

# Submission to the Indigenous Evaluation Strategy inquiry of the Productivity Commission

This submission deals with the geography of Indigenous disadvantage in the Northern Territory, and how this might be addressed. It is in five parts, as follows:

## 1. Background

I recently attended as a private citizen, the 2019 Garma Festival on Yolgnu country in north eastern Arnhem Land. This was organised by the Yothu Yindi Foundation, a Yolgnu organisation which plays an important role in developing the economic self determination of the Yolgnu people. I attended a talk given by Mr Barry Hansen, a chartered accountant and auditor. Mr Hansen has been working for two decades on analysing how the NT Government spends its funding from the Commonwealth Grants Commission on Indigenous service provision.

## 2. The problem

Mr Hansen provides detailed quantifications of the spending by the Northern Territory Government on Indigenous communities over many years. His data sets reveal an ongoing serious deficiency in spending on Indigenous communities in the NT. I have chosen just a brief snap shot from the material presented in his above mentioned talk:

- When the Commonwealth Grants Commission allocates funding to states and territories, the compliance regime in the NT is insufficient to ensure that the spending is in the areas that deserve attention.
- Further, scrutiny within the NT government appears to be almost completely absent. The Langoulant Report (2018) on NT finances stated that “up to 99% of government spending (is) unscrutinised outside of any internal agency reviews”<sup>1</sup>.
- This lack of transparency and accountability has permitted (and perpetuated) an ongoing situation in which, when population and disadvantage are taken into account, the NT government spends disproportionately less on Indigenous communities and correspondingly, disproportionately more on non-Indigenous communities.
- Hansen reports that in the year 2015-16, there was a 15% underspend on Indigenous communities, which amounted to approximately \$500m.
- Against this background, the Northern Territory government has, in the last three months, announced the following intended expenditure:
  - a new grandstand for the Fannie Bay Racecourse, costing \$12 million<sup>2</sup>.
  - an upgrade to the wealthy precinct of Cullen Bay, costing \$10 million<sup>3</sup>.

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<sup>1</sup> Fiscal Strategy Panel (Langoulant, Silver, Graham and Ryan) *A Plan for Budget Repair*, March 2019, p. 20.

<sup>2</sup> “New \$12 million grandstand to boost Darwin horse racing” *NT News*, 4 July 2019.

<sup>3</sup> “Greenery, accessibility part of plans for a revitalised Cullen Bay” *NT News*, 7 August 2019

- a Ship Lift development, promised without any cost benefit analysis and without Commonwealth support, at an estimated cost of \$400 million<sup>4</sup>.
- Further, in recent years, we have also seen \$100m spent on two water parks in Darwin and an \$80m spend on a boulevard in the city centre.

This pattern of spending on Darwin would appear to be far in excess of need for a city with a population equivalent to a regional city in other parts of Australia. The fact that the finances of the NT Government are severely stressed makes this level of spending yet more egregious. Indeed, it would appear that this excessive spending on Darwin has been made possible by the underspending on Indigenous communities, who are over 26% of the NT population and have far greater levels of need.

Clearly, the spending on service delivery to Indigenous communities has suffered for many years in this regime of non-transparency and lack of accountability in the NT. As we all know, the statistics on Indigenous disadvantage in the NT are a matter of great shame for Australia. For example, extreme housing stress is an important factor in driving a cascade of severely detrimental effects on social, physical and mental well-being. Over-crowded housing contributes to, among other things, study stress in children, domestic violence, disease contagion and difficulties in employment readiness.

### **3. What would competent governance and financial management look like in the Northern Territory?**

Against the above picture of Northern Territory government incompetence in allocating spending on Indigenous communities, it is interesting to note the successes of the above-mentioned Yothu Yindi Foundation.

This Indigenous organisation has shown us what real competence in governance and financial management would look like in the Northern Territory. The Foundation operates the Gumatj Company, which has created several employment opportunities for the Yolgnu communities in north eastern Arnhem Land. Their overall strategy is to provide opportunities and a sustainable life for the Yolgnu people who want to stay on country. Their operations include, but are not limited to, the following:

- Manapan, a high end furniture workshop which sells into the corporate market and pays good wages to its workers;
- a bauxite mine, Gulkula together with a mining training unit;
- a forestry operation to utilise the timber cleared for mining operations;
- a nursery for mine rehabilitation;
- a butcher shop in the town of Nhulunbuy
- the company has recently negotiated a sub-orbital rocket launch project with NASA to take advantage of the specific physical characteristics of a near equator location.

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<sup>4</sup> "Territory Government's \$400 million pledge for ship lift despite NAIF application" ABC On-Line, 9 August 2019.

While the Gumatj Company has been outstandingly successful in producing these current and future opportunities, it cannot be entirely responsible for the future of the Yolgnu people of north eastern Arnhem Land. Nor should it be. The Indigenous people of the NT deserve to have the same opportunities that are afforded to non-Indigenous people. The government provides suitable services and infrastructure for the latter and they should do the same for Indigenous communities.

#### **4. Recommendations**

##### **Recommendation 1**

An important reform would be to develop a more effective methodology for reporting on Indigenous disadvantage. Unfortunately, in recent years the trend has gone backwards. The CGC has conflated reporting on Indigenous statistical characteristics into fewer categories.

→ The CGC should restore the more fine-grained reporting in order to produce a more detailed picture of Indigenous disadvantage. The reporting system should take account of:

- socio-economic quintiles;
- regional status eg major cities, large regional cities, outer regional and remote;

##### **Recommendation 2**

Indigeneity is rightly used in government evaluation exercises as a measure of disadvantage. There is a further need to target the most disadvantaged Indigenous communities and to fund these according to their needs.

→ Measures of Indigeneity should be intersected with the above-mentioned geographically based data on socio-economic disadvantage.

##### **Recommendation 3**

With the above improved reporting, the CGC will have the evidential basis from which to require the NT to spend on Indigenous communities according to, and in proportion to their needs.

→ The Commonwealth Grants Commission should use the above suggested improved Indigenous disadvantage measures as a basis for mandating and hypothecating most of the spending that it allocates to the NT Government for Indigenous spending. A smaller proportion of discretionary Indigenous funding might be allocated to the NT government, to be subject to the requirements of transparency and accountability, and also subject to the conditions of Recommendation 5, below.

##### **Recommendation 4**

At the 1978 territory hand-over, that region was already operating under a substantial deficit. Under the horizontal fiscal equalisation regime used by the CGC, this has not been taken into account. It assumes an equal starting point, resulting in a substantial on-going under-funding of the NT.

→ This disadvantage should be factored into CGC reckonings. This would enhance the efficacy of the reform measures suggested above, for the purpose of addressing Indigenous disadvantage in the NT.

### **Recommendation 5**

We need to establish a structure of power sharing in the NT for the purposes of allocating funding to Indigenous communities.

→ A suitable Indigenous organisation or group of organisations should oversee all Northern Territory government spending on Indigenous services and infrastructure, to ensure that spending meets the mandated and hypothecated (recommendation 3) allocations set by the CGC. That or those organisations should also have participation in CGC decisions on mandating and hypothecating the funding for Indigenous services and infrastructure projects in the NT. At the least, such an organisation or group of organisations should be brought into equal partnership with the NT government in monitoring and reviewing the CGC mandated and hypothecated spending on Indigenous communities.