



Australian Government
Productivity Commission

PRODUCTIVITY COMMISSION

INQUIRY INTO HORIZONTAL FISCAL EQUALISATION

MR J COPPEL, Commissioner
MS K CHESTER, Commissioner

TRANSCRIPT OF PROCEEDINGS

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5 **MS CHESTER:** Okay, folks. We might get underway. Good afternoon, all and welcome to the public hearings for the Productivity Commission Inquiry into Horizontal Fiscal Equalisation, or better known as how we divide up the GST bucket across the states and territories.

10 My name's Karen Chester. I'm the deputy chair of the Productivity Commission and a Commissioner on this inquiry and I'm joined by my fellow colleague and Commissioner, Jonathan Coppel. I'd like to begin in opening these hearings by acknowledging the traditional custodians of the land on which we meet today the Larrakia people, and I would also like to pay my respects to elders past and present.

15 Now this is the fifth day of public hearings for this inquiry. We've held hearings in Perth, Melbourne and Adelaide, and we're here today and tomorrow in Darwin and then we'll be heading to Hobart at the end of the week. We'll then be working towards completing a final report for government which will be submitted to the Australian Government next year. Participants and those who've registered their interest in this inquiry will be advised when the final report is released by the government.

20 Now before I sort of run through why we hold public hearings and how we go about doing them, I am required by a piece of legislation to say, if some alarms go off let's all follow common sense and head out the door. Fire wardens will tell us how to get out, and don't use any lifts. I think that covers that off.

25 Now in terms of why we hold public hearings, for the Commission, public hearings are a really important part of our consultation process. It allows there to be public scrutiny of our work, our draft report, and to get feedback on that draft report. But importantly, it also allows public scrutiny and feedback on the submissions and the inputs that are made by others to our inquiry.

30 Now we like to conduct all hearings in a reasonably informal manner, but I do remind participants that a full transcript is being taken. For this reason we can't take any comments from the floor. But at the end of today's proceedings, if there is anybody who's not a registered participant who would like to be heard, then we will be able to make them do that.

35 Now participants are invited to make some short opening remarks, and we'll just ask if you can leave that up to five minutes, just so it allows more time for us to have a bit of a conversation, to make sure that we better understand your views and thoughts on this inquiry. Now participants are

not required to take any oath. We just ask you to be truthful. You are also very welcome to comment on the submissions or views of others that have been made to this inquiry.

5 Now the transcript that's being taken by Peter today on our behalf will be available from the Commission's website following the hearings, as are participant's submissions and our draft report. For any media representatives that are here today, and I think we have a few in the back row, and I think they know the rules of the game.

10 So I'd like to welcome our first participants for the public hearings here in Darwin, the Yothu Yindi Foundation. Thank you very much for the submission that you were able to give to us, so we get a better understanding of what some of the views and issues are you'd like to discuss with us today.
15 But just for the purposes of the transcript, if you could each just state your name and organisation, just for recording purposes, and then if you'd like to make some brief opening remarks. Thank you.

MS MUNUNGGURR: Hi. Good morning, Commissioners. My name is
20 Yananymul Mununggurr. I'm a director for the Yothu Yindi Foundation. I'd like to make a bit of a statement. I was flown out here yesterday from Yirrkala, a place called Yirrkala, north east Arnhem Island, to provide this presentation on behalf of the Yothu Yindi Foundation. I live at Yirrkala, but I've also got a homeland which is Garrthalala the homeland, and it's a
25 remote outstation, south of Yirrkala and the Gulf Peninsula. And today is the first time that I've been to such an inquiry like this. I've come here to try and give you a better understanding of life that I live in.

The Yolngu people within our region are borne into two moieties,
30 Dhuwa and Yirritja moieties. I come from a clan group of Djapu clan nation and my mother's clan nation group is Gumatj, (indistinct) Gumatj. I speak Gumatj, but traditionally I speak my father's language which is the Djapu. That's my first language.

35 There's more than 15,000 Yolngu people living in the East Arnhem region and more than 2000 that lives on homelands. Eight out of ten Aboriginal people in the Northern Territory lives in rural or remote like we do. So we are a long way from places like Darwin, Katherine, Alice Springs where the power lies within Australia. And the Yolngu seem to be
40 the last to have our voices heard when it comes to expenditure of government money.

Over the last few decades, we have found that we miss out just about everywhere. We know that we have been neglected and this effect - we
45 know that the system is against all Aboriginal people across the Territory

and across the nation. Our communities have never been probably funded when leading – when funding itself never seems to reach the people that it is meant for. And honestly, we blame both governments of the Territory and the Federal Government and politicians from both sides has let us
5 down, let all the Aboriginal people down when it comes to funding for our communities. And the submission, the Yothu Yindi submission is all about that.

10 Health issues, education issues, children’s issues, family issues, all suffer because of all the failures, of all these failures. Our towns and living areas look nothing like Darwin or Alice Springs or Sydney, wherever. And we never get the support we need to develop our land and our waters. At the end of the day, this neglect causes human suffering and real people, like
15 my people, get hurt. And we see it every day. It’s happening right before our eyes.

These are the issues that the government, the Commonwealth Grants Commission needs to hear, because we need these funds to hit the ground. We need the funds to get into our communities. We need it to be rolled out
20 to our organisations, so we can look after our own issues on the ground.

How can the Commission guarantee to us that we will get our fair share? Your recommendations need to address these issues. We look to you to reform this system so that it works for our people. People like myself
25 and many others are tired. We are very tired of being given the crumbs of the table. There’s not a fair share that’s being given to our people when it comes to funding from both governments. And we’d like to see positive reforms happen in the future – in the near future that will deliver real benefits to our communities and to our people. Thank you, Commissioners.

30
MS CHESTER: Thank you very much for those opening remarks, and also thank you very much for making the journey to come and be here today at our hearings. I might just invite your colleagues to each just say their name and organisation for the transcript recordings and then we might –
35 and did you have any other remarks that you wanted – just introduce each other first.

MS BOWDEN: Denise Bowden, Yothu Yindi Foundation.

40 **MR HANSEN:** Barry Hansen, Yothu Yindi Foundation.

MR BEADMAN: Bob Beadman, the same.

45 **MS CHESTER:** Thank you. Denise, did you or any other colleagues have anything else you wanted to say before we get into some questions.

MS BOWDEN: We do.

MS CHESTER: Thank you.

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MS BOWDEN: We have prepared a few pieces for your today. Thank you, Yananymul. Commissioners, thank you for the opportunity today to present before you. My name's Denise Bowden. I'm Chief Executive Officer of the Yothu Yindi Foundation.

10

For the past decade, the Yothu Yindi Foundation and our Chairman, Galarrwuy Yunupingu, have raised concerns as to why indigenous communities in remote regions and Aboriginal people in general, are disadvantaged by the way government spends money that is earmarked for our benefit. We complain always about the hindrance of red tape, about government inefficiency, and about the way government prioritises the urban areas over the bush. We have highlighted that this means that we will fail in our joint policy of closing the gap.

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As Yananymul has said today, and Galarrwuy has said on many occasions, the end result of this failure is human misery. Aboriginal people in the bush deal with constant illness, death and heartbreaking loss. We suffered third world such as rheumatic heart disease, Machado Joseph Disease and we have epidemic levels of diabetes. Aboriginal people are at the bottom of the social and economic hierarchy and we suffer as a result.

25

Now we understand that government must provide hospitals and police and prisons and we understand too that we're terribly over-represented in those places, but we won't excuse the failure to tackle the front end by spending government funds properly and fairly. As we have pointed out in our submission, this applies specifically to the way the Northern Territory Government spends GST revenue. The Productivity Commission has an opportunity to make a difference to this state of play.

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I wish to highlight six points in particular, (1) State and Territory Government spends GST revenue as they see fit and there is limited transparency and limited accountability, especially to Aboriginal people. (2) State and Territory Governments are rewarded for disadvantage with a payment of extra GST revenue. In the Northern Territory this is particularly the case where the Northern Territory Government receives a greater amount because of the disadvantage of Aboriginal people. Yet, as I have just said, there is no obligation to spend the money on the root causes of that disadvantage and the disadvantaged have little or no say in this process.

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5 (3) The Commonwealth Government is as responsible as the Territory Government for this state of affairs. The current GST formula, at best, tries to maintain the status quo. The status quo is not good enough. The formula must tackle and address the disadvantage, not maintain it. The Commonwealth should not be able to continue to avoid its obligations to the Territory's disadvantaged regions.

10 (4) The Commonwealth formulas that go to local government funding are scandalous as we point out clearly in our submission. (5) We are plagued by public servants who mostly live in Darwin and we are forever strangled by red tape. Our submission points out that more money just seems to mean more public servants. (6) It seems more and more people in the south are identifying as "Aboriginal". These people usually live in urban or semi-urban areas, yet they are treated the same in the terms of the formula as Aboriginal people who live in remote areas. This is a serious disparity that needs to be addressed. My colleagues here to my right will touch on this briefly.

20 Commissioners, the Northern Territory is different and these issues are not going away. Indigenous matters are front and centre for we Territorians. We urge you to make recommendations that address the issues that we have identified, and not just make a scapegoat of the Northern Territory. The NT has great need and to address that need, we require a new manner of doing business that sends government funds direct to the point of need and addresses the issue of the disempowerment of Aboriginal people.

30 On my last point, I take this opportunity to recommend a model based on the work of Empowered Communities, and I table a copy of that report for you here now.

MS CHESTER: Thank you.

35 **MS BOWDEN:** And with me are two important advisors to the Yothu Yindi Foundation. Barry Hansen here, is a former chairman of the Northern Territory Council of Social Services, and Bob Beadman a former chairman of the Northern Territory Grants Commission. They're going to speak for a small amount of time and then, perhaps, we might take some questions. Thank you.

40 **MS CHESTER:** Thank you.

45 **MR HANSEN:** Thanks, Denise. Commissioners, Denise has mentioned and Yananymul has mentioned "underspending". Now to put some numbers to it, and I'll go back to – it might seem like I'm going back a number of years, but I'm going back to 2006/7 to show a pattern of working

through of underspending against Commonwealth Grants Commission assessments. And that's a relevant year because after that a number of categories of expenditure got conflated and the patterns were not quite so clear.

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But back in 2006/7, in our submission, there's a range of – number of social welfare categories of expenditure where the combined actual expenditure was \$522 million less than the Grants Commission assessments. Probably most notably, Family and Children's Service where the assessment was 179 million, actual spending 43 million. Corrective Services 133 million assessed, 68 million spent. Services to indigenous communities 218 million assessed, 110 million spent. Roads 250 million assessed, 122 million spent. These are all areas of vital importance to remote communities. What can you say, these are the assessments that the Grants Commission make to - under Horizontal Fiscal Equalisation, allow equal capacity to do things in those areas.

Now in the Northern Territory there was a further complicating factor that when self-government came in 1978, there was a very big infrastructure deficit in existence. And the HFE system doesn't allow catch up. It simply allows maintenance of the status quo. So there is a major problem with an inherited infrastructure deficit, whether that be roads or systems. This systemic pattern of underspending which we've identified and traced through from the 90s through. In more recent years, the severity of that underspending has diminished, but it is still accumulative deficit that has occurred.

Those things interact and compound one another. And there's further factors which will also identify in our submission, one of which is what appears to be, quote possibly, a very significant undercounting of the indigenous population in census data. All of those things work together to prevent indigenous communities from recovering from their extreme state of disadvantage and therefore, we believe, that there needs to be a fundamental reform of Commonwealth/Territory financial relations as they specifically relate to indigenous communities and indigenous disadvantage. Thank you.

MR BEADMAN: Hi. I'm Bob Beaman. And I want to simply talk about population. The Territory has got a population problem. Growth has slowed enormously. I think we've got negative inter-state migration. And the only reason the numbers are going up is because of high birth rates in remote Aboriginal communities. Overall, it's believed that the Territory has about 30 per cent of its population made up of indigenous people.

If you move to school age children, the figure is in the order of 40 per cent. And, until recent times, we believe that loading through the

indigeneity factor in the Commonwealth Grants Commission formula has worked to the Territory's advantage.

5 But, when we look at the growth in numbers of indigenous population in the states, and we take note of what the ABS has said consistently now that that growth can't be attributed to natural increase, we've come around to the view that probably indigeneity is now working to the Territory's disadvantage. But when you do the analysis of the numbers, unbelievably, we've got a declining share of the national indigenous population.

10 There are several explanations as to why that comes about. I think the first is, as has been alluded to, I don't think the ABS does a very good job of counting in the bush. We think there's probably a cohort in the 15 to 20 year age bracket in most Aboriginal communities that's gone under the radar and not counted at all. We believe that self-identification provision in census is encouraging people to come forward when – for reasons of their own. Some of those reasons might be to do with the work of genealogists in universities who comb back through family trees and find that there was an indigenous ancestor there 200 years ago. Suddenly, an entire new family appears on the census data as indigenous.

20 We note from census data that 80 per cent of indigenous marriages interstate are to a non-indigenous partner and the kids of that union that become indigenous. So we look on with horror at fraud too, over the question of identity and are concerned that all of this growth in numbers is drawing money away from the Territory. The ABS's remarks about this growth in numbers not being able to be attributed to natural increases, seem to us to be a plea to other arms of government to address this anomaly, but nothing has happened.

30 And as a consequence, we believe that if other arms of government are not going to address that exponential growth in indigeneity around the states which has led to the Territory having a declining share and thus a drain away from our GST share, then it's incumbent on the Commonwealth Grants Commission to go to greater efforts to distinguish degrees of need amongst Aboriginal populations around the states.

40 It seems to me, for example, that a double university degree, double income family in their own house in Parramatta would have less of value – should have much less of value in the weighting that the Commonwealth Grants Commission would give to an indigenous family with several inter-generational levels of welfare dependency, all unemployed and in a humpy in a remote community like Papunya.

We are aware of some attempts by the Commonwealth Grants Commission to distinguish between degrees of need. But when you take quintiles of the Australian population, it doesn't get anywhere need to addressing the difference in relevant need that I've just pointed out. Thank you.

MS CHESTER: Thank you very much. And there's lots of ground we want to cover with you with some questions, so Jonathan and I get a better understanding of the issues that you've raised. I guess going to the first one that really you've highlighted in your submission and in your opening remarks today around the way HFE works at the moment, people bandy around the term "equity". And I guess one way of viewing equity and probably the most important way of viewing equity is equity for an individual, regardless of where they live.

HFE is really about giving the states and territories a fiscal capacity and this is where we see the disconnect that you're talking about between the Northern Territory's assessed for disabilities and disadvantages around indigeneity and remoteness, and the two kind of work together, given where indigenous peoples live in the Northern Territory. But that just allows a fiscal capacity for the Territory Government. Overlaid with all of that is the states and territories have the autonomy to spend that money as they see fit.

And so we can look at the numbers that you've shared with us today and we'll talk a little bit about those and some of the good work of people like Professor Neil Warren, at the University of New South Wales, who's looked at some of the CGC data and looked at what money has sort of been adjusted for that fiscal capacity based on indigeneity and remoteness, and then where it's actually spent, which is the outcomes. And that's what's kind of, at the end of the day, linked to equity. So that for us is a difficult area when the whole system has evolved towards giving the states and territories greater autonomy.

But you rightly pointed to the issue of, and I think it was in your remarks Denise, about transparency and accountability. And I guess there's two angles there: one is on the issue of accountability, to what sense do you feel there are clear lines of delineation and understanding of funding and delivery responsibilities between Commonwealth and Territory on indigenous policies and programs?

MS BOWDEN: Commissioner, that's a very good question because I think it's fairly clear as mud sometimes. You're in a system of election campaigns that often change every three years and with that does change policy too. So I think also in terms of very remote people, I don't think that

that is communicated well to the people on the ground. And, in fact, you know I think it would be fair to say that there's been such a sort of frustration over this that there's probably a lot of people that have turned off, to be quite honest.

5

I'll go to the Empowered Communities' component, because it does talk to the need for an independent umpire to I guess, you know, monitor things such as making sure there's transparency and clarity in how funds are distributed and also to alleviate any congestion. And the Empowered

10 Communities' model also talks about real engagement with indigenous people as to how you know the priorities of funding are set and future growth, and we're talking five to 10 years not you know when government seems to need it. Does that answer your question?

15 **MS CHESTER:** No, it does. And indeed, some of the issues we're touching on too will go well beyond, as I'm sure you'll appreciate, this inquiry. But that's fine. The Commission's always happy to go a little bit further than our Terms of Reference at times when there are important issues. And indeed, some of our commentary around how indigeneity is

20 treated in HFE and the need for longer term reform in our report, do kind of go beyond our Terms of Reference.

Before we get to the transparency side of it, just on this point of accountability, the way the HFE works by saying, "We've assessed your

25 fiscal capacity and this is what the NT needs", that kind of works in principle if there is - in terms of being accountable to the electorate on the Northern Territory, so your Territory Government, if people do understand who's responsible for what. But we, like yourselves, struggle with the HFE system in itself is incredibly complex and then there doesn't seem to be

30 clear understanding of which level of government is really responsible for and the funding of different policies and programs in the indigenous area.

So I think that's why we struggled a bit with, how do we deal with it within HFE? Some people just say just take it all out of HFE and don't

35 have it as a disability for the assessment of fiscal capacity. I guess where we kind of landed was fixing up the broader accountability first, who is responsible for what and that's well known and understood, and then revisit is it still appropriate to deliver it through HFE with states having autonomy on how it's spent or, given we know from our work on overcoming

40 indigenous disadvantage, our report, the gaps not reducing in most areas, do we need to deal with it differently? And that's an area where we do have a draft recommendation and a finding in our report.

I don't want to mischaracterise your submission, but I think from

45 reading your submission that would make me think that you do need to get

the longer term Federal financial relationships and accountability right on indigenous policies and programs before you can really then address making sure that the money is spent appropriately.

5 **MR HANSEN:** I think it's fair to say that there's a number of issues that could be addressed simultaneously, but that is certainly one of the key ones, yes.

10 **MS CHESTER:** And we're conscious that all of that takes time. So in the interim focusing now on the current HFE arrangements, what could we do to make them more transparent? So a couple of things come to mind. So firstly, the data that you shared in your submission, so that's CGC data from 2006/7.

15 **MR HANSEN:** Yes.

MS CHESTER: But you can't do that sort of analysis now given the way the CGC - - -

20 **MR HANSEN:** You can, but it's not as clear because – and it's also we started from there. But you'll see further down that by 2009/10 that deficit had reduced to 356 by 14/15 and came in at 334 million.

25 **MS CHESTER:** Yes.

MR HANSEN: But that's now down to about 130 million, that deficit. But there's this accumulative effect of underspending over many years, which we suspect goes back to 1978, but possibly a little bit more recently but certainly back to the early 90s.

30 **MS CHESTER:** Yes.

35 **MR HANSEN:** And you've got that accumulative effect of underspending so that if, for example, in children's – Family and Children's Services where you were spending say 30 or 35 per cent of the assessment year in year out, is it any wonder that you have youth justice issues?

40 **MS CHESTER:** And it might sound like it's not directly relevant, but it does actually go to the heart of this. So there are a bunch of academics out there who do a lot of good work in this area, and they want to have greater access to the CGC data. And Neil Warren does come to mind. We had a couple of meetings with Neil. He's done a lot of good work in this area about looking at what you're assessed for and then what you actually spend the money on and then linking it through to what's happening to policy
45 outcomes in those areas. So one of our recommendations was that all the

CGC data and workings, the data they get from the states and territories, all their workings should be in the public domain to allow the academics to do that good work and analysis.

5 **MR HANSEN:** We would support that.

MS CHESTER: Yes. So we don't have all the states and territories agreeing to that yet, including the NT Government, based on their post-draft report submission, but we'll ask them about that tomorrow. I guess in terms
10 of within the current system, there's the current methodology and how it's applied. And I am aware that in the 2015 CGC Review, and I think you touched on it, there was a sense of trying to get some improvements and making sure you're not comparing apples and zebras in terms of indigenous people based on their socioeconomic position and also where they're
15 located.

So the way we understand it kind of works, there's the remoteness factor, then there's the indigeneity. And they've tried to go more granular with the indigeneity index by using a socioeconomic status as an index for
20 then applying that to different populations at different locations which I thought would go part of the way to addressing your concern about you know Parramatta versus Borroloola. So does that not go far enough in terms of what's needed to get that sense and sensibility in terms of how indigeneity is adjusted for fiscal capacity?

