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HEADS OF GOVERNMENT MEETING
CANBERRA, 11 OCTOBER 1973

OPENING STATEMENT BY THE PRIME MINISTER

Welcoming remarks.

The purpose of this meeting is to discuss, and I hope agree on, proposals of the Australian Government which are directed towards our objective of assisting and strengthening local government and making it a fuller and more effective partner in our Federal system.

There can be no doubt of the firmness of my Government's commitment to that objective. It is encompassed in our Platform; it was explicit in my Policy Speech before the last election; most recently I re-affirmed it in my speeches to the Constitutional Convention. Indeed, our meeting here today had its direct impetus from the discussions we had at the Convention.

Repeatedly, I have emphasised that one of the essential requirements for full achievement of our objective is a re-casting of the arrangements embodied in the present Financial Agreement. These are arrangements which were based on the situation of the 1920s, when the relative roles and responsibilities of the Australian Government, the State Governments and local government were vastly different from what they now are. They are not good enough. They have not been adequate for some time. They are certainly not adequate for the future.

We do not seek change for change's sake nor, as some would say, to centralise power in Canberra. The planning and provision of public services and facilities to meet the expanding needs of the whole community is becoming an

increasingly complex task. It is one which cannot be accomplished satisfactorily if we cling to old concepts, old demarcation lines of interest and responsibility drawn up in the distant past.

Of course, when the Financial Agreement was drawn up local government authority borrowing was relatively insignificant. Things are very different now. The situation now is that local government authorities have been borrowing more each year than the total amount of their outstanding debt only twenty years or so ago. It can be fairly said that if the Financial Agreement were being drawn up now it would be unthinkable that local government would be entirely excluded from it.

Over at least the last two decades there have been serious deficiencies developing in the provision of many of the public services and facilities which it has fallen to the State-local government sector to provide. Partly this has been a product of insufficiency of resources; but it has also reflected processes of planning and of determination of priorities which have been inadequate or too narrowly based.

My Government has set itself the task of helping to remedy, in co-operation with the States and their authorities, the deficiencies which now exist. We have made a strong beginning - witness the new or enlarged allocations in our budget for 1973-74 for such purposes as education, community health, public housing, sewerage services, land management, urban transport and growth centres. Total allocations to the States in 1973-74, including the State Governments' Loan Council programs but excluding

unemployment relief grants, are estimated to be no less than 24 per cent greater than the corresponding allocations in 1972-73.

Local government is an area of special importance which has suffered imbalances between responsibilities and resources. The importance of local government derives from the very fact that it is local - that the services and facilities which it provides have such a close and direct impact on the welfare of the population it services. It is our aim, in part, to make available to local government resources more adequate for its functions. But our aim is larger than that. If local government is to play the fuller and more effective part that I believe the community wishes it to play, then we must also increase the effective influence local government exercises in relation to the fundamental decision-making affecting its activities. It will represent a most significant step towards real Federalism, real local participation in public affairs - and, indeed, real decentralisation of government - when this is achieved.

We have already taken several very important steps in that direction. We secured the representation of local government at the Constitutional Convention. In its Autumn Sittings the Australian Parliament passed a new Grants Commission Act authorising that body to inquire into applications for assistance by regional organisations of local government. Any assistance recommended by the Commission and approved by the Australian Government will be paid to the States under section 96 of the Constitution on condition that it be passed on to the local government

organisations concerned. Additional members have been appointed to the Commission and its staff is being expanded to enable it to deal with this large new responsibility. It is hoped that applications by regional organisations will begin to be received and considered early next year. Additionally, under the Australian Assistance Plan there will be available to local government authorities special assistance to enable them more effectively to provide welfare and health services to their communities.

The proposals I am now putting to you - and for which I now seek your unanimous support - represent a further long step towards the same objective. They are proposals of which I have spoken many times before, including at the recent Constitutional Convention, so I expect that you have already thought about them a good deal yourselves. They are:-

(a) that elected local government have both a voice and a vote in the Loan Council. It is of the utmost importance, I believe, that the voice of local government - the voice of those people with the closest knowledge of community needs at the local and regional level - be heard in this decision-making forum; and

(b) that the Australian Government be empowered to borrow on behalf of elected local government.

