's proposal was revived which, it was believed, would compensate the smaller States for the difficulties that might be caused in the first few years of the uniform tariff by the unyielding requirements of the distribution clauses.⁶ A new clause, as Section 96 of the Constitution was thereby introduced to empower the Commonwealth Parliament to grant financial assistance to any State on such terms and conditions as it thought fit for a period of ten years or thereafter until the Parliament decides otherwise.

The clause, inserted at the Premiers' Conference in 1899, met with general approval; G.H. Reid in his speech on the Address in Reply in the Legislative Assembly of New South Wales on 21 February 1899, could say:

There is a new clause inserted next to the Braddon clause which gives the Commonwealth Constitution a very valuable feature of elasticity in connection with the finances....

3. *Ibid.* p. 869.

4. Section 87 of the Constitution.

5. Section 69 and 93 of the Constitution.

6. Quick & Garran, *Op. Cit.* p. 869.

That provision has been inserted, and I think it is a distinct improvement in the Bill. 7

The duration of the clause, however, does not seem to have been considered very closely. As late as 1967 Sir Robert Menzies commented specifically on this point and said:

As part of the bargaining process which went on before the Constitution was finally adopted, this section was put in because it was thought that some of the federating colonies, now to become States, could suffer disabilities; particularly in what I may call the transitional period, before the new order settled down. "During a period of ten years" suggests this. The express power of the new Parliament to alter or cancel the provision after ten years supports the suggestion. 8

Menzies remarks were not new: Quick and Garran had foreseen this at a much earlier date. Viewing the clause's close historical connection with the Braddon clause Quick and Garran believed that it was probable that the Premiers intended that it should survive while the Braddon clause survived and no longer.⁹ That Section 96 still survives today is not particularly surprising: there are few examples of a Parliament cutting away its legislative power for the future. There was even no legal obligation for the Federal Parliament to divest itself of this particular power, even if it was originally intended that it did so, as Section 51 provided that the legislative power of the Commonwealth would extend to "matters in respect of which this Constitution makes provision until the Parliament otherwise provides".

7. cited in *Ibid.* p. 871.

8. Sir Robert Menzies *Central Power in the Australian Commonwealth* Melbourne 1967. p. 75.

9. Quick and Garran *Op. Cit.* p. 870.

Hence financial relations between the Commonwealth and the States were governed by Section 87 of the Constitution until 1910 by which time problems had already become apparent. Table 1:1 indicates these problems.

Table 1:1 *Surplus Revenue Payments to the States, 1901 to 1909-10*

Year	Total Payment	Three-fourths of Net Customs and Excise Revenue	Additional Payment from One-fourth Retainable by C'wealth	NSW		Vic.		Old		SA		WA		Tas.	
				Total	Per head	Total	Per head	Total	Per head	Total	Per head	Total	Per head	Total	Per head
	\$m.	\$m.	\$m.	\$m.	\$	\$m.	\$	\$m.	\$	\$m.	\$	\$m.	\$	\$m.	\$
Half-year to															
30.6.1901	7.2	6.0	1.2	1.8	1.31	2.4	1.97	1.2	2.36	0.7	1.83	0.9	4.94	0.4	2.03
1901-02	14.7	13.0	1.8	4.8	3.47	3.8	3.17	1.8	3.57	1.2	3.39	2.4	12.59	0.6	3.62
1902-03	16.4	14.1	2.3	6.1	4.36	4.2	3.48	1.8	3.57	1.2	3.16	2.5	11.78	0.6	3.39
1903-04	14.8	13.3	1.5	5.4	3.77	4.0	3.32	1.6	3.12	1.1	2.99	2.1	9.37	0.5	2.95
1904-05	14.3	12.8	1.5	5.1	3.47	4.0	3.32	1.5	2.90	1.1	2.97*	2.1	8.51	0.5	2.88
1905-06	14.8	13.1	1.7	5.5	3.67	4.2	3.44	1.7	3.25	1.1	2.97	1.7	6.84	0.5	2.82
1906-07	15.7	14.1	1.6	6.1	3.97	4.4	3.57	1.9	3.51	1.3	3.36	1.5	5.92	0.5	2.90
1907-08	17.7	17.1	0.7	7.2	4.61	4.7	3.81	2.1	3.83	1.6	4.03	1.5	5.75	0.6	3.04
1908-09	15.9	15.9	—	6.7	4.18	4.0	3.12	2.1	3.72	1.4	3.52	1.3	4.70	0.5	2.63
1909-10	17.0 ^b	17.0	—	7.0	4.28	4.2	3.23	2.2	3.84	1.7	4.05	1.4	5.17	0.5	2.71
Total	148.4	136.3	12.1												

Source: *Commonwealth Year Book*, No. 4 (1911), pp. 821-2, and No. 2 (1909), pp. 161 and 816.

There were large per capita differences between the States, and because of variations of operating Commonwealth Departments in some States there were also differences in the proportions of revenue returned to the States.¹⁰ Further, pressures had developed for increased Commonwealth expenditure in respect of social services, public works, defence, subsidies and other miscellaneous purposes.¹¹ Proposals for modifying the financial arrangements had been debated through a series of Premiers Conferences over the period since Federation to achieve a more satisfactory long-term basis for providing financial assistance to the States. Four were seriously considered: per capita distribution of surpluses, the payment of fixed absolute amounts, the payment of fixed annual per capita amounts, and the transfer of State liabilities to the Commonwealth.¹² All of these possibilities

10. R.L. Mathews & W.R.C. Jay, *Federal Finance*, Melb. 1972, p. 66

11. *Ibid.*

12. *Commonwealth Year Book* No. 4., 1911 p. 799.

were canvassed at the Conferences and, in 1902, agreement was finally reached on a scheme which provided a fixed per capita amount.

Amending legislation, the Surplus Revenue Act of 1910, was passed; the Braddon clause ceased to have effect from 31 December, 1910; and for ten years commencing 1 July 1910, and thereafter until the Parliament provided otherwise, the Commonwealth was to apply to each State by monthly instalments, or to apply to the interest on the State's debts taken over by the Commonwealth, an amount equal to \$2.50 per head of the number of people in the State. Commonwealth payments to the States amounted to \$11.2 million in 1910-11 compared to \$17.0 million in the last year of the old arrangements. At first sight, the loss of revenue to the States seemed dramatic, but the Commonwealth, apart from developing its own financial strength, had assumed responsibility for some State functions such as pensions, the Northern Territory, and quarantine. The Braddon clause had gone; a new formula had been struck; and Section 96, though yet to be used, still remained. Conceived to improve harmony between the tiers of government in financial matters, paradoxically, the new formula was itself to lead to further disharmony within a fairly short time.

World War I greatly extended the range of Federal activities and expenditures and also increased the industrialisation and hence revenue sources within Australia. In 1915 the Federal Government, in response to war-time demands, took advantage of concurrent powers of taxation under Section 51/ii of the Constitution and imposed a federal income tax over and above that struck by the States. This action accelerated a trend in public finance - the use of income taxation as a major source of revenue. After 1919, to accommodate rises in costs and governmental obligations, all States and the

Commonwealth increasingly relied on income tax, and the per capita payments by the Federal government became a decreasing proportion of State Income.¹³ Through the use of income tax, and to a lesser extent other direct taxes such as succession and land taxation, State finances were on a fairly sound footing. The Commonwealth still possessed an absolute advantage but the relative position of the States had improved considerably since 1910. This improvement, however, was also in part due to the Fisher government's implementation of the broad provisions of Section 96 to make "disability" payments to selected States. The Section 96 payments took two forms; special disability and specific purpose payments.

The first Section 96 payments to the States by the Commonwealth began with special grants paid to Western Australia in 1910-11. Tasmania was included in 1912-13. The only other State to receive payments prior to the establishment of the Commonwealth Grants Commission in 1933 was South Australia, payments to which commenced in 1929-30. Whilst these payments recognised the financial disability suffered by these smaller States, the size of the grants tended to be determined on an ad hoc and often political basis. Despite some applications having been referred to Royal Commissions or the Commonwealth Public Accounts Committee, there was no clear understanding as to what criteria should be adopted for purposes of determining the assistance to be given.

In 1923 the Commonwealth further expanded its use of Section 96 powers to intervene in the direction of State expenditure through specific purpose payments. This was effected through the Main Roads Development Act, 1923, which provided for payment to the States of a single

13. G. Sawyer, *The Australian Constitution* Canberra, 1975, p. 91.

lump sum of \$1 million, subject to a \$1 for \$1 contribution by the States, under a distribution formula decided upon by the Federal government.¹⁴ In 1926 the Federal Parliament brought down the Federal Aid Roads Act which increased the allocations paid to the States and also increased the matching requirement to \$1.50 for every \$2 the Commonwealth provided.¹⁵ The Act was challenged by the Victorian government and Section 96 had its first test before the High Court.¹⁶ The claim of the plaintiff was that the Act was invalid because it was in substance a law relating to road making and not a law for granting financial aid to the States. The argument was dismissed unanimously by the Court; this made it abruptly clear that, if a Commonwealth law is one providing a grant to a State, the terms which may be attached to that grant are matters entirely the prerogative of the Commonwealth Parliament.¹⁷

In 1957 in another case between Victoria and the Commonwealth, the Chief Justice, Sir Owen Dixon, summarised the effect of the Federal Aid Roads Case decision:

The validity of the legislation was upheld by this Court as authorised by Section 96. This means that the power conferred by the provision is well exercised although 1. the State is bound to apply the money specifically to an object that has been defined; 2. the object is outside the powers of the Commonwealth; 3. the payments are left to the discretion of the Commonwealth Ministers and, 4. the money is provided as the Commonwealth's contribution to an object for which the State is also to contribute funds. 18

14. Payments to or for the States etc. *Budget Paper No. 7*, 1975-76, p.201.

15. *Ibid.*

16. *Victoria v The Commonwealth* (1926) 38 *C.L.R.* p. 399.

17. *Menzies, Op. Cit.* p. 77.

18. *Victoria v the Commonwealth* (1957) 99 *C.L.R.* p. 606.

Dixon's statement is significant because for the first time in three decades the implications of the Section 96 power were spelt out.

Whereas since the decision of 1926 the Section had been used as a major and flexible instrument for enlarging the boundaries of Commonwealth power, the High Court now afforded Section 96 a character and function without doubt never contemplated by the original draftsmen.

The Financial Agreement - 1927

In the interim there had been a number of major developments in the financial relationship between the Commonwealth and the States. The first of these was the Financial Agreement reached between the Commonwealth and the States in 1927, under which the Federal government would pay to the States for fifty-eight years commencing 1927-28 an annual amount of \$15.17 million as a contribution towards interest on State debts. These interest payments replaced the per capita grants and they were (and still are) distributed between the States in the same proportions as the 1926-27 per capita grants.¹⁹ The financial agreement also provided for Federal government contributions towards sinking fund payments in respect of State debts existing at 30 June, 1927 and those incurred after that date.

The provisions of the Financial Agreement Act of 1928 represented a clear change in emphasis with regard to grants to the States. Previously the Commonwealth had been handing over part of its revenue to the States ostensibly because its revenue resources exceeded its needs while those of the States were inadequate. With the agreement the Commonwealth took over some of the financial obligations of the States, that of meeting part of their interest bill for fifty-eight years and that of providing part of the sinking fund contributions of State

19. Payments to or for the States etc. 1975/76 p. 155.

debt indefinitely.²⁰

This solution to the problem of the financial relationship was not a recent development: it had been canvassed during the Constitutional Conventions but was rejected as it did not offer a permanent solution to the continually growing needs of the States as population expanded. When the agreement was adopted the same reservations applied; it was, however, a workable solution so long as the States had access to income tax and remained the senior tax gatherers in that field.²¹

The Grants Commission

The second significant development was the formation of the Grants Commission in 1933. This resulted primarily from pressure by the less populated States who were finding, with the onset of the Depression, that they were unable to provide services at a standard comparable to those of the richer, more densely populated States.²² The impact of the Depression was the fundamental cause of the dissatisfaction with the financial distribution and it eventually climaxed in strong secessionist movements in three States. The formation of the Commission defused these movements but not before a secession referendum had been passed in Western Australia in 1933.²³

The new body was charged under Clause 9 of the Commonwealth Grants Commission Act, 1933, with inquiring into and reporting upon applications made by any State to the Commonwealth for a grant by the Parliament of financial assistance in pursuance of Section 96 of the Constitution. Although the Act defined its powers broadly, it was

20. Mathews & Jay, *Op. Cit.* p. 121.

21. *Ibid.* p. 122.

22. *Ibid.* p. 153.

23. *Ibid.*

made clear at the time the legislation was passed that the Commission was intended simply to provide a basis for the allocation of special grants to the existing three "smaller" States.²⁴ However, its members saw their task as reviewing the scheme of financial relationship and appraising "the success with which it meets the present day needs of the people of Australia".²⁵

The Commission spent its initial three years defining the principles under which it would operate. By its Third Report, 1936, it had rejected the view that grants under Section 96 should be related to the disabilities imposed on the claimant States by Commonwealth policy. It decided to recommend grants based on States budgetary needs after all other transfers had been taken into account. In the following year, the Commission found cause to comment on the large amount of assistance which was given by the Commonwealth to the States for specific purposes, frankly asserting:

We have no right to criticise these grants, but we think it right to point out that a system of special grants for general needs, may produce considerable overlapping and other anomalies. 26

This issue was not raised again until 1966 when the States complained, after a long period of rising resentment, that the use of specific purpose grants impinged upon their sovereignty and had the effect of diverting State funds from fields which the State governments considered to have a higher priority.

24. R.J. May, *Financing the Small States in Australian Federalism*, Melbourne, 1971, p. 40.

25. Commonwealth Grants Commission, *First Report*, 1933.

26. cited in R.J. May, *Op. Cit.* p. 41.

Uniform Taxation

Finally, after the outbreak of the Second World War, and with increasing demands for greater war-related expenditure, the Commonwealth found itself in a difficult position and was looking to maximising its revenue from all sources. The financial resources available to the States were, for the most part, sufficient to enable them to meet their own expenditures principally from funds which they themselves were responsible for raising. The Commonwealth's scope for obtaining additional revenue, however, was limited by a constitutional constraint not allowing the Commonwealth to discriminate between States in the imposition of taxes. The States themselves taxed at differing rates according to their needs. Their needs were generally defined by the level and type of services which they provided to their citizens. The Commonwealth tax rate had to be uniform throughout all States. Hence the Commonwealth could only tax at a rate that the people in the highest taxing State could afford to pay over their own State taxes. As some States taxed at a lower rate there was clearly untapped revenue resources available. Following a Committee on Inquiry into the problem, legislation was introduced into the Federal Parliament in May 1942, which in four related Acts forced the States out of the income tax field and rendered it a Federal monopoly. Of the four Acts, the first imposed a high rate of Federal income tax; the second acquired the State income tax Departments with their records and offices for Federal use; the third provided for Federal priority over any State in the collection of income tax; and the fourth authorised grants to the States of amounts roughly equal to lost income tax revenue on the condition that they imposed no further

income tax.²⁷

Despite the assurances that the Commonwealth power was to be only temporary, lasting until one year after the war ended, the States were compelled to reconsider their financial position. In the latter part of 1942, four States led by South Australia, challenged the legislation in the High Court, though unsuccessfully. The High Court found:

...that as there was no actual coercion to vacate the income tax field but only a rather powerful persuasion, what was done was done rightly within the taxation power of the Commonwealth and within the power of the Commonwealth to make grants to the States under Section 96, and to annex conditions at the discretion of the Commonwealth Parliament. 28

There was one dissenting view put by Mr. Justice Starke, who believed that the intention of the legislation not to deprive the States or interfere with any State Constitutional power was "specious but unreal", and concluded that:

...the real object of the position is that already stated, and it is in my judgement neither contemplated by nor sanctioned by the Constitution and in particular by Section 96 thereof. As I have said, all State legislation and functions might ultimately be so controlled and supervised. 29

By the end of the war the new tax system had acquired a momentum and public popularity which ensured its continuance. In 1946 further Federal legislation was passed giving the scheme permanency, thereby

27. G. Sawyer, *Op. Cit.* p. 93. The four Acts were the Income Tax Act 1942, Income Tax Assessments Act 1942, States Grants (Income Tax Reimbursement) Act 1942, and the Income Tax (Wartime Arrangements) Act 1942.

28. *South Australia v Commonwealth*, 65 C.L.R. (1942) p. 374.

29. *Ibid.*

resting it squarely on peacetime powers and not on the defence power of the Commonwealth.³⁰

State protests were made from time to time, and, in 1953 the Menzies-Fadden government examined the possibility of returning income tax powers to the States but the proposition was jettisoned through lack of agreement with the States. However, in 1957 the States collectively mounted another legal challenge but again unsuccessfully.³¹ In what became known as the Second Uniform Tax Case, the power of the Commonwealth in the 1946 legislation was upheld and the High Court further decided that there were no significant restrictions on Section 96 grants power so long as a State was legally free to refuse a grant, the circumstance that in practice it could not afford to do so was considered judicially irrelevant.³²

The States Grants (Tax Reimbursement) Act 1946 included a schedule determining the distribution of the aggregate grants in 1946-47 and 1947-48. It further provided that, in each of the financial years 1948-49 to 1956-57 inclusive, a percentage of the grant was to be distributed in accordance with the schedule and the remainder was to be distributed in proportion to the populations of the States, adjusted for density and for numbers of children between 5 and 15 years of age.³³ The percentage to be divided, according to the schedule, was 90 per cent in 1948-49 reducing by 10 per cent per year, so that by 1957-58 the whole of the tax reimbursement grants would be distributed in proportion to States adjusted populations. Hence by 1957-58 the distribution of grants between States would no longer be

30. R.G. Menzies, *Op. Cit.* p. 85.

31. *Victoria v The Commonwealth*, 99 C.L.R. (1957) p. 575.

32. Sawyer, *Op. Cit.* p. 93.

33. Payments to or for the States, 1975-76, p. 157.

determined, directly or indirectly, by reference to the amounts of income tax collected by each State.³⁴

The Financial Assistance Grants

In June 1959 a new system of financial distribution was proposed by the Commonwealth arising once again from a failure to agree on the restoration of the income tax powers to the States. The concept of tax reimbursement was to be replaced by that of financial assistance based on the needs of the States and not on a reimbursement of tax revenues lost.³⁵ There was an important psychological change here as it allowed the Commonwealth to view the grant as just another item of expenditure from its tax revenue. The new financial assistance grant, moreover, was designed to amalgamate within the new revenue grant arrangement the large grants which were then being paid to the States as tax reimbursement formula grants and supplementary grants. The implication of this construction was not readily apparent at the time, but it was to become a major difficulty in Commonwealth/State negotiations later on especially with regard to specific purpose payments. The magnitude and distribution of the grants under the formula and supplementary system up to 1959 are shown in Table 1:2. After 1959 the amounts were included under the total financial assistance grant and these amounts are shown in Table 1:3 up to 1977.

34. *Ibid.*

35. Leo Heischler, *The Financial Assistance Grant*, Occasional Paper No. 1 CRFFR, 1976. p. 2. It is worth noting that the States still regard these grants as "an entitlement, as the reimbursement of those income tax revenues which would have been flowing directly to them had they had returned to them the income tax powers taken over by the Commonwealth in 1942". *loc. cit.*

TABLE 1:2

			New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Total
FORMULA GRANTS									
1942-43(a)	..	..	30,952	13,594	11,642	4,868	5,240	1,830	68,126
1943-44(a)	..	..	31,034	13,780	11,642	4,916	5,288	1,850	68,510
1944-45(a)	..	..	31,034	13,780	11,642	4,916	5,288	1,850	68,510
1945-46(a)	..	..	31,034	13,780	11,642	4,916	5,288	1,850	68,510
1946-47	..	..	32,954	17,720	13,702	6,916	7,614	2,440	80,000
1947-48	..	..	37,074	19,934	14,852	7,780	8,990	3,334	107,488
1948-49	..	..	44,044	24,196	17,664	9,260	10,344	3,940	125,074
1949-50	..	..	50,980	28,608	20,462	10,740	12,080	4,498	140,796
1950-51	..	..	57,078	32,676	22,930	12,080	14,020	5,612	172,846
1951-52	..	..	69,653	40,753	27,989	14,819	17,488	7,203	217,510
1952-53	..	..	86,982	52,170	34,981	18,685	20,479	8,133	241,014
1953-54	..	..	95,533	58,756	38,557	20,776	22,829	8,806	260,196
1954-55	..	..	101,431	64,838	41,813	22,829	25,506	9,783	281,305
1955-56	..	..	108,453	72,137	45,063	25,363	28,503	10,770	309,293
1956-57	..	..	116,706	80,474	48,739	28,098	30,519	11,728	331,707
1957-58	..	..	123,493	88,000	51,842	30,519	32,332	12,381	349,126
1958-59	..	..	129,582	92,957	54,318	32,332	34,803	12,381	369,126
SUPPLEMENTARY GRANTS									
1945-46(b)	..	..	..	..	..	1,106	..	..	1,106
1946-47(b)	..	..	..	..	..	2,202	1,826	238	4,266
1947-48	..	..	..	..	..	..	..	..	..
1948-49	..	..	6,522	3,660	2,618	1,374	1,372	504	16,000
1949-50	..	..	16,554	11,820	5,628	2,458	2,820	720	40,000
1950-51	..	..	26,147	18,247	10,011	5,881	4,780	2,355	67,154
1951-52	..	..	20,991	14,263	8,442	4,509	4,220	1,866	56,291
1952-53	..	..	20,038	11,244	6,877	3,705	3,435	1,531	47,830
1953-54	..	..	15,517	9,919	6,396	3,492	3,133	1,347	39,804
1954-55	..	..	14,215	8,797	5,246	2,390	2,121	822	33,693
1955-56	..	..	13,652	8,652	5,785	3,335	2,908	1,278	31,110
1956-57	..	..	17,978	12,811	7,547	4,443	3,804	1,708	40,251
1957-58(c)	..	..	22,596	16,708	9,471	5,637	4,803	2,159	49,874
1958-59	..	..	..	..	..	..	..	..	..
TOTAL TAX REIMBURSEMENT GRANTS									
1942-43(a)	..	..	30,952	13,594	11,642	4,868	5,240	1,830	68,126
1943-44(a)	..	..	31,034	13,780	11,642	4,916	5,288	1,850	68,510
1944-45(a)	..	..	31,034	13,780	11,642	4,916	5,288	1,850	68,510
1945-46(a)	..	..	31,034	13,780	11,642	4,916	5,288	1,850	68,510
1946-47	..	..	32,954	17,720	13,702	6,916	7,614	2,440	80,000
1947-48	..	..	37,074	19,934	14,852	7,780	8,990	3,334	107,488
1948-49	..	..	44,044	24,196	17,664	9,260	10,344	3,940	125,074
1949-50	..	..	50,980	28,608	20,462	10,740	12,080	4,498	140,796
1950-51	..	..	57,078	32,676	22,930	12,080	14,020	5,612	172,846
1951-52	..	..	69,653	40,753	27,989	14,819	17,488	7,203	217,510
1952-53	..	..	86,982	52,170	34,981	18,685	20,479	8,133	241,014
1953-54	..	..	95,533	58,756	38,557	20,776	22,829	8,806	260,196
1954-55	..	..	101,431	64,838	41,813	22,829	25,506	9,783	281,305
1955-56	..	..	108,453	72,137	45,063	25,363	28,503	10,770	309,293
1956-57	..	..	116,706	80,474	48,739	28,098	30,519	11,728	331,707
1957-58(c)	..	..	123,493	88,000	51,842	30,519	32,332	12,381	349,126
1958-59	..	..	129,582	92,957	54,318	32,332	34,803	12,381	369,126

Source: Budget Paper No. 7, 1975-76, p. 175.

TABLE 1:3

			New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Total
FINANCIAL ASSISTANCE GRANTS									
1959-60	..	..	166,900	121,250	72,750	55,350	50,924	21,826	489,000
1960-61	..	..	183,977	134,743	79,901	61,454	55,954	23,960	539,989
1961-62	..	..	198,498	146,029	87,460	66,451	60,171	25,671	584,280
1962-63	..	..	206,642	152,267	91,083	69,552	62,480	26,616	608,640
1963-64	..	..	215,712	159,482	94,821	72,729	65,597	27,626	635,967
1964-65	..	..	230,537	171,750	101,111	78,155	70,498	29,297	681,349
1965-66	..	..	255,001	191,922	113,356	86,467	78,474	32,131	757,351
1966-67	..	..	276,794	208,790	125,514	94,346	86,396	34,773	826,616
1967-68	..	..	302,827	228,254	139,601	102,738	96,152	37,968	907,533
1968-69	..	..	333,393	250,563	155,963	112,768	123,796	41,710	1,018,193
1969-70	..	..	373,908	280,008	176,522	125,706	138,835	46,340	1,141,319
1970-71	..	..	470,835	351,024	216,672	151,602	163,313	65,071	1,418,518
1971-72	..	..	462,204	348,464	231,603	158,491	170,960	69,156	1,440,878
1972-73	..	..	521,963	396,087	271,946	181,430	196,369	79,498	1,647,293
1973-74	..	..	585,507	437,604	318,245	204,918	222,388	91,243	1,859,905
1974-75	..	..	737,522	548,405	414,446	261,737	279,830	131,871	2,373,811
1975-76	..	..	946,660	706,839	536,792	363,091	363,031	158,816	3,072,780
1976-77	..	..	1,133,400	841,700	660,200	433,200	440,800	186,294	3,695,594

Source: Budget Paper No. 7, 1975-76, p. 174.
Budget Paper No. 7, 1979-80, p. 25.

Politics and Section 96

Despite changes in formal Federal/State financial arrangements, specific purpose payments continued to grow in a number of diverse areas.

The 1930's and 1940's brought payments to the States for relief of unemployment, relief to primary producers, for particular agricultural activities, for railways and waterworks projects and for some other minor purposes.³⁶ Commonwealth aid for roads increased from \$0.3 million in 1923-24 to \$29.6 million in 1951-52 and to \$170 million in 1968-69. Other specific purpose grants (excluding those under the Financial Agreement) rose from \$19.4 million in 1951-52, to \$38.1 million in 1958-59 and then to \$217.1 million in 1968-69, increasing their share of total payments from 5.9 per cent to 6.4 per cent to 14.7 per cent respectively.³⁷ Similarly, in terms of State outlays, Figure 1:1 reveals the growth of the proportion of specific purpose payments in total State outlay.



Figure 1:1. Source: Adapted from C.P. Harris, *Relationships between Federal and State Governments in Australia* Canberra 1978, p. 81.

36. R.J. May, *Op. Cit.* p. 148.

37. *Ibid.*, p. 149.

Commonwealth interest in what was regarded as traditional areas of State responsibility had grown progressively as recognition of the national importance of specific areas had grown. Education particularly came in for early funding with Universities attracting subsidies from 1951, Technical Education and School Science laboratories from 1964, C.A.E.'s in 1965 and Teacher's Colleges in 1967. Other schemes of long standing are the grants for specific railway projects commenced in 1924 and the cattle tick control and research program funded since 1926. The growth of specific purpose payments and their areas of interest is indicated in Tables 1:4 and 1:4a. The large increase in payments of a revenue nature relative to capital payments (in Table 1:4a) is worthy of note, indicating the higher level of interest by the Commonwealth in the funding of programs of a long-term nature. This same trend is sustained in the relationship of specific purpose capital payments to total general purpose capital funds. As Table 1:5 illustrates, specific purpose capital funds grew from 21.3 per cent of total capital funds in 1958-59 to a peak of 60.2 per cent in 1974-75. Over the same time period Table 1:6 reveals the growth in specific purpose revenue payments of 10.5 per cent to 45.4 per cent.

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Debt																											
Charges	18.5	18.6	18.9	19.2	19.7	20.3	21.2	22.1	23.1	23.8	24.5	25.3	25.9	27.0	27.7	28.7	29.7	30.9	31.9	32.9	34.1	35.6	36.8	38.4	39.7	41.0	42.5
Education																											
Health, Welfare & Public Safety																											
Natural Disasters																											
Development of Rural Industries																											
Water Resources																											
Roads																											
Railways																											
Harbour & Port Facilities																											
Power & Fuel																											
Miscellaneous																											
Total																											
Specific Purpose Payments																											

TABLE 1:4

Sources: Commonwealth Payments to or for the States 1973 Budget Paper No. 7, and R. Mathews Op. Cit. Table 33, p. 228
(Arithmetic errors due to rounding)

Table 1.4a *Total Specific Purpose Payments 1958-59 to 1976-77.*

(\$ million)

	<u>Payments of a revenue nature</u>	<u>Payments of a capital nature</u>
1958-59	47.7	170.6
1959-60	48.8	186.9
1960-61	52.8	194.2
1961-62	56.5	240.3
1962-63	60.7	254.7
1963-64	65.5	269.9
1964-65	73.4	317.4
1965-66	91.8	363.3
1966-67	100.2	380.1
1967-68	112.8	448.9
1968-69	120.1	439.4
1969-70	145.5	486.0
1970-71	188.9	537.3
1971-72	245.8	458.9
1972-73	389.2	541.6
1973-74	609.7	958.4
1974-75	1078.1	1551.9
1975-76	2315.9	1836.3
1976-77	2387.6	1860.9

Source : Payments to or for the States etc. 1974-75/1979-80.

Table 1.5 *Specific Purpose Capital Payments/Total Capital Funds for State Governments, 1958-59 to 1976-77.*

	(\$ million)			
	(1)	(2)	(3)	(4)
	<u>S.P. Capital</u>	<u>G.P. Capital</u>	<u>Total Capital</u>	<u>(1)</u>
	<u>Payments</u>	<u>Funds</u>	<u>Funds</u>	<u>(3)</u>
1958-59	170.6	348.4	519.0	32.9
1959-60	186.9	377.8	564.7	33.1
1960-61	194.2	385.6	579.8	33.5
1961-62	240.3	394.2	634.5	37.9
1962-63	254.7	412.8	667.5	38.2
1963-64	269.9	443.7	713.6	37.8
1964-65	317.4	477.3	794.7	39.9
1965-66	363.3	488.0	851.3	42.7
1966-67	380.1	525.0	905.1	42.0
1967-68	448.9	554.2	1003.1	44.8
1968-69	439.4	584.0	1023.4	42.9
1969-70	486.0	625.8	1111.8	43.7
1970-71	537.3	681.5	1218.8	44.1
1971-72	458.9	892.0	1350.9	34.0
1972-73	541.6	982.0	1523.6	35.5
1973-74	958.4	867.0	1825.4	52.5
1974-75	1551.9	1027.4	2579.3	60.2
1975-76	1836.3	1291.0	3127.3	58.7
1976-77	1680.9	1256.0	3036.9	55.3

Source : Payments to or for the States, etc. 1974-75/1979-80.

Table 1:6

Specific Purpose Revenue Payments/Total General Revenue Assistance

	(\$ million)		$\frac{(1)}{(2)} \%$
	(1) <u>S.P. Revenue Payment</u>	(2) <u>Total General Revenue Assistance</u>	
1958-59	47.7	451.5	10.5
1959-60	48.8	505.7	9.7
1960-61	52.8	557.2	9.5
1961-62	56.5	606.7	9.3
1962-63	60.7	631.1	9.6
1963-64	65.5	658.9	9.9
1964-65	73.4	713.1	10.3
1965-66	91.8	799.1	11.5
1966-67	100.2	877.4	11.4
1967-68	112.8	956.9	11.8
1968-69	120.1	1049.6	11.4
1969-70	145.5	1189.2	12.2
1970-71	188.9	1480.2	12.8
1971-72	245.8	1537.2	16.0
1972-73	389.2	1700.9	19.9
1973-74	609.7	1923.5	31.7
1974-75	1078.1	2375.9	45.4
1975-76	2316.0	3111.6	74.4
1976-77	2387.6	3722.6	64.1

Source: Payments to or for the States etc. 1974-75/1979-80.

