This report examines the effect on Commonwealth and State central agencies of the reform agenda adopted by the Council of Australian Governments (COAG), with a particular focus on the reforms proposed and undertaken since the federal election in November 2007. Collectively, these reforms could constitute the most significant changes to Australian federalism in a generation.

How are the Commonwealth and State central agencies responding, and what challenges do they face?
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</tr>
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<tr>
<td>BCA</td>
<td>Business Council of Australia</td>
</tr>
<tr>
<td>CAF</td>
<td>Council for the Australian Federation</td>
</tr>
<tr>
<td>CIG</td>
<td>COAG Integration Group</td>
</tr>
<tr>
<td>CIREG</td>
<td>COAG Implementation and Evaluation Group</td>
</tr>
<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
</tr>
<tr>
<td>CPRS</td>
<td>Carbon Pollution Reduction Scheme</td>
</tr>
<tr>
<td>CRC</td>
<td>COAG Reform Council</td>
</tr>
<tr>
<td>DFD</td>
<td>Department of Finance and Deregulation</td>
</tr>
<tr>
<td>DOHA</td>
<td>Department of Health and Ageing</td>
</tr>
<tr>
<td>DPC</td>
<td>Department of Premier and Cabinet</td>
</tr>
<tr>
<td>DPMC</td>
<td>Department of the Prime Minister and Cabinet</td>
</tr>
<tr>
<td>ERBCC</td>
<td>Expenditure Review and Budget Cabinet Committee</td>
</tr>
<tr>
<td>FTE</td>
<td>full-time equivalent</td>
</tr>
<tr>
<td>GST</td>
<td>goods and services tax</td>
</tr>
<tr>
<td>HFE</td>
<td>horizontal fiscal equalisation</td>
</tr>
<tr>
<td>HOTs</td>
<td>Heads of Treasuries</td>
</tr>
<tr>
<td>IGAFFR</td>
<td>Intergovernmental Agreement on Federal Financial Relations</td>
</tr>
<tr>
<td>IJMC</td>
<td>Inter-Jurisdictional Ministerial Council</td>
</tr>
<tr>
<td>KPI</td>
<td>key performance indicator</td>
</tr>
<tr>
<td>MCT</td>
<td>Ministerial Council for Treasurers</td>
</tr>
<tr>
<td>MCFFR</td>
<td>Ministerial Council for Federal Financial Relations</td>
</tr>
<tr>
<td>MCCSFR</td>
<td>Ministerial Council on Commonwealth-State Financial Relations</td>
</tr>
<tr>
<td>NCP</td>
<td>National Competition Policy</td>
</tr>
<tr>
<td>NPP</td>
<td>national partnership payment</td>
</tr>
<tr>
<td>NRA</td>
<td>National Reform Agenda</td>
</tr>
<tr>
<td>OFM</td>
<td>Office of Financial Management</td>
</tr>
<tr>
<td>PRG</td>
<td>Policy Review Group</td>
</tr>
<tr>
<td>PPP</td>
<td>public-private partnership</td>
</tr>
<tr>
<td>ROGS</td>
<td>Report on Government Services</td>
</tr>
<tr>
<td>SASP</td>
<td>South Australia’s Strategic Plan</td>
</tr>
<tr>
<td>SCROGSP</td>
<td>Steering Committee for the Review of Governments Service Provision</td>
</tr>
<tr>
<td>SOM</td>
<td>Senior Officials Meeting</td>
</tr>
<tr>
<td>SPP</td>
<td>specific purpose payment</td>
</tr>
<tr>
<td>VCEC</td>
<td>Victorian Competition and Efficiency Commission</td>
</tr>
<tr>
<td>VFI</td>
<td>vertical fiscal imbalance</td>
</tr>
</tbody>
</table>
1. Introduction

This report examines the effect on Commonwealth and State central agencies of the reform agenda adopted by the Council of Australian Governments (COAG), with a particular focus on the reforms proposed and undertaken since the federal election in November 2007. Collectively, these reforms could constitute the most significant changes to Australian federalism in a generation. This study considers the responses of central agencies to this COAG Reform Agenda. How are the Commonwealth and State central agencies responding, and what challenges do they face?

1.1 Background

Twenty-five years ago, referring to Commonwealth-State relations, Warhurst (1983: 1) argued that the key relationships remain those that bind the functional departments together, to the exclusion of central agencies, in the making of policy. The strength of these links ... is mighty in comparison with the as-yet puny efforts of the central agencies...

This description is surely out of date. Over the last quarter of a century, the power of the ‘centre’ has increased at the expense of the ‘periphery’. The emergence of whole-of-government issues has required coordinating Ministers (at Commonwealth level, this means the Prime Minister, Treasurer and Finance Minister) to oversee policy formulation, implementation and evaluation. Centralised budget oversight has further strengthened the hand of central agencies. Relentless media pressures, too, have required figureheads that symbolise ‘the government’ in its creation of news stories, as well as the need for a coordinated and consistent response to events. These Ministers’ respective departments have also enjoyed growth and an increasing influence over policymaking more generally.

With the formation of COAG in December 1992, there are signs that the power of central agencies has also increased in Commonwealth-State relations – and this may in turn have a centralising influence on bureaucratic relationships. Traditionally, COAG meetings have been attended only by the Prime Minister, Premiers, Chief Ministers and the President of the Australian Local Government Association. More recently, Prime Minister Rudd also involved Treasurers at COAG. As ‘line’ Ministers are advised by their central agencies on matters of intergovernmental relations and the Prime Minister sets the COAG agenda, power increasingly appears to flow from the central agencies, rather than the reverse.

As a result, relationships between central and line agencies are likely to be changing. This is evidenced, in part, by the interplay of COAG, COAG working groups, and Ministerial Councils. COAG is responsible for the creation and abolition of Ministerial Councils, and many items at COAG are increasingly referred down to these Councils for consideration and action, and then (sometimes) referred back for COAG decision or authorisation. This places central agencies in a potentially powerful position vis-à-vis line agencies – although one that has not been subjected to significant analysis. However, it is also possible for Commonwealth and State line agencies to forge alliances counter-posed against Commonwealth / State central agencies, in contrast (or in addition) to the more ‘normal’ negotiating positions based around Commonwealth-State debates.

The COAG National Reform Agenda, begun in February 2006, has dominated recent COAG meetings and is having a major impact on the workload and strategic policy directions of central agencies across Australia. It is also, very likely, affecting relations between Commonwealth and State central agencies, and between central agencies and line agencies. For example, the landmark
Intergovernmental Agreement on Federal Financial Relations suggests somewhat different roles for central and line agencies, with all specific purpose payments funds going to Treasury Departments in a single tranche, rather than to line agencies for individual agreements. Likewise, the broader COAG Reform Agenda, and the expanded role for the newly created COAG Reform Council, will also be impacting on the policy and organisational capacities of central agencies.

This report updates and extends our knowledge on the extent and the ways that the reforms are affecting Commonwealth and State central agencies. In doing so, it builds on earlier literature such as Warhurst (1983) and, in particular, Painter’s (1998) study of the cooperative federalism period of the early-mid 1990s, which, based on his discussions with officials throughout the country and file material from the central agencies, argued explicitly that Australia was moving towards more collaborative Commonwealth-State relations and a greater role for central agencies.

The report also recognises that federalism incurs fixed costs that must be met by all jurisdictions – and assumes that not all governments necessarily have the financial and policy capacity to cover the entire COAG agenda. For smaller States and Territories, there are likely to be significant difficulties involved in employing sufficiently skilled people to formulate and coordinate policy, respond to or counter the positions adopted by the Commonwealth, and travel to COAG meeting destinations. The burden of both attending and coordinating much of this activity falls upon central agencies.

1.2 ANZSOG study on central agencies

This report follows an earlier study for ANZSOG by Kelly (2010) and her associates which found that ‘more strategic and more interventionist’ roles are being assigned to central agencies as political leaders seek to introduce policy reforms other than those associated with managerialism and new public management. They also found that attempts to develop a ‘strategic centre’ were being frustrated by ambiguity over the roles of the central agencies, which led to uncertainty over the appropriate mix of policy tools, skills and staffing needs.

Drawing upon their primary research and Mintzberg’s work on organisational coordination, Kelly and her associates developed a model to help clarify the roles and responsibilities of the central agencies. It was premised upon a finding that ‘the centre’ is a ‘complex, interrelated network of institutional actors that is often divided by overlapping goals, disparate cultures and expertise, and a competitive search for influence’. Following Althaus, Bridgman and Davis (2007), a strategic centre was considered to comprise three strategic domains – political, policy and operational / administrative – in which functional roles ‘overlapped’ key (‘central’) agencies.

The political domain is characterised by the dominant role of premiers’ and prime ministers’ departments and their exclusive role in managing relations between cabinet and the governmental bureaucracy, and ‘central agencies and their ministers’. Kelly (2010) described strategy making in this domain as both ‘tactical and emergent’ – intended to deliver and maintain a ‘shared perspective or narrative’. Typically, cabinet offices endeavour to manage cabinet, ministers, political advisers, the opposition, the news media and parliament in a never-ending news and polling cycle. This involves controlling the political agenda by developing procedures that guide political decision-making and the dissemination of information. However, this raises tensions between the focus on re-election and longer-term policy and operational matters, and between the impetus to be ‘reactive and responsive’ and maintaining a constant and coherent perspective within with multiple actors can operate
The policy domain is characterised by the roles of the treasury and finance departments and their responsibility for economic policy analysis, and the roles of first ministers’ departments in providing sector-specific and whole-of-government policy advice. Kelly (2010) observed that it is a domain that comprises a ‘complex network’ of actors across government and society, with no single authority dominating. In contrast to perspectives in the political domain, those in the policy domain are inherently longer-term. While line agencies retain responsibility for their functional policy areas, tensions exist over who should be responsible for setting the policy objectives. Kelly argues that the centre should be responsible for co-ordinating the agenda across multiple actors via boundary spanning functions and managing the policy networks rather than directly undertaking policy analysis development, implementation etc.

The operational (or administrative) domain is undertaken by public service commissions in overseeing human resources and departments of treasury and finance in developing and administering budgets across public sectors. Kelly (2010) found that in this domain, central agencies are primarily concerned with ensuring the operational capacity of the public sector through planning and the ‘effective and efficient use of resources’ – ‘financial, human, technological, etc.’ – across public sectors and with the performance management of individual departments and agencies. Therein lies the challenge for the central agencies: to reconcile the tension between the devolution of policy and operational responsibility to agencies and departments, while ensuring the allocation of resources is consistent with overall government policy and sustainable in the long term.

This model not only identifies the appropriate demarcation of roles and responsibilities of central agencies in a strategic centre, but also highlights the need to maintain capacity across the strategic domains if tensions are to be addressed and imbalances avoided. If insufficient resources are distributed across the central agencies to engage in political management, budget management, general economic analysis, specialist policy analysis and human resource management, then one or two domains will dominate. For example, if resources are directed primarily towards the cabinet office and political management, then short-term perspectives will nearly always prevail at the expense of longer-term policy analysis and strategic management. Likewise, economic and policy analysis that ignores political dimensions can have fatal consequences for governments.

The successful shaping of a strategic centre is not inexorable; however, it is more likely if the political and institutional contexts are well understood. One such context is Commonwealth-State relations and in particular the COAG Reform Agenda (see Box 1). Recent COAG meetings have been dominated by this Agenda, which is widely regarded as having a major impact on the workload and policy directions of central agencies across Australia.

In this report, we ask: To what extent and in what ways has the COAG Reform Agenda impinged upon the conduct of intergovernmental relations by State and

---

**BOX 1: COAG Reform Agenda**

At the 20th meeting of COAG in Melbourne on 20 December 2007, leaders agreed to the COAG Reform Agenda. This agenda constituted an intent to improve productivity and living standards by reforming federal funding arrangements, harmonising regulations across the country, especially those concerned with qualifications and the mobility of labour, supporting social inclusion and environmental sustainability, closing the gap on Indigenous disadvantage, and developing national market frameworks to support energy and transport infrastructure.
Commonwealth central agencies? In addition, to what extent and in what ways has the COAG Reform Agenda impacted on the broader operations of the central agencies in each jurisdiction?

In seeking to answer our primary question, we acknowledge the following three assumptions:

1. Public policy is becoming increasingly centralised (or at least initialised) in Canberra;
2. Intergovernmental relations are becoming more significant to the public policy agenda; and
3. At least partly because of these two factors, central agencies across the federation are drawing power inwards in order to strengthen their strategic policy and management capacity.

With these assumptions in mind, our research methodology was to study the effect of the COAG Reform Agenda upon intergovernmental relations vertically between Commonwealth and State central agencies, horizontally between central agencies in different States, and to examine how the various central agencies have endeavoured to respond to the demands of the COAG Reform Agenda and best preserve their interests. Data for the study are considered from the year 2005-06 to enable us to compare the current state of play with the time when the National Reform Agenda was first proposed by Victoria at COAG in June 2005. Where possible, we focus on mechanisms and processes related to the NRA / COAG Reform Agenda, rather than the entire COAG program. We seek to emphasise public management organisation, legislative mechanisms, resources and funding, rather than debates within and between governments about the merits of particular policy initiatives. In other words, the focus is on the intergovernmental and policy processes and public sector management impact of the COAG Reform Agenda, rather than on the policy content of the Agenda per se. To do otherwise would cast an exaggerated political pall over intergovernmental relations in Australia and put at risk the confidentiality of those senior officers who we interviewed. We do not deny politics in this report; however, we do not privilege it.

Data were collected from four principal sources. First, semi-structured interviews were held with senior officials in central agencies and the CRC. We interviewed twenty representatives – up to and including Department Secretaries – from the Commonwealth DPMC and the Treasury, as well as from the Departments of Premier and Cabinet and Departments of Treasury and Finance in Victoria, New South Wales, Western Australia, South Australia and Queensland. All of these people were or are directly involved in intergovernmental relations and the COAG reform process. Second, data were provided directly from the central agencies, including details about representation on COAG working groups and sub-groups, and the number of personnel involved in intergovernmental relations over the past five years. Third, considerable data were gleaned about the activities of COAG and central agencies from annual reports and communiqués. Fourth, we examined publicly available documents, such as newspaper articles, media releases and speeches.

1.3 Structure of the report

The report is structured as follows.

In the second chapter, we examine the primary literature on intergovernmental relations in Australia over the past thirty years to delineate the relative standing of the various central agencies concerning the conduct of intergovernmental relations, and to draw out relevant theoretical insights. Several authors have written substantial academic works on the conduct of intergovernmental relations in Australia, the emergence of first ministers’ departments as the dominant players, and the strategies they have employed to achieve their goals. A key theme or
concept to emerge out of this literature is that of ‘interdependency’ and this provides the conceptual lens through which we study the effect of the COAG Reform Agenda on Commonwealth and State central agencies and their responses.

In the third chapter, we examine how the COAG Reform Agenda has affected intergovernmental relations between the Commonwealth and the State central agencies. We find that it has reinforced long-standing tensions over vertical fiscal imbalance, the privileged status of the Commonwealth at COAG and the reporting requirements of the States. While State officials regard the COAG Reform Council as a neutral arbiter, they note that the need to develop appropriate key performance indicators and collect the necessary data has placed considerable demands upon their strategic centres. While the CRC has risen in prominence on account of the COAG Reform Agenda, ministerial councils have met a different fate. Following the Hawke Report, COAG has restructured the system of ministerial councils and rationalised their number, as well as directing them to focus upon issues directly concerned with the COAG Reform Agenda.

In the fourth chapter, we explore the ways that the COAG Reform Agenda has affected how central agencies have engaged with their counterparts in other States. Perhaps contrary to expectations, the COAG Reform Agenda does not appear to have engendered much in the way of informal divisions of labour. Furthermore, we find that the Council for the Australian Federation does not appear to have become the institutional mechanism for horizontal cooperation its founders had hoped. For the most part, intergovernmental relations between the State jurisdictions is being driven by their policy capacity and available resources, which, in turn, can be linked to the emphasis that their Premiers have placed on intergovernmental relations and federal leadership.

In the fifth chapter, we explain how the demands of the COAG Reform Agenda have impinged upon the internal operations of the Commonwealth and State central agencies and how they have responded. It appears that the COAG Reform Agenda has served to stimulate reorganisation and capacity building, although there is also occasional resentment by some States at the impact COAG and the enormous workload associated with the reform process have had in displacing State policy and organisational priorities. Relations with their respective line agencies are mostly cooperative as expertise is respected, but the central agencies are generally dominant. In some cases, they have gone so far as to incorporate matters concerning the COAG Reform Agenda into their State strategic plans.

In the sixth and final chapter, we present our findings and conclude that in some ways, at least initially, the COAG Reform Agenda had a greater impact upon the Commonwealth central agencies than it did upon the State central agencies. The Commonwealth, after a relatively lukewarm attitude to the reform process under the Howard government, suddenly found itself fully committed to driving the process and achieving the reforms. The Department of Prime Minister and Cabinet and the Commonwealth Treasury have had difficulties retaining or obtaining sufficient staff during the reform process. In the case of the States, Victoria played a key role in initiating the reforms, while New South Wales was preoccupied with its own political issues and machinery of government changes. The other States, with fewer resources available to be dedicated to intergovernmental relations, were more limited in their capacity to respond.
2. Conceptualising intergovernmental relations in Australia

In this chapter, we conceptualise the nature of intergovernmental relations in Australia. In the first part of this chapter, we review major studies of Australian intergovernmental relations published over the past three decades to trace how central agencies and line agencies have evolved (or been transformed), and been effectively promoted or relegated in their relative standings as a consequence of changes to their political environments. Although there are occasionally periods when the various parties are in conflict, we argue in the second part that intergovernmental relations in Australia are best conceptualised in terms of ‘interdependency’ and as a ‘game’.

2.1 Review of Australian intergovernmental relations

This review of key texts in Australian intergovernmental relations focuses upon eight important studies. It begins with Holmes and Sharman’s (1977) analysis of the ‘game’ played at Premiers’ Conferences during the 1970s, and follows with Warhurst’s (1983) use of the metaphors ‘gossamer threads’ and ‘rods of iron’ to describe intergovernmental relations involving central and line agencies in the 1970s and early 1980s. Next comes Painter’s (1987) documentation of the relative disinterest in intergovernmental relations in South Australia, Victoria and New South Wales following the demise of the Whitlam government in 1975, Chapman’s (1988) discussion of intergovernmental forums, and Campbell and Halligan’s (1992) study of the Prime Minister as a driver of the management and reform of intergovernmental relations. We then look at three studies written following the establishment of COAG in 1992: Weller’s (1996) assessment of intergovernmental processes early in the COAG era and his advocacy for a whole-of-government approach; Painter’s (1998) conceptualisation of the emergence of COAG as a game played between the strategic agencies; Davis’ (1998) discussion of how Queensland adopted a whole-of-government approach by tightening policy coordination at the centre; and Menzies’ (2011) discussion of the intergovernmental capacity of the DPMC over the past two decades.

It should be noted that this review is not intended to constitute a fully annotated bibliography of the field; rather, we find ourselves tracing the emergence of the Department of the Prime Minister and Cabinet (DPMC) and the respective premiers’ departments as the dominant players in the game of intergovernmental relations.

What is noteworthy is the relative lack of more recent academic analyses of central agencies and the intergovernmental relations function. Only Menzies (2011) and Carroll and Head (2010) have provided an account of the recent COAG reforms as they played out in one jurisdiction (Victoria). Most other commentary has come from practitioners (e.g. Morauta 2011; Silver 2010).

Holmes and Sharman (1977): Commonwealth vs. the States at the premiers’ conferences
In their study of The Australian Federal System, Jean Holmes and Campbell Sharman (1977) analysed intergovernmental relations in the context of the premiers’ conferences – the precursors to COAG. Holmes and Sharman challenged the conventional wisdom that premiers’ conferences entailed bargaining between the two levels of government and that the States and the Commonwealth could each be understood to constitute ‘single entities’. On the contrary, what ensued, according to Holmes and Sharman (1977: 119–120), were ‘diplomatic relations ... involv[ing] a mixture of relationships varying from coercion to unanimous agreement against a background of generally accepted rules of the game’. Moreover, the State and Commonwealth
‘teams’ were not entirely united, rather they were composed of departments and leaders with their own particular goals.

For most of the period under review, Gough Whitlam was the prime minister and the Commonwealth was increasingly expansive. This engendered considerable opposition in several States – Western Australia, Victoria, New South Wales and Queensland had liberal or conservative governments opposed to policy centralisation in Canberra.

The Commonwealth ‘team’ – as it were – comprised the prime minister, other cabinet ministers, and officials from the Treasury, the Department of Prime Minister and Cabinet, and the larger line agencies, such as the Department of Social Security. Among the agencies, the Commonwealth Treasury was dominant. As the agency responsible for Commonwealth finances and State funding (through specific purpose payments and financial assistance grants), the Commonwealth Treasury had especially close working relationships with the respective State treasuries and monopoly access to their financial data, which enabled it to fully brief the prime minister on the veracity and efficacy of State claims (Holmes and Sharman 1977: 120–121).

Likewise, the larger line agencies had developed over the years a close understanding and relations with their colleagues in the States. On the other hand, the DPMC did not possess the capacity to coordinate fully intergovernmental relations (Holmes and Sharman 1977: 123–124). It lacked the Treasury’s access to State financial data and an equivalent network with the premiers’ departments, which were more likely to be adversaries than respected counterparts. To overcome its information deficit, DPMC began to compile lists of State programs being supported by federal funds, identified the rationale for federal involvement, the amounts transferred and an evaluation of each program. Thus, the Department could now brief the prime minister on specific aspects of intergovernmental relations and justify its involvement in premiers’ conferences.

The State ‘teams’ were characterised by the dominance of their Premiers. While they, too, had to take into account the views of Cabinet ministers, their status was not as great as that of their Commonwealth colleagues. Holmes and Sharman (1977: 126–127) attributed this to the general desire of Premiers to retain exclusive control over State budgets and treasury departments (most premiers held both positions in cabinet at this time), while preserving their ‘symbolic’ status that signified their superior rank over other ministers and their ‘real’ status that required that they be consulted on matters of intergovernmental relations. Hence, full responsibility rested with the respective premiers for the tactics and strategies that they employed in this ‘game’ (Holmes and Sharman 1977: 127–128).

The game that ensued between the two ‘teams’ at premiers’ conferences was one in which each side tactically employed their resources in an effort to achieve different ‘goals’. In this ‘confrontation’, a prime minister could exploit the bureaucratic and financial resources of the Commonwealth to entice the premiers into accepting his offer (Holmes and Sharman 1977: 130–131). However, their use was constrained by his budget strategy and election promises, the demands of the various Commonwealth departments, and the interests of caucus and cabinet members. On the other hand, the premiers could exploit four ‘political resources’: the cooperation of the States needed to make possible many of the Commonwealth’s policy objectives; their shared party allegiances with the prime minister; claims that they spoke for disparate regional and special interests within the State; and the premiers’ ‘tactical advantage’ of not having to consult with cabinet during negotiations (Holmes and Sharman 1977: 131–132).

Neither side necessarily won. The prime minister would first make an initial financial offer to the
premiers, who, in turn, would counter that it was inadequate. After an adjournment, and if under sustained pressure from the premiers, the prime minister would make a ‘final offer’. At this stage, the prime minister and the premiers would make clear their various views about what constituted the national interest. Finally, the policy items on the agenda were discussed, although not necessarily resolved. This led Holmes and Sharman (1977: 133) to conclude that

the conferences can never be exercises in co-operative planning as some commentators have suggested as a desirable goal, because they are the manifestations of the differing political priorities that exist in the various units of the governmental system. They may lead to some immediate policy modifications by one government or another, but this is incidental. The conferences are principally homeostatic devices to preserve a rough political equilibrium in intergovernmental relations by sensitising governments to each other’s problems and by preventing divergent goals from becoming major confrontations …

Warhurst (1983): Gossamer Threads and Iron Rods
Like Holmes and Sharman, John Warhurst (1983) studied federal affairs at a time when specialist intergovernmental managers were still something of a novelty in the premiers’ departments and the DPMC. Table 1 shows that few resources were directed towards intergovernmental relations by these agencies (Warhurst 1983: 9). In the case of Western Australia, the Department of the Attorney-General was assigned responsibility for these matters.

Table 1: Specialist Intergovernmental Relations Managers in Australian Governments, 1983

<table>
<thead>
<tr>
<th>Government</th>
<th>Date Created</th>
<th>Responsible Minister</th>
<th>Department</th>
<th>Name</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth</td>
<td>1975</td>
<td>Prime Minister and separate Minister</td>
<td>Prime Minister and Cabinet</td>
<td>Domestic Relations and Transport Branch</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assisting the Prime Minister in Federal Affairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New South Wales</td>
<td>1974</td>
<td>Premier; during 1975-76 there was a separate</td>
<td>Premier’s</td>
<td>Senior Administrative Assistant, Govt Branch (formerly Federal Affairs Division)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minister for Federal Affairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria</td>
<td>1975</td>
<td>Premier; during 1975-82 there was a separate</td>
<td>Premier and Cabinet</td>
<td>Inter-governmental Relations Branch (formerly Federal Affairs Division)</td>
<td>6</td>
</tr>
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<td></td>
<td></td>
<td>Minister for Federal Affairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland</td>
<td>1974</td>
<td>Premier</td>
<td>Premier’s</td>
<td>Intergovernmental Relations Branch (formerly Federal Affairs Division)</td>
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</tr>
<tr>
<td></td>
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<tr>
<td>South Australia</td>
<td>1976</td>
<td>Premier; between 1979 and 1982 the Attorney-</td>
<td>Premier’s</td>
<td>Intergovernmental Relations Branch</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>General also held the title of Minister for</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Federal Affairs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Australia</td>
<td>1976</td>
<td>Attorney-General is also Minister for</td>
<td>Attorney-General</td>
<td>Senior Administrative Officer (Federal Affairs)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intergovernmental Relations and Defence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Liaison</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tasmania</td>
<td>N/A</td>
<td>Premier</td>
<td>Premier’s</td>
<td>Senior Research Officers</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(Intergovernmental Relations)</td>
<td></td>
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</tbody>
</table>

Expertise in intergovernmental relations still resided primarily with the line agencies, which were in regular (sometimes daily) contact with their counterparts across Australia. Warhurst (1983: 1) adopted a metaphor used by one of his sources to describe the difference between the line and central agencies when it came to intergovernmental relations:

The key relationships remain those that bind the function [line] departments together, to the exclusion of central agencies, in the making of policy. The strength of these links, described by one officer as ‘rods of iron’, is mighty in comparison with the as yet puny efforts of the central agencies whose own hold over the process was accurately seen by the same officer as mere ‘threads of gossamer’.

Warhurst (1983: 6) attributed this to the Prime Minister’s and Premiers’ Departments not having, until the 1970s, sufficient capacity to maintain a coordinating role comparable to the treasury departments. The line agencies, on the other hand, had developed relations and lines of communication between one another that made central coordination difficult. While Warhurst (1983: 22) believed that the emergence of ‘intergovernmental specialists’ within the first ministers’ offices might facilitate resolution of conflict between agencies in different levels of government, he concluded that there were still too few to override the expertise and experience in intergovernmental relations that existed in the line agencies.

Painter (1987): One step back?

Warhurst’s conclusion was corroborated by Martin Painter’s (1987) study of policy coordination in Victoria, New South Wales and South Australia and his general finding that the intergovernmental relations units in their respective premiers’ offices were scaled back by the early 1980s. In Victoria, a Federal Affairs Division with six officials was established in 1976 (Painter 1987: 137). Its responsibilities were mostly concerned with maintaining across the service information exchange about federal issues and the coordination of State agency interactions with the Commonwealth. The Treasury retained ownership of federal financial relations. The Federal Affairs Division was abandoned following a restructuring of the Premier’s Department in 1982–83 (Painter 1987: 149).

Similarly, in New South Wales, a Federal Affairs Division was established within the Premier’s Department in 1975 by the then Premier, Tom Lewis (Painter 1987: 99). This was a response to the Commonwealth government’s expansion into traditional State policy areas and a perceived intrusion upon ‘States rights’. With the ascendency of the New South Wales Labor Party and Premier Neville Wran in 1976, the Federal Affairs Division was soon abolished and its responsibilities dispersed throughout the Department.

South Australia, under the Labor premiership of Don Dunstan, maintained a Coordination Branch within the Policy Division of the Premier’s Department (Painter 1987: 121). Whereas the New South Wales government was hostile to the activities of the Commonwealth, the South Australian government was receptive to its entreaties. Nevertheless, it was anxious that agreements be coordinated and policy be consistent across government. Only two officials were assigned to these duties, however. Painter also noted that the Development Division within the Premier’s Department coordinated submissions to the Commonwealth Industries Assistance Commission and its predecessor, the Tariff Board. Following the election of a State Liberal government in October 1979, the Policy Division was dissolved (Painter 1987: 123).

Chapman (1988): Intergovernmental forums

Ostensibly, Ralph Chapman’s chapter (in a collection of papers on State politics) was concerned...
with intergovernmental forums as institutions being increasingly used to resolve intergovernmental issues. There were, Chapman contended, three types of intergovernmental forums. The first type was the inter-jurisdictional ministerial council (IJMC), which we now simply refer to as ministerial councils (Chapman 1988: 105–108). At the time of Chapman’s writing, there were thirty-six IJMCs, twenty-one of which had been established after 1970. The second type was the intergovernmental board or commission, which was concerned with a specific function that straddled jurisdictions, such as the management of the River Murray (Chapman 1988: 108–110). The third type comprised officials, whose involvement in developing solutions was ‘technical’ in nature, rather than ‘representative’ (Chapman 1988: 110–113).

While Chapman (1988: 116–119) saw the utility in the different types of intergovernmental forums, he also recognised how they subverted or could subvert the traditional policy process. First, maintaining the ‘smooth flow of business’ was becoming more important than addressing substantive policy issues. For example, some secretariat officials avoided placing contentious policy issues on agendas in an effort to preserve intergovernmental relationships that might be undone by conflicting interests. Second, although the ‘hidden’ realm of intergovernmental forums made it easier to achieve ‘national approaches’, it effectively ‘circumvented’ the democratic elements of the policy process by limiting the number of actors involved. Third, the ‘lines of accountability’ between these forums, cabinet and parliament were unclear. Certainly, not all ministers felt obliged to report to their cabinets on what transpired at IJMCs and, because they did not concern particular electoral constituencies, they did not report to their respective parliaments.