25 **MR HANSEN:** It definitely doesn't go far enough. And, as Bob pointed out, the socioeconomic status is divided in quintiles, so you've got four and a-half million people in the lowest 20 per cent, the lowest quintile, and they each get equal weighting. So the person who is 2 million in the – you know,
30 at the median of the low quintile bears no comparison in terms of socioeconomic status with somebody in a remote community.

And there's other factors which we haven't mentioned, which come into that. So, for example, the cost in a remote community might be double
35 what it is in Darwin, which might be 20 per cent higher than it is in, say, Sydney or Melbourne. But there is no adjustment, for example, in Social Security benefits for purchasing power. So a person in a remote community might have half the purchasing power of somebody in Melbourne or Sydney in the same quintile. And then you've got all these other compounding
40 disadvantages thrown in on top.

MS CHESTER: Okay.

45 **MR BEADMAN:** The quintile of 4 million people, the Territory's entire population, is 240,000, so it doesn't rank.

MS CHESTER: And I guess what the HFE mechanism – because it doesn't get to individual equity, it doesn't sort of flow through – it's really just looking at cost to government of providing services.

5

MR HANSEN: Yes.

MS CHESTER: So to some extent, you're right, the socioeconomic is a higher level measure of the circumstances of the people in those communities because it's not taking into account the cost of living. But it is taking into account the cost of service provision with the remoteness factor. So to some extent, it would be partially built in there. So were you involved in the 2015 Review? Is this an area where you've had interaction with the CGC on how they've – because they seem to be sort of evolving and trying to improve the methodology in this area?

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MR HANSEN: Yes. Well every five years they update their methodology. No, I've just been an observer of what they do and - - -

MS CHESTER: Because they've got another methodology review underway at the moment.

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MR HANSEN: Yes.

MS CHESTER: And I'm thinking, there's only so much we can do in our inquiry. Methodology issues like that, I mean we can convey back to this to the CGC and we can give them copies of your submissions, but I think it would be good for you to have some direct input into that as well.

25

MR HANSEN: Yes. That's our intention.

30

MS CHESTER: Yes. So then in terms of the future reforms, and I think that's the hardest area, I'm not sure how much more prescriptive we can be for government, but it would be good to get your sense of have we got the sequencing right, i.e. we've got the get the accountabilities right first between Commonwealth and Territories here? And then decide, is it best done through HFE where the states and territories have full autonomy or do we need to move to a system where what's identified as the funding that's required is - actually then flows through to actually what's spent on the ground, which doesn't dovetail with how HFE works?

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MS BOWDEN: I think the latter. I'll just go back to Empowered Communities, for example, it talks about pooled funding for issues of disadvantage that may be a five to 10 year trajectory. However, the pool funding component won't really be liked by the Northern Territory

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Government because it obviously takes a bit of you know power away from how those funds are distributed. Nonetheless, we're here today because we can't touch the money on the ground. We can't see the money hitting the ground. We can't taste it or hear it. And as a result, people such as Yananymul have got you know family in the communities that - as we say every day, this is a struggle for everybody. So we're here to try to force that change to happen.

MS CHESTER: So the other area where there could be greater insights on transparency is – and I'm not sure how familiar you are with some of the work that the Commission does. So separate to this inquiry, the Commission does – I think you'd be aware of our Overcoming Indigenous Disadvantage Report. We also where we reported I think it's 52 indicators of wellbeing within indigenous communities. As part of that we've also got the Indigenous Expenditure Report.

But another one that many people don't know about is the Report on Government Services, ROGS, where it actually looks at State and Territory expenses and performance outcomes by different responsibilities. And I actually think that is a very powerful transparency mechanism. It's not one that is probably as well known as it should be. So we'll get you in touch with that team and that work and get you a link to where it's on the website.

MS BOWDEN: Yes.

MS CHESTER: But I think that, coupled with what we're suggesting on the data that the CGC have, will help on the transparency side. I think the issue we still have to grapple with is the accountability side and then how we deal with indigeneity within HFE.

MR COPPEL: Can I just pick up on some of the problems you identified? You picked up accountability issues. You picked up sort of broader concerns of Commonwealth/Territory financial relations. And in both I heard you say, "There's a need for fundamental reform". Can you share with us any specific ideas of how you would make reforms to improve accountability and how you would make reforms to improve Commonwealth/Territory financial relations?

MR HANSEN: I think the first point is information. Nobody has a clear understanding because there is no correlation between the Commonwealth Grants Commission assessments and the NT Government budgetary allocations. Because they, the NT Government, slice and dice it in a different way to the Grants Commission, so there is no correlation between that. And that is, I think, the first and fundamental point to get that – access to that information, which is why we've recommended or suggested that the

Productivity Commission itself adopt the role of independent arbiter – not arbiter but umpire and a reporter of those things.

5 I think the other fundamental aspect is there's no getting around the fact that there was a major, major deficit in infrastructure when the NT got self-government, and nothing's really ever been done to bring that into line. So that is something that needs to be separately assessed and dealt with.

10 **MR COPPEL:** On that point, are there not separate funds from the Commonwealth for infrastructure?

15 **MR HANSEN:** Not in a systematic way. They're ad hoc. So, for example, you might get a program to improve indigenous housing, but that's not a 20 year or a 30 year or a life time program. Well, for example, a few years ago there was the SIHIP program and there's been subsequent other programs. But there is no guarantee. There's no ongoing thing to say, "Well, this is how we're going to do it" and take it through to completion. It's really pretty much a political football, in my opinion.

20 **MS CHESTER:** And is that a function of how the CGC does assessed expenses, by applying average costs against population and need in the Northern Territory and then adjusting for the disabilities?

25 **MR HANSEN:** That's my understanding.

MS CHESTER: I'm just trying to work out, if the infrastructure spend was way behind in the NT, as you suggest in your submission and from remarks today, how or why that would not be picked up in the assessed expenses? I'm just - - -

30 **MR BEADMAN:** The CGC consistently says that people oughtn't look to them to address overcoming backlog of need. That their whole effort is about equalising the delivery of services for the current financial year, not about addressing what wasn't there at the start of that financial year.

35 So the reality is that the inherited deficit at the time of self-government, has been addressed in an ad hoc way by various Commonwealth programs, but never, ever, in my (indistinct) of an exercise that goes to a proper assessment of the totality of need and a coherent plan to address that over a period of time. Even the ad hoc approaches to say addressing a housing backlog, has been gone about in a way where the money seems to drain away into the pockets of consultants and builders. Much fewer houses end up on the ground than were originally envisaged. And done by a process of fly in fly out contractors, when Aboriginal people are sitting on the ground

in the bush keen for employment and training opportunities that never materialise.

5 So this is sort of the order of things that's envisaged in this empowered communities, an entirely different way of doing things. I think the writing's on the wall indelibly, that both governments have failed over the years to effectively address the backlog of need, whether it's a social need or a capital need. And maybe we need to rethink, fundamentally, the way we go about service delivery.

10 **MS BOWDEN:** Commissioners, I also think it's worth mentioning that traditionally elections were won here in the Northern suburbs. But given the kind of population changes, governments are now elected by the bush constituency very much so. So the dynamics there even change. So that favour type of approach is very much a different picture that we're having to kind of see here today.

15 **MR HANSEN:** Sorry. I just want to also say a fundamental assumption of the CGC assessments is that equal starting point.

20 **MS CHESTER:** Okay.

25 **MR COPPEL:** So just coming back to a point which we touched on, which I think also relates to fundamental reform of the Commonwealth/Territory financial relations, and that's the point we discussed in the draft report about whether the indigeneity as a factor be in or out of HFE system. Do you envisage that as being part of a fundamental reform or do you still see indigeneity as being something that should also be built into the way in which the CGC calculates its relativities?

30 **MR HANSEN:** I would think it's all on the table. I see no reason why you would exclude indigeneity from that review.

35 **MS CHESTER:** I just have one more question, if I may, and it's for Bob because given you've got a background with the NT Grants Commission. So we have, at the Commonwealth and state/territory level, this system of HFE which is full equalisation to the fiscal capacity of the highest state, and at the moment it's WA, what's the trickle down level? What happens with the NT Grants Commission? How does the Territory Government do it here? And is it a form of full equalisation? Is it partial equalisation?

40 **MR BEADMAN:** The title is probably a little bit misleading. It's Northern Territory Local Government Grants Commission.

45 **MS CHESTER:** Yes.

MR BEADMAN: But in legislation it disappears as “Grants Commission”.

MS CHESTER: Yes.

5

MR BEADMAN: Oddly, the Commonwealth cuts the pool of national local government money on a per capita basis. So there’s no catch up for local government either, notwithstanding that the Territory started about 100 years behind the states.

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MS CHESTER: So that’s - - -

MR BEADMAN: And then, having given us a per capita share, the Commonwealth principles stipulate that 30 per cent of it needs to be allocated to each council in the Territory on a per capita basis, which means that the lion’s share goes to the Darwin City Council, notwithstanding that on any needs assessment basis they would get nil. So it’s very much a partial HFE system.

20

But the anomalous outcome nationwide of the per capita cut between jurisdictions of the pool of money, uniform national principles, and then states having the opportunity to devise their own methodologies in compliance with those national principles, produces outcomes like the highest per capita funded council in the Territory gets about \$300 per capita, the highest per capita funded council in WA about \$18,000 per capita. A totally anomalous outcome through a Commonwealth approach to a per capita split of funds between jurisdictions for local government.

25

MS CHESTER: And the reason I asked this is it’s kind of relevant because we know that councils on the ground in remote communities are doing a lot more service delivery. Is that peculiar to the Northern Territory that it’s done on that way, Bob? Is that something that’s a Territory decision or a Commonwealth decision because we know from some of the states that we met with, and we’ve met some of their Grants Commissions, it’s actually a state decision as to what form of equalisation they do with councils?

35

MR BEADMAN: No, it’s not. It’s an outcome that perverse Commonwealth principles overlaid on the per capita cut of available funds. But to take it to other extremes, Geelong, through the Victorian Grants Commission process, gets an allocation equivalent to the entire amount that we get through the Commonwealth’s per capita split of the national pool.

40

MS CHESTER: Yes.

45

MR BEADMAN: It’s totally anomalous.

MS CHESTER: Okay. We've covered a lot of ground and we didn't have any other questions of you today. Is there anything else you wanted to say while you've got us?

5

MR BEADMAN: Yes, just a quick one. We've got a table in there that shows anomalies of funds from assessment of unemployment levels. Now a few years ago, in another capacity, by remote community, remote community, I got the total statistics on those in receipt of unemployment benefits, those in receipt of Newstart Allowance, and was foolish enough to believe that that total would be equivalent to the total number of unemployed in that location. And then I learnt on community by community, the numbers considered unemployed were only about 10 per cent of the numbers in receipt of welfare benefits. So there's a massive understatement of the true levels of unemployment in the Northern Territory thought published Commonwealth data.

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MR HANSEN: And the population.

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MR BEADMAN: And the population, Barry says is relevant.

MS CHESTER: Okay.

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MR BEADMAN: Yes. So we you know – numbers are distorted in a way that disadvantage us on every spreadsheet.

MS CHESTER: Was there anything else you wanted to - - -

30

MS BOWDEN: No. Thank you for the opportunity today.

MS CHESTER: Well, thank you for coming and joining us today and for travelling. We thank you and we'll pass on some of your stuff to the CGC and we'll get you some links to ROGS work.

35

MS BOWDEN: That'd be great.

MS CHESTER: Because there's a lot of data there that I think – around those expenditures by line areas.

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MS BOWDEN: Terrific. I'll leave this for you.

MS CHESTER: Thank you. I'll grab that. Thank you.

45

MR BEADMAN: Thank you.

MR HANSEN: Thank you.

MS CHESTER: Right. I'd like to invite our next public hearings participant, the Australian Education Union NT to come join us. Good
5 afternoon. Welcome. And if you wouldn't mind just stating your name and who you represent, for the purposes of the transcript recording. Then if you'd like to make some brief opening remarks.

MR RYAN: Certainly. My name's Jarvis Ryan. I'm the president of the
10 Australian Education Union Northern Territory branch, a position I've held for about three years. Prior to that I worked as a teacher for two years at Yirrkala School in North East Arnhem Land. Our union represents about – we have about 2000 members in the Northern Territory, so we're one of the larger unions. We have members in pretty much all of the 150-odd
15 government schools or public schools across the NT and that is the perspective I'd like to bring to bear today. So it's looking at the particular challenges that we face in delivering education at a high level of service or standard to students across the Northern Territory.

20 I'm not sure how familiar you are with our sort of demographic landscape, so I might just give a few comments on the particular make up of our schooling system. So we have over 33,000 students in those 150, or thereabouts, public schools. A very large proportion of those schools are very small. Many of our schools we have members that are one, two or
25 three teacher schools scattered across the very broad expanse of the Northern Territory. You know, we have kids who live on rural properties who attend school of the air type scenarios. We have students, Aboriginal students, who live in homelands. They're not even designated communities where teachers are based in a home location and in many cases fly out to
30 those homelands several days a week in charter planes or drive great distances.

So the starting point is that, once we talk about beginning to try to provide a service to students, in some cases, the costs are astronomical. It's
35 not unusual in some of those very remote schools that the cost of providing education is in the realm of 30, 40, \$50,000 per student per year. And I guess the concern that our union has, based on information we've received from the Treasury and the Education Department here, is that if there's a significant change in our GST as allocated, that will have a direct impact
40 on our government's ability to continue to provide that service to those students.

A useful proper indicator here to talk about is the school resourcing standard. Now after years of sort of back and forth between the states and
45 the Commonwealth, under the previous Gillard Government, as you'd be

aware, there was agreement made around a Gonski funding arrangement. And the critical agreed standard there was at SRS which talked about ensuring that all schools were resourced to an appropriate level.

5 Now in our case, just where we're at currently is the combined sort of contribution from the Territory Government and the Commonwealth is, as I understand it, around about 89 per cent of that SRS. And the agreed outcome we're trying to get to is 95 per cent. Now under the previous arrangement with the Federal Government, there was an expectation there'd
10 be significant additional funding forthcoming from the Commonwealth. As a result of legislation that was passed in June, the Commonwealth has now said it's going to cap its contribution to public schools at 20 per cent of the SRS.

15 In most jurisdictions, that would still mean that public schools will see their funding increase over a 10 year period because the Commonwealth funds public schools currently nationally at about 17 per cent of the SRS. The problem we have in the Northern Territory is that the Commonwealth currently funds 24 per cent of the SRS. So you know, without some
20 arrangement being reached between the Territory Government and the Minister, what we're actually going to see is a 10 year reduction in Commonwealth funding.

 And at the same time, the Northern Territory Government which
25 currently funds about 65 per cent of the SRS, under the terms of this agreement - legislation is much stronger than an agreement, it's actually legislated, so there could be substantial penalties if the government doesn't comply - they will be expected to increase their contribution to 75 per cent of the SRS to get up to that 95 per cent figure. So lots of sticks, no carrots
30 really for the government here.

 I would concede I think there have been issues in the past in how the government has allocated that funding and perhaps not made use of it. I
35 definitely think though there's a commitment from this government at least to ensure that money is used effectively. And, from what I understand, it would place a significant fiscal burden on the Northern Territory Government. So one estimate is that the government here would have to allocate about a billion dollars additionally in the budget over the next 10
40 years to meet that shortfall from the Commonwealth.

 So as far as GST relativities and all of these things go, if we're talking about one of the assumptions, I understand, in the reduction in relativities that affected the Northern Territory earlier this year, was there's an assumption in that CGC report which stated that – and I don't really know
45 where they got this from – but that the cost of providing education in the

Northern Territory was deemed to have become significantly cheaper. I don't know what that assumption is based on.

5 But nonetheless, that first reduction has already affected the education budget. It means there's less funding now available to provide those core services to schools. A further reduction would place more strain on the budget. And our concern is that when that education funding is reduced, it is always the most marginalised and disadvantaged students who are the worst affected. They are, of course, also the students who cost the most to
10 educate up to what we deem an acceptable standard.

One of the problems of course, and I'm sure you'd be aware of this, is that poor education outcomes feed directly into poor employment outcomes, poor health outcomes. We've just had the Royal Commission findings have been released where those Commissioners there have sort of
15 actually said to the government, "Look if you have a better approach to managing these issues, you'll actually save money". Fundamentally, we believe that the current state of education is such that we're not getting enough kids through into a scenario where they emerge work ready. And
20 year 12 rates – completion rates are increasing year by year, but off a very low base. So not being able to fund education, there clearly will be flow on effects that will hit the budget in other areas.

So look that's the sort of broad overview I guess of what our concerns would be and we'd be happy to try and field any questions to provide more clarity.

MS CHESTER: Thanks, Jarvis. And you've raised a bunch of policy issues.

30

MR RYAN: Yes.

MS CHESTER: And we'll try to touch on most of them if we can.

35 **MR RYAN:** Sure.

MS CHESTER: But am I right in saying that your primary concern, and why you wanted to come and appear today, is really the suggestion that our draft recommended changes to – and there are draft – that's a draft report.

40

MR RYAN: Sure.

MS CHESTER: Changes to the HFE system, so moving away from equalising to the highest state to equalising to something less than the highest state, would strip a billion dollars in the next 10 years out of NT
45

budgets. That's the primary concern that you've got that that will then directly flow on to what the spend is in education in the NT?

5 **MR RYAN:** Yes. And with that figure, that's been providing to me by the Education Minister's advisor, and she stressed it's an estimate. I can only go on the figures that are provided.

MS CHESTER: Yes. Okay. That's good.

10 **MR RYAN:** Yes.

MS CHESTER: And we'll be asking them about that tomorrow.

15 **MR RYAN:** Yes, okay.

MS CHESTER: That's a new number to us.

MR RYAN: Sure.

20 **MS CHESTER:** And I suspect that number, and this might help in terms of contextualise your concerns that that number is probably assuming that we do what - a cold turkey policy change, so we move to that new system tomorrow.

25 **MR RYAN:** Right, yes.

30 **MS CHESTER:** And there's no transitional phasing or compensation. So in our draft report, one of the biggest challenges we've got in this phase of the inquiry is whenever you make a change to something like the HFE, the key formula, which is how we work out the relativities, and particularly our starting point is we've got a really wide relativity band of you know WA down in the 30s and the Northern Territory off the scale.

35 **MR RYAN:** Yes.

40 **MS CHESTER:** That to move to such a change, you would need to do it very gradually over time, such that it you know doesn't materially disadvantage particularly the smaller or the fiscally weaker states. So that's one of our guiding principles for the transition part that we wouldn't want to see the fiscally weaker territories and states materially disadvantaged. So that's in our draft report.

45 And so part of our priority now is to try to consult with the states and territories on what would a transition path be that would ensure that? And to some extent, the way the GST pool grows over time and if you transition

it slowly enough, you could see that the NT, at least in nominal terms, may not be disadvantaged. But we've still got a lot of work to do on that.

5 **MR RYAN:** Yes. And look from my point of view as someone who we kind of see how things play out a bit, but the Territory is very subject to sort of vicissitudes of changing Federal Government fortunes and flavours and there's a whole other funding stream that's earmarked for – specifically to do with indigenous disadvantage that is also – as I understand it, that broadly speaking is declining over time as well.

10 **MS CHESTER:** And I don't know if you were here when we had the Yothu Yindi Foundation here before, but one of the key issues, and it's a question I have for you, is that you know you touched on Gonski 1, Gonski 2.

15 **MR RYAN:** Yes, yes.

20 **MS CHESTER:** What comes through the Territory and fiscal capacity through HFE, which is assessed based on assessed expenses for education including in remote communities and the cost of service provision. How much of that is really accountable in terms of who's really funding and who's responsible for what, in terms of education on the ground for the students in the Northern Territory?

25 **MR RYAN:** Look that's still an area where I think more work needs to be done as far as - you know one of our criticisms, under the previous government there was an arrangement whereby the Commonwealth essentially gave the Northern Territory a lot of funding with no agreement really on – in a binding sense, of how they'd be held accountable for that funding. And there's been issues about, in the past, the Territory received
30 a lot of money from the Commonwealth to address indigenous disadvantage and its – does that money really go where it was intended? And I think that is an issue in education as well.

