REFORMING AUSTRALIAN FEDERAL DEMOCRACY

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This paper argues that the driving motivation for federalism reform in Australia should be to enhance Australian federal democracy. Federal democracy is a rich, compound, concept that supports responsive and accountable government, participation in public life, policy innovation and collective action where appropriate. Federalism and democracy are inextricably intertwined in Australia. Weakness in one has inevitable consequences for the other. Thus, at present, a severe federal fiscal imbalance and overuse of opaque intergovernmental decision-making processes have caused excessive centralisation of government at a cost to innovation and efficiency, over-concentration of power in the executive branch, duplication of bureaucracy and erosion of the democratic accountability of governments to the people through Parliaments.

The paper sets out ten principles to guide federal democratic reform. In doing so, it draws on ideas inherent in the text and structure of the Australian Constitution. The Constitution itself federalises democracy; limits the authority of each sphere of government by reference to considerations of subsidiarity; provides mechanisms for co-operative action that are consistent with the requirements of democratic accountability; recognises that the allocation of tax powers may leave the Commonwealth with a ‘surplus’, measured against its own responsibilities, to which the States are entitled and for the expenditure of which they are accountable; and requires distributed funds to be divided between the States on a basis that is ‘fair’. Federal democratic reform does not require constitutional change, although the Constitution might usefully provide a stronger framework for it, in ways that the paper describes.

Federalism reform is, once more, in the wind. A task force has been established. Issues papers have been published. A draft Green Paper has been released. A White paper is expected to follow. Possible outcomes will be discussed by the Council of Australian Governments (COAG) in due course.²

There has been some public involvement: a few conferences; consultation with some key groups; and a call for submissions. Only governments and their bureaucracies are formally engaged, however. The issues papers are not ambitious. The draft Green Paper is inconclusive and opaque. The motivation for federalism reform is unclear. Rightly or wrongly, there is suspicion that the process is driven by considerations of cost-cutting, party political advantage, protection of turf. There is a risk that change may, in the end, be marginal.

This is a plea for a bolder attempt: reform of federalism as a core element of Australian federal democracy. Whatever problems federalism may have, democracy is in the doldrums too. There is

¹ Some of the ideas in this paper were developed in a series of very interesting discussions with Radha Sharma, to whom we express our appreciation.
² Relevant documents and a proposed time table of events can be found on Reform of the Federation White Paper, http://federation.dpmc.gov.au/.
widespread cynicism about politics and the political process. Citizens are disengaged. Party membership is low. Public policy too often is changeable, unpredictable, contestable and lacking public support. What is needed now is not tinkering around the edges with either federalism or democracy but a vision for how federal democracy might work. This article sets out that vision and proposes ten principles required to achieve it.

**Federalism and democracy**

For more than 100 years, democracy in Australia has been delivered through multiple levels of government. These are centred on, although not confined to, the Commonwealth and the States. Indigenous self-government, local and city government and territory government also draw authority from particular Australian communities and are important to them.

Federalism is a defining feature of the stable democracy on which Australians set such store. Its rationales lie in history, the logistics of a demanding geography and the reality of territorially organised communities, mobility notwithstanding. In addition, however, in the 21st century, federalism offers positive solutions for the people of complex societies in a globalised world, in Australia and internationally. Public institutions at different levels can be responsive to the needs of their communities in different ways. Some levels of government are better suited to policy development and service delivery on particular matters than others. Representative institutions at different levels offer citizens multiple opportunities for democratic participation. Multi-level government has the potential for experimentation, diversity and development of best practice. It also offers the efficiency and effectiveness required for the formulation and implementation of acceptable policies that are informed by and responsive to conditions on the ground.

Federalism and democracy are intertwined in the Commonwealth Constitution, which sets the framework for government and law across Australia. The Constitution prescribes the limits of the authority of both the Commonwealth and the States for the purposes of federalism, but also assumes that the authority of each must be exercised in accordance with democratic principle. The second chamber of the Commonwealth Parliament, the Senate, is elected by the people of the State communities, in equal shares, in the most familiar symbol of the link between federalism and democracy. By dividing power and ensuring a bicameral Parliament, federalism also provides for Australia some of the few checks and balances on which all democracies rely. But the rest of the Constitution provides plenty of other evidence of how federalism and democracy are intertwined. The people of each State are entitled to a minimum number of Members of the House of Representatives. The Constitution can be changed only by a referendum that takes account of the
consent of the people both nationally and grouped in States (sec 128). The only constitutional guarantee of equal citizenship operates by reference to the States in which citizens reside (sec 117).