In addition to his discussion of intergovernmental forums, Chapman also revisited the matter of specialist intergovernmental managers raised previously by Warhurst (1983) and Painter (1987). Table 2 highlights the downgrading in importance of intergovernmental relations by the Commonwealth with related matters being directed to the legal branch of the DPMC. Likewise, Western Australia and Tasmania closed their intergovernmental relations sections. South Australia, on the other hand, substantially increased its intergovernmental relations section. Although Chapman (1988: 113–114) pointed out that there was ‘no underlying logic’ to these changes, he remarked that officials were not always assigned a formal intergovernmental role. In fact, contrary to what Table 2 implies, officials within Premier’s Departments and private offices occasionally contacted their counterparts in other jurisdictions to create a much larger intergovernmental network.

Chapman’s most significant contribution, however, was his conceptualisation of intergovernmental relations as inherently interdependent. We discuss this in detail in the second part of this chapter.
Table 2: Specialist Intergovernmental Relations Managers in Australian Governments, 1986

<table>
<thead>
<tr>
<th>Government</th>
<th>Date Created</th>
<th>Responsible Minister</th>
<th>Department</th>
<th>Name</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth</td>
<td>1975</td>
<td>Prime Minister and separate Minister Assisting the Prime Minister in Federal Affairs</td>
<td>Prime Minister and Cabinet</td>
<td>Legal section of government and legal branch</td>
<td>0 (6 in 1983)</td>
</tr>
<tr>
<td>New South Wales</td>
<td>1974</td>
<td>Premier</td>
<td>Premier’s</td>
<td>Senior Administrative Assistant, Government Branch</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Victoria</td>
<td>1975</td>
<td>Premier</td>
<td>Premier and Cabinet</td>
<td>Federal Affairs Division</td>
<td>6 (6)</td>
</tr>
<tr>
<td>Queensland</td>
<td>1974</td>
<td>Premier</td>
<td>Premier’s</td>
<td>Intergovernmental Relations Branch</td>
<td>6 (4)</td>
</tr>
<tr>
<td>South Australia</td>
<td>1976</td>
<td>Premier</td>
<td>Premier’s</td>
<td>Intergovernmental Relations and Advisory Services Branch</td>
<td>8 (3)</td>
</tr>
<tr>
<td>Western Australia</td>
<td>1976</td>
<td>Attorney-General and Minister for Federal Affairs</td>
<td>Attorney-General</td>
<td>Inquiries dealt with by Premier or relevant department</td>
<td>0 (2)</td>
</tr>
<tr>
<td>Tasmania</td>
<td>N/A</td>
<td>Premier</td>
<td>Premier’s</td>
<td>Inquiries dealt with by Community Services Division</td>
<td>0 (1)</td>
</tr>
</tbody>
</table>

Source: Chapman (1988: 114–115)

Campbell and Halligan (1992): The ascent of the DPMC – new public management and ‘new federalism’
While not solely concerned with intergovernmental relations, Campbell and Halligan’s study of Prime Minister Bob Hawke’s political leadership and reforms of Australian government shines considerable light on the emergence of the DPMC as the dominant force in Australian intergovernmental relations. In July 1987, the Commonwealth machinery of government was transformed in a move that institutionalised the new public management reforms already in place. Hawke abolished the Public Service Board. The DPMC played a crucial, albeit low key, role in policy coordination and was responsible for overseeing the changes. A new, but considerably weaker, Public Service Commission was established under the DPMC to manage Senior Executive Service employment, human resource management across the service and policies concerning promotion, recruitment and discipline (Campbell and Halligan 1992: 49). Responsibility for pay and conditions was transferred to the Department of Industrial Relations. The new Department of Finance (which had been split from the Treasury in 1976) was put in charge of classifications and, significantly, given the additional responsibility for implementing the financial management improvement
program. This ensured its standing as a key central agency. With the DPMC establishing its own economic policy unit, Treasury’s exclusive control over economic policy was diminished.

However, the DPMC did not immediately endeavour to utilise its elevation within the Commonwealth to drive intergovernmental relations. Campbell and Halligan (1992: 89) noted that in most of the Department’s annual reports published throughout the 1980s, ‘Commonwealth-state relations’ was subsumed under its policy advice and coordination role, but there was little detail about what it actually did. This suggested to them a ‘low level of activity’. This was supported by officials they interviewed, who felt that there was a rather ad hoc attitude within the DPMC towards intergovernmental relations (Campbell and Halligan 1992: 90). Management of federal issues were addressed when they arose, rather than on an on-going basis by a particular unit.

In 1990, the DPMC capitalised upon the 1987 machinery-of-government reforms through the behind-the-scenes work of Department Secretary, Mike Codd, and his support of Prime Minister Hawke’s proposal for a ‘New Federalism’. Suddenly, intergovernmental relations were at or near the top of the governmental agenda, the Commonwealth was advocating cooperative federalism between the three levels of government, and the DPMC was driving the process. A Commonwealth-State Relations Steering Committee was established, along with a Commonwealth-State Relations Secretariat, to provide administrative and policy coordination for the Special Premiers’ Conferences. These were held in October 1990, May 1991 and May 1992. Campbell and Halligan mistakenly concluded that with Paul Keating’s ascendency to the Prime Ministership, his public opposition to New Federalism and close ties to the Treasury would undermine the process. Instead, at the Special Premiers’ Conference held in May 1992, which was chaired by Keating, the first ministers agreed to create the Council of Australian Governments (COAG).

Just as new public management underlined analyses of intergovernmental relations in the late 1980s and early 1990s, so by the mid-1990s had attention turned to the mechanisms and workings of COAG. Bob Hawke’s ‘new federalism’ had been realised to some extent, albeit somewhat ironically by his successor Paul Keating, who had opposed Hawke’s original proposals. Patrick Weller’s (1996) assessment (originally prepared for the DPMC in July 1995) of the Special Premiers’ Conference / COAG processes focussed upon: ‘the definition of problems and evaluation of solutions; the process of policy development and adoption; and implementation and monitoring’.

The significance of Weller’s assessment (at least for the present study) lays in its recognition of the interdependencies underlying intergovernmental relations, his advocacy of whole-of-government responses to federal issues and central agency coordination of this work, and his contention that there needed to be developed a better framework of accountability. Weller (1996: 103) observed that

- intergovernmental relations continue even when political leaders are not engaging publicly;
- honesty and trust are integral to negotiations;
- all players are dependent upon one another to maintain agreements; and
- power, resources and capability are asymmetrical, but governments still have to negotiate in particular policy areas.
Moreover, he argued that the central agencies possessed a broader, whole-of-government perspective and willingness to drive COAG’s policy reforms. Weller attributed this to the central agencies being committed more to ideas and solutions, whereas their line agency counterparts were committed to existing programs and were either ‘passive’ or ‘directly opposed’ to COAG policy reforms (Weller 1996: 103). Without the involvement of the central agencies, reform seemed remote and less urgent.

The problem facing central agencies, Weller (1996: 102–103) conjectured (perhaps presciently or with one eye on the then newly formed National Competition Council), was that they were not capable of overseeing the implementation of federal reforms. Their expertise lay in policy development; but the line agencies, which did possess such expertise, tended to oppose reforms. A new ‘model’ was needed to monitor and report on progress – of course, this is the role now filled by the COAG Reform Council.

Painter (1998): The establishment of COAG and whole-of-government coordination

Martin Painter’s (1998) study of the politics immediately preceding and following the establishment of COAG is the preeminent work on contemporary intergovernmental relations in Australia. Its contributions are threefold: it explains the dynamics of intergovernmental relations in Australia; discusses the role of central agencies in coordinating intergovernmental relations across the whole-of-government; and argues that the type of federalism prevailing at any given time is a culmination of the politics of intergovernmental relations being played out in a variety of settings.

Similarly to Holmes and Sharman (1977), Painter used the metaphor of a ‘game’ to explain the coexistence of cooperation and conflict in Australian federalism. For Painter (1998: 62–63), the explanation could be found in the shared commonalities of Australian political executives, i.e., in the political system, its culture and constitution, in the membership of political parties with national and state branches that share similar ideas and policies, and in the various overlapping and distinct institutional arrangements around the country. What emerged were particular games played by the respective governments, first ministers, ministers, central agencies and line agencies at all levels, often depending upon the jurisdictions and the policy areas in which the games are held. They may be opponents in one venue, but allies in another. The key to the dynamic was that the participants were often ‘relatively indifferent’ to much of what was going on around them – they were only concerned with a handful of issues. The objective of the intergovernmental game was to exploit the ‘tolerant indifference’ of others and draw upon their cooperation. Hence, some issues were redefined in ways that retained some ‘core objectives’, while others were shelved. Another tactic involved ‘trading off support across issues between parties to whom different issues of principle and interest are critical …’

A key element in the coordination of the ‘games’ were the central agencies that were now coordinating a whole-of-government approach to major policy issues. Painter (1998: 66–67) found that the premiers’ and treasury departments were becoming increasingly involved in coordinating intergovernmental relations. The new public management reforms initiated in the mid-late 1980s further enhanced the capacity of the central agencies relative to what previously existed (Crisp 1961, 1967; Mediansky and Nockles 1975; Warhurst 1983), and by the 1990s, intergovernmental relations was an integral part of policy and strategy. The complexity of cross-sectoral policy problems already involved meetings and negotiations between numerous officials, line ministers and ministerial councils. With the emergence of the SPC / COAG agenda, the coordination role of the ‘central agency club’ became even more important.
Ultimately, though, Painter (1998: 186–190) found that the dynamics of Australian federalism was a function of political preferences, especially those of the Prime Minister, rather than political institutions, such as the SPC / COAG. He observed that in the first two years of the Howard government (1996-1997), the Prime Minister was relatively disinterested in COAG as the primary mechanism for managing intergovernmental relations – it was, after all, an initiative of his Labor Party predecessors. Instead, he preferred to have his cabinet ministers channel the ‘policy detail’ through ministerial councils. More generally, Painter (1998: 190) concluded that choices of cooperative or adversarial tactics by political leaders depended upon their perceptions of the political advantages that could be achieved at a particular time.

Davis (1998): Top-down, centralised intergovernmental relations
Adopting a State rather than a Commonwealth focus, Glynn Davis (1998) explained how the then Queensland Premier, Wayne Goss, sought to meet the demands of COAG by restructuring Cabinet and his department, and applying a whole-of-government approach to policy coordination. As the Director-General of the Queensland Department of the Premier and Cabinet (DPC) at that time, Davis was obviously interested with the governance and coordination of the State. Relatedly, he was concerned with how the State should coordinate its responses to the demands of COAG. The traditional approach of relying upon a unit within the DPC was dismissed as ‘inadequate’ (Davis 1998). There were simply too many COAG working groups. Instead, he decided that it was necessary to establish centrally coordinated ‘structures and routines’ to ensure that all officials engaged in intergovernmental negotiations understood the State’s positions on various issues.

Goss responded to the problem by disaggregating and identifying the particular ‘coordination tasks’ facing the State government and instituting corresponding structures and routines. The first task concerned political coordination, which involved a consistent presentation of the government’s positions to the electorate (Davis 1998: 154–155). The Premier and his office took control of the political agenda, established a comprehensive cabinet committee system, developed a ‘media strategy’ and instituted rules that prevented ministers from entering into intergovernmental agreements without the prior approval of cabinet.

The second task concerned policy coordination that ensured coherent policy options, which did not contradict one another, and were not undermined by national polices (Davis 1998: 155–158). The solution was to establish and document formal procedures for government business in a cabinet handbook. In addition, ministers and officials were required to submit well in advance of cabinet meetings submissions identifying the type of submission (legislative, policy, appointment), the objective, legal, economic, administrative and regulatory implications, and the likely responses of stakeholders and the news media. The effect of these procedures filtered through to the line agencies – if they wanted their policy proposals to be considered by cabinet and be adopted, then they had to develop thoughtful and methodical proposals.

Coordinating these policy procedures and intergovernmental relations was a new Office of the Cabinet (a similar office had been established in New South Wales under Premier Nick Greiner) (Davis 1998: 157). Officials from the Office of Cabinet not only developed the briefs for COAG meetings, they also participated in COAG working groups and ministerial council committees. This ensured a single coordinated policy agenda.

The third task was one of administrative coordination. It was not explicitly concerned with intergovernmental relations; rather, it involved a reorganisation of the Queensland public sector to
achieve effectively and efficiently cabinet’s policy objectives. To this end, the number of government departments was reduced from twenty-seven to eighteen, the Public Sector Management Commission was established to implement these changes in the machinery of government and, to make the public sector more transparent, a new financial reporting framework was imposed (Davis 1998: 158–159).

Together, these reforms enabled Premier Goss to centralise coordination around Cabinet, the Office of Cabinet, the Public Sector Management Commission and, ultimately, through himself (Davis 1998: 159–161). However, as Davis noted, this management approach can only be successful and maintained if a Premier is both talented and energetic. In the long term, there is a risk that the system and the coordination of intergovernmental relations will decline.

*Menzies (2011): Top-down, ad hoc intergovernmental relations*

Based on the view that intergovernmental relations across in the federal sphere is essentially driven by the Prime Minister, Jennifer Menzies (2011) compared the intergovernmental capacity of successive governments led by Prime Ministers Hawke, Keating, Howard and Rudd. Drawing upon interviews with senior State and Commonwealth officials, Menzies (2011: 408) found that the ‘systemic capacity’ of the DPMC to manage intergovernmental relations ultimately ebbs and flows according to the ‘interests and agenda’ of Prime Ministers.

Menzies examined in turn: the structural capacity of the DPMC, its human capacity and its process capacity during these periods. The structural capacity refers to the existence of the institutions and resources necessary to achieve the policies identified by the Prime Minister as requiring consideration, negotiation and agreement by Commonwealth and State governments (Menzies 2011:).

Human capacity refers to those skills required by officials to engage in intergovernmental relations (Menzies 2011: 414–415). The first set of these skills are those associated with generalists across the service, such as the ability to provide policy advice on a variety of issues, possess the written skills to prepare briefing notes, agenda papers and communiqués, and the oral skills needed to chair meetings, provide oral briefings and negotiate. The second, more specialised, set of skills concern the game of intergovernmental relations. DPMC officials must be conversant with the complexity of the political processes and dynamics that straddle not just the Commonwealth government, but also State governments, to ensure that the Prime Minister’s options remain open during negotiations. They must also possess the diplomatic skills needed to maintain relations between jurisdictions even when political leaders are publicly hostile, as well as to build trust between political leaders and between officials. Menzies also found that ‘playing the game’ of intergovernmental relations requires DPMC officials to dabble in the ‘dark arts’, that is, tactics such as ‘divide and conquer, ambush, veto and withhold information’ (Menzies 2011: 415).

The process capacity of the DPMC encapsulates the skills associated with secretariat work to coordinate briefings and meetings (Menzies 2011: 415–416). Thus, DPMC officials must be able to develop, coordinate and circulate agendas and papers, receive Cabinet approval, and organise meetings.

Menzies found that while the process capacity of Commonwealth officials had remained consistent over the past twenty-five years, the structural and human capacities have varied. The reason for this variation is that the DPMC has preferred to respond to the immediate demands of Prime Ministers, and these demands have ebbed and flowed depending on the Prime Minister’s
degree of interest in, and priority towards, intergovernmental relations. Consequently, the Commonwealth has lacked the ongoing strategic capacity to drive intergovernmental relations, and instead focussed more on procedural matters. This has led to the States often filling the void.

2.2 Key Themes

One of the key themes emanating out of our review of the literature on intergovernmental relations in Australia is that of interdependency. While there are periods characterised by political and bureaucratic conflict, for the most part intergovernmental relations in Australia are best conceptualised in terms of ‘interdependency’. This concept is based upon the idea that no government organisations have all the resources they need to achieve their goals and, hence, voluntarily enter into arrangements with other organisations to obtain the necessary resources. Even the more powerful actors will likely need to concede some goals or exchange resources with the weaker actors to achieve their primary goals.

However, the concept of interdependency appears counter-intuitive to those who view the Australian federal system primarily in terms of constitutional / cabinet government. From this perspective, research focuses upon prime ministers, cabinet, parliamentary conventions and constitutions, i.e., the history and normative ideals of what has been variously termed cabinet government or constitutionalism. It is also assumed that cabinet is the prime mover of public policy. The broader role of ministerial policy advisers, department secretaries, stakeholders and interest groups are largely ignored. It is recognised that they play some part in bringing an issue to the attention of ministers and getting it on to the cabinet agenda, but the political dynamics of this are essentially set aside in a ‘black box’.

As Weller (2005) has remarked, such a perspective omits much of what still needs to be understood about the workings of Australian government and policymaking. First, it pays little heed to the autonomous actions of central agencies. On the contrary, it is assumed that central agencies are the agents of their cabinet ministers (or the prime minister), and policy and programs are assumed to follow the directions emanating from cabinet. While we do not deny the importance of cabinet in providing policy leadership and financial support for program, numerous studies of policy implementation have highlighted the difference between policy objectives at the centre and what is realised at the ‘street level’. The concept of cabinet government cannot explain this divergence between objectives, directives and outcomes.

Second, and a corollary of the first point, is that the concept of cabinet government cannot explain how policy is coordinated. Following the devolution of responsibility for policy programs since the 1980s, as governments around Australia (and elsewhere) sought to implement managerialism and ‘new public management’, the lines of coordination – regardless of whether they concern administrative, policy or political coordination – have become increasingly complex. A theory of government and the policy process needs to be able to explain the institutions and dynamics beyond cabinet, if it is to be relevant to the study of intergovernmental relations between and within central agencies.

Unlike cabinet / constitutional approaches that assume power relations are hierarchical and fixed by formal rules, the concept of interdependency directs us not to assume particular power relations. This was theorised and demonstrated by Rhodes (1981: 99) in his study of relations between central departments and local authorities in Great Britain. Organisations possess power whenever they control resources other organisations require to achieve their goals, but cannot
obtain elsewhere. However, this power is reciprocal. No matter how much power a central department possessed, it would remain dependent, to some extent, upon local authorities for the resources it lacked.

The concept of interdependency also leads us to carefully examine institutional relationships and challenge traditional assumptions by taking into account other factors, such as motivations, resources, informal rules of engagement and strategies. In some circumstances, intergovernmental relations may be characterised by zero-sum transactions and be extremely asymmetrical; in other circumstances, relations may be more symmetrical. In either case, analysis is evidence-based.

Most importantly, interdependency provides a perspective that is intuitively consistent with the ideals and general practice of federalism. As Chapman (1988: 99) argued by emphasising the interactions and interdependencies rather than the adversarial or constitutional positions of the participants, attention is directed through policies to processes. Inter-governmental relations arise through the desire of governing units in a federal system to achieve good policies; ‘good’ in the sense that they would be feasible within given restraints and that they would be effective in solving, or at least reducing, the underlying problem.

This interactive process may be described as based on exchange since it starts from the premise that all parties wish to maintain the relationship and therefore will facilitate resolution of the issues. Such a view does not ignore the possibility that one or other of the parties to the exchange may take the extreme position in relation to a particular issue and withdraw. However, it is not unrealistic to assume that this is unlikely to occur over very many specific areas and certainly not at one and the same time so as to lead to secession.

The reality, as Chapman (1988: 104) explained, is that most policy decisions taken in a federation will overlap with others decisions. More often than not, officials need to enter into bilateral or multilateral negotiations – ‘based on mutuality and reciprocity’ – that recognise one another’s interdependency. On these occasions, intergovernmental forums as ‘moderating institutions’ are established, so that information can be exchanged, conflict managed, agreements reached and (sometimes overarching) policies developed.

Another key theme emerging from the literature is the characterisation of intergovernmental relations as a game. It is underpinned by Holmes and Sharman’s work on premiers’ conferences in the 1970s and Painter’s analysis of SPC / COAG politics in the 1990s. Following the theme of interdependency, we conceptualise the game of intergovernmental relations as one in which the players are essentially dependent upon one another to achieve their goals.
3. Intergovernmental relations between Commonwealth and State central agencies

Historically, while intergovernmental relations between Commonwealth and State central agencies have ebbed and flowed, power has ultimately resided with the Commonwealth and, in particular, the Prime Minister. The ‘unwritten rule’ is that the Commonwealth will initiate any major shift in Commonwealth-State relations, and that the Prime Minister will make the approach. Hence, the Department of the Prime Minister and Cabinet is traditionally the lead agency in Commonwealth-State relations.

However, this power is not absolute. Mostly, the Commonwealth central agencies negotiate with the State central agencies – sometimes by exploiting their constitutional and institutional advantages, more often by persuasion and simply making demands that they hope or expect the States will meet. It is not surprising that there exists some tensions; however, not all of these tensions are unproductive and undermine intergovernmental relations. On the contrary, they can stimulate a positive reaction from the States to invest more resources to meet the demands of the Commonwealth.

In this chapter, we examine the impact of the COAG Reform Agenda upon intergovernmental relations between State and Commonwealth central agencies. First, we situate Commonwealth-State relations in their constitutional setting, recognising the importance of the formal division of powers and the High Court’s decision to effectively grant the Commonwealth a monopoly over the raising of income tax. Second, we recognise COAG as the central federal body in the reform process, which had already driven the National Competition Policy. Third, we set out the background to and elucidate the key elements of the COAG Reform Agenda. Fourth, we note the expanding role of the COAG Reform Council and ask if the reporting process has placed increasing demands upon the State central agencies. Finally, we analyse the role and influence of the ministerial councils to ascertain whether these have changed because of the COAG Reform Agenda.

3.1 The Constitutional bases for Commonwealth-State relations

3.1.1 Division of powers

All federations face difficulties in balancing roles and responsibilities between levels of government, and Australia is no exception. This is due, in part, to the potential tensions between those sections of the Australian Constitution that establish the powers of the Commonwealth and those originally intended to reinforce the powers of the States. A few sections (ss. 90, 114 and 115) give the Commonwealth exclusive powers over archetypal national matters such as customs and excise, the military, and coining money. Section 51 of the Constitution enumerates those specific matters (including immigration and quarantine) over which the Commonwealth government has been explicitly assigned authority to legislate. Section 107 recognises as residual all those powers ‘not exclusively vested in the Parliament of the Commonwealth’ and constitutionally assigned to State governments by absence of any explicit denial.

On the surface, there is a clear demarcation between the two levels of government – those powers that are not enumerated to the Commonwealth will remain with the States. Moreover, s.51 powers are concurrent powers that can be shared between the two levels of government.
The powers of the Commonwealth are not exclusive, unless it so legislates. In cases of legislative conflict between the State and Commonwealth governments, s.109 holds that ‘the latter shall prevail.’ This has enabled the Commonwealth to encroach upon policy areas previously considered by the States to fall within their purview.

3.1.2 Fiscal federalism

Power relations between the Commonwealth and the States are further skewed in favour of the former by its collection and distribution of revenue. Following the Uniform Tax Case (1942), the Commonwealth effectively gained a monopoly over the levying of income tax and State expenditures have exceeded their revenue sources (e.g. royalties, stamp duty, payroll tax). This is due to the High Court’s broad interpretation of s.90, which states that the Commonwealth shall have the power to impose ‘duties of customs and of excise’. Its ruling that the Commonwealth had the legitimate authority to monopolise the imposition of income taxation enabled the Commonwealth to fund a variety of welfare programs not previously provided by the States. It also meant that the States would henceforth be beholden to the Commonwealth for general purpose grants and specific purpose payments to meet their expenditures.

The outcome has been a vertical fiscal imbalance (VFI) that greatly favours the Commonwealth. Technically, the term ‘vertical fiscal imbalance’ describes the variance between the high revenue / low expenditure responsibilities of one level of government against the low revenue / high expenditure responsibilities of another level. Usually, the variance favours the central government, which provides grants to cover the regional government’s fiscal deficit.

Consequently, the Commonwealth has provided revenue assistance through various mechanisms. Traditionally, this involved the distribution of financial assistance grants and specific purpose payments based upon Commonwealth-State negotiations and agreements reached at the annual Premiers’ Conference. Since the introduction of the GST, the Commonwealth Grants Commission has redistributed GST revenue to the States in accordance with the principle of horizontal fiscal equalisation (HFE): ‘each State should be given the capacity to provide the average standard of State-type public services, assuming it does so at an average level of operational efficiency and makes an average effort to raise revenue from its own sources’.

The division of powers and fiscal federalism set the parameters within which intergovernmental relations between the Commonwealth and the State central agencies take place. The division of powers provisions can and have been used to limit State policy autonomy, but place almost no constraint upon policy expansion by the Commonwealth. The Commonwealth has also used its monopolisation of income taxation revenue to attach conditions and reporting requirements to specific purpose payments. Furthermore, some States (‘donors’) frequently complain that they contribute relatively more revenue to the Commonwealth coffers than they receive back through HFE compared to their counterparts (‘recipients’). Thus,

- the primary fiscal intergovernmental objectives of the Commonwealth are to maintain an agreeable equity of distribution of funding between the States and retain a level of control over how that funding is used; while
- the primary fiscal intergovernmental objectives of the States are to preserve their remaining policy responsibilities and secure funding sufficient to resource their public services and achieve their own policy objectives.
3.2 COAG: Formation, Structure and Rationale

The Council of Australian Governments (COAG) was established in December 1992 as the peak forum for intergovernmental relations in Australia. It comprises the Prime Minister, the State Premiers, the Chief Ministers of the Australian Capital Territory and the Northern Territory, as well as the President of Australian Local Government Association. COAG meets on an as-needed basis and has met every year since its inception, twice in 1994, 2002, 2005, 2006, 2007 and 2011, and four times in both 2008 and 2009.

Officially, COAG was established to ‘initiate, develop and monitor the implementation of policy reforms that are of national significance and which require cooperative action by Australian governments’. Politically, it signalled a move towards cooperative federalism in Australia and recognition that there is unnecessary overlap and administrative duplication between the Commonwealth and State jurisdictions (see Painter 1998b for a detailed discussion of the politics behind the formation of COAG). Moreover, it was realised that an increasing number of policy issues crossed borders, for example, water resource management. Hence, it was also established as a forum for discussion and negotiation of national regulatory frameworks, ministerial council deliberations, and international treaties that impinge upon subnational governments.

Prior to the establishment of the COAG Reform Agenda in 2007, COAG had been the focal point for intergovernmental deliberation over:
- the National Competition Policy;
- counter-terrorism, including a National Emergency Protocol, and the strengthening of Australia’s counter-terrorism legislation;
- mental health, notably the formulation of a five-year National Mental Health Plan;
- the use of human embryos in medical research;
- the regulation of the availability of handguns; and
- water resource management, through the formulation of the National Water Initiative.

Until the COAG Reform Agenda, the National Competition Policy (NCP) was easily the most significant and wide ranging ‘federal’ policy agreed to at COAG (see Box 2). The NCP was the name given to a set of reforms accepted by the Commonwealth, States and Territories in October 1992, in response to the findings of the National Competition Policy Review Report (the so-called ‘Hilmer Report’). Specifically, these National Competition Policy reforms resolved to:
- use the Trade Practices Act 1974 to prevent anti-competitive behaviour by all government and private businesses;
- foster ‘competitive neutrality’ so as to enable private businesses to compete equally with government businesses for tenders;
- streamline the regulatory and pricing frameworks of water, gas and electricity utilities, along

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**BOX 2**

National Competition Council
The National Competition Policy (NCP) was overseen by the National Competition Council (NCC), which was established in late 1995. The NCC was an independent, statutory body, whose role was to advise on, rather than implement, the NCP. The NCC was also responsible for assessing the progress of State and Territory governments in implementing the reforms, ascertaining whether individual States had made sufficient progress to receive their compensation payments and making available to the public information about the details and progress of the NCP.

The NCP and NCC were the models upon which the COAG Reform Agenda and COAG Reform Council were based.
with the road transport sector;
• establish a national access regime to facilitate sharing of essential infrastructure among competing businesses; and
• examine and reform laws that hinder competition, except in cases found to be in the public interest.

In return for successful implementation of the NCP, State and Territory governments received per capita payments from the Commonwealth. These were intended to reflect that although the benefits of greater competition flow on to the community, in general, the direct financial benefits tend to flow to the Commonwealth in the form of increased taxation revenue. **Although not without its critics, the NCP was widely regarded as having demonstrated that the Commonwealth and States could cooperate to achieve mutual policy goals.**

**However, COAG reflects the constitutional framework that privileges the Commonwealth in intergovernmental relations.** This is because ‘COAG’, as Fenna (2007: 304) has argued, is an ‘event’ – it is something that occurs. It is not an institution that exists in any meaningful sense. COAG does not reside in any single space (like Parliament) and it does not have a constitution or remit. Unlike the Council for the Australian Federation (see discussion later in this chapter), it is not established by an intergovernmental agreement and does not have an independent secretariat.

**This enables the political executive of the Commonwealth to dominate intergovernmental relations at COAG.** The Prime Minister sets the dates and agenda of COAG meetings (Wanna et al 2009). First Ministers may propose items for the agenda, but the Prime Minister can refuse their inclusion. The Prime Minister also chairs the meetings and issues the invitations to the Premiers and the Chief Ministers. Under the Prime Ministership of Kevin Rudd, invitations were also extended to State and Territory Treasurers. Prime Minister Gillard has discontinued this practice. The COAG Secretariat, which advises the Prime Minister on these matters, is based in the Commonwealth Department of the Prime Minister and Cabinet. Finally, the Prime Minister controls the release of conference papers. Stories of COAG (and premiers’ conference) papers being slipped under doors the night before meetings abound in federal folklore. Whether tactically intended to place the States in an uninformed position or simply, a consequence of urgency or disorganisation, the Commonwealth has regularly released papers just ‘a day or two’ before meetings.

**Ultimately, however, COAG meetings and the work they generate reflects the interdependency of intergovernmental relations between the Commonwealth and State central agencies.** Certainly, the Commonwealth central agencies dominate the federal agenda, but they need the State central agencies to support, collaborate and cooperate in order to achieve many of its policy objectives. For example, the NCP would not have been realised without the support of the States to pass the requisite legislation and make the necessary changes to their utility and regulatory frameworks. Likewise, if the sub-national governments want to retain some semblance of control within their jurisdictions, then they must negotiate with the Commonwealth at COAG. Hence, there is always a flurry of intergovernmental activity in the lead-up to COAG meetings to ensure that Cabinets are briefed and negotiating positions are well established.
3.3 COAG Reform Agenda

3.3.1 Background: The National Reform Agenda

In May 2005, with the ten year funding deadline for the NCP looming, the Victorian government proposed a ‘new reform agenda’ (Government of Victoria, 2005) to succeed it, which constituted the beginning of a significant push by the States and Territories to present their positions on national issues and be more assertive in their dealings with the Commonwealth. The New Reform Agenda included reforms to the vocational education and training sectors and personal income taxation system, the introduction of a ‘holistic patient-oriented health system’, the formulation of a greenhouse gases trading emissions scheme, the establishment of a national infrastructure scheme and reforms to improve labour market participation rates. It was further proposed that COAG facilitate this new reform agenda by developing initiatives, incentives (including funding), indicators by which to measure progress, and an independent agency to assess progress.

