

NOT ALL THE SMART PEOPLE ARE IN CANBERRA

THE HONOURABLE CAMPBELL NEWMAN

The title of my address tonight is: *Not all the smart people are in Canberra*. My title is of course tongue in cheek, but it is an important point, and my more serious subtitle is: *A call for true competitive federalism*.

There is an undercurrent in our national debate that implies that all the smart people are in Canberra and that is where the solutions to all our problems lie. On the contrary, I make the case for a refresh of our federation where we realise that right across this country, there are people in state, territory and local governments, and in the community as a whole, that can do a better job if we get the federal government out of the way and empower them.

These people are smart, they have great ideas, and if they were allowed to get on and deliver their own solutions to local challenges, we would be a better country.

I THE HISTORICAL POSITION

One hundred and thirty years ago a group of talented and far-sighted politicians kicked off a process that ultimately saw the federation of a group of British colonies as a new, united and democratic nation. Over years of discussion, negotiation, fights, public debate and huge doses of pragmatism, a constitution was hammered out and Australia was born. It was a political process. It was not a bureaucratic process. It was not led by the public service. Public servants supported the process, but it was the political leaders of the time that did the deal.

Their vision was one of a ‘true’ federation with dispersed power and it is evident in the words of the *Constitution*. Certain powers were vested in the Commonwealth – national defence, external affairs, and so on, and everything else belonged to the states.

I note the historic fact that the architects of the federation cast the net widely for a model of the federation that would suit Australia. They looked at Switzerland. They looked at Canada and discounted it because it was (ironically) too centralised. They borrowed heavily from the American model because they were concerned to protect ‘states’ rights’. And, of course, our Senate was designed as a house of review and a place where the interests of even the smallest states would be protected.

For a period of time, this worked reasonably well until we came to our involvement in World War I and the pain of the great depression. The cataclysmic economic forces undoubtedly required the Commonwealth to intervene for the clear goal of national survival. However, as we know, when the crisis abated, the people from Canberra stayed ‘to help us’!

II THE CURRENT POSITION

Move forward 120 years from federation, and where have we come to? Everyone in this room knows the answer – nevertheless for the purposes of the argument I will spell it out.

After 120 years of High Court decisions and interpretation of the *Constitution*, plus the exigencies of war, the federation is far removed from what the founding fathers intended. The centralists in Canberra are delighted but the results are not leading us to the promised land or a new Jerusalem. We have totally confused responsibilities, and duplication and overlap are the order of the day.

Prime Ministers and members of the federal cabinet pay absolute lip service to the *Constitution* and a degree of arrogance permeates like a miasma from Canberra across the continent. The media compound the problem clearly showing, on a daily basis, that despite being ‘political reporters’ most have limited knowledge about how things are really meant to work and absolutely no sense of history.

And finally, the public. The poor long-suffering members of the Australian public who wonder why action isn’t taken and are fed up with blame shifting and buck passing. One night they turn on the television and hear their state minister talking about education. The next night, or even the same night, they hear the Commonwealth minister making out that he is charge. (For the record, the Commonwealth Minister does not have any schools, but he does have a bucket load of federal public servants that don’t run any schools.)

Why can’t the overall policy settings be handled by a much smaller bureaucracy? Even more radically, why don’t state education ministers step up and take responsibility – because it is their responsibility – for the education outcomes in our schools? Is it any wonder that the public are confused and disillusioned?

III THE MAIN PROBLEMS

What then are the main problems with the federation? The evolution of the federation has taken us to a place where state first ministers have been infantilised and they all act and sound like mendicants, because they are!

State ministers have been elected to be responsible for their respective state, and yet they endure a Prime Minister and federal cabinet who want to constantly weigh in on matters that at 1901 did not have anything to do with them.

At a most fundamental level, the problem is money or more precisely the vertical fiscal imbalance that sees Canberra collect almost all the loot and talk loudly about delivery, while the states (and let's not forget local government) are the bunnies who actually have to deliver services on limited revenue raising powers and with the grants that Canberra chooses to provide.

It's not Canberra's money by the way. As the Commonwealth Treasurer quite rightly says: it's the people of Australia's money. I agree, and I will add most emphatically that the Australian people deserve better.

The states must have direct access to their own source of income to pay for their responsibilities without relying on the political whims of Canberra. More bluntly, those that have the responsibility to fund the important services and infrastructure need to receive that funding without interference or 'political engineering' via so-called 'National Partnerships' from the federal government.

