Updated estimates that provide stronger than ever support for the contention that the abolition of state governments and a move to a better system of government can improve Australia's situation to the value of some $30 billion per annum

as at late 2001

Attached are some estimations that have been worked on in the hope of consolidating the idea that, at the very least, many billions of dollars per annum can be saved if we moved to the kind of system of government which we discussed over the phone today. I first came up with a $30 billion dollar per annum figure estimation back in 1997 in an effort to help Rodney Hall with his book 'Abolish the states' (Pan Macmillan). Before then in 1995 I did some voluntary research work with former Labor MP Jim Snow that established a figure of some $15 billion – but that only referred to government sector savings and ignored/overlooked the immense savings that could be facilitated for the private sector through abolishing state governments and the establishment of a better system. And I've only just now gone some way toward quantifying the _coordination_ costs of the present system as distinct from (or at least over and above) the _duplication_ costs.

The estimations accompanying this introduction are for two models of two-tier democratic government:
(1) a national-regional model; and
(2) a national-local model.

My earlier efforts working with Jim Snow and Rodney Hall have been based on the national-regional model, based in turn on the perception that most people who have supported abolition of state governments have recommended the establishment of regional governments numbering in the range from 20 to 80 or so. In recent times, however, based on often negative experiences with local council amalgamations (especially in Victoria), especially in sparsely populated rural localities, an alternative model of government has emerged which would see states abolished but local councils remaining in more or less their present form and number. Some believe such a system would be too unwieldy, but insights from Western Europe and North America suggest that such a model could certainly be viable if carefully designed. In Switzerland, for example, there are some 3000 communes which account for 21% of all government spending, compared with our 690 or so local governments which account for just 6% of all government spending in Australia. Many European countries and States of the USA host well over 100 municipalities as the principal level of sub-central government/democracy. There are many ways regional governance can be facilitated without having regional governments as such – for example, by elevating the status and resourcing levels of voluntary regional organisations of councils (VROCs or ROCs), of which some 55 or so exist around Australia as clusters of collaborating councils (see a 1998 listing at www.alga.com.au/regionlink/vroclist.htm).

Some matters associated with the estimation process are better dealt with in the national-regional model estimation process, whilst others are better treated in the national-local model estimation. Between the two formulations provided here it is

hoped that the general message should be pretty clear. When time permits I hope to tidy these up.

I am now more confident than ever that figures in the ballpark of $30 billion per annum represent the amount of room for improvement our present system hosts. This figure is about 5% of GDP, and so if there is something substantive in the Aussie dollar's recent loss of over 5% per annum relative to US and UK currencies, reform as implicit in these estimation processes might well be our only hope of arresting terminal decline and re-establishing economic, social and environmental sustainability/security/viability/prosperity - hence a great opportunity to harness united supported from business, social and environmental interests.

The most recent set of Aust Bureau of Stats government finance figures (from Catalogue 5512.0) provide much stronger support for the $30 billion figure than was available back in 1995 and 1997. It has always seemed utterly beyond doubt that savings achievable through state government abolition and a move to a well designed new system would save/gain at least $10 billion per annum, but now it would seem utterly beyond doubt that savings/gains of at least $20 billion per annum could be achieved – certainly enough to provide for significant boosts to education, health, the environment etc. etc. etc. and at the same time tax cuts as well.

So there are now alternative estimations:

(1) for the model the original savings estimates have been based on up till now, involving a two tier system of national and regional government, where regional governments are defined as like the ACT government now minus responsibilities for health, education and public order and safety (including law and order and hence the court system ... incidentally, a Monday 15 October Canberra Times article mentions the federal Attorney General Daryl Williams calling for a national legal profession at the 32nd Australian Legal Convention in Canberra on Sunday 14 October)

(2) for what is called a national-local model in which local government is left more or less in its present form (it is expected that under such a system regional clusters of local governments like the present ROCs [regional organisations of councils] would assume a more prominent role).

Under both models (i.e. the national-regional model and the national-local model) I provide savings estimations for different numbers of subnational governments, in the ranges from 0 to 131 for regional governments (for 132 we'd have a more expensive system!) and from 0 to 632 for local governments (632 being the number of local government areas according to the bureau of statistics - I note though that there are some 699 councils in Australia - I'll need to attend to this discrepancy).

I come up with the following formulas (which of course are intended as approximate, indicative and "work in progress" only):

National-Regional model

Formula: $53.47 billion - (# reg govts) x ($408 million)

Table of savings versus
number of regional governments:

# Reg Govts	Savings ($billion)
0	53.47
5	51.43
10	49.39
15	47.35
20	45.31
25	43.27
30	41.23
35	39.19
40	37.15
45	35.11
50	33.07
55	31.03
60	28.99
65	26.95
70	24.91
75	22.87
80	20.83
85	18.78
90	16.74
95	14.70
100	12.66
105	10.62
110	8.58
115	6.54
120	4.50
125	2.46
130	0.42
131	0.01
51	32.66

National-Local model

Formula: $53.47 billion - (# local govts) x ($26.068 million)

Table of savings versus
number of local governments:

# Local Govts	Savings ($billion)
632	37.00
600	37.83

550	39.14
500	40.44
450	41.74
400	43.05
350	44.35
300	45.65
250	46.96
200	48.26
150	49.56
100	50.87
50	52.17
0	53.47

Please note that in the above I've "reconciled" the two formulas for the two different models by matching up the savings values for the case of zero subnational governments – since in either model, if there are no subnational governments (hence the national government would have all powers and responsibilities) the national-regional and national-local models become the same. In a mathematics sense I've applied an "initial conditions" assumption that both models will give the same system and hence the same savings if there are no subnational governments, so whilst we'd never seriously entertain such a model, as a hypothetical construct such a model is helpful – indeed necessary – to reconcile the two estimations presented here.

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18 February 2002