Reforming Australian Government: Impact and Implications for Local Public Administration

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Introduction

Australia has been experiencing comprehensive reform for the past fifteen years. There were earlier experiments at both central and local levels, but what distinguishes this contemporary period is the extensiveness of the reforms, their longevity and long term impact. The purpose of this chapter is to analyse the relationship between the national reform agendas in Australia and the impact on and implications for local government.

This chapter first examines the reform context and the all-encompassing nature of the main dimensions of the public sector reform agendas. It takes up the question of central-local relations, and the relative importance of top-down style and locally drive initiatives. The new concepts and practices that have emerged as a result of these reforms are considered before reviewing the implications for local government as a level of government. Because of the nature of these reforms — the emphasis on management and markets has centred on the delivery end — local government, as a provider of many services in the Australian federal context, has been one of the focuses of change.

Although operating under different governmental structures — one federal, the other unitary — there are some interesting comparisons to be made between Australian and Japanese approaches to public sector reform. Japan and Australia have been ranked as the two smallest public sectors relative to GDP in OECD (with the exception of the United States). In 1994, public sector expenditure in Japan was second lowest (34.3% of GDP), while in Australia, it was 36.9%. Current projections indicate that the positions will soon be reversed (OECD, 1997a).

Country reforms in the OECD can be considered according to a spectrum of reform activity that ranges from low to a high level. The low end covers countries which have not yet bothered with comprehensive reform (e. g. Germany), in large part because the reform imperative did not exist until recently. In the mid-spectrum, reforms may be specialised (such as decentralisation), or focused on the sectoral reform of a policy field (e. g. telecommunications). At the high end of the spectrum, countries have favoured extensive and comprehensive reform, where a range of reforms have been introduced that affect most aspects of the functioning of the public service or public sector or both. Typical of this group of countries has been the three 'Anglo-Saxon' countries of Australia, New Zealand and the United Kingdom.

By contrast with Australia, Japan has been operating on a somewhat different reform cycle, and has experienced relatively limited national reform in recent times,

although sectoral reform and decentralisation have been apparent, and a major program of review that includes 'agencification' is now on the agenda (Nakamura, 1997). Japan appears to have focused more systematically on decentralisation as an approach to reform while giving less attention to extensive reform of central government, whereas Australia has engaged in comprehensive reform of state and national governments, but has been less creative about decentralisation and reform of local government.

Reform Context

There are three main elements to the reform context in Australia: the federal structure, the broader international environment and the national reform agenda (discussed in the next section).

Federalism and Structural Relationships

The system of Australian government is distinguished by five relevant features:
(1) a complex and diverse federal system comprising three spheres of government: the national level (the commonwealth government); six states and two territories at the intermediate level; and more than 600 local units of government;
(2) a federal system which mixes the devolution between the levels of government with extensive decentralisation within levels;
(3) sub-national centralisation at the state level (which means a relatively weak and small local government level);
(4) fiscal imbalance with regard to revenue, which entails a major transfer role for the centralised revenue collector; and
(5) limited capacity or inclination to engage in significant redistribution of authority across levels, particularly downwards.

There are three levels of sub-national administration in Australia: state, regional and local, but they are not consistent across the country. A distinction can be made between administration at the three levels and governments' operational activities at these levels. The commonwealth government primarily operates at the national level, but its departments and agencies also have state, regional and local offices. State governments operate at the state level, but have regional and local offices. Local government comes in a range of forms and in addition to operating locally has more recently sought to perform roles at the regional level (e. g. joint arrangements; multi-functional associations of municipalities).

Three forms of government administration exist at the local level: commonwealth, state and local. Overall, the commonwealth's local operations are not extensive as they are confined to specific functions (within which they may have local offices). It should be noted however that much of the commonwealth's service delivery is performed by agents who are the recipients of grants or otherwise under contract to the government.

The most comprehensive, if varied and fragmented, delivery system is that of

local government which covers most of the country (sections of two states are unpopulated and unincorporated). The more than 600 local government units are gathered in eight separate state and territory jurisdictions. They embrace a diversity of size and functions ranging from Brisbane City with its population of three-quarters of a million and a budget larger than the state of Tasmania, to tiny Murchison Shire in Western Australia with its population of 140 and a range and level of services to match.