It is in the total general revenue assistance that the dramatic rise of specific purpose payments becomes most apparent. As the Commonwealth did not regard the financial assistance grant as a reimbursement of income tax revenues, there was no constraint upon the Commonwealth to maintain these grants on any proportional or relative basis. Indeed, total general revenue assistance in its level and method of determination is a very crucial factor in the financial relationship between the governments. It is the most preferred form of grant in the State's opinion as it allows them the flexibility they desire; however, the States have constantly complained that it is insufficient to meet their needs. As Leo Heischler noted, by providing funds at a lower level than the States request the Commonwealth gains considerable "leverage" in terms of States expenditure. That is, to the

extent that the general revenue assistance is insufficient and the States are starved of funds, they accept more readily the conditions attached to the specific purpose grants.³⁸

The States did not accept these financial constraints complacently. They made several attempts, mainly through negotiations at Premiers Conferences, to alleviate their financial subservience. Some success was achieved; additional grants were paid in 1961-62, 1962-63 and 1963-64, and agreement was reached at the Premiers' Conference in February 1967 to reduce the time lag before increases in average wages were reflected in the grants.³⁹ A major attack was launched by the States at the February 1970 Premiers Conference, following the submission of a joint statement to the Prime Minister by the Premiers entitled "The Financial Relationship of the Commonwealth and the States". The thrust of their argument was that the existing financial assistance grants formula produced an insufficient rate of growth in general revenue assistance to the States compared to their increasing expenditure commitments, particularly in the areas of debt charges and social services expenditure, and taking into account the restricted revenue fields open to the States.⁴⁰ In the conclusion to the statement the six States succinctly summarised the essence of their grievances:

In the course of financial arrangements consideration must be given to permitting participation by the States in such capital and developmental funds as may be secured from revenue resources; to a review of the recent trend to proliferation of Commonwealth 'special purpose' grants; and to the possibility of the States securing access to wider revenue fields presently under the

38. Heischler, *Op. Cit.* p. 3.

39. Payments to or for the States etc. 1975-76, p. 158 ff.

40. *Ibid.* p. 164.

control of the Commonwealth, as well as
to income tax. 41

The Commonwealth response to the Premier's statement was enunciated at the June 1970 Premiers Conference when the Prime Minister gave details of four ways in which the Commonwealth was prepared to help the States, and to which the States agreed.⁴² No mention was made, however, of reducing specific purpose grants although they had fallen relative to the now increased general revenue grants. Two years later, at the June 1972 Premiers Conference, some additional grants were also agreed to.

As distinct from the general purpose grant which tends more to a broad equalisation of standards and services, the specific purpose payments can be used to upgrade services where the Commonwealth considers the State is giving too low a priority or in which it is underperforming. Tables 1:7 and 1:8 indicate both the allocation of funds (general and specific purpose) between the States. Close examination of the tables reveals those States where the Commonwealth has increased the proportion of one form of payment over the other. For example, in Queensland in 1965-66, the general purpose payment increased by 5.8 per cent over the previous year whilst the specific purpose payment increased by 14.9 per cent. Similar examples are evident from the data presented. The incidence of such growth disparities reflects

41. *Ibid.*

42. The four schemes involved:

1. the addition of \$40 million to the 1970-71 grants under the existing formula;
2. increase in the betterment factor from 1.2 to 1.8 per cent;
3. an interest free capital grant of \$200 million for 1970-71 increasing in future years in proportion to the increase in the total Loan Council works and housing program ;
4. payment of \$1,000 million over 5 years to meet charges on existing State debt.

several different factors such as the Commonwealth's assessment of how a State is performing in specific areas, the provision of a new service, or the intrusion of the Commonwealth into a particular function either new or formerly the concern of the State or States.

Table 1:7 *Total Specific Purpose Payments*

(\$ per head of population)

				N.S.W.	Vic.	Qld.	S.A.	W.A.	Tas.	Total
1956-57	..	..	..	17.21	17.76	18.48	23.65	34.90	27.83	19.77
1957-58	..	..	..	17.60	18.76	19.63	25.95	37.18	29.00	20.78
1958-59	..	..	..	18.44	19.61	21.30	27.93	39.29	33.38	22.06
1959-60	..	..	..	19.99	21.81	21.20	28.74	40.51	32.91	23.39
1960-61	..	..	..	19.86	22.53	22.65	29.59	43.06	34.42	24.05
1961-62	..	..	..	23.46	24.97	29.40	37.40	46.75	39.84	28.27
1962-63	..	..	..	23.63	23.62	34.34	41.62	52.82	37.97	29.46
1963-64	..	..	..	24.19	23.34	37.75	42.97	57.74	42.02	30.73
1964-65	..	..	..	29.37	28.23	35.20	49.08	66.22	50.11	35.15
1965-66	..	..	..	36.87	28.47	40.45	51.67	78.31	56.73	40.14
1966-67	..	..	..	36.53	30.73	43.50	52.84	79.92	65.78	41.67
1967-68	..	..	..	38.50	36.77	57.36	57.09	86.77	91.32	47.92
1968-69	..	..	..	38.31	37.95	45.91	68.66	82.56	74.85	46.83
1969-70	..	..	..	42.52	40.21	59.02	69.16	85.52	89.46	51.71
1970-71	..	..	..	50.24	48.35	67.64	72.89	88.21	85.19	58.56
1971-72	..	..	..	47.70	44.53	74.88	57.27	85.52	84.12	55.94
1972-73	..	..	..	63.20	60.98	90.17	76.31	106.84	102.66	72.63
1973-74	..	..	..	106.32	106.87	138.88	150.55	153.92	151.43	120.83
1974-75	..	..	..	206.14	215.36	231.92	259.32	262.83	288.72	224.87
1975-76	..	..	..	287.77	297.53	289.26	350.82	258.98	414.80	306.43
1976-77	..	..	..	278.71	285.99	297.09	332.84	350.24	365.29	297.36

Source: Commonwealth Payments to or for the States, 1975-76/1979-80.

TABLE 1:8 *Total General Purpose Funds*

(\$ per head of population)

				N.S.W.	Vic.	Qld.	S.A.	W.A.	Tas.	Total
1956-57	..	..	..	64.21	65.40	66.73	102.31	116.92	128.88	74.38
1957-58	..	..	..	68.66	69.88	71.46	106.27	119.00	136.20	78.77
1958-59	..	..	..	70.36	71.84	73.28	106.86	124.76	143.30	80.94
1959-60	..	..	..	74.59	75.92	80.00	116.72	130.10	161.89	86.58
1960-61	..	..	..	78.79	80.30	85.72	118.47	139.56	174.14	91.45
1961-62	..	..	..	82.88	84.48	94.27	121.21	149.46	189.12	96.89
1962-63	..	..	..	86.24	88.01	97.85	125.20	152.65	196.67	100.55
1963-64	..	..	..	90.35	91.77	100.20	130.39	157.12	201.81	104.51
1964-65	..	..	..	91.73	93.33	103.18	130.38	164.69	212.97	106.84
1965-66	..	..	..	96.72	98.66	109.25	137.13	179.64	229.16	113.38
1966-67	..	..	..	105.10	105.02	118.99	146.88	181.67	249.18	121.49
1967-68	..	..	..	110.90	112.88	127.38	158.00	183.88	260.77	128.74
1968-69	..	..	..	117.99	119.22	136.41	171.43	192.82	264.28	136.63
1969-70	..	..	..	127.68	132.00	148.70	182.81	204.77	299.42	148.75
1970-71	..	..	..	152.56	153.47	174.63	212.89	232.29	331.84	173.81
1971-72	..	..	..	168.23	166.82	195.57	248.13	248.69	361.37	191.95
1972-73	..	..	..	180.86	180.66	214.13	281.92	270.71	394.32	209.17
1973-74	..	..	..	182.18	183.55	230.22	284.74	281.77	413.83	214.73
1974-75	..	..	..	227.90	227.55	303.04	376.89	347.91	546.95	272.96
1975-76	..	..	..	277.21	276.75	355.22	425.80	417.31	610.37	324.91
1976-77	..	..	..	317.27	314.73	409.01	481.68	479.30	689.31	371.19

Source: Commonwealth Payments to or for the States, 1975-76/1979-80.

The political response to the use of specific purpose payments is one of the most interesting aspects of the history of Section 96. As Table 1:4 reveals (see p. 18), when the Labour government failed to secure re-election in 1949, there were only three main areas in receipt of specific purpose payments for a total payment of \$41.2 million. By 1966, at the end of the Menzies era, the number had jumped to ten for a total outlay of over \$352 million.⁴³ Much of the proliferation came after the Liberal-Country Party's near defeat at the election of 1961. Thereafter, quite possibly to win political approbation and votes where these were thought to be available, it increased the level and changed the nature of payments, moving into new fields through conditional grants to the States. Many of Menzies proposals provoked the cry of "unconstitutional" from the Labor opposition, but by 1969, when the Federal Labor Party put forward far-reaching programs for social reform, the cry was scarcely heard and even then only from the government ranks: constitutional limitations on Commonwealth powers in many fields were no longer seriously considered.⁴⁴ As late as 1957⁴⁵ Whitlam had complained that the Constitution enshrined conservatism and barred extensive social reform, yet by 1969 he was arguing that many of the socialist aims of Labor could be achieved within the Constitution using international treaties, agreements with the States and above all, "Section 96...the charter of public enterprise".⁴⁶

The constraints on the Federal government's use of Section 96 had proved to be political rather than financial or constitutional. Much

43. c.f. R. Scott & J. Richardson, *The First Thousand Days of Labor* Vol. 1, A.P.S.A. 1975, p. 189.

44. *Ibid.* At least until 1973 when some conservative State premiers voiced their resentment of the new Labor governments programs.

45. 4th Chifley Memorial Lecture, 1957.

46. *Ibid.* cited in Scott & Richardson, p. 189.

political flack was emanating from the States, however, even from those of the same political pale. The Victorian Premier, Sir Henry Bolte, was quite unwilling to take up The Liberal Prime Minister, John Gorton's Federal grants for the building of nursing homes in the early 1970's since this would have meant that funds would have to be diverted from other avenues such as education which the Victorian electorate had shown that it valued more highly.⁴⁷ Even by the late 1960's Gorton found himself forced to institute the practice of "topping-off" reimbursement grants to the States with ad hoc additions to the formula totals. Together with the allocation of specific purpose grants, this supplementing of State Budgets had the effect of increasing State resources while still retaining some Federal government control over the direction of expenditure.⁴⁸

The Federal/State financial relationship by 1972 can be best ascertained from the 68 per cent proportion of federal funds in State budget outlays. Despite the transfer of a so-called "growth" tax to the States in the form of payroll tax, and despite the 80 per cent increase in the rate of that tax and the increases that had taken place in other State taxes, the level of dependency upon Federal funding had remained fairly constant over the previous few years.⁴⁹

A significant worrying factor had also arisen for the States with the transfer of the burden of public debt from the central government to the States. Over the twenty-two years from 1948-49 to 1969-70 the

47. J. Holmes & C. Sharman, *The Australian Federal System*, Melb. 1977, p. 150.

48. *Ibid.* p. 148.

49. P.B. Wade, *Recent Developments in Fiscal Federalism in Australia*, cited in *Federal-State-Local Government Financial Relations in Australia in the 1970's* D. Hosking and B. Andersen (eds.) Melbourne, 1976, p. 5.

net indebtedness of the State and local authorities increased by nearly \$12,000 million while that of the Commonwealth authorities had decreased by over \$6,000 million.⁵⁰ To add to their problems the States had made most of their investment in non-revenue producing assets, such as school buildings, and their liability for servicing the resulting interest payments cut sharply into their revenue. The reasons for this situation rested mainly with the system of uniform taxation: the States have not had ready access to additional unencumbered revenue when it was required. The following Table, 1:9, indicating the growth of the public debt of the Commonwealth and the States was used by Sir Henry Bolte to press his case for an increased resource allocation for Victoria. As the Premier so colourfully expressed it,

...because of the introduction of the 'crummy' system of uniform tax under a stupid reimbursement formula Victoria is penalised...the return of income tax to the States is absolutely essential to the solving of the financial problems of the States. 51

Table 1:9 *Net Public Debt of the Commonwealth & the States*

	(\$ million)	
	Commonwealth	States
June 1950	3586	2484
1965	370	8350
1966	54	8907
1967	85	9492
1968	135	10031
1969	-204	10676

Source: Ministerial Statement, Federal/State Financial Relations by Sir Henry Bolte, Premier of Victoria, V.P.D. Vol. 298. pp. 3066 ff.

50. R. Mathews & W.R.C. Jay, *Op. Cit.*, p. 8.

51. J. Holmes & C. Sharman, *Op. Cit.*, p. 156.

Uniform taxation aside, the situation generally arose because the Commonwealth had been paying off cumulative war-debt, while State and Local authorities had been acquiring non-revenue producing assets for their public enterprises on a far greater scale than the Commonwealth. With the Commonwealth authorities able to finance the whole of their net capital expenditure on public enterprises, and also reduce their indebtedness, State and local government at the same time experienced a shortfall in the amount needed to finance the capital expenditure of their public enterprises, since 1948-49, of \$2331 million.⁵² They therefore had to use loan moneys to finance non-revenue producing assets.

The pattern of the flow of funds from the Commonwealth to the States over future years was thus partly pre-determined. Between 1960-61 and 1969-70 general revenue grants to the States had fallen from 76.7 per cent to 70.5 per cent of total federal payments to or for the States despite the many changes made during the 1960's to the original financial assistance grants formula. Conversely, specific purpose payments showed an increasing proportion, rising from 23.3 per cent to 29.5 per cent.⁵³

The Labor Party's attitude to the responsibilities of each tier of government, and hence their perception of the appropriate Commonwealth/State financial relationship, had been clearly stated as early as 1968 by Gough Whitlam. He said then that the "important issue is not whether the Commonwealth or a State should discharge a particular governmental function, but that the governmental function

52. R. Mathews & W.R.C. Jay, *Op. Cit.* p. 8.

53. P.B. Wade, *Op. Cit.* p. 8.

should be well discharged."⁵⁴ A week later he indicated that a Labor administration would be taking some action to redeem this pledge:

The basic approach of a Federal Labor Government will be...towards a rearrangement and revision of functions to ensure that each government authority - the Commonwealth, the States, local and semi-governmental authorities - is able to discharge efficiently and equitably those functions that governments must provide and which only governments can provide. 55

The statement, "that governments must provide", was to prove portentous when, in 1973, the new Labor administration defined its role in the direction of the provision of particular services.

If the States ever had any illusion that with the coming of the Whitlam Labor administration they would achieve greater financial autonomy their hopes were sadly dashed at the June 1973 Premiers' Conference when the new Prime Minister said:

While we are prepared to see a substantial net increase in the funds flowing from the national budget to the State and local government sector...where the national government undertakes new or additional commitments which relieve the States or their authorities of the need to allocate funds for expenditure at present being carried by them, there should be adjustments in the financial arrangements between us to take account of the shift of new financial responsibilities. These adjustments will normally take the form of appropriate reductions in the general purpose funds allocated to the States. 56

54. *Max Poulter Memorial Lecture* Brisbane, 28 August, 1968.

55. Meeting of A.L.P. Branch Members, Yeronga, Qld. 4 September 1968.

56. cited in *Ibid.* p. 9.

CHAPTER 2

Politics and URD

The Department of Post-War Reconstruction, the 1950's and the 1960's

The Curtin and Chifley governments, in their schemes of post-war reconstruction stressed that urban and regional planning in Australia should receive an emphasis hitherto not contemplated by any government in this country.

The first steps to bring together all States to accept regional planning came in October 1943 when the Prime Minister, John Curtin, communicated with the respective Premiers on the matter. He drew their attention to a marked tendency for local authorities to associate themselves in regional organisations in order to advance proposals for the development of their regions. Further, he expressed the view that regional organisations could serve a useful function after the war in advising State and Commonwealth governments on the effective development of resources in particular areas. The co-ordination of administrative services at the local level and outstanding regional problems would need the attention of the State and Commonwealth authorities.¹

A number of conferences between Commonwealth and State officials were held between 30 March 1944 and the 16 September 1947 by which time much of the structure of the various planning bodies was established. All States defined regional boundaries and, in general, each State adopted similar principles for selecting regions using physical characteristics, levels of economic activity, social factors, and "natural" boundaries.

The Commonwealth saw its responsibility for regional planning as

1. Commonwealth Department of Post-War Reconstruction, *Regional Planning in Australia*, Canberra, 1949, p. 1.

stemming from the necessity to establish a reserve of public works to provide employment in the event of an incipient economic depression. But a reservoir of works would not be of great significance unless the geographical distribution of the works was uniformly planned so that jobs would be available in any area in which unemployment was likely to arise.²

Following the Premiers' Conference in 1944, a Regional Planning Division was set up within the Ministry of Post-War Reconstruction to maintain contact with State authorities concerned with regional planning, and, to undertake regional investigations required for the development of Commonwealth Territories and other regions in which the Commonwealth was interested. Apart from its co-ordinative role, the Commonwealth therefore had responsibility only for its own territories, although it would conduct special investigations of potential growth areas, (e.g. Northern Australia, Snowy River, Papua-New Guinea) and formulate proposals for development.³

A distinctive feature of the administration of the proposed regional planning system was the co-operation between the Commonwealth and the States. Regional Development Committees were eventually created in all States and these bodies were responsible to their respective governments. The structure of the Committees varied from State to State but their functions were identical, by Resolution 4 of the October 1944 Conference as being "available to advise and assist Commonwealth and State authorities through State government channels on regional aspects of policy and administration".⁴ Soon after, the Committees began compiling information on regional resources.

2. *Ibid.* p. 29.

3. *Ibid.* p. 30.

The Regional Development Committees were not to have any executive power, they were to confine themselves to an "advise and assist" role, principally because of the conflict of responsibilities that would ensue with local and State government if another "level" of government was imposed. In retrospect this approach contrasted dramatically with that adopted in 1973 when the Federal Labor government sought to force amalgamation of local governments by funding only those who formed themselves into regional groupings.

The impetus for regional planning waned after the war when the expected depression failed to materialise.⁵ The Chifley government's manpower policies were to this extent too effective. The post-war training and rural schemes, government loans for small businesses, and large public works absorbed the returning servicemen and women at an unexpected rate. Australia was also entering into a boom period, with the result that it soon became clear that the economy would not have sufficient "slack" to allow such large scale schemes that the Commonwealth had devised to be implemented without damaging other sectors of the economy.

The immediate post-war years were quite an exciting period for people interested in the ideal of regionalism. There was even a small flurry of industrial decentralisation as new firms were established in country areas of New South Wales and Victoria. The impetus was short-lived however, as the Federal Labor government was defeated at the polls in 1949. Though the Regional Development Committees continued to exist none of the individual States maintained their commit-

5. There was a general expectation that a depression would occur at the end of World War II similar to that experienced after World War I.

ment to decentralisation policies.⁶ Clearly, leadership from the national government was a necessary condition for action at the State level: the Liberal Party which took over from the Labor Party in late 1949 and remained in government for the next twenty-three years gave no such leadership.⁷

Up to 1949 regional planning authorities in each State had made some progress upon which the limited policies pursued through the 1950's and 1960's were based and which eventually influenced the comprehensive urban and regional philosophy of the 1970's. To review these developments State by State the following has been summarised from the Department's news bulletins.⁸

1. *New South Wales*

The planning organisation in New South Wales was the Division of Construction and Development of the Premier's Department. A State Development Council was created which comprised Officers from Departments directly concerned with development and decentralisation. The State was divided into twenty regions each of which had a Regional Development Committee consisting of twelve members; six from local government, six State government appointees which included prominent local identities involved in commerce or secondary industry. The Committee's engaged in resources surveys for the Division to facilitate policy formulation. The McGirr Government was considering giving the Committees statutory powers although the Committees saw themselves as planners rather than pressure groups.

6. F.J.B. Stillwell, *Australian Urban and Regional Development* (Sydney) 1974, p. 154.

7. *Ibid.*

8. Ministry of Post-War Reconstruction, Regional Planning Division, *News Summary*, No. 12/33, 1947, pp. 4 ff.

2. *Victoria*

A Central Planning authority was created to co-ordinate regional development in Victoria under the auspices of the Ministries of Transport and State Development. Conventions for the election of Regional Committees were held and members appointed much the same as in New South Wales. Of greater interest in the Victorian scheme was the proposed use of the regions for administrative purposes. State departmental statistics were being collated in a regional form and it was hoped that eventually Government administrative functions could be devolved to the regions.

3. *South Australia*

Little progress was made in South Australia apart from the declaration of twenty regions. It was felt that the use of regions for planning was less relevant to South Australia because of the concentration of the population in a small number of locations and because it was less difficult to solve matters which involved different viewpoints among Departments when there were as few as six Ministry's in the State. Further, of the 160 local government authorities approached in the State, only 80 had expressed any interest in or approval of regional planning.

4. *Western Australia*

The State was divided into 16 regions; but only four of which were to receive any extensive planning treatment by the State government. This resulted from the location of the population principally in South-West corner of the State. In general the level of planning activity was relatively low, as the State government appeared unwilling to devote any significant amount of money to the Scheme.

Most activity centred on the location of industry in the Swan River Region which encompassed the Perth metropolitan area.

5. *Tasmania*

Tasmania was divided into six regions having economic as well as community of interest factors as their criteria. An Economic Planning Authority was created to co-ordinate regional activities and Regional Development Committees were set up. Despite the existence of the Committees for a longer period than in other States nothing in the nature of a long-term plan was produced and the Committees were tending to become pressure groups from impatience with their lack of results.

6. *Queensland*

The State government in outlining its attitude to regional planning claimed that "in post-war planning, steps should be taken to achieve more uniform development throughout all parts of the State".⁹ The Cooper Labor Ministry sought to consult with the Commonwealth before planning a system of regional development. On the 4 August 1944, a committee of the Bureau of Industry was formed to prepare recommendations on Regional Development in Queensland. In its report published in June 1945, the committee recommended:

...that a regional subdivision of the State should be made for the purpose of the de-
volution of State administration and strengthening of local administration by the progressive re-organisation of elected local governments on a regional basis. 10

The Queensland government modified this, expressing its opposition to

9. *Queensland Year Book*, 1946, p. 146.

10. *News Summary*, Op. Cit. p. 7.

devolving its power to regional authorities in a press statement on the 11 August, 1945:

Cabinet had recommended that while uniform regional boundaries were desirable for electricity, employment councils, hospitals, libraries, and other State activities, it did not endorse the proposal in the report for the mass amalgamation of Local Authorities. 11

The reasons for its stand on the issue of amalgamation of councils were not clearly spelled out though it would be most unlikely that any State government would voluntarily strip itself of any of its powers. However, that there was a willingness at least for the government to think "regionally" was in itself a major advance.

It was no coincidence that the States which exhibited co-operation with the Commonwealth on regional planning were in the hands of Labor ministries, a similar pattern emerged during the Whitlam years.¹² After 1949 all regional planning and decentralisation programs were left in the hands of the State governments. The Commonwealth government only indirectly encouraged decentralisation and regional planning up until 1972. The two most significant policies of the Commonwealth in urban and regional policy in the interim were the interstate redistribution of public funds and the development of Canberra as the national capital.¹³

The systematic variation between the State distribution of Federal income and the State distribution of Federal expenditure has had considerable regional implications. This redistribution has long

11. *Ibid.*

12. Labor governed New South Wales from 1941 to 1965; Victoria from 1945 to 1947; Queensland from 1932 to 1957; Tasmania from 1934 to 1969; and Western Australia from 1933 to 1947.

13. Stillwell, *Op. Cit.*, p. 161. Additionally, considerable development was undertaken in Northern Australia with a view to "populating the North", principally for defence reasons.

been a policy of the Federal government and its source can be traced back to the origins of the Federal system itself. The small States suffered backwash effects from economic integration and their burden was increased by a national policy of developing the manufacturing industry behind a protective tariff.¹⁴ As the financial difficulties of the smaller States increased so special grants were introduced to counter the problem. This, in turn, eventually led to the establishment in 1933 of the Grants Commission to administer a systematic redistribution (Refer tables 1:10 and 1:11, Ch. 1).

Notwithstanding the Grants Commission's work, the equalisation had been only notionally achieved as population and industry continued to centralise. By 1970-71, New South Wales and Victoria contained some 65 per cent of the Australia population yet they contributed nearly 70 per cent of total income tax. On the other side, New South Wales and Victoria received only 56 per cent of total grants and advances to the States.¹⁵

All Federal expenditure has a regional impact (as has all economic activity) and the effect of this redistribution must therefore bolster some regions (or States) at the expense of others. While little information is available on the comparative regional effects of the distribution of Federal expenditure it may be assumed that the similarity of Australian living standards between States is partly the result of this redistribution. This particular activity, however, has been recognised as ill-suited to dealing with problems of metropolitan dominance. Federal grants and advances have never had a predictable impact on the pattern of development within each State

14. *Ibid.*

15. *Ibid.* p. 163.

since they are not "location specific",¹⁶

Canberra's growth to accommodate the Federal government and its Departments also had significant regional impacts, especially the spillover effects on the surrounding areas. One investigation of the impact of Canberra's growth indicated that between 1947 and 1961 it reduced Sydney's growth by around 5 per cent.¹⁷ Nearby Queanbeyan received considerable growth stimulus and even more distant places such as Yass have been influenced by Canberra's development.¹⁸ The population expectations of 1971 indicated that by the year 2000 at least twenty-five "new Canberra's" would be needed to accommodate the growth which would otherwise take place in and around the existing metropolitan areas.¹⁹

Some State governments offered inducements to decentralisation during the 1950's and 1960's. New South Wales and Victoria both gave various forms of financial assistance to local authorities for the provision of community and industrial services and to firms facing higher costs in decentralised locations. The other State governments were less concerned with internal decentralisation; their emphasis was one of maximising development. Decentralisation to these State governments was mainly understood as a matter of inter-state re-allocation of growth. During the 1960's a number of minor changes in individual State decentralisation policies took place, but in no case

16. *Ibid.* p. 168.

17. J.D. Burnley, *The Role of Canberra in Australia's Post-War Urbanisation Process with Particular Reference to the Internal Migration Process*. Institute of Australian Geographers' Conference, Adelaide 1972.

18. Stillwell, *Op. Cit.* p. 169.

19. i.e. the expected increase in population was equal to 25 times the then population of Canberra and urban development on that scale would therefore be required to accommodate the growth.

were the changes of great significance in terms of their impact on regional development. In some cases too, what little planning there was actually backfired. One example was the Sydney Region Outline Plan published in 1968. The plan, which was to give some direction to the future growth of Sydney, was an interesting innovation at the time although it was criticised for not taking into account equity considerations, and stressing efficiency and aesthetic criteria. In the event the plan proved to be a speculators guide to where to buy land for capital gain and benefited those for whom it was unintended,²⁰

It was apparent in the pre-1972 period that the forces of centralisation had clearly outweighed those of decentralisation in all the States. The more significant factors can be enumerated. Firstly, very piecemeal policy instruments were used in combination with a lack of financial commitment. Secondly, the rapidly expanding tertiary sector was neglected; no incentives comparable to those extended to manufacturing industries were given to encourage the decentralisation of office functions and especially State administrative functions. Thirdly, State governments have had a tendency to accommodate rather than redirect growth which compounded the urban planning problem; e.g. through building of larger freeways into inner city areas. Fourthly, it had been impeded by the ideological opposition of some conservative governments to government initiated planning, and the political constraints applied by the lobbying of particular interest groups, such as large metropolitan land owners and supermarket chains with a vested interest in continuing metropolitan concentration.²¹

20. P.N. Troy, *Equity in Urban Development - The Planning Challenge*, Sidney Luker Memorial Lecture (Sydney), 1976.

21. Stillwell, *Op. Cit.* p. 159.

By 1972 however, it was becoming more and more difficult for the Federal government to ignore the urban and regional policy issues because of the growth of a political consciousness in the area. Indeed urban and regional policy was to take on heavily political overtones and the McMahon government found itself in a dilemma. The question of economic and class interest has always been a problem for the conservative parties. They could traditionally avoid the urban and regional issues because there were few votes to be gained from the interests they represented and possibly some to be lost from the rabidly free enterprise sector of their support. In October 1972, however, in an eleventh hour bid to arrest the growing enthusiasm for Whitlam's election pledges, the Federal government created N.U.R.D.A., the National Urban and Regional Development Authority, and thus confirmed a national commitment to urban and regional policy.

The Political Development of the URD Philosophy - Financial Inequities and Regionalism

The political development of the urban and regional philosophy is inextricably bound up with the financial relationship between the levels of government in Australia. What provided a new impetus for the philosophy during the 1960's was the financial position of the "tertium quid" of Australian political structure, local government. Local government had occupied a restricted place in the governmental system. Its expenditure made up only around 9 per cent of total public authority outlays and its financial position, as measured by revenue growth, debts outstanding, and interest paid, had deteriorated for years. Between 1940 and 1970, local governments' combined share

of government debt increased from 17 to 36.7 per cent.²²

Nearly twenty-five years ago it was suggested that the method the Commonwealth used to make "tied" grants to the States, Section 96 of the Constitution, should be extended to local government. From the early 1960's, local government representatives agitated by way of resolutions at annual conferences and other means for Federal aid; but the Federal Liberal - Country Party government of 1949-1972 was reluctant to move into this area. It seemed to Sir Robert Menzies that grants to local government could open up enormous new expenditures for the Commonwealth in an area which was, after all, the creation and hence responsibility of the State governments. Menzies, however, did promise Federal aid if local government and State authorities could agree on a common approach. The likelihood of such an event coming to pass being so remote, Menzies knew he was not giving anything away.²³

This Commonwealth attitude persisted up to 1972 despite the pressure from State Premiers. The Queensland Premier, at the 1972 Premiers' Conference vigorously argued that the Commonwealth should enter the field of financial assistance to local authorities, and was supported by all the other Premiers. The Commonwealth remained adamant, with the then Federal Treasurer reiterating the Commonwealth's position:

I think that the attitude of the Commonwealth is well known. It is that local government authorities are set up under the statutes of the States. It has been traditional in Australia for the local government authorities to look to the State as the legislature which creates

22. Geoffrey Hawker - "The Australian Government and Local Government, What is Happening", *Current Affairs Bulletin*, V. 52/1, June, 1975, p. 22.

23. c.f. *Ibid.* p. 23.

them, alters them, controls them, provides legislation which controls their powers and gives them their rights...I think that it must be acknowledged that the Commonwealth, in making provision to the States, makes provision for the States in the general revenue grants to discharge their responsibilities to the best of their capacity, recognising that they have great competing priorities just as the Commonwealth does. 24

However, the attitude of the Country-Party differed and was more complex for its political strength was bound up with prosperity of local and regional centres in rural areas. It had a great deal to gain if rural based local government was bolstered by a flow of money directly from the Commonwealth. But it was more hesitant in supporting such concepts as selective decentralisation whereby one particular centre was selected for rapid development, inevitably at the cost of growth in other areas. There was also the consideration that rapid growth in particular areas could introduce people of an opposite political persuasion and hence undermine Country Party support. In the late 1960's the Country Party finally came to favour the policy of selective decentralisation but the great metropolitan centres scarcely figured in their plan.²⁵ Indeed, the Country Party stance was a direct response to the strategies advanced by Gough Whitlam. Whitlam recognised that local government could be made into a political issue in terms of credible policies.²⁶

24. *Conference of Commonwealth and State Ministers* (Canberra), 22-23 June, 1972, p. 11 ff.