With the Victorian government having laid much of the groundwork, the National Reform Agenda was agreed upon by COAG in February 2006. It was an arrangement designed to improve services and living standards by focusing on three broad policy streams: (1) human capital, especially, education and training, health and support for work; (2) competition, notably the renewal of the National Competition Policy to develop a market-oriented framework to support investment in transport and energy infrastructure; and (3) regulation, to reduce the load imposed by all levels of government, yet maintain a balance between market efficiency and social goods. It was further agreed that COAG would formulate intergovernmental action plans setting out actions, expected outcomes, policy measures and targets. COAG also agreed ‘in principle’ to establish a COAG Reform Council (CRC) – responsible to COAG – for monitoring and reporting on progress being made towards the National Reform Agenda. It came into existence in 2007.

Almost immediately after the election of the Rudd Labor government in November 2007, the National Reform Agenda was repackaged as the COAG Reform Agenda and progress began towards its substantive policy formulation and implementation. With COAG meeting four times in each of the following two years – an unprecedented frequency – the central agencies worked furiously to meet the demands of their political leaders.

3.3.2 Policy development: The COAG working groups

Policy development under the COAG Reform Agenda was headed by seven COAG working groups, established at the December 2007 COAG meeting. Traditionally, COAG working groups had been chaired by senior officials; however, these new working groups were chaired by Commonwealth cabinet ministers and attended by senior Commonwealth, State and Territory officials. The COAG working groups were charged with developing strategic policy directions and ensuring improved outcomes and performance in the following areas: preventative health, indigenous healthcare, primary care, hospitals and aged care; education and training systems; climate change and water scarcity; the efficient provision of adequate infrastructure; business regulation and competition reform; improved affordability of, and access to, housing; and social inclusion and closing the gap on indigenous disadvantage.

In addition, sub-working groups and, even, sub-sub-working groups, comprising officials from
central agencies and line agencies, were established and met regularly to work out how the policies would be coordinated, financed and implemented. Most of the working groups have now reported to COAG and been disbanded (see Appendix 1 for details and membership of the various working groups). The relevant ministerial councils have been (re)assigned their duties.

Although most of these COAG working groups achieved their objectives – the still meeting COAG Business Regulation and Competition Working Group being the exception – they highlighted the privileged position of the Commonwealth in intergovernmental relations. The Commonwealth sets COAG agendas and Commonwealth officials acknowledged that these were based on election policies. The States had little choice but to try to maintain some balance in terms of policy understanding or risk losing out during negotiations. Several State officials commented on the demanding workload brought about by the relatively high frequency of the meetings. Furthermore, they described the structure of the COAG working groups as ‘quite challenging’. With Commonwealth ministers chairing the meetings, Commonwealth and State officials were reluctant to argue against the ministers’ demands – ‘you can’t thump the table at a Minister’. Consequently, State officials were usually left behind to do the ‘heavy lifting’, which put State ministers offside because they felt crowded out. Interestingly, we were informed by Commonwealth officials that the Commonwealth offered the positions of deputy chairs to State and Territory ministers; but their first ministers declined because they did not want their line ministers tied up by COAG business.

3.3.3 The Intergovernmental Agreement on Federal Financial Relations

The cornerstone of the COAG Reform Agenda is the Intergovernmental Agreement on Federal Financial Relations (IGAFFR), which commenced on 1 January 2009 (COAG 2008). The IGAFFR constituted a rationalising and restructuring of the system of specific purpose payments (SPPs) from the Commonwealth to the States and Territories. Previously, the system had been encumbered with numerous financial arrangements that, on-the-whole, were seen as placing onerous reporting requirements upon the States and becoming increasingly prescriptive in how the monies were to be spent. It was widely argued that to enhance State policy autonomy there needed to be fewer SPPs that recognised the specific circumstances faced by the State governments and had outcomes-based objectives.

The long-standing regime of SPPs was replaced by so-called national SPPs and national partnership payments. Now, there are just five national SPPs – all of which are linked to national agreements (see Appendix 2). The national SPPs span the principal policy areas of the States – health, schools, skills training, housing, and disabilities services (as well as a framework SPP on indigenous development). The funding is ongoing, so the parties do not have to keep returning to the negotiating table in order for services to be delivered after a particular date. Furthermore, funding is indexed annually and distributed according to each jurisdiction’s share of the total population. The only requirement of the States is that the funds be allocated to the designated policy area and in such a way as to meet the mutually agreed objectives. Ostensibly, this constituted a major reform and a significant rationalisation of the previous system of ninety or more SPPs.

Unlike the old SPPs, there is no financial ‘stick and carrot’ to ensure performance accountability under the national SPP agreements. Instead, to prompt action any shortfalls by individual States and Territories will be published in annual reports by the CRC. This is effectively the same approach underlying the Report on Government Services (ROGS). The ROGs is produced by the Steering
Committee for the Review of Government Service Provision (SCROGSP) and is published every January, and provides comparative information on the efficiency and effectiveness of a range of state government services such as housing, childcare, hospitals, prisons and schools.

However, the idea of a ‘tied grant’ is still realised in the IGAFFR by the provision for different types of national partnership payments (NPPs). States and Territories can enter into agreements with the Commonwealth to receive payments that support specific projects, facilitate reforms by the States, or reward those States that deliver on agreed reforms. The fact remains that under this arrangement the current and future Commonwealth governments can choose to promote NPPs that place conditions, reasonable or otherwise, upon the States and Territories. By the end of March 2011, there were already forty-eight active national partnerships (see Appendix 3).

To assist the implementation of particular reform initiatives and to reward good performance through national partnership payments, the IGAFFR earmarked Commonwealth funding for a new COAG Reform Fund. This structure resembled the competition payments provided under the NCP. The COAG Reform Fund is sourced from the Commonwealth budget, as well as from the Health and Hospitals Fund, the Education and Investment Fund and the Building Australia Fund established by the Commonwealth.

From the Commonwealth’s perspective, it can be said that in many respects the States have never had it so good. Previously, the Commonwealth’s line agencies controlled funding and had a highly prescriptive role, while the State-level agencies focussed on defending their positions and seeing what they could get away with to get their funding. That all changed with the signing of the IGAFFR. In the case of the national agreements, it is ‘very easy for the States; just report that they’re spending in the sector’. In the case of national partnerships, there has been a shift to outcomes-based reporting, which requires the States to meet the agreed outputs (for example, the number of schools built and legislative changes) and achieve the negotiated outcomes. From the perspective of the Commonwealth, it has provided the money and the States now have to deliver. Some Commonwealth officials recognise that this also makes it easier for them – it is they who require frequent reporting from the States.

A Commonwealth official also commented that the treatment of national agreements and national partnerships by the Commonwealth Grants Commission is now clearer. The national specific purpose payments, i.e. the old SPPs, are distributed on an equal per capita basis, whereas the national partnerships provide scope for more unequal distribution. Thus, there is less incentive for States and Territories to jockey among themselves to get more than their ‘fair share’.

Although State officials concur that the new financial arrangements have indeed led them to consider State policies within a broader federal context and establish more useful internal reporting measures, they counter that the Commonwealth is forcing the States to enter more and more into prescriptive national partnerships that are really the tied grants of old, just under a different guise.

_Throughout 2009 and 2010, we saw people conceding on the principles [of the IGAFFR] left right and centre … We’ve sort of taken two steps forward and one step back … We were on the same page as the Commonwealth [in 2008] … [In 2009, however, the Commonwealth was] big on words, but those were not reflected in their actions … Every time that we pointed out that the detail of agreements were inconsistent with the IGAFFR, the Commonwealth would respond that ‘this is a special case’ and then the special case became a precedent._
In effect, State intergovernmental relations officials believe that the Commonwealth is endeavouring to use the National Partnerships to micro-manage their activities.

Commonwealth officials concede that more national partnerships have been established than they had anticipated; however, they counter that the States insisted that they fall under the purview of the DPMC. The Commonwealth, they explained, is more relaxed, as long as each national partnership is ultimately signed by the Prime Minister and covers the relevant detail. However, according to these officials, State central agencies insist that the details be channelled through them because they want to maintain their dominance over the line agencies.

Yet, State concerns about ‘scope creep’ – additional reporting requirements and milestones that go beyond what was originally agreed – persist. State officials contend that the implementation plans being presented to them do not reflect the intent of the original national partnerships and enable the Commonwealth to micro-manage the States. An official from one of the smaller States explained that ‘sometimes DPMC have not been involved at all, other times they have been quite heavily involved. We've had everything from the Commonwealth line agency to our line agency, PM&C to DPC and then the cross-overs, as well’. Sometimes, however, if the national partnership documents have arrived late and ministers negotiate these over the phone, then ‘unsustainable measures’ may result.

One State official expressed the frustration encountered across the jurisdictions and that has been voiced for some time – publicly by politicians, privately by officials – in this case, over the Health Agreement:

   We don’t like any of it, but it’s given us so much money - we sign up ... They use that [Commonwealth funding] to wade into so many areas of State responsibility ... We want the cash; we have to deal - but we resent very strongly having to play the deal.

In 2010, the Heads of Treasury (HOTs) were assigned the task of reviewing the national agreements, national partnerships and related implementation plans and of determining whether they were consistent with the principles of the IGAFFR, as well as the ‘clarity and transparency of objectives, outcomes, outputs, and roles and responsibilities, and the quantity and quality of performance indicators and benchmarks’. The HOTs found that although the IGAFFR framework was sound and the national and sub-national governments were acting with the best of intentions, ‘some challenges remain’.

3.4 Performance monitoring and reporting: The COAG Reform Council

The COAG Reform Council is responsible for performance monitoring and reporting to COAG under the IGAFFR. Its public assessments form the basis for reward payments from the Commonwealth to the States. Originally established in 2007 to oversee progress on COAG’s National Reform Agenda, it comprises six members: three (including the deputy chair) appointed on the recommendation of the States and Territories, and three (including the chair) nominated by the Commonwealth. Although administratively located within the Department of the Prime Minister and Cabinet, the CRC secretariat are drawn from Commonwealth, State and Territory governments and have their office in Sydney. Unlike the National Competition Council, which reported to a Commonwealth minister, the CRC reports to COAG.

The role of the CRC was subsequently expanded to encompass all performance monitoring and
reporting concerned with the COAG Reform Agenda and any other tasks assigned to it by COAG.

At the time of writing, the CRC was charged with reporting on:

- the performance of the Commonwealth and the States and Territories in achieving the outcomes and performance benchmarks specified in National Agreements
- whether predetermined performance benchmarks have been achieved under National Partnerships
- the performance of the Commonwealth and the Basin States under five bilateral Water Management Partnerships under the Agreement on Murray-Darling Basin Reform
- the aggregate pace of activity in progressing COAG’s agreed reform agenda
- the consistency of capital city strategic planning systems with the new national criteria.

Chart 1: Performance Reporting Information Flows

(a) Steering Committee for the Review of Government Service Provision
In preparing its reports, the CRC draws upon independent technical analysis. Various Commonwealth, State and non-government service providers collect much of the data concerning the performance indicators. These data are verified by State and Commonwealth line agencies, the Australian Bureau of Statistics and the Australian Institute of Health and Welfare, and analysed by the Steering Committee for the Review of Government Service Provision (SCROGSP) and various experts. (Chart 1 illustrates the flow of information within the performance framework).

The reporting process draws upon the experience of the National Competition Council and provides for consultation with the States. Upon drafting a report, the CRC forwards the relevant sections to each of the various State and Territory Departments of Premier and Cabinet for comments. The departments then have the opportunity to examine how the CRC has used the SCROGSP analysis and formulate responses before returning these for consideration by the CRC. The CRC then hands over the final report to each DPC, which is publicly released a month later.

The actual lines of accountability within the COAG reform framework, however, are still considered unclear. As one senior official describes the situation, it ‘still [constitutes] a fairly confused picture . . . where the CRC sits with respect to the Productivity Commission and with respect to the actual roles of Treasuries reporting under the agreement . . . is an ongoing challenge’.

As an integral institutional component of the COAG Reform Agenda, the CRC exerts considerable influence and this influence has increased with the expansion of the COAG Reform Agenda. Table 3 lists the reports produced by the COAG Reform Council in 2009 and 2010. It evidences not just the scope of the CRC’s work, but also implicitly, the increasing workload placed upon central agencies and line agencies to provide the data.
Table 3: COAG Reform Council reports, 2009 and 2010

<table>
<thead>
<tr>
<th>Subject Area</th>
<th>Report Titles</th>
<th>Date Submitted to COAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Progress on COAG Reform Agenda</td>
<td>COAG Reform Agenda: Report on progress 2010</td>
<td>30 July 2010</td>
</tr>
<tr>
<td>Competition and Regulation</td>
<td>National Partnership to Deliver a Seamless National Economy: Report on performance 2009-10</td>
<td>31 December 2010 (due)</td>
</tr>
<tr>
<td>Disability</td>
<td>National Disability Agreement: Baseline performance report for 2008-09</td>
<td>30 April 2010</td>
</tr>
<tr>
<td>Education</td>
<td>National Education Agreement: Performance report for 2009</td>
<td>30 September 2010</td>
</tr>
<tr>
<td></td>
<td>National Education Agreement: Baseline performance report for 2009</td>
<td>30 September 2009</td>
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<tr>
<td></td>
<td>National Partnership Agreement on the Elective Surgery Waiting List Reduction Plan: Period 1 assessment report</td>
<td>30 June 2010</td>
</tr>
<tr>
<td>Housing Affordability</td>
<td>National Affordable Housing Agreement: Baselines performance report for 2008-09</td>
<td>30 April 2010</td>
</tr>
<tr>
<td>Skills and Workforce Development</td>
<td>National Agreement for Skills and Workforce Development: Performance report for 2009</td>
<td>30 September 2010</td>
</tr>
</tbody>
</table>

Table 4 lists the CRC reports submitted or due to be submitted to COAG in 2011. During this period, we see evidence of not only the CRC’s increasing workload, but also that of the central agencies and line agencies. Thirteen reports in total were due to be submitted to COAG – the same number as for the previous two years combined. The reasons for this increased workload are that, in addition to the national agreements, the CRC is now reporting on the national partnerships and Capital City Strategic Planning Systems. At the December 2009 COAG meeting, it was agreed that all States would institute capital city strategic plans by 1 January 2012. These strategic plans are to be founded upon agreed criteria concerning housing affordability, urban congestion, climate change, land-use, transport, infrastructure, demographic change and government coordination. The CRC, which will be supported by an expert advisory panel, was tasked with building and disseminating knowledge of best practice planning and reviewing these strategic plans.
Table 4: COAG Reform Council reports, 2011

<table>
<thead>
<tr>
<th>Subject Area</th>
<th>Report Titles</th>
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<td>31 December 2011</td>
</tr>
<tr>
<td>Disability</td>
<td>National Disability Agreement: Performance report for 2009-10</td>
<td>29 April 2011</td>
</tr>
<tr>
<td>Education</td>
<td>National Education Agreement: Performance report for 2010</td>
<td>30 September 2011</td>
</tr>
<tr>
<td></td>
<td>National Partnership Agreement on Literacy and Numeracy: First assessment report</td>
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<tr>
<td></td>
<td>National Healthcare Agreement: Performance Report for 2009-10</td>
<td>29 April 2011</td>
</tr>
<tr>
<td></td>
<td>National Partnership Agreement on Essential Vaccines: Period 1 assessment report</td>
<td>30 June 2011</td>
</tr>
<tr>
<td></td>
<td>National Partnership Agreement on Essential Vaccines: Period 2 assessment report</td>
<td>10 August 2011</td>
</tr>
<tr>
<td>Housing Affordability</td>
<td>National Affordable Housing Agreement: Performance report for 2009-10</td>
<td>29 April 2011</td>
</tr>
<tr>
<td>Skills and Workforce</td>
<td>National Agreement for Skills and Workforce Development: Performance report for 2010</td>
<td>30 September 2011</td>
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<tr>
<td></td>
<td>National Partnership Agreement on Youth Attainment and Transitions: First assessment report</td>
<td>December 2011</td>
</tr>
<tr>
<td>Capital City Strategic</td>
<td>Report to COAG on the Review of Capital City Strategic Planning Systems</td>
<td>December 2011</td>
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However, the influence of the CRC across the central agencies may not be quite as pervasive as we assumed. For example, there was no one within the Victorian Department of Treasury and Finance who was directly responsible for dealing with the CRC. The view expressed there was that ‘it’s early days and the CRC has not released that many reports’. The DTF has no direct contact with the CRC; rather it contributes to the DPC’s analysis. Nevertheless, it is anticipated that the CRC reports will be useful in the future. An official from a smaller State remarked that ‘the beauty is that it’s real material . . . It’s a great discipline on government to actually cut the rhetoric and actually deliver on outcomes for citizens’.

Generally, the State central agencies are satisfied with the role and performance of the CRC. Most officials we interviewed considered the CRC process to be ‘excellent’, especially the outcomes focus. The CRC has responded and been open to influence from the States. A South Australian official explained that there had been repeated correspondence with the CRC about ‘some of their measures and how they are using them to measure homelessness - that has been a long term policy experience for us’. Certainly, the dealings with the CRC are regarded as being more transparent than those that characterise COAG.
The issue that the State central agencies are most concerned with and frustrated by are the inadequacies of the datasets and the need for indicator rationalisation. It is an issue that is recognised in the COAG Reform Council’s 2010 annual report, which brings together reporting for ROGS, national partnerships, national agreements and minimum datasets. The CRC has worked with the Productivity Commission and the relevant data agencies to encourage States to develop appropriate policy frameworks and program logic to evaluation. Certainly, there is a push to ‘align’ these indicators. However, meetings with the CRC have not always been successful, partly because everybody ideally wants to keep their own indicators.

The general view among officials is that the reporting framework for the CRC is full of data gaps and inadequacies. This was summed up by a State treasury official, who accepted that it was clear that we needed to have some rationalisation of data collection [Currently] the same data is collected in different forms for different publications. That's just a waste ... [for example] half of the indicators in the Healthcare Agreement don't have datasets to report yet ... [Moreover, it takes] five years to get a dataset up and running. When we argued that the principle of these SPPs would be that there were to be up to ten indicators that the public would understand, and the first health agreement came out with 90 . . . many of which there was no data to estimate. You have to ask yourself, what would you do with the data anyway? How many teenagers are having unprotected sex? How would you know and what would you do about it? We were told that was incredibly important because of a, b, c and d!

As another official reluctantly accepted, ‘The data just doesn't tell you what you want to know, but it’s the best measure we’ve got’.

The problem for some is that the CRC has included in its reports data from a variety of sources. In particular, there are external performance indicators established outside of the COAG sphere. COAG has since provided the CRC with a ‘clearer direction’ that assessments in relation to COAG agreements should be premised upon performance indicators contained within COAG agreements. That said, officials agree that most CRC reports have added value to the COAG reporting process.

An official from a premier’s department identified the Homelessness National Partnership Agreement as a further case in point. When it was being formulated, it was sent out to ‘data experts’ who identified a whole raft of variables that they would like to measure and a lot were incorporated into the agreement. This official argued that strategic, high level indicators need to be developed to create a more useful picture.

It was also reported to us that some of the smaller line agencies (e.g. indigenous affairs) have sought to use the agreements as a means to infiltrate larger departments (e.g. health) that already have to address a number of competing policy items of equal importance, and not just the item that concerns the smaller agency. Hence, they have supported the incorporation of particular indicators in overarching agreements.

At the February 2011 COAG meeting, a senior officers group comprising officials from treasury and premiers’ departments was established to address the issue of too many performance indicators within the various agreements. There is now a steering committee and nine sub-groups involved in the process. It first identified those agreements most in need of review and has begun to disaggregate some of the indicators so as to allow for proper assessment.
Officials within State central agencies are also frustrated by the rigidity of the CRC’s requirements. If a State does not meet a target by a due date – even by just a few days – then the CRC will conclude that the State failed to meet its target. Of course, by the time that the CRC reports its finding the target may have already been met. For example, in the case of indigenous housing, the States are required to have built a certain numbers of houses by a particular date. There are regular teleconferences between the State and Commonwealth line agencies to ascertain progress and anticipate any problems in reaching milestones. Unfortunately, the implementation plan did not anticipate the problems of building houses in remote areas of one State, such as a small labour pool. Nor was it able to anticipate the death of an indigenous youth and serious injuries to two others on site. ‘You only need one thing to go wrong in a remote area like that and you have no chance of reaching the milestone’. The DPC and line agency made representations to the CRC asking, ‘Can we have a one-month carry-over? And not only did we not get a reply to that, but we also got a headline in the paper’. In addition, they had their funding withdrawn.

Frustration was also expressed that the CRC is not taking sufficient account in its targets of the contextual differences in the indicators and outcomes across the States; in other words, recognition of where jurisdictions start from a lower base. Some State officials argued that the CRC needed to take into account contextualised information, i.e. analysis that takes into account initially lower / higher base levels than other States. They favour both percentage improvement and comparative analysis against national results. This is because percentage improvement may be significant from a low base, but still very low when compared against other States. However, COAG has, at times, said, ‘today starts now’.

3.5 Ministerial councils

3.5.1 Background

Broadly speaking, ministerial councils have been created to facilitate high-level negotiation between the States and the Commonwealth in specific policy areas. Ministerial councils can instigate and formulate policy reforms, as well as resolve intergovernmental issues that may arise. They can also put forward policy reforms to COAG and, if agreed to by COAG, administer their implementation.

As of July 2010, there were forty-three ministerial councils comprising ministers from the Commonwealth, States, Territories, and the responsible ministers from New Zealand and Papua New Guinea, and representatives from the Australian Local Government Association (COAG 2009:1). The roles of the ministerial councils were not prescribed – in fact; the Guidelines for the Creation of New Ministerial Councils that COAG accepted in 2001 state that

if legislation is considered necessary to confer functions and powers on a Ministerial Council, the Council should not specifically be named in the legislation, allowing for greater flexibility in the roles and responsibilities of statutory Councils.

3.5.2 Criticisms of ministerial councils

Over the period 2008-2010, most of the ministerial councils were ‘put out to pasture’. Previously, Commonwealth line ministers negotiated national agreements – although cabinet tightly controlled the terms of the conditions to which they could agree. The exceptions have been those to which COAG has assigned particular tasks. For example, at the April 2010 COAG meeting, the Australian Transport Council was tasked with preparing a national rail safety regulatory system for...
approval by COAG by mid-2011.

The reason for their decline has been a sustained attack upon their efficacy from both within and outside of government. Privately, officials express their frustration with the disinterest shown by their ministers – State and Commonwealth – in attending and seriously dealing with the agenda at hand. The business community has been especially critical of ministerial councils on the grounds that they add yet another layer to the federal bureaucracy, contribute to political inertia and lack accountability. The Business Council of Australia (BCA 2006), for example, has commented that

Referring important policy matters to Ministerial Councils for consideration has been equated with giving them the ‘kiss of death’. The development of national uniform defamation laws, for example, was debated by the Standing Committee of Attorneys-General for over 20 years.

Furthermore, the BCA and other members of the business community have called for ministerial councils to meet more regularly, make public their work and milestones, and report on their progress using key performance indicators.

3.5.3 Incorporation into COAG and the reform process

In April 2009, COAG agreed to proceed with an independent review of ministerial councils. Although the report, conducted by Dr Alan Hawke, has not been made public, COAG (2010) agreed in principle to reforms that will see current Ministerial Councils rationalised to 11 or fewer Councils overseeing key areas of ongoing importance to both the Commonwealth and the States, including health, education and training, community services, infrastructure, police and emergency services, and financial relations. COAG will also convene from time to time Select Councils of Ministers when it requires advice on particular matters within specific timeframes.

The general view among the officials who we interviewed (prior to the February 2011 COAG meeting) was that the roles of ministerial councils would soon be circumscribed and aligned to meet the demands of the COAG Reform Agenda. We were also told that line agencies were voicing ‘concern’ in support of their particular ministerial councils because, ‘most of them [ministerial councils] are going to fold . . . [although] there does appear to be growing acceptance’ [by line agencies]. However, unlike the highly centralised and controlled process that characterised 2008, more authority would be granted to the remaining ministerial councils to work on behalf of COAG. It was expected that the influence of the Ministerial Council for Treasurers (MCT) and Ministerial Council for Federal Financial Relations (MCFFR) would remain due to their ‘clear mandates’.
In fact, following its February 2011 meeting, COAG announced that by 1 July it would reduce the number of ministerial councils from forty-one to twenty-three and establish three new types of ministerial council: standing councils, select councils, and ministerial legislative and governance fora (see Chart 2). Under the new ministerial council system, ministerial councils will be more closely focussed on national reform and oriented towards supporting the work of COAG. This is intended to provide greater oversight of the various national agreements and national partnership agreements, increase ministerial involvement in COAG reform activities, emphasise implementation and improve lines of accountability.

**The bedrock of the new ministerial council system will be the standing councils.** There will initially be twelve, permanent standing councils established to address ‘enduring issues of national significance’. Each will identify priorities they will address and attach timeframes to each, fulfil legislative and governance functions consistent with their purview, and provide COAG with annual reports outlining their decisions over the past year.

**More ephemeral will be the select councils.** Like their parliamentary namesakes, they will exist for specified periods and focus upon ‘specific reform tasks of critical national importance’. Initially,
there will be six select councils, although COAG has indicated that the number will vary from five to seven.

The legislative and governance fora will address matters beyond the scope of the standing councils that require ministerial attention. They will primarily be concerned with managing and overseeing ministerial responsibilities detailed in intergovernmental agreements, legislation and treaties that are not the purview of the standing councils. There will be five legislative and governance fora upon commencement of the new system.

3.6 Conclusion

Most of the overarching policy development of the COAG Reform Agenda has now been addressed. In 2010, there was just one COAG meeting and the talk among officials was of ‘bedding down’, i.e., consolidating all the work that ensued over the past two years. The focus of the central agencies has shifted to the associated implementation plans, the negotiation of new national partnerships, reform of the institutional framework and redefining the focus of COAG. Overall, and despite the litany of complaints about vertical fiscal imbalance, institutional bias favouring the Commonwealth, ‘scope creep’ by the Commonwealth agencies and the ever-increasing demands for data being placed upon the States, intergovernmental relations between State and Commonwealth central agencies have improved in the wake of the IGAFFR.
4. Intergovernmental relations between State central agencies

When we commenced this project, the talk, at least, was all about cooperative federalism – not only between the Commonwealth and the States, but also between the States. It seemed reasonable to assume that the extensive demands of the COAG Reform Agenda might engender an informal division of labour between State central agencies over policy development. Moreover, with the push for greater harmonisation of regulations across the country, we might expect to see greater use of uniform legislation. From the outside, the already established Council for the Australian Federation (CAF) appeared to be the focal point for State intergovernmental relations.

However, cooperation between States is much more evident between officials than it is between premiers and between ministers. Central and line agency officials regularly liaise with one another through formal gatherings, such as COAG working groups and sub-groups, senior officials meetings, Heads of Treasuries meetings and meetings of ministerial councils, and through informal channels, such as by telephone and emails. Their political leaders are more circumspect, especially if they belong to parties different to their interstate counterparts. While premiers have, on occasion, presented a united front against a prime minister at COAG, this was cooperation against a ‘common enemy’. Traditionally, the States have competed with one another to maximise their share of the Commonwealth funding pie and to preserve their interests. Officials acknowledge their interdependencies, but premiers and ministers are more anxious that they be seen to preserve their State’s policy autonomy.

In this chapter, we examine the impact of the COAG Reform Agenda upon intergovernmental relations between central agencies and their interstate counterparts. First, we find that the COAG Reform Agenda has not stimulated a formal division of policy labour in which the workload is distributed among the central agencies. Rather, intergovernmental relations have focused more upon informal policy learning between officials. Second, we find that although State central agencies have used various types of uniform legislation to institute reforms, it is not unequivocal that there has been an overall increase due to the COAG Reform Agenda. Finally, we analyse the impact that the Council for the Australian Federation (CAF) has had on intergovernmental relations between State strategic agencies. It is apparent that the realisation and implementation of the COAG Reform Agenda has not enabled CAF to overcome political division and the self-interest of its members.

4.1 Division of labour – policy

Intergovernmental relations between the States tend to be ad hoc and occur naturally. When issues arise, there is an almost constant flow of email traffic. This is collaborative and builds camaraderie, especially in light of the perception of the Commonwealth as a common adversary.

A common view expressed by officials was that ‘every State tries to formulate its own position’. While the larger States tend to write the first drafts and, hence, get to influence policy outcomes, some of the smaller jurisdictions will lead occasionally on some items. Strong alliances can also form among officials from various States, sometimes with one State agreeing to make the running on an item and letting another State lead on a second item. However, in general, a planned disaggregation and division of labour regarding policy issues within the COAG process has not been evident.
Exceptions arise from time to time. If a jurisdiction has particular expertise in a policy area, or is a forerunner on an issue or a policy adopter, then it is in a better position to provide policy leadership. An official from another State noted, for example, that in vocational education and training policy, Victoria has a vast information resource to draw upon and always looks to provide the policy leadership. However, the suggestion that Western Australia might lead the other States on mining issues because it has immediate, material interests was quashed by a Victorian official who countered that if the Victorian Department of Premier and Cabinet left every bit of mining analysis to Western Australia, then it would not be looking after Victoria's interests.

This suggests that the distribution of policy work is partly a function of available resources, that is, the larger States have more resources available to direct towards policy analysis in various policy areas. This was supported to some extent by an official from a larger State who told us of being approached at a meeting by representatives from smaller States asking about not only the issues being addressed at that meeting, but also about issues concerning a particular national partnership. The official lacked expertise in this area and had to plead ignorance. This indicated to the official that these people had greater policy responsibilities because their central agencies were not as well resourced.

Interestingly, another official from the same State suggested that the difference between States might be that the larger States have greater discretion over how they used their resources and the areas where these could be directed. The official remarked that the smaller States tend to focus their resources on research concerning the Commonwealth Grants Commission - ‘a percentage point can mean millions to them’.