There are, broadly, three bases on which the first of these proposals might be sought.

One would be to admit representatives of local government to the Loan Council on the same basis as the

present members, with full representation and voting rights covering all matters dealt with by the Loan Council. While I see considerable merit in this, I recognise that, in terms of the present nature and range of Loan Council interests and functions, it would raise some difficulties.

The other two bases would impose some limitations on the role allotted to the local government representatives in the Loan Council. We could, for example, limit local government participation in both discussion and voting to those matters directly affecting local government. Again, I see difficulties in this approach, since the borrowing programs of both the State governments and their local and semi-government authorities are, I gather, generally discussed in the same context at Loan Council meetings. There would be a constant problem as to the precise point at which local government representatives would be admitted to the discussions in the Loan Council. I have not the least doubt that, experienced in and aware of the Loan Council procedures as you are, it is unnecessary for me to enlarge on this problem. For my own part, I see such arrangements as providing much too limited a role for local government for it to meet my Government's objectives.

The intermediate approach is therefore the one I wish to propose to you. This would admit representatives of elected local government to all Loan Council discussions, with a right to vote on those matters directly affecting local government - essentially, the borrowing programs for the bodies they represent and the allocations of these programs.

Before I throw this proposal open for discussion there are some points of principle and procedure that I should canvass.

First, there is the legal framework within which such a situation could be achieved. As I see it, the Financial Agreement could be amended to accommodate and provide a firm and proper basis for the new arrangements. I am advised that the necessary amendments to the Financial Agreement could be made, by agreement between the Australian and State Governments, without taking it outside the scope of section 105A of the Constitution as it stands. It would, of course, be accepted that, in accordance with practice, any such amendments should be validated by Acts of the Australian and State Parliaments.

Borrowings by local government bodies are at present governed by the Gentlemen's Agreement, which also covers borrowings by statutory authorities of the Australian and State Governments. I should make it clear that my proposal concerning representation in the Loan Council is limited to elected local government bodies. I appreciate that some of the largest borrowers, individually, under the Gentlemen's Agreement are statutory authorities - mainly public utilities of one kind or another. These bodies I see as having adequate representation in the Loan Council through the Premiers. They are essentially arms of the Governments concerned. Indeed, there is in many cases only a fine dividing line between the types of function they perform and those of some State departments, and the respective functions of the two vary from State to State.

It is clear that the proposed new arrangements would require that provisions which are now part of the Gentlemen's Agreement be re-cast, as would the nature of the "programs" to be considered by the Loan Council. I envisage that, in place of the existing division of the programs into "larger" and "smaller" authorities, what would now be required would be separate borrowing programs for local government bodies and for the State Government instrumentalities. I have no firm view on whether there would still need to be a borrowing limit corresponding to the existing amount of \$400,000 below which there would be no program ceiling imposed by the Loan Council. I am inclined to think that there should be such a limit if we are to avoid loss of the flexibility that now exists for borrowings by smaller bodies. However, I see that as a procedural matter to be resolved if agreement is reached on the principle of local government representation.

The other proposal that I have said I want to place before you is that arrangements be agreed upon for the Australian Government to borrow on behalf of local government. The Financial Agreement as it stands does not provide for this.

Let me provide some background. At June 1947 (satisfactory figures for earlier years are not available) local government authorities total outstanding debt was about \$140 million - about 7 per cent of total State Government debt; at June 1971 the preliminary figure, provided by the Statistician, was \$1,730 million - almost 15 per cent of estimated total State Government debt at the time. In

twenty-four years local government authorities debt increased more than twelvefold compared with an increase of not quite sixfold in State Governments' total outstanding debt. Yet after the period of extraordinary growth in the magnitude and cost of local government activities, their place and role in the forum determining the nation's broad public borrowing programs was as it had been at the beginning - in a word, nil.