25. Hawker, *Op. Cit.*, p. 23.

26. Campaigning in 1961 as Deputy Leader of the Labor Party, Whitlam had a considerable impact in rural Queensland and the outer suburbs of metropolitan areas. On becoming Leader, he recognised that if Labor was ever to capture office in the marginal seats of outer metropolitan areas and rural seats with urban concentrations, then policies would have to be tailored to meet the needs of these electorates. Successive by-election victories in the seats of Dawson, Capricornia and Corio confirmed this notion.

The 1967 Australian Labor Party Conference in Adelaide was a milestone in terms of political support for Commonwealth involvement in urban and regional issues. In a series of resolutions the Labor Party expressed its commitment to alleviating what it saw as the main issues of the time; the Federal/State financial relationship, decentralisation, regional development, and housing. Resolution 35 called for the Federal Parliamentary Labor Party to examine the financial position of the States, to determine what measures should be taken to enable the States to meet their needs. Resolution 50 determined that it would be the policy of the Australian Labor Party to concentrate on selected centres to accelerate regional development. Resolution 85 called for the establishment of a Ministry for Northern Australian Development whose objectives were to include water resource development, Beef Roads, long-term development finance, and promotion of industry in Northern Australia generally. Platform Item 9 calling for greater Commonwealth grants to the States for housing contained in embryonic form much of the later urban policy. It included conditional grants for reclamation and rehabilitation of depressed areas; special grants to enable States to engage in forward acquisition of land for State housing projects, and grants for the provision of community amenities in housing estates.²⁷

Adoption of these resolutions launched the urban and regional campaign and the next five years witnessed its growth and refinement. Indicative of the Labor Party's commitment was the appointment, following the Conference, of Tom Uren as shadow Minister for Urban Affairs, a

27. Australian Labor Party, *Platform, Constitution and Rules* as approved by the 27th Commonwealth Conference, Adelaide, 1967, (Canberra), August, 1967, p. 38 ff.

position that had no equivalent on the government benches.

Throughout 1968, and especially at the New South Wales Regional Conference of the Australian Labor Party at Granville in September, Whitlam spoke at length about the problems of urban planning, about Federal/State financial relationships, and the plight of local government. The pieces of Labor policy so expressed dove-tailed into one particular address on the 25 September, 1968 in which can be found almost the entire Labor policy and which only underwent minor changes up to 1973.²⁸ The significant elements of the address concerned the role of the Commonwealth, a proposed ministry dealing with urban affairs, and the "financial emasculation" of State and local government.

As far as the Australian Labor Party was concerned the only way that the efficient functioning and fair financing of urban services could be achieved was through the increased intervention of the Commonwealth.²⁹ Labor argued simply that the financial and constitutional power of the Commonwealth combined to make it the most effective and appropriate instrument for ensuring that proper urban development and planning were implemented. Moreover, "it must accept the responsibilities which these great powers offer".³⁰ This was an indirect attack on the Liberal-Country Party coalition government which had always asserted that urban facilities and services were exclusively matters for the States.

28. E.G. Whitlam, *"Responsibilities for Urban and Regional Development"* Walter Burley Griffin Memorial Lecture, Canberra, 1968.

29. *Ibid.* p. 6.

30. *Ibid.* p. 7.

Labor had also become concerned with the lack of appropriate organisational structures to implement urban and regional planning. The post-war reconstruction organisations such as the Regional Development Committees had long since withered from neglect, and, in any case they would not have been suitable for what the Labor Party had in mind. One of the major problems it saw was that apart from the isolated instances of Brisbane and Canberra, the planning organisation was not the organisation that spent the funds.³¹ There was no co-ordination of effort and the direction of spending was governed principally by sectional interests.

Tom Uren, now rapidly emerging as a major force in the Opposition ranks, was largely instrumental in bringing about the new organisational structure, a Department of Urban Affairs, which was to have three main functions.³² The Department's first function would be to co-ordinate priorities. Before any State or local authority could apply to the Loan Council for funds for urban services, it would have to prepare an integrated or "program" budget which would cover the whole list of requirements for a city or region. Applications would be analysed and evaluated by the Urban Affairs Department and recommendations would be submitted to those Departments concerned directly with the funding, i.e. Treasury, and Prime Minister's Department, among others.

The second main function would be to undertake research into urban and regional problems and develop programs, in consultation with the

31. For Brisbane, the Brisbane City Council and for Canberra, the National Capital Development Commission - both had control over an entire metropolitan area.

32. *Ibid.* p. 12 ff.

States, to alleviate these problems. It would undertake research projects itself, or jointly with other interested bodies.

Finally, the Urban Affairs Department would provide a service organisation staffed by engineers, economists, town planners, statisticians, and other expert analysts to advise and assist States and local government in their preparation of plans for cities and regions. This new department proposal was modeled on the United States Federal Department of Housing and Urban Development which itself covered areas such as water supply, sewerage facilities, community centres, health centres and other social or recreational facilities.³³

On the question of the "emasculatation" of State and local government, Whitlam pledged that under a Federal Labor government the financial agreement would become a tripartite arrangement incorporating the three tiers of government in Australia. As Whitlam complained:

The heart of the present crisis in Commonwealth/State financial relations is the refusal of the Liberal Federal Government to accept any direct responsibility for hospitals and schools, the greatest burdens on State budgets, and its refusal to become involved in the plight of local government and semi-government authorities which bear the whole burden of the provision of services for cities and regional centres. ³⁴

He concluded that a Labor government would take action to ensure that the concept of federalism in Australia was effectively redefined.

At the 28th Australian Labor Party Commonwealth Conference in 1969, another resolution was adopted which would give substance to the

33. *Ibid.* p. ff 14.

34. *Ibid.* p. 17.

"tripartite" financial agreement. This was Resolution 4 which as well indicated the structure of the forthcoming local government policy:

That the Economic Committee investigate the feasibility and report on the practicality of including in Labor's fiscal policy, an annual independent grant or allocation of finance to local authorities, as a percentage of their annual budget. 35

The 29th Conference held in Launceston in 1971 consolidated three years of thought and planning into a policy statement as Section 10 in the Platform. The new section provided for a Department of Housing, Urban Affairs and Regional Development and proposed to authorise the Commonwealth Grants Commission to recommend the nature and amount of Commonwealth financial assistance required to remove inequalities in servicing proposed and developing suburbs, cities, and regional centres. It also laid down the guidelines for grants to the States for the provision of urban land which was later to be the brief for the Land Commissions. The policy statement additionally indicated areas of subsidy for mortgage relief, alterations to lending institutions and the use of Commonwealth lands in the States "in promoting and concentrating regional development".³⁶ With this policy the Labor Party was prepared to enter the 1972 election year confident that it had seized upon an issue long neglected and much needed and desired by the Australian electorate, especially those voters residing in crucial seats in the outer Sydney and Melbourne suburbs.

In contrast to Labor's vigorous policy formulation, the conservative

35. Australian Labor Party - *Platform, Constitution, and Rules*, Approved by the 28th Commonwealth Conference, (Melbourne), 1969.

36. Australian Labor Party - *Platform, Constitution, and Rules* Approved by the 29th Commonwealth Conference, (Launceston), 1971.

Government was virtually marking time. In 1964, it convened a Conference of Federal and State Ministers to consider decentralisation; but which did not publish its report or make any recommendations until 1972. At the Premiers' Conference of June 1972, the issue of financial assistance for urban matters was again raised. The South Australian Premier, Don Dunstan, in his request for greater financial aid stated:

In every other comparable federation, the federal government is directly involved in financial assistance and in policies concerning urban renewal and planning. So far that is a step which has not been taken here. It has been raised at Housing Ministers' Conferences since 1967. It has been raised here on two previous occasions when I have attended Premiers' Conferences. 37

But the Commonwealth was unrelenting. In his reply to the Premiers' demands, the Prime Minister, William McMahon said:

I think you know, gentlemen, that in the Commonwealth we have traditionally taken the view that, under the Constitution, the responsibility for such matters as urban renewal is a problem fundamentally belonging to the States. 38

The Prime Minister also pointed out that the Commonwealth had increased the 1972-73 vote for works and housing by nearly 10 per cent. He added that, as an indication that the Commonwealth had taken an interest in urban affairs, responsibility for decentralisation and urban problems had been placed by an administrative order with the Prime Minister's Department. These steps failed to impress the Premiers. Moreover, they hardly matched Labor's promises and merely

37. *Conference of Commonwealth and State Ministers*, Op. Cit. p. 33.

38. *Ibid.* p. 36.

confirmed the government's image of a tired and sterile administration exhausted by 23 years of unbroken office.

NURDA and the Labor URM Campaign

In the early 1970's urban and regional policy was proving electorally popular for the Labor Party. In the year prior to the 1972 elections, it was highlighted in their political campaigning. The Liberal Party reacted by introducing some hasty legislation on regional and urban policy, of which Frank Stillwell has commented:

In retrospect, it is clear that it was an exercise in political "me too!" and that the Liberals never had any clear idea of what this aspect of policy involves. 39

The legislation finalised in October 1972 established the consultative body, NURDA. This left the regional development initiative with the States but gave the Federal government some consultative position and, taking a wide interpretation of Clause 12 of the Act, the right to withhold financial assistance from State initiated schemes. As Stillwell reflected:

What could have been achieved by NURDA is not clear, but it is probably fair to say that only the most optimistic held out any hope for success by such a body: the States had long since demonstrated their reluctance to decentralise, but the new policy failed to relieve them of the exclusive source of initiative. 40

The problem for the Government, however, was that NURDA would take at least 12 months to develop a basic policy. Politically, it could not borrow from the Labor policy so late in an election year without

39. Stillwell, *Op. Cit.* p. 171.

40. *Ibid.*

leaving the government open to attack from the Opposition.⁴¹ As it was, considerable political mileage was gained by the Opposition because of the timing of the legislation's introduction. Tom Uren echoed the thoughts of many political observers when he claimed that the legislation was ill-conceived:

This Bill is a full embrace of a half-baked policy which shows all the marks of excessive haste. The Prime Minister says: "We are concerned with national objectives in urban and regional development" National objectives - What national objectives may I ask? The Prime Minister...wouldn't know an urban or regional objective of a national objective if he saw one. 42

As the political campaign of the respective parties developed it became clear that urban and regional policy was a major issue, especially when coupled with the "quality of life" aspects of Australia's cities. As psephologists and public opinion polls revealed the marginal electorates of Sydney and Melbourne held that key to the election, both parties focused increasing attention on policies and issues aimed specifically at this section of the electorate. Government and Opposition policies on the cities and urban and regional development received an extensive press coverage; the cities were clearly an area of some concern, but the planning that had gone into the Labor policy was beginning to pay off. The newspapers now had policies to compare and were disposed to comment on the haste with which the Government policy was put together. The *Australian* had foreseen this development in its comments on the NURDA legislation in September, 1972:

41. The NURDA legislation was introduced on the 18 October 1972, two months before the election was due.

42. Speech by Tom Uren, Federal Labor Spokesman for Urban Affairs, *House of Representatives*, 19 October, 1972.

...it is disturbing that the Prime Minister's proposals at the moment appear to concentrate on the purely decentralising aspect of the problem and that plans for decentralisation are spelled out so loosely that they amount to an intent rather than a specific policy. 43

Even the more conservative newspapers were admitting in their support of the policy that the "Opposition already has a well worked out plan for implementing the same policy".⁴⁴ Some of the Governments' proposals also came under heavy criticism from planners. The Deputy New South Wales Director of Decentralisation, P.D. Day, said the Federal government "was seemingly unaware of the urban problems facing the States".⁴⁵

Closer to the election, the "urban crisis" issue was still receiving the lion's share of the newspaper coverage. The comparison of the policies degenerated to a "who's going to get what" debate. But the Labor party with its promises of cheap land, nominated growth centres, responsibility for State rail systems, urban renewal and mortgage relief, was winning the battle for the suburban vote. Labor had in addition already secured the support of local government with its promise of a "tripartite agreement" and had presented a carefully developed and articulate regional policy which encompassed much more than encouraging people and industry "to go bush". On the issue of decentralisation alone, four weeks before the election, the Government was being criticised for having "had one eye on the Country Party's vision of decentralisation as a means to boost failing country towns wherever they may be rather than an attempt to find a viable method of moving industry out of the metropolises".⁴⁶ The Government

43. *Australian*, 21 September, 1972.

44. *Australian Financial Review*, 25 September, 1972.

45. *Australian*, 14 October, 1972.

46. *Australian*, 16 November, 1972.

manoeuvres were still being seen as a political tactic rather than an attempt to formulate a viable urban and regional policy. For all its promises on the urban side, the McMahon government's policy obviously lacked the depth of the Labor Party's.

The swing to Labor at the 1972 election overall was below forecasts, only around 2½ per cent. But there were much larger swings in those crucial areas, the depressed suburbs of Sydney and Melbourne. After twenty-three years, Australia now had a Federal Labor government and with an air of impatient expectation many waited to see the results of the urban and regional policies to be applied in 1973.

CHAPTER 3

DURD 1.

Labor won the elections in the unsewered, poorly-lit, and indifferently paved outer suburbs of Sydney and Melbourne with the votes of men and women persuaded that they could now look to the Commonwealth rather than exclusively the local council or State government for the "improvement of their lot".¹

The December 1972 policy speech dwelt heavily on urban and regional issues with references by Whitlam such as:

...a citizen's real standard of living, the health of himself and his family, his children's opportunities for education and self-improvement, his access to employment opportunities, his ability to participate in the decisions and actions of the community are determined by his income, not by the hours he works, but by where he lives. 2

The policies had instant broad appeal. Since the demise of the Chifley government in 1949, no Federal government, and few State governments, had given any attention to urban and regional policies. The problems of cities had not existed as a political issue in all the years since Federation. Here, therefore, was something new and the Australian Labor Party realised that the issues were about to arise well before their political opponents awakened to them. Prior to 1972 the only major funding from the Commonwealth for urban welfare was in public housing. Any State or local government efforts in the same area were hampered by the difficulty of raising the needed capital through increases in rates, taxes, and charges.³ Consequently the burden of providing the capital for urban development was increasingly shifted to the private sector with the economic dis-

1. Bruce Juddery, *At the Centre - The Australian Bureaucracy in the 1970's*, Melbourne, 1974, p. 149.
2. cited in Logan, Maher, Mackay & Humphries, *Urban and Regional Australia*, Melbourne, 1975, p. 107.
3. E.C. Whitlam, R.A. Gardner Oration, 18 October, 1976, C.R. 18-24 October, 1976, p. 1047.

advantages that reliance on that source of funds entailed. The Australian Labor Party, by combining the urban and regional policies with the fact that community services solely dependent on State government had tended to deteriorate while any service for which the Commonwealth assumed responsibility tended to prosper hit upon a winning combination in wooing voters.

The new government was also seen to have a very "urban and regional base". The 1969 Federal Australian Labor Party Conference, had after all removed the reference to "clothing the Commonwealth Parliament with unlimited powers" in favour of a policy "to balance the functions and finances of the Australian, State and local governments to ensure adequate services and development of resources".⁴ The Labor government had thus secured a clear mandate to intervene in an area that the Commonwealth had had very little to do with since 1949 apart from some "eleventh hour" actions in response to an obviously declining electoral appeal during the course of 1972. No addition to the government's administrative machinery was going to be more by "popular demand" than the proposed Department of Urban and Regional Development.

The fate of NURDA was in some doubt immediately following the elections as the Department of Urban Affairs originally forecast by Whitlam and Tom Uren had encompassed the research and advisory functions that were being undertaken by NURDA. This problem was soon to be solved by revamping and renaming NURDA as the Cities Commission and then attaching it as an appendage of the larger Department.

4. *Ibid.* p. 1045.

Creation and Role of DURD

The Department of Urban and Regional Development was created on 19 December 1972. The Administrative Arrangements Order, gazetted on 20 December, stated that the Department's role concerned principally "matters relating to city and regional planning and development, including assistance to and co-operation with the States and local government bodies".⁵ The Department's first task was to define itself more precisely than as an urban policy implementing organisation with a foundation of a series of philosophies and ideas. It also had to distinguish itself from other Department's such as Transport, Housing, and Environment and Conservation, to ensure integration of the various components of urban development.⁶

The reality of structuring and staffing the Department proved more difficult than it would appear anyone had imagined. The first difficulty arose from its philosophical base; a clear and fixed strategy was plainly "inconsistent with the notion of urban and regional development in a pluralistic society".⁷ The early recognition of this created some initial confusion with the result that eventual policies were to be inferred from the programs rather than the reverse. The second early difficulty resulted from the more mundane but highly crucial area of administrative organisation. After much wrangling with the Public Service Board, the idea of a "super-Department" favoured by the Minister, Tom Uren, was finally quashed on the basis that urban economists and town planners did not rank as highly as the top-level economists, lawyers and executives in "senior

5. D.U.R.D. *First Annual Report*, C.P.P., No. 260/1973, p. 1.

6. *Ibid.*

7. Logan (*et. al.*), *Op. Cit.* p. 107.

Departments" such as Treasury, Attorney-General's, and Postmaster-General's.⁸ Throughout four fruitless months of infighting over the ranks of staff, the still embryonic Department wasted much time and postponed its opportunity to make a real impact until the second half of the 27th Parliament. Nevertheless by April 1973, the Department had organised itself sufficiently to at least define its responsibilities in a functional statement. Ten areas of responsibility were recognised: national urban strategy formulation, urban and regional budgeting, long-term urban resource planning, co-ordinating advice on Federal urban activities, co-operating with the States, collaborating with the Departments of Transport, promoting urban research, formulating land policies, having a final administrative responsibility for new cities, and maintaining the National Estate.⁹

The Department planned to implement its policies within the gambit of loosely defined "co-operative federalism". Many of its proposals could only be implemented by the States taking the appropriate legislative action as the Commonwealth found itself bound by constitutional limitations restricting its activities within State boundaries. Whilst the Department could state that it would be closely involved in working with and through the States and local government bodies it also recognised that :

The authority of the Australian government to implement its urban policies is focused largely on the provisions of Section 96 of the Constitution which gives it power to make

8. Juddery, *Op. Cit.* p. 154.

9. DURD, First Report., *Op. Cit.* p. 2. The Ministry for Urban and Regional Development was conceived of as having four main "arms": the Cities Commission (out of N.U.R.D.A.), the Department of Urban and Regional Development, the National Capital Development Commission (which previously since its foundation in 1958 had operated more or less autonomously), and a proposed Australian Land Commission.

grants to the States for specific purposes,¹⁰

Despite the early assurances of intergovernmental co-operation the States were looking coolly at some of the proposals from the outset. This was especially so with the new cities program which, despite getting off to an early start with the announcement of the Commonwealth involvement in Albury-Wodonga in January 1973, ran almost immediately into conflict with the States concerned. The argument was over whether the land was to be leasehold, as Canberra wanted, or freehold, as Sydney and Melbourne wanted. Local sensibilities were offended too, when Canberra came to consider disincentives to the further growth of existing cities. In South Australia, the Dunstan government already favoured a ceiling of 1.3 million to the growth of Adelaide, but Victorian authorities appeared to believe that Melbourne could grow forever; DURD did not agree.¹¹

An early strategy for the Department was the creation of an urban and regional budget program. The purpose of such a program was to co-ordinate the resources which were allocated for investment in urban and regional services by Federal Departments' and State and local governing bodies.¹² The ultimate objective of the budget program was to improve the quality of decision making in the urban field. This it was believed could be achieved by greater attention to the spatial pattern of public sector economic activity, that is, a concern with more precise analyses of where, and on whom, policies impinged rather than merely with aggregates.¹³ The preparation of

10. *Ibid.* p. 8.

11. Juddery, *Op. Cit.*, p. 155.

12. T. Uren, Speech to Town & Country Planning Association, Victoria, cited in *A.G.D.*, 1/4/73- 30/6/73, p. 829.

13. *Budget Paper*, No. 8, 1974/75, p. 10.

such a budget was necessary given the increasing specific purpose grants being paid to the States over the previous decade. The proportion of State and local government capital outlay financed by Commonwealth government grants and advances had remained stable, but the contribution made by specific purpose grants more than doubled, from 10.4 per cent of total capital outlay in 1963-64 to 25.0 per cent in 1972-73.¹⁴ As almost all Commonwealth government capital grants and advances to the States for specific purposes were made for projects related to urban and regional development, and these grants and advances were going to be increased considerably, some kind of strategy was obviously going to be needed. Due to the delays in getting the Department under way however, the early hope that urban and regional budget papers would gain a place in the 1973 Budget soon gave way to a more realistic plan to include them in the 1974 Budget.

The preparation of the urban and regional budget was part of the Department's long-term strategy. Its short-term strategy was indicated by the programs it was to immediately embark upon and which to a large extent resulted from the promises of the 1972 election campaign. These short-term goals were indicated in eight separate programs by which it was hoped to solve the most critical problems of the cities and regions as well as to redeem the promises made. These programs were defined as:

- Land Commissions;
- National Sewerage Scheme;
- Urban Water Supply;
- Growth Centres (New Cities Program);

14. *Ibid.*, p. 13.

- Urban Rehabilitation ;
- Area Improvement;
- Regional Organisations Assistance;
- National Estate

At the Premiers Conference of 10 May, 1973, E.G. Whitlam told the Premiers very clearly what the Labor Administration intended to do:

We have been elected on a platform of social change. We have promised the Australian people a program of wide-ranging and overdue reforms in the social structure of this country. To carry out that program is the primary objective of this government. 15

Some gains were made at the June 1973 Premiers Conference when a portion of the funds given to the States was tied to DURD guidance.

The level of financial commitment planned in 1973 for these programs is shown in Table 3:1, for actual expenditure over the period (see Table 4:1). There was virtually no action toward getting the programs started in 1972-73, the \$77.8 million for Canberra would have been appropriated for its development, DURD or no DURD.

Of particular interest in the table is the planned growth of the programs through to 1976-77 which gives a strong indication of the magnitude of the task as originally conceived. The 1973-74 expenditures are also of some interest as they reveal the slowness of the Department in organising itself initially and of the existence of unrecognised obstacles to be overcome before the programs could get under way; viz. prolonged negotiations with the States, identification of problem areas, supply of materials.

Table 3:1

URD MINISTRY PROGRAMS: SUMMARY
(£ million)

Programs	1972-73	1973-74	1974-75 budget estimate	1975-76 forward est.(a)	1976-77 forward est.(a)
Land Commissions	..	8.0	56.9	165.0	185.0
Sewerage	..	27.9	104.7	112.0	119.0
Urban water supply	..	..	4.4	8.5	13.5
Growth centres --					
Canberra(b)	77.8	104.1	140.0	166.2	187.1
Others	..	9.2	£2.7	133.9	167.3
Area improvement	..	7.4	14.1	21.3	24.3
Urban rehabilitation	..	5.3	16.8	10.5	10.5
Regional organisations assistance	..	..	0.3	0.4	0.6
National Estate	0.1	0.8	8.0	15.9	20.0
General administration n.e.c.	1.4	4.4	5.7	7.6	7.6
Total URD Ministry Programs	79.3	167.0	433.7	640.4	734.7

(a) Excluding imputed advances for capitalised interest.

(b) Including outlays of the National Capital Development Commission on national works, and Australian Government offices located in the Australian Capital Territory.

Source: *Payments to or for the States*, Budget Paper, No. 7, 1974-75.

The Concept of Regionalism and the National URD Strategy

The new government's co-operative federalism proposals were based on the dual concepts of regionalism and tripartite co-operation. The concept of regionalism was expressed by the government in various ways: the move to incorporate local government within the framework of Commonwealth payments, the encouragement of local governing bodies to amalgamate into regional groupings, and, for the first time, to express in the aggregate the needs of an area defined socially and/or geographically. In addition, a Royal Commission was charged to investigate the regionalising of government administration.

It recommended (inter alia) the establishment of regional offices of the Commonwealth government in an "organic" form, the rationale being that in each regional centre a Commonwealth government presence would be established which would act as a central policy co-ordinating section and operate under the general supervision of a Commonwealth

representative.¹⁶ Some of the DURD programs were also to have a distinct regional flavour rather than a specific purpose nature and thereby enhance the regionalist idea. This was, according to Whitlam, "bringing government to the people", in a real way.

The Labor government's regional policy had a set of basic objectives covering a wide range of social issues. These included equally distributing access to services, promoting citizen participation in planning, achieving equity in wealth and political power, promoting economic efficiency, preserving the environment, allowing divergent lifestyles, maintaining full employment and job opportunities and eliminating discrimination.¹⁷ Though very broad, these objectives lent themselves to the definition of more specific objectives on a national, state and local government level which could then be translated into specific programs.¹⁸ However, it is apparent that none of the policies individually, nor taken all together, were meant to amount to any form of regional government. There was no direct electoral representation for regional organisations ever envisaged. It was not proposed that regional organisations be given sole, permanent, or constitutional responsibility for any particular functions nor was it proposed that the organisations have the independent ability to raise revenue. At no stage either was it envisaged that large and responsible executive organisations should grow from within the region.¹⁹ DURD would only view the regional groupings

16. Royal Commission on Australian Government Administration, *Regionalising Government Administration*, Discussion Paper No. 1, May, 1975, p. 6.

17. DURD, *Regional Policy Position Paper*, 3/5/74, p. 3.

18. These objectives are too numerous to be mentioned here but the translating into programs can be seen in the activities of such regional programs as the A.I.P.

19. DURD, *Regional Policy Position Paper*, *Op. Cit.*, p. 14.

from an administrative view point, although it did allow, though thought it unlikely, that eventually indirect electoral representation of local councillors in consultative regional organisations may be replaced by a direct electoral process and the bestowal of full responsibility for certain functions.²⁰

In formulating a national program for urban and regional development, the Labor government took into account four main reasons which it felt justified its enlarged intervention. First, the already significant presence of the Federal government in urban and regional affairs through the use of grants to the States for specific development purposes, (roads, bridges etc.). Second, that due to a number of factors urban programs had become sufficiently apparent to express themselves in national politics and for them to be considered a high national priority. The only level of government with sufficient resources to develop such large scale programs as new cities was the national government. Third, it believed the national urban system was becoming increasingly interdependent, relying more on interstate linkages and less on its hinterland; and finally, an efficiency argument that most of the country's capital and labour resources were concentrated in the main cities and inefficient cities made for national inefficiencies.²¹

The Department however, recognised that there were a number of constraints on the formulation of an urban and regional policy at the national level. Foremost amongst these was the complexity of urban and regional development patterns and processes and a general un-

20. *Ibid.*

21. DURD, *An Approach to a National URD Strategy*, April, 1974.

familiarity with the concept of a national policy of the nature proposed. Because of this unfamiliarity it was realised that there was potential for conflict with State policies and priorities. Following from this, the Federal structure of the Australian Constitution and government with the autonomy and maintenance of residual powers of the States, especially in regard to urban and regional planning powers, was also expected to present some difficulties.²² With a more or less full knowledge of the difficulties that would have to be met the Department did formulate a program of action constituting an urban and regional strategy. This strategy was divided into three main areas:²³

- 1) Processes of policy integration - incorporating the national urban and regional development strategy, resource allocation through the development of an urban and regional budget, and urban economic and resource planning to foresee resource constraints on urban and regional development.
- 2) Programs concerned with areas. Regional growth centres, metropolitan growth centres, area improvement programs, regionalisation programs, metropolitan strategy, inner city strategy, national land use policy.
- 3) Programs concerned with functions. Land commissions, transport policy, national sewerage program, the National Estate, social development policies, employment location policy, housing and building policy.

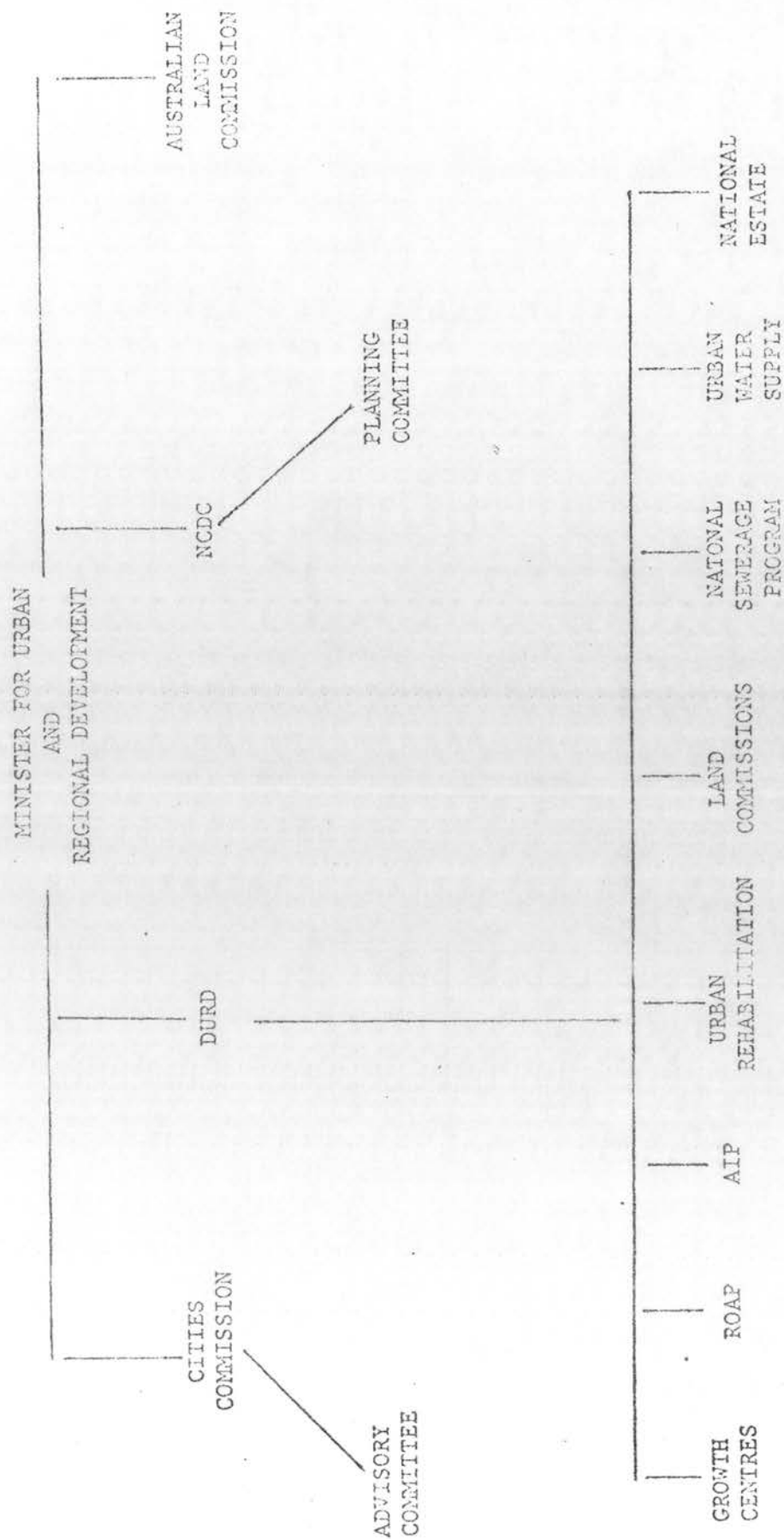
22. Extracted from private papers in possession of the author.