The smaller States can afford their policy specialisations, but not too many. South Australia has devoted considerable resources over many years towards climate change policy. A South Australian official gave the example of a brainstorming session with the Premier over that State’s White Paper on Climate Change, during which they discussed what the other jurisdictions were doing. It depended in part on the policy agenda and the policy cycle. In this case, ‘the emissions trading scheme [was] off the agenda and the Commonwealth had taken a position on adaptation. What were we going to do as a State? How would it play out here?’ The official pointed out, however, that a middle-sized State, like South Australia, cannot afford to do this across-the-board, rather such work is directed towards significant issues for the State.

Policy convergence between the States is also just as likely to be coincidental, as it is strategic. As one official noted, it is not surprising that Western Australia and Queensland have similar policy positions in the federal sphere given that they both have widely distributed populations, they have largely resource-based economies, pay a considerable amount of tax to the Commonwealth and, to some extent, fund some of the other States and Territories.

There is a conscious effort to engage in policy learning across the States; however, there appear to be no formal structures to facilitate such activities. While there are regular discussions among CAF officials, teleconferences are used to address problems as they arise.

Despite the lack of institutionalised policy learning mechanisms, there is a reasonably sophisticated understanding of what the counterparts of line agencies are doing in other States. People meet with counterparts at professional forums and meetings to find out what is working in other jurisdictions. There are also discussions the night before ministerial council meetings.
4.2 Division of labour – legislation

A division of labour is more evident – if not systematic – in that area of governance concerned with legislation. As we explain below, greater use has been made of uniform legislation following the introduction of the COAG Reform Agenda. Following Wanna et al (2009) and the Parliamentary Counsel’s Committee (2008), we conceptualise four types of uniform legislation – referral of powers, template/complementary applied laws, mirror/model laws, and framework laws – situated along a continuum bounded by the degree of autonomy that such legislation grants to individual State jurisdictions.

4.2.1 Referral of powers legislation

At one end of the continuum, representing the least amount of autonomy to individual State jurisdictions, is referral of powers legislation. This type of legislation entails States referring ‘matters’ or ‘authority’ to the Commonwealth under s.51 (xxxvii) of the Constitution, which may then legislate in accordance with the referral. In addition to the constitutional reference, legislation of this type is typically characterised by the following: a provision setting out the terms of the authority being referred; a provision setting out how such a parliamentary act may be amended by the Commonwealth; and a sunset clause terminating the referral on a specified date by an act of the State parliament. Referral of powers legislation is sometimes utilised in cases where there is a perceived need for national uniform legislation in areas that are not explicitly within the purview of Commonwealth. It also avoids the Commonwealth having to ask the electorate to support a constitutional amendment; historically, most proposals have been rejected.

Not surprisingly, the States have been reluctant to forgo their legislative autonomy and utilise referral of powers legislation. Since the introduction of the COAG Reform Agenda in December 2007, the only uniform legislation of this type passed has concerned consumer credit and the introduction of a national personal properties securities register. More significantly, almost all of the referral of powers legislation has followed the emergence of COAG and the push over the past decade for greater policy and regulatory uniformity across the federation.

4.2.2 Template legislation / complementary applied laws

Template legislation (or contemporary applied laws) is established by one jurisdiction enacting a law and that law then being adopted by other parliaments. It assumes the need for total uniformity in statutes and subordinate legislation, and generally utilises a single administrative portal implementing uniform administrative rules and decisions. The primary strength of template legislation is complete consistency across the federation. It also normally involves States working together to achieve harmonisation, thus enabling them to maintain an active policy role. It may also be associated with the establishment of a policy-making or regulatory body on which States are represented directly or have a say over key appointments. However, it may be disadvantageous to the States if they unintentionally surrender policy capacity to the Commonwealth that effectively exclude them from an area of legislative responsibility and administration, especially when it is prepared to fund the administrative arrangements.

As we expected, the States have preferred template/applied complementary legislation over referral of powers legislation. It has also been used more frequently since the introduction of the COAG Reform Agenda. Over the past decade, the Commonwealth, Victoria, Queensland and South Australia have all taken the lead in providing the ‘template’ upon which other jurisdictions have
based their legislation. While it was regularly employed in the 1990s, the passing of template legislation concerned with child education and care services, national trade measurement, occupational licensing, national gas and the regulation of health practitioners over the last two years suggests that the States are becoming more at ease with this particular mechanism.

4.2.3 Mirror / model legislation

‘Mirror’ or ‘model’ legislation is a type of uniform legislation that allows some discretion for variability; complete uniformity may not be needed provided there is an agreed base or set of standards. It involves a model law being developed (often by a ministerial council), with each State parliament then enacting it, but being able to make variations to meet local circumstances. This model provides one of the better ways to allow for greater harmonisation, yet still allows the States to implement their own versions and retain some ownership over implementation (and to amend their component of the legislation subsequently). Mirror legislation tries to avoid the pitfalls experienced with corporate affairs where the Commonwealth's push to harmonise has seen the States entirely excluded from this field of policy and administration. In principle, mirror legislation can emanate from any level of government and accepted by another. States can also introduce mirror legislation without the need to involve the Commonwealth in matters that are entirely within State areas of responsibility.

Mirror / model legislation remains the States’ preferred mechanism for achieving legislative uniformity across the federation. Furthermore, we also see a consistent increase in the use of this mechanism. It was used in the earlier years of federation and started to become more prominent in the early 1980s. In the post-COAG era, mirror / model legislation was regularly utilised by the various jurisdictions to make uniform their intergovernmental agreements. While the COAG Reform Agenda has provided an impetus for uniformity, it has not generated a particularly significant increase in the use of mirror / model legislation.

4.2.4 Framework laws

A legislative technique that allows the most autonomy and capacity to States and Territories is the adoption of framework laws, which establish a generic framework of policy intent that outlines a set of minimal conditions or regulations, or expresses a minimal set of national provisions. This mechanism is designed to give State jurisdictions the power to vary the provisions, usually up rather than down. For example, minimal provisions are contained in national templates, while sub-national governments can adopt higher standards or offer better provisions to the national template for their own jurisdictions. This occurs in situations where the Commonwealth establishes procedures to deal with an issue, but allows State procedures to replace them if the Commonwealth deems them adequate. However, little use has been made of this type of legislation.

In sum, it is evident that increasing use is being made of the various forms of uniform legislation. What is less clear is whether the introduction of the COAG Reform Agenda has contributed significantly to the increase. In fact, the increased use of uniform legislation of all types coincides with the institution of COAG, rather than the COAG Reform Agenda.

4.3 Council for the Australian Federation

It is a matter of conjecture whether the Council for the Australian Federation (CAF) has been effective and met the lofty goals vested in it by its founders. The need for such a body had been
recognised on a number of previous occasions (see, for example, Bannon 1992; FSRC 1998; Goss 1998). Although similar institutions exist in both Canada (Council of the Federation) and the United States (National Governors Association), previous efforts at horizontal cooperation in Australia had traditionally been ad hoc or limited. While the Leaders Forums set up during the early 1990s were influential, they were dominated by the agenda of the Special Premiers’ Conferences (later COAG). Moreover, they did not receive any formal bureaucratic support, and eventually became little more than brief tactical meetings between leaders immediately prior to COAG meetings (Tiernan 2008).

State and Territory first ministers signed a Memorandum of Understanding in October 2006 to form a body modelled on Canada’s Council of the Federation. They agreed to meet at least yearly to discuss COAG-related matters (either in advance or subsequent to COAG meetings) and cross-jurisdictional issues in which the Commonwealth may have a minor or no role. It also provided a platform to communicate broader issues of public interest. All members can attend CAF meetings, even if, on occasion, some agenda items only apply to certain jurisdictions (e.g. common dates for summer-time daylight saving, which only operates in some States). Meeting communiqués are later published on the CAF website. Like COAG, consensus decision-making is the intention, and decisions are not formally binding.

The CAF has established its own secretariat to enhance independent policy coordination and research capacity among the States and Territories, distinct from the Commonwealth. This has led to the commissioning of independent work on climate change and education reform, as well as the establishment of cross-jurisdictional working groups of officials on regulatory and tax system harmonisation. In April 2007, CAF released the first of what it called its ‘federalist papers,’ entitled Australia’s Federal Future (Twomey and Withers 2007), which put an economic and political case for federalism, focussing on the advantages of decentralisation, choice and diversity, customisation, competition, creativity and innovation, and cooperation. The message of the paper was that while Australians tend to complain about federalism, it performs well by international standards and has many advantages vital to productivity and wellbeing. However, in its attempt to portray federalism as a positive influence, the paper tended to de-emphasise many of the associated problems of federalism, such as overlap and duplication – evident to politicians and practitioners, but also canvassed widely in the federalism literature (Hollander 2009). Subsequent federalist papers put out by the Council sought to engage more closely with some of the practicalities of operating a system of divided jurisdiction (CAF 2007; Wanna et al 2009).

Despite its obvious achievements, it is difficult to ignore the elephant in the room: CAF is (or was) a political vehicle for the State Labor governments. CAF was established at a time when a Liberal-National Party Coalition controlled the Commonwealth government and all State and Territory governments were Labor-led. The former felt frustrated by the emergence of ‘wall-to-wall’ State and Territory Labor governments, while the latter believed the Commonwealth understated the importance of their role in the federation, was starving them of the necessary funds to undertake their duties and encroaching more and more into their traditional policy areas.

Although a Liberal-National Coalition government was elected nationally in March 1996, at the State level, Labor governments were being elected (Tasmania in 1998, Victoria in 1999, Western Australia and the Northern Territory in 2001, South Australia in 2002). Following the election of the Labor government in South Australia in March 2002, Australia faced the unique situation of having all States and Territories with Labor governments with only the Commonwealth having a Coalition government.
However, the balance of power in the federation has now tipped the other way. In 2007, the Labor Party won government federally. In 2008, the Liberal Party took control in Western Australia and doubts were raised about whether the climate of cooperation could and would be sustainable. With the fall of the Brumby Labor government in Victoria in 2010, and the ascendency of Ted Baillieu as the new Premier of the Liberal-National Party Coalition government, talk quickly turned to his long-standing commitment to competitive federalism. The significance of Liberal Barry O’Farrell’s elevation to the NSW Premiership in March 2011 is still unclear. In a speech to the National Press Club the previous month, O’Farrell stated that ‘the future of COAG, and more broadly federal and state relations, lies not in the direct control of Canberra but a state and territory-led injection of competition and collaboration’.

It remains to be seen how the dynamics of CAF will operate as governments change over time, or how influential it will be on federalism and intergovernmental relations issues. Arguably, CAF is becoming less important to State governments. Its most recent meetings have reverted to being as pre-COAG meetings rather than stand-alone meetings with their own agendas. No public communiqué has been released arising from a CAF meeting since November 2009.

With the election of non-Labor governments and moves towards ‘competitive’ federalism, questions about future collegiality and information sharing between State central agencies cannot be avoided. Some State officials were positive in their outlook: intergovernmental relations between the State central agencies are generally collegial. This is evident, we were told, in the briefing notes to Premiers that usually contain a heading ‘Views of other States and Territories’. It is not possible for intergovernmental relations units to do their jobs without knowing what their counterparts in other jurisdictions are doing. Some officials also find that such interaction provides a ‘double check’ about what is happening in a policy sphere. One official remarked about the number of times that I’ve been particularly concerned about an issue that no one else seems to be [within that central agency], I’ve picked up the phone to other jurisdictions and gone ‘look, my line agencies are screaming out here and this to me doesn’t quite seem to make sense. Is this something in your area as well?’ And, they’ve gone ‘well, I’m not getting that feeling. Let me make a couple of calls and I’ll see what I can do’. They’ve come back and gone ‘actually, now that you’ve raised it, I’ve checked with my [line] agencies and they’ve gone ‘yes, we should have picked that up’.

It was remarked that there is obviously some information in terms of strategy that may not be shared with jurisdictions of a different ‘political colour’. This fact is implicitly acknowledged by the respective players, as well as the understanding that each will go as far as they can to share what they want to share. Crucially, it is not in their best interests to have their first ministers blindsided. Hence, officials in one State may inform their counterparts that their premier is likely to raise issue X. Officials can then brief the prime minister and the other premiers, formulate a response and identify areas of flexibility. In that way, a meaningful dialogue can ensue at the highest level. Otherwise, a prime minister or premier would most likely respond that it was first time that s/he had heard of issue X and would have to take it on notice.

Aside from providing avenues for policy discussions, some senior State officials still expressed disappointment in how CAF has evolved and what it has achieved. One official summed it up, thus: ‘CAF seems to have lost a bit of momentum and it remains to be seen whether it will regain some in a year’s time. It lost its way when it sought to become the advocate and custodian of the federation and act as a policy advocate’. At this point, said another official, ‘it steps over the line to being self-serving’. Still another official remarked that, ‘the problem for CAF was that with the
expansion of COAG, there was no niche for it to fill. If anything, it would only serve to replicate the work of the COAG working groups. Consequently, the States could not perceive any benefit in matters being prosecuted at CAF and again at COAG by predominantly the same people’.

Opinion is divided over how to reconstitute the standing of CAF. For some, it remains a potentially effective lobbying tool in terms of achieving consistent positions in cases where consistency can be achieved. For others, CAF has to have more strategic relevance than developing tactics immediately preceding COAG meetings. It was suggested that CAF could be better utilised as a point of exchange where officials focus less on policy content and the obvious political tensions, and more on developing shared administrative mechanisms. An example given by one State official were the best-practice guidelines for national partnerships being developed by the States. How are these guidelines shared and viewed by the other States? The official believed that CAF could have provided such a forum, but did not.

4.4 Conclusion

While the State central agencies have evidenced some commitment to working together, there does not appear to be a deep-seated commitment to institutionalising such engagement. The increased use of uniform legislation, especially to push through the various elements of the COAG Reform Agenda, certainly indicates a preparedness to cooperate. However, the States are anxious to retain policy autonomy and reluctant to work too closely with one another. This is not surprising given the constant threat of policy incursion by the Commonwealth. As far as CAF is concerned, we can only speculate; but it appears that the real commitment among State central agencies has been to a substantive set of policy ideas – the COAG Reform Agenda – rather than to an abstract idea – horizontal cooperative federalism, as signified by CAF.
5. Intergovernmental relations within the central agencies

The COAG Reform Agenda has given intergovernmental relations a sustained prominence rarely enjoyed throughout the history of Australian federation. As we show in this chapter, Australian governments have increased – by varying proportions – the resources directed to improve their capacity in this area and position themselves favourably in Commonwealth-State negotiations.

The chapter is divided into three parts. In the first part, we summarise how the central agencies in the Commonwealth, Victoria, South Australia, New South Wales, Queensland and Western Australia were affected by the introduction of the COAG Reform Agenda and how they reorganised themselves and their personnel. Next, we detail the ways that the central agencies have responded to the increased demands placed on their intergovernmental relations responsibilities through training and recruitment. Then we consider the coherence of intergovernmental relations in terms of cabinet oversight, the division of labour within and between central agencies and the extent of their integration with their State strategic plan in relevant jurisdictions.

Throughout the chapter, we draw upon three primary sources of data. The first source is material contained within department annual reports. From these we have been able to identify the tasks undertaken each year by the central agencies and observe how, in most cases, the workload first increased in response to the COAG Reform Agenda and has now plateaued. The second source of data is quantitative – mostly concerning the size of intergovernmental relations units over the past few years – which were provided directly by the central agencies. Finally, considerable data were drawn from the twenty face-to-face and telephone interviews we conducted with officials in intergovernmental relations units and more senior personnel overseeing policy divisions and departments.

5.1 Organisation and personnel

5.1.1 The Commonwealth

The COAG Reform Agenda and federal affairs, generally, have been driven by the Department of the Prime Minister and Cabinet (DPMC) ever since the then Department Secretary, Mike Codd, helped convince Prime Minister Bob Hawke to put federalism on his fourth term agenda. Codd subsequently established the Commonwealth-State Secretariat, which was headed by an associate secretary and supported by a first assistant secretary, an assistant secretary and seven policy officers. From 1990 to 1996, the intergovernmental relations process was driven by the Commonwealth-State Secretariat, which also did a lot of the policy work.

After John Howard’s elevation to Prime Minister in 1996, COAG’s importance waned and the only substantive federal initiative was the goods and services tax, which was run in conjunction with the Commonwealth Treasury. However, as the National Reform Agenda and, later, the COAG Reform Agenda gained momentum, the impact upon the Commonwealth central agencies increased. This is reflected, as we explain, in how the central agencies – primarily the DPMC and the Treasury – organised themselves, their workloads, their training strategies and endeavoured to make the strategic centre more coherent as a whole.

Intergovernmental relations have become increasingly important to the Commonwealth central
agencies since the introduction of the COAG Reform Agenda and this is evidenced by changes to the organisation and to personnel. Both the DPMC and the Treasury have intergovernmental relations units and the staff numbers in these units have increased. Within each department, there has emerged an informal division of labour in which the intergovernmental relations units are concerned with coordination and information flow, while policy development is assigned (not surprisingly) to the policy divisions. The intergovernmental relations units did not have particularly prominent roles in the COAG working groups and sub-groups, rather Commonwealth line agencies provided the secretariats for all but one of the working groups.

While generally it is true to say that nothing happens at COAG without the Prime Minister’s acquiescence, the Commonwealth undeniably followed Victoria’s lead to drive Australian federalism with its National Reform Agenda. In 2005-06, during which time (February 2006) the NRA was agreed upon by COAG, just two divisions within the DPMC – the Industry, Infrastructure and Environment Division, and the Social Policy Division – were responsible for the bulk of the work concerned with the NRA. At this stage, aside from handling Commonwealth-State financial matters, the Economic Division was not directly involved in the NRA. Meanwhile, the Treasury focused, as we would expect, on the competition and regulatory aspects of the National Reform Agenda, but also upon climate change policy and human capital reforms. During this period, the Treasury’s Commonwealth-State Relations Division was not directly involved in the NRA.

By 2006-07, with federal issues beginning to dominate the political agenda, the Commonwealth central agencies were increasingly engaged in work related to the National Reform Agenda. At this stage, there were just three or four people working full-time on COAG in the Industry Policy and COAG Branch of the DPMC (out of 655 people working in the Department in June 2007). If major issues arose – concerning for example, the health workforce – then taskforces were assembled with the bulk of personnel being seconded from line agencies. The line agencies typically devoted two FTE to an issue, which may have effectively been six people. The workload of those Treasury divisions directly involved in intergovernmental relations also increased noticeably.

Whether the Commonwealth’s enthusiastic adoption of the National Reform Agenda after the election of the Rudd Labor Government in November 2007 (and its subsequent rebadging as the COAG Reform Agenda) will come to be regarded as a watershed in Australian federalism, only time will tell. However, its impact upon the organisation of the Commonwealth central agencies and their management of intergovernmental relations was immediate. At the end of June 2007, the Department was divided into eight divisions and the APEC Taskforce under Department Secretary Peter Shergold, with four deputy secretaries overseeing these. An organisational restructure the following year by Shergold’s replacement, Terry Moran, saw the Department divided into four groups – Domestic Policy, National Security and International Policy, Governance, and Strategic Policy and Implementation – comprising various policy and functional divisions.

Significantly, it saw the establishment of the COAG Unit, as part of the Domestic Policy Group. The COAG Reform Agenda was agreed to by COAG in December 2007 and the workload increased exponentially across the responsible divisions of the Domestic Policy Group. Energies were focused on setting up the new COAG working groups, which were to be chaired by Commonwealth Ministers, rather than officials (as was previously the case). Likewise, the relevant divisions within the Treasury were actively advising the government on various aspects, supporting high-level work groups and helping to formulate policies consistent with the COAG Reform Agenda.

In 2008-09, activity associated with the COAG Reform Agenda reached its zenith. At the peak of
activity in late 2008 / early 2009, the DPMC’s COAG Unit comprised twelve people, with ‘probably upward’ of forty FTE working on COAG-related matters (against 617 in the entire Department). During this period, the Industry, Infrastructure and Environment Division, the Social Policy Division and the newly created Families, Immigration and Social Support Division (which subsumed the Office of Work and Family) were heavily involved in the development of national agreements, national partnerships, and strategies concerned with the various policy elements of the COAG Reform Agenda. The year also constituted the peak in the Treasury’s COAG-reform activities. From late 2008 to early 2009, the Commonwealth-State Relations Division had a minimum of twenty-five FTE working on the COAG Reform Agenda.

In 2009-10, COAG met less frequently, the COAG working groups were being wound up once they completed their assigned tasks, and the ‘bedding down’ of the reforms by the central agencies became evident. The DPMC remained heavily involved with the COAG Reform Agenda, with various divisions becoming increasingly involved with implementation plans. As a lot of work was being undertaken in line areas regarding health, indigenous concerns and business regulations, there were still at least forty people in the DPMC engaged on the COAG Reform Agenda. The COAG Unit had ten FTE (out of 657). With the coordination of implementation plans being mostly the responsibility of the DPMC, the workload of the Treasury contracted across three divisions, although the workload of the expanded Infrastructure, Competition and Consumer Policy Division increased. This can be largely attributed to the on-going challenge of gaining acceptance and approval across the federation for business regulation and competition reforms.

5.1.2 Victoria

Victoria is widely perceived as leading intergovernmental relations in Australia in recent years – in some respects, even more so than the Commonwealth. More than in any other State, intergovernmental relations are integral to the Victorian central agencies. It generated the Governments Working Together (2004) report, initiated the National Reform Agenda and, along with South Australia, devised the Council for the Australian Federation. To meet the demands of the COAG Reform Agenda, the Victorian central agencies are characterised not just by their organisational structures and resources, but also by a sense of purpose and the flexibility to achieve their goals. It is not unreasonable or unkind to describe some of the officials we interviewed as ‘true believers’. The Commonwealth adopted the National Reform Agenda as its own at COAG, but it is still Victoria’s baby.

As the initiator of the National Reform Agenda, the Victorian DPC had been focused upon intergovernmental relations for some time. In this respect, the formalisation of the COAG Reform Agenda has not caused great disturbance or upheaval. Former Department Secretary, Terry Moran, created the Policy and Strategy Projects Branch in early 2003 to focus and think strategically about policy. It did not have to respond to Cabinet on a day-to-day basis. At this stage, intergovernmental work within the Victorian DPC was primarily the responsibility of the Government Branch. Through 2006-07, the DPC and the DTF were heavily driving the NRA and merging it with what was happening in Victoria, ‘so that State reform was consistent with national reform’.

To accommodate the re-badged and expanded COAG Reform Agenda, the Victorian DPC was re-organised in 2007-08. Previously, people were being seconded from other agencies to meet the demands on Victoria generated by the newly elected Rudd government and its federal reform program. Now, the COAG workload was spread over a greater number of branches, with the National Reform Branch established in January 2008 to coordinate the reform process and take
responsibility for ‘big thinking’ on federalism issues. This is seen as a response to the significance of what was going on and the necessity [of having] a group of people who really understood the fundamental architecture of the reforms and could not only coordinate the detailed specifications of those reforms, but could actually drive policy thinking in critical areas.

The National Reform Branch, which included a Deputy Secretary and twenty-five officers, saw itself as ‘quite a powerful body because we volunteered as frequently as we were able to take responsive leadership’. Leadership of intergovernmental relations included representation in each of the COAG working groups. The DPC wanted secretary-level representation, and if that was not possible, tried not to go too far below that level. ‘It was about showing others how serious we were about it … We then selectively chaired sub-groups that were of particular interest to the State’. However, the responsibilities of the National Reform Branch and the Government Branch overlapped and this was evidenced by their collaborating over the provision of secretariat services to support the Premier in his role as Chair of CAF.

In the DTF, work was devolved throughout the Department with a high degree of coordination by the Economic and Financial Policy Division. It also was pointed out to us that many more people were involved in the COAG process than is reflected in the official FTE figures. As additional resources (i.e. officers) were not being employed, COAG-related matters effectively consumed all the discretionary resources available to senior managers.

Within the DPC, the National Reform Branch took over COAG and CAF secretariat duties from the Government Branch in 2008-09, and the Policy and Strategy Projects Branch and the DPC Implementation Unit merged, perhaps reflecting an expectation that the reform process would soon move from being preoccupied with strategy and policy development to include also matters of program evaluation and performance monitoring. On some issues, the National Reform Branch had its own line area responsibilities. For example, because of the large national component, it ran vocational education and training policy and oversaw policy on international students. Meanwhile, the DTF consolidated its work on the COAG Reform Agenda.

While the Commonwealth was perhaps more interested in bedding down and consolidating what had been achieved over the past few years, the Victorian central agencies pushed for further reforms. In 2010, there were still nineteen positions in the National Reform Branch. Aside from supporting the Premier over the previous two years at three COAG meetings and participating in fourteen SOMs, the branch also initiated through CAF a research project that developed modes of governance that promote cooperative federalism and another that developed government policy on referrals of powers legislation and national legislative arrangements.

Despite its primacy on intergovernmental matters, the National Reform Branch did not always take lead responsibility for intergovernmental relations within the Victorian DPC. In addition to other branches of the DPC also being engaged in COAG-related policy development, people were brought in from other sections of the DPC and across the service to form ‘virtual teams’ to undertake projects in addition to their regular work. This was the case when the National Reform Branch teamed with the Policy, Strategy and Reform Branch and the Social Policy Branch to respond to the Commonwealth’s proposed health reforms.

To meet the increased workload of the COAG Reform Agenda and Treasury’s role at COAG being upgraded from ‘consultative’ to ‘direct’, an under-secretary position reporting directly to the
Treasurer Secretary was created. The Deputy Secretary (Economic and Financial Policy) led six teams, one of which was Tax and Intergovernmental Relations; however, there was no equivalent to DPC’s National Reform Branch. Whereas the National Reform Branch contributes to policy content, DTF has aligned its permanent teams on major policy areas and then the IGR team provides its particular input. There is a preference for creating ‘virtual teams’ and bringing the ‘right people to the table on different issues’ if and when they are required. For example, because ‘health’ has policy implications that sit in the Economic and Financial Policy Division, budgetary implications that reside in the Budget and Financial Management Division, capital expenditure that is relevant to the Commercial Division, and relevance to the health area of the DPC, the virtual DTF Health Reform Team was established. Interestingly, the Department’s 2009-10 annual report suggests that its work on the COAG Reform Agenda had declined significantly. The DTF may be bedding down its responsibilities regarding the various national partnerships, but it has re-organised and situated itself for further strategic reforms.

5.1.3 South Australia

Unlike Victoria, the South Australian central agencies do not possess the weight of resources to project leadership in all facets of intergovernmental relations. As one senior official put it: ‘South Australia is too small to matter, but still big enough to influence’. In that sense, we noted a prudent and strategic use of resources coupled with a desire to take federal leadership on issues of importance to South Australia. It was also clear that the South Australian central agencies were committed to addressing domestic concerns identified in the South Australia Strategic Plan (SASP) and aligning as much as possible its various indicators and measures to those contained within national SPPs and national partnerships.

In 2005-06, South Australia was not really a player in Australian intergovernmental relations. An intergovernmental relations unit was not indicated on the DPC organisation chart. The only substantive intergovernmental policy engagements featured in the DPC’s Annual Report concerned climate change policy, the COAG Review of the National Competition Policy and indigenous affairs (not NRA-related). However, South Australia – through the DPC – was beginning to lead the federation in the area of climate change-related policy. For the most part, the DTF’s involvement in intergovernmental relations concerned the traditional activity of State treasuries: federal fiscal relations.

The South Australian central agencies were still not significant players in 2006-07; however, there were signs that the profile of intergovernmental relations was being raised. Intergovernmental relations was now formally run out of a ‘reformed and enlarged’ Cabinet Office, which, in addition to managing federal matters, was also charged with developing and implementing the SASP, coordinating whole-of-government Cabinet proposals, providing secretariat support to Cabinet and its committees, and monitoring the implementation of Cabinet decisions. The DTF was also becoming increasingly involved in the NRA along with the DPC - not just in matters concerned with fiscal federalism, but also in the policy analysis of the human capital components.

The signs proved illusory, at least those that had emanated from the DPC. The DPC provided some leadership in federal matters in 2007-08, but, apart from representing South Australia on the seven COAG working groups, it was mostly confined to climate change policy and secretariat support. South Australia’s leadership in climate change policy is highlighted by its six representatives on the COAG Working Group on Climate Change and Water, one more than the
Commonwealth; in fact, it was the only working group on which a State had greater representation than the Commonwealth. On the other hand, the DTF adopted a broader policy perspective and became fully engaged by the COAG Reform Agenda.

However, by 2008-09, the DPC was much more involved in work associated with the COAG Reform Agenda; certainly, well beyond its previous focus on climate change policy. While there is unlikely to be a single variable responsible for this transformation, we cannot help but recognise the organisational transformation that followed the appointment of Chris Eccles, formerly a Deputy Secretary in the Victorian DPC (National Reform and Climate Change Group), as the new Department Secretary in 2009. Following his arrival, the DPC created an evaluation and reporting mechanism to record the State’s performance against outcomes agreed by COAG and South Australia’s Strategic Plan targets. It also developed the State’s positions on various funding agreements and maintained its leadership in climate change policy. Although not as expansive as the DPC, the DTF maintained its high level of involvement in the COAG Reform Agenda.

The South Australian central agencies were now much more outward-looking entities, especially the Department of Premier and Cabinet. Aside from the vast array of programs and initiatives across the COAG Reform Agenda that the Department now supported, it actively sought to take leadership among the States at COAG forums in areas such as climate change policy, indigenous reform and urban development. The DPC, like its Victorian counterpart, began to commission independent COAG-related studies. Interestingly, as the DPC’s involvement in the COAG reform process increased, so there appears to have been a corresponding decline in the DTF’s involvement. This may be a quirk of the annual reporting process, which moved away from each Branch accounting for its activities, to one in which the Department identifies its work in various programs and sub-programs.

The commencement of the COAG Reform Agenda coincided with an increase in the size of the intergovernmental relations unit within the DPC from three to twelve FTEs. With greater capacity, its prominence and support of South Australian involvement in COAG working groups and sub-groups has also increased. Unlike other jurisdictions, the intergovernmental relations unit within the DPC has been assigned an increasingly strategic role, in addition to its coordination functions. Following the institution of the Integrated Reporting and Evaluation Framework, the South Australian central agencies utilise a whole-of-government approach to policy development.

Nevertheless, given the middling size of the South Australian public service, it has been considered prudent not to have intergovernmental relations operating in isolation from the ‘policy grunt’. The view among senior officials is that it is necessary to have an approach that captures capability in an integrated way: the office of IGR, the Executive Committee of Cabinet secretariat that is looking after the State strategic plan and the mainstream Cabinet Office, which is focussed on policy expertise across the policy domains. This also means bringing in policy expertise from outside of the South Australian DPC.