35 So I think it's quite right the Commonwealth would put in place requirements that you are accountable for the funding you receive and – but at the same time, an overly prescriptive approach is not likely to work either. So everything we know about education is that given the maximum amount of autonomy at a school level to make decisions based on what works in their local context tends to achieve better outcomes, but you've got to have
40 some quality oversight as well of how the money's being spent, how Commonwealth money is being acquitted, things of that nature.

45 As we understood it, that architecture of how that Gonski model, if you like, was built, was designed to ensure it was a needs based model. And that architecture, by and large, is still there. The Territory Government

5 itself has moved to a needs based funding model as well. So there's base load funding on a per student basis with loadings for geography, indigeneity, things of that nature. So over time the trend is, I think, for that funding to become more transparent and needs based. It's not where we would like it to be, particularly in terms of the overall level of resourcing. But I think it's better than it has been in the past.

10 **MS CHESTER:** Yes. Because when you look at the numbers in terms of that point that was raised earlier about where assessed expenses are decided by the CGC, looking at disability like indigeneity, remoteness, and then what should be spend on schools – the two categories are schools' education and post-secondary education. The Northern Territory Government is basically putting the money where it's meant to be, so it's close to 100 per cent for schools' education against what the CGC assesses.

15 **MR RYAN:** Yes.

MS CHESTER: And it's actually 210 per cent for post-secondary education.

20 **MR RYAN:** Yes.

MS CHESTER: So that money is flowing through. I think it then comes back to the point of there's other policies and programs on top of that.

25 **MR RYAN:** Yes.

MS CHESTER: Be it the Gonski funding, and also there's other – as I'm aware, much more targeted programs for indigenous educational outcomes, particularly in remote communities.

30 **MR RYAN:** Yes. The way it's sort of been characterised to me is a useful way to understand it is what we call "inside the school gate" versus "outside the school gate" expenditures. So that SRS issue looks only at really your core provision of we've got a teacher in front of the classroom, their salary and on costs are covered, all of your staff, basic upkeep and maintenance of the school, things of that nature. The outside the gate costs can be very significant. The big one there is infrastructure.

40 And we've got – there's huge on-costs with – you know, we're employing a teacher in a remote community. Let's say their salary is \$100,000 and if you factor in the various other allowances and things on top of that, that goes up to probably \$150,000. And then you're putting that person up in a house which needs to be built, which needs to be maintained.

45

5 So the – just the – I know this government is trying to dramatically expand the provision of housing and, for the first time, to extend that housing to local recruits. So for the first time we'd see Aboriginal staff gain access to housing as a condition of their employment. And certainly, if you talk to people in the Territory, they'll tell you getting housing right is probably one of the most fundamental things we could do to alleviate the problems, associated health problems, et cetera, to do with overcrowding. There's a huge cost associated with building and maintaining that housing stock.

10 In addition to that, there are programs. There are targeted programs. So that government here funds universal access to preschool. It receives some money from the Commonwealth. I believe it overwhelmingly funds that component itself, because all the evidence shows us that it's very important that, particularly, disadvantaged children get early access to education. So it's 15 hours of guarantee preschool education per week for four year children at no cost to families.

20 And then we've got specific programs in remote communities, probably the most well known and well regarded would be the FAFT program. So it's a program that involves working with the parents of very young children aged zero to three, providing – then providing children with early access to educational facilities. It's run by a qualified teacher in concert with local Aboriginal staff. So that's a direct Commonwealth funded program. So they're the - all the sorted of deemed outside the gates expenses.

MS CHESTER: Yes.

30 **MR RYAN:** All the discussions I have with principals are, "Look we can't get by with just those inside the gate expenses", like we've got to do a lot of work on capacity building within our community, building links with various community bodies and agencies, other government agencies. So you've got to have enough capacity in those schools to do those things and do them over a period of time to get results.

40 **MS CHESTER:** And I guess that kind of raises the issue then, to what extent is HFE suited or well equipped to deal with the outside the school fence versus targeted and tailored programs which may be Commonwealth and Territory funding but are hypothecated for those particular programs and then can be subject to sort of evaluation. So when you've mentioned before about the cost of provision of schooling in the Northern Territory, you said that the CGC had changed their view on what their cost was and it's gone down recently?

45

MR RYAN: Yes. Just I had a look at their – sorry, go on.

5 **MS CHESTER:** No, no. I'm assuming that – and it's a good distinction you made. It makes a lot of sense to me. So that's the sort of the inside the school gate. So the fiscal capacity of the Territory would need to sort of provide the basic – well, the average school policy adjusted for indigeneity and remoteness. But you're saying that you're not happy with how that cost index has moved for the – how it's been assessed for the NT recently?

10 **MR RYAN:** Well, it's just having a look at this CGC Report, and I've not read the report in full, but in the – its summary on page 14 of the Northern Territory it states that, "There's been a decline in population growth", but it also says "There's been declining relative costs in remote areas mainly in community health and education". So I'm not aware of what the
15 assumption that sort of underpins that is.

I mean, I think the – one of the big issues is that in – and I know Barry Hansen here before who I've spoken extensively on this, and I've spoken with him, is that I think many of the assumptions around the actual cost of
20 service delivery to remote communities tends to understate the true cost of providing a service to those communities. So there's nothing that I would see that would suggest that the real cost of providing those services in remote areas has declined. I mean, it might be just to do with assumptions around inflation and other things, but I - - -

25 **MR COPPEL:** The systemic facts (indistinct) from those specific concerns and even HFE is providing every jurisdiction the capacity to provide the same level of services and other jurisdictions and taking into account cost factors. Do you have views on how well the system is meeting
30 that goal of Horizontal Fiscal Equalisation?

MR RYAN: Well, I think the – you know if you look at those key indicators in the Northern Territory, they're very poor. They're very poor compared to the rest of the country if we look at year 12 completion rates
35 and things of that nature. The previous government took a view that that justified them engaging in quite deep cuts to our public education system.

You know, I believe they're now playing out in even worse outcomes, lower attendance, because these things take a while to filter through the
40 system. And you know the point we made was there was not a mature discussion about whether things were done well or efficiently. They simply took an axe to it. And that certainly doesn't get better outcomes. What it leads to is what we're dealing with now, which is an overstretched and quite burnt out work force in many places, which doesn't have the capacity to
45 build community partnerships and engage.

5 You see, in these remote communities, what people are used to is “Here’s the new set of white faces that have come in”. And you know it takes actually quite a long period of time to build up trust, to build up relationships, for people to think, “Right, these people are authentic”. I know this is a long way removed from what you’ve got to look at in terms of dollars and cents, but it’s difficult to put a price tag on this kind of thing.

10 What we’ve stressed is the need for certainty. So whatever the final amounts are, you know, rapid changes – and this goes – if we suddenly received a large amount of additional funding, that would create its own chaos as well with lots of new people coming into our system, into our schools. What our schools most need, and this is what the whole Gonski thing was meant to resolve, was just certainty about funding into the future.

15 We end up with a lot of administrative chaos here because you get to - even to this time of year and a lot of things aren’t resolved, a lot of funding’s not resolved. There’s a lot of uncertainty, a lot of anxiety for people knowing whether they have a job next year. And every year I’ve been in the Northern Territory, this is what I’ve seen. So what we’d like to see is certainty about what our funding would be in the future. And your comment earlier about not being – subjecting jurisdictions to rapid or dramatic changes is a critical one.

25 So with the Commonwealth funding, I think there’s that issue that we might be looking at a reduction over a 10 year period, and I understand the governments in negotiations so that it’s not a precipitous drop, but there’s – it can be managed, because otherwise there’s too much uncertainty for schools and knowing you know how many teachers can we afford to employ next year or the year after.

MS CHESTER: Well, we’re trying to engage with state and territory jurisdictions on a transition path.

35 **MR RYAN:** Yes.

MS CHESTER: But it’s a little difficult when people don’t want any change to engage on how to implement that change.

40 **MR RYAN:** Well – yes.

45 **MS CHESTER:** We’ll see how we go. I guess the other issue, and I think it is directly relevant to what we’re doing here because, to some extent, when we’re looking at the broader issue of indigeneity and how it’s dealt with through HFE, well indigeneity and remoteness, not having that sort of

5 accountability to which level of government's doing what and do you have funding certainty and do you have program evaluation, all those sort of things sort of bundle in together in terms of whether HFE is the right mechanism, because it does require states and territories to have autonomy on how the money is spent. But then there's a lack of accountability over who's funding it and who's responsible for it.

10 I think indigenous policies and programs there where we've done a little bit of work at the Commission is the one area we're really struggling with and, indeed, in our Overcoming Indigenous Disadvantage Report where we looked at things that are working well, we identified some case studies of programs that are working well and are changing outcomes in different communities or indigenous people in metro and regional areas. There weren't a lot that we could identify that had actually been evaluated. 15 But then you hear stories of good programs being axed and bad programs that aren't evaluated, continuing to get funding.

20 And I just thought you might be interested in knowing that the government has actually announced that we will have a role in setting up an approach and a process and a framework for better evaluation on an ongoing basis, of indigenous policies and programs across Australia, which will get us into the area of education because, as you rightly point out, indeed when you look at our indicators on Overcoming Indigenous Disadvantages, it sort of connects the dots to housing and how that's linked to you know school attendance and health in communities. Education will be front and centre there. 25

30 So it is all kind of relevant to where we land in our final report on how we deal with indigeneity within HFE.

MR RYAN: Yes.

35 **MS CHESTER:** And there is a big link then to the issues that you're raising about outside the school gate for education. The other thing I just thought I might mention, because I think you'd be interested in it, we did a report and unfortunately we launched it at a time when there was some other political fiasco happening. It's called the Indigenous - - -

40 **MR RYAN:** They're happening all the time at the moment.

MS CHESTER: I know. I know. If we only released things when things like that weren't happening, we wouldn't release anything. But it's called Indigenous Primary School Educational Outcomes.

45 **MR RYAN:** Okay.

5 **MS CHESTER:** IPSO, for short. And it was the first time where we got access to the Yirrkara data and we actually linked across every school in Australia NAPLAN results for years three, five and seven, against educational – against all school and student level characteristics that we had the data for. I think you’ll find it really interesting reading, because it did attribution by geography, including right down in a granular sense for the Northern Territory in different regions in terms of what’s happening with performance and what sort of attribution we’ve got the gap of education outcomes, because some of the indicators as you said, high school attendances are going up, but it’s not translating across to economic participation and you know getting through university and all the rest of that and socioeconomics. So I think you’d be really interested in that.

15 But the one thing you’d be even more interested in, and it’s something you might want to raise with the Territory Government – I know New South Wales is doing something – is we were able to identify outlier schools, so schools that when you correct for the student and school level characteristics are punching above their weight, the kids are doing better than they should.

20 **MR RYAN:** Yes.

25 **MS CHESTER:** And so one of our recommendations from that report was to say “Territory Government, you can go and identify those schools based on our analysis. Go lift the bonnet, see what they’re doing that’s different, and then see if it’s something scalable”. Anyway, I just thought I’d mention it while you were here because - - -

30 **MR COPPEL:** We can send you the link for that.

MS CHESTER: Yes. We’ll - - -

35 **MR RYAN:** I would appreciate that, thank you.

MS CHESTER: Yes. Okay. Great. Well, Jarvis, thanks very much.

MR RYAN: Thank you.

40 **MS CHESTER:** Is there anything else you wanted to say?

MR RYAN: No. Look I think that about covers it. Thanks for your time.

45 **MS CHESTER:** No, thanks for coming along today.

MR RYAN: Appreciate it.

5 **MS CHESTER:** Cheers. Okay. So we'll ask our next participant to come and join us, the Minerals Council NT and Bespoke Territory. A double act, I think. Drew Wagner and Paul Henderson? Okay. We do CPSU NT and ETU if they're here, Kay Densley and Dave Hayes? Okay. Time for a break, folks. We're going to take a 10 minute break. There's beautiful tea and coffee, I think, at the back. No food, we're being stingy. So we'll resume in 10 minutes. Thank you.

10

ADJOURNED

[1.45 pm]

15 **RESUMED**

[1.50 pm]

20 **MS CHESTER:** We might get underway then. I'd like to call our next participants to join us up at the table here. We might just actually – you got some clean glasses though before we do start? So we've got the Minerals Council NT and Bespoke Territory; is that right?

MR WAGNER: Okay. I didn't realise it was in tandem.

25 **MS CHESTER:** Sorry? That's both of you, isn't it?

MR WAGNER: No, we're both from the Minerals Council.

30 **MR BARBER:** No, both from the Minerals Council.

MS CHESTER: Okay. Well, Bespoke Territory is not here, so it doesn't matter. All right. Just Minerals Council NT then. Terrific. Thank you. So, gentlemen, if you wouldn't mind just stating your name and the organisation you represent for the purposes of the transcript recording. And then if you just want to some brief opening remarks and then we can get into a bit of a chat.

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MR BARBER: Certainly, John Barber from the Minerals Council of Australia.

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MR WAGNER: Drew Wagner from Minerals Council of Australia.

MR BARBER: Thank you. Well, on behalf of the Minerals Council, we'd like to thank the Productivity Commission for taking on this challenge.

Certainly there have been many reviews into the GST distribution. Not always been successful, so we do thank you for taking on this body of work.

5 The GST distribution is an important pillar of Australian fiscal policy. It is one that provides funding for essential services in some states. But also it has become a source of great frustration for many others. In many ways, it is a fiscal policy that was intended to deliver equality and equity, but it is now derided for the perceived lack of fairness. Reform is required to the GST distribution and has been for some time.

10 As highlighted by the Minerals Council in its submission to the inquiry, these reforms must address both policy and practices of the GST distribution. The Minerals Council welcomes the Productivity Commission's acknowledgement of the policy issues with the GST
15 distribution and agrees that more formal definitions are required to properly state the objective of the GST.

The core problem with the GST distribution is that many of the
20 government agreements do not properly define what it is intended to achieve. The Minerals Council recommends that a definition of "fiscal equalisation" is required as a starting point for any further policy objectives for distributing the GST. The Minerals Council knows that the Productivity Commission's main recommendation for its review has recommended setting the objective for fiscal equalisation to be giving states a reasonable
25 level of equity or fiscal capacity to deliver services.

The Minerals Council recommends that equity still remain the principle objective for fiscal equalisation. But also, we must recognise mutual obligations for states to achieve equity on their own. Perverse incentive structures in the GST distribution have rewarded the indolence of some states but punished states that have prioritised economic development. The Minerals Council recommends that the policy reforms must include addressing the incentive structures in the GST distribution. And, as with
30 any fiscal program, the objective of the GST distribution should be to incentivise states to maximise their economic potential and properly address any areas of social disadvantage.

Reforms to the practices and methods used to assess the GST
40 distribution are clearly needed. As is often noted, including by the PC, Australia has the most comprehensive system of fiscal equalisation in the world. But this often gives the false impression that we are already achieving full equalisation when we are not. The complexity of objectively assessing states revenue capacity and expenditures, means Australia still, at best, achieves only partial equalisation. A raft of reforms are needed to

address this deficiency. But it is the focus of the Minerals Council to address issues around mining revenues today.

5 The problem with assessing state's mining revenue potential is well documented and acknowledged in the PC draft report. While some states claim to support mining and point to many of their mining policies as evidence, a true assessment of mineral revenue potential alludes the Grants Commission. This is because mining activity is the result of a combination of overlapping policies on land rights, environment management, energy
10 and industrial relations.

Despite this uncertainty as to how to best analyse the complex methods of the interconnected policies, the Productivity Commission has recommended against the Mineral Councils discounting state – policy to
15 discount state mining revenues in the assessment of the GST. The Minerals Council and the mining industry urge the Productivity Commission to reconsider this position.

A mining revenue discount offers an incentive for states to take greater
20 responsibility for their own economic performance. It deals with the uncertainty in assessing state effort to support mining and addresses another area of policy non-neutrality, that is the policy choice as to what type of revenue a state could raise. As highlighted by the Minerals Council in its submission, not all state revenue is assessed in the GST distribution and
25 large amounts still fall into the miscellaneous category known as “other revenue”.

Other revenue has no impact on the GST distribution and states with lower proportions – assessed proportions of it in their budgets, typically
30 received greater GST revenue. For example, whereas WA raises a large portion of its revenue from mining sources which is redistributed, New South Wales and the ACT raise large amounts of gambling revenues. This is not redistributed.

35 A mining revenue discount is a simple way to account for this policy choice and improve equalisation. The Productivity Commission reason for opposing the mining revenue discount, that is because it does not sit well with the broad objective of fiscal equalisation, is not justified when the bias of all the current partial equalisation methods are properly considered.
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Furthermore, as noted by the Productivity Commission draft report, a new objective for fiscal equalisation is needed to fill the definitional voids we have. The one recommended by the PC, it should be noted, moves even
45 further from the current assessment of equalisation than any mining revenue would.

5 In closing, the Minerals Council supports all efforts to reform both the GST distribution policy and procedures. But we urge the reforms deliver incentives for states to grow and prosper together, rather than simply allocate funding in different and sometimes less equitable ways. The Minerals Council, like many others, support the idea that the GST reform needs to be considered in the context of all Federal/State financial relations and supports a broader review of the full system. Thank you.

10 **MS CHESTER:** Great. Thank you very much. I think we just had someone join the table, and for the purposes of the transcript, we need to know name and organisation. And I'm assuming it's Paul Henderson from Bespoke Territory?

15 **MR HENDERSON:** Yes, correct.

MS CHESTER: Okay. Because – sorry?

20 **MR HENDERSON:** Yes, I can sit back and you finish with these guys first.

MS CHESTER: I think that's a good idea.

25 **MR HENDERSON:** Yes.

MS CHESTER: Let's do that.

MR HENDERSON: Yes, sure.

30 **MS CHESTER:** Terrific. Thank you very much, Paul. And we're running a little ahead of schedule, so we'll have time to do that. So perhaps just going back to I guess the fundamental concern of the Minerals Council and, as you touched on it, in terms of the perverse incentives the current HFE system may be creating and imposing on decisions for development activity and in particular controversial development activity across states and territory jurisdictions, that was an area where we struggled at times to get a comprehensive evidence base.

40 So one of the things that would be helpful, if you can talk us through some of the examples that you're aware of in the NT or more broadly from your work with the Minerals Council, of - examples of where HFE has created those perverse incentives and where development activity hasn't gone ahead that would have otherwise have gone ahead.

MR BARBER: Certainly. I think in terms of dealing with this question of the perverse incentives, it can't be analysed in terms of a narrow scope of a single project or in a short-term analysis. What needs to be considered is the suite of state mining policies that I've talked about.

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What we tend to see is that the entirety of the HFE assessments system, which mining revenue is one of the large drivers of the GST distribution, is supporting several states to implement less than supportive mining policies, to turn their backs on mining or any form of resources development, because the efforts of a small number of states, namely Western Australian, the Northern Territory and Queensland, enables them to receive funding through the HFE system. They can prioritise greater environment amenity because they are receiving more funding than they otherwise would've through the HFE system.

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There are many lower level methodology problems that the Commonwealth Grants Commission has, for example, in assessing mining revenue – mining policy neutrality. Our position is it's difficult to really assess the incentive structures of any single project going ahead or not going ahead, but rather that some states were allowed to have or do have that greater policy priority of environment amenity when they have the luxury of funding outcomes coming from the Federal Government via the HFE system.

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We believe that allowing states to keep or not have as much revenue redistributed through the system, they would be required to take a greater role in their own economic development, not just through the funding that fiscal transfers, such as HFE, would provide but through the economic benefits the resources industry does deliver in terms of local jobs, regional development and even then, as a secondary consideration developing state royalty basis.

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MS CHESTER: Okay. I guess in our report, we identified two streams, two key streams, of where we thought there might be – where the system's struggling with policy neutrality, so not impacting the incentives that states have to make more policy choices. So one stream was development activity, the other stream was state's approach to tax reform of the revenue bases. If we were to move to your form of partial equalisation, which is discounting mining revenues, how does that address the second stream of perverse disincentives?

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MR BARBER: Well, if I could just add to that? We already have a system of partial equalisation. What our recommended discount to the mining revenue does is balance the playing field of that partial equalisation which doesn't address some of the other revenue sources. The Grants Commission

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have identified they can't find ways to assess properly or fully, that that is the bias in the current system that moves a lot of the dollars around in the GST.

