



The Australian Experience

Professor Brian Dollery
University of New England



INTRODUCTION

- Numerous inquiries into Australian local government at national level and all state jurisdictions
- All found evidence of acute financial distress, with severe local infrastructure depletion



NATURE OF PROBLEM

Cause of problem fivefold:

- 'devolution of responsibility' from higher orders of government
- 'cost-shifting'
- 'raising the bar'
- 'increased community expectations'
- 'policy choice'



PROPOSED SOLUTIONS

Four main policy proposals:

- Amalgamation
- Asset management
- Shared services
- Federal/state local infrastructure funds



POLICY IMPLEMENTATION

- Structural reform through forced amalgamation main policy
- Involves state government commissions which recommend amalgamation
- Typically very thin on what happens next
- Never evaluation of policy outcomes



POLICY IMPLEMENTATION

- Inquiries all recommended better local infrastructure management
- Process usually prescribes improved accounting and planning procedures
- But infrastructure problem so enormous better management alone not enough



POLICY IMPLEMENTATION

- All inquiries recommended shared service models for regional service provision
- However, little direct encouragement offered to local government
- But state local government associations have made big contribution, especially Queensland



POLICY IMPLEMENTATION

- Inquiries recommended federal/state local infrastructure fund
- However, little progress made because Commonwealth/state governments reluctant to share taxes
- Indeed, intergovernmental grants have not kept real value
- Ultimately only Commonwealth has capacity to fund massive local infrastructure shortfall



LESSONS FROM AUSTRALIA

1. Forced amalgamation not answer to financial sustainability problems
2. Financial sustainability cannot be defined only in terms of municipal behaviour
3. 'Non-discretionary' factors crucial in financial sustainability
4. Intergovernmental transfers crucial for local government health