In the circumstances, it is odd that federalism and democracy are not considered more often as twin pillars of a compound conception of Australian federal democracy. On the contrary, however: federalism reform is (too) often assumed to be about ‘States’ rights’ and democracy sometimes is equated with national majoritarianism. Both are misconceived. States do not have rights. Federalism protects the democratic rights of Australians, organised nationally and in State communities, to make decisions for themselves on the range of matters that can properly be determined at each level. And democracy involves much more than a simple majority vote at periodic elections. If it were otherwise, the people in the south-east corner of Australia could outvote the rest, on everything, every time. Democracy is a richer conception that acknowledges and respects the diversity of the people of Australia, one element of which is shaped by territory. A properly functioning democracy is the guarantor of good government: government that is efficient and effective because it responds to circumstances on the ground and is accountable to citizens for performance. Australian history has delivered Australians a democratic hand that, well played, has considerable potential, dividing authority, as a first cut, between the national centre and a smallish number of viable State polities. How that potential can best be realised should be the focus of federalism reform.

The deterioration of federal democracy

In the second decade of 21st century, Australian federal democracy is in disarray. The Commonwealth effectively determines a range of matters for which it has no constitutional responsibility and which it is not qualified to decide. State institutions are run down, eroding State capacity and diminishing their attraction for members of State communities interested in engaging in public life. An extreme imbalance between effective taxing authority and expenditure responsibilities distorts the accountability of institutions at both levels of government. Makeshift solutions have led to the aggrandisement of the executive branch of both levels, vis-a-vis their Parliaments as the only directly elected institutions, at the expense of public deliberation and transparency. Services designed to be delivered at the State level are duplicated by the Commonwealth bureaucracy. The intergovernmental machinery through which much public policy is orchestrated blurs the lines of democratic and legal accountability that the Constitution assumes offering, at best, bureaucratic performance markers in their place. Preoccupation with uniformity
precludes innovation and experimentation. Nasty politics infect dealings between representatives of
the people at different levels of government. The whole is complex, opaque, underperforming,
inefficient and poorly understood.

How did this happen? The answer does not lie in the Constitution or, at least, in the Constitution
alone. Even by contemporary standards, the framers of the Australian federal Constitution did a
reasonably good job. The Constitution continues to provide a broadly suitable framework for
Australian federal democracy, particularly if given effect according to its spirit, respecting the
principles that it assumes.

Three aspects of the Constitution make the point.

First, the 40 heads of power that the Constitution assigns to the Commonwealth Parliament in
section 51 are clearly compatible with what now might be described as the principle of subsidiarity,
in the sense that each of them is best fitted for exercise at the national level. The allocation of
power to the Commonwealth was not miserly, even in 1900. Over time, in any event, the powers
have significantly expanded, both through creative use by the Commonwealth that has been upheld
by the High Court and through transfer to the Commonwealth of powers associated with the
external sovereignty of Australia, after independence from the United Kingdom was achieved.
Commonwealth authority nevertheless remains limited. The powers that are not identified as
Commonwealth powers and which therefore remain with the States are also consistent with the
principle of subsidiarity. Education is a classic example. Urban infrastructure is another.

Secondly, although the framers of the Constitution famously failed to provide a lasting financial
settlement, in the circumstances they did the next best thing: inserting into the Constitution
statements of broad principle that, if followed, would be useful now. Recognising that their scheme
would endow the Commonwealth with more revenue than it needed for its own constitutional
purposes they provided for the ‘surplus’ to be returned to the six States regularly (sec 94). The
terminology of surplus made it clear that the States, and not the Commonwealth, would be
accountable for the expenditure, once the funds were distributed to them. Recognising also that
economic disparities between States created a further question about the interstate distribution of
the redistributed funds, the final version of section 94 provided for an allocation on such basis as the
Parliament ‘deems fair’. And when at the 11th hour the Premiers added a new clause 96 to the

3 For an extended analysis of the application of subsidiarity to the Australian Constitution see Nicholas Aroney,
‘Federalism and Subsidiarity: Principles and Processes in the Reform of the Australian Federation’,
http://ssrn.com/abstract=2604783

Constitution to authorise additional payments to one or more States on ‘terms and conditions’, they sought a measure of public accountability for use of the section by requiring both the financial assistance and any attached terms and conditions to be determined by the Parliament including, of course, the Senate.5