5.1.4 New South Wales

The government of Australia’s largest State has endured considerable political instability for the duration of the National Reform Agenda / COAG Reform Agenda and this appears to have undermined its potential leadership in intergovernmental relations. From 1 July 2005 to 30 June 2010, New South Wales had four premiers and three treasurers. There was also a succession of organisational changes, with the Cabinet Office and the Premier’s Department merged in April.
2007, and the machinery of government restructured from July 2009, when thirteen so-called ‘super departments’ encompassing specific policy areas were created and subsumed their corresponding statutory authorities and public bodies. Consequently, the central agencies were not consistently focused on driving the federal reform process – and intergovernmental relations certainly did not enjoy the same profile as it did in Victoria.

In 2005-06, New South Wales was the remaining State with a Cabinet Office distinct from its Premiers’ Department. Responsibility for federal matters and intergovernmental relations rested primarily with the Social Policy and Inter-governmental Affairs Division of the Cabinet Office. Work was already being distributed across the division. Responsibility for coordinating the Premier and Director-General’s involvement at COAG and SOMs, respectively, rested with the Intergovernmental and Regulatory Reform section. The Social Policy section was focussed on health reform and mutual recognition of qualifications, while the Greenhouse Office was driving the State’s climate change policy both internally and at the national level.

By contrast, the National Reform Agenda was not a priority for the New South Wales Premier’s Department. In the Department’s annual report for this period, the only references to COAG concerned counter-terrorism, the National Action Human Influenza Pandemic Plan and issues surrounding the Murdi Paaki COAG Trial. There was no acknowledgement of the National Reform Agenda and there was no intergovernmental relations unit (or similar) listed under the various divisions of the corporate structure.

Unlike the Cabinet Office / DPC, the Office of Financial Management (OFM) within the New South Wales Treasury has enjoyed some stability at an executive level. Secretary John Pierce was at the helm for twelve years until December 2008, when Michael Schur took over in that role. Furthermore, it has retained three of its seven member executive team for the duration of the COAG Reform Agenda to date. For most of 2005-06, the Fiscal and Economic Directorate was responsible for intergovernmental policy issues, including competition policy and the structural reform of energy markets.

In 2006-07, the workload concerned with the National Reform Agenda increased across the central agencies. The New South Wales Premier’s Department and the Cabinet Office were merged, the Intergovernmental Relations Unit no longer held divisional status and was subsumed, along with the Social Policy Branch, within the new Policy Development Division. The Better Regulation Office was situated in the General Counsel Division. At the same time, the newly reconstructed Department was engaged on the COAG Best Practice, Human Capital, Health Workforce and the Competition and Regulation working groups. The Office of Financial Management also became heavily involved in the NRA and established the National Reform Branch within the Fiscal and Economic Directorate to coordinate this work. It was separate from the Commonwealth Grants Commission / revenue unit and comprised staff previously working in the economic strategy branch, in part, on COAG-related competition and regulatory issues. Additional staff were subsequently added.

By 2007-08, the New South Wales central agencies were fully integrated into the new COAG reform process. The COAG Reform Agenda was recognised in the DPC’s 2007-08 annual report as ‘a major priority for the DPC, NSW Treasury and key line agencies across the NSW Public Sector’ (2008: 6). The OFM, too, was immersed in work geared towards developing the IGAFFR, furthering regulation and competition policy, and policy analysis of emissions trading and climate change policy.
The events of 2008-09 highlight the importance of organisational stability for strategic leadership and sustained focus on COAG-related matters. It would be inaccurate to say the involvement of the DPC in the COAG Reform Agenda effectively ground to a halt as the Department was again restructured; however, very little mention is made of it in the Department’s annual report. The previous organisation of nine divisions was completely overhauled and, in its place, only the Office of the Director General, the General Counsel Division and the Parliamentary Counsel’s Office remained. The new divisions included Community Engagement and Events, Government Coordination, Public Sector Management Reform, and Policy and Strategy, where the National Reform Unit was situated. On the other hand, the OFM, which had been able to remain above the fray, continued to be ‘highly involved’ in the reform process.

It is evident from their respective annual reports that the central agencies were extremely busy in 2009-10 with not only developing policy through COAG and its various working groups, but also with implementing these reforms at the State level. With the departmental restructure behind it, the DPC was again able to focus on the COAG Reform Agenda. This was particularly timely given that it was required to lead negotiations with the Commonwealth over the National Health and Hospitals Network Agreement. Thus, for the duration of the reform process, the National Reform Unit increased in size from three to five FTEs. It reported directly to an assistant director-general and was purely concerned with intergovernmental matters, i.e., it dealt with the IGAFFR and the intergovernmental machinery around COAG and CAF, as well as monitoring progress on national partnerships.

Overall, the New South Wales Treasury has committed far more resources to COAG issues. Currently, there are twenty-five FTEs within Treasury dedicated to COAG issues, with nine FTEs in the central COAG team. In addition to the Director of the COAG Team, there are four senior people with high-level technical skills and four graduates. It oversees the overall risk management associated with national partnerships – i.e., the meeting of milestones and receipt of reward payments – and participates in the ‘negotiation phase’ to ensure that the Treasury’s budget interests are taken into account before the agreements are aligned. There is also a team within the Human and Social Services Directorate concerned with COAG matters. The growing importance of the COAG Reform Agenda to New South Wales was reflected in the decision by the OFM to add in 2009-10 as one of its Results Areas ‘A key role for NSW in intergovernmental financial arrangements’.

5.1.5 Queensland

In contrast to New South Wales, the Queensland central agencies had a more stable leadership following the introduction of the National Reform Agenda in February 2006. During this period, Queensland had two Premiers (Beattie and Bligh), two Directors-General of the DPC and a single Under Treasurer. Following its rebranding as the COAG Reform Agenda in November 2007, the Queensland public service was led by Premier Anna Bligh, Ken Smith (DPC) and Gerrard Bradley (DTF). Under this leadership, intergovernmental relations enjoyed a steadily increasing profile, highlighted by the Premier’s role as Chair of CAF from October 2008 till October 2009.

Although not a driver of the COAG Reform Agenda, the Queensland central agencies have been particularly responsive to the demands that the reform process has placed upon it. These responses have been characterised by strategies to maximise limited resources. Consequently, great store has been placed in the use of formal mechanisms of knowledge sharing and the
development of intergovernmental networks. As a consequence of the COAG reform process, intergovernmental relations in Queensland have become more coherent: Cabinet maintains clear oversight of COAG matters, the State strategic plan is gradually being aligned to national COAG indicators, there is a definite division of labour between the DPC and Treasury intergovernmental units, and central-line agency relations are supportive.

Both central agencies have intergovernmental relations units, although Treasury’s contribution is mostly technical in nature. The number of FTE staff committed to intergovernmental relations in the DPC has remained at seven for the duration of the COAG Reform Agenda. The DPC unit comprises two directors: one mainly concerned with treaties, especially with the Papua New Guinea and the Torres Strait Islands, Forum of Federation type issues and the international environment; the other is primarily responsible for matters related to the COAG Reform Council, including accountability issues, performance monitoring and participation. Policy work on infrastructure, transport, and economic participation, taxation and vocational education and training is shared. However, we were told that ‘when it gets close to COAG meetings, we pretty much throw our organisational delineations out the window and we do whatever we need to do to get over the line’.

In 2005-06, the National Reform Agenda was not yet a major priority for the Queensland DPC and Treasury. Of course, the NRA had only been signed off in February 2006 and, so, that is partly to be expected from one of the smaller States. Aside from identifying that intergovernmental relations was situated in the Policy Division of the DPC, there is very little in the annual report to suggest that it really mattered. The Treasury Office’s involvement in intergovernmental relations mostly concerned the IGA on the Reform of Commonwealth-State Financial Relations and membership on several COAG working groups.

COAG enjoyed a higher profile across the two central agencies in 2006-07. In 2006, Ken Smith was appointed Director-General of the DPC, the Department was restructured, and greater mention was made of the work concerned with the NRA. Following the restructure, the DPC had four divisions: Future Directions Strategy; Trade and International Operations; Governance; and Policy. The intergovernmental relations unit remained in the Policy Division. The Treasury Office in Queensland Treasury was also engaged in the various COAG NRA working groups and reviewed the Productivity Commission’s modelling of the effect that the NRA would have on the Queensland economy.

With the COAG Reform Agenda becoming a reality in late 2007, the new Prime Minister’s home State took up the challenge. In 2007-08, the DPC was responsible for coordinating across the whole-of-government Queensland’s involvement in the new COAG Reform Agenda. This entailed not only representation on COAG working groups, but also coordination of the Queensland government’s submission to the Garnaut Climate Change Review and its response to the COAG mental health plan. Like its counterparts in the other States, the Queensland Treasury was ‘heavily involved’ in the reform process in 2007-08. Although the Treasury Office led the department’s expanded COAG program, the Office of Economic and Statistical Research devoted considerable resources to the modelling of climate change policy.

In 2008-09, both the DPC and the Treasury were immersed in the COAG Reform Agenda. The DPC Intergovernmental Relations Unit supported the Premier at four COAG meeting and two CAF meetings, and had a prominent role on most of the COAG working groups and sub-groups. While the working group meetings were also attended by representatives from the line agencies,
typically, they were joined by representatives from the DPC’s policy areas that were also actively involved. During this period, the Treasury Office analysed the effect that the Carbon Pollution Reduction Scheme and the renewable Energy Target would have upon the State’s government-owned corporations, reviewed the State’s port network and developed a new governance framework, and coordinated the State’s activities in meeting its Seamless National Economy obligations. Meanwhile, the Office of Economic and Statistical Research and the Department of Communities formed the Indigenous Statistics Team to advise the government on indicators for the National Indigenous Reform Agreement and contribute data to the State’s *Closing the Gap Report 2007-08*.

Although there is a sense that 2009-10 was a period of ‘bedding down’, it is evident from the annual reports of both central agencies that the State’s involvement in the COAG Reform Agenda had not eased substantially. The DPC’s Intergovernmental Relations Unit was still fully engaged in coordinating development of numerous agreements and implementation plans, as well as supporting the Premier at COAG and CAF meetings. Across the Policy Division, the Economic Policy Unit was focussed on developing and coordinating the State’s climate change policy, the Environment and Resources Policy Unit led negotiations with the Commonwealth over the implementation of the Murray-Darling IGA, and the Social Policy Unit was engaged in COAG-related skills and education policy development. Likewise, the Treasury Office also continued to contribute strongly to the COAG reform process by overseeing policy work towards payroll tax harmonisation and standard business reporting, contributing to the Occupational Licensing National Law Bill and to the Heads of Treasuries (HOTs) review of national agreements, national partnerships and implementation plans. That the workload had eased a little is perhaps reflected in the Office of Economic and Statistical Research not being engaged in COAG-related work.

5.1.6 Western Australia

Since Federation, anti-Commonwealth sentiment has been a consistent, if not dominant, theme in popular political culture in Western Australia. Distrust of ‘Canberra’, distance from the ‘Eastern States’ and the good fortune to possess enormous mineral resources have engendered a great deal of parochialism among the general public and a defensive, reactive and fairly suspicious attitude to federal-state relations by its political leaders. The organisation of policy advice and operational activities reflected these attitudes, with WA having distinctive characteristics in its COAG and intergovernmental dealings: its Office of Federal Affairs was generally not situated within the policy division of the Department of Premier and Cabinet but in its public sector management division; also its Senior Official was not the department’s director general but rather the head of the Office of Federal Affairs. As frustration has mounted about the extent of VFI and Western Australia’s declining relative share of GST revenue, the COAG Reform Agenda has stimulated considerable activity within the Western Australian central agencies.

For a State that had, for the most part, neglected COAG and high-level intergovernmental relations, the Western Australia Department of Premier and Cabinet reacted quite quickly to the apparent emergence of COAG as a major policy force from 2005-6. This can be seen in two initiatives. First, in May 2006, the Department brought the Office of Federal Affairs – which had been located within the public sector management section of DPC – under the purview of the Department’s Policy Division to establish the Intergovernmental Relations Unit with the objective of bringing a ‘whole-of-government perspective’ to intergovernmental relations. A new director who had been brought into the policy division in 2005 to work on intergovernmental relations was appointed to head the IGR Unit which was given increased visibility and importance within DPC.
Until May 2006, policy advice to the Premier on the National Reform Agenda was mostly provided and coordinated by the Social Policy and Greenhouse Units within the Policy Division, while the Office of Federal Affairs had focused on cross-government coordination rather than active policy development work. Secondly, although it was not a driver of federal reform, the DPC acknowledged the ‘growing importance of COAG’ by establishing a ‘Canberra Office’ in February 2006. Its brief was to ‘to promote the State’s interests and priorities in the national capital, and enhance understanding by State agencies and key local stakeholders of Commonwealth policies and initiatives’ (DPC 2006: 28).

Within the Department of Treasury and Finance, COAG-related matters primarily fell within the purview of the Economic Area, along with the Revenue and Intergovernmental Relations Section. The latter is concerned primarily with the IGAFFR and dealings with the Commonwealth Grants Commission, with policy being distributed throughout the Treasury.

In late 2007 through to early 2008, the intergovernmental relations unit of the DPC and the Policy Division, in general, received a considerable increase in resources. This gave the Department a stronger policy focus, especially in areas connected to the COAG Reform Agenda. Also, an Emissions Trading Unit was instituted to advise and contribute to the Commonwealth’s Green Paper for a National Emissions Trading Scheme. In its annual report, the DTF noted that it had ‘invested considerable effort … in the COAG process’.

The election of a Liberal Party minority government in Western Australia in September 2008 was soon followed by further significant organisational changes. Most importantly, the DPC was split with the former public sector management activities being hived off to become the new Public Sector Commission. DPC itself was restructured to emphasise ‘public policy, strategic issues and planning’, and the Intergovernmental Relations Unit was retained and strengthened in the Cabinet and Policy Division. The effect of the new government and the increasing COAG Reform Agenda-related workload was felt equally by the DTF, which at the same time was absorbing new functions in the form of the State Supply Commission, as well as Building Management and Works from the Department of Housing and Works. During the year, a Regulatory Gatekeeping Unit was established to review all new regulatory proposals and amendments to make sure that they are in the public interest. This unit also played an important role in COAG’s competition and regulation reforms, as WA was the deputy chair of the COAG working group for this function.

As 2009-10 proceeded, Western Australia became more prepared to stand up to the Commonwealth in a very public way while still introducing technology to facilitate easier and perhaps more regular contact with other jurisdictions. DPC’s Cabinet and Policy Division, along with the Treasury, not only engaged in the usual central agency roles of providing their ministers and chief executives with support at high level meetings, negotiating national partnership agreements and coordinating whole-of-government input into the COAG reform process, they also participated in the HOTs review of the IGAFFR to voice their strong concerns that Commonwealth line agencies were not respecting the spirit of the IGAFFR. Furthermore, they supported the government in its refusal to sign the National Health and Hospitals Network Agreement at the COAG meeting in April 2010. This was followed soon afterwards by strong criticism (and accompanying policy analysis) of the proposed resource super profits tax. At the same time, the DPC introduced a new telepresence facility that ministers and officials can use to ‘attend’ intergovernmental forums without having to leave the State.
5.2 Training and recruitment

5.2.1 Staff retention

Within a year of Prime Minister Rudd chairing his first COAG meeting, stories of long hours and burnout emanated from central agencies around the country. The timeframes established at COAG – essentially by the Commonwealth – saw an initial ‘cranking up’ period of about six months followed by eighteen months of intense policy work. Federalism and intergovernmental relations had rarely, if ever, been so high on government agenda. If central agency officials were not attending meetings of the COAG working groups and sub-groups, Senior Officials Meetings and Heads of Treasuries meetings and negotiating the new federal financial framework, the national SPP agreements and the first wave of national partnership agreements, then they were developing policy proposals or reviewing proposals from other jurisdictions – often in collaboration with line agency officials.

Our discussions with officials reveal that stories of burnout and high staff turnover were not entirely due to the pressures associated with the COAG Reform Agenda. For example, while senior officials in the Commonwealth DPMC attributed the difficulty in retaining staff in part to COAG work being not only ‘rewarding’, but also ‘demanding, high pressure work’ and ‘draining’, it was also explained that the DPMC is regarded as a ‘training ground’ for officers, who will return to the line agencies. Therefore staff turnover is expected.

Burnout was an issue in State premiers’ departments; again however, it was not entirely COAG-induced. For example, an official from Victoria’s National Reform Branch observed that the periods immediately preceding and during COAG-related meetings are very hectic and, so, there is ‘a bit of a burn-out problem’. However, the average duration of employment across the DPC is approximately two years because its people are valued elsewhere. The same official recognised that there is a need to ‘stabilise people’ and suggested that perhaps the National Reform Branch is not as good as it should be at tapping into the existing expertise across the DPC - a lot of people have moved on, but retain tacit knowledge of intergovernmental relations that could be drawn upon.

The Queensland and Western Australian Departments of Premier and Cabinet also found that staff turnover was due to the attraction of staff with intergovernmental knowledge and experience, rather than burnout. Staff from the Western Australian DPC have not only moved across to the State’s line agencies, but have also relocated to Commonwealth and other State central agencies. Similarly, in Queensland, all the directors involved in the COAG process in 2007-08 are still involved. They were ‘intimately involved’ in the negotiations over the various agreements and knew the agreements ‘inside-out’ and ‘some of the challenges going forward’ and, so, they are ‘uniquely placed to understand the complexities of these issues’. Consequently, they have been able to ‘grasp opportunities’ that have arisen in the line agencies to implement the various agreements.

A lot of the agencies do not have the opportunity of sitting at the table and listening to the discussions and understanding where the Commonwealth is coming from and, indeed, when the Commonwealth line agency is pushing a different agenda to be able to have the confidence to say ‘well, no, this is not what COAG agreed to – COAG agreed to this, your Prime Minister agreed to this, go away, this isn’t what we agreed to’.

Moreover, while the pressure was also felt in the respective Treasuries, turnover was neither
significant nor perceived as a problem. The officials we interviewed within the Commonwealth Treasury did not find this particularly surprising because many senior personnel have long established careers within the organisation. To prevent burnout, such as might occur during the COAG reform process, the Treasury rotates its people every two to three years. However, it was brought to our attention that lately the internal job market within the Treasury has become more ‘problematic’ because the reform period was perceived as ‘sexier’ than the implementation phase, and therefore attracting people into IGR and COAG units was more difficult.

The State treasuries are also characterised by a number of long-serving officials, especially in the area of intergovernmental relations. This is just as well because, as a Queensland official pointed out, these people would not be easily replaced, as the requisite knowledge needs to be grounded in real world experience and cannot be taught.

5.2.2 Staff development

With intergovernmental relations personnel moving on due to burnout and opportunities elsewhere, central agencies have needed to replenish their stocks. It is universally accepted that intergovernmental relations is best learnt on-the-job. Some limited training is provided for officials in the Commonwealth and Queensland central agencies; however, even in these jurisdictions, training is considered supplementary. Significantly, great store is placed in introducing graduates to intergovernmental relations early in their careers through rotations and on-the-job placements.

Intergovernmental Relations Training

The Commonwealth DPMC and Treasury have actively recruited or trained staff to improve capacity. As few people across the service specialise in intergovernmental relations, a variety of educational strategies are being employed and explored to fast-track understanding of intergovernmental relations and the COAG Reform Agenda. All new Senior Executive Service staff are required to be briefed by the head of the COAG Unit. Every quarter, he addresses about forty to fifty people on the current situation in Commonwealth-State relations. Currently, the Department is exploring possible training and implementation networks – these do not yet formally involve the States; however, there were plans to contact them regarding possible arrangements. The view of senior officials is that if there are training gaps, then the Department will look to establish appropriate courses.

To improve intergovernmental relations capacity within the Queensland central agencies, existing staff have received specialised training. Two all-staff forums have been held, with 120 people attending each. Staff from the DPC and DTF Intergovernmental Relations Units explained both the new federal framework and the intent underlying the framework, as well as some of the challenges that lay ahead. Subsequently, a number of discussions were held with directors-general of each of the departments, as were forums for deputy directors-general. Workshops are held every six-twelve months, where ten to twenty people involved in intergovernmental relations are invited along to share their understanding and experiences with other people who are struggling with similar issues, and to discuss strategies that may be working in different policy areas.

Recruitment

Within the DPMC, the head of the COAG Unit is the only Commonwealth-State specialist and training is generally on-the-job. People are rotated through the COAG Unit for two to three COAG meetings and then return to their policy area position. Hence, the work of the COAG Unit is organised around the portfolio skills of its personnel to work with and shadow line agencies. If
necessary, it draws on specialist expertise from within the Department. Some senior officials have private sector backgrounds; others have experience in both State and Commonwealth agencies.

The Commonwealth Treasury has recruited staff from within the Treasury, some through normal Treasury recruitment, and in a specialist recruitment round. It has not specifically targeted State employees, as these people tend to specialise in the Commonwealth-State area for a considerable length of time and remain in their home States. Hence, the State treasury departments have more institutional, corporate knowledge. Nevertheless, the policy work of the Commonwealth Treasury has expanded and so has its need for additional staff. The initial focus was on payment systems, that is, officers who possessed finance and accounting skills. The focus has now shifted to general policy skills.

The Victorian DPC has, at times, chosen a different strategy and looked to the private sector for new ideas. In the recent past, the National Reform Branch included a number of people whom were drawn from private consultancies and were unambiguously policy practitioners. They brought with them bespoke techniques that they were apply to apply to the problems at hand. Today, the National Reform Branch comprises permanent staff; the exception being when a specialist team needs to be established. For example, when negotiating the Health Agreement in July / August 2009, they seconded personnel from the Health Department. However, the National Reform Branch does not have a secondment process through which knowledge about intergovernmental relations can be disseminated across the DPC and the rest of the public service. Furthermore, there does not appear to be a generalist / specialist divide, rather the view is held that ‘there is an institutional memory that is transmitted to people when they arrive’.

Typically, central agencies recruit a range of policy generalists, policy specialists and graduates to bolster the capacity of their intergovernmental relations units / federal policy branches. In the New South Wales DPC, generalist staff – especially junior officers – are trained on-the-job. They attend in-house and COAG working group meetings and extend their knowledge and skills by preparing briefs for COAG meetings and working with more experienced colleagues. On occasion, the Department utilises secondments from line agencies – for example, for the COAG meeting to formalise the National Health and Hospitals Network Agreement – who possess particular technical skills and expertise. Otherwise, the Department tends to opt for generalist staff. Likewise the COAG Team within the New South Wales OFM drew upon staff from within Treasury, some of whom had related expertise in competition policy and business regulation policy, while others were generalists.

In the main, the Victorian DTF recruits generalist economists and accountants depending upon the skills set required. Areas concerned with the Commonwealth Grants Commissions require people with a more quantitative background, while other areas are seen as requiring generalists – not necessarily economics graduates – who possess sound analytical skills. The Department’s graduate recruitment program is designed to provide graduates with an overview of the Victorian public service. Each year, the DTF has four graduates, with no more than two based in the Department. The objective is to ensure that they find out how line agencies work with central agencies and build up their networks in that first year. Networks are regarded as essential to Treasury officials because they lack the depth of understanding possessed by line agency officials. Graduates are also introduced to COAG work.

The stocks have been replenished in Western Australia’s central agencies, so to speak, by taking on policy specialists from the line agencies and recent graduates. There is no formal training
offered in intergovernmental relations and people are expected to learn on-the-job. Occasionally, policy specialists sometimes bring with them some experience in intergovernmental relations in addition to their policy knowledge. As part of their rotation, the DPC’s graduate officers spend time in the Intergovernmental Relations Unit. Some later return to join the Unit as junior (level 4) officers.

The South Australian DPC has not just sought generalists, but also those with a substantial understanding of policy content that can be then applied within the Department. Credibility, as one officer explained, comes from your capacity to (a) understand the policy content (b) to have the credibility through relationships with Canberra and with other States … Translating your personal knowledge into a central agency environment … And, that means credibility back with the line agency … So that when you’re developing a State policy position in Health or Education, people in those agencies value your contribution because you straddle the divide between the line agencies at State and Commonwealth level … You know what you’re talking about.

To develop the appropriate personnel, the DPC has a secondment arrangement with the South Australian line agencies. The line agencies pay people to spend time in the DPC, where they are admitted to both the policy and intergovernmental relations areas. Each agency has an obligation to have at least one person in the DPC. The larger line agencies, for example, the Department of Education and Children’s Services and SA Health, provide two officers. At the same time, the DPC has the right of veto. Although agencies lose good people for a period of twelve months, they gain invaluable experience and this is recognised by the line agencies. However, ‘it is an open question as to whether the transaction costs associated with getting the right person here is worth the benefit of rotation’. In addition to the secondment program, vacancies arise every six months and the National Reform branch picks up people from the policy branches.

5.3 Coherence of the central agencies

5.3.1 Cabinet oversight

Cabinet oversight of federal matters – be it directly concerned with COAG meetings, COAG working groups, COAG Reform Council reports or ministerial councils – is generally more regular and focussed than it was before the implementation of the COAG Reform Agenda. However, the frameworks and mechanisms established to formalise oversight processes vary considerably both in form and in the degree to which they are integrated into the broader framework of government.

Within the Commonwealth, intergovernmental agreements and the like have certainly come under greater scrutiny. Under John Howard’s prime ministership, the COAG Unit prepared an omnibus submission to Cabinet. Under the Labor regime, the Prime Ministers have signed off on national agreements and partnerships after they have passed through the regular cabinet process, with the DPMC and the Treasury involved as and when required. Treasury officials also noted that with their Minister’s formal participation in COAG, there has been increased briefing note activity.

Of the States, South Australia has established the most systematic oversight framework. The whole-of-government Integrated Reporting and Evaluation Framework has three main functions:

1. To monitor outcomes related to IGAFFR commitments at a State level;
2. To review programs that underpin the IGAFFR target; and
3. To develop a whole of government view of policy priorities that can be fed into the budget process.

The Executive Committee of Cabinet (ExComm), which is chaired by the Premier, has overall responsibility for the framework. It is here that strategic conversations take place about intergovernmental relations issues, such as health reform, and the positions of the other jurisdictions and whom South Australia should be aligning with.

Full meetings of Cabinet tend to be more ‘transactional’. Pre-COAG Cabinet submissions are followed by post-COAG submissions, the implementation plans attached to national agreements have to be signed off by Cabinet and all ministers are required to put in a Cabinet note that they plan to attend particular ministerial councils meetings. Officials are also asked to ‘brief-up’ through the Interdepartmental Committee. ExComm is assisted by a group of Chief Executives, who comprise the COAG Implementation Reporting and Evaluation Group (CIREG).

Central agency oversight of ministerial involvement in ministerial councils has been incorporated into the Integrated Reporting and Evaluation Framework. Ministers are required to inform the Executive Committee of Cabinet in writing that they will be attending ministerial councils.

While Cabinet provides the oversight, CIREG does the performance analysis along with policy reference groups that are set up for each of the key national partnership agreements. CIREG is the State body responsible to ExComm (and ultimately Cabinet) for governance and oversight of South Australia’s implementation of the IGAFFR. It monitors and reviews current programs to meet South Australia’s obligations in national agreements and national partnerships. The Group also develops policy priorities based on this work and on related information about South Australia’s progress against SASP targets. CIREG then feeds this information through ExComm into the annual State budget process. At the request of ExComm, CIREG also oversees and approves the State’s position in negotiations that might lead to new national partnerships, national agreements or memoranda of understanding with the Commonwealth under COAG.

In turn, CIREG obtains advice and information from cross-agency Policy Reference Groups (PRGs). The primary function of the PRGs is to advise lead agencies on the development of integrated implementation plans. These plans are ‘integrated’ because they take account of supporting national partnerships to the extent that those latter agreements support achievement of the outcomes, outputs and measures in the national agreements. They are also integrated in the sense that, where appropriate, they refer to corresponding SASP targets or key performance indicators. There are eight policy references groups operating – one for each of the national agreement areas, one for the National Partnership on the Seamless National Economy, and one for the national early childhood development reform agenda. The various memberships comprise officials from the DPC, DTF and relevant line agencies.

An ongoing function of PRGs is to undertake, at the request of CIREG, periodic reviews of the effectiveness of specific policies and programs in delivering IGAFFR outcomes. Policy reference groups also advise lead agencies on the development of reports to Cabinet (by notes or submissions are required) about the data provided to the COAG Reform Council and the implications to the State.

Policy reference groups can also make recommendations to CIREG, which can then be sent to Cabinet and the Premier for signing. The Premier is not compelled to go through this process, as
one official explained, sometimes the ‘Commonwealth slips them in pretty damn quickly and makes them up - I mean, how many NPs can you have? CIREG doesn't have to look at them; CIREG is more about the implementation. We try to give best advice to the Premier, but we don't want to block his room to manoeuvre at COAG’.

Chart 3: The Integrated Reporting and Evaluation Framework

Despite the importance of COAG reporting, the critical driver of the Integrated Reporting and Evaluation Framework is the South Australian budget cycle. Where appropriate, ExComm provides advice based on CIREG’s work to the Expenditure Review and Budget Cabinet Committee to inform policy and budget setting processes. CIREG oversees preparation of a section to be
included in the Cabinet submission seeking approval of the budget. The section will advise Cabinet of the implications of the proposed budget for the State in relation to the achievement of IGAFRR and related SASP targets.

**Cabinet oversight of COAG matters has also become more focussed in the other State jurisdictions, albeit somewhat less systematic than in South Australia.**

Throughout their tenure, the Bracks and Brumby Cabinets in Victoria retained regular and formal oversight of COAG matters. The Cabinet essentially established the overall policy position. The National Reform Branch of the DPC was concerned with developing an overarching strategy to achieve that policy. This included identifying the issues on which to challenge the Commonwealth and the negotiating strategies that would be employed. Usually, this involved resisting what is seen by Victorian officials as policy encroachment by the Commonwealth and retaining Victoria’s policy autonomy. A week prior to COAG meetings, the National Reform Branch made a submission to the Policy and Strategy Committee of Cabinet to establish and agree upon Victoria’s negotiating positions. However, these positions were not fixed, as unexpected events might unfold at COAG and documents may arrive late from the Commonwealth. In such cases, Cabinet delegated authority to the Premier to make an executive decision. Even then, an issue received considerable oversight.