Commonwealth and state government are established under the Australian constitution. Local government is established by state (or territory) legislation, although this may include recognition in state constitutions. Given the lack of constitutional recognition at national level and the prescription of local government powers and functions through state legislation, local government has often been described as a 'creature of the states'. It has been confined to a relatively narrow range of functions, described as the weakest range of local government functions of any western country (Gyford, 1986, p. 135). This, together with the fragmentation of the system — small in population and sometimes in area — has worked against high levels of autonomy.

Sub-national government in Australia is, therefore, a state government dominant system. Local government plays a modest role in overall expenditure terms, accounting for only 7% of the total public sector outlays, collecting a mere 4% of the total taxation revenue and employing about 150,000 staff or 9% of the total government civilian workforce. However, it has responsibility for more than a quarter of the public sector capital formation, including 30–40% of all construction on electricity distribution, roads and highways, water distribution and sewer systems (ALGA, 1990, p. 5). State government has typically engaged top-down reform as a natural reflex.

Multiple delivery systems are important in the federation. It has evolved by each level having its own extensive system of delivery as well as upper levels (the commonwealth or states) either delegating or devolving responsibilities to lower levels. The dynamics of the federal system encourages diffusion between states at the intermediate level, between local governments, and between levels of government. Sub-national levels can be major sources of diffusion and reform initiatives.

Globalisation

Globalisation involves the growth of a new form of global economy and the international diffusion of information technologies. The term implies that the scope of numerous 'chains of political, economic and social activity are becoming world-wide' and that there is an 'intensification of levels of interaction and interconnectedness within and between states and societies' (Held, 1996, p. 21).

Increasingly, it has become more important in the overall public sector reform process. The economic impacts of globalisation on government include the difficulty encountered in controlling financial transactions and the influence of external factors which impact internally through the need for competitiveness within the world economy. The example of the 'East Asian miracle' has provided a competitive

benchmark for countries operating under different conditions. Further, the state's ability to manage the macro-economy is constrained because the market operates increasingly beyond its national borders, and the traditional fiscal and monetary instruments are less effective.

The political dimensions are also significant with certain developments being seen to undermine the nation-state. The first is the control of agendas when issues that were once primarily domestic have been internationalised; second has been the expansion of intergovernmental links between domestic agencies in fields such as health. Sub-national regional and local government have also taken the lead in the growth process and established international relationships to promote exchanges and collaborations. Local governments have developed their 'foreign policy' thereby forming 'new international pathways, new threads to the global political network' (Spybey, 1996, p. 64).

Globalisation, then, influences the operating environment of local government by providing challenges and opportunities. The macro agendas centre on the broad micro-economic directions featuring competition and intergovernmental rationalisation. The local government-focused agendas reflect these economic objectives and the potential of new international roles.

Public Sector Reform

There have been two periods of intensive change in Australian history since the foundation of government in the mid-nineteenth century. The first major period of modernisation occurred between the 1880s and the first world war, and the second period of great change in the 1970s to 1990s. The two periods were separated by an extended phase of incremental administrative change. Both periods were characterised by intensive change, experimentation and attention to system design. In particular, the first period was associated with the reconstitution of six colonial systems as six states and the Commonwealth of the Australian Federation in 1901, in which there were six local government systems. The second involved wholesale reform of all public sectors at all three levels of the federal system.

The last twenty-five years has been remarkable for the level of public sector change: the magnitude of the reform, the breadth of the reforms, the longevity of the process and the importance of the changes. While there had been extensive experimentation by local, state and commonwealth governments since the early 1970s, the conditions for a more concerted effort did not arise until the following decade: a package of reforms promoted by governments with mandates and determination to mount reform programs. The changes were comprehensive in two senses: they applied across the public service/sector and a full range of measures was introduced which left no area untouched The range of changes covered the gamut of possibilities: philosophy, operational style, structure, personnel and culture.

