

**Submission to Senate Select Committee on the  
Reform of the Australian Federation.  
Parliament House  
Canberra**

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**Submission by  
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**RECOGNISING LOCAL GOVERNMENT IN THE FEDERAL  
CONSTITUTION:**

Local Government exists as a result of an Act passed by State Parliament. It is controlled by and responsible to the State Parliament through the Local Government Act and any Regulations relative to that Act.

Like any other body, it cannot serve two masters which would be the case if it became also part of the Federal Parliament through Constitutional amendments.

This is the basic principle which cannot be denied. One must ask why any change to such a principle would be considered?

The reasoning is centred on the fact that much of the funding for Councils these days emanates from Canberra rather than the State and without recognition, such finance could legally, be challenged.

As a result of years of centralisation, the source of the money supply for Australia has drifted from the States to Canberra. The financial demands on Councils to provide services have exceeded the ability of ratepayers to fund them to the extent once common. The balance is picked up by the States to some degree but because they too have a lack of funds, the majority needs to be derived from Canberra.

There are two approaches to remedy the situation.

The first is 'recognition' which simply overcomes any legal challenge. However it fosters further centralisation by effectively threatening the future of the States. Once Canberra provides more of the money for Councils, those Councils will become more closely linked to the Federal scene. Most funds come with conditions attached which would see the Federal Parliament eventually having more control over Councils than the State Parliament. This scenario which is repeated in numerous other fields like Education and Health will lead to the question being asked "Why do we need the States any longer - they are not necessary?" Canberra has all the money!

The second approach would restore the federal structure as it was intended in the Constitution. The States came together, agreeing to form a Federation where the Federal Government would cater for the truly national matters such as Defence, Communication and Immigration etc. The States were destined to care for as much as possible and thus enshrine true decentralised power. Decisions made nearest the people are always most in tune with the wishes of the constituents.

This restoration will involve the States exercising their own banking powers, according to Sec 51 of the Constitution, which would enable them to resume funding Councils and other public needs. This would be free of any Federal involvement.

Another source of funding is the Reserve Bank. I refer here to the findings of the 1937 Royal Commission into Banking where in summarising the outcome, the Chairman, Sir Mellis Napier said "...That the Commonwealth (*now Reserve*) Bank can make money available to governments or to others on such terms as it chooses, even by way of a loan without interest or even without requiring either interest or repayment of principal..." Quoted from "The Story of the Commonwealth Bank" by D J Amos (F.C.I.S.)

Surely this facility is worth utilising.

In summary, the problem has been stated and the solution can either deliver a result in accord with the current Constitution ensuring decentralised power and responsibility or we can amend the Constitution in a way which will pave the way to centralism and all of its problems.

Ken Grundy