

## **EXPLORING THE FRONTIER OF HORIZONTAL FISCAL EQUALISATION AND REGIONAL DEVELOPMENT: REGIONS AGAINST REGIONS?**

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### **Abstract**

There is a view that workable cohesive federations require some form of transfer of resources between constituent units as part of the glue which holds the federation together (Walsh 1992).

In Australia, we have devised a system of financial assistance grants to State and local governments based on the principle of horizontal fiscal equalisation. While changes to Commonwealth grants, vertical fiscal imbalance and horizontal fiscal equalisation are not prominent in Prime Minister Rudd's vision of federalism reform, they remain of significant concern to the State and local governments of Western Australia.

From a regional development point of view, the current system does not favour regions, and people living in the regions. There are large differences between the levels of services in regions, and these differences are accepted and entrenched in the Commonwealth Grants system.

This paper explores the parameters of the financial assistance grant systems at state and local government levels and their impact on regions. It identifies and explains an apparent paradox, where at the state level the system redistributes funds away from Western Australia largely because of the State wealth generated by the Pilbara region, and yet within the state there is significant redistribution of funds to local governments in the Pilbara.

This paper emphasises the important role financial assistance grants play in underpinning regional development in most regions in Australia. It is a frontier of regional development which has been infrequently explored. These are matters of importance and are worthy of debate in our exploring of the frontiers of Federalism.

### **Biography**

Chris Berry received his Doctor of Philosophy in geography from the University of Western Australia in 1989. Over the last 20 years he has worked in the local government sector and for the State Government. For 12 years he was Manager of the WA Local Government Grants Commission. At the time of writing he is the Manager of the Regional Policy Unit in the Department of Local Government and Regional Development.

He has presented papers at various state, national and international conferences on topics as diverse as urban governance, waste management, Australia's Indian Ocean territories, and fiscal federalism. Most recently he contributed the section on the history of local government in WA to the just published Historical Encyclopaedia of Western Australia.