Thirdly, although the Australian Constitution was written well before intergovernmental cooperation began to attract the attention it receives now, it nevertheless provided for a range of cooperative mechanisms, all of which nicely accommodate federal democratic principle. The Parliament of the Commonwealth may pass laws on additional matters if they are referred by the Parliaments of the States (s. 51(xxxvii)). Intergovernmental agreements may be made about borrowing, under a provision that specifies the heads of agreement; prescribes the status of such agreements; and contemplates the need for ‘validation’ by the Commonwealth Parliament (s.105A). Intrastate railway works may be undertaken by the Commonwealth, but only with State consent (s.51 (xxxiv)). An independent ‘Interstate Commission’ was charged with the then delicate intergovernmental task of supervising the provisions of the Constitution in relation to interstate trade (ss 101-104).

The Constitution is written in general terms, however. As used and interpreted over time, elements of this framework have been whittled away, obscuring the integrity of the scheme as a whole, at a significant cost to federal democracy. Many reasons might be suggested why this has occurred: the initial pressures for nation building; the centripetal pressures of two world wars in the first 40 years of federation; the preference of parties with ideological commitments for a single government through which their policy priorities can be more easily effected; the instincts of a political process that, left to itself, favours winner-take-all; the resulting, gradual deterioration of State capacity. Whatever the causes, two developments lie at the heart of the problems we now have.

One is the de facto centralisation in the Commonwealth level of government of authority to raise and collect revenues through income tax and taxes on goods (and by extension, the GST). This was not a design feature of the original Constitution, which was based on the assumption that, with the (important) exception of exclusive Commonwealth power over customs and excise duties (sec 90), each level of government would impose taxation to meet its own expenditure responsibilities. Even so, centralisation of these tax bases was not necessarily a problem, as long as it was understood that this was merely a convenient way of raising the public moneys necessary for each level of

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5 The drafting history of these provisions is recounted in Cheryl Saunders, ‘Fiscal Federalism - A General and Unholy Scramble’ in G. Craven (ed), Australian Federalism: Towards the Second Century, MUP, 1992) 101.
government to meet its own constitutional obligations, for which each is accountable to its own people. This was the idea captured by the reference to ‘surplus’ in section 94.

But the traditional assumption of the essentially unitary Westminster tradition, that accountability for expenditure follows the function of imposing taxes, offered a powerful competing view. This view was strengthened when, in the first decade of federation, the Commonwealth used an accounting device to eliminate any formal ‘surplus’ on which section 94 might operate. In these circumstances, the alternative redistribution mechanism through the power to grant ‘financial assistance’ in section 96 became dominant, making the States appear dependent on Commonwealth largesse. As the fiscal imbalance increased, so did reliance on section 96 to the point where, in 2014-2015, the States are estimated to receive more than $100 billion in financial assistance payments. Almost half of these transfers, moreover, are subject to conditions, involving Commonwealth direction. The most recent Commonwealth Budget Papers note that conditional grants now are made in most areas of State responsibility described, in evidence of something of an attitudinal problem, as areas ‘administered’ by the States. Oddly, despite the wording of section 96, the Commonwealth Parliament takes little interest in the conditions attached to grants.

This development alone extended effective Commonwealth power into areas that include education, housing, infrastructure and localised aspects of health, community services and environmental management. Money aside, each of these matters not only lies within State constitutional authority but potentially is better handled by the States, with co-ordination on particular issues as necessary. Central policy control through intergovernmental transfers sacrifices responsiveness, innovation and experimentation; obscures the lines of democratic accountability; creates inefficiency; distracts Commonwealth institutions from their own, very considerable constitutional responsibilities; and unnecessarily enlarges the Commonwealth bureaucracy, with implications for public expenditure.

The problems of the fiscal imbalance do not end there. In addition, it encourages the Commonwealth to engage in direct spending programs that by-pass the States in areas of State responsibility. In the absence of any obvious legislative power these have relied, somewhat hopefully, on the historic vagueness of the concept of ‘executive’ power (sec 61), thus bypassing the Commonwealth Parliament as well. When the validity of this practice was successfully challenged in the highly vulnerable context of the ‘National Schools Chaplaincy Scheme’, more than 400 other

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6 A challenge to the Commonwealth’s action was dismissed by the High Court: New South Wales v Commonwealth (1908) 7 CLR 179
8 Ibid, 7
executive spending schemes were revealed, with no supporting legislation.\(^9\) The outcome in the *Williams* cases has reined in the practice to the extent that each program is now supported at least by subordinate legislation, in which some attempt is made to identify a plausible head of Commonwealth constitutional power. Old habits die hard, however. Executive action with limited parliamentary involvement has many attractions for incumbent governments. The legislation is written in very general terms; its subordinate status preserves executive control; and at least some of the claims for supporting power are fanciful.\(^10\)