23. DURD, Internal Papers, April 1974.

The DWRD Programs

The eight programs of DWRD were the principal vehicles for the expenditure of Commonwealth funds in the urban and regional development sphere during the period of the Labor administration. All of these programs were funded directly through payments under Section 96 with different conditions attached depending upon the purpose. Total expenditure on the DWRD programs during the Labor administration amounted to \$593.2 million (For full details see Table 4:1 p. 86). Four of the programs, - growth centres, regional organisations assistance, area improvement, and urban rehabilitation manifested the "regionalism" philosophy of the government; the other four programs, the land commissions, sewerage, urban water supply, and the national estate were specific function programs designed principally to alleviate inadequacies in the Australian urban structure. Their roles and relationships in the general scheme of urban and regional development are complex (see Diagram 3:1). Moreover many programs met with substantial political opposition.

Fig. 3:1



The New Cities Program (Growth Centres)

The DUKD approach to growth centres was an extension of decentralisation policies that had been pursued with little enthusiasm by States and, previous Federal governments. In 1944 the Commonwealth Housing Commission (CHC) urged the Curtin government to decentralise industry and create "satellite towns" because of the deteriorating living conditions of the cities.²⁴ Between the post-war reconstruction period and the mid 1960's the States initiated some policies to encourage industry and population to remain in or move to non-metropolitan areas.

For a time the policies seemed to work as the rural areas and country towns appeared to be achieving self-sustained growth. By the mid 1960's however, it was apparent that metropolitan growth was again accelerating. The reversal in trends led to a re-appraisal of policy, and the concept of "balanced development" which had been used up until then was gradually replaced by one of "selective effort", concentrated on fewer centres whose growth could be readily accelerated. The Victoria government had accepted the new approach by 1967 when it received recommendations on the selection of centres outside of Melbourne for accelerated development. By 1969 the Victorian and New South Wales governments were proposing joint co-operation in the development of Albury-Wodonga.²⁵ Commonwealth initiatives during the 1950's and 1960's were relatively insignificant amounting to little more than offering small subsidies to offset the higher cost

24. Department of Environment, Housing and Community Development (E.H.C.D.) *Background and Approaches to Decentralisation Policies in Australia*, August, 1976, p. 11.

25. *Ibid.*

structures of non-metropolitan regions.²⁶ In 1963 however it agreed with the States to consider a national approach to decentralisation, and an intergovernmental committee was established for that purpose. The Committee eventually brought down its report in 1972 concluding that the only program of decentralisation which was likely to be effective would be a selective program. In the long intervening period however, some States continued to act upon their own initiative and the decentralisation policies, which had both selective and non-selective elements, were introduced in New South Wales, Victoria and South Australia, and to a lesser extent in the other States.²⁷

By 1972 the Commonwealth could no longer ignore any responsibility for urban development, and from this embryonic interest NURDA emerged. Thus the Commonwealth finally, was involved though the extent had yet to be ascertained.

With the advent of the Labor administration, NURDA was incorporated into DURD and, in April, 1973, was restructured as the Cities Commission. The new Commission was to act as an agent or professional consultant to the Department in the physical planning fields. It was not to be responsible for national urban strategy although it was expected to focus upon promoting regional growth and rationalising the development of existing cities.²⁸

The Growth Centres program was created in response to population expectations that in the year 2000 Australia's population would increase to between 17 and 23 million. On the basis of 1972 trends, most of

26. These higher cost structures resulted from increased transport, wages, communication, costs that are part of non-metropolitan location.

27. *Ibid.* p. 12.

28. T. Uren, Press Statement, Canberra, 6 March, 1973.

this population increase, and hence most of the demand for new development, would take place in the State capital cities and one or two other large centres such as Canberra. It was appreciated early that the marginal cost of locating people in the existing major metropolises was far in excess of that in provincial urban areas, even if it meant building a whole new city from the ground up. Thus there was some considerable justification from an economic viewpoint for encouraging people to move to, or stay in, provincial centres. The Growth Centres program therefore, was conceived as a program to provide those amenities, services, and opportunities in selected centres that people desired or needed and which would encourage them to locate in those centres. It was to ensure the creation of realistic alternatives to the established metropolitan regions, offering well planned and efficient urban environments.²⁹

The Government's first priority was to foster selected growth centre projects in South-Eastern Australia because of the growth pressures in that area. Within a short time additional projects were selected taking in other metropolitan growth centres such as Gosford-Wyong, the South-West Sector of Sydney (Holsworthy-Campbelltown), Monarto (South Australia), and Salvado (north of Perth), and regional growth centres consisting of Albury-Wodonga, Geelong, and Bathurst-Orange.

Assistance was also to be provided for Townsville, Gladstone, The Moreton Region, Tamar Region in Tasmania, and the South-East Sector of Melbourne. The early assistance was however, directed mainly at investigatory projects within each of these areas.³⁰

29. *Budget Paper No. 8, 1974-75*, p. 23.

30. DURD, *A National Program for URD*, April 1974, p. 15.

An essential element of the program was its close association with the Land Commission program. A condition of Commonwealth funding was that the relevant State government would introduce legislation for land price stabilisation within the boundaries of the growth centre. This legislation moreover would have to set a base value for the land related to the value of the land at the time of the earliest announcement of the centre as a growth area. For example, the base date for Albury-Wodonga was set at 3 October, 1972.³¹ The Federal government's attitude was that only through the public acquisition of the land prior to development, coupled with measures to stabilise the price of land, could the viability of the growth centres be in any way assured.

The Regional Organisations Assistance Program (ROAP)

The ROAP was designed to expedite the new government's regionalism philosophy at the local government level. The machinery to enable the Federal government to implement such a program was provided by the amendments made to the scope and activities of the Grants Commission by the Grants Commission Act, 1973. The new Act broadened the Commission's role to inquiring into and reporting on "applications by approved regional organisations of local governing bodies for financial assistance".³²

The Minister for Urban and Regional Development was responsible for setting up and approving regional organisations of councils (ROC's) also under the terms of the 1973 Act. The ROC's comprised representatives from each local government body in a designated region.

31. c.f. Ministerial Statement, T. Uren, House of Representatives, 23 August, 1973. A.G.D., 1/7/73 - 30/9/73, p. 1323.

32. Commonwealth Grants Commission, *First Report 1974 on Financial Assistance for Local Government*, Canberra, 1974, S. 1:3.

Seventy-six regions had been jointly delimited by the State and Federal governments. The regions conformed by and large to existing State regional development boundaries and could only be altered after consultation with the appropriate State Minister.³³ The ROAP was designed to bolster the co-ordinative role of the ROC's and hence local government viability generally, by encouraging local governments to co-operatively manage regional affairs. Financial assistance was to be made available to meet basic administrative and promotional costs of the following types:

- to defray administrative expenses: this would include costs of meetings of those organisations and their sub-committees, the preparation of regional submissions, including submissions to the Grants Commission, and secretarial costs. (Approximately \$2,000 per region in 1974-75);

- to promote regional activities; this would include the employment of consultants on matters of regional importance, the employment of staff to assist in regional research or planning, the holding of conferences and meetings to foster regional awareness and the establishment of links within regions and between the regions themselves and Federal and State agencies. (Approximately \$8,000 per region in 1974-75). 34

This financial assistance took the form of specific purpose grants paid to the States which in turn were to be channelled to a banker council for each region. There were, however, formidable obstacles impeding the ROAP. The available resources were widely spread and the anticipated benefits were to accrue over the long term. It was

33. DURD, *Issues in Regionalism - The Australian Government Experience*, November 1975, p. 5.

34. *Budget Paper No. 6*, 1974-75, p. 32.

early realised that certain regions faced pressing problems which required urgent resolution if they were not to become critical and/or intractable.³⁵ The relatively low level of funding for the ROAP was, however, mostly unavoidable. As late as November 1975, the Department was still developing the framework of the Urban and Regional Budgets in a step by step fashion. The procedure the Department was using was to trace Federal expenditures to the regional level on a program by program basis to identify the outputs of those expenditures.³⁶ Until this could be done, the Federal government had no idea of the effectiveness of the programs that were being funded with Commonwealth moneys and hence whether schemes such as the ROAP were in fact cost-effective.

Of all the DURD programs, the ROAP probably had the least success. DURD, in late 1975, acknowledged that the low level of funding had a relatively minor impact on the process of regionalisation and although it was believed that local government would be generally receptive to increased ROAP grants, extension of the scheme was hindered by State opposition. Four State governments were opposed at the political level to regionalism as developed and sponsored by the Federal government and they were reluctant to permit ROAP operations in other than a strictly limited way. Queensland would not participate in the scheme at all although it was considering entering into negotiations toward the end of 1975.³⁷

35. DURD, *Issues in Regionalism*, *Op. Cit.*, p. 5.

36. *Ibid.*, p. 7.

37. R.B. Landsdown, *DURD Minute*, November, 1975.

The Area Improvement Program (AIP)

The history of the A.I.P. was one of rapid growth and change. The objectives of the program, as they grew over the period of the Labor administration, can be summarised as follows:

1973-74...to remedy deficiencies in the urban and social infrastructure in Western Sydney and Western Melbourne.

1974-75...to remedy deficiencies in thirteen selected regions;
 ...to encourage the development of regional strategies;
 ...to provide an opportunity to co-ordinate many Australian Government activities at the regional level.

1975-76...to involve people and organisations in identifying regional problems and working out regional strategies;
 ...to provide an opportunity for co-ordinating Australian Government activities at a regional level;
 ...to initiate and make effective regional planning processes. 38

In its first year of operation, A.I.P. expenditure was confined to the Western regions of Sydney and Melbourne with four basic types of activity being funded:

- land acquisition for community purposes;
- community centres and other community amenities;
- strategy plans;
- protection of the environment. 39

From the 1974-75 Budget the activities were continued with added emphasis on projects that would promote strategic urban and environ-

38. DURD, Ministerial Minute, November, 1975.

39. Budget Paper No. 8, 1974-75, p. 30.

mental planning, and on provision of information services that would collect and disseminate data about the regions. The change in the direction and emphasis of the AIP over the three years resulted from four major factors:

- 1) The range of projects progressively narrowed with the exclusion of sewerage, roads, housing, and public transport which were being handled through other programs. What remained for the AIP's were "infill" projects left over from these other Federal projects.
- 2) The level of funding influenced by growing constraints in overall government expenditure affected the direction of the programs by concentrating resources on programs that had a high priority in terms of deficiency in a region and a high regional impact.
- 3) The change in government regional objectives over time. The government gave increasingly high priority to restructuring programs in support of these regional objectives.
- 4) The government was not inclined to vest DURD with an overall co-ordinative role for Commonwealth government programs in AIP regions.⁴⁰

The AIP's were heavily criticised for overlapping with other programs especially the Regional Organisations Assistance Program (ROAP).

There was an element of commonality with the AIP in terms of furthering the government's regional objectives and specifically in assisting the regional approach to planning. The principal difference

40. DURD, *Ministerial Minute*, November, 1975.

between the two programs was the ongoing nature of the ROAP's whereas the AIP's were terminating programs.

By the end of 1975 and following a review of the AIP's achievements it was decided in the future to limit the number of regions in receipt of AIP funds and increase the funds per region. The regions that were to have continued funding were only to be those that had high priority deficiencies in urban infrastructure, housing, and transport. A preference was also to be given to those projects which could be undertaken jointly with other functional programs.

Urban Rehabilitation

The urban rehabilitation projects were undertaken with the following specific objectives in mind:

- to preserve accommodation in the inner suburbs for low-income households;
- to achieve a suitably broad socio-economic mixture in the population of areas affected;
- to preserve the historic landscape qualities of the older inner suburbs;
- to foster community participation in the planning, development, and management of neighbourhoods;
- to test the suitability of a particular approach for coping with pressures for redevelopment, for possible extension to other areas.⁴¹

The projects involved the Federal government in co-operation with State and local authorities in the acquisition of land and property

41. *Budget Paper No. 8, 1974-75, p. 31.*

71.
in inner-city areas, rehabilitation and construction of dwellings for lease or sale, especially to low income families, and the encouragement of participatory planning in community management and development.⁴²

The opportunity to carry through these objectives first arose during 1973-74. \$3.5 million was loaned to assist the Victorian Housing Commission to purchase property at Emerald Hill in Melbourne and to the New South Wales government for purchases in Glebe and Woolloomooloo in Sydney. The Glebe program involved the acquisition and some redevelopment of 700 dwellings on 19 hectares of land purchased from the Anglican Church at a cost of \$17.5 million. A further \$1 million was to be spent on rehabilitation during 1974-75.⁴³ The Woolloomooloo project was to focus on the renovation of, and addition to, the low income housing stock as well as the provision of adequate community amenities and public open space. The rehabilitation programs achieved most of what they set out to do and their funding was continued even after the demise of the Labor government.

The Land Commissions

The principle behind the Labor government's attitude to land use and development is stated in the 1973 Report of the Commission of Inquiry into Land Tenures:

Land is a finite resource to be used for the benefits of the community rather than an object of speculative interest...because development rights ensue from government action, it is the community generally and not the individual land holders who should reap the benefits accruing from such rights. 44

42: IURD, *A National Program for UFD*, April, 1974, p. 16.

43: *Budget Paper No. 8*, p. 31.

44: *Report...*, AGPS, 1974,

The Land Commission's program involved the provision of financial assistance to the States for:

- a) land acquisition for comprehensive high quality development;
- b) servicing and development of land acquired to the extent that these costs were met from normal Government subventions;
- c) urban renewal and development;
- d) study programs and research on problems of urban and regional development.⁴⁵

The payments to the States were bound by the condition that the recipient States agreed to establish a Land Commission or a similar high-level co-ordinating body to control and co-ordinate the programs. Additionally the States were also required to introduce land price stabilisation legislation to apply in areas being acquired with Federal government financial assistance.⁴⁶

Of all the DURD programs the Land Commissions created the greatest amount of controversy at a political level. Most of the controversy was over the formula to be applied in assessing the value of the land at the time of purchase by the particular Land Commission. Owners of land would get compensation on the basis of either the existing use value of the land at the date of acquisition, or, the market value of the land at the base date accumulated at a rate of interest from the base date to the date of acquisition. Under either scheme the result was much the same: the Commission would capture the unearned increment arising from the change in the use of the land (e.g. rural to residential) by appropriating the development

45. *Budget Paper No. 8, 1974-75, Op. Cit.*, p. 18.

46. *Ibid.* p. 19.

value. The removal of the speculative element would then reduce the cost of land and hence its price. The main group that this proposal affected was of course, the land speculators, both those engaged in the fast turnover of land and those "sitting" on land in the form of either individual blocks or large tracts of rural lands upon which cities would eventually encroach. Other opposition to the Land Commission proposal crystallised around the creation of the "hydrocephalic monster of bureaucracy" that would be necessary to administer the scheme, and, an inevitably resulting inefficient use of land arising from the removal of land from normal market forces.⁴⁷

Despite some concerted lobbying along these lines by groups such as the Urban Development Institute, which represented builders and developers, the Government was determined to push ahead with the Commissions. The first agreement was reached with South Australia in November 1973 and the South Australian Land Commission was established. By the Budget of August 1974, agreements in principle, had been formally reached with New South Wales, Victoria and Tasmania, and detailed programs for Queensland and Western Australia were under discussion.

The National Sewerage Program

By December 1972, 17.4 per cent of urban areas housing one-sixth of the population of the principal urban areas of Australia were unsewered. This situation arose principally because of a period of rapid urban growth when inadequate resources were available for the provision of urban services. Prior to 1972, the situation had been partially solved by the requirement that land developers and sub-

47. T. Bardy, Reflections on the Report of the Commission of Inquiry into Land Tenures, *The Developer*, August 1974, p. 143.

dividers contribute to the provision of sewerage systems, but this of course, only catered for new developments.⁴⁸ There was still a large backlog of areas waiting for sewerage in the older established residential areas.

On the 16 December, 1972, Whitlam, the new Prime Minister, wrote to each of the State Premiers indicating that it was the wish of the Federal government that all premises be sewered by 1978.⁴⁹ By the end of 1973 however, it was clear that such a target date was unattainable given the cost and the limits of resources in the construction and equipment supply industries. A new target was set with completion somewhere between 1980 and 1985. As at June 1974, the estimate of the total cost of the works program needed to realise the objective was approximately \$3,800 million with a contribution by the Commonwealth of approximately 40 per cent or \$1,500 million.⁵⁰

The priority areas for the scheme were to be the metropolitan areas in each State, associated fringe areas experiencing metropolitan growth pressures and provincial cities with a population in excess of about 60,000 people. The States submitted to the Commonwealth, estimates of the shortfall in capital funds which were likely to arise if the States were to embark upon a program of works with the object of eliminating the connection backlog by the initial target date of 1978. This shortfall, shown in Table 3:1, is the difference between the aggregate cost of the works and the capital sums available to the respective responsible authorities.

48. *Budget Paper No. 7, 1974-75*, p. 20.

49. DURD, *Briefing Notes for Conference on State Grants (Sewerage Agreements Bill)*.

50. *Budget Paper No. 7, 1974-75*, p. 21.

Table 3.1 Capital funds shortfall arising out of accelerated sewerage programs to meet a 1978 target year.

(\$ million)

Urban Area	Initial Year Shortfall 1973-74	Target Year Shortfall 1978
Sydney - Wollongong	25.90	218.80
Newcastle	8.34	45.60
Melbourne	32.70	234.80
Melbourne Fringe	.60	10.90
Brisbane	1.00	6.90
Brisbane Fringe	.30	15.45
Gold Coast	3.05	30.35
Townsville	.15	.76
Adelaide	2.10	8.42
Perth	5.59	64.74
Hobart	2.63	13.15
Launceston	1.37	6.33
Total Shortfall	83.73	637.89

Source: DWRD, *Briefing Notes*, Op. Cit., p. 5.

With allowance for inflation, the shortfall was expected to rise from \$640 million to a figure in the region of \$800 million by 1978. With urban areas of less than 60,000 population included, the shortfall was expected to be closer to \$1,000 million.⁵¹

The extent of the shortfall is a fairly clear indication of the "stretched" nature of State finances. Additionally, the States faced higher relative costs for their capital requirements as they had to raise their funds at ruling interest rates. The magnitude of the expenditure involved also overawed many State administrations. Clearly the States were in no position to cope with the provision of

51. DWRD estimates, 1974.

such a service within a definable and reasonable time period.

With a display of excessive zeal the Commonwealth initially allocated \$84 million to the scheme for 1973-74 only to find that it was not possible to spend it in such a short period without severe "bidding up" of contract prices and seriously straining available manpower and materials. Eventually \$30 million was appropriated for 1973-74 which, although resulting in a rather slow start to the program, allowed the sewerage authorities to gear their construction capacities to be in a position to cope with further expansion in 1974-75.

Urban Water Supply 52

The development and management of water resources was an area in which primary responsibility had traditionally rested with the States. Over some time however, and particularly since the Second World War, the Commonwealth had become increasingly involved in water storage and supply, the Snowy Mountains scheme being a prime example. It was also involved in water supply in a more general way through the programs of the Australian Water Resources Council and the provision of financial assistance to specific State projects. However, in 1973, the new Federal government adopted a broad policy statement in relation to the development and management of water resources. This statement indicated the Federal government's intention that all water resource projects should be assessed on the basis of their impact on social welfare, economic development, and the environment.

In the 1974-75 Budget the Commonwealth allocated finance through DURD for two new State sponsored urban water projects. The first was to be in Adelaide where water quality was seriously below international
52. This section draws heavily on *Budget Paper No. 8, 1974-75, p. 22.*

standards. The second project was to provide a comprehensive regional water supply system in North-West Tasmania which also was suffering major deficiencies in the quantity and quality of water supply. Overall the Urban Water Supply program never featured very largely in the total UND budget: the 1974-75 allocation of \$4.4 million was solely for the Adelaide scheme. Expenditure rose to \$8.9 million in 1975-76, incorporating the Tasmanian scheme.

The National Estate

The National Estate program grew from the "quality of life in urban and rural areas" ethos of the Labor government. Its brief was the preservation and enhancement of those parts of the cultural and natural heritage that contributed to the "quality of life". The national estate itself was considered to include national parks, and nature reserves; buildings and structures of historical, architectural or other importance; areas of special scientific interest; areas of special archaeological interest; the coastline; inland waters; urban parks, gardens and recreation areas; rural recreation resources; and key landscapes.⁵³

The programs were to work with and through other Departments of the Commonwealth such as Environment and Conservation and non-government organisations such as the National Trust. Direct allocations were made to the National Trust for various preservation functions and to the Department of Environment and Conservation for the establishment of National Parks. The programs themselves fell into three major categories:

⁵³. *Ibid.* p.21.

- the acquisition of buildings;
- restoration, preservation and enhancement of properties;
- studies relating to such matters as the preservation of historic buildings, townscapes and landscapes of natural and scenic importance, land use, architecture and other matters related to the National Estate.

Financial assistance for the programs was allocated as non-repayable interest free grants. In 1973-74, \$2.5 million was allocated for the programs although only \$0.6 million was actually spent, the reasons for which stemmed from two sources: firstly, the slowness in actually getting the program going and secondly the delay in the completion of the Report of the Committee of Inquiry into the National Estate which was not available until well into 1974. Thereafter it received increased financial assistance.

DURD and Early Political Problems

The first hurdle the new Federal government had to overcome in commencing its programs was a general resistance to any enlarged form of Commonwealth intervention in the urban and regional environment. Some of the programs were obviously going to be more controversial than others, and, whilst opposition was expected from some quarters, its level and intensity certainly was not. The amount of opposition from the real estate entrepreneurs generated by the activities of the Land Commission's program is probably the best example of this. Further, opposition from other levels of government also arose early in the life of the Department. There were State complaints that program control vested in a Commonwealth body carried a connotation that "Canberra knows best". Being subservient to a distant body also carried for the States an ever present threat that State-

lack of understanding of what Commonwealth policy encompassed. Early discussions between officers from DURD and the State Premiers revealed that there was negligible understanding of what Federal policy toward the cities really meant. This situation was exacerbated by the Federal government's rather heavy handed approach to the flow of money from the Commonwealth to the States. The Prime Minister, in his opening speech at the June 1973 Premiers Conference put the Commonwealth position bluntly when he said:

From now on, we will expect to be involved in the planning of the function in which we are financially involved. We believe that it would be irresponsible for the national government to content itself with simply providing funds without being involved in the process by which priorities are met, and by which expenditures are planned, and by which standards are met. 57

Such a statement could do little but give the Premiers some cause for resentment over the use and administration of Commonwealth originated funds.

The workings of the Land Commissions especially caused consternation among the State governments. Finance to assist the States in acquisition programs would be provided by the Federal government only after agreements with the Commonwealth had been signed and proposed acquisitions approved. Given that the States had insufficient funds to promote their own schemes the only way they could obtain the finance was to agree to the Federally dictated conditions. A refusal to accept the money was electorally dangerous as they could then leave themselves open to charges of not combating rising land prices, favouring land speculation, or taking a partisan approach to a

57. cited in *Local Government Administration Op. Cit.* p. 43.

recognised social problem.

Predictably initial negotiations with the State Premiers produced a mixed bag of results. The Land Commission program was primarily aimed at Sydney and Melbourne because of rising land prices, but the only State to welcome the scheme initially was South Australia. The Victorian Minister for Housing, Vance Dickie, believed it would be "tragic for Victoria to allow the Federal government to come in and control land in which they have no jurisdiction at present".⁵⁸ The New South Wales Premier, Tom Lewis, retorted that "the Australian government was suffering Alice in Wonderland-type delusions if it thought it could control land prices effectively".⁵⁹ In both cases, the political opposition centred around Commonwealth involvement in areas of traditional state responsibility. Moreover, the conservative governments of New South Wales and Victoria did not want to lose political kudos to a Federal government of the opposite political persuasion.

The Federal government itself was quick to realise the electoral advantages of these programs and to some degree used the announcement of them for political mileage. This was especially the case with regard to the Land Commissions and the Growth Centres and to a lesser extent, the Sewerage program.

DURD's political problems were not only to be expressed through the grand-standing of politicians on the other side of the political fence. Opposition was to grow within all State governments during its period of operation, and was best reflected in the changing financial

58. *The Age*, Melbourne, 27/1/75.

59. *The Telegraph*, Sydney, 5/12/73.

relationship between the levels of government in Australia. In time, the States were to find themselves bypassed as the Federal government gave more concrete expression to its regional philosophy.

As the Commonwealth took greater steps toward bringing "government to the people" and intervening directly to improve the lot of the individual in his environment it was inexorably drawing itself close into conflict with the bastions of centralised power in the Australian federation, the States themselves.

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CHAPTER 4

DIVID 2.

DURD and the Federal/State Financial Relationship

Provision of financial assistance to the States for the purpose of urban and regional development was regulated by the Urban and Regional (Financial Assistance) Act, 1974.¹ The Act specified that the assistance would be provided by way of loan or any other means as the Commonwealth government saw fit for its purposes. Funds were voted from Consolidated Revenue and from the Loan Fund for expenditure on specific projects, under section 4 of the Act, that the Minister had approved after consultation with an appropriate Minister of a State. The Payments to or through the States from the Commonwealth for the DURD programs are detailed in Table 4:1 which indicates the absolute amounts paid to the States over the period. The dramatic decline in 1976-77 is the result of the first Liberal-Country Party Budget.

Table 4:1 *Payments by Function - DURD Programs 1972-73/1977-78*
(\$ million)

	1972-3	1973-4	1974-5	1975-6	1976-7	1977-8
Land Commissions		11.5	41.1	54.4	24.0	26.3
Sewerage		27.9	117.7	113.3	49.8	.2
Urban Water Supply			4.4	8.9	9.2	6.0
Growth Centres		6.6	61.3	69.6	43.7	25.6
A.T.P.		7.4	13.8	15.0	.6	
Urban Rehabilitation		5.3	16.7	6.7	3.8	.2
R.O.A.P.			.3	.2		
National Estate	0.1	0.3	7.0	3.9	1.3	2.2
Total	0.1	59.0	262.3	271.9	132.4	60.5

Source: Payments to or for the States etc., *Budget Papers No. 7*, 1976-77/1979-80

1. Act 135 of 1974, assented to 9 December 1974. This was followed by Act No. 74 of 1975 for an additional allocation for 1975.

In order to put these payments into perspective, Table 4:2 illustrates their proportion in total payments to the States over the same period.

At the peak of DURD's expenditures the payments amounted to 4.1 per cent of total payments to the States. Viewed against the figure of 1.4 per cent in 1973-74 the significant increase in the share of total payments became a matter of concern for the States. As well, there was no indication that this growth was going to diminish.

Table 4:2 *Proportion of DURD Program Payments in Specific Purpose Payments and Total Payments, 1972-73/1977-78,*

Year	(\$ million)				
	(1) Payments for DURD Programs	(2) Total Specific Purpose Payments	(3) Total Payments to States	(4) (1) as % of (2)	(5) (1) as % of (3)
1972-73	.1	931.5	3451.8	.01	.002
1973-74	59.0	1570.1	4186.5	3.7	1.4
1974-75	262.3	2966.9	6423.5	8.8	4.1
1975-76	271.9	4152.4	8466.5	6.5	3.2
1976-77	132.4	4068.5	9147.1	3.2	1.4
1977-78	60.5	4449.1	10224.3	1.3	.6

Source: Payments to or for the States etc., *Budget Papers No. 7*, 1976-77, 1979-80.

In the 1975-76 Budget there was a slowdown in the growth of payments to the States which was also reflected in the DURD program payments. This was occasioned by a deteriorating economic outlook which brought about a review of economic strategies by the new Treasurer, Bill Hayden. The Commonwealth, however, was still distributing back to the States allocations at a greater rate than its own increase in revenue. Table 4:3 shows the annual growth of payments to the States compared to the growth in Federal revenues. Even with the high inflation rate taken into account the rate of increase in the payments to the States was unprecedented.

Table 4:3 *Annual Growth Rates*
(per cent)

	1972-73	1973-74	1974-75	1975-76	1976-77
Total Federal Payments to States	15	21	51	30	8
Total Federal Revenue	6	25	28	20	17
Inflation (C.P.I.)	6	13	17	13	14
Real Increase to States	9	8	34	17	-6

The increasing level of specific purpose payments in total payments was, as stated earlier, a major concern to the States because of the effect that this was having on their own Budgets and expenditure priorities. The States' participation in the new specific purpose programs, however, was affected by more than a general apprehension over the Budgetary distortions imposed by having to meet revenue or matching conditions on the payments.² The States were reluctant to dissociate themselves completely from many of the programs because by doing so they would have lost access to the financial benefits arising from them.³ The land purchase program requiring the establishment of Urban Land Councils was one significant exception to this. For some State governments public ownership of residential land was totally beyond their political and ideological philosophy.

Apart from the Budgetary problems, the States were experiencing considerable administrative difficulties with the implementation of the programs. This resulted mainly from the Commonwealth's insistence upon a greater degree of supervision of State expenditure of Common-

2. Distortions are presumed to exist when the Commonwealth provides assistance on conditions requiring the grants to be allocated according to priorities which differ from those of the States, or, specifying matching or revenue conditions making it necessary for the States to redirect expenditures from, what was to them, higher priority to lower priority areas. Many of the DURD programs were prime examples of matching conditions - growth centres, sewerage, urban water supply, and the land commissions were particularly prominent.
3. See C.P. Harris, *Relationships Between Federal and State Governments in Australia*, p. 108 ff.

wealth funds than had been the case previously.⁴ The payments for the DURD programs were one part of the specific purpose funds that flowed from the Commonwealth and their growth and decline generally followed that of the total payments over the period. Table 4:4 shows the level and growth of these payments during the Labor administration and the abrupt reversal of the growth rate due to a revamped Budget policy in 1975-76. The DURD payments shown in Table 4:2 exhibited this trend. To effect a lower level of total payments to the States in 1975-76 the Labor Treasurer was obliged to reduce specific purpose payments (including the DURD payments) even though this ran contrary to the Whitlam government's earlier policies.

Table 4:4 *Specific Purpose Payments/General Purpose Payments (a)*
1972-73/1977-78. (\$ million)

	S.P. Payments	Changes in rate (%)	G.P. Payments	Change in rate (%)
1972-73	931.5		2682.9	
1973-74	1570.1	68.6	2790.5	4.0
1974-75	2966.9	88.9	3600.9	29.0
1975-76	4152.4	39.9	4402.6	22.3
1976-77	4068.5	-2.0	5078.6	15.4
1977-78	4449.1	9.4	5775.2	13.7

(a) Comprising general revenue funds, Loan Council borrowings and general purpose capital grants.

Source: Payments to or for the States etc., *Budget Papers No. 7*, 1975-76/1979-80.

By deflating and indexing all the payments over the period it is possible to observe the real movements and changes that were taking place. Table 4:5 shows these movements using an index with 1973-74 as the base year and with the values deflated to 1973 values. What worried the States in the period 1972-75 was the rise in the specific purpose payments (because of programs such as DURD's) with their

4. A full description of the problems of duplication, delays, inflexibility, and administrative overlap is included in Harris, (*Ibid.* p. 110 ff) where several examples are cited of problems with DURD programs on both their financial and administrative sides.