Management

What differentiated the 1980s from the 1970s was the rejection of traditional

ways — identified with administration — and their replacement by a package of reforms based on management. In the search for this framework, there were two major components: the first was the acceptance of a new instrumentalist view of the bureaucracy. The second was the adoption of a managerialist agenda — an approach centred on management — as an alternative to administration.

Since 1983, Australia has worked hard at developing and implementing the new management philosophy that was designed to replace the traditional approach, which emphasised inputs and processes, by a focus on results. The management aspects of 'new public management' that primarily affect the core can be reduced to a few major elements: financial management improvement, devolution, accountability, performance evaluation and strategic management.

Marketisation and Contractualism

It has become increasingly appropriate to draw a distinction between the management and the market/contractual dimensions of reform and while they are not necessarily mutually exclusive in practice, it is useful to keep them analytically distinct. The first draws from the management literature; the second from new economic theory. This second dimension involves the application of market principles to both the core as well as the broader public sector. Contractualism, competition and contestability have become more prominent as marketisation is accepted as having a general application to all parts of the public sector. Associated with this greater focus on non-commercial functions is contraction of the scope of the sector, and the greater reliance on non-government agencies. Several tiers of markets have become accepted within the public sector, the main distinction being between the internal (or activities within the public service involving purely public transactions, such as user charging) and the external market (or public-private transactions, such as contracting out). A more significant dimension is where there is a major organisation transformation (corporatisation or privatisation), although this is normally within the broader public sector.

The first phase of reform (centred on the 1980s) produced commercialisation, and gradually competitive elements entered specific areas of the public service (e. g. legal work and use of the business units). The second phase received its greatest impetus from the Hilmer Report on National Competition Policy. This was a product of the micro-economic reform agenda, which first emerged in the mid-1980s, and covered various sectors of the economy, but by the mid-1990s was concentrating firmly on the national rationalisation of utilities and the benchmarking of performance nationally (e. g. hospitals) and improving competitiveness.

The need for and development of micro-economic reform strategies were not limited to Australia: the OECD had warned that without further improvements in the functioning of markets and in the efficiency of public sectors, OECD economies were unlikely to sustain rates of output growth or achieve further lasting reductions in employment. In the 1980s there was a particular urgency for micro-economic reform in Australia because of the recurring inability of domestic suppliers to match the improvements in domestic growth with the consequence of high current account

deficits and rising economic debt. The micro-economic reform strategies employed sought to reform by stimulating competition, by removing biases which distorted quick and flexible adjustment to market signals, by minimising costs and by better deploying resources and eliminating inefficient work practices.

The National Competition Policy has provided an agenda-setting role nationally for both the public and private sectors. The commonwealth and the states reached agreement in 1995 to implement the recommendations of the Hilmer Report, particularly the principle of competitive neutrality between the government and the business sector, and the structural reform of public monopolies to allow competition. The benefits of the competition principles are argued to include acquiring competitively priced goods and services, greater choice of providers for purchasers, operational flexibility because of this choice, and improved accountability.

By 1995, it had become clear the Australian public service was in another period of transition as the pressures for further reform intensified. The new agenda centred on competition, contracting out, contestability, clients and core business. Of particular importance was competition, client focus and the application of the purchaser/ provider principle. An example of a major consideration was the desire for a seamless service across agencies which would provide integrated service delivery for clients of more than one department. With the election of a new conservative government in March 1996, a wide range of new reforms to the Australian public service were instigated and are now at various stages of implementation.

The commonwealth government is now seeking to introduce a deregulated personnel system that is more comparable to the private sector and contestability of delivery of services with greater use being made of private and voluntary sectors. The government is contemplating a more systemic approach to contractualism, which includes performance agreements for CEOs, performance agreements for services and possibly contracts for the senior executive service. With departments focusing more on policy and related functions, delivery will shift more to special agencies based on internal market principles, but also competing in some cases with external (particularly private sector) providers. The sub-national level of government is also expected to feature more prominently in the future.

Nationalisation of Reform

In Australia, it was necessary for the nationalisation of reform to occur. The federal system was important for testing and diffusing reforms among the state and commonwealth governments (Halligan, 1996), but was also a barrier to national reform to the public sector. Intergovernmental (or commonwealth-state) reform was largely ignored during the 1980s because it represented the most intractable option as a result of the states' constitutionally established autonomy. This option has only been addressed in the 1990s after other reform options have seemingly been exhausted.