A second development that feeds the malaise of Australian federal democracy is the structure and operation of the machinery for intergovernmental relations. Again, intergovernmental co-operation is not a problem in itself. All federations use co-operation to enable coordination, knowledge-sharing and the performance of joint tasks. Co-operation is often desirable in the interests of the people of the federation as a whole and its constituent parts. It can be an integral part of federal democracy. But it involves a variation on the usual processes of democratic decision-making by requiring collective decisions on behalf of multiple jurisdictions. It has the potential to undermine federal democracy unless attention is paid to when it is used, why it is used and how it occurs.

In Australia, the machinery for intergovernmental co-operation has evolved haphazardly since federation, gathering significant speed in recent decades, relying largely on extra-constitutional processes. The principal vehicle is a network of ‘councils’ comprising representatives of the governments of each Australian jurisdiction, presently with the Council of Australian Government (COAG) at their apex. These meetings of Ministers enter into a very large number of agreements about joint action that are given effect, where necessary, by compliant Parliaments, faced with the prospect of breaking a concluded intergovernmental deal.

Intergovernmental decision-making takes place in relation to most areas of State constitutional authority and often is directed to securing policy and legislative uniformity of varying degrees. It is an instrument for centralisation, not only because of the uniformity of the desired outcomes but also because most councils are effectively controlled by the Commonwealth executive, with the Commonwealth Minister as Chair and the relevant Commonwealth department providing the secretariat.

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\(^10\) The program on Food in the National Curriculum is an example: “To improve education of students in the areas of agriculture and food by developing and promulgating teaching resources for the National Curriculum, and facilitating collaboration between teachers, including through the use of electronic communication services”: 401.026.
Equally, intergovernmental decision-making augments executive authority, at a cost to democratic accountability, creating the phenomenon sometimes described as ‘executive federalism’, which in Australia is taken to rare heights. The confidentiality, informality and limited public engagement that are hallmarks of executive action characterise this arena as well, minus the relatively clear lines of accountability to Cabinets and Parliaments that normally apply. Executive ownership of the process is reflected not only in the way in which substantive decisions are made but also in constant fiddling with the machinery, without public or even parliamentary involvement of any kind.

In consequence, this important component of Australian federal democracy is highly complex and opaque. It is understood by relatively few Australians. Notoriously, it is also fractious and not particularly productive in terms of the quality of government. Efforts to force the accountability of State governments to the Commonwealth through bureaucratic performance indicators waste the opportunity to draw on the more potent mechanisms of democratic accountability of each government to its people through decision-making processes that are transparent and clear.

**Principles to guide change**

The current initiative for federalism reform offers what may be a unique opportunity to tackle these problems. But to do so in any way that matters involves more than fiddling with the roles and responsibilities of the Commonwealth and the States through agreement between executive governments. Rather, it requires federalism reform to be directed to and by the needs of the great compound conception of federal democracy by a process that, appropriately enough, involves public deliberation and debate.

What follows is a sketch of the steps that might be taken along this path. The ten principles summarising these steps are attached. Some require a return to the basics of the Australian constitutional system. But the basics are informed by the conditions of the 21st century, which place ever greater weight on the values of diversity, innovation and democratic community in a world in which globalisation threatens them all.

The first step is to recognise that the problems of federalism are also problems of federal democracy, contributing to the disrepute of Parliaments and governments; excessive concentration of power in the executive; failures of public accountability; underwhelming public policies. This connection reveals the core principles which federal democratic reform must respect and on which it must build. Each of the levels of government through which democracy is delivered in Australia derives its authority from the people, or a segment of them, to whom it is accountable at and between elections. Accountability so understood relies on the elected Parliaments of the
Commonwealth and the States, in which public deliberation on significant decisions can take place and through which transparency can be secured. The matters for which each level of government is responsible and therefore accountable are set by the terms of the Australian Constitution, broadly reflecting the principle of subsidiarity. Government in accordance with the Constitution is a sine qua non of the rule of law. The Constitution can be changed, with approval at referendum, for which persuasive public justification of the rationale for change is required.