5 But to go back to the point as well that are those sort of incentives restricting development of any form? No. There's no single project that has ever been knocked back because a state was concerned about the fiscal equalisation implications of getting more mining revenue. But we do believe certain states have been able to not meet the same standards of
10 resource approval, because they have the luxury of greater transfers coming to them from the Federal Government.

MS CHESTER: Okay.

15 **MR COPPEL:** Is that something which is unique to natural resources? It's an issue that's been brought up in some of the hearings in other jurisdictions that other major projects - - -

MR BARBER: Yes.

20 **MR COPPEL:** But a lot of the emphasis is on natural resources and the mining discount would be (inaudible) of that.

25 **MR BARBER:** Very much so. Because I think the economic and even the revenue gains to states is far greater from a resources project. As was raised, I think, by several states in their submissions, there should be no difference between trying to promote a tourism or agricultural sector or manufacturing base.

30 But the evidence I think is clear that the mining sector generates far more revenue. If you look at those states with strong mining sectors, they tend to have the greatest payroll capacity. They do raise the mining royalties as well, whereas agriculture, for example, doesn't even attract land tax. The payroll taxes collected from the tourism sector are much lower.

35 There are far greater regional benefits to be had. But there also comes greater regional costs for the states who are trying to develop their resources sector. So that's probably one of the other reasons we support the mining revenue discount. The minerals industry supports the states that are making
40 the effort to attract the investment from our sector, but they should be keeping a greater proportion of the benefits.

45 **MS CHESTER:** So just maybe if we can tease that a little bit further. So if, as you put it, a lot of the revenue raising capacity of certain states and territories, and WA being the outlier at the moment, is driven by what's

under the ground, that then is a key driver of their fiscal capacity. So if HFE is about assessing relative fiscal capacity and equalising it, why would you take out of the equation one of the biggest drivers?

5 **MR BARBER:** Because for some states, even bigger proportions are taken out as well. If you considered the Grants Commission assessment of the ACT Government budget, nearly 60 per cent of their assessed revenue falls into the other revenue category and is not equalised. If you looked at the -
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10 **MS CHESTER:** So doesn't it then just add – so I guess where I'm coming from is, as we called out in our report, it is not full equalisation at the moment for those reasons that there's – swings in roundabouts, things that are included already discounted where data problems – your answer to that
15 is to take it further away from any chance of equalisation by taking mining royalties out?

MR BARBER: Well, again in terms of equalisation, it's already not occurring. As you've said, partial is already the norm. But there is bias in
20 the policy choice between states of what sort of revenues they raise and how that is then handled in the current system because there is no way of – as the Grants Commission acknowledge, properly identifying the assessment of gambling revenues, of user charges, or returns on assets, financial assets that is. To level the playing field and measure that or at least bring about a
25 solution to some of those non-neutralities of policy sort of choices there, we do recommend that mining revenue needs to be discounted.

MS CHESTER: Okay. So the CGC in trying to – so I guess there's two issues. So firstly, there's the overall balancing act between equalisation.

30 **MR BARBER:** Yes?

MS CHESTER: And the subsidiary principle of policy neutrality. And the way that we kind of viewed it in our draft report, because you have such
35 an outlier state at the moment, the degree of equalisation within the GST redistribution is increased so much that the first disincentives are greater. So one way of suppressing that, getting a little bit of a trade off into the system, is to stop equalising to the highest state because that makes the equalisation task greater.

40 **MR BARBER:** Well, if I could go back to one statement there, that we have a state that is an outlier? One of the main reasons they are such a strong outlier is they have the lowest proportion of state government revenue falling into the other revenue category that's not equalised. Only
45 30 per cent of WA's own source revenue, as assessed by the Grants

Commission, falls into the other revenue category, whereas the ACT is about 60, South Australia 45 about, Tasmania 45 as well. The different proportions of state revenue being equalised are driving a very strong bias in the system towards the states that do have high proportions of their revenue that is assessed.

MS CHESTER: Okay. But if we're looking at trying to get the trade-off between equalisation and policy neutrality and within the GST pool at the moment, what is – of the equalisation task and I think we can agree to agree that it's not full equalisation for them as you've outlined – is greater when you're equalising to the highest. If you then reduce that equalisation task by taking it say to an average or to the second highest, you do improve those incentives.

MR BARBER: Not so much because they would still be based on a flawed method. They would still be using the same flawed methods to deliver the equalised level of equalisation, whether it's to an extent of full equalisation as we're aiming for, for the equalisation of the strong state say with the highest fiscal capacity or whether it's the state with the second highest fiscal capacity, that level would still be mis-measured.

MS CHESTER: Okay. So you're saying because everything's not included at the moment and we're not getting full equalisation, we should depart further from partial equalisation to less partial – to more partial equalisation by taking mining royalties out altogether?

MR BARBER: Not taking them out altogether. We do recognise as a source of – a large source of state income. It does need a partial equalisation on that front. Our position is that to actually acknowledge the different policy choices of various state governments. And, as acknowledged in the Productivity Commission Report, there are problems with measuring state new policy neutrality when it comes to mining, not just on the individual mining policy of land access, but on the environmental, on the energy, on the industrial relation side. We do think that states are given revenue that they are not bound to reciprocate in the development of their own resources for in that regard.

MR COPPEL: Does that number of a 50 per cent discount come from – yes, what's the - - -

MR BARBER: Well, we've recommended 25 per cent as an effect of – we do recognise the severity of the impact of discounting mining revenue. We don't want to see a move away from states having sufficient resources to still deliver equitable outcomes. We, however, assess that the level of equity we're aiming for right now is not being appropriately assessed

because not all states are having all of their revenue. And those policy choices are affecting how much GST they are receiving. And it's not just in Western Australia for the mining revenue. Look at the three states with the lowest proportion of assessed other revenue. In order it's Western
5 Australia, New South Wales, Victoria, who are all of the states that are – well, some refer to as the “donor states” in the system.

MS CHESTER: So what would be the impact on the NT of that proposed change?
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MR BARBER: The Northern Territory, as assessed by the mining revenue assessment is losing GST revenue. So the Northern Territory, under our system, would gain additional revenue.

MS CHESTER: And what quantum would that be? What would happen to their relativity?
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MR BARBER: I mean, it would not be large. Based on current data, you'd be seeing our estimates, I think, in the Northern Territory getting approximately in the order of \$20 million, 20 or \$30 million.
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MS CHESTER: Annually?

MR BARBER: Annually.
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MS CHESTER: Okay. And it's because it's taken out, of course. All right.

MR BARBER: Sorry, if I've misquoted that. I'd have to double check in our submission where we ran those estimates.
30

MS CHESTER: Okay. Then so going back to the earlier question I asked, I'm not sure – and maybe I missed it in your answer. So we had the two streams of policy neutrality concerns, one around development and the other one around state based and territory based tax reform where we had some cameos which show what happens to relativities if states dare greatly and do such reform. Doing your further partial equalisation through the mining royalties, how would that address that efficiency problem?
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MR BARBER: In the second aspect of your question there?
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MS CHESTER: Yes.

MR BARBER: Well, I guess directly it wouldn't. It's not going to be a key driver in helping states move from inefficient stamp duties towards land
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5 tax. But I think it needs to be acknowledged that in that policy space with respect to certain commodities, there is opportunity to gain in the system, that if certain states decided to reform their – and I think it is acknowledged in your draft report, that if West Australia were to change its royalty system, it could effectively reduce the GST or change the GST being received to the other states just by the size of its dominance of Australia’s iron ore production. So it wouldn’t have much impact on say Tasmania’s decision to distinguish between stamp duty or land tax or to conduct payroll reform.

10 But in the case of mining royalties, we believe the incentive effect, so following through, that the economic development can come from states having to prioritise economic development, perhaps open themselves up to greater resources investment, the royalties would be of large benefit of those states individually.

15 **MS CHESTER:** Yes. So you can see why we’re approaching it in a different way than you are, in terms of we’re trying to address all the perverse incentives that created in the system, not just one stream of them.

20 **MR BARBER:** Well, not really, because your system is still not recommending a change to the methods that are delivering the perverse outcome. It’s just muting the effects on certain states.

25 **MS CHESTER:** So it does - - -

MR BARBER: The methods to assess GST are not changing.

30 **MS CHESTER:** It does significantly reduce the disincentive effect by reducing the equalisation task though.

35 **MR BARBER:** But still based on a biased method. The methods to assess the GST distribution would not have changed, just an after assessment event decision to equalise to say the second state, rather than the first.

40 **MS CHESTER:** Well, we can all agree that it’s not a full on comprehensive equalisation based on what’s in and what’s out at the moment. But that given, reducing the equalisation task within the GST pool, so having a greater element of EPC does improve those incentives at the margin for both streams.

MR BARBER: Well, not really. It’s really just trying to minimise the symptom rather than address the core problem of why there is bias and only partial equalisation on some fronts anyway.

MS CHESTER: So if we were to extend your logic then, shouldn't we be improving the flawed base and making sure that it is full equalisation and then we could talk about what the reasonable objective is.

5 **MR BARBER:** Correct. But that would be another alternative. Personally, I'm not sure if the full spectrum of how a meaningful tax base could be implemented for the user charges, the gambling revenue. The Grants Commission has, I understand, considered those issues at length over time. You do mention in your report the global revenue assessment,
10 something being worthy of further consideration. I do believe that is one way to proceed.

MR COPPEL: One of the suggestions that the CGC has put on the table for its 2020 review is similar to what you're advocating for, which is a
15 50 per cent discount for additional revenue on changes to the royalty tax rate.

MR BARBER: Well, with respect, it's not what we're talking about.

20 **MR COPPEL:** No, but - - -

MR BARBER: It's a very different concept. It again acknowledges there is a policy with policy neutrality but is only willing to acknowledge the symptom of any further increases in royalties which still doesn't change the
25 other proportion of existing royalties which is still going to be subjected to the full equalisation assessment methods.

MR COPPEL: So your view on that would be that it would be certainly inferior to a discount - - -
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MR BARBER: Correct. It is again dealing with a symptom, not trying to address the underlying problem of how to assess mining royalties.

MR COPPEL: They both deal with a symptom.
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MR BARBER: Well, no, the mining revenue discount we're proposing will be addressing all mining revenue, not just revenue that's then additional. The discount deal with policy or data uncertainty is an established method by the Grants Commission. We're recommending that
40 it apply to an area policy uncertainty which everyone has acknowledged in most reports and even the Grants Commission has acknowledged but still not come up with an appropriate system to deal with.

MR COPPEL: Do you have any views on the other aspect of the GCG
45 discussion paper relating to gas, coal seam gas?

5 **MR BARBER:** Being the Minerals Council, we have focussed on the hard rock minerals. Of course, we have opinions on many elements of fiscal or other resources. But for the purposes of today, we'll just keep it to the hard rock resources.

10 **MS CHESTER:** Okay. So from the Minerals Council NT perspective, in terms of the perverse disincentives, which are kind of the symptoms of the system not getting the trade-off right between equality and policy neutrality, did you agree or disagree with our report sort of characterising it as there is the two streams, there's development activity and tax reform?

15 **MR BARBER:** Sorry. By "development activity" do you mean broader economic or just within the mining sector there? I'm not sure to what you're referring.

20 **MS CHESTER:** Well, any controversial development activity. At the moment we're focussing on the mining industry because they're the current contemporary examples, but it could be anything in the future, who knows.

25 **MR WAGNER:** "Controversial" is a very interesting concept up here in regards to when you're looking at the mining sector versus a number of other sectors operating at this point in time as well. It would be hard pressed to look at "controversy" as far as it being a financial decision in regards to revenue streams and royalties when, in actual fact, the predominant system being utilised at this time is probably more on approvals or environmental systems being utilised to identify what a controversial project is rather than a financial controversial project is.

30 **MS CHESTER:** Okay. So I think that kind of addresses part of my question. But where we identified problems around the incentives at state and territory space around reforming their revenue bases have had a lot more tax policies in place. That was another – so you're talking about addressing the symptoms of the problem. The symptom that you're focussing on is the incentives that are created for some states to not dare greatly and do development activities and be supported by other states and territories that do dare greatly and do those things. So that's one of the symptoms.

40 The other symptom that we did a lot of cameo analysis around was around what incentive states based have optimal tax bases and optimal tax policies. So I just didn't know if the Minerals Council had a position on that. You don't have to.

45 **MR BARBER:** No, we don't.

MS CHESTER: Okay. That covers all the questions we had, gentlemen. Is there anything else you wanted to say?

5 **MR BARBER:** Great.

MR WAGNER: No. Look, more than happy to provide the information at a later date if there's any more NT specifics or industry water(?) specifics that the Commission would like. We're more than happy to have direct
10 contact.

MS CHESTER: Great. Thank you very much.

MR BARBER: Thank you. And good luck with any reforms.
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MS CHESTER: Okay. Well it's very easy for me to ask our next participant to join us at the table. It's just a shift across, from Bespoke Territory. So welcome. And just once you've had a chance to settle in, if you wouldn't mind just stating your name and organisation for the purposes
20 of the transcript recording so we've got voice recognition happening. And then if you wouldn't mind making some brief opening remarks and the debater's bell goes at five minutes.

MR HENDERSON: No worries. Well I'll be very quiet in coming in
25 (indistinct) myself. And it's nice to meet you.

MS CHESTER: Thank you.

MR HENDERSON: Thank you very much for coming to the Northern
30 Territory.

MR COPPEL: Thank you.

MR HENDERSON: It's great that you've made the time.
35 Paul Henderson, managing partner of Bespoke Territory. But I'm really presenting here today as the former Chief Minister of the Northern Territory from 2007 to 2012, and also I was a senior Minister in the first two Clare Martin Governments from 2001 till I became Chief Minister until 2007.

40 So my contribution today is not going to be a very technical contribution. It will be through the prism of being at every Cabinet meeting for 11 years on a weekly basis bar the Christmas break, being at every COAG meeting for five years through you know extraordinary reform, and through the prism and the challenges of the Northern Territory as it is a
45 completely different jurisdiction to all other jurisdictions. And the

challenges of any government here in the Northern Territory to be able to pursue - and I go to the Terms of Reference here, “The inquiry consider and influence the current system has on productivity, efficiency and economic growth” - so enormous challenge for the Northern Territory to diversify and deepen our economy “the incentives for the states to undertake fiscal reforms that improve the operation of their own jurisdictions, and the states’ abilities to prepare and deliver annual budgets”.

So the challenges for this in the Territory are extraordinarily complex. I think your draft report does acknowledge – and I don’t have it in front of me, so I apologise if I’ve taken - the words aren’t quite right - but acknowledges that the current system of HFE has served Australia well and is seen as a bench mark for equalisation. And I absolutely understand the political challenges of the West Australian and Commonwealth Governments in terms of dealing with the issues that state has in terms of the current methodology and how it serves them.

I’d just like to put some real issues here in context, in regards to the Territory’s difference. So our indigenous population in the Northern Territory, as of 30 June 2016, was 74 and a-half thousand people, 30 per cent of the Territory’s population, which presents a range of challenges that no other jurisdiction has to deal with. Based on the 2016 census, the vast majority of that 30 per cent, so 79.3 per cent, 80 per cent, of our Aboriginal population reside in remote and very remote areas. And of that population, the vast majority of people have English as a second or third language. And so the challenges of providing services that are at an equal level of other jurisdictions, is extraordinarily challenging in a range of contexts.

Also, when the Territory achieved self-government in 1978, there was an extraordinary deficit, I suppose, in remote and regional parts of the Northern Territory in terms of infrastructure, in terms of housing, in terms of education facilities, in terms of health facilities, that you know the Territory has struggled to upgrade since self-government. And you know the current system recognises the challenges in terms of service delivery and we’re compensated for that through the equalisation formulas. But it really doesn’t tackle the infrastructure deficit that the Territory inherited at self-government.

I’d just like to go to a couple of examples of the extent of the disadvantage here in the Northern Territory. And I see we’ve got the AMA who will talk about health. But if we just talk about housing, for example, again based on the 2016 census, 69 and a-half per cent of all social housing and dwellings in the Territory are occupied by Aboriginal households. Nationally it’s 16.3 per cent. And in terms of the proportion of social housing dwellings occupied by Aboriginal households in the Territory

combined with the relatively high number of people per dwellings, the vast majority of social housing temps, in the Territory, Aboriginal people at 85.3 per cent.

5 If you then look at the backlog in regards to housing infrastructure in the bush, again in 1978 when the Territory achieved self-government, one of the things the Territory didn't take on board was the responsibility for remote community housing. At the time, there was something like 73
10 remote community government councils. There were 73 – I think it was 73, I'll correct if I'm wrong – housing trusts that the Commonwealth allocated funding to. And there was very little in terms of additional capital investment over time. So we had extraordinary overcrowding in housing.

15 It wasn't until a bilateral agreement between the Territory and the Commonwealth in 2008 where finally the Commonwealth set up, with an National Partnership Agreement on Remote Housing, I think it was 1.3 billion over 10 years. And it was then the first time that the Territory Government committed funding from unsourced revenue to support a massive housing program in the bush. That was a significant policy reform.
20 It was combined with, around the same time, significant local government reform where 73 remote community councils were collapsed into 12 regional councils.

25 And at the time, the agreement with the Commonwealth was as the housing stock was built or upgraded to Territory housing standard, the Territory would then own those assets by Territory Housing. But there's still an enormous deficit out there of houses that haven't been brought up to standard that is still the liability and responsibility of the Commonwealth and the reform agenda continues in a very complex way to address that
30 backlog, outside of the HFE equalisation system.

35 I just give you some numbers, because it is quite extraordinary. Around 34 and a-half thousand remote community residents live in 4600 homes, an average of around eight people per household. The Territory's population is predicted to grow at 1.6 per cent. This will see the number of bedrooms needed – required to bring our housing up to a national occupancy standard, additional rooms at the moment - today, 34 and a-half thousand. With
40 population growth projections between now and 2028 we'll see that number grow to 42 and a-half thousand new rooms. At the current cost estimates for building those rooms, the deficit in terms of our housing infrastructure is between 2.2 and \$2.9 billion dollars.

45 So again the Territory really struggles in terms of understanding all the determinants of people's condition in terms of being able to participate in education, to live healthy outcomes, all of the issues in terms of health

service delivery, education service delivery, that is equalised to enable the Territory to try and provide those services. In terms of outcomes for Aboriginal people, unless housing issues can be dealt with, from a policy objective, doesn't meet any outcomes that we're trying to achieve.

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I'll just go to education as well, because this is something I'm particularly passionate about.

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MS CHESTER: Paul, I might just – I'm very conscious of time.

MR HENDERSON: Time.

MS CHESTER: And we're well past the five minutes already.

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MR HENDERSON: Right.

MS CHESTER: But if there's anything that you wanted to draw our attention to that's directly relevant to sort of the HFE inquiry that would be helpful.

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MR HENDERSON: Yes, all right.

MS CHESTER: If not, we might get into some questions, if that's okay.

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MR HENDERSON: Okay. Just very quickly, it is relevant to the HFE Inquiry, is the ability for the Territory to actually improve outcomes for Territorians who live in remote communities, and we are equalised to that effect. I'll just show you one slide and this is from the Closing Gap Report 2017. That actually talks to the NAPLAN measures are on track, not on track by State/Territory 2016. So this is for students for reading and numeracy years 3 to years 9. And there's a table, and I'll table this for the Commission, that shows that the Northern Territory in indigenous remote areas isn't on track for any of them.

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So in terms of any changes to the current formula that provides some level of certainty and the principle of an equity in terms of service delivery, for that to be watered down in any way will materially impact on the Northern Territory Government's ability to actually provide the services to remote Territorians and to enable all levels of government and community to work together to close that gap on indigenous disadvantage. The challenge for the Territory is unlike anywhere else and the formula has provided some stability. Any reduction in that formula that will reduce the equalisation measure for the Territory, will be felt first and foremost by the people who can least afford to see a reduction in service delivery in the Northern Territory.

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5 **MS CHESTER:** Okay. Great. Thank you very much, Paul. And thanks for being so succinct there. Just before we get into some questions so we can get a better insight into your thinking around HFE and the issues that we're sort of grappling in this inquiry, and more just for the transcript record, so today you're representing Bespoke Territory?

10 **MR HENDERSON:** I'm not representing. I'm here as a former Chief Minister - - -

MS CHESTER: Okay. All right, cool.