TABLE 4:5 Index of Deflated Values (a)
*Specific Purpose, General Purpose, Specific Purpose Current, Specific Purpose Capital,
 Payments for DURD programs, Total Payments 1972-73/1976-77*

(1973-74 = 100) b

Year	S.P. Current	S.P. Capital	Total S.P.	General Purpose Payments	DURD Program Payments	Total Payments
1972-73	74	65	68	111	.2	93
1973-74	100	100	100	100	100	100
1974-75	166	150	157	107	368	127
1975-76	274	138	191	113	332	146
1976-77	245	107	161	113	139	135

a. Converted to 1973 values using C.P.I.

b. 1973-74 chosen as the base year because of a distortion which would have resulted due to the low DURD payment in 1972-73.

attendant conditions while, as Table 4:5 reveals, the real value of general purpose payments was decreasing. While the States total receipts of Commonwealth funds increased steadily over the period, this increase was almost solely in the specific purpose payment area. To make matters worse, the specific purpose payments that had matching grant conditions, such as the growth centres, urban water supply, and land commissions, further reduced the amounts of untied financial resources available to the States. As a direct consequence of the policy of the Whitlam government in Federal/State financial relations, general purpose payments decreased in 1973-74 and did not recover to 1972 levels until the new Treasurer, Bill Hayden, brought down his 1975-76 Budget. Hence whilst the States had more money to spend overall they had less to dispose of according to their own priorities.

Table 4:5 also indicates another area of major concern to the States in the new financial relationship: the increasing use of specific purpose payments for recurrent purposes relative to capital purposes. Once again, some of the DURD programs, especially the growth centres, featured largely in this particular conflict. The table clearly demonstrates that, during the years of the Whitlam government, grants for recurrent purposes increased far more rapidly than did capital grants. Inasmuch as finance provided under recurrent grant schemes, by definition, reflects prolonged Commonwealth involvement within a State, these grants have been less popular than the "one-shot" grant for a service of a capital nature. The States have always argued that ongoing costs for any particular service should be met out of an increased general purpose grant.

For the States part, the proportion of specific purpose payments within total State outlays was also rising rapidly (see Fig. 1:1) reflecting the growing, and "worrying", Commonwealth presence. The States were having the direction of their expenditure dictated as never before. For the Commonwealth's part, such interference was imperative: without it the program of social reform promised by the Labor administration could not be fulfilled.

Of specific purpose payments to the States overall, it has been established by P.B. Wade that:

...43.7 per cent of the increase in specific purpose payments in 1973-74 was the result of Federal government decisions to switch from general purpose payments to specific purpose payments as the basis of financing some areas of State responsibility.

...39.7 per cent of the increase was the result of new programs, adopted by the Federal government in 1973-74, which were financed by specific purpose tied grants.

....In total something in excess of 80 per cent of the gross increase in specific purpose payments was the result of the policies of the Labor Federal government. 5

Payments for urban and regional development were also made on a very complex basis involving a large amount of co-operation between the tiers of government. The payments were subject to conditions imposed by the legislation appropriating the funds, and in each case depended on a detailed agreement or agreements painstakingly negotiated between the Federal government and the State or States involved.

As Wade observed of the URD payments:

5. P.B. Wade, *Op. Cit.* p. 10.

The whole concept has provided a continuous series of field days for government legal officers. In addition it has brought to light an extraordinary number of eminent 'bush lawyers' from officers who were otherwise economists, engineers, accountants, or administrators. And it has produced an amazing number of conferences and interstate journeys for both State and Federal Officials.⁶

As might be anticipated, with Commonwealth/State financial relations strained over policy differences, many Federal government Departments were having problems keeping two separate and usually opposing camps happy. DURD had a heavy dependence on State Departments for information about cities and regions and for the implementation of DURD policies. This meant that the Department was required to devote considerable attention to maintaining good relations with their opposite numbers in State governments. When it came time for framing the national Budget, DURD had to compete with other Federal Departments for a share of the funds, but it could use State claims for greater expenditure in the area of urban development to bolster its case against the parsimony of the Treasury and the requests of other Departments.⁷ DURD also had a strong interest in trying to prevent the States from being starved of funds in those areas which might prevent DURD from achieving its policy goals. Paradoxically, the States wanted the funds, but not on the Commonwealth's terms, and DURD wanted the States to accept the funds so it could fulfil its programs.

In addition to the conflict over financial matters, much confrontation between the Commonwealth and the States occurred because pre-occupation with political and bureaucratic power diverted attention

6. *Ibid.*

7. Holmes and Sharman, *Op. Cit.*, p. 122.

from policy goals and objectives. On the one hand, the States complained that the programs and policies were formulated without adequate planning and consultation, and without regard to legitimate State interests. On the other hand, the States (and still are) often loath to accept the fact that there are national interests which require programs and policies to be formulated by a national government.⁸ By mid-1975 there was an impasse in Federal-State relations which was the product of rivalries between State and Federal bureaucracies and the political animosities of individual Cabinet Ministers at both State and Federal level.

Some of the programs undertaken by the Commonwealth between 1972 and 1975 were on the initiative of the States and therefore were exercises in true co-operative federalism. That other programs, especially the DURD programs, were initiated by the Federal government, and represented an intrusion into areas of traditional State responsibility, were regarded as exercises in "coercive federalism".⁹ As far as the States were concerned any type of coercive federalism was unacceptable as it went against the assurances given earlier by Whitlam that the Commonwealth would work in co-operation with the other levels of government. 1973-74 was a bad year for the States as it was the first full year in which the philosophy of funding the States predominantly through specific purpose payments was put into effect, along with the involvement of the Federal government in the planning and execution of programs so financed. Whether the States knew it or not, it was also to set the pattern for the Commonwealth's dealings with them over the subsequent two years of the Labor administration.

8. CRFFR, *1974 Report and Review of Fiscal Federalism in Australia* A.N.U. 1975, p. 23.

9. *Ibid.*

DURD, Federalism, and Local Government Finance

The relationship that developed between the Federal government, DURD, and local government was forecast as early as 1971 by Gough Whitlam in a speech to a seminar on the future of federalism:

The future of Australian federalism depends more upon municipalities than upon the Commonwealth of the States. Federalism is threatened not by the draft of power from State capitals to Canberra but by States imposing upon municipalities functions which are beyond their means. It is not the Commonwealth but the States which must resist or fear a reassessment of functions in our federation.... 10

The Barnett Report on local government administration in N.S.W. had pointed out that local government's share of total expenditure had been "shrinking", and by 1969-70 represented only 7.4 per cent of total government expenditure. This compared unfavourably with other Western countries such as Canada with 21.6 per cent, United States with 25.4 per cent and Great Britain with 34.6 per cent.

Labor policy grew from the belief that true federalism, and better urban and regional planning, lay in the status and financial viability of local government. With this philosophy in mind, the Federal government acted upon a number of policies during 1973 and 1974 which affected local government finances:

1. The role of the Grants Commission was broadened to enable it to inquire into and report on applications by local government authorities for financial assistance from the Federal government.
2. Many of the programs initiated by the Federal government provided finance for local government activities, often in the

form of Section 96 grants to the States,
(sewerage, National Estate).

3. The Federal government put forward a proposal to provide for local government representation on the Australian Loan Council, and to provide local government with access to borrowed funds at the Commonwealth bond rate of interest instead of the higher semi-government rate. 11

However, the proposal for local government representation on the Loan Council required constitutional amendment; this was put at a referendum in conjunction with the May 1974 elections. Despite achieving a majority vote, the proposal was lost as it failed to gain majorities in four of the six States. Notwithstanding this, some rearrangements had already been effected. The new Grants Commission Act of 1973 provided direct finance for local government, although money was supposed to be made available through regional organisations of local government councils and in consultation with State governments. The Act also gave the Grants Commission the power to inquire into and report on the organisations applications for grants after giving the Australian Treasurer, the Minister for Urban and Regional Development, and State Ministers, the opportunity to make submissions.

The Federal government viewed the grant of financial assistance only as a supplementary revenue grant, a "topping up at the margin" of local government revenues, which were traditionally derived from their own rates, charges, loans and grants by State governments. It was not in the Federal government's mind to replace these local government revenue sources by Commonwealth grants. The Federal government, however, saw these new arrangements as exercising a powerful influence towards the restructuring and development of the

relationships between the three tiers of government within
Australia.¹²

Assistance for local government, payable under the new Act, was to take the form of Section 96 grants to State governments to be provided on condition that they were paid to the local government organisations for which they were intended. In 1973, after consultation with the States, the Minister for Urban and Regional Development approved 68 regions comprising 876 local authorities.

Using similar criteria and methods to those it had developed in assessing the financial needs for claimant States, the Commission, in August 1974, recommended grants amounting to \$56.34 million for 806 local authorities for the financial year 1974-75. In 1976-76, this was increased to \$79.91 million for the 844 organisations and authorities which claimed for that year.

DURD adopted an advisory role in the Grants commission assessment of needs in the regional organisations, although it was responsible for the creation of the organisations themselves on which the system was based. The role of DURD in the Commission's activities can be summarised in three main points:

1. The technical services in urban and regional development required by the Commission in its assessments would be drawn from DURD.
2. The Commission was not to intrude into the specific purpose payments area but confine itself solely to general revenue assistance.
3. The Commission would deal with financial principles and procedures - advice about regional organisation needs, urban and regional matters, policies and priorities would be given by DURD.

12. Extracted from private papers in possession of the author, March, 1973.

The distribution of Commonwealth funds to local authorities is indicated in Table 4:6 with the DURD programs separated to show the amounts of these funds that flowed directly to local government.

Table 4:6 *Commonwealth Payments to or for Local Authorities*
1973-74/1977-78 (\$ million)

	1973-4	1974-5	1975-6	1976-7	1977-8
General Purpose Assistance for Local Government	-	56.34	79.91	140.00	165.33
Direct Payments to Local Government	5.96	53.86	109.96	15.17	14.40
Other Payments through States	84.35	94.19	113.63	109.87	137.15
Growth Centres	.30	2.54	3.67	2.62	-
A.I.P.	6.49	13.78	15.00	.50	-
Sewerage	2.00	25.55	25.15	8.80	-
National Est.	-	.93	.98	.46	.41
TOTAL (a)	100.78	248.42	350.33	279.39	319.63

(a) including AAP payments and payments to the Northern Territory.

Source: Payments to or for the State etc., 1977-78, 1979-80.
Budget Paper No. 7.

The large increase in the general purpose payment to local government in 1976-77 was a reflection of the post-1975 Federal Liberal-Country Party government's policy of increasing the amounts of untied grants to local government. But, as the table shows, the total amount of grants actually fell in that year. Indeed, total payments to local government in real terms rose dramatically in 1974-75 before slowing markedly in 1975-76 and virtually collapsing in 1976-77. This rise and fall is indicated in Table 4:8 in which the amounts have been indexed and deflated to 1973 values in order to gauge the real value of the funds they were receiving.

Table 4:7 *Index of deflated values: Total Commonwealth Payments for Local Authorities - 1973-74 / 1976-77*

(1973-74 = 100)

1973-74	100
1974-75	204
1975-76	251
1976-77	172

Source: Table 4:7, C.P.I. deflator

However, in 1974 the new pattern of payments provoked a varied response according to the level of government and the amounts paid to the recipients. State governments by and large were wary at best, antagonistic at worst. They welcomed the assistance, but their fundamental argument, that given adequate resources they would look after their own creations, stood firm.¹³ Local governments' reactions covered the whole spectrum, as one commentator noted:

...from unadulterated joy and adulation (particularly where massive government grants were received) to fear of central control, political favouritism, and hostility (particularly where the recommended government grant was nil).¹⁴

The whole distribution of Commonwealth grants ran into some serious difficulties. The Grants Commission had little if any data on local government finance and other statistics to enable it to draw up the categories for the provision of grants.¹⁵ The statistical information emanating from the Councils was often based on differing scales or sets of criteria and therefore not comparable. When it came to actual distribution of funds the Commission decided in favour of recommending

13. N.T.C. Miles, *The Eternal Triangle, Local Government Administration*, 17/14, 1975, p. 17.

14. *Ibid.*

15. The problem of the lack of information was partially solved in July 1974 when DURD published a survey of public finance, particularly in regard to local government finance, in an effort to broaden the information base.

grants for individual councils rather than for regional groupings - thereby rejecting advice from the Treasury, DURD, and from the South Australian and Tasmanian governments. The Commission actually noted in its first report that the regional groupings were not legally constituted so as to receive such money. The Commission also established a principle that grants should not be tied to the effort made by councils to raise their own money. The local government associations were to be entitled to keep their taxing freedom and receive grants to supplement their revenue on a "topping-up" basis.

The final distribution of grants came under strong criticism in some quarters. It was alleged, for example, that councils in similar areas and with similar revenue raising capacities, had received widely differing amounts. Some councils were beginning to wonder whether those councils working towards regional co-operation were being rewarded with higher grants than those that were not.¹⁶

The increase of 40 per cent in general purpose payments to local government in 1975-76 was an indication of a strong commitment by the Federal government to the concept of direct involvement in local government. This was especially so considering the much tighter budgetary situation of 1975-76. It was, however, making it quite clear that there was a limit to the amount of financial assistance the government would give on an untied basis. The Federal government, and DURD particularly, saw its programs as based on a priority of need, so any further assistance had to be directed by the government

16. *Bulletin*, 7 September 1974, p. 23. In Sydney, Marrickville council received \$320,000, Canterbury \$620,000, Hurstville \$8,000, and Concord, nothing.

through programs which would qualify local authorities for specific purpose assistance. There were ways of making this assistance less demanding through broader forms of sector financing, but even "allowing for these developments", said the Minister for Urban and Regional Development:

...there is no way in which the Australian government will simply hand over a lump sum for local government to spend as it wishes. We are prepared to go a certain way. We will seek dialogue and co-operation at all times. But it would be a denial of the principles of accountability and priority based on need that guide all of our programs. 17

Local government generally saw its task as resisting any attempt by either State or Federal governments to straight-jacket councils with "conditions, requirements, supervision, and inspection". As N.T.G. Miles, an influential local government spokesman claimed, local government's intend:

...to take the fight to our partners by asserting our independence, and competence, and the natural advantage we have which stems from the enthusiasm, dedication and local know-how which is part and parcel of local government. 18

Local government clearly wanted to have it all its own way. After years of posing as the withering arm of government in Australia, and complaining bitterly to no avail, their new found strength had somewhat "gone to their heads". They wanted both the finance, and the autonomy that no other level of government had, not that the Commonwealth or the States were about to make any concessions. For its part, DURD now found itself in the unfamiliar role of wrangling with the very organisations it had championed.

17. T. Uren, Speech to Conference of Regional Chairmen and Secretaries, Melbourne, 31/7/75, A.G.W.D. 28/7/75 - 3/8/75. p. 627.

18. N.T.G. Miles, *Op. Cit.* p. 17ff.

DURD in Decline: . . . 1975

Table 4:4 reflects a marked slowing in the growth of specific purpose and general purpose payments to the States in 1975-76. This arose from the decision in the 1975-76 Budget to impose some restraint in order to halt the shift of resources from the private to the public sector that had been taking place on such a significant scale during the preceding two years. In the words of the Treasurer, Bill Hayden, the key-note of the Budget was "consolidation and restraint rather than further expansion of the public sector".¹⁹

This restraint was a direct reaction to the spiralling inflationary situation of the previous twelve months which culminated in a growth in the consumer price index for the year ending 30 June, 1975 of 17 per cent. Specific purpose payments fell by a greater amount relative to the general purpose payments as general purpose funds are worked out according to a formula, which includes such items as wage costs, whereas the specific purpose payments are purely discretionary grants. Moreover, capital expenditures came in for more drastic cuts at this time (refer to Table 4:6).

Conscious of the need to grapple with the inflationary situation, the Prime Minister indicated at the Premiers' Conference of June 1974 that over the subsequent twelve months the beginning of what was to be a fairly conventional austerity assault against inflation would emerge. The measures proposed were similar to those taken in the early 1950's by the then Prime Minister, Robert Menzies.²⁰

19. Russell Mathews, *1975 Report and Review of Fiscal Federalism in Australia*, A.N.U., 1975. p. 61.

20. *Bulletin*, 15 June 1974, p. 9. Generally involving anti-inflationary fiscal measures.

The proportion of specific purpose payments for urban and regional development declined only slightly from 7.9 per cent in 1974-75 to 7.05 per cent in 1975-76 indicating that at least the programs were maintaining some priority in the specific purpose area. However, in terms of total payments to the States, as Table 4:2 showed, the payment for DURD operations fell from 4.1 per cent in 1974-75 to 3.2 per cent in 1975-76, a fall of nearly a quarter, indicating a substantially reduced commitment to the DURD activities within the context of the tighter Budgetary situation. A large part of the decline came from reduced capital grants with a greater amount of funds going in the form of recurrent grants and advances. Assistance particularly for growth centres continued to be provided mainly in the form of advances.

From an overall viewpoint, Table 4:8 reveals the changes that took place in the nature of specific purpose payments between 1972-73 and 1977-78.

Table 4:8 *Components of Commonwealth Specific Purpose Payments 1972-73/1977-78*

(as a per cent of total specific purpose payments)

	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>
Recurrent grants	41.9	39.6	41.0	54.9	59.8	65.6
Capital grants	47.5	40.4	36.0	26.7	26.6	23.6
Net advances	10.6	19.6	21.2	15.7	13.2	10.4
	100.0	100.0	100.0	100.0	100.0	100.0

Source: Payments to or for the States etc., 1975-76, 1979-80
Budget Paper No. 7.

By the end of 1975 the Federal Labor government was still debating its regionalist philosophy. No longer, however, was the question one of whether to have regions or not, but rather the form that regionalism

could and should take.²¹ DURD recognised the problems of implementing a regionalist philosophy when there was a tendency for decision making to gravitate to the level of government that had the greatest authority.²² In Australia's case, the Federal government had grown to enjoy the greatest command over financial and human resources and hence would be required to re-evaluate and reduce its own functions and powers before there was any chance of regional organisations being able to play the role intended for them.

Problems were also apparent in the cost area. New evidence was suggesting that many programs had not been designed or delivered in the most efficient manner. Moreover, the services were not reaching those that had the greatest need, at least to the extent that others with lesser needs had benefited. These were the aspects of efficiency and equity which the regionalism proposals originally set out to solve. As of later 1975 there was also little indication that governments at the State level were willing to share their legislative or executive responsibilities with local or regional government.²³

Many of the problems seemed to stem from a lack of clarity with regard to what regionalism really meant and how it was to be applied. There were four recognised types of regional approaches, termed for convenience: 1. functional, 2. administrative, 3. co-ordinative, and 4. co-operative. Each approach differed in its application and what it set out to achieve. DURD was confused as to which approach should be applied to any particular problem. It noted late in 1975 that "there

21. DURD, *Issues in Regionalism - The Australian Government Experience*, November, 1975, p. 12.

22. *Ibid.* p. 13.

23. *Ibid.* p. 14.

is as yet still some distance to go in fully comprehending the implications of regionalism and in applying the appropriate forms of regionalism to resolve the issues at stake".²⁴

Some action was being taken at the State government level. Legislation was proposed in Tasmania which incorporated many of the principles of co-operative regionalism. With DURD assistance, the New South Wales government was also undertaking a review of planning arrangements in the State, with greater emphasis upon regional considerations.²⁵ Notwithstanding the Labor government's regional policy, the work of DURD was subject to a constant barrage of political criticism. Many of the Department's opponents believed that with the economy in recession Australia could not afford the luxury of a high powered, high-spending Department whose philosophical priorities had not been resolved. It was not unexpected therefore that the non-Labor parties at State and Federal level pledged a complete review of the Department's operations.

However, in a somewhat unexpected compliment, the Australian Property Investor of 24 October 1975 recorded that "on a number of counts DURD stands as one of the real successes of the Labor government".²⁶ Alone amongst the Federal Departments, DURD was created from nothing.

Other Departments were assembled from fragments of existing agencies or created by a division of previously existing Departments of the Liberal government. In its relative newness, however, lay the basis of DURD's various strengths and weaknesses.

24. *Ibid.* p. 26.

25. *Ibid.*

26. *Australian Property Investor*, 24 October, 1975, p. 16.

During the heady days of 1973 there was a scramble for personnel amongst the growing Federal departments which were then being re-structured or acquiring new weight from their roles in major areas of Labor policy emphasis. DURD, however, was initially more restrained with the result that a number of its senior officials were recruited from overseas or from among the "heavyweights" in other Commonwealth agencies.

Between 1973 and 1975, DURD worked conscientiously towards cultivating relations with organisations such as the Urban Development Institute of Australia and senior staff members of a number of private firms in the building and development sectors. For DURD this was essential as the only way of monitoring the pulse of the private sector. Yet for all its efforts, many of these relations were difficult; as the Property Investor again noted, "because very few people on the DURD staff have ever worked outside academic or bureaucratic circles, and the better of them in many cases have an abrasive and arrogant style."²⁷

There was some indication that relations between the private sector and DURD were improving by late 1975. In part this came from the straits in which the property developers found themselves after 1974 when the "building boom" slowed dramatically, and in part from a recognition that there was an area of common interest between DURD and the building and development enterprises sector. This area of commonality resulted from DURD's pre-occupation with resource allocation which was then in opposition to traditional Treasury policy. DURD and the Commonwealth government was now seen as being in a

27. *Ibid.*, p. 17.

position to take a more favourable view of joint venture proposals emanating from the private sector.²⁸

The role that DURD played was one of establishing "inter-relationships". Local government had little contact with State bureaucracies but, led by the example of DURD, people from State governments went out and talked to local government. All of this activity exemplified "co-operative federalism" and "co-operative regionalism". Ironically it was instigated by the most senior level of government and manifested through one of the most coercive powers in the Commonwealth armoury, the specific purpose grant.

The main constitutional legacy of the Labor version of federalism was, according to E.G. Whitlam:

...the precedent for wider use of the Australian government's financial powers. It was common-place before the Labor government came to Office for tied grants under Section 96 of the Constitution to be made to the States. What had never before been attempted was the use of those grants to achieve far-reaching reforms in education, medical services, hospitals, sewerage, transport and other urban and regional development programs.²⁹

In discussing the specific purpose payments with the States, the Commonwealth suggested that appropriate regional policies and co-operative planning would overcome State concerns about the conditions attaching to specific purpose payments and would decentralise decision making to the appropriate level.³⁰ The Commonwealth was willing to trade off some of its most coercive power provided "more satisfactory

28. *Ibid.* p. 18.

29. E.G. Whitlam, *The Labor Government and the Constitution*, cited in G. Evans (Ed.) *Labor and the Constitution, 1972-75, The Whitlam Years in Australian Government*. Melbourne, 1977. p. 308.

30. Russell Mathews, *1976 Report and Review of Fiscal Federalism in Australia*, *Op. Cit.* p. 69.

co-operative planning arrangements are developed".³¹

The impact of these proposals, which if adopted would have represented a significant advance towards co-ordinative federalism, was negated by the general atmosphere of distrust which characterised inter-governmental relations at the time. Nevertheless the Prime Minister and State Premiers agreed at the 1975 Premiers Conference that their officials should develop more specific proposals for decentralising the decision making process and report back at another time. In August 1975 Gough Whitlam concluded a paper on Labor's federalism with the following words:

I believe the record of the past two and a half years justifies the assertion that the Australian government has tried to inject new life into the Australian federal system. It has not been done through any mindless, centralist doctrine, but by a genuine effort to make Australian federalism more efficient, more equitable and, above all, more responsive to the people of Australia wherever they live. 32

Although there were indications by late 1975 that the centralising tendencies had lost their impetus, Labor's time in office was to run out before any manifestations of this new direction could be detected.

31. *Ibid.* p. 70.

32. G. Evans, *Op. Cit.* p. 310.

CHAPTER 5

New Government, New Federalism, No Money

Opposition Developments in Federalism and Urban and Regional

Policy 1974-75

At the end of 1972 the Federal Liberal-National Country Party coalition found itself in a situation of having had very little experience in opposition and of having to adjust its parliamentary tactics accordingly, if only to gear itself to recapture the Treasury benches. Bereft of the assistance of the bureaucracy the coalition endeavoured to improve its organisation and research, but in doing so relied very much upon the States.¹ It appeared at first that the non-parliamentary organisations might endeavour to assert control, but it was the Premiers and the State machines that eventually won the day. This reliance not unexpectedly forced the policy into an extremely federalist position, and no tied grants. The organisation remained essentially federal, but the States continued to dictate the policy.

By June 1974 the Liberal and National Country Parties had developed a policy and program in the urban and regional development sphere that was defined in conjunction with its new federalism philosophy: "The main requirements of the States and local governments are the preservation of their autonomy and their fair share of the general revenue collected by the Canberra based Federal government".² The core of the policy was that there was no practical justification for allowing the growth of another bureaucracy, based in Canberra, to undertake urban planning and administration when the States and local government already had at their disposal an experienced public service

1. Scott & Richardson, *Op. Cit.* p. 196.

2. *Ibid.*

which had grown at the grass roots level of the local urban needs in the major cities.³

The role of governments was to:

...adopt a leading role in the necessary fact finding strategic planning and the essential co-ordination of urban planning...it is important that the proper level of government assumes these responsibilities ...the prime responsibility should rest with the States and local governments.⁴

As far as urban and regional development was concerned the Liberal-National Country Party in government perceived its role in the federal sphere as:

- providing leadership in focusing public attention on major urban and regional development issues;
- providing finance to support action by State governments;
- framing policy priorities in areas of direct Commonwealth responsibility and programs consistent with urban planning and development priorities of State and local governments;
- supplementing the skills available to the States and to local governments at their request.⁵

Additionally, the States were promised the Commonwealth's role would ensure development within the State's long-term strategies for the overall distribution of population, urban renewal, the location of new cities, and the promotion of growth centres throughout Australia.

3. R.J. Hunt, A Co-operative Approach to Urban Development, *The Developer*, August 1974, p. 140.

4. *Ibid.*

5. *Ibid.*

If the policy and philosophy was different the rhetoric was curiously the same. "Effective government, in a federal system", exclaimed the Liberal policy,

...then demands that we must restructure our forms and institutions of government and our attitudes of mind to achieve co-operation, not conflict, partnership and not domination. The national government should lead, stimulate and inspire. It should not meddle where local knowledge can do better. Each level of government should have and understand its appointed role, at the same time there must be understanding of where functions overlap and demand co-operation and goodwill. Finally, a way must be found for individuals and community groups to be heard and to participate meaningfully in the democratic process. 6

This time, however, the interpretation of the rhetoric was to be somewhat different. With a promise of the sharing of personal income tax and some State control over the level of those taxes, and a guarantee that Section 95 grants would be employed more sparingly, "where necessary to initiate programs in agreed areas of national need, to encourage innovation, and to meet special situations", the Liberal-National Country Party coalition was appealing to the States area of principal concern, their autonomy.⁷ Such a policy development was hardly surprising considering the degree of State involvement in its formulation.

December 1975 - New Federalism and URD Policy

Shortly before it was elected to office in December 1975, the Liberal-National Country Party coalition announced, as a major plank in its electoral platform, the new federalism policy.

6. cited in D.U.R.D., *Liberal & National Country Parties: Federalism Policy*, 1975, p. 1.

7. *Ibid.* p. 2.

There were important philosophical differences between the federalism policy of the new government and that of the Whitlam government, although the words in the policy statement seemed to place the same emphasis as the latter had done on the need for policy co-ordination. Arguing that powers and functions must be distributed among the three levels of government to provide a barrier against what they called "centralist authoritarian control", the Liberal and National Country Parties both viewed federalism as a "philosophical rather than a structural concept" to prevent undue concentration of powers, and thus help to guarantee political and individual freedom.⁸

The Liberal party had a long pre-occupation with the real or imagined evils of centralism. In its 1970 Federal Council Report the party reaffirmed its belief in federalism, stating that there was a "unanimous desire to retain the federal system of Government with a clear legal division of powers between the Commonwealth and the States".⁹ Equivocating slightly, the report recorded "a common concern that the continued existence of the Federal system is endangered by the financial domination of the Commonwealth" and, "unanimous recognition of the need for the Commonwealth to have primary responsibility for and to retain power to maintain, a healthy economy".¹⁰ The report had clear implications; the extra-parliamentary organisation would not countenance any compromise to the basic principal of federalism.

A constant accusation in Liberal propaganda from 1973 to 1975 was that the Federal Labor government was "centralist" and "socialist". Labor was trying to "impose solutions upon the States and local

8. 1975 Report and Review of Fiscal Federalism, *Op. Cit.* p. 70.

9. P.G. Tiver, *The Liberal Party - Principles and Performance*, Brisbane, 1978, p. 142.

10. *Ibid.*

government", and "to control State's policies through tied Section 96 grants and even to abolish the States altogether".¹¹ Tied grants were anathema to the States and the Liberal conception of federalism because they represented "heavy-handed interference and duplication of functions".¹² These excesses far overshadowed the Gorton administrations centralist tendency which had been curtailed in 1971. The policy on federalism developed by the Liberal party in opposition restated the principles of federalism more strongly than ever before. More importantly, the new policy gave detailed prescriptions of the mechanisms by which co-operative federalism could be made to work. The new policy was clearly a reaction against the so-called centralism of the Gorton years and especially the three years of Labor government. It was, too, the distillation of innumerable proposals for reform made over the years by Premiers and Ministers.

The Federal platform of 1974 treated the issues of federalism in an entirely updated manner as far as the party was concerned. The concept of revenue sharing with the States first mooted at the 1970 Federal Council gained some concrete form. Other issues had become topical because of the activities of the Labor government, chief among these being the issues of tied grants and assistance to local government. The fact that most specific programs in existence in 1974 were begun by Liberal-National Country Party government seemed to escape the policy writers in the party during their opposition. The party, however, was pragmatic enough to recognise the use of Section 96 grants to, "meet special situations".¹³ How this differed from the Labor rhetoric of the same time is a little difficult to ascertain.

11. Liberal Party, *1974 Federal Platform*, p. 143.

12. *Ibid.* p. 145.

13. *Ibid.*

The Liberal platform of 1974 was also concerned to maintain the role of local government. Local government, they thought, was being threatened by Labor's plans to forcibly amalgamate councils into regional groupings as Labor could then by-pass the States and impose Commonwealth policies. Liberals stated they supported urban and regional development but they did not believe that there could be "uniform or nationally imposed solutions to urban and regional problems such as Labor was trying to impose through DURD".¹⁴ The States, for the Liberal-National Country Party opposition, were the proper level of government to co-ordinate local and regional development, and local government was the proper level at which to respond to the individual citizen's needs for community welfare facilities, recreation centres, and local cultural facilities.

The Liberal Party's "new Federalism" was well received. The press applauded its statement of principles and the opposition's determination to restore the genuinely co-operative federalism which had been preached by all Liberal Prime Ministers but rarely practised. By the 1975 election campaign the new Liberal policy was honed and sharpened and designed to appeal right to the heart of every true Federalist, and, some would argue, paradoxically, to the States. The best of the clichés were retained from the 1974 platform; guarantees of "political and individual freedom," vital new reform for local government", "artificial regions will *NOT* be forced on local authorities from Canberra", to cite just a few. The 1975 election platform also contained the guarantee that the Section 96 programs would be "continued in full without prejudice" until the States agreed to them being transferred to general purpose grants.¹⁵

14. *Ibid.*

15. Liberal Party, *The New Government Policies*, Canberra, 1975, p. 30.

The Commonwealth's commitment to urban and regional development formed a less significant, but a reassuring, part in the 1975 policy speech when the acting Prime Minister, Malcolm Fraser said:

We will continue urban programs. We are the people who can work with State and local government to overcome the problems caused by the rapid growth in the cities and in the new expanding suburbs. 16

Consistent throughout the development of the Liberal-National Country Party urban policy was opposition to the Labor government philosophy of land price control and ownership. Ian Wilson, the Secretary of the Federal Liberal Party Committee on the Environment, expressed the Party's attitude in 1974 when he said:

We in the Liberal Party want Australia's label as a nation of homeowners to be a continuing reality and not merely a description of a past age. The great majority of Australians want to become owners of their own homes. 17

Owning one's own home was part and parcel, for the Liberal Party, of owning the land on which it was constructed. For the Liberal party, also, alteration to the system of land tenure was not going to ease housing shortages; only the abundant supply of land could do that. The question of leasehold was a question the party would rather not have to deal with, "In any event", said Ralph Hunt, the Opposition spokesman on Environment and Conservation in 1974, "we recognize that Land Tenure policy in the States is a fundamental sovereign right of the States".¹⁸ The Land Commissions too were seen by the Liberal party as "another bureaucracy superimposed on State bodies

16. *Policy Speech*, cited in *Ibid.* p. iii.