There have been three main driving forces towards the nationalisation of reform: first, the micro-economic agenda which has been running now since the mid-1980s, continues to provide a major impetus for change at all three levels of government.

Competition has become central to the national reform agenda of the mid-1990s with the introduction of reforms expected to enlarge state government revenues.

Second, has been the desire of some political leaders either to accomplish reforms to the federal system or to strengthen levels of government. Prime Minister Hawke placed the question on the national agenda in 1990. State premiers have also been alarmed at the decline in their revenue with substantial cuts in commonwealth payments, particularly untied grants. The chief expression of this was the establishment in 1992 of the Council of Australian Governments (COAG) (consisting of the Prime Minister, State Premiers and Territory Chief Ministers, and the President of the Australian Local Government Association), with a charter to 'increase cooperation among governments on reform of the national economy and ongoing structural reform of government'. It also provides a forum for consultation of major whole-of-government issues, which is, in effect, a formal mechanism to advance the national reform agenda.

Third, there are some indications of greater interest in 'bottom up' initiatives, or at least the greater engagement of the customer in service delivery. The last decade or so has been characterised by unremitting top-down reform of the public sector. The need to balance this with more involvement of the recipients of services has been recognised. A recent case has been the argument of COAG that the focus should be on peoples' needs rather than service providers and that greater choice and information should exist.

COAG has identified several areas — public housing, school education, child care, and health and community services — where there are inefficiencies in the intergovernmental arrangements and potential for progress to be made with clarifying roles and responsibilities. The Review of Commonwealth and State Service Provision was designed to enable comparisons of efficiency and the assessment of reforms across eight areas of service provision.

The main trends in redistributing authority across levels are as follows:

(1) continuing pressure for review and rationalisation as Australia moves towards the centenary of the federal system and the micro-economic agenda continues to dominate;

(2) specific exercises designed to produce clarification of roles and responsibilities (under COAG);

(3) greater emphasis on performance management within and between levels; and,

(4) the increasing interest in applying the purchase/provider principle to traditional inter-governmental arrangements.

Reform at the Local Level of Government

An earlier renaissance in local government dated from the 1960s when 'the combination of grass-roots participation and the discovery of the urban problem stimulated wide interest in its potentiality' (Halligan & Wettenhall, 1989, p. 80). Consistent with broader pressures for social change, the reform agendas included

moves to widen the franchise, eliminate multiple voting and redraw boundaries to ensure greater adherence to principles of 'one-person one vote'. In addition to these attempts to enhance the representative nature of local government, this earlier period of reform saw the refashioning of internal practices to improve strategic planning and financial management systems. While there was some evidence of reform to local government systems at this time, the impetus appeared to dissipate in the late 1970s under the pressures of fiscal austerity and inflexible management.

First Phase Reform

The revitalisation of the reform movement in local government has coincided with the second period in Australian history of intensive administrative change to public sectors, and the agendas have, by and large, been congruent with those changes at state and commonwealth levels. Reforms have been comprehensive at the management, legislative and structural levels of local government and have focused on two primary issues; first, the improved management of resources and second, governance issues.

The first agenda has usually been described in terms such as making local government more businesslike and more accountable for its resources and has required the provision of higher quality services with fewer resources. This has involved a conscious attempt to restrain public sector expenditure and tighten the accountability of officials to the political executive, more at state government level than to locally elected members. The engagement of local government in the national agenda of micro-economic reform, the pressures on local government to produce corporate plans, develop and report on performance measures and manage more activities with resources more tightly accounted for are responses consistent with this agenda.