MR HENDERSON: - - - of the Northern Territory.

15 **MS CHESTER:** No, no. I just wanted to make sure.

MR HENDERSON: Yes.

20 **MS CHESTER:** All right. Well, I guess just kicking off from your opening remarks of all those Cabinet meetings that you've sat in on, to what extent did HFE and the GST relativities figure in any of those sort of discussions and deliberations around policy decisions?

25 **MR HENDERSON:** Well, it was understood that the importance, the absolute criticality of the Grants Commission Relativities Review that occurs every four years, in terms of looking at the relativities - - -

MS CHESTER: They do a methodology review every five years.

30 **MR HENDERSON:** Every five years. So an absolutely critical understanding of the importance of that and of the Northern Territory being able to demonstrate the challenges of providing an equal level of service in regards to health education, law and order services, to people who live in the remote parts of the Northern Territory, and the absolute sort of priority
35 that the Treasury had in terms of demonstrating to the Grants Commission the challenges and maximising the equalisation effort out of those reviews.

40 They were critically important in the same way as the census review that's conducted were – is critically important, because so much of the formula is applied in terms of on a population basis. And actually understanding who's living out in the bush and being able to capture people in those census counts was a very real challenge. So an absolute understanding of the criticality of maximising that equalisation share
45 through those reviews.

MS CHESTER: And when Cabinet was looking at any issues like how you might frame policies or go about the Territory Government supporting particular development activities, be it mining or anything, did – the impact that that might have on the GST relativities, did that ever figure in those deliberations?
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MR HENDERSON: Absolutely not. And I find that like a really bizarre suggestion that's been sort of put forward by various you know interests in this whole debate. Never once in my time, was "We shouldn't be doing this because that's going to impact on relativities and allocations from the Commonwealth". You know, for five years I was at COAG, there was never any assertion by anybody at those COAG meetings that some of the states were laggards and gaming the system to maximise you know their share or to minimise making hard decisions around you know environmental issues. So from where I sat, you know I think that's a pretty spurious argument that's run by vested interests. It wasn't my experience.
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MS CHESTER: Okay. Because I guess there's kind of two streams to it, the one stream that we touched on just with the participants that were at the table just before yourself.
20

MR HENDERSON: Yes.

MS CHESTER: But in terms of - - -
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MR HENDERSON: I'll get in trouble from Drew for saying that.

MS CHESTER: - - - states having incentives to sort of dare greatly and do you know like coal seam gas in the southern states and things like that where it doesn't – they benefit from the GST relativities in terms of other states that dare greatly with development activity where they don't.
30

MR HENDERSON: Look, I think the whole issue around coal seam gas, and you know we've got the issue here in the Territory where the moratorium on fracking is - it's entirely political. It's got nothing to do with budgets. It's a completely political issue whereby you know politicians and governments are under enormous pressure from well organised, well financed MGOs who campaign against the resources industry. So I see those issues as political issues, not as issues that the states are trying to turn to their advantage to game the system. They're purely political, as far as I'm - would say.
35
40

MS CHESTER: Let's go to the heart of HFE which is equality and equity. And I guess there is an important distinction to be made between equality and equity. I guess we've heard earlier today, the Yothu Yindi Foundation,
45

around where there's a bit of a disconnect between the way equity is viewed, because the way the HFE doesn't – and I'm telling you what you already – this is your bread and butter of past.

5 **MR HENDERSON:** Yes.

10 **MS CHESTER:** But it's about equalising the fiscal capacity of the state or territory jurisdiction because we have state and territory autonomy in how the GST dollars are spent. You can see that there's a situation of, at time, a disconnect between what are the assessed expenses that the CGC derives for a state or territory, and then what's – and that's the basis of getting their GST relativities, versus what the actual expenses are and in particular in the area around indigenous communities and particularly the welfare community spend where there is a disparity between what's the assessed expenses for the NT and what the NT Government historically has actually spent.

15 **MR HENDERSON:** I'm well versed for this argument and disagree on so many levels. So I understand the presentation that you've just received because I live through this politically. So when this assertion was first made, probably back in around 2008/2009, the Territory Government of the day under myself as Chief Minister, we commissioned the Northern Territory's Auditor-General to look at those assertions and allegations and report their findings. That report came down and actually showed the Territory Government spent more on the indigenous population than it what it received through the equalisation measures. I think the Northern Territory Auditor-General reported twice during my period.

20 The issue was raised at COAG. There was a COAG process that actually looked at indigenous expenditure through those allegations across all jurisdictions during the time that Kevin Rudd was Prime Minister. And I'm not if it was the Productivity Commission who actually did that particular piece of work, but that again showed that the Northern Territory Government spent, I think my memory was in - you know 53 per cent of its budget on 30 per cent of the population and that was greater than the equalised share.

25 So the assertion being run is that you know X amount is allocated for welfare services that's explicitly what you need to spend things on, would essentially mean that the Territory Government would have very little discretion to make priority decisions around where funding needs to be spent. So I think if - people can use the welfare line, but I think if you look at health expenditure, you'll see the actual health expenditure is way in excess of what's been equalised out because of the complexities and challenges and the realities of delivering health services.

5 So when you're sitting around a Cabinet table, you've actually got to make the decisions that are in the best interests of the Territory on a whole range of policy parameters and requirements. And the Territory Governments have decided that you know the health crisis in terms of renal disease means that we've got to accelerate the amount of remote dialysis clinics ahead of where we forecast that three years ago, then that's the decision you make and the money's got to come from somewhere.

10 So overall the Territory, I'm very confident in saying, has proven we spend in excess of what's been the equalised share for – to deal with indigenous disadvantage. It doesn't just neatly fall in the slots that people would want it to fall into. If you just wanted it to put them in the slots well you'd run the whole show from Canberra. And I don't think that's the way we want to go in terms of accountability for government service delivery.

MR COPPEL: Are those reports you mentioned from the Auditor-General in the public domain?

20 **MR HENDERSON:** Yes. Yes. They were all tabled in the Territory Parliament and I'm sure if you go back through the COAG Secretariat, they're all public domain documents. I'm sure our Treasury people can deliver them to you.

25 **MR COPPEL:** Yes. Thank you.

MS CHESTER: And Paul is that looking more broadly or was it just in terms of assessed expenses and actual expenses for the NT through the HFE lens or was it more broader than that?

30 **MR HENDERSON:** Look I can't recall the explicit Terms of Reference but they're be there.

MS CHESTER: Okay.

35 **MR HENDERSON:** It was an extraordinary political problem for me. If you go back and look at the politics of the – here, you know we had four indigenous sort of members of our Parliamentary team, and we had people who split and made all sorts of allegations based on this information. As the Chief Minister, I wanted to know if there was any veracity in this, because I know that for 11 – you know for all those years previously, and every Cabinet meeting dealt with the indigenous disadvantage, remote communities, what could we do policy-wise, budget-wise to improve outcomes, where we could find the money from. This notion that somehow

you know the Territory was – written off Aboriginal people in remote communities to fund wave pools in Darwin, was completely offensive.

5 **MS CHESTER:** It's just kind of when you just – and you're right, it's difficult to unbundle and we're relying a little bit on the work that was done by Neil Warren of UNSW who's looked at this more closely, at the CGC data and from its perspective indigeneity.

10 **MR HENDERSON:** Yes, yes.

MS CHESTER: And I think he'd sort of respectfully agree to disagree with you.

15 **MR HENDERSON:** Yes.

MS CHESTER: But I suspect he's just looked at the HFE part of the equation, not more broadly. But even if you just look at the HFE over the past six years, and this is based on CGC data and calculations, welfare is the area where – so on the whole you're right, the NT is 1.04. So your assessed expenses and your actual expenses, you're about 100 per cent on.

20 **MR HENDERSON:** Yes.

MS CHESTER: But when you unbundle that, the one that's really underspend, compared to assessed, and appreciate state and territory autonomy, is welfare.

25 **MR HENDERSON:** Yes.

MS CHESTER: And that's you know basically 67 cents in the dollar over last six years.

30 **MR HENDERSON:** Yes.

MS CHESTER: And I'm assuming that would largely be - welfare spend would largely in the NT be indigenous population concentrated spend, is that right?

35 **MR HENDERSON:** Look I'd be really interested. It's a while now. I've been out of the business for five years.

40 **MS CHESTER:** Yes.

MR HENDERSON: So understanding in that category of "welfare" what we're actually talking about here, because "welfare" in terms of

unemployment benefits and a whole heap of stuff is a Commonwealth (indistinct).

5 **MS CHESTER:** No, no, no. This is purely assessed expenses for Territory expenses.

MR HENDERSON: Yes, I get that.

10 **MS CHESTER:** Yes.

MR HENDERSON: But I don't know what is in the bundle of "welfare". So are we talking about housing? Are we talking about transport? Are we - -

15 **MS CHESTER:** No, no. That's all separate.

MR HENDERSON: Yes.

20 **MS CHESTER:** So the bundles that the CGC looks at are the high level ones, the schools, education, post-secondary education, health, housing, welfare, service to communities, roads and transport.

MR HENDERSON: Yes. So I don't know what's in that bundle of "welfare". It's just a word. Like what services are they talking about in that bundle?

25 **MS CHESTER:** Okay. Well, I think that's what the Neil Warren analysis has done.

30 **MR HENDERSON:** Yes. All I do know - - -

MS CHESTER: But maybe if we get back to – sorry?

35 **MR HENDERSON:** All I do know is that this issue was scrutinised to an nth degree. Like my government wanted to get to the bottom of it. And it was certainly an issue at COAG and it was a very thorough COAG process that basically said that you know the Territory spent more than it was allocated for and there was no criticism through that process of how the Territory was spending that money or acquitting that money that was equalised to it for indigenous disadvantage.

40 **MS CHESTER:** Yes.

45 **MR HENDERSON:** And it was a very thorough process and all those documents are on the public record.

5 **MS CHESTER:** Okay. So I guess if we look then more broadly, and touching on what you said before around some accountability, good to get your thoughts on where we landed on indigeneity in our draft report. A lot of folk have suggested taking indigeneity out of HFE. That's not where we landed.

MR HENDERSON: No.

10 **MS CHESTER:** We had a more longer term reform process in mind around indigeneity as it relates to HFE and more broadly with Commonwealth/State/Federal relations. So it'd be good to get – fiscal relations. So it'd be good to get your thoughts on where we landed there and whether we're heading in the right direction or not.

15 **MR HENDERSON:** If I can take it up another level, because I've done a fair amount of thinking about this sort of life post-politics and it's about the architecture that we use to actually improve indigenous outcomes. So I think at the high level, everybody agrees, Aboriginal people, the nation
20 seems to have locked in on the closing the gap targets, so the right targets that we should be striving for. And addressing those targets is a standing item on the COAG agenda and there's a whole heap of policy reform around that.

25 I think what we need to do is to basically take those targets and, rather than having a top down sort of national and state approach in terms of what are we doing to improve education outcomes, health outcomes, housing
30 outcomes, employment outcomes, we need to take that down to a place base level and actually understand in the Northern Territory, in Manangrida and Papunya and Walker River where those communities sit against those outcomes, and then having a real process to engage with those communities and some flexibility in terms of allocation of expenditure in terms of what
35 is the community going to do with all levels of government to work towards improving those outcomes and those closing the gap targets, because at the moment I think it's too much of a top down approach. And my assessment is that out in communities there's no real understanding of that.

40 The thing that continues to challenge me that I wanted to talk about is the very poor attendance rates in remote indigenous schools, and the fact that until we have Aboriginal kids leaving our education system with the same abilities and outcomes as non-indigenous kids you know from a Grants Commission and government process, we will continue to see bad outcomes.

5 And so challenging communities at a community base level, you know
“What are we going to do to improve education outcomes? What are we
going to do to improve health outcomes”? There’s enough expenditure in
– apart from infrastructure going in by way of service delivery. But unless
we can actually get a real conversation going on the ground where people
are actually owning the challenges with government of improving
outcomes, I think we’re going to continue to play around the edges.

10 So for me, it’s about getting the architecture right. We could always
do with more money. We certainly need a lot more money in terms of the
deficit in infrastructure. I’ll give you one example about education. From
1978 at self-government through till around 2003 or 3 in the Northern
Territory, education was provided to a year seven level in remote
communities. To get to a high school education, people had to come into
15 town or go interstate. And guess what, very few people did that.

So it wasn’t until 2002 that the Territory Government stepped up to the
plate and actually started delivering a year 12 you know high school
curriculum out in communities. And it wasn’t until I think around 2006/7,
20 that we had the first student actually graduate from the remote community
with a year 12 outcome. And that’s the deficit that we have. So top down
has got us so far. But I think in terms of architecture, unless we can engage
communities in terms of lifting communities, we’ll be fiddling on the edges,
is my assessment.

25 **MR COPPEL:** In our report, we make a number of recommendations that
relate to the role that can be played by the CGC in terms of explaining the
outcome of the HFE process to improve public understanding. We also talk
about making the data that the CGC uses available in the public domain.
30 Do you have any views on those recommendations, those draft
recommendations?

MR HENDERSON: Look I think, per se, transparency is good. And an
understanding of a system that has served Australia very well and it’s an
egalitarian society, is something that you know should be celebrated. But
35 most Australians know zero of - and even sort of practitioners like me, the
technicality of those assessments and what have, I leave to Treasury
officials to work that out. So any transparency in terms of how those
decisions are made, has got to be a good thing, more broadly.

40 **MS CHESTER:** Okay. Just one other thing, but totally just not relevant
to this inquiry, but what you might be interested in. So you’d be very
familiar with our Overcoming Indigenous Disadvantage Report.

45 **MR HENDERSON:** Yes.

MS CHESTER: And a lot of the things you said about “place base” and “local engagement”, they’re critical sets of factors that we point to in those reports.

5

MR HENDERSON: Yes.

MS CHESTER: But given your interest around education, there’s a report that we did that was actually quite ground breaking. It’s the first time that we actually looked at – we looked at current data on NAPLAN results for all students across Australia and did – looked at it non-indigenous versus indigenous and did analysis around school and student level characteristics.

10

MR HENDERSON: Yes.

15

MS CHESTER: To get a better understanding of what’s the attribution for the educational gap at the moment and what’s driving it. And indeed we identified some positive outlier schools, so schools that are performing, getting better at educational outcomes for indigenous students that they would otherwise get when you corrected for all the sort of student school characteristics.

20

MR HENDERSON: Yes.

MS CHESTER: So we’ll get you a link to that one.

25

MR HENDERSON: Yes. Yes, I’d really - - -

MS CHESTER: I thought you’d be interested in it.

30

MR HENDERSON: I’d really be interested and I can give you some feedback. There’s some other thinking that I’ve done, but we don’t have time today. But until those issues are addressed you know – I was saying to somebody today, I’d like to look down in 100, 200 and 500 years’ time and see what’s changed, and I hope a lot will change. But the pace of change at the moment is glacial.

35

MS CHESTER: No. And for those sort of fundamental reform issues that you’re talking about accountability and the whole architecture around indigenous policies and programs, is the reason why we struggle with the recommendations to take it out of HFE.

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MR HENDERSON: Yes.

MS CHESTER: Taking indigeneity out.

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MR HENDERSON: Well, I support you in that.

MS CHESTER: But that's where we landed in our draft submission.

5

MR HENDERSON: I support you in that.

MS CHESTER: Good. All right. Well thank you very much for your time this afternoon, Paul.

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MR COPPEL: Yes, thank you.

MR HENDERSON: Thank you.

15

MR COPPEL: Thank you.

MS CHESTER: All right. We'll ask our next participants to join us and, if I'm correct, it's the CPSU Northern Territory and ETU.

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MR HENDERSON: Good luck with it.

MS CHESTER: Thanks very much, Paul.

MR COPPEL: Thank you.

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MS CHESTER: Thanks for your time. Just while we're waiting, can I just check our next participant is here from AMA?

MR PARKER: AMA, yes.

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MS CHESTER: Good. Okay. We'll get to you next then. Trying to do the day job outside as well, I can see.

MR HAYES: You wouldn't believe today.

35

MS CHESTER: Well, welcome. If you just wouldn't mind – we might just ask people to quieten down a bit so we can hear the participants. Thank you. Thanks, Jonathan. Welcome. And if you wouldn't mind just stating for the purpose of the transcript recording, the name and the organisation. You name and the organisation that you represent, and then if you'd like to make some brief opening remarks.

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MS DENSLEY: Yes, sure. My name's Kay Densley. I'm the NT Secretary of the CPSU, Community and Public Sector Union. Did you want?

45

MS CHESTER: Yes, please.

5 **MR HAYES:** Yes. And Dave Hayes, Northern Territory Organiser for the Electrical Trades Union.

MS CHESTER: Thank you. Did you have some opening marks to us, Kay?

10 **MS DENSLEY:** Certainly, yes. So it's great to have the opportunity here to be in Darwin. So we're very happy that you're here. So the CPSU in the Northern Territory represents over 2 and a-half thousand public servants, both in the Australian public service and in the Northern Territory Public Service. So our members do very important jobs, servicing the population
15 in the Northern Territory from child protection to rangers to pretty much everything that people need.

Some of the things I guess the potential of an additional cut to the GST – and we note – and we have noted in our submissions that we already
20 copped a cut and that's a projection that is going to really affect the finances of the Northern Territory and hence the services that can be provided to Territorians.

So we've had four years of fairly chaotic, if not hilarious, government
25 up here where a lot of decisions were made. And I think one of the problems with our public service and trying to provide services is the change of governments and the different agendas that they have and the different priorities that they have, which can have an affect on the services that are delivered.

30 With the Australian Public Service for example, and we have noted in our submissions that since 2013 there's been 504 Australian public service jobs cut in the Northern Territory. So whilst Ministers are – and the government is actually looking into more regionalisation of Australian
35 Public Services jobs, that's not happening in the Territory. In the last Federal budget, for example, we lost 12 staff in the Australian Electoral Commission just in – basically in the budget cuts. We don't have a tax office up here anymore. So you have to go to Centrelink and talk to someone who's trained in tax, sort of, to be able to do that. So you can't
40 even go face to face.

And the issues that we have up here of course, is you know the many different cultures and the many different languages, especially with our Aboriginal and Torres Strait Islander peoples and the – being able to

understand what the hell's going on sometimes when they get letters or phone calls.

5 So along with those 504 Australian Public Service jobs, of course, their families went as well, so that ends up being a lot more. And this is the reason why we have a declining population, or one of the reasons. So the public services makes up – the Northern Territory Public Service makes up about 20 per cent of the Northern Territory population. And, of course, they all have their families, both you know children and mums and dads a lot of them up here. There's a high cost of living. There's also a high cost of getting out of here, so flights, for example, and availability of those is difficult.

15 We also note in our report about the availability of medical services. And whilst we have first class hospitals such as RDH and Alice Springs, there are problems providing all those services that we need up here. And it's quite often that expenses have to – it's an added expense, so people have to be transported down to Adelaide, for example, or Brisbane for some of those things, such as you know a couple of cases that have come up with our members lately, one was a tumour in the brain, so that needed to go to Adelaide and this is repeated visits to Adelaide and back, and also a premature birth where they had to go to Brisbane. So, of course, that's an additional cost and the Territory Government assists with that.

25 It's also a higher cost because of our remoteness to deliver any services. Child protection, for example, have to go visit communities. A lot of the time during the year they can only get to those places by charter flight, and even more so in the wet season where your – a lot of places you just can't get to. So they have to do welfare checks and, unfortunately, you know pick up and deliver back children along the way.

35 So you know things like housing, child protection, education, health, all of that is - the remoteness and the inability to be able to access some places except by expensive charter flights or long four wheel drive trips, is a high cost to the Territory that doesn't really occur in many other states. I'll probably stop there. That's a brief overview of all of that.

40 **MR HAYES:** Thanks, Kay. Would you like me to add to that? So I'd just like to read out something I've prepared first, and then go into a bit of discussion. So the Electrical Trades Union is the Electrical, Energy and Services Division of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing, and Allied Services Union of Australia, the CEPU.

5 The ETU represents approximately 65,000 electrical industry workers around the country and the CEPU represents over 100,000 workers nationally, making us one of the largest trade unions in Australia. The ETU currently represents the interests of over 1500 workers who reside in many towns and communities of the Territory and work across many different industry sectors, including mining, construction, house supply, generation, maintenance, training and manufacturing.

