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## Viewpoint

## An argument for metropolitan government in Australia

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## ABSTRACT

The federal government of Australia seeks to determine the selection and forms of financing of infrastructure projects in cities, and to prescribe how cities are planned and managed. This role is rationalised through reference to the UK City Deals model and is made possible by vertical fiscal imbalance (the tax revenue it raises considerably exceeds its expenditure responsibilities). Referring to the Constitution, this role is assigned to state governments that are responsible for planning, infrastructure investment and service delivery in the cities. The cities themselves comprise multiple local governments that are 'creatures' of state government legislation. State government metropolitan strategic plans and projects inevitably serve the interests of the constituencies needed to win the next state elections. There is no recognition of a metropolitan constituency. Documenting the economic and social disadvantages arising from Australia's form of metropolitan governance, and providing an example for expensive infrastructure mishaps arising from federal and state governments prioritising different transport modes and projects, the paper argues for the creation of representative, accountable and fiscally autonomous metropolitan governments.

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In this paper I argue that Australia has a metropolitan government imperative, with this being a precondition to effective metropolitan governance. I further argue that metropolitan government should be founded on the creation of representative metropolitan governments that are accountable to a metropolitan constituency, undertake strategic planning, are responsible for metro-scale infrastructure projects and services, are revenue generating and are fiscally sound.

While metropolitan governance is discussed in Australia, metropolitan government seldom is. For example, after pointing to metropolitan governance, planning and democratic 'deficits', Gleeson et al. (2012: 119) refer to the need for 'metropolitan scale institutions'. Spiller (2014: 362) argues that 'metropolitan planning and infrastructure investment in Australia ... are proving ineffectual [and are] producing socially divided and less productive cities' and calls for a 'metropolitan governance forum'.

The metropolitan imperative is understood by countries with which Australia might choose to compare itself; for example, see Kubler and Heinelt (2005) on Canada, England, Finland, France, Germany, Holland, Spain, Switzerland and the USA; and see Salet, Thornley, and Kreukels (2005) who add Austria, Belgium, the Czech Republic, Italy and Sweden. Lefevre (1998) refers to the changed 'urban and international context' (p. 16) and the 'the renaissance of the metropolitan idea in western countries' and 'experiments' (p. 17) with metropolitan government. Bodman (2012: 339) is more expansive: '... the world has

witnessed a shift in the institutional structuring of government towards greater decentralisation'.

Metropolitan government is central to effective metropolitan governance. The centrality of government is apparent in Fukuyama's (2013: 350) definition of 'governance as a government's ability to make and enforce rules ... governance is about the performance of agents in carrying out the wishes of principals'. While governments remain responsible for ensuring service delivery, they are not themselves responsible for delivering the services. This role is distributed among government, the private sector and civil society.

In the case of metropolitan governance, 'Australia has a unique model of metropolitan governance, in which *state governments* are directly responsible for all the key elements of planning and major infrastructure and service delivery ...' (Sansom, Dawkins, & Tan, 2012: 5, emphasis in original). The City of Brisbane notwithstanding,<sup>1</sup> there are no metropolitan governments in Australia. The multiple local governments located within metropolitan areas are viewed as 'creature[s] of State government' (Stilwell & Troy, 2000: 924); a notion that, in the USA, Briffault (1990: 7) argues, has relevance to the 19th century.

The objective of this paper is to further the view that metropolitan government should be on Australia's urban policy research and political agendas. I first explain the backdrop through reference to (a) Australia's constitution and commitment to the principle of subsidiarity, (b) vertical fiscal imbalance (VFI) and the Federal government

<sup>1</sup> At the time of its creation in 1925, the City of Brisbane incorporated all the local governments falling within its functional area. The City now represents about a half the population within the much expanded functional metropolitan area

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assuming a role in urban affairs that presently is modelled on the 'Manchester model' and 'City Deals', and (c) Australia's adoption of neoliberalism as the hegemonic context for public sector reform. Second, I turn to the international context of metropolitan government and governance, again refer to neoliberalism and proceed to the competitive forces unleashed through globalisation and the view that metropolitan governments are best situated to manage these changes. Third, I briefly note that while in Australia global city strategies have become the default strategy, contrary to the perceived resultant impetus to metropolitan governance elsewhere in the world (Brenner, 1999, 2004), the trend in Australia is towards increased intergovernmental centralisation favouring the Federal government (Phillimore & Harwood, 2015). Finally I propose a framework for metropolitan government and governance in Australia, which is presented as the basis for debate in a context where the 'constitutive process' of metropolitan government is central to its success (Lefevre, 1998: 18).

### 1. The Australian backdrop

It has been noted that State governments are 'directly responsible' for planning and service delivery in Australia's metropolitan regions. During constitutional negotiations in the 1890s the 'accepted view [was] ... that local or municipal matters would remain within the ambit of State governments' (Aulich & Pietsch, 2002: 16).<sup>2</sup> Metropolitan and local government are not mentioned in the constitution. The location of responsibility for metropolitan matters was reaffirmed in the terms of reference for the 2015 Reform of the Federation White Paper. While intergovernmental relations are premised on the principle of 'subsidiarity, whereby responsibility lies with the lowest level of government possible ...',<sup>3</sup> no consideration is given to the possibility that there are responsibilities that might be best served by metropolitan and local government. Instead, it has been argued that Australia has "opportunistic federalism" characterised by federal intervention in politically salient issues without proper thought for whether particular policy fields are best addressed nationally, locally, or 'cooperatively' (Appleby, Aroney, & John, 2012: 9).