**Central agency oversight of ministerial activity at ministerial councils was recognised as important, but constrained by matters of governance and resources.** ‘Ten years ago [oversight of ministers at ministerial councils] was fairly loose’. Certainly, Victoria has not run a cabinet office anywhere near as centralised as the one described by Davis in mid-1990s Queensland. Today, it depends greatly upon ministers - ‘what needs to get to Cabinet, gets to Cabinet’. We were informed that the DPC does not assign responsibility for recording the outcomes of ministerial council meetings, and nor does it regularly report to Cabinet about what is happening in individual ministerial councils and the agenda for forthcoming meetings. Instead, the DPC employs a ‘distributed model’ in which the relevant policy branch of DPC ‘shadows’ a line department and observes what is happening in the relevant ministerial councils.

Despite these efforts, officials expressed concern that the State became committed to ‘things’ without it having first gone through a cabinet process. There was no reporting requirement to cabinet about recent ministerial meetings. The view was also expressed that Victoria was spread thinly across the ministerial councils and ministers are always at risk of being ‘rolled’ by their Commonwealth counterparts.

**The Western Australian Cabinet maintains regular oversight of COAG matters via an omnibus submission presented to Cabinet by the Department of Premier and Cabinet prior to each Cabinet meeting.** This submission is prepared in direct consultation with the Department of Treasury and Finance. Line agencies are sometimes consulted on specific items pertaining to their policy areas. Occasionally, big items, such as the National Health and Hospital Networks Agreement, are presented in a single submission. In such cases, the line agency may take responsibility for preparing the submission; however, it will still pass through the central agencies for consideration.

Like Victoria, Western Australia has acknowledged the importance of ministerial councils and also the limited resources that it can commit to participating. In April 2010, the Premier released a circular stating that ministers could only attend in person one ministerial council meeting a year.
Given the expense and time involved in travelling ‘east’, ministers were strongly encouraged to utilise telepresence facilities. They were also informed that agendas needed to be submitted to the Deputy Director General - Policy Coordination in the DPC a fortnight prior to meetings and that the outcomes be reported no later than a fortnight after the meeting.

During the tenure of the New South Wales Labor Government, COAG issues regularly went to the full Cabinet and to the Budget committee, which dealt with reward payments and milestones. Where timeliness of Commonwealth agendas was an issue, i.e., they arrived too late for full Cabinet to consider, the most recent draft was used. Normally, the Premier had a ‘rider’ – with certain parameters – for the final negotiations, if required. National agreements and national partnerships were signed off by the Premier. Implementation plans, which are subordinate to others, had to first be cleared through the Treasury and the DPC before they could be signed off by the responsible minister.

A memorandum circulated by the New South Wales Premier in September 2009 also highlighted central agency oversight of ministerial involvement in ministerial councils. Ministers were instructed to forward agendas, relevant papers and briefing notes to the Director General of the DPC upon receipt and outcomes ‘at the earliest opportunity’. Relatedly, ministers were directed to advice the DPC of agenda items or papers they proposed to submit to a ministerial council. Ministers were also required to receive cabinet approval before agreeing to ‘substantive change’ to policy and to refuse to consider matters, if they had not been given sufficient notice.

The oversight arrangements established by the Queensland Cabinet are designed to achieve a practical mix of accountability and flexibility. Prior to each COAG meeting, Cabinet receives the COAG papers and the items that will be considered. These come with comments and initial thoughts from the DPC. The Premier then receives from Cabinet approval to do what needs to be done at the negotiating table to get the best outcome for Queensland and ‘if that means trading off one priority for a greater priority, then so be it’. Finally, there is usually a ‘verbal briefing’ after the meeting.

All national agreements are signed off by the Premier. If national partnership agreements will change Queensland government policy, present financial risks / exposure or are characterised by a high level of political sensitivity, then they are required to go to Cabinet for consideration. Conversely, if they are consistent with Queensland government policy and do not place financial commitments upon the State, then the DPC will consult with the line agency involved in the development of the national partnership agreement and, usually, encourage the agency to get its minister to write a letter to the Premier informing her that she is about to be asked to sign this agreement and that the minister ‘absolutely supports’ the signing. A copy of the letter from the Minister is then sent to the Premier, along with a briefing note stating that there has been consultation between the central and line agencies and that she should feel free to sign the attached copy of the national partnership agreement.

5.3.2 Divisions of labour

Within central agencies

The divisions of labour within the individual central agencies reflect both the formal organisational structures and the practical realities in which the agencies operate. Formally, the intergovernmental relations units in first ministers departments tend to be situated in policy divisions or similar, alongside specific policy units, although this is a relatively recent development.
in Western Australia. Their role within this structure is essentially one of policy coordination; it may also be strategic, as least in respect to COAG matters. This is the case in the Victoria DPC, where the policy substance comes from the line areas under the Policy and Cabinet Group and the National Reform Area provides the coordination.

More often, however, there is overlap, with the intergovernmental relations units occasionally engaging in policy development and the policy units liaising directly with their line agency counterparts. It depends upon where the expertise lies within the agency, the number of staff available and the demands placed upon the agency. For example, while there exist within each of the Queensland central agencies a formal division of labour between those units concerned with the coordination of intergovernmental relations and the various policy units, they are prepared to accommodate one another or contribute to some ‘heavy lifting’, if practicable. We were informed that this organisational arrangement depends heavily upon the relationships enjoyed between each of the groups. The size of each of the groups has remained fairly stable over the past few years, and so there is an inherent interdependency built into the system. This arrangement, which the DPC finds satisfactory, does not rely upon virtual groups, such as those that have been occasionally established in other jurisdictions.

Likewise, in the Western Australian DPC, cooperation between different sections is essential to coordinate overlap between State and national policy making. For example, ‘disabilities’ is strategically linked to the government’s platform for improved non-government / not-for-profit service delivery, which includes service delivery to people with disabilities. This work is being led by the DPC’s strategic issues section. At the same time, the Intergovernmental Relations Unit is involved with the National Disability Strategy and the National Disability Agreement. Hence, the two sections sometimes have to collaborate to coordinate a consistent strategic response.

The importance of internal collaboration and close communication has also been recognised within the New South Wales OFM. The division of labour in the OFM between the health team in the Human and Social Services Directorate and the COAG Team in the Fiscal and Economic Directorate relies heavily on the personalities of the people involved. A good relationship means they are not too rigid about everything having to pass through the COAG team. For example, the health team reported directly to their deputy secretary and came to the COAG team when they needed advice, notably on the IGAFFR.

Within the OFM, internal communications is the responsibility of the COAG team. A formal fortnightly meeting is held with the human and social reference group and a monthly meeting with the transport and competition reference group to ‘touch base’ on all matters concerned with COAG. While there are informal emails and telephone calls between officials, these formal meetings are regarded as a disciplining mechanism. Even if there are other governance issues happening, the meeting still takes place.

Between central agencies

The division of labour between the first minister’s departments and treasuries is essentially functional – policy formulation and coordination rests with the leaders’ departments, while the treasuries focus on policy evaluation, budgetary considerations and intergovernmental finance. However, all the central agencies were characterised by considerable cooperation.

In our interviews with senior Commonwealth officials, it was evident that relations between the DPMC and the Treasury in the formulation, management and coordination of the COAG reform
process are close. The former, representing the head of Cabinet, retains primacy; however, the Treasury is increasingly taking an equal or near equal role in various matters. The Department of Finance and Deregulation (DFD) has played only a minor role. This division of labour is evidenced by the following examples:

- In December 2007, seven COAG Working Groups were formed. The Commonwealth deliberately intended each Group to comprise a Commonwealth minister as Chair, and senior representatives from the DPMC and the Treasury. The Department of Finance and Deregulation was only involved in the Business Regulation and Competition Working Group. After Easter 2008, it took over the secretariat for that working group from the DPMC. This was its only involvement in COAG-related matters apart from its minister’s membership of the Strategic Priorities and Budget Committee of Cabinet, that is, the so-called, ‘Gang of Four’.

- In 2008, senior people from the DPMC and the Treasury formed the Commonwealth Coordinating Group and met monthly. At this time, officials in the DPMC reviewed their work with their central agency colleagues. It was later reinstituted as a coordinating group among senior executives.

- Every time a new agreement is conceived, the Treasury and the DPMC work together. While national partnerships are normally initiated by line agencies, the Treasury has circulated a template for developing national partnerships, which was developed in collaboration with the DPMC and the States.

- The IGAFFR was a joint product of the DPMC (the COAG Unit was heavily involved) and the Treasury, signed off by the Ministerial Council for Commonwealth-State Financial Relations prior to the March 2008 meeting of COAG, and finally negotiated by the Heads of Treasury.

Nevertheless, tensions can exist between the Commonwealth central agencies. For example, the Treasury was given the responsibility of developing the guidelines for national partnerships to be distributed among the Commonwealth line agencies. We were told that it took so long that DPMC took it over (and produced quite a reasonably neat product - it was remarked). We were also informed that there has been some ‘resistance’ to the involvement of Treasuries in the COAG reform process. While the Treasury has new responsibilities, the DPMC has been reluctant to let go and let them deliver. A senior Treasury official from one of the larger States also commented upon the apparent reluctance of the Commonwealth Treasury to stand up to the DPMC regarding the IGAFFR principles. This struck the official as odd given that the Treasurer and the Secretary are both powerful players in their field.

Although a functional division of labour is clearly evident between central agencies in each of the States, officials from all agencies were at pains to emphasise the close working relationships they share with their colleagues in ‘the other’ agency. In Victoria, the DTF handles the money, taxation and financial modelling, while the DPC negotiates with the Commonwealth on behalf of the line departments because the national agreements are between the Premier and the Prime Minister. When the South Australia Treasurer was invited to attend COAG, the DPC and DTF worked ‘hand-in-hand’ to ensure that the Premier and the Treasurer received the same set of briefs, with no competing or contradictory advice. In NSW, the National Reform Branch (DPC) and the Central COAG Team (OFM) do not meet formally; however, they regularly meet face-to-face, by phone and
through email. In doing so, ‘policy people talk to policy people’.

The cases of Queensland and Western Australia provide insight into the organisational strategies employed by central agencies in the middling jurisdictions to compensate for the lack of resources. In Queensland, the division of labour that characterised the participation of the Queensland central agencies in the initial COAG working groups was overwhelming weighted towards the DPC to maximise the use of resources. Sending several representatives to make the same argument for Queensland was considered inefficient and pointless. It made more sense to achieve agreed State positions prior to meetings, and send in a representative from a central agency and one from the responsible line agency. Hence, the DPC was represented on all of the working groups except Housing, while the DTF was only represented on the Housing and the Business Regulation and Competition Working Groups. In health reform, the two central agencies worked ‘very much side-by-side’ because it constitutes one of the State’s biggest financial risks.

The functional division of labour between the Western Australian central agencies is also qualified by the need to balance the workload between the central agencies. Usually, the DPC coordinates work around COAG, SOMs and CAF, monitors the ‘big picture’ and is engaged in policy development, while the DTF coordinates work concerned with HOTs, the budget, and ensuring policy effectiveness. However, the CRC process is divided between the two central agencies. After the Steering Committee for the Review of Governments Service Provision has drafted the primary data report, it is sent to the States for verification before being sent to the CRC. Largely because of workload issues, the DPC has an agreement with the Department of Treasury to handle the initial dissemination of data for verification purposes to the line agencies, receive and collate their responses and return the State’s response to the Productivity Commission. Once the CRC has drafted its report, it is sent to the DPC. The DPC then sends it to the line agencies and coordinates Western Australia’s input. In other words, the Treasury looks after the first stage and the DPC attends to the final stage.

Between central agencies and the line agencies

The COAG reform agenda has had a significant effect upon the coordination and balance of relations between the central and line agencies. Within the Commonwealth, the view among those officers we interviewed was that there has been a deliberate shift from reactive to proactive management of intergovernmental relations, better forward planning pipelines and work plans, and general agreement on strategic and policy objectives.

- The DPMC COAG Unit, which has worked closely with the Treasury, has been expanded to coordinate COAG meetings, Senior Officials Meetings and created the Deputy Senior Officials Meeting to disseminate information across the entire service. The Department Secretary also chaired meetings of the Commonwealth Secretaries to ensure everyone was ‘on the same page’.

- In addition, there were meetings of the Commonwealth COAG Integration Group (CIG), which comprises Commonwealth–State people from central and line agencies. If a new agreement is due or planned, the CIG meets beforehand to conduct training to ensure everyone understands the reform logic, identify appropriate measures, distinguish leading indicators if measures are not yet available, and make certain that the reporting requirements are fair and reasonable.

- The coherence of the Commonwealth central agencies was also reinforced by a ‘troika’ that
comprised the line agency heads of the various COAG working group areas, and their DPMC and Treasury counterparts – which met regularly to review the reform process. As the secretariats of the COAG working groups mostly comprised line agency people more familiar with coordination and process than with policy substance, the policy ‘grind’ was overseen by the troikas. The DPMC was generally regarded as ‘strong’ in health reform and business regulation reform, the Treasury in education and indigenous affairs, and the line agencies in infrastructure and housing.

• Similarly, health reform was driven from the centre with the involvement of the Commonwealth Department of Health and Ageing (DOHA). A special taskforce was created within DPMC, with twelve or thirteen FTE personnel from DPMC, the Treasury, DFD and DOHA working on it. This can be contrasted against the 1990 federal reforms, which were shared around the States and the Commonwealth. For example, New South Wales drove regulatory reform and Western Australia chaired the energy reform working group, which was serviced by the New South Wales Electricity Commission.

The political and contractual complexity of the new federal financial arrangements has resulted in State central agencies taking the lead on COAG-policy development and negotiations with the Commonwealth, albeit in consort with the line agencies.

• In New South Wales, the central agencies have become the focal point because of their greater experience in negotiating agreements with the Commonwealth. Some agencies are unaware of the support that could have been provided to them during negotiations and that they need not have signed off on everything put before them. In the case of the smaller national partnerships, agencies may assign these to specific units who will only ever have experience in negotiating this particular agreement. An official suggested that a Premier’s Memorandum may be overdue instructing line agencies in the ‘do’s and don’ts’ and to contact the central agencies if they have difficulties negotiating reporting requirements (‘burden’) – financial details have to be approved by both of the central agencies.

Central agency officials explained that, as a consequence of the COAG Reform Agenda, there had been considerably more interdepartmental meetings to coordinate relations between central agencies and line agencies. For example, a working committee comprising officials from the DPC, OFM and the NSW Department of Health meets weekly to oversee the implementation of the State’s COAG commitments in the area of health policy. This group informs a steering committee of directors-general, which meets every two to three months. Similar high-level meetings are held regularly to discuss matters concerning infrastructure, business regulation and competition. Hence, there is a real effort made to get ‘common briefs’ for DPC, Treasury and the relevant line agencies. Although there are not as many meetings as when the national agreements and early national partnership agreements were being negotiated, there continue to be a large number.

• In South Australia, various procedures and mechanisms have been instituted to facilitate the work of line agencies in intergovernmental relations. For example, the DPC has prepared – in collaboration with CIREG, the PRGs and the DTF – a best practice guide for agencies explaining how to prepare national partnership agreements. Cross agency evaluation workshops have also been held focussing upon what good evaluation should consider and that has flowed through to evaluation principles that are being drafted for the States. In this way, a conscious effort is being made to place South Australia in positions where it can
influence outcomes at COAG and protect its interests.

- In Queensland, the central agencies have dominated the State’s negotiations over national SPPs and national partnerships. This is largely due to the Commonwealth wanting to negotiate directly with representatives of central agencies. Nevertheless, officials with the Queensland central agencies were at pains to acknowledge the expertise of their colleagues in the line agencies and draw upon it whenever possible. Intergovernmental officials in the Queensland central agencies informed us that while there are more interdepartmental ‘conversations’ concerned with COAG-related policy issues and implementation plans, there are not necessarily more formal meetings. Some of these conversations do take place in meetings. However, more often than not, they take place in emails and telephone calls between officials who simply want to ‘touch base’ with one another. If they have not met for a while, then someone will initiate a meeting to debrief on current issues and/or activities. They do not have a forward agenda for such meetings.

- Likewise, Western Australia’s central agencies have led that State’s negotiations with the Commonwealth. The DPC heads up coordination, but works closely with the Treasury. Line agency officials are brought in for their policy expertise when required.

- The Victorian central agencies present a contradiction: on the one hand, they lead federal reform; on the other hand, they do not evidence the same level of coordination with the State’s line agencies. It should be noted that we are not suggesting that coordination is lacking or relations are poor. Officials pointed out to us that from early 2006 through to 2009, when all the modelling work was being done to prove the economic benefits of the NRA / COAG Reform Agenda, ‘there was heavy engagement with the line agencies’.

Surprisingly, there is no formal or regular interdepartmental committee that informs and discusses the latest events at COAG or matters concerning the COAG Reform Agenda, rather such meetings are ad hoc. For example, following the April 2010 COAG meeting, the intergovernmental relations groups from the other agencies were invited by the DPC to discuss what happened and matters concerning the CRC reports and ministerial council developments. Senior officials in both the DPC and the DTF recognise this deficiency and the need to formalise a regular committee to discuss intergovernmental matters.

Warhurst’s metaphorical characterisation of federal intergovernmental relations in terms of iron rods and gossamer threads appears much less germane, today, with central agencies and line agencies being more closely bound by jurisdictional, rather than agency, interests. The complexity of the federal reforms encapsulated by the COAG Reform Agenda encompasses the whole-of-government and, hence, a whole-of-government response. Both the first ministers’ departments and the respective treasuries possess greater policy capacity than they did in the 1970s and 1980s and this has enabled them to engage, if not on an equal policy footing, at least with a greater understanding of the positions advocated by the line agencies.

Certainly, the Commonwealth line agencies do not possess quite the degree of autonomy from central agency oversight that they once enjoyed. In accordance with the new IGAFFR, line agencies are shifting from being input controllers to outcome achievers – and this has required a significant cultural shift. The Commonwealth central agencies, too, have had to change their outlook away from inputs to focus upon outputs, outcomes and rewards, which means they now work with line agencies once policy is set to see that it is consistent with the IGAFFR. Thus, the
central agencies provide to Cabinet the strategic and political advice that supports the policy expertise and proposals of the line agencies.

Their level of engagement depends upon how busy the central agencies are with other matters. Other than through the COAG Integration Group, the COAG Unit seldom deals with Commonwealth line agencies. Over in the Treasury, the Commonwealth–State Relations Division works one-on-one with the line agencies to discuss individual national agreements and national partnerships. However, while the Treasury’s Social Policy Division works with the line agencies, the latter provides the advice on national partnership payments.

Likewise, State line agencies are no longer joined to their Commonwealth counterparts by ‘iron rods’, rather the IGAFFR has transformed the balance of power.

- A Victorian Treasury official explained that, previously, intergovernmental relations for the DTF meant trying to have some influence over negotiations with the Commonwealth that were led through the line agencies. Relations between the DTF and the line agencies changed dramatically after the Prime Minister invited State and Territory treasurers to attend COAG meetings.

  With the stroke of a communiqué at the start of 2008, suddenly line agencies weren’t in those conversations let alone leading them; … Treasurers were negotiating all of the SPPs and they were looking at the framework for all other agreements. So, it was a fundamental system break for how line agencies and central agencies had to deal with each other in order to deal with the Commonwealth.

It was no longer an issue to get line agencies to communicate with the DTF – it effectively became mandatory. Nevertheless, from the perspective of the central agencies, relations across the whole-of-government have been cordial and interdependent. One senior official commented that, ‘from the beginning there was heavy engagement with the line agencies’. The policy areas of the DPC are heavily reliant upon their relationships with the line agencies, which possess the resources (including information) to respond to or counter Commonwealth positions, and to ensure that those engaged in intergovernmental negotiations are aware of their options. When a brief is prepared, it is expected to be consistent with the position of the line agency. Even later, during the ‘bedding down’ process when the DPC and DTF provided considerable input, there was still a ‘markedly strong engagement’ with the line agencies.

- A central agency official from New South Wales felt that although some line ministers and their directors-general were concerned that they were losing influence and authority under the new regime, this fear was mostly unwarranted. Firstly, the official argued those departments with major national partnerships, i.e., Health, Education and Communities, Housing, Transport, and Family and Community Services, all have discrete intergovernmental relations sections with identifiable ‘IGR people’. Secondly, the COAG Reform Agenda has strengthened the strategic centre’s relations with the line agencies, especially in their struggles to meet the additional reporting requirements imposed by their Commonwealth counterparts. However, sometimes the interests of the OFM and the line agencies are not identical – line agencies have objectives and services that require funding, but are not always focused on the associated costs – and the OFM must assert itself at this formative stage or risk a ‘blow-out’ in the budget.
• The South Australian central agencies have endeavoured to encourage, rather than direct, line agencies. An official commented that while it is recognised that the line agencies have had to deal with numerous national partnerships - ‘it’s hard to get some agencies to think above the grind’ – they are ‘encouraged’ to see the ‘opportunities’. Not surprisingly, they have found it is easier to get some agencies interested and involved in intergovernmental relations than others. Some agencies are even anticipating the direction of intergovernmental relations between the different levels of government. For example, the Department of Family and Communities anticipated the national reform to split aged care and disabilities, which had been signalled two or three years earlier, and reorganised itself as a department and how it viewed its clients. Now that the Commonwealth has itself undertaken this reorganisation ‘they’re ahead of the curve [and] able to make [a] sensible contribution at the Commonwealth level … The feds are really interested in service delivery reform and, ultimately, service delivery reform finds expression at the State level’.

• Queensland officials acknowledged the emergence of a ‘cadre’ of central agency officials experienced in intergovernmental relations; however, they questioned the amount of influence they possessed. ‘Very informed – yes; “influential” is a bit an overstatement’. From their perspective, information can be quite a powerful resource – one that colleagues in the line agencies can draw upon to help them understand how the ‘bits and pieces’ fit together. An example given was the need to understand how the review on ministerial councils relates to the other work of COAG and how it relates to the reforms being announced in the budget. This, we were told, requires a degree of collegiality. Line agencies regularly contact their central colleagues asking for strategic advice. In this sense, information is considered more as a resource, rather than as an ability to push items forward. Nonetheless, the central agencies recognise that the line agencies possess considerable expertise in their individual policy areas, and regularly draw from it.

• Western Australia constitutes something of an outlier. Not only does there exist a cadre of intergovernmental relations specialists in the central agencies, but officials believe the State’s central agencies have always retained oversight of what they regard as an essentially joint partnership, although the degree of policy initiative and activity has increased within the DPC in recent years. In fact, Warhurst’s observation that in the late 1970s and early 1980s that intergovernmental power lay with the line agencies has not been the case in Western Australia in recent memory, if at all. (Keeping in mind, of course, that neither Warhurst nor Painter studied intergovernmental relations in Western Australia as part of their comparative studies.)

5.3.3 Alignment of State strategic plans with the COAG Reform Agenda

The alignment of State strategic plans with the COAG Reform Agenda is not as significant as might be expected. On the contrary, the States have negotiated with the Commonwealth to incorporate into the national SPP agreements, national partnership agreements and implementation plans, targets and indicators that reflect those in the State strategic plans. In this respect, the State’s are retaining some degree of policy autonomy.

Certainly, when the Victorian strategic plan, Growing Victoria Together, was launched in 2000 (and refreshed in 2005), it was not designed with the federal reform agenda in mind. As one official explained:
We weren’t consciously trying to align it closely to where we were going with the National Reform Agenda, but it was undoubtedly broadly consistent. What is perhaps more important is that the thinking about Growing Victoria Together, which is outcomes-based thinking, was then translated into the NRA, which is: define the outcomes; define the key measures; and then hold people accountable against them.

However, following the adoption by COAG of the NRA in 2007, efforts were made to align the performance reporting required through COAG and the various agreements with the State’s own performance reporting. In the first instance, officials endeavoured to ‘marry up’ COAG implementation plans with the State strategic plan. The mechanism for this was to be the Public Finance and Accountability Act. It was intended to align the requirements of State performance reporting with national performance reporting and establish new outcome measurements consistent with those developed by COAG.

Officials then advocated the adoption of Victorian integrated COAG strategies by government agencies. These are supposed to set out how COAG outcomes will be integrated into the overall plans of line agencies and encourage line agencies to think about and explain how they will meet the challenges / outcomes for which the Premier has signed up. In the respect, we were told that the Department of Education and Early Childhood Development has been at the forefront in responding to COAG outcomes, while other line agencies have treated COAG as more of an aside. The DTF has responded by trying to ‘encourage’ the line agencies to develop strategic plans that at least incorporate elements of the COAG Reform Agenda.

Following its defeat, the Brumby Labor government’s final State strategic plan, Action for Victoria’s Future, was shelved. The implications for performance reporting for the central agencies and the rest of the Victorian public service remain unclear.

The South Australia Strategic Plan (SASP) also predates the COAG Reform Agenda and is generally viewed by South Australian officials as having been more influential in the restructuring of the South Australian public service. The COAG Reform Agenda is viewed as one of several ‘organising devices’ employed by the State government. An official within the South Australia DPC described it, thus: ‘it is more about the intersection of three whole-of-government drivers of policy development: the SASP; the State reform agenda / policy framework (introduced in 2009), with its five big policy ideas and five enablers; and COAG’. The objective from the South Australian perspective, then, is to ensure a ‘virtuous connection’ between the various elements, focus upon the ‘interconnections’, look for ‘opportunities’ and be aware of ‘threats’.

First released in March 2004, the targets and objectives of the SASP are intended to provide a whole-of-government perspective to the State’s strategic direction. Although not a statutory document, the current strategic plan is built upon extensive community engagement undertaken by a team of twenty-six people selected by the Premier, which was charged with including the views of South Australians in the updated strategic plan and making recommendations to the government about new targets. Principal governance for the implementation of SASP resides with ExComm. The SASP Audit Committee is responsible for providing advice and recommendations to ExComm about the ‘interpretation of targets, and on the appropriate indicators and data sources to use when measuring progress against the targets and/or the starting point, or baseline’, and for preparing two-yearly assessment reports. It is expected that Chief Executives will work towards achieving SASP targets and this is integrated into their performance assessment. They subsequently have to report to the Executive Committee of Cabinet as to their progress (or
otherwise) in achieving targets and, through this Committee, are held accountable to Cabinet and the Premier. In this way, the central agencies retain their coherence and autonomy vis-a-vis the community.

The development of the SASP is also regarded as integral to the State’s capacity to negotiate with the Commonwealth. Officials believe that the strength (or weakness) of South Australia’s arguments when it came time to make input into the development of the various COAG indicators of the national agreements greatly reflected those areas where they had already engaged in serious analysis for the SASP.

In some cases, they did not succeed in mirroring South Australian indicators with national indicators. For example, in one policy area, South Australia was collecting data on 15-19 year olds, when COAG agreed upon similar data but for 16-20 year olds. South Australia could not immediately change classes to suit, as the Strategic Plan is community driven and community approval is required (at least in spirit, if not legally). Consequently, South Australia is providing both sets of data for the respective reports.

The New South Wales State strategic plan was initiated in November 2006 and its targets were mostly aspirational, rather than linked directly to COAG-related targets. However, some effort was been made to integrate COAG-related targets, especially those concerned with education policy and ‘closing the gap’ between indigenous and non-indigenous Australians, so as to minimise reporting requirements. Internally, this was not viewed or resented as the ‘COAG tail wagging the State Plan dog’. Rather, for the most part the State Plan was welcomed by the bureaucracy because it identified priorities and used a framework to measure progress – and was generally believed to be constructive. Furthermore, COAG targets were used in cases where it was considered most sensible; however, there were still plenty of NSW-specific targets not contained in national partnerships.

The new Premier, Barry O’Farrell, released a new State strategic plan – *NSW 2021: A Plan to Make NSW Number One* – in September 2011. It is not dissimilar to its predecessor in that it integrates some COAG-related targets. Overall, however, it is a policy device focused on the State’s objectives, rather than COAG and national reporting.

There is some evidence to suggest that the Queensland strategic plan, *Toward Q2: Tomorrow’s Queensland*, is being increasingly aligned with the COAG Reform Agenda policy objectives. Launched by the Queensland Premier in September 2008, it comprises a set of goals (‘ambitions’) and targets to be met by 2020. However, unlike some State strategic plans, these goals and targets were set by the government and based upon its vision for Queensland in 2020. The original document did not contain references to COAG, national agreements or national partnership, although there was a single reference to ‘reform agendas at both a state and national level’ (2008: 7).

The cornerstone of accountability under the State strategic plan were what were originally termed ‘agency agreements’ and have since become known as ‘target delivery plans’. Essentially, these documents set out agencies’ objectives under the strategic plan and explain how they will achieve these objectives. Lead agencies are assigned responsibility for specific targets. For example, in 2010-11, the Department of Employment, Economic Development and Innovation is the lead agency to meet the goal of achieving a ‘strong economy’.
Under this arrangement, the agreements / plans require Cabinet approval, while ministers and directors-general share responsibility for meeting the targets contained within the target delivery plans. Ministers are informed in writing by the Premier of her expectation that their departments will take deliberate action to achieve the targets. Similarly, the directors-general of the lead agencies have it written into their performance agreements that their departments will be progressing towards achieving the targets. The government has also made clear that policy programs attached to the strategic plan will take precedence in the distribution of funding.

The government publishes annual reports setting out progress meeting the various targets and the plan for the next twelve months. To date, annual progress reports have been published for 2008-09, 2009-10 and 2010-11. Significantly, the 2009-10 Annual Progress Report explicitly associated parts of the Queensland strategic plan to COAG Reform Agenda policy objectives (Queensland Government 2010: 20). For example, in response to the target that ‘All children will have access to a quality early childhood education so they are ready for school’, a chart is presented that shows the anticipated growth in enrolments needed to achieve the National Partnership Agreement on Early Childhood Education, the associated bilateral agreement and the Q2 target.

Officials also explained that the program delivery office in the DPC is engaged in ongoing work concerned with performance reporting. The primary objective has been to achieve consistency of data for the performance indicators in the national agreements, in Q2 and in budgetary documents. It is expected that alignment in the language used to describe the indicators and the use of the same data sources will avoid multiple numbers for essentially the same indicator. To date, they are getting closer to achieving their objective.

Western Australia does not have a strategic plan; however, it was made clear to us that whenever a new intergovernmental agreement or national partnership agreement is proposed, the central agencies – usually the DPC – refer back to State policy to check for compatibility. If the proposal does not align, then officials from the central agencies will endeavour to renegotiate the conflicting points.

5.4 Conclusion

The COAG Reform Agenda has played a part in effecting change in the organisation and conduct of intergovernmental relations in Australia. More resources are being dedicated both formally to central agency intergovernmental relations units and informally to policy units, where people not previously involved in the reform process now find themselves undertaking COAG-related work. Consequently, there are closer working relations between the intergovernmental relations units and policy units in central agencies. Historically more significant are the apparently closer ties between State central agencies and line agencies, with the former seeing themselves taking on the role of educator and ‘big brother’ to the latter in their dealings with the Commonwealth.