10 The ETU is opposed to the proposed changes in the Productivity Commission draft report and believes the current process of full Horizontal Fiscal Equalisation needs to remain. In our view, that the referral of this issue was simply politically motivated at the time of referral. We had a Federal Liberal Government trying to be seen to supporting a failing WA Liberal Government who subsequently lost the state election. And having
15 an inquiry established and solutions proposed to address the self-inflicted fiscal concerns of one state does not make a sound basis for reform.

20 If the Productivity Commission was to mind – was of the mind to continue to promote its draft recommendations and in the unlikely event the Federal Government adopted them, then there would be catastrophic impact on the Northern Territory. On saying that, probably one of the big points of the GST funding and the way it's distributed, is to maintain a national average of services.

25 And the NT, as Kay has alluded to, is quite a different place than many of our other states. So per head of population, it takes a lot more money to maintain those services. And so removing any more funding, the effect that would have on people is massive up here. Really it's big, and especially our members. Do you want to add to that a little?

30

MS DENSLEY: Yes.

35 **MR HAYES:** Thanks. So health, infrastructure, all those kinds of things, you know we've got a major project here in the NT at the moment with INPEX happening. And a lot of families would love to stay in the NT and we need to have the services here to keep those people in the Territory. So what we're finding is that people are talking about what's going to happen in the future up here. There's obviously already been the announcement of the funding cuts. And that's taken the confidence out of people to stay in
40 the NT. A lot of these people have moved up here, their kids love the schools, they love the lifestyle, the whole lot. But they can't see a positive and a stable future for themselves. And I think you know if we're talking about multi million dollar cuts coming forward in the future, it just takes
45 that confidence out of people.

5 The NT itself is working hard to look at ways to generate more income, you know with tax – potential tax reforms, consultation in those areas, many other bits and pieces. So the NTV – the NT is working very hard to try to generate and do more for itself. And if we rip you know multi million dollars out now, that’s just going to make it so much harder to take that extra step that we’re trying to make with this government.

10 So, yes, it’s be just hugely damaging to lose more funding when we’re trying to build and build and build. We’re trying to promote infrastructure. We’re trying to get the right people here, and people who are happy to live here. It’d be nice if we had a big air conditioner built over the place, but -
- -

15 **MS CHESTER:** I’m with you on that.

MR HAYES: Yes. But so in saying that, the NT’s got a lot more to offer you know that people enjoy in their lifestyles. And if we can provide the right services and things for those people, the right health care, the right infrastructure, we’d go a really long way to keeping people here. And then step by step, we’d build on ourselves and on our own merits anyway. But to lose more funding now with the momentum that’s currently in place, is really going to take us back a long way. And I’d hate to see that happen to a lot of families up here.

25 The other thing, that Kay mentioned was our indigenous communities and things like that and, obviously, the remoteness. And I agree, the remoteness and all those kind of things, it does cost more money per head of capita. But everyone deserves – it’s Australia. Everyone deserves the same chance and I think we’ve got to do our best to maintain that.

30 **MS CHESTER:** Okay. Great. Well thank you very much for appearing and for sharing your thoughts and remarks. So I guess from what you’ve collectively said, I think there’s two primary issues and concerns that you have. Firstly, is what you anticipate or think the fiscal impact might be on the Northern Territory of any of our draft proposed changes to the way we do the HFE relativities, and secondly, how maybe the NT’s cost disabilities with remoteness indigeneity dovetailing with the HFE system and the relativities. Am I right in saying that they’re kind of the two buckets?

40 **MS DENSLEY:** Yes.

MS CHESTER: So maybe if we go to the first one. So in terms of what do you understand from our report to the fiscal impact of what we’re proposing, because we heard earlier today that there was a suggestion that it was – what was it, \$1 billion over 10 years had been suggested to some

stakeholders like yourself, might be the impact on the Northern Territory's budget position of what we're recommending. So I'm just trying to understand what you think when you say it's "catastrophic", what you think the "catastrophic" is?

5

MS DENSLEY: Well, I'll admit to not reading all your report, sorry about that. But - - -

MS CHESTER: No, don't apologise. I wouldn't put that on you.

10

MS DENSLEY: But we're already facing a cut already and the Northern Territory is the only one at the moment that is facing a real cut. And we just know that we can't afford anything less. So - - -

15 **MS CHESTER:** So sorry, Kay, when you say "cut" is this from the Northern Territory budget or is this from where the relativities are with the HFE?

20 **MS DENSLEY:** It's previous to that and I'm going to look at Treasury people now to help me out of this. But my understanding is that we've already - there's already a proposed cut and this inquiry would be an additional cut.

25 **MS CHESTER:** Okay. So in our draft report, we talk about changing the current way we equalise. At the moment, we equalise to the highest fiscal state and then there's a little bit on top of that. So we make sure that it's - so at the moment, WA with the mining royalties is the highest fiscal state. And in doing that with such an outlier state, the equalisation task has become so great and that has problems with the trade-off between equity and policy neutrality in states and territories space.

30

35 So what we recommend is moving to something less than equalising to the highest state. Now in doing that and given the starting point we have today, we realise that you'd need to transition to that very slowly over time such that you don't get an Armageddon situation of you know hundreds of millions of dollars of impact to state and territory governments immediately. And indeed, the way the GST pool grows over time, that can actually help us with the transition path.

40 So in looking at the transition path, and that's what we're trying to consult with states and territories on at the moment, one of the issues is well, what should be the principles that should guide that transition path? And the principle we identified in our draft report was that any of the fiscally weaker states - of which Northern Territory is one at the moment

based on assessed disabilities - any of the fiscally weaker states wouldn't be materially disadvantaged and we'd need to get that transition path right.

5 So I'm not sure that's been conveyed to you in the briefings that you may have had, given I wouldn't have expected you to read our report from cover to cover. So we are very much focussed on making sure that if we do make these changes to the system for other policy objectives of getting that trade-off between equity - which we still say is the primary objective of HFE - and these policy neutrality issues which are also important for
10 growing the economy and for jobs and growth, then we need to make sure that we do it very gradually over time such that there's - we don't materially disadvantage any of the weaker states. I'm not sure if that's been conveyed to you or - - -

15 **MR HAYES:** My comment would be that probably not fully. We're looking at figures of big cuts as what's been conveyed. And I think for us up here even over time, if cuts come into play, it's going to see us in a bit of strife. You know we're not in the best position at the moment and really any cuts currently or in the foreseeable future are going to be a detriment to
20 the NT and how it operates and its ability to move forward and get better and then to stand on its own two feet.

So you know if you looked at - if you look at the projected cuts now of \$2 billion over four years with the GST funding currently, I believe they're
25 the figures that have been portrayed or \$579 million, was it, in this budget - if you look at those blows that we're already dealing with in the NT, even to have a consideration of further, is very detrimental.

30 **MS CHESTER:** Okay. We might just need to check those numbers for the purposes of the transcript.

MR HAYES: Yes. Yes, that's fine.

35 **MS CHESTER:** Because they don't align with my understanding of changes to GST relativities as they impact the Territory and you might be talking about other budget cuts that - and we can catch some Treasury officials later who might be able to point us in the right direction there.

40 On the second issue of the cost disabilities, and again I'm not expecting you to have a detailed understanding of the way the CGC methodology works. Indeed, we sort of joke to ourselves that we think only 30 people in Australia really understand it. But they do at the moment, when they do the assessed expenses for the NT Government and the fiscal capacity that's required, they do already adjust for issues like remoteness and indigeneity.
45 The NT Government then would be involved in processes that the

Commonwealth Grants Commission has every five year to review the methodology in case they're not getting those disabilities and the indexes right.

5 Is that something that you get involved in or – with the NT Government or are you leaving it to them to have those interactions?

MS DENSLEY: No, we don't get involved in that. But we note that in the – and I'll just read it out, it's actually in our submission, "The 2017 update
10 from the Commonwealth Grants Commission indicates the Northern Territory is the only jurisdiction that will be receiving a reduction in 17/18". So the point that we're trying to convey to you and you know how you work out your equalisation is you know, obviously, the reason for this inquiry.

15 But we're just saying people are doing it tough and the government's trying to provide improved services to you know what has been happening over the last few years, and they're putting money where they need to. There's also money that needs to be spent. For example, we've just had a Royal Commission. So that was from the CLP Government and the Federal
20 Government. It's going to cost a lot of money to put those things in place. The ALP were already trying to put a youth justice unit in place you know prior to – back in 2011, they started that process which was then stopped.

25 So there's all this stuff that they've got to do to improve things now and to get things running on an even keel again. And so you know what we're saying to you is that you know we're already getting a cut from the Commonwealth Grants Commission. Any further cut compared to other states – other states can – you know if other states have got a population of you know a few million or hundreds of million, then – sorry, it's not that
30 much, is it? But you know they can tax people a bit extra. They can do a lot of things that you can do with a smaller population. So with a population of, I think, about 220,000 or something that we've got here, you know any additional taxes or expenses that people have to pay really hurt. So that's the point that we want to give to you.

35 And, obviously, we work with government to try and ensure that the services are provided and we work with our members to make sure that those services are provided efficiently and effectively and you know to - not to the detriment of Northern Territorians. So the government has
40 already cut public services in the last budget. So there was a large amount of money taken out of that.

45 We have efficiency dividends and have done every year, and you can only cut so much. And the same thing happens, obviously, to our Federal Australian Public Service colleagues. So you know you can't take away

money that is providing basic services to people. And the Territory is in a position where those services cost a lot extra. So you need to take that into account.

5 **MS CHESTER:** Yes. And indeed, we heard quite a bit earlier, our first participant for the public hearings here in Darwin was the Yothu Yindi Foundation who gave us quite a substantive submission as well.

MS DENSLEY: Yes.

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MS CHESTER: And I guess their concern is what the Commonwealth Grants Commission assesses at the assessed expenses for the Territory and what the Territory actually spends, doesn't always line up, especially as – from their perspective on indigenous needs. And that's a given in the system where the state or territory has autonomy to spend the GST money however they want to.

15

But in their submission, they did make a really interesting point and I'm just wondering whether this relates to what you're talking about now with cuts in public sector numbers. So this is from page 6 of their submission, they said, "One major contributing factor in these inequities is the continued growth of the Northern Territory Public Service". And they say, "In 2003 the public" – "NT Public Service was supporting 14,538 FTEs on a population of 201,725. By 2016, it had gone up to 20,596 on a population of 244,900".

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So the point they're trying to make is that public service over that time period went up 41.7 per cent, but population only went up 21.4 per cent. So I'm assuming that's part of the context of the current cuts that you're experiencing in the public sector.

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MS DENSLEY: We're not experiencing so much cuts to staffing, but cuts obviously to budgets and the way that it's done. And they are correct in those figures, but you have to look at what services were provided you know up to 2003 when those figures were there. So you have to remember that the public service you know includes teachers and nurses and you know it's not all – I shouldn't call them pen pushers, but it's a name that often speaks with public servants. But you know they're the rangers. They're the child protection workers. This government has put on additional jobs, for example, our Youth Outreach workers you know for a program to be able to – you know will pre-empt the Royal Commission recommendations but fit in very nicely to what they are.

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So there's a lot of services that need to be provided, and improvements, and that's why these things are built up. And you'll notice over that period

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that was an ALP Government. The public service wasn't cut too much with the CLP, but obviously the priorities were different. And certainly, you know the priorities weren't put into things like youth justice you know where – which is another reason for the Royal Commission. So when
5 you're talking about that sort of thing, it's a matter of looking at the need and the services that provided. So I think you need to compare the services that were provided before.

MS CHESTER: Yes. And I think that's the context in which they raised it because they've got concerns that some of the services that matter to them
10 are not being fully funding or provided.

MS DENSLEY: Yes. Yes.

MS CHESTER: Yes.
15

MR HAYES: No, that's okay. I won't comment. I was going to say, yes, it probably – the growth in public service probably reflected - problems had been identified in areas and those areas needed more people to change some
20 of the things that were happening in the NT that – whether it be antisocial or areas like that.

MS DENSLEY: I did skim through the Yothu Yindi submission and a couple of others. I don't think they mentioned CDP, for example. So if
25 we're talking about services to indigenous Territorians you would – there's a lot of them here on CDP, which is basically slave labour. So there's been a number of programs, CDEP was the one before it. CDP though, it's forcing people to work 25 hours a week. No holidays, no sick days, no superannuation paid. They're paid for pretty much the dole. CDEP they
30 used to get additional money to do that. Sometimes they have to travel a fair distance to get to that job as well. And there's also issues with the program and I know that there's a Senate Inquiry been – into that.

But you know I think you just don't look at Territory services that are
35 provided. You look at what the Federal Government has been doing as well. A lot of our money to provide services are from programs from the Federal Government. And whilst you know a few years back they started funding, is it five or 10 years, which is a – it's not that you don't change the program if it needs doing, but it gives a bit of surety then to both employees
40 doing the service and also the people who are getting the service provided for them.

So you know that is a big factor in providing services up here because we never know what the government is going to do and what their priorities
45 are going to be. And you know as part of the ACTU, of course, with our

5 unions, we're running information I guess about CDP and trying to stop that. So Yothu Yindi need to have a look at those Federal ones as well as the you know NT Public Service about what services – what schemes I guess and assistance people get. So CDP, for example, you can work for - a private employer can employ you and it's below award wages and you know certainly the CDP participants' wages aren't topped up at all.

10 **MS CHESTER:** Yes. Well Kay and Dave, we didn't have any other questions for you.

MS DENSLEY: Yes, sure.

MS CHESTER: Is there anything else you wanted to say? Okay?

15 **MR HAYES:** No.

MS CHESTER: All right?

20 **MS DENSLEY:** No.

MR HAYES: Yes.

MS DENSLEY: Cool.

25 **MS CHESTER:** Okay. Well thank you very much for appearing today.

MS DENSLEY: Thanks very much.

30 **MS CHESTER:** Appreciate it.

MS DENSLEY: I'll read your next report.

MS CHESTER: You're on the transcript record of having said that now, Kay.

35 **MS DENSLEY:** Thank you.

MS CHESTER: Thank you.

40 **MR HAYES:** Thanks.

MS CHESTER: All right. I'd like to invite our next participant from the AMA to join us please?

45 **DR PARKER:** Hey, Commissioners.

MS CHESTER: Welcome. Welcome. If you just - - -

DR PARKER: Thank you.

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MS CHESTER: Once you've had a chance to make yourself comfortable there, if you wouldn't mind just stating your name and the organisation you represent for the purposes of the transcript. And then if you just want to make some brief opening remarks.

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DR PARKER: Yes.

MS CHESTER: We do have your slides and we have read them.

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DR PARKER: Okay. My name is Associate Professor Robert Parker. I'm the current president of the AMANT. Before I start, I'd like to acknowledge the Larrakia people on whose land we are having the meeting today.

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And I know you've got the stance, but what I'm going to do is open with a story - and I may become a bit tearful in telling this - what this actually means on the ground. A friend of mine from the Tiwi Islands, a long-standing friend, a very good woman, a spiritual woman, has had renal failure and I just was reminded of this by Paul Henderson's presentation. She has been kept away from her country and culture for three years in Darwin because of the lack of resources to provide renal dialysis on the Tiwi.

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That's not a criticism of the NT Government, because they've got to divide the pie like anything else. But it gives you a real understanding of what this means that this woman cannot actually access her family or culture because of health disparities, which I've demonstrated to you in this document. And again, I think in terms of equality, you know I can't think of people who live in Perth, Sydney, Melbourne, who had that sort of predicament that's sort of affecting a lot of Aboriginal people in the Northern Territory currently. So just I think it's an example of the significant disadvantages that I've heard in the previous speakers, but I think you'd also be aware of on the figures. But it's a real life example of what this means for people on the ground, not just the reports and the figures in the sky.

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I suppose, just the report that you've got, it's sort of - what I tried to do is it's very easy to sort of think of broad economic figures. But I really wanted to make you aware of the cost on the ground. And I really think in terms of equality - and I picked two fictional people, Gina and Brenda - but really for Gina to virtually have no impost on the New South Wales

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budget at all in her – in the cost of her chronic illness, and for Brenda to be costing the NT Government over \$100,000 for a similar cost impost, I think is a significant inequality.

5 And I'm certainly hoping that in any of the consideration of the HFE equation, that this is taken into account. Really, that's money that New South Wales doesn't have to spend because it's got a good healthy market, lots of GPs who can provide services for people such as Gina. There's market failure in the Northern Territory. We don't have the same level of
10 market.

 And I mean, again I'm sort of – I haven't read the Yothu Yindi report, but I think it's a bit pejorative. As pointed out by the previous speakers, a lot of public servants in the Territory are nurses, doctors, teachers, child
15 protection workers. As they said, they're not pen pushers sitting in an office. So you know the Territory has to cover a lot of this ground because of market failure, because of the inability of the private sector to provide services. And the cost of running services often, in providing all the relevant support you need to do to give people the appropriate training,
20 skills, accommodation, in a remote and rural areas really can only be supported by government because they're – and I mean the other thing to note is that Brenda and Gina potentially have a whole range of other illnesses.

 When I focussed on this report and I noted that it cost the NT over \$133,000 to treat one small medical condition which is a diabetic foot ulcer in Brenda compared to Gina, where the whole cost was covered by Medicare. Brenda, particularly, may have cardiac disease. She may have renal failure. She may have chronic obstructed airways disease. She may
30 have a mental illness. She may have substance abuse. So if you're looking at the one cost of that and then the amplified affect on one individual and the community, the cost is massive. Again, if you look at the prevalence figures, I mean for every one Gina, there's three Brendas or over three Brendas in terms of prevalence.

 So the Territory, you know you're dealing with a very – a distant population often with significant health inequality where the market cannot address their health needs, such as they can in the other states. And I think that's – you know in terms of equality, the Territory is certainly extremely
40 disadvantaged by these areas. And I mean again, I'm very concerned by any talk of a loss of income. You know my friend has had to stay in Darwin for three years. It's just a good example of why we need more. You know why we need at least the money we've got rather than money being taken away because of the significant disadvantage faced by Territorians and their
45 health.

5 **MS CHESTER:** Okay. Well, thank you. And thank you for your submissions. I guess, and I – like with others, I don't expect people to have read our report, but with the way the CGC does assessed expenses across different state and territory jurisdictions, they have these disabilities that they apply and the two large ones for the NT and remoteness and indigeneity. So what they're trying to do is to actually add in to the assessed expenses what is the cost disability of providing services in remote communities or the costs when people have to be transported from remote communities for hospital services that can only be provided in Darwin. So I guess my first question is, have - is that something you have a bit of an understanding of or with?

15 **DR PARKER:** Yes, I understand that, Commissioner.

MS CHESTER: Because the way you described it by comparing the – I'm not going to try to pronounce it because I'm going to get it wrong, with the suburb in - - -

20 **DR PARKER:** Ramingining versus - - -

MS CHESTER: Yes.

25 **DR PARKER:** Ramingining versus Campsie.

MS CHESTER: Yes. So if we were to distribute the GST pool through the HFE, and it wouldn't be HFE then, on the basis of equal per capita, you would get that perverse outcome that you're talking about. But the assessed expenses are trying to imbed into them those cost disabilities. And so I guess the issue then is before we even talk about any changes to the system that we're looking at, are they getting that right at the moment?

35 **DR PARKER:** I don't know, Commissioner. I haven't actually seen the formulas for those costs disabilities. But I think they have a really hard time comparing \$600 to, I think it was, \$30,000. There's no cost equivalent to compare and equivalent cost of \$600 for Gina for three months and hospital care versus \$33,000 for Brenda in Ramingining, or over a four years care zero for Gina versus \$133,000 for Brenda.

40 And I must admit that's really – those – that's probably understated figures. I mean the report I used is actually a 2004 report and they actually used 2004 figures for doctor's salaries, nurse's salaries, cost of attendance. And I would've thought there's probably – with the awards that have happened since then, there's possibly even a 50 per cent increase in the cost of attendance. So we're looking at a 2004 figure for health and it's – so

basically, even if the costs for Gina was \$1 in New South Wales, you're looking at a figure 133,000 times the cost of the treatment of Gina, on Brenda. And I don't feel there's any cost equivalent that you could argue would – that would account for that.