In order to more efficiently deliver services, local government has utilised a range of strategies such as resource sharing, competitive tendering and contracting, increasing market influences on pricing of their goods and services, municipal amalgamation and updating technology to facilitate delivery eg one-stop-shops, online programs, quality accreditation. Reforms of state Local Government Acts have encouraged many local authorities to seize the opportunity to adopt different approaches to service delivery. New commercial activities have been established, often in competition with private enterprises or with other local authorities and previously free or subsidised services operate on a full cost recovery basis (eg ad hoc building advice). There has been an increasing appreciation of the division of roles in local government as, firstly, a client requiring services for its community and, secondly, local government as a provider of those services. This client/provider split has meant that many local authorities have taken on very different structures with the introduction of business units or incorporated businesses. Many of the impacts of these changes have not been universally welcomed, such as the downsizing of the local government work force; some have argued that withdrawal from service delivery by local authorities has enhanced local business opportunities; others have lamented the impact in smaller communities, in particular (Aulich, 1997a).

Reforms have also focused on the governance role of local government. The

centrepiece of reform during the early stages has been the reformation of state local government legislation which has long placed strict limitations on the scope of local government activities and services. As the Local Government Acts 'are usually amongst the longest and most complex of the state statutes, no state government has tackled the task of reviewing the acts more frequently than once in a generation' (Power, Wettenhall & Halligan, 1981, p. 23). It is, therefore, significant that between 1989 and 1996 the primary local government legislation in all states and in one territory was reviewed and reformed. Common to the new legislation was a movement away from the prescriptive and limiting powers reinforced by the doctrine of ultra vires, which restricted local authorities to performing only those activities specifically nominated under the legislation. The new legislation has granted a form of general competence powers to enable local authorities to undertake any activities necessary for them to fulfil the specific functions and powers delegated to them. Typical was the Victorian Local Government Act which gave local authorities the power to 'do all things necessary or convenient to be done for or in connection with the performance of its functions and to enable it to achieve its purposes and objectives'. While widening the scope of local government activities, the nature and extent of the delegated powers did not change significantly in any state or territory jurisdiction.

There is no evidence of significant changes to the state-local power nexus as no new functions have been added to those previously undertaken by local government. State governments retain reserved powers, typical of which is the provision in the New South Wales 1993 legislation which gives the Minister for Local Government the power to issue any order that a local authority may issue; and in Queensland, where the state government is empowered to refuse approval to by-laws, overturn existing gazetted by-laws and overturn local authority resolutions. Even under the reformed local government acts, local government remains a creature of state and territory governments.

The reforms were also designed to enhance local government accountability regimes by extending to local government, state government Freedom of Information legislation, introducing mandatory consultation and reporting in the strategic management process and by introducing easier arrangements for community referenda. These provisions have strengthened dual accountability both to state and territory governments as well as to local communities.

Accountability to the local community has been enhanced, albeit not as significantly as claimed by the New South Wales government which boasted that the new Local Government Act 'represents a major step on the road from a representative to a participatory form of local government' (NSW Government, 1991, pp. 10–11). Dalton argues that the Victorian government became more interventionist and concluded that 'broad or strategic considerations of ... intergovernment relationships with a view to enhancing autonomy of local government did not get very far' (Dalton, 1992, p. 222). In Queensland, the intent of 'partnership' and 'local autonomy' were contained in the Minister for Local Government's preamble to the initial reform proposals (Queensland Government, 1992) but the Local Government Association of

Queensland (1992, p. 8) complained that the 'truth is that this apparent new auton-
omy may actually be illusory'. In Western Australia, the 'Better Government Agree-
ment' signalled the beginning of a comprehensive reform package which agreed on
principles including enhancing local government autonomy and the sphere's capac-
ity for self management. In South Australia, state and local governments agreed on
formalising a partnership based on greater equality by signing a Memorandum of
Understanding between representatives of the two levels of government. This was
designed to 'establish new relationships reflecting a co-operative approach to the
development of the state' (Bannon & Plumbridge, 1990). Self funding for local gov-
ernment in South Australia was assured by the allocation of a hypothecated fuel tax
which provided independent financing to local government in that state.

These measures could be seen as a sincere, if only marginally successful, attempt
to strengthen local values by enabling local authorities to engage more in enterprise
activities, free of the limitations imposed by the old, prescriptive local government
legislation. However, it may also have been designed as a means of reducing state
government responsibilities for and burden of financing local government. For in-
stance, an important Victorian Government paper on micro-economic reform began
with the statement that: while the Victorian Government was able to take up some
of the slack in local government funding through the mid 1980s, it can no longer do
so because of the significant real terms in reduction in state general purpose grants
(Local Government Department of Victoria, 1990, p. 2)

Throughout this current period of reform, the language and concepts of 'new
public management' have been adopted by local authorities, with support, encourage-
ment and pressure by state governments. Financial management improvement,
devolution, clearer and more enhanced accountability regimes, performance evalua-
tion and strategic management have been steadily suffused into the management
culture of local government during this period (Aulich, 1997b).