These principles have implications for the conduct of intergovernmental relations and the management of fiscal federalism, both of which are considered below. They also have other implications for the operation of governments and parliaments more generally. First, they require revitalisation of the State level of government. Vibrant State institutions are necessary for responsive, innovative government and as symbols of working democracy that are accessible to a wide range of Australians. In addition, State institutions have the potential to attract into public life many more Australians, both women and men, who have much to give and who have particular interests in State affairs, but who are unable or unwilling to commit to regular travel to Canberra. This development would have advantages for the quality of Commonwealth government as well, allowing concentration on and the development of expertise in the important areas of national responsibility. Secondly, the principles require reassessment of the appropriate roles of governments and Parliaments at both levels of government, to ensure that issues that are significant to the public interest receive the public attention they deserve and are not dealt with below the radar under the rubric of executive power. Of course, the bicameralism that is a characteristic of parliamentary government in Australia increases the degree of difficulty of securing parliamentary approval. The answer lies in more effective politics, however; not avoidance of the legislature altogether. In any event, it may be that the increasingly tenuous hold of governments on their respective Parliaments reflects the disenchantment of voters with politics as usual and to that extent is a deliberate democratic choice.

Any reform must recognise the utility of intergovernmental co-operation in furthering the purposes of federal democracy in appropriate ways. Here, however, substantial change is needed, in both process and culture. All dealings between levels of government should be based on the mutual respect, trust and good faith that are due to democratically elected representatives of the Australian people. Intergovernmental collaboration should be undertaken only for purposes that are clear and able publically to be justified by reference to Australian federal democracy. The machinery for intergovernmental collaboration should operate in a way that is consistent with the foundational principles of Australian federal democracy.
This last point has several implications. The architecture of the bodies through which intergovernmental decision-making occurs should be relatively stable and significant change should involve public deliberation. The supporting administrative infrastructure should be accountable to and through all participating jurisdictions, in the interest of ownership and trust. Collective decision-making should not obviate the accountability of individual governments to their Parliaments and their people. Mutual respect and good faith, however, dictate that each acts in the public interest understood by reference to the needs of the people from whom they derive their authority. The objectives, processes and outcomes of councils, including the apex council presently known as COAG, must be transparent. Intergovernmental agreements and other instruments must be publicised in accessible form particularly, although not solely, when linked to legislation.

Reform must necessarily deal with the endemic problem of fiscal federalism. Here, two courses of action are possible (and not necessarily mutually exclusive). One is to restore to the States a greater measure of authority to raise taxes for their own purposes, whether or not piggy-backing on a mutually agreed base. This option has the advantage of reuniting accountability for taxing and spending but would require choices to be made about the taxes appropriately imposed at the State level and some intergovernmental co-operation to ensure that the system works smoothly. The other possible course of action is to retain a degree of fiscal imbalance but to acknowledge what the framers of the Constitution tried imperfectly to achieve, that the States are entitled to a share, for which they are democratically accountable. This option looks like the course of lesser resistance. It would require intergovernmental processes with considerable integrity, however, to ensure that the division of revenue between the Commonwealth and the States is justifiable by reference to the responsibilities of both.

Either option would involve two additional measures. One is a radical reduction of conditional grants other than, perhaps, grants for emergency purposes or for purposes within the Commonwealth’s own sphere of constitutional responsibility, of which indigenous affairs are an example. Where such grants are made, the conditions attached to them should be approved by the Parliament of the Commonwealth and accepted by the Parliament of the relevant State.

Secondly, fiscal federalism will continue to require a degree of fiscal equalisation, to broaden the options available to the people of States that, at least for the moment, are economically weaker (although this should not be regarded as a permanent condition). A principle of solidarity to this effect has been a feature of Australian federal democracy from the start. Where the balance should be struck between need and local endeavour is a more controversial question, used by successive Commonwealth governments to divide and rule when federal fiscal reform is proposed. There is no
reason to assume that the present balance is right and the issue should be revisited, with an eye to agreeing on what, in the terminology of the Constitution, is ‘fair’.

Federal democratic reform requires a federal democratic culture that adheres to the spirit as well as the letter of arrangements that are in place. Such a culture can take advantage of the cultural, social and legal diversity that it fosters without sacrificing uniformity and strategic national decision making on appropriate matters. It gives effect to the principles of responsiveness, accountability, subsidiarity, transparency, solidarity and mutual respect. And these have application, not only for and between the Commonwealth and the States but in relation to all other levels of government as well, including indigenous self-government, local and city government and territory government.