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The issue is what I was trying to make is the Northern Territory Government has to make up for market failure, so they have to spend \$133,000 purely for the care of Brenda's diabetic foot, whereas in the larger states the Commonwealth, through the Medicare Funding Agreements – so because there's a healthy market, a healthy market for health care in those states can actually accommodate that. So the Territory's had to, basically, spend an extra \$133,000 purely to care for Gina's – Brenda's diabetic foot. And I don't think there's any cost equivalent you could account for that would measure that.

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MR COPPEL: So what's happening there is that in Sydney there's a patient with that condition would see a private doctor, get reimbursed through Medicare, whereas here you're saying that there isn't that provision, they'd have to go through the public hospital system?

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DR PARKER: Or the public health system, the community health system, yes.

MR COPPEL: The public health system.

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DR PARKER: No, I've actually put the cost equivalents for Royal Darwin and Canterbury Hospitals are probably equal, although the cost in Royal Darwin is probably more than the Canterbury because of the Aboriginal health input and whatever so – but I've actually put them as equal. The actual cost, you know the cost for Gina in Campsie where they've got a healthy system with a number of general practices who can attract Medicare funding, is quite different to Ramington which is way up – I've just given you a photograph of it in the middle of nowhere.

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And you can't, you haven't got the market to attract that same market capacity for health care as you have in – which is why the NT Government has spent an awful lot of money providing health care for these individuals, which the other states don't. I mean, the other states don't have that impost on their budget. I mean they've got the same – they've got other imposts on their health budget. But they don't have the same sort of community health spend the Territory has to do.

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MS CHESTER: Sorry, go ahead.

5 **MR COPPEL:** The CGC approach makes three broad assessments. It looks at sort of the capacity of the jurisdiction to raise revenue. It looks at the grants that come from the Commonwealth for specific purposes. And then it looks at the expenditures that are needed to provide the average level of services provided across Australia. And for the Northern Territory, it's not the revenue side that really changes the relativity, it's really all on the expenditure side. And it's largely driven by the – or virtually entirely driven by these factors that add to the cost of supplying that average level of services in the Northern Territory.

10 From what I'm hearing from you, it seems to suggest that you think that those assessments probably are underdoing it, rather than fairly getting it right. Is that a fair assessment?

15 **DR PARKER:** That's right. Well, yes, I'm not – haven't read those documents. But I would think they're not getting it right, certainly with these figures. And this is just – I mean, I'm a simple doctor. I'm just looking you know my expertise is in medicine rather than economics, which is why I picked a particular medical condition to actually try and work out what the cost was rather than worrying too much about the other things. But it was fairly – I was actually astounded by the difference in cost eventually.

20 **MS CHESTER:** Yes. So part of the reason the HFE system is so horribly complex is because there's a bunch of very hard working and diligent staff at the Commonwealth Grants Commission in Canberra that are trawling through this kind of state and territory very minutiae level data to try to understand how these cost disabilities play out.

25 And then every five years, separate to our inquiry, they go through a methodology review where NT Government would roll up the sleeves and go into for bat for NT and say, "No, you've got those costs" – "You've underdone those costs disabilities and here's our evidence". So there is this process that I hope is dealing with the disparities that you're talking about. And indeed we can ask the NT Government tomorrow whether they've got sort of any material outstanding concerns in the current CGC methodology review process that's underway on these very issues. Robert, we didn't have any other questions of you.

30 **DR PARKER:** Good.

35 **MS CHESTER:** But thank you. (1) it's good to hear the real-life stories, and (2) appreciate you having taken the time to give us an example of what those cost disparities are and how they play out from your perspective in the work that you're doing here in the NT.

5 **DR PARKER:** Again, the AMA was very concerned to hear there was a potential – going to be a potential loss of income from the GST. And I mean, we think where - again where one of our major concerns is the health of indigenous Territorians and we're very concerned about the potential impact on that on the health of all Territorians, but particularly the most disadvantaged, the sickest of the sickest as my predecessor, Dr Paul Bauert said, living in the remote and rural areas and the impact of this loss of – potential loss of funding is going to have on their health and welfare.

10 **MS CHESTER:** Yes.

15 **DR PARKER:** And I mean, all the issues we've talked about are all related, you know child welfare, overcrowding in houses that Paul Henderson referred to.

20 **MS CHESTER:** Yes. I think I saw you sitting in the audience before that you heard what I said about transition path and the principles that are going to guide that.

25 **DR PARKER:** Yes. Yes, and I heard that. But I still – I think the AMA along – yes, are very concerned and hope we - you know that we're given adequate funding so my friend in Darwin could potentially one day go and live on Tiwi and have the renal service she desires or she needs.

MS CHESTER: All right. Well, thank you for presenting today.

DR PARKER: Okay, thank you.

30 **MS CHESTER:** Okay. I'd like to invite the next presenter to join us from the Northern Land Council.

MR VALENTI: Good afternoon.

35 **MS CHESTER:** Good afternoon. If you wouldn't mind just stating your name and organisation for the transcript. And if you'd just like to make some brief opening remarks.

40 **MR VALENTI:** Sure.

MS CHESTER: Up to five minutes, if possible.

MR VALENTI: Okay. Thank you. Yes. My name's Joe Valenti. I'm from the Northern Land Council. Hopefully, I've got a brief opening

statement here which will just give you a bit of context around some of the work that we do at the Northern Land Council.

MS CHESTER: Thank you.

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MR VALENTI: The Northern Council is an independent statutory authority. It was formed under the Aboriginal Land Rights Northern Territory Act and then, obviously, is one of four land councils within the Territory. Essentially, we are responsible for assisting Aboriginal people to acquire and manage their traditional lands and seas in the top end of the Northern Territory.

The Northern Land Council has roughly around 36,000 constituents which make up roughly half of the Aboriginal community within the Territory. So we do represent a fairly large indigenous community sector. We manage just over 550 square kilometres of the Northern Territory, which is the largest council within the Territory. That sort of gives you a bit of a context of what we do.

I guess, from the Northern Land Council's perspective, we certainly support the notion of the HFE, that is equality and that's a really big fundamental principle that we certainly rely on. And the access to comparable government services is really fundamental to our beliefs as well. I mean, I think from some of the other presenters here previously, that has been an issue that you know whether the services that are being received by rural and remote indigenous communities and people are actually at what I would call a comparable level. I mean, there's many examples that I've heard here today.

But just being on the ground and seeing some of the services that they are receiving, you would have to ask the question whether the assessed expenditure is equivalent to the actual expenditure of the Northern Territory Government. I think there is a gap there. The issue that I believe is one of the major issues that we have here is how the hell do we – how we do follow that money through? We can't follow it from start to the end. And I think that is a major problem for this – for the HFE for this government in that we can't – cannot get accurate details of where that funding has been spent, how it has been spent.

I mean, one of the issues for me if I look at the Closing the Gap Report, and I think again this was mentioned earlier, we're really not on target on closing the gap. That tells me that you know the funding that is being poured into that and HFE being part of that, it's obviously not working or the policies are way off the mark. The fact we have not made an indent into closing the gap is a real indictment as far as I'm concerned. So I think you

know, I certainly would question because the difficulty of the money flow of whether the assessed expenditure is actually equivalent to the actual expenditure. So I think that, for me, is certainly a real problem.

5 If we look at you know real life examples for – and I look around health, for example, you know we have constituents who come into Darwin from remote areas for – to stay at – to go to hospital for renal issues, and they’re not staying within the hospital. They come here for treatment. They don’t have the funding to stay anywhere. They don’t have family here. So they
10 stay in what we call the “long grass” out in a park or out in the edges or fringes of the CBD because they just don’t have anywhere to stay.

 And there’s not the facilities there for them when they come in from – you know, when they come in from the Tiwi Islands or where they come in
15 from you know Ramingining, all those type of places. When they come into here to access these services, what happens to them? What happens to themselves and their families, because a lot of the time they travel with their family? They stay in the long grass. And that’s a reality. That’s not something that is an exception or an unusual event. It happens. It’s reality.
20 It’s on the ground.

 And if I look at you know around education and the poor attendance rate, you know really nothing has happened there. And I think you know if we’re serious about having you know a – let me get it right – the
25 equalisation fund, it must address some of these issues. I mean that – you know I’m using the closing the gap as an example, but it - to me that highlights that you know there is issues and we do need to address them.

 One of my recommendations and this is you know something that I
30 think is really important, that the disadvantaged here within the Territory is so great that the HFE model can’t address all of the issues. And I think you know the Territory Government along with the Commonwealth Government really do need to be very specific and targeted as to how they address these issues. And maybe it sits outside of the HFE model. Maybe
35 it does, because I believe it’s not being addressed. And you know I always come back to the same point, that of equity and that of assessing you know a comparable level of government services. I don’t actually believe that is actually happening. I’ll probably leave it there.

40 **MS CHESTER:** Great. Thanks very much, Joe. So maybe just if we start where you finished off on this issue of equity versus I guess the equalisation of fiscal capacity.

45 **MR VALENTI:** Yes.

5 **MS CHESTER:** And I think when we think of “equity” it relates to outcomes for individuals, whereas the HFE system is about equalising a fiscal capacity which would give a state or territory jurisdiction the capacity but there’s no obligation for them to actually spend that money according to the disabilities or to get the right policy outcomes, because we know there’s a lot of heavy lifting around getting the right policies and having them evaluated and all the rest of it.

10 **MR VALENTI:** Agreed.

15 **MS CHESTER:** So if we turn to that distinction first then and your other comment that we can’t expect the HFE system to resolve closing the gap in and of itself, it’s just one small part of the whole suite of expenditures and supports to the NT Government. I guess if you look at it from that perspective, should we allow the NT Government to have autonomy on all the assessed expenses if there are policy imperatives like closing the gap, because when I kind of look at some of the numbers, some of the good work of Professor Neil Warren where it looks at what’s the assessed disability by the CGC and then what’s the assessed effort made by the NT Government, 20 there are some big gaps in terms of what’s assessed and where the money actually goes.

25 **MR VALENTI:** Yes. Look it’s a difficult question to answer. I guess the – you would expect that the Northern Territory Government is well placed to manage their own backyard and you would think that they have the best, you would expect, understanding of how they manage the Territory. But in saying that, it feels like I’m sitting on the fence here. But in saying that, certainly the input, the knowledge of a broader Commonwealth Government certainly needs to come into play. I think what has to happen, 30 it really does – from where I stand, it really does need to be certainly a combined effort, a team effort, I think.

35 Look I find from one point of view that I think if you’ve got an NT Government in place, that they have to have that autonomy to manage their finances and they have competing – well, obviously they have competing priorities as well and so therefore that – those management of those priorities should be left up to the NT Government. I think that’s valid.

40 In saying that, there is that overarching Commonwealth oversight, I guess, and I may not be using the right terminology here. But I think there’s the betterment of what we – of the nation I guess, where we do expect that certain groups – well, no, we expect that all Australians have – there is a level of equity there. And I think if that’s not being achieved then there needs to be that – some oversight I guess. And so what those checks and 45 balances are, look I don’t know what they are. But I think there needs to be

a set of checks and balances to say look if the money that we – is not being directed into where – exactly where we want it to go, there needs to be some reassessment there.

5 **MS CHESTER:** Okay.

MR COPPEL: So in your statement, you said there was a real issue about the mismatch between actual expenditure and assessed expenditure. How do you square those two? Are you - - -

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MR VALENTI: Yes. Look that's a difficult one. Now and having - and I guess my – do I have any data to support that? Look there is - there's been some independent analysis of that and I could – I think it seems to be on both sides of the scale you know, depending on which report you want to have a look at. I guess, so there is those reports out there. I guess you know what I'm looking at is, at the coal face, I can clearly see that the level of service, the level of support to some indigenous groups is not there. You know in some of these remote areas, it is not there, and that is very clear.

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And any time when anyone goes to one of these communities or some of these communities, they can clearly see for themselves that level of support is – I come back to that closing the gap and I'm sorry to focus on that a little bit, but I guess that tells me that you know this has been in place for some time. And the fact that there has been no change, we haven't achieved those targets, tells me that something is not working. Now whether that is the assessed expenditure and the actual expenditure or whether in fact it is that the funding sources, the funding – the revenue is not being directed to where the expenditure is, you know again that could one of the issues as well. And I don't know what the answer to that is.

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MS CHESTER: I think common to the questions that you're raising, is this issue of accountability.

MR VALENTI: Accountability, yes.

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MS CHESTER: And where we landed in our draft report around indigeneity, because some people have suggested taking indigeneity out of the HFE system, for different reasons. So some are saying it because – like Professor Neil Warren, he looks at the disparity between a lot of the higher relativity that the NT gets is because of indigeneity remoteness.

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MR VALENTI: Yes.

MS CHESTER: Yet when he does his detailed assessment of how those moneys are spent, he sees a mismatch between the assessed disability and

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the actual effort of the NT Government. So that's one reason. Another reason is that some have suggested that closing the gap, or what I would call overcoming indigenous disadvantage, is a national issue.

5 **MR VALENTI:** Yes.

10 **MS CHESTER:** It's not a state and territory issue. And because we don't have clear lines of spending responsibilities and accountability, Commonwealth, state and territory on indigenous policy matters, take it out – where we kind of landed was we struggled with HFE being the right lever to deal with overcoming indigenous disadvantage. We don't see it really helping the system, but we don't see it being a lever.

15 In the absence of those reforms occurring on Commonwealth state responsibilities and accountabilities around indigenous policies and programs, taking it out would achieve nothing unless you've got those foundations right. It'd be good to get your thoughts on that and what you see longer term, would be beneficial in terms of delivering that accountability, in terms of who's responsible for tailored policies and
20 programs for indigenous Australians in overcoming that disadvantage.

MR VALENTI: Okay. Look accountability is really at the crux of all this because I think you know where you – and where you want to go and search, as I mentioned earlier, the flow of money and where – and what that is
25 delivering. You know that, to me, is the essence of finding out where some of our flaws are. So accountability, number one, is of great importance to me.

30 Number two, who is responsible for this? Well I think it's – you know, you're right in that it is a national issue as well. But I think the management - as I mentioned earlier, the management of a state or territory you know must be left to the state and territory, I think. I think there has to be that autonomy. I think you need your checks and balances in place. I think the overarching national policies do need to dovetail into the policies. Look
35 it's not uncommon now for the Commonwealth to – and I know it's going on transcript – but to exert some pressure on state and territories when they want certain things done, so why not in this case?

40 So I guess my view is state and territories do need that autonomy. I think there needs to be accountability. But I also believe the Commonwealth has an oversight and overarching policy where states and territories must fall into.

45 **MS CHESTER:** So what needs to change?

MR VALENTI: It's accountability. I mean, if there is – you know in a private sector for - - -

5 **MS CHESTER:** But what needs to change to current responsibilities, funding versus policies versus outcomes, to inject that accountability?

10 **MR VALENTI:** Look I don't come from a political background. But if I was to say from a business point of view, you know you set your targets, you set your KPIs and let's review them on an ongoing basis and then let's – and every year let's say, "Right, have you achieved those or haven't you achieved those", and let's really have an assessment.

15 I think the Commonwealth does have a role to play in overseeing in the Big Brother role. I think they do. I mean it's one nation. And I think we do need to look at it as that. You know you have your separate states and territories which we form that one nation, but I think you know that oversight, that Big Brother view I think needs to come into play. "We will leave up to manage your own affairs, but there needs to be accountability to those KPIs as such that you need to report to". Yes. Which is what we said we were going to achieve.

20 **MR COPPEL:** You said earlier that you'd come back to closing the gap and in some of the earlier participants to the hearing today and then hearings in other capital cities, we've heard that the HFE system will provide the capacity to give the average level of services. And if you start with a disadvantage it won't compensate to close that gap whether it's on infrastructure or indigenous disadvantage. Do you have any views on whether HFE has a role to play and how it could play that role in pursuing that particular objective?

30 **MR VALENTI:** Well I think it does have a role to play. I think you know if we look at you know the major principles is a comparable level of services across all of Australia. So to me, it has a large role to play, I think. So, yes, it does have a role to play. Some of the issues I guess, are larger than HFE. I think that's maybe the point I wanted to make is that you know some of these issues are not going to be fixed by HFE. That is one component of it. And you know providing where we believe, you know if this is working in a perfect world, that we all have that same level of service and there is equity across the nation, well that's great. But I think there's issues which are larger than HFE and it's not - that one that is one aspect of it and it's not going to solve the problem.

MR COPPEL: Yes.

45 **MS CHESTER:** Okay. All right. Well, thanks very much, Joe.

MR VALENTI: Great. Thank you.

5 **MS CHESTER:** All right. I'd like to invite our next participant to join us from AMSANT, the Aboriginal Medical Services Alliance NT. Welcome, gentlemen. Please take a seat and make yourself comfortable.

DR COOPER: Thank you.

10 **MR PATERSON:** Thank you.

MS CHESTER: And when you have, if you'd like to just each state your name and organisation, just for the purposes of the transcript voice recognition.

15 **DR COOPER:** Sure.

MS CHESTER: So we don't confuse you in the transcript. And then if you would like to make some brief opening remarks, we'd welcome that.

20 **MR PATERSON:** Thank you. John Patterson, Chief Executive from the Aboriginal Medical Services Alliance Northern Territory.

25 **DR COOPER:** Dr David Cooper. I'm manager of research and policy at AMSANT.

MR PATERSON: Okay. Deputy Chair and Chair. Thank you.

30 **MR COPPEL:** Thank you.

MS CHESTER: Just Karen and Jonathan's fine.

35 **MR PATERSON:** Okay. Yes. First of all we'd like to thank the Commission for this opportunity to present on behalf of AMSANT to this important inquiry. AMSANT is the peak body for Aboriginal Community Control Health Services. In the Northern Territory, that provides over half of all primary health care to Aboriginal Territorians. We are a significant sector and significant employer of Aboriginal people.

40 The thrust of my presentation is to outline the expected impact of an abandonment of an equity base of Horizontal Fiscal Equalisation to Aboriginal people in the Northern Territory. In short, it can be anticipated that any reduction in GST from such an approach, would disproportionately impact on Aboriginal people in the Northern Territory who make up about

30 per cent of the Northern Territory population and harm efforts to close the Aboriginal health and disadvantage gap.

5 We're also aware of the relative disadvantage of Aboriginal people and the statistics that go with this disadvantage. The conditions of Aboriginal people in the Northern Territory are such that unless we continue with equitable needs based investment into the future, we will be struggling with these same issues, even worse, in 10, 20 or 30 years' time.

10 I will outline here some of the reasons why, (1) life expectancy gap for Aboriginal people in the Northern Territory is the widest in the nation being 16.3 years for men and 14.4 years for women compared to national indigenous rates of 14.4 years for men and women. The largest component of this gap is chronic disease which is at epidemic levels in the Northern Territory. Underlying the slow improvement is poor social determinants including, poor housing, low levels of employment and educational achievement, high food prices, et cetera. The implications of these figures, means that closing the gap in the Northern Territory is a long term project that will need elevated levels of funding over a long period.

20 (2) A longer term view of the health gap shows major improvement between 1967 to 2012 with a 7.5 year increase in life expectancy for men and 14 years for females. A significant factor in this increase has been improvements in both acute and particularly primary health care. The improvements took account of evidence concerning the much lower levels of primary health care funding accessed by Aboriginal people in the Northern Territory.

30 The Commonwealth's Primary Care Access Plan or otherwise known as PCAP, used a multiplier of three times for Aboriginal people's increased level of illness and lower access to Medicare and three times for remoteness. That is a level of funding six times the national average was required in order to provide equitable primary health care to Aboriginal people in the Northern Territory.

35 (3) It needs to be noted that the Northern Territory Government provides significant funding for Aboriginal Primary Health Care. The Northern Territory Department of Health Aboriginal Primary Health Care Clinics provide just under half of all Northern Territory Aboriginal primary health care and a significant commitment in funding Allied Health Care. It also contributes to the costs for Aboriginal community controlled health services.

40 (4) Some of these primary health care costs of the Northern Territory Government are towards the transition of government clinics to Aboriginal

community control. The importance of community control to Aboriginal health gap is significant and includes an improved and a broader range of services based on confidence in primary health care including services relating to alcohol and other drugs, mental health, and social and mental wellbeing, and early childhood services. This is critical for continuing progress on closing the gap.