17. Ian Wilson, *The Opposition Viewpoint*, *The Developer*, May 1974, p. 38.

18. Ralph Hunt, *Op. Cit.* p. 141.

which will provide no real solution to urban problems".¹⁹ This attitude had already been expressed by the New South Wales Government which saw the creation as an unnecessary and costly duplication of procedures already existing.

The changes that had been wrought on Federal Liberal policy on the urban and regional development front were quite remarkable considering the short interval of time. In 1972 the Liberal-National Country Party government had virtually no URD policy of which to speak. By 1974 it was talking about government sponsored urban programs, urban environments and renewal, long-term urban planning, the National Estate, land and housing costs - all areas which it had never before treated. With an election in the offering again in late 1975 the rhetoric was well established and for all intents and purposes, as far as urban and regional development was concerned, there would be no loss in the election of a Liberal government.

The New Federalism and a new Federal-State Financial Relationship

The Labor Party was shattered by the election results of 13 December 1975. The resounding Liberal-National Country Party victory presaged a lull in Federal-State financial relations which contrasted with the haggling and bleating of the State Premiers when Labor was in Office. But how long it would last depended on what new policy, or formula, the Fraser government could offer. At the Premiers Conference of 4-5 February 1976 the new Prime Minister, Malcolm Fraser, outlined the principal features of the government's federalism policy. These related to income tax sharing, specific purpose grants, local government financial assistance and machinery for

19. *Ibid.*

"inter-governmental co-operation".

The policy statement indicated that, under revenue sharing arrangements, the States could be given a specified share of personal income tax collections, but the Commonwealth would continue to be the sole collecting agency and there would be a uniform basic rate structure and a standard tax form. The theory behind this was that the States would be in a better financial position, with access to a growth tax, namely personal income tax. Existing relativities would be preserved and the four less populous States would retain their right to apply to the Grants Commission for additional equalisation payments.

The other main feature of the new policy was the attitude to specific purpose grants. The original policy statement of the coalition parties provided that, by agreement with the States, some specific purpose grants would be absorbed into the general purpose funds provided under the tax sharing arrangements. This would allow much greater freedom in decision-making as there would be an increase in untied grants at the expense of tied grants.

The full implications of the proposals outlined at the February 1976 conference were generally unclear. Some early doubts were emerging with regard to the actual growth of personal income tax and the future of specific purpose payments, but received little attention. The new government had already indicated that some form of tax indexation would be introduced. Tax indexation would result in the rate of increase in general purpose revenue being less than the increase in the economy as a whole and less than that which would have been provided under the previous government's formula. Because general purpose revenue would now grow more slowly States could be required to seek additional sources of income. As far as specific

- the Federal government wished to transfer the obligation of providing all of the basic services to State governments to avoid blame if those services were not provided satisfactorily.²²

To some extent these criticisms of the policy were valid. The "untying" of Commonwealth tied grants would certainly allow State governments to redirect finance away from those areas of need that the grants originally set out to ameliorate. On the income tax side, with the provision for the States to raise their own income taxes, problems could arise with economic management. If, for example, the Commonwealth cut its income tax by five per cent, in order to encourage consumption, only to have State governments raise their income tax ten per cent to pay for the railways (because of Commonwealth parsimony), the situation could become farcical.

There were in fact a number of deficiencies in the policy that apparently had not been considered. There were constitutional difficulties over differential tax rebates to States; administrative difficulties which could arise from people deriving income from different States and who may move from one State to another, the possibility of tax havens arising in States which did not impose income taxes, and, in the private sector, many firms would experience difficulty making PAYE tax deductions using a centralised system.²³

All in all the scheme, though articulate, had not been sufficiently well-refined by the time of its announcement. This can probably be attributed to the speed with which the Liberal-National Country Party prematurely came to power at the end of 1975.

22. ALP, *Federalism Kit*, 1975, p. 2.

23. *Ibid.* Firms would be required to decentralise their own systems because of different tax rates between States.

It is arguable that the system was conceived and introduced primarily on ideological grounds. The motivation for the new philosophy was the States objections to the Commonwealth's use of specific purpose payments over the preceding few years, and general dissatisfaction with the Commonwealth-State financial relationship over several decades. Another factor in the introduction of the new federalism was the concern over the size of the Budget deficit. Sections of the Liberal party have always viewed deficits in terms of almost pathological fear. This fear is of course largely ideological, typified by Fraser's rhetoric about "large government", the "unproductive" nature of Public Service labour, the "hand-out" mentality, and so on, but has economic overtones in the sense that the financing of the deficit has implications for money supply, an important variable in monetary policy. The question therefore had become how to reduce the Federal deficit, or if that was not possible to any large extent, how to make it appear smaller.²⁴ This aspect points to the relationship between the growing deficit and the new federalism proposals.

The transfer of the specific purpose payments revenue to the States would also have a reducing effect on the deficit as it would first of all lower the size of the Federal public sector by the removal of those "functions" to the States. Secondly, it increased the potential for real reductions in public expenditure through squeezing the States by means of the proportion of income tax they would receive. The end effect of this is transferring to the States the responsibility for curtailing services without the ability to "pass the buck" back to Canberra as easily as could be done before.²⁵

24. This question is covered in some detail in Peter Groenwegen, Fraser and the New Federalism, *Arena*, 42, 1976, p. 14.

25. *Ibid.*

State satisfaction with the new system lasted until June 1976 when the 1976-77 Budget was being framed. The Premiers were evidently convinced prior to that that they had achieved the impossible, a generous deal from the Commonwealth. The first complaints came from the smaller States. The Queensland Treasurer Sir Gordon Chalk, and the South Australian Liberal Opposition Leader, Dr. David Tonkin, both expressed fears that the new scheme would undermine the existing proportionate break-up of Federal funds by which the taxpayers of the more populous States effectively subsidised the smaller States.²⁶ In addition, all States regardless of political allegiances were expressing some doubts about the new system. These doubts ranged from the Liberal Premier of Victoria, Rupert Hamer, demanding that the Commonwealth should not make drastic reductions in spending on housing, sewerage, roads, and urban transport, to the Labor Premier of New South Wales, Neville Wran, flatly refusing to endorse the idea of a State surcharge of income tax,²⁷ and the National Party Premier of Queensland, Joh Bjelke-Petersen, insisting that the States get a share of all Federal revenue, not just income tax.²⁸

By the time the June 1976 Premiers Conference was over most of the State Premiers were registering strong protests. They were concerned with the possible fate in the Budget of grants made to the States for specific purposes. The Prime Minister had written to the State Premiers on 20 May telling each of them the proposed amounts to be allocated to only some of the State functions in 1976-77. The Treasurer, Philip Lynch, had also on 20 May given the Parliament

26. *Age*, Melbourne, 9 June 1976.

27. The income tax surcharge, "double taxation", featured largely in the successful New South Wales Labor campaign in Feb/March, 1976. This occurred when Fraser's proposal had still not reached final stage.

28. *Age*, Melbourne, 9 June 1976.

an economic statement showing that the government had reduced the Departmental forward estimates for 1976-77 by \$2,600 million. But he detailed only about \$1,300 million of these savings. Hence the States feared that the remaining \$1,300 million would be cut from their specific purpose grants in the Budget - a massive reduction from a base of \$4,000 million.²⁹

Despite prolonged direct questioning the Prime Minister would not answer any enquiries regarding the fate of specific purpose funds, replying only that all specific purpose funded programs were "under review". The "absorption" of some specific purpose payments into general revenue funds, promised by the Liberal and National Country Party in the 1975 election campaign, was also not open to discussion. The Premiers agreed to postpone discussion on absorption until the second year of Mr. Fraser's new arrangements, 1977-78, apparently not realising that this would give the Federal Treasury a chance to prune the grants before the question could be revived.³⁰

In an effort to defuse some of the clamour the Commonwealth granted the States an additional \$30 million in early July 1976. The gesture itself was insignificant financially considering that the States were about to receive close to \$3,700 million in general revenue grants, but highly significant politically. For the Prime Minister it was a price worth paying to "stop the flak" from both Liberal and Labor States.³¹ This relenting by the Commonwealth was partly seen as auguring greater relaxation at a later date. With State elections due in Western Australia and Tasmania within 12 months and in Queensland within 18 months, the States wanted the impact of the

29. *Age*, Melbourne, 2 July, 1976.

30. *Ibid.*

31. *Sydney Morning Herald*, 16 July 1976.

Commonwealth's strategy softened as much as possible.

Following the Budget, however, it was clear that the States were going to have to shoulder the cost-cutting burden at least equally with the Commonwealth and there was little they could do about it, except increase indirect taxes.³² What the States had not realised was the full implications of the tax indexation proposals: it actually meant a fall in income to the States of around \$250 million. At the Premiers Conference of 9 April 1976 the Prime Minister conceded, virtually without argument, every major point the States advanced. He was aware of the inroads that indexation would make into State finances and could afford to give some ground.³³

At the State level the 1976-77 Budget provided only for an increase of around 9 per cent in total payments. Payments to the States and local government, after repayment of loans had been deducted amounted to \$9077 million which was a net increase of only 7 per cent.³⁴ This was an unprecedented decline in Federal aid to the States. It was clear that the new government was going to force a return to State income tax if the States wished to maintain previous levels of expenditure. Moreover, the level of increase in general revenue funds was based on 33.6 per cent of personal income tax in 1976-77 at a rate of growth in wages of 14 per cent. Wages did not grow 14 per cent in 1976-77; for them to have done so would have been in total opposition to the Government's anti-inflationary policy. The States' concern was therefore justified when the Budget was brought down.

32. *Sydney Morning Herald*, 5 October, 1976.

33. *Ibid.*

34. Tom Uren, Speech to the New South Wales Living Standards Conference, 28 August 1976 C.F. 8/76, p. 527.

On the other hand the Commonwealth based its stance on the claim that cuts in its expenses were greater than those for the States. This plainly was not true, however, as appropriations for the Commonwealth's running expenses were up 22.8 per cent on the previous year while appropriations for funds for capital works and grants to the States were down by 24 per cent ³⁵ (although this situation altered slightly when the Budget was brought down in August 1976). Cuts in the Commonwealth Budget were made almost exclusively from funds to the States.

DURD and the New Federalism

One of the first victims of the new government's re-organisation was DURD. The threat it represented to the States made it a certainty that some drastic changes would take place. The programs of the Ministry were drastically reduced. Compared with the \$408 million provided by the last Labor Budget for the Departments of Urban and Regional Development and the Environment, the first Fraser Budget provided only \$251 million, a 37 per cent cutback. The Land Commission's allocation was cut from \$60 million to \$24 million; sewerage from \$113 million to \$50 million, and growth centres from \$64 million to \$19 million.

There was to be even less joy in the 1977-78 Budget. From the \$251 million there was a further drastic cutback to \$153 million, an additional 39 per cent decrease. The Budget paper was forthright:

The levelling off in this expenditure reflects reductions in staff members and administrative expenditures generally, consistent with the Commonwealth's policy of reducing its involvement in the area of urban and regional development. ³⁶

36. *Budget Paper No. 1, 1977-78*, Canberra, 1977.

The new Federalism policy document also referred to the reduction of specific purpose payments and their partial absorption into general revenue assistance, thereby increasing State independence in budgetary decision-making and reducing duplication and waste in Federal and State agencies. As Table 5:1 reveals, specific purpose payments had in fact been reduced, particularly in the area of urban and regional development. Table 4:5 (p. 90) has shown earlier that general purpose funds did not increase and there was an overall reduction in total payments to the States in 1976-77.

TABLE 5:1 *Commonwealth Specific Purpose Payments to States and Local Governments - 1973-74 to 1976-77 (a)*
(\$ million)

	1973-74	1974-75	1975-76	1976-77	1977-78
Defence	7.2	26.5	34.4	35.6	26.6
Education	622.9	1,328.8	1,461.2	1,669.5	1,821.3
Health	51.8	107.8	1,082.8(b)	852.7	1,114.2
Social security and welfare	34.2	119.9	182.4	104.6	111.7
Housing	222.8	390.9	362.9	369.1	378.3
Urban and regional devt. n.e.i.	55.8	234.8	263.3	125.1	55.9
Culture and recreation	1.8	12.8	12.0	9.7	6.8
Economic services:					
Transport and communication	322.6	418.5	494.8	511.7	537.1
Water supply and electricity	23.6	38.7	46.3	33.7	4.0
Industry assistance	70.6	83.0	109.6	81.9	80.9
Labour and employment	2.7	4.1	6.2	12.1	15.2
General administration	0.3	0.1	-	-	-
General public services	8.1	9.0	7.9	13.1	11.6
Debt charges assistance	90.6	103.6	47.3	46.8	48.9
General revenue assistance for local government	-	56.7	80.0	140.0	165.3
Natural disaster relief	21.9	46.9	24.9	25.9	8.7
Total	1,536.9	2,982.1	4,216.0(b)	4,031.5	4,386.5
Of which -					
Payments to States (c)					
Recurrent grants	609.9	1,221.5	2,316.2	2,409.4	2,880.8
Capital grants	620.3	1,073.9	1,126.0	1,073.5	1,036.3
Net advances	300.6	632.8	663.8	533.4	455.0
Direct payments to local government	6.0	53.9	110.0	15.2	14.4
	1,536.9	2,982.1	4,216.0	4,031.5	4,386.5

Notes:

- (a) Figures are net of repayments of Commonwealth advances and sinking fund contributions on State Loan Council borrowings.
- (b) Includes repayment of \$215.6 million, under interim arrangements for financing hospital operating costs, attributable to 1976-77.
- (c) Includes payments to States for local government (see Table V-7).

Source: *Payments to or for the States and Local Government Authorities, 1977-78*, Budget Paper No. 7, Tables 2, 106, 120, 130.

It is a dubious proposition whether this reduction in the specific purpose payments can be interpreted as part of the federalism policy. As Table 5:1 shows, specific purpose payments to most other areas remained approximately the same or declined only slightly. Payments in the politically sensitive areas - defence, education, health, and housing - actually increased.³⁷ This very selective reduction clearly points towards a move to remove the last vestiges of the Labor administration's urban and regional policy.³⁸

The extent of the cuts in the expenditure on programs was generally unexpected by DURD itself although in 1975 the Department was beginning to look at the implications of the Opposition's statements. As far as DURD was concerned there were three main issues of concern embodied in the Liberal-National Country Party policy:

- the new financial arrangements;
- the opportunity for continuation and extension of co-operative planning arrangements with the States;
- Commonwealth government assistance to local government and regions.

DURD's perception of these areas can be summarised briefly. The tax-sharing proposal was seen as ill-conceived and, although it would develop strong political support in New South Wales and Victoria, political pragmatism dictated that it was an unlikely event. DURD could find some affinity with the policy of co-operative planning. It was, after all, the approach it had been trying to develop for

37. Although not necessarily in real terms.

38. A. Patience & B. Head, (Eds.) *From Whitlam to Fraser - Reform and Reaction in Australian Politics*, Melbourne, 1979, p. 155.

some time; as far as the "co-operativeness" was concerned, the Commonwealth had promised "to retain the initiative to invoke an appropriate specific purpose grant".³⁹

The fate of local government and regions was in greater doubt. The policy of local government in general appeared to be strongly influenced by State government attitudes. The proposed transfer of the Grants Commission's responsibilities to State Grants Commissions reflected the traditional attitude to local government of it being beholden to the parent State. DURD's main concern with the policy proposal, however, was the recurring rhetoric about "artificial regions forced on local authorities from Canberra", yet it strongly supported the view that regionalism must arise from, and be demanded by, the regions themselves.⁴⁰

By late 1975 DURD still could see a role for itself within the policy and proposals enunciated by the Liberal-National Country Party Opposition because of the apparent commitment to the philosophy upon which the Department was based. There was no expectation, given the rhetoric, that the Department or its functions would be abolished. The fate of the DURD programs was left hanging for some time after the election and only gradually did it become evident what the decision to slash \$2,400 million from the Commonwealth Budget would actually mean. By July 1976, during the Budget preparations it was clear that while there was to be a commitment to the more visible DURD programs, the amount of money appropriated for them would ensure their phasing out. Growth Centres in particular came under

39. DURD, Liberal-National Country Party: Federalism Policy, *Op. Cit.* p. 6.

40. *Ibid.* p. 8.

heavy financial attack even though prior to the 1975 elections, Doug Anthony, the leader of the National Country Party, was most vocal in assuring his supporters that selected growth centres would be maintained.

In July 1976 funding for the growth centres was announced and despite an interdepartmental report recommending \$30 million for Albury-Wodonga, \$15 million for Bathurst-Orange and \$22 million to \$23 million for Macarthur, they were allocated \$15 million and \$2 million a piece respectively.⁴¹ If this reduction of funding was not enough, on 11 August 1976 the government also announced a decision requiring the Victorian and New South Wales governments to provide \$2 for every Federal government \$1 provided to Albury-Wodonga. This in reality meant the abandonment of the growth centre concept.⁴² The effective scrapping of growth centres represented the waste of more than \$90 million in Federal government investment as well as the waste of the time and effort of two State governments. The irony of the decline in the growth centre program was that the new government was killing off one of its own creations. It was NURDA, the body established by the McMahon government in 1972, that recommended these growth centres.

Along with the growth centres cuts, 1976 also saw the abolition of the Land Commissions amidst increasing revelations of misused and misdirected funds. Large speculative profits had been made in land dealings in Melton and Sunbury in Victoria, and in Bathurst-Orange in New South Wales. The allegations surrounding this land profiteering were eventually to lead to a number of inquiries. The

41. *Financial Review*, 22 July 1976.

42. Tom Uren, *Press Statement*, 12 August 1976.

Victorian Land Inquiry produced evidence of private profits of around \$63 million much of which originated from the Federal government.⁴³

Profits from land deals in Victoria amounted to approximately 12 per cent of the allocation for welfare housing.⁴⁴

The effect of these cuts in expenditure on the various regions is outside the scope of this work. It could be expected, however, that the large and rapid reduction in the level of Commonwealth funds must have had significant deleterious effects on the regional economies and the national economy as a whole.

New Federalism, Regionalism, and Local Government

In the latter half of 1975 the Grants Commission commenced inquiries into applications for financial assistance for local government purposes for the 1976-77 financial year.⁴⁵ With the coming of the Liberal-National Country Party government the Commission thought it incumbent to discontinue its hearings and inspections. In financial terms, progress toward the regionalising of local government administration came to an abrupt halt, and three years of work was undone.

The Coalition parties' policy statement on Federalism, which included local government assistance stated:

The Liberal and National Country Parties also propose to earmark a fixed percentage of personal income tax for distribution through the States to local government. This will be a vital new reform for local government.... Local bodies will be free to establish formal or informal groupings from time to time for particular functional purposes, but

43. *Age*, Melbourne, 10 November 1977.

44. *Ibid.*

45. Commonwealth Grants Commission, *Third Report 1976 on Financial Assistance for Local Government*, Canberra, 1976, p. 7.

regions will not be used by the Commonwealth as centralist instruments to by-pass the States or to impose Commonwealth policies. 46

On 31 March 1976, the Minister for Administrative Services referred to the Grants Commission for inquiry and report, by 31 May 1976, the matters of:

- A proportionate distribution as between the States of total and general purpose assistance...to be paid to each State for on passing to all local authorities, and;
- An appropriate subdivision of each State's allocation between a per capita element and an equalisation element.⁴⁷

Subsequently the Commonwealth Grants Commission Act 1976 was passed to give effect to the government's policy. It renamed the Commission the "Commonwealth Grants Commission", deleted all references to "approved regional organisations", and introduced a new definition of a grant of assistance to a State for local government purposes. The grant was no longer to be one of financial assistance for local government purposes but "a grant of moneys to a State for the purpose of being applied by the State in payments to local government authorities".⁴⁸ The grants were still to be made under Section 96. The new arrangements also required that State Grants Commissions be established in order that local government could be involved, at a State level, in the distribution of both elements of the grant. These State Commissions were to be created by the States within the

46. Extract from *Conference of Commonwealth and State Ministers*, Canberra, 4-5 February 1976, Attachment B.

47. Commonwealth Grants Commission, *Op. Cit.* p. 9.

48. *Ibid.* p. 10.

first two years of the operation of the new system.

The result of the new government's policy in 1976-77 was payment, in accordance with the grants Commission's recommendation, in May 1976 of \$140 million in general revenue assistance to local government. This was an increase of \$60 million, or 75 per cent, over the amount provided in the last year of the former government, to be distributed on a basis of 30 per cent per capita and 70 per cent equalisation grant.⁴⁹ The \$140 million was distributed between the States as follows:

Table 5:2 *Distribution of Commonwealth Assistance to Local Government 1976-77*

	Per Cent	\$m	Corresponding amount for 1975-76 (\$m)
New South Wales	36.6	51.3	29.3
Victoria	25.3	35.4	20.2
Queensland	17.3	24.2	13.8
South Australia	8.5	11.9	6.8
Western Australia	9.4	13.2	7.5
Tasmania	2.9	4.0	2.3
TOTAL	100.0	140.0	79.9

This increase in general purpose payments to local government redeemed an undertaking given by the Prime Minister at the February 1976 Premiers' Conference, but the future of specific purpose payments to local government still remained in abeyance.⁵⁰

The States' and local governments' joy at the increase in the size of the general revenue assistance to local government was to be short-lived. With the presentation of the Budget for 1976-77 the stark

49. In real terms the general revenue payments for 1976-77 represented a 50.5 per cent increase on 1975-76.

50. At the February 1976 Premiers Conference the Prime Minister announced that consideration would be given to the absorption of specific purpose payments to local government into the general revenue grants. The fate of general revenue assistance already decided at such a generous level seemed to defuse any further discussion of specific purpose payments and the matter was bound over for discussion at some other time.

reality of the new government's financial arrangements fully emerged. As Table 4:7 (p. 99) showed, total payments to local government actually decreased. The fall was not in the general revenue assistance but principally in the miscellaneous category of "Direct Payments to Local Government". This area covered a multitude of other programs financed directly at a local government level and is arguably the area with which the States were most dissatisfied. The cutting of the DURD programs also significantly affected the local government financial position. Overall, in one year, local government had to adjust to a cut of 31.5 per cent in its financial base; not an increase of 75 per cent as the government had earlier misleadingly stated. Moreover, many of the specific purpose payments were absorbed as promised, not, however, by local government, but back into the Federal Treasury.

The change in government also spelled the end of the proposal for regional centres. The previous Federal government was exploring the possibility of locating regional administrative headquarters of Commonwealth Departments, as the first step in the devolution of responsibilities to regions. Under the Labor scheme local government in each region was to be asked to elect a representative to a regional organisation of the councils, to be located in the nominated centre, which was to be the deliberative body for the purpose of making submissions to the Grants Commission. For the Federal Labor government this "was (to be) the essence of local autonomy and democratic procedure, as well as co-operation with the States".⁵¹ The new government scrapped the scheme as but another of the many measures taken

51. E.G. Whitlam, R.A. Gardner Oration, *Op. Cit.* p. 1051.

to disassemble DURD.

The E.H.C.D. - The Liberal-Country Party Alternative

With the demise of the Department of Urban and Regional Development, a new Department - Environment, Housing, and Community Development - was created, and the programs which were sponsored by DURD were transferred to it. The new department also incorporated elements from other departments, housing from Housing and Construction, Environment and Tourism and Recreation. This was a new and, ironically, more comprehensive Department, for, while Labor had grand co-ordinating aims and had failed to establish a co-ordinated urban affairs Ministry, the Liberal-Country Party coalition now set up a comprehensive Ministry solely for the purpose of simplifying and reducing expenditure on urban programs.⁵²

R.B. Landsdown the Permanent Head of DURD became the Permanent Head of EHCD and for all obvious purposes the new Department was only to engage in a rationalisation of existing programs by consolidating them within one functional area. It appeared as a welcome construction because of its potential for integrating the urban and regional programs that were being pursued. Certainly Landsdown believed that the Department would continue with the policies that were emphasised by the Labor government. "This new Department" he said, "reflects the Government's determination to ensure the efficient development of our national infrastructure and resources, and to properly meet its responsibilities in planning, environmental management, and housing".⁵³

52. Patience and Head, *Op. Cit.* p. 66.

53. R.B. Landsdown, the Department of Environment, Housing and Community Development, *The Developer*, March/June 1976, p. 135.

Upon absorbing these functions handed over from other Departments

EHCD was given a specific role in the DURD field, defined as:

In collaboration with Commonwealth and State agencies develop integrated policies for the more efficient planning and use of resources in providing urban infrastructure. Advise on urban land problems and their solution. Develop and implement policies and programs for improving urban services, for growth centres, and land commission projects. 54

Realistically, this was what DURD was trying to do. EHCD, however, was burdened with the additional obligation to "evaluate the economic and financial restraints on policies and programs".⁵⁵

Under direction from the Commonwealth government the Department undertook a re-evaluation of the urban and regional programs, resulting in a change in the philosophical base. The Standing Interdepartmental Committee on urban and regional development and the preparation of urban and regional budgets function was dropped in favour of a less specific basis for Commonwealth involvement. The new approach was to focus on "the preservation and enhancement of joint communication links with States and continuing involvement in joint studies of mutual concern".⁵⁶

The areas of mutual concern included decentralisation, a change in approach which characterised the new government's philosophy. The Commonwealth developed a set of objectives for considering a national policy. In effect the approach was a combination of the policy followed by the Federal Labor government and the policy it rejected as debunked and ineffective prior to 1972. The objectives were to

54. *Ibid.*

55. *Ibid.*

56. Department of EHCD, *Research & Development in Urban and Regional Planning in Australia*, Canberra, 1977, p. 6.

represent a "broader" approach to decentralisation by including features of both selective and dispersed policies; a "balanced decentralisation policy" which would include:

- availability of general assistance to country residents;
- availability of general assistance to private enterprise to locate in non-metropolitan areas;
- designation of and assistance to major provincial centres;
- special assistance to areas of national importance especially growth centres;
- development of policies on the location of Commonwealth Government employment and investment, and on the locational and spatial impact of other Commonwealth Government programs.⁵⁷

The selective approach solely was not acceptable to the new government despite its greater likelihood of success in moving people out of the cities. The practice of singling out one location or region for development in favour of another was anathema to a political organisation which depended on general rural support for its survival. The Department echoed this concern when it stated that

...a selective regional growth centres program involving two or three locations cannot be expected to have much impact on the general welfare of the country communities throughout the nation. Equally, generally applicable assistance measures cannot be expected to have any significant effect on the national distribution of population and economic activities.⁵⁸

57. E.H.C.D. *Background and Approaches to Decentralisation Policy in Australia*, August 1976, p. 46.

58. *Ibid.* p. 45 ff.

The new "balanced" approach, hopefully, would fulfill a commitment to the "general" country community and promote the decentralising of the nation.

For all the Department's idealism and apparent urge to continue on with its role of "developing and implementing policies and programs for improving urban services, for growth centres, and land commission projects", sometime before the 1976 Federal Budget the Commonwealth decided to effectively abandon this part of its election promises. Whether or not this new approach would have worked is open to debate. As has been shown in Table 4:1 (p. 86) the growth centres program was reduced even further in 1977-78. The ENCD never received the money necessary to effectively put any of its ideas into practice. The level of financial commitment to the Department continued to decline and it was eventually abolished in November 1978.

1976 heralded more than just a change in government and more than a restructuring in Federal-State financial relations with the first Lynch Budget. It marked a turning point in the implementation of the urban and regional philosophy and a reassessment of political and social priorities to meet the changed environment in Australia with regard to population growth and the state of the economy.

Underlying the drive for a comprehensive urban and regional policy through the 1960's and the early 1970's was the rapid growth of the Australian population and especially within the large metropolitan centres. Urban and regional policy formulation was fundamentally related to, and justified by, population growth and the questions of equity and efficiency that flow from it. In the late 1960's and early 1970's there was every reason to believe that Australia's high population growth rate would continue. After the 1971 census it was possible to predict that Australia's population would grow to somewhere between 17 and 23 million depending upon the levels of natural increase and immigration which were assumed to apply. By the time of the First Report of the National Population Inquiry in 1975, however, this figure had to be revised - downwards. This decrease in the rate of population growth was subsequently confirmed by the 1976 Census. The level and pattern of growth was changing due to a number of factors; fertility and immigration had both declined, and, on the pattern of growth side, people's environmental preferences seemed to change.¹

Traditionally Australian planners and developers had been able to count on most of the nation's population growth going into five or

1. R.B. Landsdown, Issues of a National Settlement Policy, *Australian Quarterly*, 3/77, p. 57.

six major cities. The 1976 Census, however, revealed that for the first time in many decades, the proportion of Australians living in the five largest cities fell. Analysis by the Cities branch of the Department of Environment, Housing and Community Development, showed the proportion living in Melbourne and Sydney collectively dropped from 42.6 per cent in 1971 to 41.5 per cent in 1976.² It is tempting to ascribe this to the DURD programs, however, the same pattern was emerging overseas, and additional factors therefore were influential.³

By 1976, with the return of the Liberal National Country Party coalition to government, there was not the urgency to actively pursue urban and regional policy then in operation. There was still some necessity of course; the Australian economy was still neither as efficient nor equitable as it could or should be and many services such as water supply, sewerage, and transport facilities were in many areas still substandard. It was all a matter of priorities, and by 1976 there was some justification for relaxing the urban and regional development priority.

Section 96 and the Post-1976 Federal/State/Local government Financial Relationship

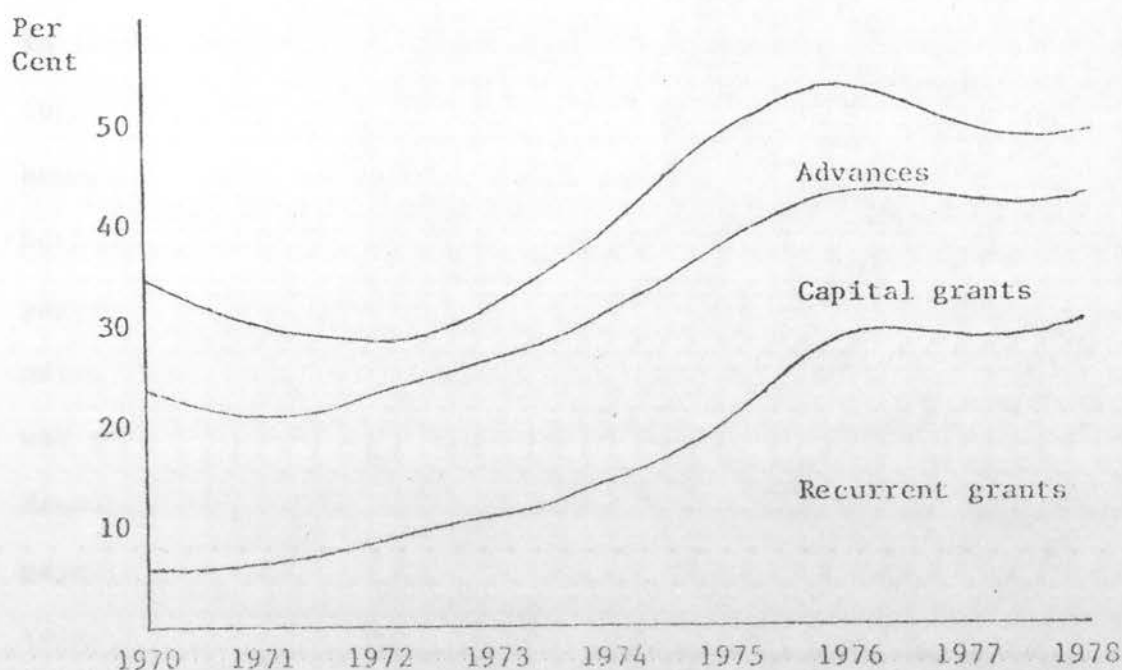
Figure 6:1 reveals the pattern and growth of payments through the greater part of the 1970's, and thereby summarises the financial basis of this paper.