The outcomes of this first phase of reform were generally convergent and the
similarities between agendas in the various jurisdictions quite clear. Painter (in
Halligan, 1996) describes this diffusion as the 'self-exiting consequences of having
concurrent polities with overlapping jurisdictions in the one place'. He identified a
'bandwagon effect' in relation to the 'adoption of successful vote-winning stratagems
by political entrepreneurs'. Such entrepreneurs not only include politicians but also
elected members and officials who have established national forums in which infor-
mation can be exchanged and influence applied. For politicians, there are the estab-
lished party political forums at national level as well as the influential ministerial
council arrangements. For local government representatives, the Local Government
Associations have provided a strong network, which were enhanced towards the end
of the 1980s as local government enjoyed a higher status in the federal system.

It is clear that there were similarities between the local government communities
in their initial approaches to local government reform: the submissions from state
local government associations to the various local government reviews pursue a
consistent theme that reform should enhance local autonomy, improve the efficient
management of resources and provide greater access for citizens to local democratic

processes. The variations in outcome of the reforms owe more to the respective state government views of the proper place of local government and its values than to different local government views of the values underpinning local government.

The commonwealth government's role in this first phase was important. In the 1980s, in addition to the provision of ongoing Financial Assistance Grants to local government, it allocated funds to assist improved management practices at local level, designed to enhance local government efficiency and capacity. In 1988, the Commonwealth government took a leadership role in attempts to seek constitutional recognition for local government and, although the proposal was rejected in the subsequent national referendum, the commonwealth extended an invitation for local government to be represented and participate in the Special Premiers' Conferences of the late 80s and early 90s, as integral elements of the national micro-economic reform strategy (Reynolds, 1992, p. 11). The four principles of the Rationalisation Exercise (aimed at minimising duplication and overlap between levels of government) were subsequently influential in the intergovernment agreement signed in South Australia (ALGA, 1990, p. 21 ; Bannon & Plumbridge, 1990).

Second Phase Reform

The second phase of local government reform was stimulated by the historic agreement between states and the commonwealth to introduce a National Competition Policy as part of the micro-economic reform process which has dominated the national government's public policies for nearly a decade. The differences in emphases with respect to the implementation of this policy and overall local government reform has resulted in greater divergence between local government systems. This has polarised local government in New South Wales, Queensland and Western Australia from that in Victoria, South Australia and Tasmania. Differences have been manifested with respect to two public policy agendas, in particular: approaches to service delivery and municipal amalgamation.

In the first group of states, amalgamation is not a central issue of reform (although voluntary amalgamations have been encouraged and supported by most state governments), competitive tendering has been encouraged rather than mandated as has the adoption of performance management techniques (eg state-wide performance indicators and benchmarking). In short, these state governments continue to accept that reform will be internally driven and have adopted mechanisms to support and encourage, and, perhaps, lead local government efforts.

By contrast, in the latter group state governments have become more interventionist. In Victoria, recent reforms have been marked by a technocratic process (Mascarenhas, 1990) which have permitted little effective consultation and collaboration with stakeholders. The 210 local authorities were amalgamated into 78 units and competitive tendering mandated for all local authorities, within very strict compliance limits. Rates were capped (i. e. local government income from taxes frozen) and budgets reduced by 20% across the board. Both privatisation and competition agendas have been evident in this process. Dore (1997, p. 2) argues that the twin aims 'have been to reduce the cost and size of government and thus enable the

private sector to undertake more of the activities previously operated by govern-ment'. The reforms have also been identified with the agendas of 'new contractu-alism' (Alford & O' Neill, 1994).

