

# Commonwealth involvement in urban and regional development

## A FRAMEWORK

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### INTRODUCTION

Over 85 per cent of Australia's population live in urban areas, with around 70 per cent in capital cities. It is in these cities and suburbs that economic, social and environmental challenges are being deeply felt. These are the places that have adapted to the impacts of globalisation and technological change. A renewed focus on urban areas can shape community wellbeing and economic productivity, for a more sustainable future.

What principles should guide a genuine partnership between the Commonwealth, the states, territories and local government to plan and deliver better cities?

All levels of Government seek a return on their investments in infrastructure and services to create productive, attractive and sustainable places and communities. But how can their interests work together for a better outcome?

SGS Economics and Planning and Planning Institute of Australia are coming together to host a discussion forum on the institutional, funding and accountability pre-requisites for successful Commonwealth policy on cities. Experts will consider a framework for Commonwealth engagement in urban and regional development and present actionable propositions on shaping better cities. This is a timely and important event. It recognises a new era in engagement between industry, professional bodies, the public sector and decision makers to work constructively together in the public interest.

Whatever form a future national urban policy takes, it should learn from approaches which have been applied in the past. Before we embark on the discussion on the future shape of national urban policy, let's review that past. This briefing paper frames the planned conversation by providing a summary of the long history of Commonwealth involvement in infrastructure funding.

### OVERVIEW

The Commonwealth may have a long history of involvement in infrastructure funding, but it is characterized by a stop start nature and erratic shifts in policy emphasis. The lack of a constitutional mandate to frame and direct Commonwealth activity in infrastructure funding is evident, with 'advances' in urban policy contingent on the vagaries of the electoral cycle. Arguably the most coherent and comprehensive view of the role of the Commonwealth in urban infrastructure was prosecuted by the Whitlam Government of 1972 to 1975. In hindsight, this Government's urban program looks like an historical aberration with successive Commonwealth governments pursuing idiosyncratic, small scale and opportunistic initiatives focused on near term political gain.

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## TIMELINE OF SELECTED EVENTS

**1923**

Commonwealth Main Roads Development Act

Specific purpose payments to State and Territory Governments for transport projects commence

**1933**

Establishment of Commonwealth Grants Commission

Expansion of specific purpose payments to State and Territories

**1972**

Establishment of Commonwealth Department of Urban and Regional Development (DURD)

Formation of DURD was part of the Whitlam Government (1972–75) agenda to expand special purpose assistance to the States and Territories across a number of priority areas including urban and regional planning and urban public transport.

Initiatives of DURD included the Sewerage Backlog Program, the Area Improvement Program (AIP), the Australian Assistance Plan (AAP), Land Commissions, Growth Centres and Urban Rehabilitation program.

**1973**

Grants Commission Act

Extended the role of the Commonwealth to funding local government urban programs. Regional organisations were established to make funding bids to the Commonwealth with the Grants Commission assessing applications.

**1975**

Fraser Government reforms of Commonwealth – State financial relations

DURD and its programs were abandoned by the Fraser Coalition Government. The flow of Commonwealth revenue to local initiatives was managed on a hands-off tax sharing basis linked to population numbers. State Grants Commissions determined the intrastate allocation of funding to individual local government authorities based on a mix of population share and need.

**1991-96**

Building Better Cities Program

Better Cities funds were distributed to State and Territory Governments under the (officially untied) General Purpose Capital Grants framework, but tied to the achievement of specific urban development targets in the funded precincts and regions. Formal Intergovernmental Agreements were struck to secure these outcomes.

**1995**

Local Government Financial Assistance Act

Commonwealth assistance intended for local government was again adjusted so that the States and Territories would be funded on a per capita basis while subsequent sharing of these funds across Councils would be determined partially on a per capita basis and partially on the basis of equalisation

**2000**

Roads to Recovery Bill

This specific purpose roads funding program introduced by the Howard Government allocated funds to Councils partly on the basis of population and partly on length of roads

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**2001**  
Sustainable Regions Program

This modest (\$100 million) program provided Commonwealth assistance for community infrastructure and facilities in targeted locations

**2008**  
Formation of Infrastructure Australia

In line with its election promise to 'depoliticise' Commonwealth funding of roads and other infrastructure projects, the incoming Rudd Labor Government established Infrastructure Australia to provide the Government with strategic and independent advice as to how the Commonwealth might best deploy its capital outlays on roads, rail, water and other projects of national interest.

**2008**  
New Federalism and the GFC

The Rudd Government also attempted to reframe Commonwealth State financial relations with a greater emphasis on untied transfers and national agreements on outcomes.

As part of the 'New Federalism' agenda, the States and Territories also signed up to align metropolitan strategic planning into line with nationally agreed principles. Despite an extensive audit of planning systems prosecuted by the Commonwealth, the hoped for alignment was not achieved.

The Global Financial Crisis prompted a major stimulus spend on the part of the Commonwealth, including the bringing forward of many infrastructure projects.

**2011**  
National Urban Policy

The Gillard Government reintroduced a discrete Commonwealth focus on national urban policy. However, while overall policy frameworks were articulated, actual spending on infrastructure was modest compared to earlier Commonwealth forays into this area. Some of the Gillard Government's programs included the Suburban Jobs Initiative, Managed Motorways Program and Sustainable Regional Development Program, all of which involved a budgeted spend of less than \$200 million.

**2016**  
City Deals

The Turnbull Coalition Government, as part of its 'Smart Cities' agenda sought to leverage its financial contribution to infrastructure projects to achieve more co-ordinated planning and urban development in designated urban corridors and towns, deemed to be of strategic significance. This City Deals program broadly followed the model established in the UK under which Westminster invests in additional infrastructure for a partner region (e.g. Greater Manchester) with part of the investment being returned via higher tax revenues generated by a more productive urban structure. Despite its ambition, only a handful of City Deals have been struck or are in prospect in Australia, and some appear to have a narrow focus on specific projects, such as the Townsville Stadium.

**Contemporary Commonwealth policy**

Tax sharing to benefit local government and national road and rail funding continue, as does the City Deals program. Otherwise, current policy is characterised by seemingly ad hoc grant programs focussed on lower order infrastructure categories, with Ministers, as distinct from independent assessments, determining where and when projects will be delivered.

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# Timeline of selected events that have shaped national cities and urban policy