2. Age, (Melbourne), 23 March 1977.

3. Some of these factors could include moving away from city problems, preference for warmer climates and coastal areas. In Australia the additional factor of the "greying" of the population was also important. As the population "aged" the proportion of the population seeking "retirement areas" away from the major metropolises increased.

Figure 6:1 *Proportion of Specific Purpose Payments in Total Payments 1970-1978*

(per cent)



Source: Adapted from C.P. Harris, *Op. Cit.*, p. 134.

Of interest are the post-1976 trends and events, which can be discerned, and their relevance to the Federal-State financial relationship. Some of the main features of Section 96 payments in the 1970's had been the increasing use of all forms of specific purpose payments after 1972 (although recurrent grants had been increasing since much earlier) and the rapid reduction of these grants from 1976. Other points worthy of mention include the increasing use of advances (loans) between 1972 and 1976 as the Commonwealth moved into areas such as the growth centres; while in the latter years of the Labor government, there was the increasing use of recurrent grants indicating the greater Commonwealth presence within the States, so explicitly promised by Whitlam in the early 1970's.

After 1976, different trends emerged. From the 1976-77 Budget the Commonwealth began to phase out some programs based on specific purpose payments, and the actual specific purpose amounts paid to the States declined from \$3,958 million in 1975-76 to \$3,847 million in 1976-77, or, as Fig. 6:1 showed from 46.4 to 44.5 per cent of total payments to the States.⁴ This downward trend was not uniform, however, and recurrent grants, after a slight fall, actually increased both in relative and absolute terms.⁵ The main decrease was in payments made in the form of specific purpose capital grants and advances; these payments fell in absolute and relative terms.⁶ It was through capital grants and advances that the Labor administration developed most of its programs and the reduction therefore in these payments corresponded with the dismantling of those schemes. With respect to capital grants, between 1975-76 and the 1978-79 estimates, these declined in absolute terms by \$84 million and became increasingly limited to education and roads, two function which constituted 87 per cent of capital grants in 1978-79 compared with only 68 per cent in 1975-76.⁷

The major decreases in the period occurred in grants for hospitals, other health services, and urban and regional development.⁸ Advances for urban and regional development, which represented 26 per cent of specific purpose loans in 1975-76 were less than 10 per cent by 1978-79. Overall the tendency in specific purpose payments since 1976 has been their concentration in a smaller number of areas and their tendency to take the form of grants rather than loans.⁹

4. Harris, *Op. Cit.*

5. From figure 6:1, 1976 - 27.2; 1977 - 29.2; 1978 - 29.5.

6. *Ibid.* p. 133.

7. *Ibid.* p. 135.

8. *Ibid.*

9. *Ibid.* p. 140.

In an address on 27 May, 1977 the Federal Treasurer reiterated the principles of the "new federalism" policy and the rationale for its introduction. The Commonwealth recognised the hostility over the financial provision of its policy that was generated within the States, but knew it was on safe ground. The Treasurer could assert confidently, however, that the Fraser policy was more desirable than that of its predecessor:

Despite what some Premiers have chosen to say on particular occasions, the evidence is that the present Government's approach fundamentally appeals to the States. Throughout the post-war years, Premiers, irrespective of political party, have claimed that the uniform taxation system is bad and that it would ultimately, in conjunction with the growing use of section 96 grants, destroy the independence of the States. 10

The Premiers had been "caught" on the one issue from which they could not extract their governments. For years they had been opposed to uniform taxation and maintained they wanted tax sharing. The Fraser government gave the Premiers access to taxation revenue through a "tax sharing" policy but predictably there were a number of qualifications which were set by the Commonwealth and which amounted, in political terms, to the Commonwealth "calling the tune". The distinctions were subtle and definitely not those that the States could make a great deal of political mileage on. For every complaint the States raised, the Commonwealth could truthfully respond that this was what the States had asked for. The Treasurer added:

10. Phillip Lynch, Address to the Institute of Municipal Administration C.R., 27/5/77.

This Government's decision to undertake Stage 1 of income tax sharing, thereby giving State and local government a specified percentage of personal income tax, was wholly in line with the long held arguments and proposals of the States. 11

While the Government was proceeding upon this course the Labor opposition was concentrating its attack on the destruction of the uniform taxation system. The Federal Labor Party evidently calculated that, if the States opposition to tax sharing under the Fraser government was real, they may prefer to embrace a more equitable uniform tax system. Whitlam designed his rhetoric around the issue of responsibility:

Once we admit the principle that the economic prosperity of a particular State is largely the responsibility of that State - and can be determined by the particular taxes and surcharges it chooses to raise - we destroy the whole theory of national responsibility for our economic affairs. 12

However, by 1977, national responsibility seemed to have become a dead issue, with the Premiers still smarting from what had been done under the guise of national responsibility under Labor. Whitlam, however, moved to an area where he could get greater State support when he observed:

...all the Premiers see clearly the real intention behind the Prime Minister's protestations of high principle and goodwill. The Prime Minister wants to pass the buck to the States for all the failings of governments. Whenever there is some odium or blame to be faced - for raising taxes, for failing to meet people's legitimate needs, for failing to produce sound economic policies, for starving essential services of necessary funds - it is the States which

11. *Ibid.*

12. E.G. Whitlam, 1977 Curtin Memorial Lecture, 10 June, 1977, C.R. 3-10 June, 1977.

would have to accept that blame.¹³

This was more what the States wanted to say but because of their historical stance in support of Fraser's policies they had refrained from it, not least for electoral considerations.

1977 was an election year for Queensland, South Australia and the Senate.¹⁴ In the build-up to the July Premiers Conference, at least two Premiers were determined not to be outmanouvered by the Commonwealth. The States were facing a dilemma of some proportions: the Commonwealth, in offering them a surcharge to be levied over and above the Federal tax rate, was giving the Premiers extra financial strength and flexibility in the long term, but in the short term, would force them to use the surcharge to fund programs the Commonwealth was abandoning, a proposition with serious electoral implications. While all the States were concerned about the public reaction, two States, Victoria and Western Australia, were prepared to overlook the immediate difficulties and legislate to allow their States to apply a surcharge in the future. Victoria and Western Australia were not facing elections. Don Dunstan in South Australia was "completely unenthusiastic" about the whole surcharge proposal, adding that he would "not want it as a gift", while the Queensland Premier articulated a suspicion that it was merely a ploy for the Commonwealth to financially vacate a number of areas for which it had become responsible.¹⁵

Despite the opposition of four Premiers to the surcharge proposal, the Federal government introduced a Bill into the Parliament in late May 1977, designed to enable any State to levy the surcharge. The

13. *Ibid.*

14. It was also to be a House of Representatives election but this was not announced until later in the year.

15. *National Times*, June 27 - July 2, 1977; p. 48.

legislation had a touch of irony to it inasmuch as Fraser was now being seen as seeking to impose his "co-operative federalism" upon the States.¹⁶ The Premiers still had the guarantee that the level of Commonwealth payments to the States would not fall below what would have been provided under the previous formula used by the Whitlam administration with its 3 per cent "betterment factor" and therefore were not obliged to introduce immediate surcharges. Even so, the prospect of having to introduce any surcharge - the spectre of "double taxation" - upon which Neville Wran had won the New South Wales State election early in 1976, was frightening to many of the States in the longer term as the Whitlam formula was scheduled to expire in November 1979, after which date, arrangements would be revised.

The Grants Commission and Local Government

In June 1976, following discussions at two Premiers' Conferences on new financial arrangements between the Commonwealth, States and local government authorities, legislation, the Commonwealth Grants Commission Act 1976, was enacted to modify the local government role of the Commission, repealing those sections that dealt with applications by regional organisations of local governing bodies for grants of financial assistance. In their place was inserted a new section, Section 17, which defined the Commission's local government role in terms of providing grants indirectly through the States.¹⁷

Local government, like the States, found itself tied to a percentage of income tax: 1.52 per cent in 1976-77 which produced the \$140 million

16. *Ibid.* p. 40.

17. Commonwealth Grants Commission, *44th Report 1977 on Special Assistance for States*, Canberra, 1977, p. 33.

in general purpose funds for local government in that year. The Commonwealth was determined to reinforce the trend away from centralisation and would only lay down broad guidelines along which local governments share of personal income tax receipts were to be distributed. Once satisfied that the general requirements were followed, according to Cadman:..."the Commonwealth (would) see it as proper that the States determine the detail of distribution within their States and in co-operation with their own local governing bodies".¹⁸

In addition to the new Grants Commission arrangement under Fraser's federalism policy, the Advisory Council for Inter-Government Relations was created, ostensibly to improve co-operation and co-ordination between the different levels of government. At the April 1977 Premiers Conference, it was agreed that the new Council should examine the problems both of a financial and a non-financial nature which emerged between the various spheres of government and should "consider the definition and rationalisation of governmental functions and responsibilities".¹⁹ Although in a minority, local government was to be represented on the Council to give it access to funds and dialogue with the Commonwealth.

At a political level the change to revenue sharing as a basis for local government finance eventually brought a similar response from the Federal Labor Party although it was made clear that, under Labor, local government would be required to apply to an "Australian Grants

18. A. Cadman, Federal Policy towards Local Government, *Local Government Bulletin*, August, 1977, p. 9.

19. *Ibid.* p. 11

Commission" for the distribution of the general purpose grant.²⁰

In general, local government was pleased with the new financial arrangement as far as it went, but still had reservations about the reduction in funds for other purposes. The fluctuating fortunes of local government finance were well illustrated in a statement by Whitlam:

Total Federal outlays and payments for local government authorities were just over \$3 million before Labor came to office. In 1975-76, as a result of Labor's initiatives, they were \$274 million. The Fraser government slashed them to \$195 million last financial year and will reduce them still further (by 7 per cent) in real terms this year. 21

While local government had been promised a "real measure of independence and flexibility", and a role as "a genuine partner in the Federal system", it was achieved only to a limited extent; without the money it was arguably a mixed blessing.²² Local government has become increasingly dependent on Commonwealth generosity and the tolerance of the State Grants Commission in securing its programs.

Conservatives and URD

In 1976, the urban and regional program experienced large scale reductions in funds. In the subsequent year outlays were even further reduced; they were expected in that year to total only \$56 million as against the \$125.1 million in 1976-77 and the \$263 million of 1975-76. Despite strong support from EHCD which had urged the retention of the

20. T. Uren, Speech of Australian Council of Local Government Association (Melbourne), 14 October, 1978.

21. E.G. Whitlam, C.R. 15-21 August 1977, p. 1095.

22. Phillip Lynch, C.R. 20-26 September 1976, p. 769.

growth centres concept early in 1976 as an efficient and effective way of providing employment and restructuring sectors of the economy, the Commonwealth further reduced funds for growth centres and related projects in 1977-78.²³ The Department had argued that without the growth centres, and with the Commonwealth's support of a higher overseas immigration level, the problems of the existing cities, would be compounded.²⁴ The new level of funding for the projects, however, put them almost wholly on a "maintenance" basis.

In 1978, in order to be seen as formulating policies to overcome the centralisation of industry and population, the Commonwealth initiated a new program of general decentralisation assistance through the establishment of the Commonwealth Decentralised Development Program. Under this program, financial assistance of a capital nature was to be provided to State, local government and community bodies and firms engaged in manufacturing and tertiary industry in selected non-metropolitan areas.

Projects were to be approved under the program following consideration by a Decentralisation Advisory Board. An amount of \$10.5 million was allocated; the payments were to begin in 1978-79 for projects approved under the program in 1977-78.²⁵

The program was also to provide additional funds for the growth centres of Albury-Wodonga, Bathurst-Orange and Macarthur, though they were still not to be the fully fledged programs that they were under the Labor administration. For its part, the Commonwealth still only

23. E.H.C.D., *Growth Centres in National Settlement Policy*, (Canberra) AGPS, 1976.

24. *Ibid.* p. 8 ff.

25. Payments to or for the States etc., *Budget Paper No. 7*, 1978-79, p. 60.

regarded Albury-Wodonga as a pilot project while the other centres were funded in association with New South Wales.²⁶ However, the Commonwealth-State Ministerial Conference held on the future of Albury-Wodonga in May 1977 led to a rebuff for the Commonwealth over the financial arrangements proposal. The New South Wales and Victorian State governments both asked the Commonwealth to share the cost of all State decentralisation initiatives, not just that of Albury-Wodonga. This would involve the Commonwealth sharing the cost of all growth centre projects as well as loans, grants, rebates and subsidies made available by the States in support of decentralised industry. The Commonwealth's commitment to decentralisation was not as great and the Conference ended in a stalemate.²⁷

With the 1977-78 Budget a further \$6 million was appropriated for Albury-Wodonga (in addition to the \$15 million already allocated) and a new attempt to secure financial arrangements with New South Wales and Victoria on a dollar for dollar contribution basis was promised. Moreover, the Commonwealth was no longer to have any representation on the other Development Corporations - Bathurst/Orange and Macarthur - that were created to oversee the planning of the growth of those centres.

The proposal brought an immediate reaction from the Labor Opposition which criticised it on the grounds that it again represented an abdication of responsibility by the Federal government, and that it ignored the recommendations of an expert committee on the level of assistance needed to ensure the survival of the centres.²⁸

26. Kevin Newman (Minister for E.H.C.D.) *C.R.* 5/11/76.

27. Statement by Kevin Newman, Minister for E.H.C.D., *C.R.*, 7/11/76.

28. These criticisms were expressed as early as November 1976, in a statement by Tom Uren in the House of Representatives, c.f. *C.R.*, 7/11/76.

Under the 1977-78 Budget, the future of URD policy looked quite bleak.

Table 6:1 indicates the URD expenditure in relation to selected other sub-sectors:

Table 6:1 *The Urban Sector in the 1977-78 Budget*
(\$ million)

	1975-76	1976-77	1977-78	% change on 1976-77
Housing	562.3	548.8	495.8	- 9.7
Urban & Regional Development and Environment	407.8	250.6	167.9	- 33.0
Transport	632.4	626.1	686.1	+ 9.6
Urban Water Supply	<u>20.0</u>	<u>35.7</u>	<u>25.3</u>	<u>- 29.1</u>
	1622.5	1461.2	1375.1	- 6.9
Share of Total Outlays	7.4	6.1	5.2	

Source: Uren Collection, 17/8/77.

Overall the reduction was 6.9 per cent on 1976-77, but the more specific urban and regional sector, suffered a much greater decline. This sector funded programs such as the growth centres and what was remaining of the original DURD programs, additionally the urban sector's share of total Budget outlays also fell, reflecting the declining importance being placed upon it.

The Budget was framed in a period of deliberate economic restraint and much of the reduction can therefore be interpreted as resulting from changed priorities within this larger context. The final justification for the reduced expenditure however, was the "improved" financial position of the States resulting from the workings of the "New Federalism" policy. In September 1977, the Minister for E.H.C.D., Kevin Newman,

commented on the financial position of the States for 1977-78 in relation to urban spending:

Commonwealth general purpose funds will grow at 13.7 per cent. Semi-government and local government borrowing programs will be 24.5 per cent higher. Together these sources of funds which can be spent entirely at the State's discretion will grow at 15.9 per cent. So, the level of funding devoted to E.H.C.D. programs had to be decided within the wider budgetary context and in relation to other high priority areas. 29

The message to the States was clear - the Commonwealth would only play a limited role in the urban sector; if the States wanted more, they would have to pay for it themselves.

The E.H.C.D. Department was also experiencing difficulties. Through 1978 it was led by a new junior Minister, Ray Groom, who was not a member of Cabinet. It lacked financial resources; the Resource Allocation Division through which most of the planning activity took place was excised and thus the Department had little sway on economic issues. It was unkindly, though probably accurately described as a "powder puff" Department; it had the structure but not the teeth. 30

Labor and URD ... 1977

Throughout 1977 the Federal Labor opposition refined its urban and regional policies and, following the July 1977 Australian Labor Party Conference in Perth restated its objectives. "Our policies", said Tom Uren, are firmly based on the extension of urban and regional

29. Kevin Newman, Speech to Royal Australian Planning Institute (Sydney) 5 September 1977, C.R., 3-9 October, 1977.

30. Tom Uren, Speech at Urban and Regional Seminar, (Melbourne) 5/6/77.

131.

programs, and this resolve is emphasized in the policy document".³¹

He continued:

At every point it spells out very clearly that these policies will be undertaken by the co-operative efforts of Federal, State and local government. We want co-operative federalism with as much devolution of decision making as possible. And we want once and for all to destroy the myth that the Labor Government was a centralist government. 32

The Labor Party had approved the structure of the Liberal E.H.C.D. and this was reflected by the new platform with its inclusion in the policy statement. But it placed an emphasis on EHCD's role that no Liberal government would contemplate. In reality what was proposed was a revamped DURD now to be made even more powerful by the incorporation of the housing and environment sectors under the urban and regional ambit. To meet these ends a promise was also made to re-establish the Australian Housing Corporation which had been abolished by the Fraser administration, and to strengthen and improve environmental impact procedures and legislation.

Of the old DURD programs the platform pledged to restore the National Sewerage Program, to resume the Land Commission Program, to revive the Area Improvement Program, to widen the National Estate Program, and, on the regionalism side, to accelerate the development of the three successful growth centres; Albury-Wodonga, Bathurst-Orange, and Macarthur.³³ Strong emphasis was given to the urban and regional budget proposal. The URD Budget Paper had been dropped from the annual Budget papers by the Liberal-National Country Party government

31. Tom Uren, Statement on the URD Platform, Perth, 7 July, 1977.

32. *Ibid.*

33. URD Policy Committee, Statement, 1977.

mainly because of the cost of accumulating and analysing the vast amount of data that was required. The next Labor government would restore it and make it the basis of an extended urban and regional development program.³⁴

For local government, a new Labor government would restore the direct assistance programs which were abolished in the 1976-77 Fraser Budget, and restore local government access to a new Australian Grants Commission. The restored payments would differ from those made previously inasmuch as they would be interest free, non-repayable, and untied.³⁵ The payments would still be made under Section 96 (via the States) but they were now to be "flexible".³⁶ In addition, Labor was now committed to revenue sharing with local government and indicated that an amount of between 2 and 3 per cent of personal income tax would be allocated for this purpose.

By September, 1977 it was evident that a Federal election for the House of Representatives not due until December 1978 was going to be held. The principal issue of the election was to be unemployment; more than any other single issue this was to dominate the last quarter of 1977 and, in comparison, all other issues were virtually forgotten. The Federal Labor Party continued to promote its urban and regional policies but now with the added emphasis of their job-creating qualities. Shortly before the election, the nexus between job creation and urban and regional policy was stated by Tom Uren:

I want to stress that Labor's immediate task will be to restore employment. Every spending commitment we made would be based on the

34. *Platform*, 1977, *Op. Cit.*

35. URD Policy Committee.

36. They were in fact to be "block" grants.

number of jobs it would create. This would be our basic priority. We would also be guided by the economic circumstances of the time. On the basis of these criteria I believe that it would be possible to make a significant commitment to the resumption of the growth centres.

37

Labor's campaign, however, was unsuccessful and the Liberal-Country Party coalition was returned to office through a campaign promising tax cuts and "economic management". The Government gained a great deal of political mileage on the "excesses" of the Whitlam administration and the conflicts that ensued from them. The urban and regional issue was in comparison a non-issue. The electorate's desire for a revamped Australia was nowhere near as strong as what it had been five years previously.

The irony of the DUND philosophy was that the programs it undertook, for all their importance, were not highly visible. It was easy for an opposition to point at the expenditure and make the electorate believe that very little had been accomplished. On the financial side, the States, starved of funds as they might have been, were evidently unwilling to trade off the faint prospect of gaining greater untied income for a promise of more Commonwealth funds with the possibility of strings attached.

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Financial Relations...

The Liberal National Country Party attitude to specific purpose payments, as detailed in the 1975 Policy Statement, was to minimise their use by allocating such grants only, "where necessary to initiate programs in agreed areas of national need, to encourage innovation and meet special situations".¹ It was envisaged that changes in specific purpose payments arrangements would take two main forms:

1. In certain instances the government would seek agreement with the States to absorb specific purpose payments into their general purpose revenue. This meant that the States basic share of revenue would be increased by an amount equal to the specific purpose payments that would otherwise have been made, and that the States would then accept full responsibility for the programs.
2. In other circumstances the principle of "block" grants would be used. This meant that some degree of Commonwealth direction would be maintained but without detailed interference. That is, payments would be made to States to use in a broad category, but the finer details of how this money would be used would be left to the discretion of the States.

Circumstances have shown no such absorption has taken place, even though four years have passed since the New Federalism policy was implemented. The reasons for this, (including some problems which may have been encountered in original negotiations) have not been made public. Reference to this matter in Budget Paper No. 7 in the

1. Policy Statement, 1975, *Op. Cit.*, p. 30.

first years of the New Federalism policy have subsequently been omitted in recent issues, suggesting that the idea has been downgraded considerably. Professor Russell Mathews has suggested that the objective has in any case been overtaken by events: .

The Fraser government has responded to this situation (the prior rapid growth of specific purpose payments) by holding down or cutting back most specific purpose programs, and it seems unlikely that it will limit its financial options for the future by substituting general purpose funds for specific payments on a significant scale. 2

Implementation of the "block" grant approach has been limited, but there have been a few areas in which detailed Commonwealth interference has been reduced, allowing the States greater flexibility in spending under particular programs. Grants for the Community Health Program and grants for pre-schools, appear to be the only instances of a block grant approach. However, it seemed to be intended initially that block grants be used for broader expenditure categories.

Instances of programs where Commonwealth interference or restrictions have been relaxed include Welfare Housing, Schools, Roads, Urban Public Transport, and dwellings for aged pensioners.

In retrospect, the Liberal National Country Party policy has been to reduce the emphasis on specific purpose payments largely by simply reducing or ceasing payments altogether. An associated development has been the altering of cost sharing arrangements in a number of instances so as to increase the State contribution. Examples of the latter may be found in Welfare Housing, School Dental Schemes, Health Planning Agencies, Home Care Services, Senior Citizen Centres, Transport

2. Russell Mathews, "Revenue Sharing and Australian Federalism" in, *The Politics of the New Federalism*, Australian Political Studies Association, Dean Jaensch (Ed.) 1977, p. 52.

(Planning and Research) and Natural Disaster Relief.

Excluding programs for projects which have been completed or for which the original reasons for making the payment no longer exist, specific purpose payments which have either ceased altogether or been reduced in money terms include: educational research, School Dental Schemes, Hospitals Development Program, Nursing Homes, Pre-Schools and Child Care, Employment Grants, RED scheme, Area Improvement Program, National Sewerage Scheme, Arts, National Fitness, Growth Centres, Land Acquisition, Nature Conservation, National Estate, Tourism Development, Welfare Housing, Transport (Planning and Research) and Health Planning Agencies. Those which have increased in money terms but which have also declined in real terms include Universities, Colleges of Advanced Education, Schools, Community Health, Health Education, Senior Citizens Centres, Dwellings for Aged Pensioners, Roads, Urban Public Transport, Softwood Forestry, and Aged or Disabled Persons Homes. (Many of these programs were of course discontinued by the Labor Government which introduced them.) For local government the significant increase in general revenue funds available to them as a whole through the tax-sharing arrangements has greatly increased their independence in expenditure decisions. General revenue grants provided in this form have increased from \$79.9 million in 1975-76 to \$221.7 million in 1979-80. Specific purpose payments, however, have declined substantially. Including roads payments, specific purpose payments to local authorities decreased from \$263.9 million in 1975-76 to \$153.1 million in 1978-79. Overall funds to local government have decreased substantially in real terms over the same period.

The new relationship with local government also saw the end of the regionalism movement sponsored under the previous government through the Australian Assistance Plan and the Growth Centre Program. Further,

the regional provisions contained in the Grants Commission Act 1973, have been repealed by the present government. It has been suggested that a major reason for this policy reversal was the suspicion of the States, particularly those with conservative governments, and a belief that these regional bodies were only a device of the Commonwealth government to destroy State influence over local government and, in turn, to reduce State "sovereignty" further.³ As Professor Mathews has observed:

The Whitlam government's aggressive advocacy of regionalism and the unnecessarily negative response of the State and local governments have also left an undesirable legacy, in the form of hostility to the concept of regionalism, which is so deep-seated as to make it unlikely that proposals for regionalisation will be judged on their merits for many years to come. ⁴

Although the Liberal National Country Party federalism policy does not encourage the formation of regional organisations, the States and local governments are free to decide for themselves whether to establish regional groupings for reasons of economy or administrative convenience. The Fraser government believes that this is a State matter and that the States have the right to make such decisions without interference from the Commonwealth government. But it is doubtful that any State government would submit to pressure for regional government, not that it is likely to emerge in the foreseeable future.

Reviewing the Federal-State financial relationship overall, the first three years of the Liberal National Country Party Federalism policy brought about a substantial shift of responsibilities on to the States. However, in the context of Federal government fiscal restraint, this

3. P. Groenewegen, *Op. Cit.*, p. 193.

4. Russell Mathews, *Issues in Australian Federalism, Op. Cit.*, p. 14.

has been achieved mainly by way of withdrawal of Commonwealth funds for programs, the onus being on the States to continue, increase, or abandon these payments at cost to themselves.

The States have been provided with some increased flexibility on the administration of some programs; for example, in Welfare Housing, Roads and Urban Public Transport. As well, there has been real growth in general revenue grants provided to the States although this has been due largely to the invoking of the "Whitlam guarantee".

The Liberal-National Country Party has failed to realise its objective of increasing the fiscal accountability of the States. The States themselves are principally to blame in this regard although the Commonwealth cannot escape criticism. The Commonwealth is at fault insofar as there are substantial arguments supporting the view that the tax sharing arrangements should have provided for the Commonwealth to 'move over' in the income tax field to allow 'tax room' for the States.

Alternatively, the States, by not asking for 'tax room' and not showing any willingness to move into Stage 2 of the income tax sharing arrangements, have indicated that whilst they are continually seeking additional revenues, they are not interested in raising this revenue for themselves. As Professor Mathews suggests:

...they continue to be more interested in maximising financial returns than in regaining a measure of financial autonomy and co-ordinating their policies with those of the Commonwealth. 5

...and Urban and Regional Development

Christopher Jay, writing in the Australian Financial Review of 3 November, 1978, claimed that, "After three years of stunned silence Australia's urban affairs establishment is coming back to life".⁶ There was a growing irritation among a wide range of professionals, from academic town planners to "hardened developers", at the Federal government's apparent lack of interest in the whole field.⁷ Organisations such as the Australian Institute of Urban Studies (AIUS) were particularly concerned with statements, emanating from federal government departments concerned with the Australian urban environment, of the type issued from the Department of Finance:

...the Commonwealth has very limited responsibilities in relation to the urban environment in that land development, municipal roads, water supply, and sewerage are all the responsibility of State governments, local government, or the private sector. 8

The Federal government was becoming increasingly concerned at this resurgence of interest in urban and regional matters and the Minister for Environment, Housing and Community Development, Ray Groom, moved hastily in October, 1978 to reassure members of the AIUS that urban affairs were constantly being reviewed at the Federal level. Whatever effect this might have had was very quickly negated when, three weeks later, Mr. Groom found that his Department had been abolished.

The urban and regional issue apparently was not going to disappear into the political wilderness as many obviously hoped. The Labor Party especially, was doing its best to keep the issue alive, and further

6. *Australian Financial Review*, 3 November, 1978.

7. *Ibid.*

8. *Ibid.*

refined their policy to include within it the new issues of employment, environment, resource usage, and the "international concentration of capital". Labor, additionally, had learned some lessons from the demise of DURD. Tom Uren, speaking at the Australian Labor Party National Conference in July 1979, said:

Two major lessons came out of our experience with DURD. The first, is that the strength of Labor's activities are dependent on the active support of a strong, broad-based movement of people. The second is that our focus needs to be more clearly set on intervention into the causes of the problems as well as amelioration of the consequences. 9

There was also a recognition that "programs were developed in an elitist way, by 'expert' planners rather than in response to the demands of involved people", and that a number of difficulties needlessly arose because of the "financial authority" of the Department.¹⁰ With a collection of new issues and a measure of hard-learned experience, Labor found itself in a position to unveil a revised comprehensive urban and regional policy, at the Australian Labor Party Conference in July, 1979. This is reproduced here as Appendix B. The new Labor urban and regional development platform reflects the changed economic and political environment that has arisen since 1972, and, in particular since 1975. The new policy rests upon the assumption that there are still "accumulated and interrelated problems remaining unsolved" in the Australian urban and regional environment.¹¹ Interestingly, the proposed solutions to these problems reflects more than just an apparent desire to make Australia more "efficient and equitable".

9. Appendix 'A' , p. 166.

10. *Ibid.*

11. Appendix 'B' , p. 175.

The Labor Party, in defeat and opposition, has become aware of the necessity for co-operation with other tiers of government and of the need to direct its policies more towards the current wishes of the electorate. To achieve what they perceive the electorate desires, the new Labor urban and regional policy sets out to provide:

- security of employment;
- equitable management of energy resources;
- planning of production and distribution;
- and, protection of the environment and the expansion of community services.

These new proposals flowed as much from the deteriorating economic situation as from any desire to re-establish traditional Labor policy. The desire to re-institute Labor urban and regional policy, is however, still very obvious and certain key elements of the old policy remain. These are the promise to return to a National Urban Strategy, including an urban and regional budget, and a new Department (Urban and Regional Affairs) to encompass resource allocation, research, liaison between governments, and the promotion of decentralisation and environment policy. Additionally, Labor promises a return of the Land Commissions to control the price of land.

How close the Labor perceptions of the electorates desires approaches reality is, however, a difficult question. There is at least one indication that the Labor Party may have misinterpreted the electorates wants. The following table is reproduced from the *National Times* of February, 10-16, 1980.¹²

12. Don Aitkin, A Sea-Change on Tax Cuts, *National Times*, February 10-16, 1980, p. 44.

Table C:1. National Times : Opinion Poll

	1967	1969	1979
	%	%	%
Reduce Taxes	26	26	59
Spend more on social services	68	71	36
Don't know/No opinion	6	3	5
Total	100	100	100

Source: National Times, 10-16 February, 1980.

Despite the limitations of the table, resulting from a relatively small survey held within one State, it is clear that there has been a significant change in electorate desires in terms of the level of government "interference" tolerable within present society. If the survey is in fact, accurate then Labor may have considerably difficulty in selling its new package. The new proposals, as desirable as they may be perceived, must involve a greater level of government activity within the economy and hence, less room for any taxation reduction. This, plainly, is not what the survey indicates is desired. Similarly, with the low level of support for increased social service expenditure, Labor would face an uphill task instituting those schemes which would require increased expenditure in this area.