The relevance of the Constitution

The approach to federalism reform suggested here does not require constitutional change. It is worth reiterating, however, the extent to which this approach is consistent with and inspired by the constitutional framework and the principles of federal democracy that underpin it. The Australian Constitution mandates multi-level democracy. It allocates power between the different levels of government that take decisions on behalf of the people, by reference to considerations of subsidiarity. It provides mechanisms for intergovernmental co-operation that protect democratic accountability. And it suggests principles by reference to which some of the most vexed problems of fiscal federalism can be resolved.

The possibility of constitutional change should not be abandoned, however, if the only reason for doing so is that it is difficult to achieve. Australians have been willing to agree to change in the past, when persuaded that there is a good reason for it. And in some respects, formal change might be useful for this purpose, at least in the longer term.

Three changes might be considered in particular.

One would amend section 105A, which presently deals with intergovernmental agreements in relation to borrowing, to apply to intergovernmental agreements more generally. This could become a framework for the making, substance and status of intergovernmental agreements, and for ensuring transparency and accountability for them. The section would need considerable redrafting to this end. Unlike section 105A in its current form, it should ensure that agreements are subject to the rest of the Constitution, except insofar as they contain provisions authorised by section 105A itself, and that they are approved by participating Parliaments (giving them some longevity, as a quid pro quo).
A second change would replace the current provision for an ‘Interstate Commission’ in sections 101-104 of the Constitution with provision for more structured intergovernmental processes that are suitable for present circumstances and flexible enough to adapt to changing needs. At the very least, this should provide a framework for intergovernmental meetings of ministers headed, perhaps, by a Federation Council, in lieu of COAG, to mark the institutional and cultural change. The Federation Council and other joint bodies should be supported by an intergovernmental secretariat, which might appropriately be called the Federalism Commission, to manage the intergovernmental decision-making machinery. A constitutional framework for these arrangements would ensure that give each jurisdiction had some ownership of them and provide for a mode of operation that encourages democratic accountability for projects and performance.

A third change could deal with fiscal federalism. This might amend the surplus revenue provision in section 94 to deal with the principles and procedures for the distribution of public revenues between the Commonwealth and the States and among the States themselves. The former should make it clear that the State Parliaments, not the Commonwealth Parliament, are accountable for the expenditure of moneys redistributed to rectify a fiscal imbalance. The latter should provide a means for identifying and responding to a need for fiscal equalisation.

**Next steps**

Australia is not the only country to grapple with what federal democracy involves. Most federations are democracies and all democracies with a sizable territory are federations. The federal democracies of the world typically are highly successful in economic, political and social terms. Most secure the twin benefits of federalism and democracy more effectively than presently occurs here.

In a short paper of this kind it is possible only to sketch the general lines along which federalism reform should proceed. The guiding principles suggested here should be unexceptionable. They serve largely as a reminder of what we have – or are supposed to have – now. Given the length of the period over which federal democracy has been allowed to deteriorate, however, the principles require considerable working through in some areas of government to provide a base for effective change.

This is a process in which all Australians are entitled to participate, if they so choose. Federal democracy lies at the heart of our constitutional arrangements and depends on active, informed, popular engagement. If this paper stimulates such a process and assists to give it shape, it will have achieved its goal.

**TEN PRINCIPLES TO GUIDE FEDERALISM REFORM**
1. The purpose of federalism reform should be to invigorate and enrich Australian democracy.

2. In Australia, democracy is organised through different levels of government, each of which derives limited authority to govern from the Australian people, or a segment of them, to whom it is accountable.

3. Democratic accountability relies on the elected Parliaments of the Commonwealth and the States and territories, in which public deliberation on significant decisions can take place and through which transparency can be secured.

4. The Australian Constitution confers limited authority on both the Commonwealth and State levels of government having regard to which level of government is more appropriate to do what.

5. Dealings between levels of government must be conducted with the mutual respect, trust and good faith that are due to democratically elected representatives of the Australian people.

6. Intergovernmental collaboration is an integral part of Australian federal democracy when properly used; it should be undertaken only for purposes that are clear and publically justifiable by reference to a specific need, using mechanisms that are consistent with democratic principle and practice.

7. The Australian Constitution provides authority to the Commonwealth level of government to raise the public revenues that are required not only to meet its own constitutional responsibilities but also to assist the States to meet theirs.

8. Each State is accountable to the people of the State for the expenditure of public moneys derived from public revenues raised by the Commonwealth but surplus to its own constitutional responsibilities.

9. Australian federal democracy recognises a principle of solidarity that requires horizontal sharing of public revenues to redress substantial economic disparities among States and territories.

10. The values of the composite concept of Australian federal democracy apply also in relation to other levels of Australian government, including indigenous self-government, local and city government and territory government.