Then there is that other great – or not so great – federation acronym: HFE (Horizontal Fiscal Equalisation). Essentially a socialist notion – straight from the good old Aussie concept of a 'fair go' – it means that states like New South Wales and Victoria have subsidised everyone else for 100 years. Then, at the very moment that Western Australia comes into some real money, it gets taken off them. In the meantime, states like South Australia and Tasmania can indulge themselves with particular administrations over the past twenty years who have been anti-development and anti-business.

What about Queensland? Queensland has done well, being subsidised by others and was on its way to financial independence, but that prospect is now diminishing as a mountain of debt and interest payments crush their ability to pay for the things that Queenslanders deserve.

My big thought on this is that HFE is a fig leaf for state governments that won't perform. Why be a low tax state when the formula assumes that you are taxing at a higher level? Why open up gas fields or mineral resources generating royalty revenue when that's politically painful and HFE will bail you out anyway? My point is that HFE squashes independence and innovation and provides no incentive for states to do the heavy lifting.

Before I leave the topic of what is wrong with the way that our federation is operating, I need to convey a few thoughts and then some examples on the perils of centralisation. I must say that I have always been nonplussed by my reputation in the media as being some sort of control freak. The truth is that I am a control freak and I have always been someone that believes in delegation of authority and responsibility to the lowest level.

In war, General Sir John Monash understood and went to great pains to ensure that his frontline soldiers needed to understand his plan and his junior leaders were empowered to react to changed circumstances on the battlefield and take action.

This is also the case in business enterprise. My view is that the best leaders tell people what is expected of them, give them clear guidelines, provide the necessary resources and then let people get on with the job. Micromanagement is detrimental to the human spirit, quells initiative and leads to poor performance. People who are given the freedom to act within clear guidelines develop as individuals and achieve great results.

As it is on the battlefield and in the competitive world of business, so it is in politics and government. However, the paradigm that now prevails is that the ‘smart’ people are all in Canberra and that the ‘second eleven’ work in the states and Territories. Whether it is the politicians or the public servants, the main game is seen to be in Canberra and if you are any good that’s where you should be. The back story seems to be that ‘the Feds’ are the only ones that can come in and sort out the mess created by the states.

De-centralisation of decision making is, I believe, a very important principle for any system of government. People on the spot are usually better placed to identify and analyse issues, develop responses and effectively implement solutions. Furthermore, the idea that in a country as vast as Australia, people sitting in Canberra can tailor policies that work for communities from Huonville in Tasmania to Thursday Island in Far North Queensland, from St Peters in Sydney to Narrogin in Western Australia, is laughable.

It’s hard enough doing this at a state level and that’s why when I was in government we took a number of steps to delegate authority to local government.

Some of the perils of centralisation are lack of local knowledge, lack of responsiveness, decision avoidance, and anti-democratic tyranny (for example, people in suburban Melbourne railing against Adani and the promise of jobs in regional Queensland).

My firm view is that our system should be about empowering state leaders and then letting them solve their own problems.

The story of the National Heavy Vehicle Regulator – a Rudd Government initiative but implemented by Prime Minister Abbott – is instructive. Established in 2013, the vision was of a seamless, harmonised system greasing the wheels of the nation’s logistics and trucking operators.

Immediately upon implementation things fell in a heap. From their website they say that they are about minimising the compliance burden, reducing duplication of and inconsistencies in heavy vehicle regulation across state and territory borders, and providing leadership and driving sustainable improvement to safety, productivity and efficiency outcomes. However, they have a long way to go.

When I was the Premier of Queensland in 2013 and 2014, I was besieged by complaints from the trucking industry and farmers about a huge blowout in the times to process permits for the movement of heavy and oversize loads. Farmers with cane farms astride the Bruce Highway in North Queensland who merely wanted to move a piece of large machinery 500 metres down the road from one part of the farm to the other could not get permits. The trucking companies were screaming because permits were taking weeks for approval.

If you think that it has been solved now, then think again. I was approached in May 2018 by a trucking industry group that was concerned about a lack of responsiveness and the inability to receive permits in a timely fashion. In particular, mining equipment being relocated by heavy haulage from Pilbara to Weipa had to be barged across the Gulf of Carpentaria because, after 100 days, no permit had been issued in Queensland. Whereas permits in Western Australia and the Northern Territory were issued in two days (neither jurisdictions are signatories to the National Heavy Vehicle Law), in Queensland the permit applications had sat with local and state government

for over 100 days. My point is that we already had a perfectly good system that served us well, where local decisions were made in a timely and effective manner before this reform was introduced. The perverse irony is that the National Heavy Vehicle Regulator is located in Brisbane.

