

Will this budget mark the inception of a new deal for Australian cities? And will it herald a new dawn for Australian local democracy? [Addressing the Australian Public Service](#) in the Great Hall of Parliament on April 20, Prime Minister Malcolm Turnbull chose to emphasise that “smart cities” would be the engine room of innovation and growth in Australia’s new economy to be delivered through the concept of “[City Deals](#)”.

Turnbull said:

The “City Deal” approach used in the United Kingdom has been instrumental in the renaissance of Manchester and Glasgow, and we believe there are many elements that can be applied in Australia.

Turnbull’s address to the Australian Public Service.

But what is the value proposition underpinning the “City Deal”? And can it be applied here in Australia?

The value proposition

The value proposition has historical, democratic and economic foundations.

Historically, it builds on the role of iconic cities in the advance of civilisations. For example, the following quotation from [Mel Sirotkin’s evocative work](#) perfectly captures the central role of Manchester as the engine room of the Industrial Revolution:

During the Industrial Revolution Greater Manchester seized the initiative to become the world’s first modern industrial metropolis. It is home to the nation’s first public library, the birthplace of modern chemistry, and the professional football league. It is where Dalton developed atomic theory and Rutherford split the atom. Inevitably it is also where the rainproof mackintosh was invented.

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Democratically, it forms the next logical stage in the UK's constitutional reform program, which began under Tony Blair in 1997. Blair delivered Scotland's parliament and assemblies for Northern Ireland and Wales, but the English voted "no" to English assemblies on the basis that this would be too much government to bear.

The argument for delivering devolution through existing rather than new institutions – in this case city regions – has proved far more palatable.

However, it is the economic credentials of the "City Deal" that prove most powerful. The Cameron government believes that larger local government units such as city regions led by elected mayors with new powers will help spread prosperity. This is based on evidence – such as from the independent [RSA City Growth Commission](#) – that the areas with the fastest growth and innovation around the world tend to have:

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large populations;

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good connectivity;

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high skill levels;

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good infrastructure (including housing);

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strong higher education institutions; and

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empowered local leadership.

The powers that the UK government is devolving to city regions are therefore focused mainly in areas such as transport, business support, infrastructure development and training.

A further economic argument for devolution to cities is that they provide a concentration of population and need. These in turn provide a potential focal point for innovation to foster economic development and improve service delivery and effectiveness.

In part, the argument is that necessity will be the mother of innovation. But there are also arguments that the greater scale of a city region provides fertile conditions for economic development. There is likely to be a greater pool of talent, experience and resources to draw upon.

Working across a larger area can promote more effective services. In many cases outcomes are likely to be better if several services are connected together. That applies, for example, to health and social care, to the various educational, health and social services that engage with families in trouble, and to the various bodies that can help prevent re-offending.

The argument for devolution to cities in England is mostly not about democracy, and more about economic competitiveness and service effectiveness.

What's been achieved so far?

The way the deals have been negotiated reinforces the sense that this is about efficiency more than democracy. Deals have been cut within Whitehall in a top-down approach with various city regions according to their ambition and political clarity.

In most cases, an elected mayor has been added to the mix to provide a fig leaf of democratic legitimacy. But many of the deals have been criticised as a stitch-up between city and national

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elites with little input from citizens and little prospect of citizen control.

On the other hand, the ad-hoc approach of doing the deals city by city, region by region, means that progress has been rapid. Substantial devolution [is occurring](#) .

Although some worry about creating an unequal governance framework, others argue it's about doing what works for different cities. The pragmatic patchwork program has been deliberately designed such that no two city regions must necessarily have the same deal and level of devolution.

The [Greater Manchester City Deal](#) is by far the most advanced but only started this month. So, in truth, it's too early to say how the deals will work in practice.

How do City Deals translate to Australia?

It is easy to see why the "City Deal" concept resonates with the Turnbull agenda. The image of the Australian city region as a centripetal catalyst to economic growth is both in keeping with the gravity of international evidence and the demographic changes articulated in the [2015 Intergenerational Report](#)

. This forecast a range of significant productivity problems arising from shifts in demography, workforce and participation.

It also provides a living laboratory for Turnbull's [National Innovation and Science Agenda](#) and, in particular, the work of

[Data 61](#)

and the

[Digital Transformation Office](#)

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Most tangibly, it provides an opportunity for Turnbull to connect the government's agenda to the everyday lives of Australians. This is something the polls suggest he has been unable to achieve so far.

What would need to change make it happen?

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There are maximalist and minimalist versions of the “City Deal”. The minimalist version would be simply to negotiate a series of Commonwealth-funded programs with states and territories to lubricate the innovation agenda in Australian cities. The maximalist version, required to emulate the UK “City Deal”, would require constitutional change.

Devolution UK-style involves the transfer of power to a lower level, in this case to a local city or city region administration. However, unlike its European and North American counterparts, Australia’s political elite still has a strange, unfathomable disdain for local government – which is not shared by its citizenry.

Most significantly, devolution is not in the gift of Commonwealth government, as local government is a creature of state and (to a lesser extent) territory government. Changing federal powers requires constitutional change.

As Turnbull himself admits:

It requires a firm commitment to collaboration. Success is dependent on federal, state and local governments agreeing on a set of long-term goals for cities and the investments, policies and regulatory settings to achieve them.

Is it likely that state governments would cede authority over the jewel in their crown – the state capital? It would be like turkeys voting for Christmas. The smart money is on the minimalist version even though Australia’s future economic prospects require the courage and ambition of the maximalist version.

Mark Evans receives funding from a variety of sources including foundations, research councils, governmental and non governmental organisations and international organisations. However, the views expressed in this article are his own and cannot be attributed to any particular funding organisation.

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