During this period of intense reform in Victoria, political and community opposi-tion was blunted by the suspension of elected councillors to be replaced with com-missioners appointed for two years by the state government. Further, the state government managed the appointment of new CEOs for the 78 local authorities, thereby ensuring a stronger support base at community level for their package of reforms (Aulich, 1997b). The conservative government did not come to power with a clear and definite program of local government reform and there was no wide-spread or general movement pressing for such reforms. Nevertheless, the option for local government to be reformed by intra-organisational means, as in New South Wales, was rejected as the program of reform was uncompromisingly implemented (Kiss, 1997).

Reforms in both South Australia and Tasmania have also been technocratic and accompanied by a similar rhetoric justifying more radical reforms on the basis of the parlous condition of state finances. In Victoria, the Minister for Local Government argued that the reforms were to generate total savings of $ 500 million, lower rates, increased debt retirement, employment generation, streamlined planning approval processes and provide greater capacity for strategic decision making (Hallam, 1994). These 'rust-belt' economies have groaned under the transition from primary and secondary industry-based economies towards economies based on service industries. Following the loss and changes experienced in traditional overseas primary industry markets, national micro-economic reform schedules have decimated the clothing, textile and footwear industries, car manufacturing and other secondary industries in these states. Coupled with narrow economic bases, these states have struggled to restabilise their economies. In this environment, it is hardly surprising that govern-ment activities at both state and local levels have felt the close scrutiny of public sector reform agendas. Perhaps, the relatively healthy state economies in New South Wales, Queensland and Western Australia have not encouraged the attention of state governments to radical reform at either state or local level.

However, even in those states where local government reform has been handled in a more participative and less pressured manner, there have been numerous exam-ples of substantial changes being initiated by state governments. Despite the num-ber of positive reforms generated locally, the reform process in most states has been very much 'top down' (Reynolds, 1992).

The process of local government reform has not been without its critics: there have been complaints from local government associations in several states that their submissions have not been sufficiently considered, particularly in relation to preserv-ing state government reserved powers and its impact on local autonomy. Local government support for reform has often been qualified by caveats which indicate that greater local autonomy should be provided (Local Government Association of NSW and Shires Association of NSW, 1991, 1992; Local Government Association of Queensland, 1992) or that the process of reform should reconsider functional

relationships between the local and state governments before the 'form' of local government is determined (Municipal Association of Tasmania, 1991-92). Indeed, the Local Government Association of New South Wales (1991, p. 2) lamented that in the Exposure Draft of the new local government legislation, 'there are some [clauses] which are more prescriptive than existing provisions'.

In the early phases of reform, political or collectivist approaches were generally preferred to technocratic approaches, perhaps because of the strength of the local government interest groups and the traditions of involving local government interest groups in political change. The devolution from state to local government of responsibility for a number of functions in welfare and community services areas in the 1980s increased the necessity for more cooperative intergovernment relations, perhaps encouraging the habit of collaboration. This collaboration has remained a hallmark of the reforms in some states but in others, the technocratic approaches have become more significant, especially in recent phases of reform. This may reflect the impatience of those state governments with the pace of political approaches to reform, and the reorientation of state governments towards a unitarist, rather than a pluralist, system of local government.

Diverging Models of Local Government

Although not recognised constitutionally as part of the Australian federal system, local government in Australia plays a significant role in two respects. First, in giving voice to local aspirations for decentralised governance. This democratic role has a long tradition in local government which reflects the British influences embodying values such as representativeness and advocacy of local interests, responsiveness and access (Sharpe, 1981; Smith, 1985; Stewart, 1997). Second, it provides a mechanism for efficient delivery of services to local communities; this efficiency is said to be improved as communities are provided with services better tailored to their needs and to their willingness to pay. These two roles are often at tension: for instance, in relation to the controversial question of municipal amalgamations, the argument for larger local government units is usually based on the existence of economies of scale in service delivery but critics of amalgamations often claim that there are diseconomies of scale in relation to the democratic values of representativeness, with large units less responsive to community needs and aspirations.

The two roles give rise to two models of local government — the local democracy model which stresses democratic and locality values over efficiency values, and the structural efficiency model which emphasises the importance of efficient distribution of services to local communities. The local democracy model values local differences and system diversity because a local authority has both the capacity and the legitimacy for local choice and local voice. This means that local authorities can and will make choices that differ from those made by others.