It is clear that, in general, the new Labor proposals promise the re-establishment of virtually the same philosophy that existed between 1972 and 1975. There are, however, some subtle differences specifically designed to avoid the difficulties that plagued DURD. Foremost among these, is the emphasis on co-operation and consultation, promised before, but never realised. This new approach is exemplified by the promise to continue "revenue sharing" with local government, and the switch in the rhetoric from a promise of using increased specific purpose payments to payments in the form of "block" grants.

For the Liberal-National Country Party government, the issue of urban and regional development retains a low priority. Their policy is still one of leaving it to the levels of government most intimately concerned with the particular problem to look after themselves.

Except on an ad hoc basis, little money is flowing from the Federal government specifically for urban and regional projects. For Labor, the chance of formulating another "winning combination" with a comprehensive urban and regional policy linked to full employment, efficiency, and equity, may prove to be more elusive than it seems.

It was clear that many of the problems in the major cities were the consequence of the investment decision made by private companies and government authorities, which involved increasing centralisation of activities and speculative dealings in land. Those investment decisions and their consequences demanded government outlays on infrastructure - sewerage, roads and basic amenities - that were very costly and were provided at the expense of neglected community facilities in the expanding population areas.

The programs of the Department of Urban and Regional Development under the Labor Government (1973-75) were directed towards a planned amelioration of some of these problems. We attempted to confront some of the basic elements of the problems through housing rehabilitation programs (such as at Glebe, Woolloomooloo and Emerald Hill) increased advances to the states for public housing, preservation of the national heritage, the development of parks and gardens in the outer suburbs, the use of land as a planning resource through the establishment of land commissions in co-operation with the states, the development of new growth centres, such as at Albury-Wodonga, and the R.E.D. scheme of short-term job creation.

Our intention was to improve the living conditions for the people in the major cities and provincial towns through a variety of programs to combat inflationary pressures in the land and housing market and to prevent further concentration of population in the already congested metropolitan areas. Our plans envisaged the location of government offices in sub-metropolitan centres (such as Parramatta, Penrith, Campbelltown, Dandenong and Sunshine), integrated with commercial and cultural facilities. These plans were seen as helping to relieve the undue pressures on the urban transport system and to shift some of the available jobs closer to where the majority of the people lived.

Labor's urban affairs programme, centred on the establishment of a new department, D.U.R.D., was only mildly interventionist.

KEYNOTE ADDRESS INTRODUCING URBAN AND REGIONAL AFFAIRS POLICY
TOM UREN, M.P., LABOR SPOKESMAN ON URBAN AND REGIONAL AFFAIRS,
AT A.L.P. NATIONAL CONFERENCE, 19TH JULY, 1979.

As we enter the 1980s it is becoming clear that the people who live in our major cities and provincial towns are faced with many of the same problems Labor identified in the 1960s and tried to address in the 1970s. But the old problems are now being experienced to an even greater extent by the people Labor represents. In addition, new kinds of problems are emerging.

As a result, Labor now has to consider how to meet the old and the new problems in different ways.

In the 1960s we saw large inequalities in our rapidly growing, poorly planned cities. The people in the western suburbs of Sydney and Melbourne, in particular, suffered a neglect of basic facilities and services. Young families were expanding into suburbs where new jobs were located, where schools and hospitals were scarce, where public transport was inadequate, where the environment was desolate and where there were few cultural and community services.

The residents of the inner industrial areas were experiencing the problems related to industrial pollution and traffic congestion, exacerbated by the insensitive development of inner city freeways. The inner city residents, the former working class people who had congregated in the older established living areas nearer to jobs, were gradually being displaced by higher income professionals seeking closer proximity to the office jobs provided in the rapidly over-centralising central business districts. The character of the inner city was being transformed, some old areas of beauty being trendied up and others being knocked down.

But the threat it posed to the interests of the speculators and financiers and to the credibility of "market forces" - that is unplanned and unchecked private investment decisions - was sufficient to provoke obstruction by the Victorian Government and to cause the Fraser Government to strongly attack and quickly dismantle the department and savagely cut back outlays on urban and regional development, housing and the environment. The Department of Urban and Regional Development, however, challenged some of the traditions within the bureaucracy, contested the division of the functions on the basis of specialisation, and even ran up against the conservative philosophy of Treasury.

There were problems with D.U.R.D., however, and with the nature of some of its programs. The programs were often developed in an elitist way, by "expert" planners working at the top rather than in response to the demands of involved people. That partly accounts for the easy destruction of the department and the emasculation of its programs by the Fraser Government. The programs were largely mop-up exercises, attempting to fix up some of the consequences of years of neglect and unplanned decision making.

Two major lessons came out of our experiences with D.U.R.D. The first is that the strength of Labor's activities are dependent on the active support of a strong, broad-based movement of people. The second is that our focus needs to be more clearly set on intervention into the causes of the problems as well as amelioration of the consequences.

There are other lessons, too, in terms of the nature of relationships between the Australian, State and Local Governments, and in terms of the financial authority of an urban and regional affairs department.

That is, even if we were merely concerned with the same problems in our next period of government we would operate in a different way as a result of our previous experiences. We

would attempt to base the programs more directly on the involvement of people where they live; we would be more directly interventionist and we would try to establish more co-operative links across the different levels of government. But we are now facing different problems. The old problems have been heightened and added to. Our new responses will not be adequate if they are only based on past practice.

Labor's urban and regional affairs policies take account not only of our past experiences but also of new realities.

An increasing number of people are finding that their jobs are becoming more insecure, more fragmented, more routine and more degraded. People are finding they have less access to employment and less control over the conditions of their employment, and they are finding their jobs are paying them less in real terms.

But the problems are not only being experienced by people where they work. They are also experienced where they live.

An increasing number of people are finding that they face more insecurity, more fragmentation, more routine and more degradation in the major cities they live in. People are finding they have less access to housing and community services and less control over the decisions that affect their daily lives. And they are finding the essentials of living are costing them more in real terms.

Labor's first priority is the restoration of full employment with improved living standards. To achieve that objective Labor needs to be active in the Parliament, through the unions and with the rank and file party members. We need to redress the conservative propaganda aimed at blaming the victim by saying to the unemployed "it's not your fault", by intervening in the development of industry and by creating rewarding jobs.

We face a situation where there are around 400,000 people officially classified as unemployed. If we add the "hidden" unemployed we can double that figure to amount to 12 per cent of the workforce. The experience of unemployment, however, varies according to age, sex, ethnic background, occupation and location. For example, according to the Commonwealth Employment Service there are about 20 people unemployed for every job vacancy on a national level. But for young people in Mt. Druitt in Sydney's outer-western suburbs there are 300 unemployed for every vacancy. The fact of unemployment is leading to a reduced ability of people to buy houses and to maintain themselves in homes. For home buyers the ratio of bad debts to insured housing loans has increased from 1 to 1000 in 1972-73 to 1 in 78 in 1978-79.

After employment, housing is the most important determinant of a person's well-being.

The statistics indicating a crisis in housing are almost as high as those indicating an employment crisis. There are an estimated 270,000 persons permanently living in caravan parks. There are around 100,000 people on the waiting list for public housing. There are around 50,000 people in New South Wales alone without homes, who have to take to refuges, cars, parks or toilet blocks to find somewhere to sleep. In Victoria alone there are 3,000 emergency housing inquiries each month, and an estimated 15,000 homeless.

We have an anomaly where in spite of the need for housing there are vacant dwellings (about 8 per cent of total housing stock) that governments should purchase to increase their stock of public housing. But governments themselves are tending to sell off public housing, leaving a gap for those in need. And we see the unjust situation in Canberra where unemployed people are being evicted from government housing that remains vacant.

It is in the outer suburban areas where ordinary building blocks average around \$14,000. The impact of speculation in land by private developers and finance companies, especially in Melbourne, has been to increase the rate of increase in land prices.

The Henderson Commission of inquiry into poverty suggested that people spend no more than one quarter of their disposable income on housing. But the cost of rent and repayments of loans is now so high that a large number of people are spending about half their income or more on housing.

According to the Real Estate Institute of N.S.W. the cheapest rental accommodation for a single person in Sydney is around \$50 per week. But the weekly unemployment benefit for a single person under 18 years of age is only \$36 and over 18 years \$51.45. If they share a house the cost can be brought down to around \$20 per week. But sharing often means overcrowding in houses that were not designed for more than an adult couple and one or two children.

For an unemployed couple with two children the weekly household income from unemployment benefits and family allowance is \$112.22. Weekly rent at the cheapest available level accounts for 45% of this income.

For people in this situation life is reduced to basic survival. There is no prospect of home ownership. There is no security. They are forced to adjust their living standards to the increasing rents on the inadequate market.

Over the last year private rents in Sydney and Melbourne have increased on average by 20%. Nationally, the price index of private rent has risen between December 1975 and March 1979 by 17.9%. But governments have been shifting to a system of "market rents" so that the price index of government rents over the same period has increased by 48.7%.

The average price of an established house in Sydney is around \$58,000 and \$47,000 in Melbourne. Those prices are rising rapidly in the inner city areas. Most available land for housing is in the outer suburban areas where ordinary building blocks average around \$14,000. The impact of speculation in land by private developers and finance companies, especially in Melbourne, has been to increase the rate of increase in land prices.

There are very few houses that can be bought for less than \$35,000, a price that demands a deposit most low income earners do not have and loan repayments they cannot afford to maintain.

Since the Labor Government budget of 1974-75, when \$373 million was advanced to the states for housing we have seen a cut to \$260 million. Federal budget outlays on housing have been reduced from 3.9 per cent of total outlays in 1974-75 to 1.3 per cent in 1978-79.

Accordingly, the states have cut back on the provision of public housing. The N.S.W. Government estimates that the cutback announced at the Loan Council will mean a reduction in the public house building program from 3,000 houses in 1978-79 to 1,100 in 1979-80.

The effect in Tasmania will be even greater. In most states, public housing accounts for around 10 per cent of new dwellings each year, but 20 per cent in Tasmania.

The Indicative Planning Council for housing stated in its latest report that effective demand for new housing is determined in the first place by the ability of people to meet the costs of buying and holding an owner occupied dwelling. Access to housing is inequitably based on access to credit, which in turn is dependent on a stable and predictable income, which only an elite can now presume.

The economic crisis has meant that the need is increasing but the demand is falling. It has meant a real cut in the spending power of low and lower-middle income earners. Consequently, the Council has downgraded its estimates of demand for new housing from 127,000 in 1976-77 to 120,000 in 1978-79.

The Council argued that this downturn had affected employment in the building industry. First, there has been a loss of jobs in the building and construction sector of 61,500 across Australia since June 1974. Unemployment in the building and construction sector has risen from 13,700 in August 1974 to 37,500 in February 1979.

The Indicative Planning Council argued that this employment downturn has caused a shift of skilled workers out of the building industry raising longer-term problems of capacity in the industry. The Council has reduced its estimate of the industry's capacity from 150,000 per year in 1976-77 to 140,000 in 1978-79. At the same time we are seeing massive exploitation of the surplus labour displaced from the building industry in the "body hire" schemes to which an increasing number of workers are subjected.

The Council noted that there is currently an under-utilisation of capacity in the building materials industry of between 20-40 per cent, and in some items of 50 per cent. In response, materials suppliers have increased their prices to maintain profits so that the building materials price index has risen over the last twelve months by 8 per cent. Those increases will feed through into the total economy in the form of rising inflation.

In the housing area alone, then, there are massive problems that require strong interventionist responses by the Government. Labor's housing policy addresses these problems and includes among its proposals the encouragement of local initiatives in the provision of housing through local government, regional groups, cost-rent associations and housing co-operatives; the re-establishment of the Australian Housing Corporation; renegotiation of the Commonwealth-State Housing Agreement; selective urban consolidation programs; the phasing out of "market rents" in public housing; and assistance to low energy housing projects.

Labor's concern for the problems of the increasing inequalities in housing is based on our need as a party to respond to the difficulties experienced by the class we represent, whose living standards have been directly attacked by the Fraser Government. Housing is an immediate area that requires urgent attention by a Labor Government. But it is not the whole of the problems developing in our cities.

The reduced supply and increasing prices of oil demand that we consider the patterns of domestic, industrial and transport energy consumption. The car-based city, poorly serviced by public transport is extremely vulnerable to the emerging pressures on petrol use. Those living in the outlying suburbs, especially the lower income earners, will be affected most. Their mobility will be significantly reduced.

It is clear that we have to increase the availability of public transport, constrain the development of inner city freeways, decentralise office space out of the central business districts where around 20 per cent is unused, and promote the use of low energy vehicles, such as bicycles.

The energy problems are also related to broader difficulties emerging in our cities. As we develop more energy-intensive resource-processing industries (e.g. Alumina smelters) whose power and other facilities are subsidised by government, the availability of energy for the public is likely to be reduced and the costs increased.

As we develop technology intensive tertiary industries (e.g. word processors) based on computers and micro-processors, the need for office space and the availability of jobs is likely to be reduced. As the production and distribution sectors become increasingly concentrated the more the character of our cities will be transformed.

We cannot predict the nature of the impact of the changes in our industrial structure on our major cities and provincial towns. Our policy proposes expanding research into these questions. But in a general way we can already see that the development of extractive industries in Queensland and Western Australia and the decline of labour-intensive manufacturing industries in Victoria and South Australia especially is bringing about a major fragmentation across Australia.

The impact in Victoria and New South Wales in terms of the location of jobs is rapid and profound. The decline of clothing,

A U S T R A L I A N L A B O R P A R T YNATIONAL CONFERENCE - JULY 1979URBAN AND REGIONAL DEVELOPMENT PLATFORMINTRODUCTION

Labor recognises that the quality of life for the people who live in major cities and non-metropolitan regions is significantly affected by the nature of industrial and commercial development in those areas.

The lack of co-ordinated planning of industrial and commercial development in the past, and the lack of serious government attention to the consequences, has meant that there are now accumulated and interrelated problems that remain unresolved. These problems while largely caused by narrow economic thinking by private firms and statutory authorities have been left for resolution at public expense.

But the present changes taking place in the Australian and the world economies are bringing about problems of a different order, that are deep-seated and long-term. There is a declining availability of jobs. There is increasing cost and wasteful usage of limited non-renewable energy resources. There is increasing pollution of the environment. There is increasing inequality in the distribution of wealth. And there is a consequent deterioration in the adequacy of community services.

The causes of these changes are deeply rooted in the movement towards concentration of international capital. Control of Australian production is becoming vested in fewer but larger firms, increasingly foreign owned. The result is growing capital intensity of production leading to higher energy consumption and greater use of labour displacing and environmentally insensitive technology. These firms make their investment and location decisions with little concern for the impact on Australian society.

The increasing concentration of capital is leading, on the one hand, to over centralisation of central business districts in major city centres and, on the other, to the deterioration of living conditions and the environment. These trends have led to heightened demands on existing urban and regional facilities that are already deteriorating and are in need of rehabilitation.

At the same time demands for entirely new services are being generated as capital requires increasing subsidisation of private investment, including the provision of public utilities to support industrial development, and programs of housing relocation assistance.

The decline in the birthrate, reduction in the migration program, the ethnic diversification of the population, the ageing of the population, increased participation of women in the workforce, environmental degradation and increasing inequality in the distribution of wealth are all major demographic and social changes which have occurred at the same time as the profound changes in the economy.

Current and emerging problems require that local, State and national governments work together and co-ordinate their programs to intervene in new ways toward the objectives of providing security of employment, equitable management of energy resources, planning of production and distribution, protection of the environment and expansion of community services.

A Labor Government will:

Within the context of national economic planning, work closely with the States in developing co-operative arrangements for devising urban and regional policies to tackle the problems of the 1980's.

Use its power over flows of public sector and private investments to ensure full employment is achieved, that all Australians are adequately housed, that energy resources are used efficiently and the environment is protected from exploitation inconsistent with the long term well being of the Australian people.

Use its powers in co-operation with the States to locate jobs and functions so that future development can be co-ordinated with changing population trends and national settlement patterns, for example it will use industry assistance policy to create jobs in areas of high unemployment.

Use its powers over taxation policy to eliminate the incentive for speculative dealings in land and property.

Encourage citizen participation in decision making in all matters related to the development and administration of cities, regions, rural communities and the management of the environment.

NATIONAL URBAN STRATEGY

In co-operation with the States and local Government, develop and implement a national urban and regional development strategy consistent with the projections for Australia's population growth, both as a result of natural increase and immigration, as the basis of its long-term policies in this major area. Labor will have regard to the need for urban, rural and regional economic planning and long-term resource planning. Labor recognises that energy conservation should be a key objective of this strategy.

Require the development and monitoring of an Urban and Regional Budget Program to co-ordinate the resources allocated for investment in urban and regional services by the Australian, State and Local Governments.

Negotiate with, advise and assist State and Local Government in the preparation and implementation of urban and regional plans which will take full account of the plans' social implications and provide for the extended participation of local citizens.

Establish a Department of Urban and Regional Affairs, concerned with the impact of private and government decisions on the living conditions of the Australian people, and having responsibility for implementing Labor's Urban and Regional policies.

Functions of the Department would include:

- urban resource allocation and investment in fixed social capital, with particular regard to land use, housing, transport, recreation and the urban environment, developed in co-operation with the respective department; and the States;
- promoting research into urban questions;
- promoting effective liaison between the Australian State Territory and Local governments.

To ensure balanced urban development, particularly in the central business districts of major cities, co-ordinate property investment and development programs by both the Australian Government and its instrumentalities and by foreign companies and insurance companies.

Initiate new policies for selective urban consolidation using existing public facilities, where the social fabric of an area is not destroyed.

In consultation with the trade union movement and other affected parties, support the creation of major car-free pedestrian zones, particularly in the central business districts of major cities to benefit pedestrians and relieve air pollution.

Act to encourage and where necessary to require the private and public sectors to provide in major commercial developments such as office blocks, community, recreational, and sporting facilities for use by office workers and, where appropriate, the general public.

URBAN AND PUBLIC TRANSPORT

Ensure that investment in public transport is given priority and that all investment in land transport is consistent with:

the urban and regional development strategy developed in co-operation with the respective departments and the States;

a policy of energy conservation and use of renewable energy resources;

and a recognition of existing major air and noise pollution problems resulting from over-dependence on road-based private transport.

Encourage State Governments to focus urban development away from the central business districts of our large cities, to select sub-metropolitan locations on the public transport system, to improve employment, social and cultural opportunities and to spread the transport load over the system and stop wasteful expenditure on inner city freeways and inner city car parks.

Encourage the use of bicycles for both transport and recreational purposes.

HOUSING

STATEMENT OF PRINCIPLES

The Labor Party believes that every Australian resident has the right to adequate and appropriate accommodation at a price within his or her means. Conversely, residential development should be directed towards a variety of housing types commensurate with the differing needs of people of different ages, family circumstances and cultural values.

Housing accommodation should provide the occupants with security of tenure, reasonable autonomy of action and privacy. This should apply equally to owner-occupied houses and tenanted housing whether publicly or privately owned.

Labor's housing policy is designed to ensure that assistance is provided to families on low and moderate incomes in achieving home ownership and meeting costs of rental accommodation. It also maximises the degree of choice offered to the individual regarding types of housing, tenure and location.

It is the national government's responsibility to regulate the flow of funds for, and to maintain employment opportunities in the building industry.

Labor believes that the achievement of these goals and the development of an effective national housing policy requires the closest consultation between the Australian State Territory and Local Governments, Unions and the housing industry.

NATIONAL HOUSING POLICY

A Labor Government will develop a national housing policy within the framework of national economic and population planning and aimed specifically at:

- improvements in research for forecasting of future housing needs
- assessment and monitoring of housing conditions throughout Australia
- co-ordination of existing Commonwealth funding for housing programs, including the raising of existing Commonwealth supplementary benefits for housing to realistic levels
- encouraging the participation of institutions, local government, regional and community groups in the identification of housing problems and in the planning of comprehensive housing policies
- preparation of a Green Paper on housing problems which outlines government goals and objectives.

CO-OPERATION WITH STATE TERRITORY AND LOCAL GOVERNMENTS

The National Housing Policy will involve the Federal Government in joint undertakings at the state, regional and local level with a view to:

- encouraging local initiatives in the provision of housing through local government, regional groups, cost-rent associations and housing co-operatives;
- promoting the removal of inconsistencies in standards, requirements and regulations which impose higher costs;
- assisting in the development of experimental and low energy housing projects using alternative planning and engineering standards.

HOUSING INITIATIVES

A Labor Government will undertake a number of new initiatives to assist and promote access to home ownership and provide an adequate supply of low cost rental accommodation, through:

- (a) The Australian Housing Corporation

Re-establishing the Australian Housing Corporation which will

- (i) Secure the cash flows necessary to maintain production and sale of housing, and to assist home ownership, consistent with need, in desirable environments;
- (ii) Raise funds on the market and buy and sell mortgages on terms laid down by the Australian Government, to provide greater stability to the home finance market;
- (iii) Introduce new mortgage schemes, such as deferred repayment, to help potential home buyers to bridge the deposit gap;
- (iv) Provide finance for rental housing schemes;
- (v) Develop measures to assist home renters to overcome the economic disadvantages they suffer as compared with home owners.

(b) The Commonwealth-State Housing Agreement

Re-negotiating the Commonwealth-State Housing Agreement with State Governments in order to:

- (i) Ensure that State Housing Authorities are provided with continuity of funds on a three year basis.
- (ii) Increase the supply of public rental housing through the use of funds for rehabilitation programs and the acquisition of existing housing in a variety of locations and house types.
- (iii) Phase out eligibility requirements for public housing, giving priority to low and moderate income earners.
- (iv) Abolish "market" rents for public housing and provide public housing on the basis of capacity to pay.
- (v) Introduce a Commonwealth-funded minimum national rental rebate system based on tenant's capacity to pay.
- (vi) Improve the management of the public housing stock and encourage consultations with housing consumers.
- (vii) Ensure public housing authorities are funded to provide adequate community services.

(c) Rural Housing

Acknowledge that the Commonwealth has a role to play in the provision of rural housing and investigate suitable methods such as -

Initiating a housing program for sale or rental for farmers and rural dwellers according to their needs, preferences and incomes at standards comparable to those in cities.

Encouraging local authorities to act as agents for state housing authorities in the construction and provision of public housing for rural dwellers.

(d) Home Improvement Program

Introducing a national Home Improvement Program administered through State and Local Governments to:

- (i) Provide funds for State and Local Authorities to undertake assessment of local housing stock.
- (ii) Assist households on a means tested basis with loans for repairs and maintenance.

E. URBAN LAND

In co-operation with the States and Territories, an Australian Labor Government, through the Department of Urban and Regional Affairs, will:

- 1 Intervene in the land market to ensure that the supply of land is adequate to meet demand and that land for urban development passes through public ownership as it is converted from rural to urban use.
- 2 Co-ordinate the activities of all Land Commissions and Urban Land Councils in accordance with the principles of a National Urban Strategy.
- 3 Establish strict safeguards to prevent the waste of public funds in land purchases, and require that rural land destined for urban development be purchased at rural prices.
- 4 Seek to ensure, through bilateral agreements with the States, that in disposing of land -
 - (a) in growth centres or land held by Land Commissions or Urban Land Councils, residential land be freehold subject to improvement conditions and reservation of development rights;
 - (b) commercial and industrial land be held on a leasehold basis, subject to an annual land rent with periodic review; and
 - (c) government land be held on a leasehold basis, subject to a premium lease payment.

F. REGIONALISM

An Australian Labor Government will, in co-operation with the States:

- 1 Pursue a policy of bringing about economic, social and cultural equality between people in the different regions of Australia. To this end it will ensure that employment opportunities and access to social, commercial and cultural services are shared fairly and without creating environmental problems.
- 2 Encourage decentralisation to, and the growth in, major rural cities where natural growth occurs, and where development is in accordance with the National Urban Strategy and the following principles:
 - (a) the full co-operation and agreement of State and Territory Governments will be obtained before choosing rural cities for accelerated growth; and
 - (b) priority to be given to selected rural cities under existing Australian and State Government programs aimed at improving standards, amenities and communications.

- 3 Support regional authorities to enable them to create jobs by strengthening the regional economy. In particular, a Labor Government will assist authorities to enter into partnership arrangements with private enterprise to attract new economic activity and to support local initiatives.
- 4 To assist decentralisation conduct an inquiry into telecommunication charging, including uniform standard call charging within regions and uniform moderate charges for telephone connections.
- 5 In co-operation with the States, work to decentralise National and State government services to sub-metropolitan centres, major rural cities and regions, in order to provide more equitable access to employment opportunities, services and the facilities provided by Governments, and also reducing pressures on over-centralised capital cities, provided that -
 - (a) the relevant unions and the employees affected are required to be consulted before any transfer is made;
 - (b) employees who may, after a full process of consultation, be required to transfer their place of living and employment in order to retain an appointed position, be given adequate notice so that all necessary personal and family arrangements can be made; and
 - (c) employees of National and State organisations affected by decentralisation on transfer programs, who for personal or family reasons do not wish to change their place of living and employment, be given reasonable alternative employment opportunities where practical in their existing work centre.
- 6 Encourage community development through support for local and regional groups concerned with social development, including the making of expert assistance available to individuals and groups affected by planning proposals.

G. LOCAL GOVERNMENT

Labor is committed to the recognition of local government:

- * as a genuine recognised partner in the Australian Government system, with rights and responsibilities;
- * in state constitutions;
- * as autonomous, with its own bona fide electorate; and
- * with its own revenue sharing responsibilities;
- * which ought not be suspended by another level of government without formal rules and proper enquiries, hearings and appeals;
- * as a general (multi-) purpose personal level of government which ought to have a role which is not strictly limited, and given permission only to undertake a limited range of activities. It should be positively encouraged to include selected enterprises and use its initiative;
- * and to its representation on the Council for Inter-Governmental Relations. It should be actively involved in inter-governmental consultations and agreements, especially those affecting it financially;

- * and will seek the support of Local Government for the inclusion of a local government representative on the Loan Council and for power of the Australian Government to borrow on its behalf.

Labor recognises three fundamentals about our Federal system of government, namely that:

- (i) within a three level government system there is a need to balance the functions and finances of each level to ensure the adequate development of services and natural and human resources;
- (ii) between the three levels there ought to be consultation, co-operation and joint evaluation of public programs;
- (iii) the three levels of government need to be involved in setting priorities and broad targets for the standards and quality of community services and conditions that their combined efforts are aimed at producing.

CONSENSUS ON LOCAL GOVERNMENT RESPONSIBILITIES

Labor believes that Local Government should have its authority and responsibilities more clearly defined recognising the need for diversity between States. A Labor Government will therefore promote and participate in a discussion and inquiry into the desirable range of functions, rating and revenue raising, principle of organisation and operation, and the principles of inter-government relations, for modern local government. This inquiry would be undertaken with States, local government and community organisations.

REVENUE SHARING AND LOCAL GOVERNMENT

Labor is committed to sharing with local government at least 2% of the federal personal income tax of the previous year. In the event of the real value of federal net personal income tax collections ever falling between years, a Labor Government will maintain at least the real value level of the previous year, i.e., the provision of general (untied) revenue assistance to local councils by a proportion of the revenue raised by the national government.

PRINCIPLES OF DIVISION OF THE REVENUE SHARING GRANTS

The major factors to be considered in reaching recommendations on revenue grant levels between all local government authorities will include the following:

- * a capitation grant comprising 30% of all revenue sharing funds will be given to all councils;
- * a second part, a 'needs' or 'topping up' component will be added to the capitation grant based on the following criteria. This would comprise the other 70% of revenue sharing grants:
 - (i) assessment of disabilities in the revenue base or capacities of the area;
 - (ii) assessment of expenditure, disabilities, such as the characteristics of the council area's demography, topography, geography and geology;

- (iii) assessment of the relative needs of the area's population and the level of services available to them (especially those provided by the Council).

THE AUSTRALIAN GRANTS COMMISSION

Will be responsible for calling for applications for general revenue grants. It will report publicly on its advice to the Australian Government.

The Grants Commission panels examining Councils' needs in each State will include State and local government nominees. Provision will be made to receive public submissions.

LOCAL GOVERNMENT AND SPECIAL PURPOSE GRANTS

In addition to its commitment to general revenue assistance by revenue sharing, Labor is committed to assisting local government by special purpose grants to be allocated on a needs basis.

These grants will absorb a number of existing special purpose grants, into a series of broadly based grants with greater discretion at the local level.

These special purpose grants will give priority to regional and community development activities, and programs to alleviate the growing unemployment problem.

In addition, special assistance will be given to assist co-operative activities between local government bodies on a regional basis.

H. THE NATIONAL ESTATE

- 1 Through the Australian Heritage Commission ensure the annual funding of projects to preserve, protect and enhance the National Estate, using as the guides for financial assistance the register of the National Estate compiled by the Australian Heritage Commission, and registers compiled by any equivalent State bodies.
- 2 Through the Australian Heritage Commission, the Australian National Parks and Wildlife Service, and related State organisations, seek to achieve as quickly as possible a system of well-managed national parks, reserves and wilderness areas which protect adequate and representative examples of all Australia's diverse environment and the genetic material they contain.

I. THE NORTHERN TERRITORY

Establish a specialist division of government for the development of Northern Australia comprising experts in the various fields of social, physical and biological sciences. The division shall act as a planning-co-ordinating authority functioning in co-operation with the States and the Northern Territory through a representative committee in Northern Australia.

Where appropriate decentralise those functions of Australian Government Departments and instrumentalities relevant to the administration and development of Northern Australia.

Grant Statehood to the Northern Territory only after a plebiscite of Northern Territory citizens eligible to vote at a Northern Territory Legislative Assembly election, after the fullest consultation with all sections of the community, and after securing the rights of Aborigines.

Given the energy crisis and recognising the defence value and greater efficiency of rail over other forms of land transport, carry out a cost-benefit examination of the feasibility of extending the Tarcoola-Alice Springs standard gauge railway line to Darwin.

Examine Australian Government tax policies as they affect the cost of living in Northern Australia.

Recognising the potential of the Tourist Industry to Northern Australia, upgrade the airport at Darwin to international standard.

Accelerate the completion date of the Yulara Tourist Village at Ayers Rock.

1 THE AUSTRALIAN CAPITAL TERRITORY

This Conference, recognises that -

Australian Government policy is a principal determinant of the level of economic activity, especially in the building and construction industry and the personal and social well-being of people in the ACT.

Expenditure cuts and lowered staff ceilings have contributed to the high and rising unemployment, personal hardship, and reduced public service effectiveness.

The system of local government in the ACT is inadequate in representing the needs and democratic rights of the people of the ACT.

Accordingly, this Conference recommends that -

1 An inquiry be held into the organisation of government in the ACT to investigate and recommend alternatives.

2 Arbitrary staff ceilings be lifted and replaced by realistic public sector manpower planning.

3 Greater stability in funding of capital works projects through the Australian Government budget in the ACT be guaranteed to assist industry and commerce.

4 The role of Canberra be promoted as a national capital and regional centre, with more diversified employment opportunities.

2 HOUSING LOANS INSURANCE CORPORATION

1 This conference condemns the proposed sale by the Fraser Government of the Housing Loans Insurance Corporation, recognising that HLIC -

a has been a highly successful initiative of the Labor Government;

b was established, in part, to assist the less well-off home buyers to obtain finance for housing; and

c is consistent with Labor's principles and objectives

2 Recognising that the low to middle income earners are now and will continue to face increasing difficulties in obtaining access to housing loan insurance market.

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