The COAG Reform Agenda has also played a part in effecting change in most of the central agencies. The central agencies in Victoria drove the introduction of the COAG Reform Agenda and used it to achieve policy reforms and goals and facilitate internal restructuring. In South Australia, the COAG Reform Agenda (along with the South Australia Strategic Plan) has stimulated a major restructuring of its whole-of-government dealings. Prior to the COAG Reform Agenda, the Western Australian central agencies had little interest in federal affairs and lagged the other States in this
regard. The COAG Reform Agenda effectively forced the strategic centre to commit greater resources to intergovernmental relations and take seriously what was being agreed to at COAG. Despite the Queensland DPC administering the CAF Secretariat and the Queensland Premier chairing CAF in 2008-09, there has been commitment of increased resources to the COAG Reform Agenda in that state. The New South Wales central agencies were concerned with political turmoil for most of the period under review and not as focused on the COAG Reform Agenda as might be expected of the largest State. However, under new leadership and with a government of a different political hue from the Commonwealth, it is possible that New South Wales may wish to reassert itself once more into intergovernmental affairs in the future.
6. Conclusions

The communiqué and comments that followed the COAG meeting held in December 2007 conveyed a desire to achieve ‘real reform’ of Australian federalism and to cease the ‘blame game’. The COAG Reform Agenda not only comprised a reform program targeting health and ageing, housing, infrastructure, business regulation and competition, indigenous reform, climate change and water, and productivity, and a promise that Commonwealth-State financial arrangements would be overhauled, but also a commitment by the members to cooperate to achieve these reforms within a reasonable timeframe. Such an ambitious reform program would inevitably place pressures on the agencies of government responsible for intergovernmental relations, and in particular central agencies. Hence, in the first chapter, we asked: To what extent and in what ways has the COAG Reform Agenda impinged upon the conduct of intergovernmental relations by State and Commonwealth central agencies? And, how has the COAG Reform Agenda impacted on the broader operations of the central agencies?

In this final chapter, we summarise and reflect upon our findings. We contend that while the COAG Reform Agenda has caused governments and their central agencies to pay greater attention to federal matters and centralise coordination of negotiations, it has not transformed the conduct of intergovernmental relations. It is not quite ‘business as usual’, but it is also not quite a ‘brave new world’ either. Rather, after an initial period of sustained collaboration, the conduct of intergovernmental relations is recognisably similar to the situation prevailing before the Reform Agenda commenced, with some exceptions — most notably the rise in importance of the COAG Reform Council. However, we also contend that the COAG Reform Agenda has impacted on the broader internal operations of the central agencies and that this appears to be a more permanent outcome. This impact has been welcomed by some and resented by others, but in almost all cases the COAG Reform Agenda has led to greater attention and resources being devoted to intergovernmental relations (IGR) units and concerns within central agencies, and accentuated and accelerated the significance of central agencies within government. While some State governments may wish to see COAG trim its ambitions and reach, they nevertheless have beefed up their capacity to deal with it.

6.1 Driving change: The COAG Reform Agenda as the independent variable

The COAG Reform Agenda has undoubtedly impinged upon the conduct of intergovernmental relations. Broadly speaking, there has been greater oversight by Cabinets around the country, tighter policy coordination by the central agencies and, hence, a greater commitment of resources to deal with ‘COAG matters’. We have also found that the legislative demands of the reform process have seen greater use being made of uniform legislation. A prima facie case can also be made that the system of ministerial councils was overhauled in light of its perceived ineffectiveness as a means to effect federal reform.

6.1.1 Greater oversight by Cabinet

The COAG Reform Agenda has stimulated more rigorous Cabinet oversight of federal matters, especially intergovernmental agreements, than was sometimes the case in the past. Previously, some ministers had entered into agreements that were not always brought to the immediate attention of their ministerial colleagues or the central agencies. Under the new fiscal regime, first ministers have signed off all national SPP agreements and almost all national partnership
agreements. The exceptions are a handful of smaller bilateral agreements that have been signed off by ministers. In those cases, notably Queensland, it is on the understanding that they do not contradict State policy, pose no financial risk or are not politically sensitive. Implementation plans, which are subordinate to the national agreements, are not receiving the same level of Cabinet scrutiny. Typically, they are being signed off by ministers and senior officials after having first been approved by the central agencies.

While there is generally a greater focus and oversight of COAG-related matters by cabinets across the federation, the mechanisms and their usage vary. South Australia’s Integrated Reporting and Evaluation Framework, with oversight being provided by the Executive Committee of Cabinet, is the most formalised and structured. Victoria’s Policy and Strategy Committee of Cabinet receives and considers a submission from the National Reform Branch prior COAG meetings. The Commonwealth and the other State central agencies utilise less structured mechanisms of oversight; however, all cabinets receive briefing notes from their central agencies and established their overall policy position. All cabinets grant their leaders autonomy to enter into last minute negotiations.

6.1.2 Tighter coordination by central agencies

Intergovernmental relations across the country have been centralised to better coordinate work on the COAG Reform Agenda. Central agency leadership has centred on an understanding of the original intent and objectives of the IGAFFR, experience garnered from negotiations over now numerous agreements and, of course, proximity to the two senior members of Cabinet – first ministers and treasurers. The central agencies, certainly in the larger jurisdictions, also possess considerable policy expertise in their own right and this enables them to engage with line agencies on a more equal footing.

The ‘iron rods’ between line agencies, identified by Warhurst (1983), have been bent, if not destroyed, by the Intergovernmental Agreement on Federal Financial Relations. By agreeing to have national SPPs and national partnership payments transferred directly from the Commonwealth Treasury to State treasuries, the IGAFFR has undermined the influence of the Commonwealth line agencies. At the same time, almost all the central agencies have endeavoured to improve their capacity to engage in intergovernmental relations. As the studies by Davis (1998) and Weller (1996) show, the ascendency of the first ministers’ departments in intergovernmental relations coincided with the creation of COAG and the perception that policy problems were best addressed from a whole-of-government perspective.

A ‘cadre’ of IGR-experienced officials has developed within central agencies, and this group is increasingly influential relative to the ‘traditional’ Commonwealth-State groups of line agency officials. Funding is now distributed from the Commonwealth Treasury to State treasuries and then to the State line agencies. The Commonwealth line agencies are no longer responsible for distributing specific purpose payments and this has greatly undermined their power base. Nevertheless, they have endeavoured to include in national partnership agreements what the States regard as onerous input controls that are not in the spirit of the IGAFFR, perhaps reflecting a lack of cultural change (see section 6.2.6 below) within Commonwealth line agencies. State central agencies have acted to stem such behaviour both by advising their own line agencies as well as by calling upon the support of Commonwealth central agencies pull their line agencies back into the fold.
However, the line agencies have not been marginalised. Almost every official we spoke with from the central agencies commented that it was important to maintain close operational relations with their line agencies because they possess considerable policy expertise and experience. In fact, in some cases, central agencies have seconded officials from line agencies to further strengthen capacity to deal with major negotiations, such as those concerning health agreements. The ‘them and us’ distinction now applies mostly to relations between the States and the Commonwealth, not between officials in State central and line agencies. We add the condition ‘mostly’ because some treasury officials still feel that officials in the line agencies either have been captured by stakeholders or are more concerned with their departments’ interests, rather than national or State interests.

There is usually a vague division of labour between the intergovernmental relations units and the policy divisions within central agencies, especially in Premier’s departments. Formally, the intergovernmental relations units are assigned organisational / coordination functions and the various branches of the policy and strategy divisions are responsible for their respective policy areas, e.g. education, health, etc. The vagueness, as it were, is reflected in department responses to increasing workloads and looming deadlines. If necessary, the intergovernmental relations units attached to smaller governments also engage in policy work.

The division of labour between leader’s departments and treasuries is more formal and functional. The various leaders’ departments remain ultimately responsible for coordinating the negotiation of national SPP agreements and national partnership agreements across the whole-of-government. Treasuries are mostly, but not entirely, concerned with policy analysis and fiscal matters. Almost all officials remarked that considerable efforts were made to ensure that these two central agencies were ‘on the same page’ and acting together on behalf of the government. If there is competition between them, the officials we spoke with were not forthcoming on the matter.

To manage and coordinate the centralisation of intergovernmental relations, there are increasingly more inter-departmental meetings concerned with addressing COAG-related policy issues and implementation plans. This is especially the case for intergovernmental relations units based in premier’s departments. Commonwealth and State central agencies are conducting many more briefings of both senior (secretaries / deputy secretaries) and more junior (directors / managers) officials. Likewise, State central and line agency officials are meeting more often to discuss positions vis-a-vis national agreements. These meetings are being supplemented by even more frequent communications by telephone and email, which are universally regarded as crucial for day-to-day management and coordination.

6.1.3 The Council for the Australian Federation – a brief moment of sunshine?

Although the Council for the Australian Federation (CAF) provides a potentially useful institutional vehicle for managing intergovernmental relations concerned with the COAG Reform Agenda, it has not proved to be an entirely successful experiment in cooperative federalism between the States and Territories. With consensus between all eight jurisdictions being the basis for decision-making, it is difficult to quickly achieve acceptable decisions. It is a challenge made even harder when first ministers belong to different political parties and / or are more committed to competition with the other States and Territories, rather than cooperation. Moreover, given the relatively small size of the intergovernmental relations community in Australia, some officials view CAF as an unnecessary gathering of the same officials who already meet to address the same issues at COAG and other intergovernmental forums (e.g. SOMs and HOTs). It is difficult to imagine
how CAF can be reconstituted to provide all jurisdictions with the strategic direction and added capacity necessary to justify their continued support.

The individual States and Territories have never been inherently ‘close’ – since Federation, the primary strategy of the federal game has been to cooperate only when necessary, as the primary objective has been to seek advantage for their own jurisdiction in negotiations with the Commonwealth, sometimes in competition with other States and Territories. The Council of the Australian Federation was instituted at a time when all jurisdictions were being governed by Labor in opposition to a Liberal Prime Minister, who was actively encroaching upon traditional State policy areas. It was no coincidence that CAF emerged in these circumstances and not surprising that it stalled soon after the election of a Labor Prime Minister, and even more so once Labor lost its monopoly on State and Territory governments.

6.1.4 More uniform legislation

The COAG Reform Agenda has stimulated greater use of uniform legislation to deal with the increased legislative workload. Template legislation, mirror/model legislation, framework laws, referral of powers legislation have all been utilised to varying degrees. Of these different types of uniform legislation, the States are clearly most comfortable with mirror / model legislation. It provides effective legislative harmonisation, without undermining the State’s ownership of the legislation. However, there remains considerable reluctance to utilise referral of powers legislation, especially as the States are unsure whether the Commonwealth could be forced to return these powers.

6.1.5 Ministerial councils

While the system of ministerial councils was not directly transformed as a consequence of the COAG Reform Agenda, the process highlighted its relative insignificance in federal policymaking and precipitated the new system of ministerial councils. Previously, they were widely dismissed as ineffective and / or captured by interest groups and stakeholders. The need for reform of the ministerial councils was acknowledged; yet nothing substantial had eventuated. The creation of COAG working groups led by Commonwealth ministers reflected the Commonwealth government’s belief that the ministerial councils were unlikely to progress the COAG Reform Agenda at an acceptable rate. Many of the old ministerial councils were effectively sidelined, with most of the substantive work being carried out by central agencies. Now, it has been agreed that the work of the (substantially reduced number of) ministerial councils will be directed by COAG and that each must report annually to COAG on the progress of assigned tasks.

6.2 Reflecting federal realities: The COAG Reform Agenda as dependent variable

Claims about the extent of the effects that the COAG Reform Agenda has had upon intergovernmental relations must be tempered against other legal, political, historical and institutional factors. During the period in question, intergovernmental relations have undoubtedly been affected by factors not directly connected to the reform process, such as the constitutional division of powers, political stability, personal relations between political leaders, the strategic leadership of senior bureaucrats, developments in information and communications technology, and cultural attitudes.
6.2.1 The constitutional division of powers

That the COAG Reform Agenda even came into being is a function of the constitutional division of powers. The Australian Constitution is often popularly dismissed as an archaic document that does not reflect the functioning of Australian political system – its failure to even identify the Prime Minister is oft cited. However, the Constitution is structured around the division of powers between the Commonwealth and the States and several High Court decisions have consolidated policymaking in Canberra and privileged the position of the Commonwealth political executive.

Without Prime Minister Rudd’s support for the COAG Reform Agenda, Victoria’s proposal for a National Reform Agenda would have been ‘dead in the water’. It was the Prime Minister’s decision to push for the development of the IGAFRR, have Commonwealth Cabinet ministers chair the COAG working groups and have the working groups commit to firm deadlines for their workplans and reports that made possible the reforms already achieved.

The COAG Reform Agenda has not changed the balance of power; the conduct of intergovernmental relations remains inherently asymmetrical. The Prime Minister decides when COAG will meet, sets the agenda and approves the site of the meeting. State officials commented that, if summoned, they have to come to the table – they cannot force the Commonwealth’s hand. The Commonwealth’s monopoly on personal income tax and receipt of the GST as well as its array of constitutional, legislative and institutional ‘weapons’ means that they have to negotiate with the Commonwealth to get what they regard as their fair share of revenues and policy outcomes they can live with.

6.2.2 Political stability

Another factor exogenous to the COAG Reform Agenda that has affected the conduct of intergovernmental relations over the period in question is the stability / instability of the governing political parties. The instability and turmoil that followed the resignation of New South Wales Premier, Bob Carr, is indicative. New Premiers are usually followed by Cabinet reshuffles and department overhauls as political leaders seek to make their mark on government. While such changes may lead to improved governance, they can also be a distraction from the (intergovernmental) events outside of the jurisdiction. It is extremely difficult to quantify the extent to which political instability at the top affects the work of officials; however, machinery of government changes and department restructures almost always instil a temporary administrative burden and increase the focus on internal state matters to the detriment of COAG work.

Similarly, the hung Commonwealth parliament appears to have distracted the Prime Minister and her Cabinet from the COAG reform process. Concerned with maintaining the numbers in the House of Representatives following the 2010 election, the Prime Minister has called just two COAG meetings in the eighteen months since her elevation. We are not suggesting here that the Prime Minister is uninterested in the reform process; rather that she is not necessarily in the same position as her predecessor was to drive reforms. In addition, just as Prime Minister Howard was less interested in using COAG when he first came to office (COAG had been initiated by his Labor predecessors), so the COAG Reform Agenda was closely associated with former Prime Minister Rudd and initially involved all Labor governments. It is not surprising in the circumstances in which she found herself (a minority government and the breaking of the all-Labor stranglehold on COAG) that Prime Minister Gillard has felt less need for COAG meetings.
This is not to say that Commonwealth-State relations have become any less important or contentious. Clearly, the mining tax, the carbon tax, the health reforms and the debates about the distribution of the GST are major ongoing issues. But the COAG Reform Agenda has to a large extent morphed into the normal ‘slog’ of intergovernmental negotiations, now that the formal headline reforms such as the signing of the IGAFFR, the full establishment of the COAG Reform Council and the restructuring of the ministerial council system, have all been achieved.

6.2.3 Personal relations between political leaders

The conduct of intergovernmental relations between the central agencies of the mainland States and with the Commonwealth central agencies has also been affected by personal relations between political leaders. In intergovernmental relations, party alignment has never guaranteed policy alignment or political acquiescence for any reasonable period of time. In fact, some leaders from different parties have been able to work quite well together. For example, Martin Painter (1998: 88) highlighted the close working relations between the then Queensland Labor Premier Wayne Goss and the Victorian Liberal Premier Jeff Kennett in negotiating the National Competition Policy.

However, having Labor governments across the country undoubtedly helped garner the States’ initial ‘cooperation’ at COAG and their agreements to implement the reform agenda. Certainly, the Prime Minister, Kevin Rudd, reputedly enjoyed friendships with the Queensland Labor Premier Anna Bligh (http://www.abc.net.au/sundayprofile/stories/3089944.htm) and the South Australian Labor Premier Mike Rann (http://www.theaustralian.com.au/national-affairs/opinion/post-to-ease-ranns-pain/story-e6frgd0x-1226110446647).

When the Commonwealth proposed hospital reforms that would cost the States thirty percent of their GST revenue, the conduct of intergovernmental relations became more acrimonious. Not only did the new Western Australia Liberal Premier, Colin Barnett, refuse to sign the resultant agreement, but the Victoria Labor Premier, John Brumby, proposed an alternative plan. Relations between Prime Minister Rudd and Premier Brumby were described at that time as ‘toxic’ (http://www.theage.com.au/opinion/politics/brumbys-resolve-robs-rudd-of-a-clean-victory-on-health-20100414-sdap.html).

The implications of personal relations for the conduct of intergovernmental relations and the reform process going forward are now even more important. The Commonwealth and the State governments are now split along party lines – New South Wales, Victoria and Western Australia have Liberal governments, while the Labor Party leads majority governments in the Commonwealth, South Australia, Queensland and Tasmania. The Prime Minister cannot expect loyalty from the Liberal States, nor can she take for granted the continued public support that Prime Minister Rudd enjoyed from some Labor States. If the Prime Minister is committed to the reform process and wants/needs the States’ political support for reform, then she needs to develop closer personal relations at COAG and beyond.

6.2.4 Strategic leadership of senior bureaucrats

Without stable, strategic leadership, all the resources in the world will be misdirected. Success will be random and attributable to little more than luck. Publicly, leadership is associated with the political figureheads of government – the First Ministers. Behind the scenes, however, it is generally quite a different story. The senior officials – department secretaries and directors-general
often generate much of the forward, blue-sky thinking. Historically, this is recognised in the work of former DPMC Secretary, Mike Codd, who helped convince Prime Minister Bob Hawke to put federalism on his fourth term agenda and who established the Commonwealth-State Secretariat within the DPMC. Likewise, Terry Moran, the erstwhile Secretary of the Department of Prime Minister and Cabinet and previously the Secretary for the Victorian Department of Premier and Cabinet, is intrinsically linked to the COAG reform process.

The newly elected New South Wales government implicitly recognised this in March 2011, when it announced that Chris Eccles would become the new Director-General of the Department of Premier and Cabinet. Not only does he bring a proven track record as a department head – having transformed South Australia’s DPC – he also brings, as an intergovernmental relations official from another State pointed out, a wealth of knowledge and experience in the area of intergovernmental relations.

6.2.5 Developments in information and communications technology

In government, references to central agency ‘resources’ imply people and the number of FTEs available to conduct various tasks. It is generally assumed that the more resources that an agency has at its disposal, the more tasks and detailed analyses it can undertake. However, ‘resources’ do not have to be people; they may also be technological.

The advances in information and communications technology over the past two decades have undoubtedly transformed how central agencies conduct intergovernmental relations. Most officials we interviewed recognised their integration into networks across the whole-of-government and other jurisdictions as being crucial to finding out what is happening elsewhere and to tap into various sources of policy knowledge. Traditionally, contact was made by telephone; sometimes daily as Warhurst uncovered. Face-to-face contact was less frequent, especially with counterparts’ colleagues ‘so far away’ in other parts of the country. Mobile telephones, email and teleconference facilities make it much easier to communicate with others. Furthermore, it is possible to tap into much larger policy networks than ever before.

6.2.6 Cultural attitudes

The conduct of intergovernmental relations is also subject to cultural attitudes that have not been immediately overcome by the introduction of the COAG Reform Agenda. This is consistent with our finding that Commonwealth line agencies have been endeavouring to insert conditions inconsistent with the intent of the IGAFFR into national partnership agreements and their related implementation plans. Some State central agency officials expressed the belief that Commonwealth line agencies were simply anxious to retain the policy influence they held under the previous Commonwealth-State financial regime. The acrimony expressed to us by State officials was acknowledged in the HOTs review and is reflected in the efforts of the SOM working groups to negotiate and develop mechanisms that circumvent conflict affecting the conduct of intergovernmental relations.

This cultural resistance to the intent of the IGAFFR is likely reinforced by the belief widely held in the community that Commonwealth ministers are ultimately responsible for solving problems perceived as beyond the capacity of the States. Typically, Australian news media outlets aggregate issue positions, so that a simplified picture of the state-of-affairs can be presented to the viewer / reader. Issues are subsequently characterised as games played between two sides, representing
what are considered the basic positions, and usually led by the Prime Minister / Premiers and the Leaders of the Opposition. (This is consistent with Shattschneider’s [1960] thesis that politics is a contest between two sides, that people are attracted to the conflict and that they will take sides.) The news media can then identify, which side is to blame for the perceived problem and who should take responsibility.

Although the simplification of issues can construct distinct lines of accountability for the viewer / reader to understand, it ultimately stratifies Australian politics in such a way as to subsume the positions adopted by the various State governments under the positions being adopted by either the Prime Minister or the Leader of the Opposition. Rather, the news media presents accounts of issues, such as the construction of housing for indigenous people, that assume the Commonwealth should know what is going on ‘out there’, even if, constitutionally, the issues fall under the purview of the States. Consequently, Commonwealth ministers feel that they must be fully briefed on all matters.

This construction of federal responsibility is reinforced, of course, by Prime Ministers anxious to present themselves as taking responsibility for policy problems. For example, Prime Minister John Howard sought to takeover Mersey Hospital in Tasmania to demonstrate that the Commonwealth was capable and prepared to provide a service that the State – rightly or wrongly – was no longer prepared to provide. Likewise, Prime Minister Rudd came to power promising to end the so-called ‘blame game’ that had come to characterise Australian health policy, for example.

6.3 Broader impacts on the central agencies

In an earlier ANZSOG report, Kelly (2010) noted how governments at all levels were under pressure to develop strategic centres capable of responding to emerging internal and external pressures. One of these pressures has been intergovernmental relations. The influence of the COAG Reform Agenda has not been confined to IGR units, however, or even to central-line agency relations. It has also impacted on the broader operations of the central agencies themselves, and on the policy priorities of government. In this section, we discuss some of these broader impacts, beginning with perhaps the most obvious – the strain on agency resources arising from the adoption of the COAG Reform Agenda at the COAG meeting in November 2007.

6.3.1 Increased staff resources

The COAG Reform Agenda has certainly precipitated considerably more staff being directed to specialist intergovernmental relations units. All Commonwealth and State first ministers’ departments now have discrete units to coordinate intergovernmental relations. The roles of these units vary and depend upon the capacity they are provided in terms of staff numbers. Certainly, the current intergovernmental relations units are much larger and significantly more important than their predecessors (Warhurst 1983; Chapman 1988).

Two caveats are attached to the data for 2008-09 and 2009-10, below. First, the number of FTEs can be best described as ‘nominal’. In any given period, the number of FTE can fluctuate depending upon the timely needs of an intergovernmental relations unit and the manner in which a department structures its intergovernmental policy work. Moreover, policy work with an intergovernmental dimension is sometimes delegated to policy units – separate to the intergovernmental relations unit – within the first minister’s department. Hence, the FTE associated with the core intergovernmental relations unit may not be indicative of the
department’s full commitment to the COAG Reform Agenda.

Second, in some cases Treasuries also provide substantial personnel to supplement those in first ministers’ departments. This is particularly the case in the New South Wales OFM, where, in 2009-10, there were twenty-five FTE working on COAG issues and nine FTE in the central COAG team.

It is also worth noting that ‘federal affairs’ or the like is no longer assigned to an individual minister; rather, it is assumed that the major policy areas have intergovernmental dimensions for which individual Cabinet ministers will take immediate responsibility. Nevertheless, federalism / intergovernmental relations is considered a whole-of-government matter with the first ministers through Cabinet providing formal oversight.

**Table 5: Intergovernmental Relations Managers and Resources, 1983-2010**

<table>
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<th>Responsible Minister</th>
<th>Department</th>
<th>Staff (FTE)</th>
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<td>Prime Minister and Cabinet</td>
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</tr>
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Table 5 shows that the States not only committed increased resources to intergovernmental relations as a consequence of the COAG Reform Agenda, but that these remain at a higher level than at 2006-07. This is contrary to Menzies’ (2011) finding that the capacity of the DPMC to engage in intergovernmental relations has ebbed and flowed over the past quarter of a century corresponding to the *ad hoc* concerns of Prime Ministers. Instead, the States have ‘beefed up’ their central agencies to be better equipped to play the ‘game’ and, in particular, to defend their interests if the Commonwealth proposes a more assertive stance.

It is important to remember that the increased emphasis (and resources) given to COAG and IGR matters generally was not accompanied by a lessening of other policy issues claiming the attention of governments. ‘Normal’ government continued. For newly elected Commonwealth and WA governments, election promises and new policy directions unrelated to COAG were their top priorities. COAG matters had to be ‘fitted in’ by a combination of new resources, re-allocation of existing resources, work intensification, and harnessing resources from line agencies. Reassigning internal priorities to cater for COAG was invariably a last resort, unless – as in the case of Victoria – the National (later COAG) Reform Agenda had already become the key priority of government.
6.3.2 Staff management

The COAG Reform Agenda drove staff management within the central agencies for only a limited period. While the recruitment and retention of sufficient staff with knowledge of, and experience in, IGR is proving more difficult over time for Premier’s departments, this was due, only in part, to the very intense period of work from early 2008 to around mid-2010. Turnover is mostly attributed to staff moving between central and line agencies looking to advance their careers. Experience working in a central agency is well regarded in the line agencies as it provides a broader whole-of-government perspective, as well as an expanded network of contacts. Once they have gained that experience they return, often to a higher position.

Intergovernmental relations units within Treasury departments, on the other hand, have not found it as difficult to retain staff. This may be because, as one senior treasury official remarked, treasury officers are ‘cut from a different cloth’ to their colleagues in the first ministers’ departments. Certainly, they tend to forge careers within treasuries, rather than move around from agency to agency. This is particularly the case with treasury officials who work in Commonwealth-State financials relations areas – many have been in their current positions for a number of years.

Little formal training has been instituted by State central agencies in response to the COAG Reform Agenda. While central agencies occasionally recruit staff specialising in intergovernmental relations, such people are rarely available and most training normally occurs on the job, within the organisation. The intergovernmental relations units within central agencies are employing both generalists and staff with specific policy knowledge. Induction briefings are held to bring newly recruited officers ‘up-to-speed’, but most of the training is on-the-job.

6.3.3 Skewing priorities?

The COAG Reform Agenda has to some extent skewed government priorities away from what they would otherwise have been. In some ways, the COAG Reform Agenda initially had a greater impact upon the Commonwealth central agencies than upon the State central agencies, as so much of the newly elected Rudd Government’s agenda was dependent on progress at COAG and winning cooperation from the States and Territories. Victoria, which to that point had driven the reform process, was already prepared for action and had built much of its domestic policy agenda around the COAG reforms. New South Wales by contrast was in political turmoil for much of the period under review and preoccupied with organisational restructuring. The Commonwealth, on the other hand, committed much of its political and personnel resources towards driving the process and realising the reforms.

The smaller jurisdictions were more limited in how they could respond given their resource constraints. For most, keeping the Commonwealth to their word on the new IGAFRR, while securing the increased funding on offer, became a core objective. In the cases of Western Australia and Queensland, their policy foci have been to maximise the income they receive from mining royalties, to facilitate the development of the infrastructure required for mining development, and to respond to the demands for affordable housing in city and regional areas. In South Australia, following the reorganisation of their DPC in 2007, the priority was the State Plan, into which they tried to ‘fit’ the COAG Reform Agenda (see next section). In both Western Australia and South Australia, the demands of the COAG Reform Agenda assisted in, and were consistent with, the restructuring of their Department of Premier and Cabinet. For each, a greater emphasis was placed
on policy coordination and advice, along with a heightened integration of the work of their IGR units with the policy sections of the department.

6.3.4 State strategic plans

All States and Territories, with the exception of Western Australia, developed strategic plans in the decade 2000-10. In most cases, the strategic plans constituted a formal statement of the State’s policy objectives and agenda and were developed prior to the COAG Reform Agenda. As a result, the States have where possible tried to align national partnership indicators with those already contained within their State strategic plans. Only on rare occasions has the COAG process required significant amendment to existing State-generated indicators.

6.3.5 The COAG Reform Council

Despite their frustration with the Commonwealth, the State strategic agencies are generally satisfied with the oversight provided by the COAG Reform Council. Its performance monitoring remains focused on outputs and the States appreciate its consistency in its reporting of their progress. However, concerns were raised that there were too many indicators contained within the various national payments agreements and that the datasets are still inadequate for the purpose of meaningful policy analysis and evaluation under the COAG Reform Agenda.

6.4 Interdependency and the game of intergovernmental relations

In Chapter 2, we identified two themes running through much of the academic literature on intergovernmental relations in Australia: the first was that relations between the two levels of government can be conceptualised as a game; and the second was the notion that the States and the Commonwealth are interdependent. These themes have been evident throughout the duration of the COAG Reform Agenda.

Consistent with the concept of a game, the Commonwealth and the States utilise and exchange their various resources, in accordance with the formal and informal rules of the game, to achieve particular objectives. As we explained in Chapter 3, intergovernmental relations in Australia are structured by the Australian Constitution. In effect, it constitutes the formal rules of the game and the High Court is the referee. The decisions handed down over the years have increasingly favoured the Commonwealth, effectively preventing the States from raising income tax, allowing the Commonwealth to move into policy areas previously considered the purview of the States and enabling the Prime Minister to set the federal policy agenda, even including the COAG meeting schedule. If the Prime Minister chooses not to play, then there is no game.

There are also informal rules of the game (Rhodes 1988) that have shaped the conduct of intergovernmental relations between the Commonwealth and the States. One is the view that the States have the right to govern independently of the Commonwealth. Although their existence is guaranteed under the Constitution, there is a generally shared view that the Commonwealth should only encroach upon the States’ policy territory in the national interest. Of course, what constitutes the ‘national interest’ is a matter of debate. A second informal rule is that the Commonwealth will consult the States on matters affecting their interests. This can take different forms ranging from a ‘heads up’ telephone call between officials to a formal letter between first ministers. A third rule is that consensus is preferable to conflict and that the participants will strive to achieve this, at least in the first instance. A fourth informal rule is that the participants can trust
one another to stand by their commitments, regardless of whether they are contractually bound or whether a former leader from another party has committed the jurisdiction to a constitutionally, non-binding national agreement.

For the past two decades, the objectives of the game for the Commonwealth have been twofold. It has sought to expand the scope of its involvement in constitutionally concurrent policy areas (notably health and education) and, as Menzies (2011) has noted, to further its long-term program of economic reform (especially the national competition policy and the COAG Reform Agenda). The objectives of the States have been to retain some autonomy in their traditionally, constitutionally coordinate policy areas, to maximise the financial payments they receive from the Commonwealth, all the while lessening the corresponding reporting burden.