The Federal government's interfering in metropolitan local matters is made possible by VFI. Paul Keating (1991), the former Treasurer and Prime Minister of Australia, observed that 'The national perspective dominates Australian political life because the national government dominates revenue raising and only because the national government dominates revenue raising'.<sup>4</sup> Helen Silver (2010), former Secretary of the Victorian Government Department of Premier and Cabinet, commented that VFI 'creates a perverse incentive for the Commonwealth to operate in areas of state and territory responsibility, without due regard to the principle of subsidiarity' (p. 326) and that that 'centralisation is especially apparent in respect of housing, transport, infrastructure and the liveability of the cities' (p. 330). It is these areas, in particular, that are the stuff of a 'metropolitan community of interest' (Spiller, 2014: 377).

It is in the context of VFI that, in 2016, the Federal government launched the *Smart Cities Plan*<sup>5</sup> whose ambition is to 'rethink the way our cities are planned, built and managed'. Also in 2016, the *Australia Infrastructure Plan*<sup>6</sup> asserted that 'The Australian government should drive change in the planning and operation of Australia's cities through

the use of Infrastructure Reform Incentives'. This approach would 'tie the provision of additional funding for infrastructure to the delivery of a range of city-based reforms, focused on improving the quality of planning, development and infrastructure across Australia's cities.' There is no constitutional remit for the Federal government for such policies. They are made possible by VFI.

The route to funding is via City Deals, which had been advocated by KPMG and the Property Council of Australia (2014) – *City Deals: Supercharging Australia's economic growth and productivity*<sup>7</sup> – and based on KPMG's (2014) *Introducing UK City Deals: A smart approach to supercharging economic growth and productivity*. The Department of the Prime Minister specifically draws attention to, and describes, the Greater Manchester City Deal,<sup>8</sup> and Australia's conception of City Deals is modelled on this experience. In fact, the Greater Manchester model has moved on and is now listed within the UK government's 'Devolution Deals'.<sup>9</sup> The Deals 'transfer [to local areas] powers, funding and accountability for policies and functions previously undertaken by central government' (Department for Communities and Local Government and HM Treasury, 2016: 5).

Similar devolution is not foreseen in Australia. Australia has adopted new forms of public action and a global city strategies (see below) without consideration of metropolitan government. Instead: The centralisation of planning and urban management powers into State Government has been compounded by a further centralisation of power at the Commonwealth level. This has seen the threatened 'municipalisation' of the States and Territories within the Australian federation (Spiller, 2013: 373).

Within a context of neoliberal hegemony, Australia has sought to reduce the role of government in the economy and in the delivery of infrastructure and services, and reduce government spending. Australian 'governments at all levels and of all political persuasions have vigorously pursued economic liberalization and new public management reforms within the public sector. There has been a sustained focus on increased competition, privatization, contracting out of government services and functions, deregulation, reform of public finances, and performance management' (Phillimore & Harwood, 2015: 47).

This backdrop helps to explain former Prime Minister Kevin Rudd's creating Infrastructure Australia in 2008 with a view to employing cost-benefit analysis to assess projects based on their 'business case'. He also tasked the Coalition of Australian Governments Reform Council with preparing guidelines for *Capital city strategic planning systems* (COAG, 2012) since 'If the Commonwealth is to foot any significant part of the urban infrastructure bill – the Commonwealth will legitimately expect to have confidence in the integrity of the strategic planning system in our major cities, ...' (Murphy, 2010, no page no.). Yet '...despite Rudd's best intentions, [there is] no organising principle for how to co-ordinate investment in Australian cities among different spheres of government' (Saulwick, 2011, no page no.). Might one imagine State and Federal politicians resisting the allure of trophy projects during elections? It is not that the politicisation of projects is necessarily bad. What is bad is that the politicisation does not occur at the scale of the constituency that will use and pay for the project's capital costs and operating costs (in part or in whole).

The prerogative of institutions like Infrastructure Australia is not questioned. The essential flaw of the principle of subsidiarity is the level at which the decision is made that further decentralisation would be unproductive. In this the Australian practice of federalism is at issue since 'Internationally understood, federalism ... emphasis[es] the democratic importance of subsidiarity and localised, accessible governance that facilitates diversity, creativity, experimentation, competition and participation' (Appleby et al., 2012: 11). The prospect of

<sup>2</sup> The Federal government has no metropolitan or local government constitutional remit and three attempts (1874, 1988, 2013) to change section 96 of the Constitution to give recognition, not autonomy, to local governments for the purposes of 'granting of financial assistance to local government bodies' have failed (Parliament of Australia, 2013).

<sup>3</sup> <https://federation.dpmc.gov.au/terms-reference> (Accessed 4 October 2016).

<sup>4</sup> 'Australia reportedly has the greatest degree of VFI of any federal country due to the domination of Australian government tax revenue, which is approximately 20% larger than its own-purpose outlays' (PricewaterhouseCoopers, 2006, 51).

<sup>5</sup> <https://cities.dpmc.gov.au/smart-cities-plan> (Accessed 6 October 2016)

<sup>6</sup> <http://infrastructureaustralia.gov.au/policy-publications/publications/Australian-Infrastructure-Plan.aspx> (Accessed 6 October 2016)

<sup>7</sup> <https://home.kpmg.com/au/en/home/insights/2016/04/city-deals-australia-economic-growth-productivity.html> (accessed on 6 October 2016)

<sup>8</sup> <https://cities.dpmc.gov.au/htmlfile> (Accessed 6 October 2016)

<sup>9</sup> <http://www.local.gov.uk/devolution-deals> (Accessed 6 October 2016)

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