Does it not strike you as odd that, while we have established arrangements for borrowings by State Governments to be undertaken on their behalf by the Australian Government, local government authorities are largely left to fend for themselves in the capital markets? Especially with the growing complexity and sophistication of these markets, they are handicapped as borrowers.

I see this as being not only odd, but also as quite unsatisfactory. Given the nature and range of public services and facilities that local government authorities are called upon to provide, why should they not also have the opportunity to have the Australian Government, with its superior capacity as a borrower, undertake borrowings on their behalf?

I repeat here what I said earlier; that if the Financial Agreement were being drawn up now it would be unthinkable that these authorities could be ignored.

The costs of servicing their borrowings bear heavily - and increasingly so - on the budgets on local government authorities. While the picture differs from State to State, and as between individual authorities,

overall interest payments by local government authorities would now be equivalent to about 12 per cent of their revenues. Interest payments plus capital repayments amounted to some \$177.5 million in 1970-71 and were equivalent to about 25 per cent of revenues.

If the Australian Government were to be able to borrow on behalf of local government authorities, the costs of servicing the resultant debt would of course be significantly lower than if those authorities borrowed the funds directly themselves. And this would mean lesser costs of services and lesser burdens on the local ratepayers.

It would be possible, of course, for the Australian Government to borrow moneys and pass them on, under section 96 of the Constitution, to State Governments on condition that they be made available to local government authorities. This procedure is not what I have in mind when I speak of Australian Government borrowings on behalf of local government. Premiers will appreciate the difference between borrowings made by the Australian Government on behalf of their States and borrowings made wholly on the Australian Government's account which might be used to finance payments to the States under section 96.

What I am seeking is your agreement to amend the Financial Agreement to enable the Australian Government to borrow for and on behalf of elected local government bodies, just as it borrows for and on behalf of the State Governments, and to provide the funds direct to those bodies. The amendment would also make provision for consequential arrangements for the servicing of such debt.

I am not proposing that local government should be required to have borrowings for their purposes undertaken on their behalf by the Australian Government regardless of their wishes in the matter. It would be for each authority to choose whether to take advantage of the new facility or to rely on its own abilities as a borrower.

I am well aware that there would be a number of legal and practical arrangements to be settled before the proposal could be implemented. However, I am again advised that the necessary amendments could be made to the Financial Agreement to enable this to be done without taking it outside section 105A of the Constitution as it stands.

In brief, those are the proposals I put to you for your consideration and, I trust, agreement. It will be clear from what I have said that I am seeking the co-operation of the States in arrangements to provide local government with a role and the resources adequate to its responsibilities. With your assistance and co-operation I believe, as I have already indicated, that this can be done within the existing constitutional framework.

I urge your agreement to these proposals; that way we can proceed quickly and with the least fuss and bother to the urgent task of putting local government on a satisfactory and viable basis. I do not think there can be any argument that such assistance is necessary - indeed, it is being demanded by the community. If, together, we cannot agree on such arrangements, however, I do not see any adequate alternative open to my Government but to seek to have the Constitution amended for the purpose. However, as I say, I

do not see that course as necessary if we can agree to adopt the arrangements I have outlined. Indeed, I have not discussed the alternative course in any depth here because I think each of you will be as anxious as I to see your own local government authorities playing their part in public affairs more effectively.

It must be made quite clear, however, that if I am mistaken in that belief, then my Government will adopt the alternative course. I also make it clear that I expect that at this meeting here today we will decide between the alternatives of co-operative action or constitutional amendment.

I am not, of course, seeking a solution to all the practical and procedural problems today. Neither am I suggesting that those problems should be cleared away before the decisions in principle are reached. If we can reach unanimous agreement on the broad proposals I have outlined, we can then quickly proceed to establish machinery to put them into effect. But I am seeking such agreement today for the reason that, in its absence, I would wish to have before the end of the current sittings of the Australian Parliament the necessary legislation for a referendum on the amendment of section 105A.