In addition to the systemic bias that it enjoys, the Commonwealth also possesses significant resources. The DPMC and the Commonwealth Treasury are staffed by experts in all major policy areas and, if necessary, second personnel from the line agencies when needed. They possess the capacity to undertake extensive policy analysis, provide policy advice to the Commonwealth government, set meeting agendas, prepare papers and lead negotiations. Importantly, the Australian Public Service is large enough to engage with the States across all policy areas. None of the States can counter the Commonwealth in this regard. Although the States possess greater expertise in some policy areas, this is not sustained across the policy spectrum.

However, the States are not without resources. Many senior officials possess greater experience in intergovernmental relations than their Commonwealth counterparts – this is especially the case with those Treasury officials who have well established careers overseeing their States’ shares of the GST and the national budget. A cadre of officials within the Premiers’ departments have also emerged as key players. In many cases, we found people who were engaged with the COAG Reform Agenda from the start and now advise their colleagues in other departments. Crucially, the States have considerably more expertise in service provision than the Commonwealth.

To achieve their respective objectives, both levels of government have needed to exchange resources. The States did not ‘roll over’ in the face of the Commonwealth’s constitutional pre-eminence and its control of the purse strings. They challenged the Commonwealth over the wording and implementation of intergovernmental agreements, and sought financial recompense for their cooperation and compliance. This is evidenced by the IGAFFR. The Commonwealth effectively bought State cooperation and compliance by agreeing to reduce the conditions attached to specific purpose payments. In return, the States agreed to implement the policy components of the reform agenda – closing the gap on Indigenous disadvantage, reducing the regulatory burden on business, improving hospital and health care, improving productivity through early learning education and care, water and climate policies, infrastructure and access to affordable housing.

Although the Commonwealth maintains a dominant position over the States in the ‘game’ that is the COAG Reform Agenda, it was not so dominant as to overwhelm and make pointless the engagement between the two levels of government. The Commonwealth knows that without State cooperation to implement federal policies, then its objectives are unlikely to be met. The States know that they can further their objectives, if they comply with some of the Commonwealth’s requests / demands.
6.5 Conclusion

The COAG Reform Agenda and the reform process have highlighted the central role that the Commonwealth must play if rational reforms are to be achieved. Intergovernmental relations between the Commonwealth and State central agencies are heavily weighted towards the former in terms of constitutional standing and available resources. Even if the Commonwealth does not provide the intellectual capital necessary to stimulate reform, only it can provide the financial incentives necessary for the States to comply.

The Intergovernmental Agreement on Federal Financial Relations – the cornerstone of the COAG Reform Agenda – has not alleviated tensions between Commonwealth and State central agencies over tied grants. Ostensibly, a non-binding legal document written in plain English and devoid of obfuscation, the IGAFFR has become central to negotiations. The States signed it on the understanding that the old system of specific purpose payments would be rationalised and that the conditions attached to the new agreements would not be onerous. Input controls would give way to reporting outputs and outcomes. However, almost all of the State officials that we interviewed voiced their concern and frustration at the ever-increasing number of national partnership agreements and the level of micro-management sought by the Commonwealth line agencies. Without a cultural change, promoted by the Commonwealth, this is likely to remain a sticking point on the road to more collaborative federalism.

At the same time, the central agencies of the State governments appear to have more capacity to deal with COAG and intergovernmental relations than prior to the reform agenda being commenced in 2006. While some governments have been more enthusiastic than others about the rising importance of COAG (the Western Australian Premier has been particularly critical of the expanded role being assigned to COAG), all governments are ‘on their guard’ and willing to scrutinise and criticise what they see as recalcitrant behaviour from Commonwealth line agencies in particular. They are also able to marshal resources from their own line agencies and from within their central agencies to meet urgent policy and operational demands, such as the health reforms of 2010. In essence, the COAG Reform Agenda has increased the strategic oversight capacity and influence of central agencies, even while placing more pressure on them.

It has not been uncommon in the history of Australian federalism to witness a general tendency towards Commonwealth dominance being interrupted by bursts of reform activity during which more intensive intergovernmental relations, lubricated by financial sweeteners from the Commonwealth, have arisen – and been accompanied by active central agency responses. The sweeping reforms of the Whitlam government and more particularly the period of the early 1990s which led to the National Competition Policy and the establishment of COAG are two such instances. The COAG Reform Agenda of 2007-2010 combined with the signing of the IGAFFR is another. In all cases, the policy and administrative capacity and influence of the central agencies, and the relative importance of the intergovernmental relations function internally within the central agencies, has been enhanced and retained, even though the initial burst of reform activity has subsided.

At the same time, it is less clear that the actual conduct of intergovernmental relations itself has changed significantly. As we saw during the Prime Ministership of Kevin Rudd, the nature of IGR depends greatly on leadership and drive from the centre. Rudd was able to convince State Premiers of the need for swift action – in part, by promising them a new federal financial system, one that would mostly do away with prescriptive specific purpose payments (‘tied grants’) in a
context of increased funding overall. But suspicions linger on both sides about the extent to which the IGAFFR has changed the essential character of intergovernmental relations, while competition between the States remains despite the creation of the Council for the Australian Federation. In the meantime, the central agencies of all governments are in a stronger position to defend their own patch and to monitor the activities of their own agencies and the central and line agencies of other governments within the broader COAG system. Much will therefore depend on the degree to which the COAG Reform Council can win the trust of all governments and keep in check the natural inclination of all players to politicise reform efforts being made under the rubric of the COAG Reform Agenda.
References


Menzies, J. 2011. Blowing hot and cold – Intergovernmental relations capacity in the


Appendix 1: COAG Working Groups

A1.1 COAG Health and Ageing Working Group / Sub-groups

The COAG Health and Ageing Working Group was assigned two broad tasks. The first of these tasks concerned developing implementation plans for:

- preventative health care;
- elective surgery waiting times;
- investing in aged care and transition care;
- GP superclinics; and
- investing in public dental programs.

The second task involved examining the following health care issues:

- community-based care;
- e-health;
- workforce planning;
- funding of aged care and disability services;
- emergency departments in public hospitals; and
- the relationship of health issues to social inclusion and indigenous reforms.

The Working Group was also required to liaise with the National Health and Hospitals Reform Commission (NHHRC) to secure effective coordination and demarcation of their tasks.

The Working Group secretariat was based in the Commonwealth Department of Health and Ageing.
## COAG Health and Ageing Working Group

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### Health Agreement Sub-group
Chair – New South Wales, Commonwealth
Members – Western Australia, South Australia

### Indigenous Sub-group
Chair – Queensland / Western Australia
Members – New South Wales, South Australia

### Ageing and Finance Sub-group
Chair – South Australia / Commonwealth
Members – Western Australia, New South Wales

### Ministerial Council working in parallel to the Working Group:
- Australian Health Ministers’ Conference
A1.2 COAG Working Group on Indigenous Reform / Sub-groups

The terms of reference of the COAG Working Group on Indigenous Reform were to:

- close the gap on indigenous disadvantage;
- close the life expectancy gap within a generation;
- halve the gap in mortality rates for Indigenous children under five within a decade; and
- within a decade, halve the gap in reading, writing and numeracy achievements.

The COAG Working Group on Indigenous Reform was required to ensure that the various Implementation Plans reflected the Commonwealth government’s election commitments in Indigenous housing, health and education.

More broadly, the COAG Working Group on Indigenous Reform was assigned a number of tasks concerned with Indigenous well-being:

- overseeing the National Agreements in housing, education and health all contains specific targets for Indigenous people;
- identifying overlap and duplication of the roles and responsibilities for service delivery by the Commonwealth and State governments;
- passive welfare;
- reducing alcohol and substance abuse;
- improving school attendance;
- increasing business and employment opportunities; and
- ensuring access to primary health services.

The Working Group secretariat was based in the Commonwealth Department of Family, Community Services, Housing and Indigenous Affairs.
COAG Working Group on Indigenous Reform

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<td>Minister for Families, Housing, Community Services and Indigenous Affairs</td>
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Building the Evidence Base Sub-group

The Building the Evidence Base Sub-group was established to develop the reporting framework that will be used to report progress against the COAG targets. It has identified gaps in the data that are needed and is likely to recommend that a nationally consistent set of key performance indicators be developed for all Indigenous-specific primary health care services that are funded either by the Commonwealth government or by State and Territory governments.

Chair – New South Wales
Members – Victoria, Tasmania, South Australia, Commonwealth, Northern Territory, Queensland, Western Australia

1 WA was not a member of the Building the Evidence Base Sub-group, rather it had a monitoring
Optimising Service Delivery Sub-group
The work of this sub-group includes monitoring the activities of other COAG working groups. It has identified the importance of communicating with working groups in sectors that generally do not deliver services in indigenous communities and may require information regarding service delivery to remote communities.

It is currently inactive, but work has recently revolved around the Remote Service Delivery National Partnership and the Urban and Regional Delivery Strategy.

Chair – Northern Territory
Members – Victoria, Tasmania, Western Australia, South Australia, New South Wales, Commonwealth

Indigenous Early Childhood Steering Committee Sub-group
Chair – 
Members – Queensland, Western Australia, New South Wales, South Australia

Food Security Sub-group
Drafted the National Healthy Eating Action Plan, which outlines a framework consisting of seventeen action areas concerned with increasing the demand for health food, facilitating access to health food, improving the supply of health food, building a sustainable and quality workforce, and ensuring effective ongoing monitoring and evaluation.

Chair –
Members – South Australia, Western Australia, Queensland

Remote Indigenous Infrastructure Sub-group
Working on developing a remote Indigenous infrastructure national partnership.

Chair –
Members – South Australia, Queensland, Northern Territory, Western Australia, Commonwealth, New South Wales

Community Safety, Alcohol and Substance Abuse Sub-group
The sub-group sought to ensure that Indigenous adults, children and families live in a safe environment where the harmful effects of alcohol and substance abuse are minimised.

Chair – Australian Capital Territory
Members – Western Australia, South Australia, New South Wales, Commonwealth

Economic Participation and Welfare Reform Sub-group
The sub-group addressed ‘Economic Participation and Welfare Reform’ through developing strategies to improve employment opportunities for Indigenous people across the country, whilst diminishing reliance on welfare payments.

Chair – Queensland
Members – New South Wales, Western Australia, Commonwealth, South Australia
Building Blocks and Governance Sub-group
The Building Blocks and Governance Sub-group had responsibility (in close association with the other sub-groups) for ensuring that the ‘building blocks’ that underpin the achievement of the COAG Closing the Gap targets were being addressed as central to overcoming Indigenous disadvantage. It aspired to embed the building blocks in the work of other COAG Working Groups and monitor the development of advice on those building blocks being led in either other WGIR sub-groups or in other COAG Working Groups.

Chair – New South Wales
Members – Commonwealth, Victoria, South Australia

Note: WA was not a member of the Building Blocks and Governance Sub-group, rather it had a monitoring role.

Ministerial Councils working in parallel to the Working Group:
- Ministerial Council for Aboriginal and Torres Strait Islander Affairs
- Drug Strategy
- Housing Ministers
- Ministerial Council on Vocational and Technical Education
- Ministerial Council on Gambling
- Standing Committee of Attorneys-General

A1.3 COAG Housing Working Group / Sub-groups
The policy objectives of the COAG Housing Working Group were as follows:
- improve housing supply; and
- improve housing affordability;
- reduce by fifty percent in five years the number of homeless refused entry to shelters;
- improve community and social housing; and
- and develop specific objectives that meet the needs of Indigenous Australians.

To meet these policy objectives, the COAG Housing Working Group was required to deliver implementation plans on the following:
- a new National Housing Affordability Agreement;
- a Housing Affordability Fund;
- a National Rental Affordability Scheme;
- State and Territory involvement in the National Housing Supply Research Council
- an audit of Commonwealth, State and Territory land that could be released; and
- the construction of 600 homes and units for homeless people.

The Working Group secretariat was based in the Commonwealth Department of Family, Community Services, Housing and Indigenous Affairs.
## COAG Housing Working Group

<table>
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<tr>
<th>Jurisdiction</th>
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| Commonwealth        | Minister Tanya Plibersek (Chair)  
Department of the Prime Minister and Cabinet  
Department of the Treasury  
Dept of Families, Housing, Comm Services and Indigenous Affairs | Minister for Housing  
First Assistant Secretary  
Executive Director  
Secretary                                                    |
| New South Wales     | Department of the Premier and Cabinet  
Treasury  
Department of Housing | Deputy Director General  
Deputy Secretary  
Director General                                                     |
| Victoria            | Department of the Premier and Cabinet  
Department of the Treasury and Finance  
Department of Planning & Community Development | Acting Director  
Deputy Secretary  
Secretary                                                       |
| Queensland          | Department of Housing  
Treasury | Director General  
Deputy Under Treasurer                         |
| South Australia     | Department of Treasury and Finance  
Department of the Premier and Cabinet  
Department of Families and Communities | Under Treasurer  
Deputy Chief Executive  
Deputy Chief Executive                                      |
| Western Australia   | Department of the Premier and Cabinet  
Department of Treasury and Finance  
Department of Housing and Works  
Department for Planning and Infrastructure | Acting Director General  
Executive Director  
Acting Director General                                      |
| Tasmania            | Department of the Premier and Cabinet  
Department of Health and Human Services  
Department of the Premier and Cabinet | Secretary  
Secretary  
Assistant Director                                               |
| Australian Capital Territory | Department of Disability, Housing and Community Services  
Chief Minister’s Department  
Department of Treasury | Deputy Chief Executive Director  
Director                                           |
| Northern Territory  | Department of the Chief Minister  
Treasury  
Department of Local Government, Housing & Sport | Deputy Chief Executive Director  
Executive Director                                           |
| ALGA                |                                                                                                                                                | Executive Director                                           |

### Housing and Homelessness Policy Research Working Group

Chair –
Members – Western Australia, Queensland, New South Wales

### Housing Ministers Advisory Council

Chair –
Members – Western Australia, Queensland, New South Wales, South Australia

### Ministerial Councils working in parallel to the Working Group:
- Housing Ministers’ Conference
- Local Government and Planning Ministers’ Conference
1.4 COAG Business Regulation and Competition Working Group / Sub-groups

The terms of reference for the COAG Business Regulation and Competition Working Group were:

- to reduce the regulatory burden on business;
- to deliver COAG’s regulatory ‘hot spots’ agenda;
- to improve the processes for regulation-making and review; and
- to help improve Australia’s overall competitiveness and productivity.

To these ends, implementations plans were requested to:

- identify the first tranche regulatory reform initiatives;
- reduce the regulatory burden;
- expedite the regulatory ‘hot spots’ agenda;
- identify regulations that hinder workforce mobility and the acquisition of skills; and
- assist the COAG Reform Council to report on the progress made to address energy, infrastructure and transport regulation, and on best practice regulation reform.

The Working Group secretariat was based in the Commonwealth Department of the Prime Minister and Cabinet.

Business Regulation and Competition Working Group

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Agency</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth</td>
<td>Minister Tanner (co-Chair)</td>
<td>Minister for Finance and Deregulation</td>
</tr>
<tr>
<td></td>
<td>Minister Emerson (co-Chair)</td>
<td>Minister for Small Business, Independent Contractors, and the Service Economy</td>
</tr>
<tr>
<td></td>
<td>Department of the Prime Minister and Cabinet</td>
<td>Deputy Secretary</td>
</tr>
<tr>
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</tr>
<tr>
<td></td>
<td>Department of Finance and Deregulation</td>
<td>Deputy Secretary</td>
</tr>
<tr>
<td></td>
<td>Dept of Innov., Industry, Science and Research</td>
<td>Deputy Secretary</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Department of Premier and Cabinet</td>
<td>Deputy Director General</td>
</tr>
<tr>
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<tr>
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<td>Director</td>
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<td>Director</td>
</tr>
<tr>
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<td>Deputy Secretary</td>
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<td>Secretary</td>
</tr>
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<td>Chief Executive</td>
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<td>Attorney General’s Department</td>
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<td>Department of Treasury and Finance</td>
<td>Under Treasurer</td>
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<td>Tasmania</td>
<td>Department of Treasury and Finance</td>
<td>Deputy Secretary</td>
</tr>
<tr>
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<td>Department of Justice</td>
<td>Deputy Secretary</td>
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<td>Department of Treasury</td>
<td>Under Treasurer</td>
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<td>Senior Policy Advisor</td>
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<td>Executive Director</td>
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</table>
Skills Recognition Steering Committee (later the National Licensing Steering Committee)

The COAG Skills Recognition Steering Committee (CSRSC) was established by COAG in February 2006 to achieve across-the-board mutual recognition of occupational licences. In December 2007, it engaged The Allen Consulting Group to evaluate the effectiveness of the existing regime, access its sustainability and make recommendations as to what further work was needed. Its report was accepted by the CSRSC in June 2008. In April 2009, COAG signed off on an intergovernmental for a national licensing system for particular occupations. The national occupation licensing system is due to commence in July 2012 (http://nola.gov.au/).

Chair – Western Australia
Members – Queensland, New South Wales, South Australia

Regulatory Reform Sub-group

Chair –
Members –

Ministerial Councils working in parallel to the Working Group:

- Ministerial Council for Consumer Affairs
- Small Business Ministerial Council
- Local Government and Planning Ministers’ Council
- Australian Transport Council
- Standing Committee of Attorneys-General
- Australian Health Ministers’ Conference
- Ministerial Council on Mineral and Petroleum Resources
- Building Ministers’ Forum
- Australia and New Zealand Food Regulation Ministerial Council
- Workplace Relations Ministerial Council
- Ministerial Council on Energy
- Environmental Protection and Heritage Council
- Ministerial Council on Federal Financial Relations

A1.5 COAG Productivity Agenda Working Group / Sub-groups

The policy objectives of the COAG Agenda Productivity Working Group were as follows:

- to pursue substantial reform in the areas of education, skills and early childhood development, to deliver significant improvements in human capital; and
- to strengthen Australia’s economic and social foundations through this reform workplan.

To meet these policy objectives, the COAG Productivity Agenda Working Group was required to deliver implementation plans concerning:

- universal access to early childhood learning for all four year olds;
- the promotion of Asian languages in schools;
- a national curriculum by 2010;
- oversight of the Commonwealth government’s Digital Education Revolution initiative;
- the expansion of the Australian Technical Colleges program to accommodate a further
450,000 training places over the next for years; and
• the lifting to ninety per cent by 2020, the number of students completing Year 12.

The Working Group secretariat was based in the Commonwealth Department of Education, Employment and Workplace Relations.

**COAG Productivity Agenda Working Group**

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Agency</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth</td>
<td>Minister Julia Gillard (Chair) Department of the Prime Minister and Cabinet Department of the Treasury Department of Education, Employment and Workplace Relations</td>
<td>Deputy Prime Minister First Assistant Secretary Secretary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deputy Secretary</td>
</tr>
<tr>
<td>New South Wales</td>
<td>Department of the Premier and Cabinet Treasury Department of Education and Training</td>
<td>Assistant Director General Deputy Secretary Deputy Director General</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Secretary</td>
</tr>
<tr>
<td>Victoria</td>
<td>Department of the Premier and Cabinet Department of the Premier and Cabinet Department of Treasury and Finance Department of Education and Early Childhood Development</td>
<td>Secretary Deputy Secretary Deputy Secretary Secretary</td>
</tr>
<tr>
<td>Queensland</td>
<td>Department of Education, Training and the Arts Department of the Premier and Cabinet (Policy)</td>
<td>Director General Executive General</td>
</tr>
<tr>
<td>South Australia</td>
<td>Department of the Premier and Cabinet Department of Treasury and Finance Department of Education and Children’s Services Department of Further Education, Employment, Science and Technology</td>
<td>Executive Director Executive Director Chief Executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Western Australia</td>
<td>Department of Education and Training Department of the Premier and Cabinet Department for Communities Department of Education and Training</td>
<td>Director General Director, Intergovernmental Relations Unit Director General Executive Director Policy, Planning and Accountability</td>
</tr>
<tr>
<td>Tasmania</td>
<td>Department of Education Department of the Premier and Cabinet</td>
<td>Secretary Director</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
<td>Department of Education and Training Chief Minister’s Department Department of the Treasury</td>
<td>Chief Executive Deputy Chief Executive, Policy Director</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>Treasury Department of Employment, Education and Training Department of Employment, Education and Training</td>
<td>Assistant Under Treasurer Chief Executive Senior Policy Officer</td>
</tr>
</tbody>
</table>

**Early Childhood Development Sub-group**

Now disbanded, the Early Childhood Development Sub-group developed plans for achieving universal access by 2013 to quality early childhood education in the year before schooling, with specific attention to addressing the barriers to access that face Indigenous and disadvantaged children. The sub-group also established four working parties to take forward the key action areas of data improvement, workforce, quality standards and the Early Years Learning Framework. Its work also included the development of a discussion paper, ‘A National Quality Framework for Early
Childhood Education and Care’.

Chair – Commonwealth
Members – New South Wales, Queensland, South Australia, Northern Territory, Western Australia

Schooling Sub-group

Chair – New South Wales
Members – South Australia, Northern Territory, Queensland, Western Australia

Skills and Workforce Development Sub-group
Established to progress those national reforms related to the work of the COAG Productivity Agenda Working Group. One notable task was a collaboration with the National Quality Council on a project called ‘VET Products for the 21st Century’.

Chair – Victoria
Members – New South Wales, Queensland, South Australia, Northern Territory

Sub-sub-groups
• Early Years Learning Framework;
• Quality;
• Data; and
• Early Years Workforce Development.

Ministerial Councils working in parallel to the Working Group:
• Ministerial Council on Education, Employment, Training and Youth Affairs
• Ministerial Council on Vocational and Technical Education
• Community and Disability Services Ministers’ Conference
• Australian Health Ministers’ Conference
• Ministerial Council for Aboriginal and Torres Strait Islander Affairs

A1.6 COAG Working Group on Climate Change and Water / Sub-groups

The terms of reference for the COAG Working Group on Climate Change and Water were as follows:
• to establish a national emissions trading scheme;
• to develop climate change measures that complement the emissions trading scheme;
• to formulate a national adaptation approach to climate change; and
• to ensure sustainable water use throughout the country.

Implementation plans were required to:
• achieve the national Mandatory Renewable Energy Target by 2009;
• formulate a climate change measures across jurisdictions that complement Commonwealth implementation of the emissions trading scheme; and
• provide a report on national water reform, including a stocktake of rural water reforms,
irrigation infrastructure, water markets and the challenges facing urban water supply.

In the longer term, the COAG Working Group on Climate Change and Water was expected to devise options that would expedite the adoption of energy efficiency measures, accelerate implementation of plans under the National Adaptation Framework, and support long-term planning for urban water supply.

The Working Group secretariat was based in the Commonwealth Department of Environment, Water, Heritage and the Arts.

**COAG Working Group on Climate Change and Water**

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Agency</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth</td>
<td>Minister Wong (Chair)</td>
<td>Minister for Climate Change and Water</td>
</tr>
<tr>
<td></td>
<td>Department of the Prime Minster and Cabinet (Industry, Infrastructure and Environment Division)</td>
<td>First Assistant Secretary</td>
</tr>
<tr>
<td></td>
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<td>General Manager</td>
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<td>Department of Climate Change</td>
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<tr>
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<td>Department of the Environment, Water, Heritage and the Arts</td>
<td>Secretary</td>
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<tr>
<td>New South Wales</td>
<td>Department of the Premier and Cabinet</td>
<td>Deputy Director General</td>
</tr>
<tr>
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<td>Department of Environment, Climate Change and Water</td>
<td>Deputy Secretary</td>
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<td>Department of the Premier and Cabinet</td>
<td>Secretary</td>
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<tr>
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<td>Director General</td>
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<td>Department of the Premier and Cabinet</td>
<td>Director, Environment</td>
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<td>Office of Climate Change, Department of Premier and Cabinet</td>
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<td></td>
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<td>Chief Executive</td>
</tr>
<tr>
<td>ALGA</td>
<td></td>
<td>Executive Director</td>
</tr>
</tbody>
</table>

**Water Sub-group**
The work of the COAG Water Sub-group included a stocktake of water reforms, including rural
water reforms, progress on the assessment of irrigation infrastructure and progress in the
development of water markets.

Chair – Commonwealth
Members – All States and Territories

Adaptation Sub-group
The COAG Adaptation Sub-group considered and presented options for a national strategy and
action plans on adaptation to climate change.

Chair – Queensland
Members – All States and Territories

Complementary Measures Sub-group
It was agreed by COAG that each jurisdiction would review the complementarity of its existing
climate change mitigation measures with the Carbon Pollution Reduction Scheme. Formerly under
the COAG Working Group on Climate Change and Water, the Complimentary Measures Sub-group
was charged with responsibility for preparing a final summary report of the jurisdictions’ reviews.
It has since reported back to COAG Senior Officials.

Chair – Commonwealth
Members – All States and Territories

Sub-sub-groups
- Experts Groups on Streamlining Greenhouse Energy and Reporting

Energy Efficiency Sub-Group (disbanded)
The Working Group established the Energy Efficiency Sub-Group of the COAG Working Group to
advise on options to accelerate or expand the uptake of energy efficiency measures, including the
need for a comprehensive and integrated approach.

Chair – Commonwealth
Members – New South Wales, Victoria, Queensland, South Australia, Australian Capital Territory,
Northern Territory

Renewable Energy Sub-Group (disbanded)
In response to COAG’s request that the COAG Working Group on Climate Change and Water
present by October 2008 a national renewable target scheme, the Working Group established the
Renewable Energy Sub-group to aid in the design of the scheme.

Chair – Commonwealth
Members – All States and Territories

Ministerial Council working in parallel to the Working Group:
- Natural Resource Management Ministerial Council
A1.7 COAG Infrastructure Working Group / Sub-groups

The terms of reference for the COAG Infrastructure Working Group were twofold:
- to better coordinate infrastructure planning and investment across governments and the private sector; and
- identify and eliminate obstacles blockages to productive investment in infrastructure.

The COAG Infrastructure Working Group was also required to develop an implementation plan that covered:
- the establishment of Infrastructure Australia Council;
- a forward program and reporting mechanisms for Infrastructure Australia; and
- the parameters for the National Infrastructure Audit.

In the longer term, the COAG Infrastructure Working Group was expected to formulate strategies to address any identified bottlenecks and deficiencies, and devise options for improved coordination of infrastructure planning and investment across governments and the private sector.

The Working Group secretariat was based in the Commonwealth Department of Infrastructure, Transport, Regional Development and Local Government

**COAG Infrastructure Working Group**

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Agency</th>
<th>Position</th>
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<tr>
<td>Commonwealth</td>
<td>Minister Anthony Albanese (Chair)</td>
<td>Minister for Infrastructure, Transport, Regional Development and Local Government</td>
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<tr>
<td></td>
<td>Department of the Prime Minister and Cabinet</td>
<td>First Assistant Secretary</td>
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<td>Deputy Director General</td>
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<td>Deputy Secretary</td>
</tr>
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<td>Acting Executive Director</td>
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<td>Deputy Secretary</td>
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<td>Department of Infrastructure</td>
<td>Secretary</td>
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<tr>
<td>Queensland</td>
<td>Department of the Premier and Cabinet</td>
<td>Executive Director</td>
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<tr>
<td>South Australia</td>
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<td>Deputy Chief Executive Director</td>
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<td>Deputy Under Treasurer</td>
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<td>Department of Planning and Infrastructure</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>ALGA</td>
<td>Department of Planning and Infrastructure</td>
<td>Chief Executive Officer</td>
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</table>
Indigenous Initiatives Sub-Group (disbanded)
Chair – Commonwealth
Members – Western Australia, South Australia

Public Private Partnerships Sub-Group (current)
Chair – Commonwealth,
Members – Queensland, Western Australia, South Australia

Pre-qualification Regimes in the Construction Industry Sub-Group (current)
Chair – Queensland
Members –

Audit Template Sub-Group (current)
Chair – Queensland
Members – Western Australia

Ministerial Council working in parallel to the Working Group:
- Local Government and Planning Ministers’ Council
### Appendix 2: National Specific Purpose Payments and Agreements (at 23 March, 2011)

<table>
<thead>
<tr>
<th>National SPPs</th>
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<td>National Schools SPP</td>
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<tr>
<td>National Skills and Workforce Development SPP</td>
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<tr>
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## Appendix 3: National Partnerships

### Current National Partnerships (at 23 March, 2011)

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>National Partnerships</th>
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</thead>
</table>
| Health      | The National Health Reform Agreement – Improving Public Hospital Services  
|             | Essential Vaccines     
|             | Hospital and Health Workforce Reform  
|             | Health Services        
|             | E-Health               
|             | Elective Surgery Waiting Lists  
|             | Health Infrastructure  
|             | Preventive Health     |
| Education   | Pre-Apprenticeship Training  
|             | Productivity Places Program  
|             | Digital Education Revolution  
|             | Early Childhood Education |
|             | TAFE Fee Waivers for Childcare Qualifications  
|             | Improving Teacher Quality  
|             | Literacy and Numeracy     
|             | Low Socio-Economic School Communities  
|             | Nation Building and Jobs Plan  
|             | School Pathways Program   
|             | Youth Attainment and Transitions  
|             | National Quality Agenda for Early Childhood Education and Care  |
| Housing     | Social Housing          
|             | Homelessness            
|             | First Home Owners Boost |
|             | Extending the First Home Owners Boost  |
| Indigenous  | Closing the Gap in Indigenous Health Outcomes  
|             | Indigenous Economic Participation  
|             | Remote Service Delivery |
|             | Closing the Gap in the Northern Territory  
|             | Closing the Gap: Indigenous Early Childhood Development  
|             | Closing the Gap: Remote Indigenous Public Internet Access  
|             | Remote Indigenous Housing  
|             | Indigenous Clearinghouse  |
| Infrastructure | Nation Building and Jobs Plan |
|             | East Kimberly Development Package  |
| Environment                                      | Management of the former Rum Jungle Mine Site |
|                                                | Energy Efficiency                              |
|                                                | Natural Disaster Reconstruction and Recovery   |
|                                                | Natural Disaster Resilience                    |
|                                                | Water for the Future                           |
|                                                | Great Artesian Basin Sustainability Initiative |
|                                                | Pilot of Drought Reform Measures in WA         |

| Community Services                              | Certain Concessions for Pensioners and Seniors Card Holders |
|                                                | Victorian Bushfire Reconstruction and Recovery Plan |