In the structural efficiency model, local government is perceived more narrowly as a supplier of goods and services, influenced by new public management and its instrumental approach to public service provision. In this respect, fiscal and eco-

nomic issues over-ride other social and political concerns and may be identified with Weber's formal rationalisation process whereby tradition-bound or value-oriented forms of political and social organisation are replaced by purely instrumentally rational institutions (Tucker, 1997, p. 3). Such a model encourages greater central government intervention to assert control over local government to ensure that mechanisms are in place to advance efficiency and economy; usually greater pressures for uniformity and conformity. In this environment, lower value is placed on collaborative processes of reform, giving opportunities for local voice and on diversity of outcomes.

In Australia, the tension between the models is largely one of emphasis. The increasing diversity between local government systems in the second phase of recent local government reform reflects a growing acceptance and implementation of reforms consistent with the values embedded in the structural efficiency model, more in some states than in others. While apparently unrelated to party politics, it has been emphasised by conservative parties in states where the state economies have been subject to downturns.

Conclusions

Differences in approaches to the reform of local government systems have emerged between the Australian states. However, a focus on state differences runs the risk of minimising the very strong similarities both in terms of outcomes of reform and in the ways in which the reform process has been handled.

Issues such as the distribution of functions and powers, vertical fiscal imbalance, intergovernment protocols and concerns for overlap and duplication of functions have been the subject of much discussion between representatives of the three levels of government. This reappraisal of intergovernment relations is part of a larger tension, which is emerging world-wide, between the pressures for decentralisation, implied in a 'legitimation crisis', and pressures for increased central control through the fiscal crisis (Patience, 1985, p. 9).

One of the likely consequences of the first pressure could be a decentralising response by the central government which threatens the stability of the federal state by demands for increased levels of local and regional autonomy. State governments appear less willing to carry the financial 'burden' of local government and are encouraging that level to engage in entrepreneurial or business activities as a means of reducing state government obligations. The second pressure leads to arguments for increasing corporatism by central governments especially in relation to securing macro-economic control in times of fiscal crisis. This also carries a consequent threat to federalism of concentrating power too heavily in the hands of central governments and allowing national priorities and agendas to subvert state and local policies.

These centrifugal and centralising tendencies are evident in current local government reform in Australia. The engagement of state and local governments in the commonwealth agenda for micro-economic reform has lead to a more cohesive and,

perhaps, corporatist, approach to public sector reform. At the same time, as state government pressures for greater efficiency has yielded fewer, but financially strengthened, local authorities it may reduce state and commonwealth government leverage over local government and further enhance claims for increased local government autonomy at some future time. At the same time, stronger local authorities are often seen by more parochial interests as barriers to real decentralisation or local voice.

Despite the new mechanisms to increase accountability, especially of local government to its local communities, it is not clear that the problem of controlling local governments and ensuring that they serve the public purpose has been resolved as state governments continue to wrestle with the tensions between devolution and control. Nowhere has the nexus between state and local governments been altered to any marked degree and nowhere has local autonomy been pursued with the vigour given to programs designed to enhance local government efficiency.

The federal debate involving the commonwealth and the states recognises the need for some decentralisation. But centralising impulses remain strong with the current commonwealth government, and a strong case remains in some areas for a national focus. Whether nationalisation inevitable means centralisation of control is unclear. There are some indications that greater decentralisation at the micro (or service delivery level) might be accompanied by centralisation at the commonwealth level. For example, do hospitals nation-wide have to be subject to the States? Within the commonwealth and state government levels decentralisation has been proceeding for some time. For example, the commonwealth adopted 'devolution' as a central element of its reform agenda in the 1980s, which included deconcentration.

In conclusion, reform has been extensive within levels. National reform — that is reform of sectors — has made some progress. With regard to inter-level reform, it is arguably more advanced for the local-state relationship than the state-commonwealth. The general view is that progress with the latter has been slow but that the foundations have been laid and that intergovernmental reform agenda will continue to be important for the rest of this decade as it was for the corresponding decade last century which culminated in the Australian federation in 1901.

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