IV BENEFITS OF MAKING THE FEDERATION WORK PROPERLY

But enough of the problems. What are the benefits to making the federation work properly? Firstly, we get a chance to reduce waste and duplication and better utilise the resources that we have as a nation. In short, we do a better job for Australians.

Secondly, we get to keep faith with the public and restore their faith in the system by reducing the blame game and looking like the political and media class actually have a clue.

Thirdly, we empower and motivate smart people in places other than Canberra to step up and truly lead. Premiers, ministers, mayors and councillors can do a better job if we let them.

Fourthly, we encourage competitive federalism where states have a greater array of policy levers at their disposal and therefore must stand up and be counted.

Finally, Australians will have the opportunity to compare and – should they wish – choose to live in the jurisdictions that are delivering.

If you think this final one is a fantasy, then just remember that when Sir Joh Bjelke-Petersen ended death duties in Queensland, not only did the state see an influx of retirees, but the tax was eliminated nationally shortly thereafter.

V FEDERATION REFORM

So how do we do this? Let's get real: Canberra has absolutely no real interest in seeing the matter resolved even though going back to a proper federation, as the founders envisaged, may well be in the national interest.

Federation reform therefore needs to come from the state and territory first ministers. They may not agree on the specifics right now but surely they can agree that a broken system needs to be fixed and if they stand together and demand a process of reform then at least a start can be made. However, they don't seem to be interested in having to rock the boat either.

In summary, I don't see any push from anyone to do anything at the moment. So it has got to come from people like us and that's what conferences like this are about. We need to kick start a debate about federation. We need to try and talk to our fellow citizens on some of the things that I have mentioned tonight and get some sort of mood for change.

We need to point out that if there is a lack of performance by the states, it is actually a manifestation of the smothering 'fiscal love' that Canberra delivers.

I watch with amazement and shake my head at the perennial but brief outbreaks of discussion about tax reform. Even more laughable is the suggestion that true reform will be led by Canberra. Additionally, it's implausible to think that we will have effective and meaningful taxation reform without reform of the federation itself.

To be more pointed, federation reform comes before taxation reform. If you get the roles and responsibilities sorted out then it will be easier – not easy – to sort out the tax issues and the whole HFE debacle.

It is time for a new compact between the Commonwealth and the states (and territories) and it needs to be a deal between political equals that is appreciative of our history, respectful to our traditions, and acknowledges that we can make our country work better. This process cannot be led by the Department of Prime Minister and Cabinet. It must instead be led by the politicians themselves.

As I said when I started this address this evening, federation was led by politicians who crafted an audacious political bargain. That's what I am advocating now. If we are to get anywhere, the senior politicians need to tear themselves away from social media and the 24-hour news cycle and do some real work involving deep and considered thinking. We need them to lead the process and personally thrash out the key issues, and then provide the guidance to the public servants.

I'm not talking about constitutional amendments, although it would be nice if it could happen. Instead, I am advocating, as a minimum, a political deal that sees the respective roles and responsibilities being agreed, the responsibilities being defined and quantified, the true funding requirements being estimated, and then a taxation deal being done. This may mean that some states give up certain things but reclaim full responsibility for others.

For example, the National Disability Insurance Scheme could be a totally Commonwealth responsibility as part of the Social Security System. It may mean that the states get a share of Commonwealth income tax, collected by the Australian Taxation Office. On day one of the new system, the state income tax component of the overall Pay As You Go tax brackets would be the same everywhere. As time went on the various jurisdictions could ask the Commonwealth to vary their respective component. The postcode of your principal place of

residence would be a convenient coding flag to allow the automatic calculation of tax.

What would be the impact if Tasmania decided to be the lowest taxed state in Australia and became the preferred home of the wealthiest? It's not a bad place if you have central heating, there is the Museum of Old and New Art, and they make great wines and whiskey.

Finally, it may mean the states adopting an improved federal environmental law, dispensing with their own but then being solely responsible for implementation within their borders.

VI CONCLUSION

To conclude, we have a great country, but we seem to be currently becalmed on the ocean. There are other prescriptions, other things that may help with this, but the one that I passionately believe could make a huge difference is a concerted effort to redefine our federation and make it work.

I hope that you all share my passion for that dream.