(5) A further important reason for the need for improved primary health care services. is the epidemic of chronic disease that disproportionately impacts on Aboriginal people. Without concerted effort and resources, chronic diseases have the potential to reverse progress on closing the gap and to overwhelm the health systems with expensive tertiary treatment needs. For example, in 2016, the number of people on dialysis in the Northern Territory was 614 and has increased by 30 per cent in five years. The rates of patients on dialysis is 4.8 times higher than other Australian's rate due to a large excess in Aboriginal patients. This is incredibly expensive treatment with over 77,000 dialysis treatments being provided over the last financial year and rising.

(6) The NT Government also faces higher costs in providing tertiary health, particularly to Aboriginal patients in remote communities. This includes the Patient Assistant Travel Scheme, otherwise known as PATS, specialist outreach and hospital services. Around 70 per cent of hospital patients are Aboriginal, typically from remote areas with high costs including the need for interpreters and reduced ability to send home early because of the lack of specialist facilities in remote regions. The cost per person in the Northern Territory was 3.1 times higher for Aboriginal people than non-Aboriginal people.

(7) It is particularly important for the Commission to note that a significant reason for the continuing health gap is the social determinants of health, the everyday conditions faced by Aboriginal people. Addressing this will require significant long term resourcing in areas such as education, housing, employment, early childhood, and support for adult literacy. In employment, for example, only 49 per cent of Aboriginal adults in the Northern Territory are employed versus 61 per cent at the national.

The impact of housing on health and wellbeing has been increasingly recognised and is one of the most significant challenges in the Northern Territory. The rate of homelessness in the Northern Territory is the highest in the nation with the rate of people accessing homelessness services more than three times the national rate. The rate of overcrowding for Aboriginal people is 53 per cent in the Northern Territory versus 21 per cent nationally. And the proportion of Aboriginal housing of unacceptable standard was 32 per cent in the Northern Territory versus 17 per cent nationally.

5 The Aboriginal housing crisis in the Northern Territory is a result of legacy issues of inadequate housing and infrastructure, particularly in the remote communities, that date back decades and have never been adequately addressed. Even with elevated funding over the past decade, the Aboriginal housing shortfall remains stubbornly present. The 1.1 billion commitment over 10 years by the Northern Territory Government is significant and welcomed, but it may not be anywhere near sufficient to address the shortfall.

10 (8) Implementing the recommendations of the Royal Commission into the Protection and Detention of Children, will require significant commitment from the Northern Territory Government. What is required is a major overhaul of the juvenile justice and child protection systems, including long term investment into prevention and early intervention.

15 (9) Educational attainment for Aboriginal children is still much worse for the Northern Territory than elsewhere in Australia. 44 per cent of Aboriginal children met year 3 writing standards and 29 per cent at year 5 in the Northern Territory versus national figures of 85 per cent at year 3 and 74 per cent at year 5. Numeracy levels were also significantly below the benchmark.

20 (10) Early childhood is the most effective investment governments can make. However, to realise these savings requires significant evidence based investment. Evidence based programs, such as the Nurse-Family Partnership Program and the Abecedarian Program are available to only a small minority of parents and children. The Northern Territory Government has prioritised an early childhood strategy. But to realise its vision of improved social determinants for young families, will require increased investment over a long generation period of time. We're talking about generations.

25 (11) The Northern Territory, probably more than elsewhere, has suffered from disempowerment and the loss of Aboriginal organisations delivering local services. However, evidence shows that empowerment and Aboriginal control of services leads to better health and wellbeing outcomes and contributes to the sustainability of communities.

30 The Northern Territory Government has committed to a 10 year local decision-making policy aimed at building Aboriginal service delivery and local control of services. And the evidence shows this can be delivered, long term benefits in Aboriginal health and economic outcomes. For example, the Aboriginal community controlled health sector has a much better record in Australia in Aboriginal employment than government and

main stream, and a much better record in employing Aboriginal people in senior positions and providing career development. Just over half of the employees of our services are Aboriginal.

5 To realise this potential, more broadly requires additional funds to do the required capacity building over the long term. It is impossible to imagine how the Northern Territory Government can adequately address these multiple areas of acute need, should the GST allocation to the Northern Territory be reduced. I have outlined a number of areas where
10 abandoning a system of funds allocation based on equity and evidence, would disproportionately impact on Aboriginal people in the Northern Territory and harm efforts to close the Aboriginal health and disadvantage gape. We urge that these matters be carefully considered by the Commission. Thank you.

15 **MS CHESTER:** Thanks very much, John. So your opening remarks raised I guess, bigger and broader policy issues than just the HFE system and we're happy to sort of try to talk through some of those as well. I guess if it was to try to characterise and understand your primary concern, is it a
20 generic concern about what you think might be the fiscal impact on the Northern Territory in the event there was a change to the way the HFE system is done, i.e. the way the relativities are derived at the moment being equalisation to the highest state? Is that - am I right in - apart from the other policy issues you raised, in terms of our inquiry, that's your primary
25 concern?

MR PATERSON: Yes. Without being too biased, I think out of all the states and territories, the Territory is you know - and given its capacity to generate its own revenue, it's similar to those of other states and territories
30 due to population sizes, I think is probably the most needy you know jurisdiction in the nation and should be supported accordingly because of the high - you know this disadvantages to Aboriginal people, the high costs of delivering services to some of those remoter isolated communities and you know the - and all those other social determinants.

35 I mean, we really need a huge investment based on need and equity, basically, to really get on top of some of these underlying causes that are - if we don't address in the near future, we're going to have a much - a needier investment, financial investment from somewhere, preferably from
40 the Commonwealth, to try and get on top and close some of those you know terrible statistics that we're obviously seeing at the moment.

MS CHESTER: Yes. And so in terms of what you understand the fiscal impact will be on the NT of our draft report, and I think we - the issue is
45 kind of left open for us because we're looking at trying to do a transition

5 plan guided by the principle that it wouldn't materially disadvantage the fiscally weaker states, and NT is there when you look at the relativities up above 5 versus larger states floating around 1 and below 1. What do you understand to be the fiscal impact on the NT then? I'm just trying to understand?

10 **DR COOPER:** I guess, our concern is that there will be fiscal impact on the NT that would reduce the resources coming to the NT and therefore impact on services and the quality of services.

MS CHESTER: Okay. So anything less than what you're currently getting is – yes.

15 **MR PATERSON:** Anything less than we're currently getting would be detriment – would have a detrimental and you know huge impact on the Northern Territory population and more so the Aboriginal population of the Northern Territory.

20 **MS CHESTER:** Yes. Because when you look at the way the Commonwealth Grants Commission does the HFE at the moment, when they – the main driver of the high relatively for the NT is indigeneity and remoteness. And that's then imbedded in what they say are your assessed expenses. We've had other participants, both in the NT and outside of the NT including some academics, who struggle with the way the HFE system
25 does that because the equity issue is really about what the individual gets, at the end of the day, not the fiscal capacity of the state.

30 The fiscal capacity of the state allows the state to, if it choose to, spend it on those assessed expenses. But where there's a disparity between assessed expenses and actual expenditure, particularly in the area of indigenous, that then brings into question accountability and should the states and territories have autonomy in an area of intractable policy like indigenous disadvantage.

35 **MR PATERSON:** Yes.

MS CHESTER: Is that a concern of yours or is that an issue that you've got views on?

40 **MR PATERSON:** Absolutely. Absolutely. It's been a major concern for the Aboriginal leadership here in the Northern Territory for quite a while now. And our view is that I think until we really get on top, and I think the earlier speaker alluded to, that the accountability and knowing exactly where the Aboriginal you know extra dollars, the extra financial investment
45 that the Northern Territory gets on the – for the Aboriginal population,

where that is actually expended is really, really hard to get to the bottom of. And we've been asking for you know some sort of you know financial statement that can demonstrate where you know dollars have been spent.

5 It's a shared view of the Aboriginal leadership that until we do get to those satisfactory financial process of accountability and knowing where the dollars are expended, that we would prefer any dollars coming in that's earmarked for Aboriginal you know services or programs or whatever, it might be from the Commonwealth, that it needs to come by a quarantine or
10 a discrete bucket to the Territory, so that we know exactly what's in that bucket. Preferably, it's all pooled, you know. I mean, I don't want to go into too much detail on whether it should be you know broken up into housing, education, or put in a silo, sorts of allocations.

15 But if we were able to get that quarantine and you know good frameworks, terms of references, priorities around what that expenditure is for, I think that would ease some of the concerns that the Aboriginal leadership has in the Northern Territory at the moment. There has been a perception amongst the Aboriginal community and the population here in
20 the Northern Territory that you know governments in the past have received - and you know I can't tell you what that amount is. I wish I could. But I wish I was able to push a button and it would tell me that information.

 The amount of financial investments that's come into the Northern
25 Territory for Aboriginal specific programs has been channelled off into other priorities of government expenditure. And there's always been a perception that you know a couple of major precincts, commercial precincts buildings around the place, have been built you know on the use of Aboriginal dollars that should have been expended for Aboriginal
30 communities and other priorities, programs, housing, education, those sorts of things.

MS CHESTER: So I guess the issue I'm raising is so there are lots of reports, like there's the Indigenous Expenditure Report, there's the report
35 on government services, there's the CGC numbers that actually show exactly what the assessed expenses are by different categories and then what's expended. And then you've got the good work of academics that do further digging through the data to try to differentiate what's assessed versus what's actually spent. So I think that's all in the public – most of it's
40 in the public domain.

 The issue that I'm kind of raising though is that with HFE, the deal with HFE is they get the money, they get the fiscal capacity and then the state and territories have autonomy in terms of how it's spent. And as you said,
45 there's competing priorities. I guess the issue then is should we leave

indigeneity in or out of HFE given that autonomy's there and given we have this policy of overcoming indigenous disadvantage and we're making a bit of traction on some of the indicators that – on 53, that we look at for Overcoming Indigenous Disadvantage Report versus them not.

5

So is that something – because part of our report is raising the issue of doing – leaving indigeneity in the HFE for now, because we think there's fundamental reform that's required on accountability and responsibility for funding indigenous policies and programs, Commonwealth, state. So that's kind of where we're heading in the report. I'm just wanting to get your sense of if that's kind of in the right direction.

10

DR COOPER: Well, there are - you know there are in the Territory some significant planning health – Aboriginal health planning structures and the principle one being the NT Aboriginal Health Forum that the NT Government and the Commonwealth Government are members of, along with AMSANT, the community controlled sector, and other health players that have emerged, the PHN, and Prime Minister and Cabinet seeing as they – the roles that they've taken on as well. And that has worked very effectively, in terms of a high level health planning body and in terms of directing the Aboriginal health dollars, if you like, into evidence – in evidence based ways and according to need. And it's been operating for a significant period of time.

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So there are elements, good elements of joint planning that do have within them elements of accountability with the Territory. And it's not to say that you know that those things can't be strengthened. But I think you need to acknowledge that it has – that those things exist and they do need to continue.

25

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MS CHESTER: Our inquiry is much narrower in its focus but, to some extent, because indigeneity is driving so much of the HFE outcome for Northern Territory. Some people have suggested should we leave it in, should we take it out. And I guess at the end of the day we said, "There are all these other things happening. There's broader issues of accountability and thus let's leave it there for now and work out what else needs to be done".

35

And your comments about evidence based programs and community involvement, kind of resonate with us a lot because of the work we do in overcoming indigenous disadvantage and our report last year where we actually wanted to tell positive stories of things that work. So the team went out working with the Commonwealth, State, Territory Governments to try to find examples of things that worked. And across the thousand plus policies and programs, they could only find 34 that had been evaluated,

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which kind of suggested to us that that sort of coal face level of accountability needed some further work. But we're actually going to be doing some work in that are with Commonwealth, State and Territory Governments.

5

MR COPPEL: There's a lot of material which demonstrates that in the Northern Territory there is a huge gap, indigenous community. And we mentioned to the previous participant, when the CGC does its assessment of revenue raising capacity for the Northern Territory it comes closer to 1, which would mean equal per capita. And that reflects the fact that Northern Territory incomes are relatively higher. There's that potential to raise revenue which then leads to the question, what stops the Northern Territory from raising its own revenues higher to work towards, for example, addressing this gap? Is there anything in the HFE system that would act as a deterrent to taking that initiative on its own?

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DR COOPER: Yes. I'm probably not really sort of qualified to comment really in relation to that question.

20

MR PATERSON: Yes.

MS CHESTER: Well maybe one area - - -

25

DR COOPER: I guess you know raising revenue from the population is very difficult, particularly in the indigenous population where you know it's a very high relative disadvantage so there might be very high levels at one extreme, but very low levels of income at the other.

30

MR COPPEL: I'm talking about taxing capacity of the NT Government raising revenues.

DR COOPER: Yes.

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MR COPPEL: It can choose to do that in many ways, from an equity perspective. But it does have a strong capacity, according to the calculations of the CGC.

DR COOPER: I can't - - -

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MR COPPEL: It struck me as a fair question.

DR COOPER: No, no. But I just can't comment on their calculations. I don't know what they're based on. But you know I mean the fact that a third of the population is Aboriginal and you know on average has a much

lower level of income, we'd suggest that there's limited capacity there for -
- -

5 **MS CHESTER:** So given your focus is probably more on the service
delivery side of things and the expenses side of the CGC's work, so when
the CGC does do the assessed expenses, they try to take into account what
they call the disabilities and the two key factors we've touched on before
were remoteness and indigeneity. Is that an area where you've got any
10 views or thoughts in terms of how they're doing that today and whether
that's capturing the costs disabilities as you see them playing out?

DR COOPER: Again - - -

15 **MS CHESTER:** Again if it's not an area that you have - - -

DR COOPER: Well it's not an area that I understand the detail of in terms
of how those are calculated. But I mean I will say, because we have been
involved in looking at detailed health funding according to need, and to try
to establish what those factors are, and it is incredibly complex particularly
20 dealing with you know multiple issues, remoteness, and a whole range of
things, and how you – so it's a very complex task.

MS CHESTER: And does the alliance get involved in evaluations of
health related indigenous policies and programs? Is that something that
25 you've had input and involvement in?

DR COOPER: Sorry, do we – what's it?

30 **MS CHESTER:** Do you get involved in evaluations of current policies
and programs, health related programs or indigenous Northern Territories?

DR COOPER: We do. But there is you know, as you mentioned, there is
a lack of evaluation of programs and it is something that we've constantly
– yes, we do constantly advocate around, the need for evaluation to be built
35 into any sort of you know delivery of services. And really, services on their
own should be evidence based at the start. And you know, at the moment,
there is a good environment in the Territory around looking towards reform
and towards bringing in evidence based reforms, particularly on the back of
the Royal Commission.

40
And also I guess, from our point of view, there are issues around you
know addressing indigenous disadvantage, particularly in terms of
redressing the disempowerment that's occurred over a very long period of
time and how that could occur and what needs to be done in order to achieve
45 that, which again is a very long term task. But the NT Government, the

5 present NT Government, has a policy that is oriented towards returning you know control to Aboriginal communities around service delivery and increasing those areas of control. And they're incredibly important in terms of what they achieve in terms of building Aboriginal wellbeing and sort of benefits in terms of health and economic areas and sustainability.

10 **MS CHESTER:** Yes. No. And they are sort of the key factors, the whole part of that Overcoming Indigenous Disadvantage Report that we expanded on last year, when we looked at the 34 that had been evaluated and 24 of them were good evaluations and they showed programs and policies that were working on the ground, the top of the pops for the critical success factors was that sort of local engagement and drive from the local communities in what those – how they're to be delivered on the ground there.

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20 But I think for the PC it's an example of be careful what you wish for. So after we made that the theme of that report, we've now been given by the government the role of actually developing a more robust framework for assessing indigenous policies and programs across Australia and we're getting – and we'll be hopefully welcoming in the next few months the appointment of an Indigenous Policy Commissioner at the Productivity Commission which will help us do this work a little better than we would otherwise do.

25 **MR PATERSON:** Can I just go back to the earlier question around the – we're currently reviewing in the Northern Territory, well nation wide actually, how Aboriginal medical service or the Aboriginal and community – controlled health services are being funded by the Commonwealth.

30 And so we've been looking at different tiers of how would you distinguish between urban – and I think it was the old – is it the old RRMA? Was that the Commonwealth Grants Commission they used? I think there was about seven of them from urban to very remote or – and there were five others in between, semi-remote, semi-rural, you know. And they're looking at – there was a school of thought that that should be reduced to maybe three, maybe urban, rural and maybe very remote. I'm not sure what the other one – it might've been remote, very remote. There might've been four categories.

40 But look, we believe to get a real true picture and measure of what the actual investment is required in each of those – particularly in the remoter regions – parts of the country, I think you need to have at least those – I just forget the name of it. I always thought it was RRMA, remote regions, some sort of formula. I don't know how – and that's how the funding was allocated through the - I'm presuming it was the Commonwealth Grants

45

Commission, some years ago. I'm not sure what – how they're based on now.

5 But we would be supportive of retaining that - you know, that seven sort of categories because that way I think you get a real understanding of the actual need, particularly in the remote, very remote services that have high costs of living. You know it's just – it just costs an arm and a leg. It's not like you know your eastern bullet capitals where you can just jump in a car and drive down the highway for half an hour and you're – you know
10 you're at your destination.

I mean you'd go for a drive down here to your nearest destination, it'll take you, you know, four to five hours on a dirt road, bumpy corrugated road, wear and tear on your vehicle, the fuel costs. I mean all those factors,
15 you know I mean, need to be taken into consideration to get a real understanding of what that real cost of service delivery in some of these areas actually tally up to.

MS CHESTER: And what's the objective of that review? John, what's
20 the - - -

MR PATERSON: Yes. Look for the Commonwealth I think over the years, over the last 40 years since they've been funding Aboriginal community controlled health services, they're obviously wanting to know
25 what is an actual cost. And I think what they're looking is how they – how do they allocate funding to urban Aboriginal community controlled health services to a very remote – and what are those factors, you know? Is it the very remote, it's obviously language, like I said you know, high cost of travel, the service delivery as opposed to those in the urban.

30 So I think they're looking for a – because it's obviously been asked in Parliament, you know politicians obviously asking, "Why is the Aboriginal community controlled health sector getting millions of dollars? How are we justifying that? So I think that was part of the exercise to address some
35 of those questions that were being asked.

MS CHESTER: Okay. The cost service. Yes. Yes. They're all the questions that we have for you, gentlemen. So unless you have anything
40 else you wanted to say?

MR PATERSON: No. Look if there's any reduction in the current allocations, like I said it'd be – it'll have a huge detrimental impact on the Aboriginal community and the population here in the Northern Territory specifically.
45

MS CHESTER: Well thank you for presenting and appearing today.

MR PATERSON: No worries.

5 **MS CHESTER:** Thank you. I'd like to invite our final public hearing participant this afternoon to join us, Terry(sic) Wood. Good afternoon. If you just want to make yourself comfortable.

MR WOOD: Saved the best till last (indistinct).

10 **MS CHESTER:** Well, we'll wait and see.

MR WOOD: You might be - - -

15 **MS CHESTER:** We'll wait and see.

MR WOOD: You might be worn out by then.

MS CHESTER: Would you like a clean glass? Are you - - -

20 **MR WOOD:** No, I'm fine.

MS CHESTER: You're fine, okay.

25 **MR WOOD:** I've got an Estimates Committee meeting to attend.

MS CHESTER: All right.

MR WOOD: But they won't miss me. Don't put that on the - - -

30 **MS CHESTER:** Well, thank you for joining us. And if you wouldn't mind just stating your name and who you represent for the purposes of the transcript recording for voice recognition and then if you could just make some brief opening remarks.

35 **MR WOOD:** Gerry Wood, independent member for Nelson. So I'm an independent member in the Northern Territory Parliament. I've got a prepared few lines there, but I'd rather just comment on some of the other things that were said because my – part of what I was going to talk about
40 today was local government funding which is also an important part of the development of the Northern Territory.

I've said this in Parliament actually, I think it's great that you have
45 having an inquiry because I think it's a bit of a wake up call for the Northern Territory. I've lived here since I was 19, so worked on Aboriginal

communities, worked locally in the rural area of Howard Springs. And I do think that we need to sort of start to look at ourselves as a territory. How long can we depend on government funding? A lot of the community groups you see funded by the Commonwealth, many of our Aboriginal communities, rely heavily on their economy based on either directly or indirectly, Commonwealth funding through the NT or directly.

Much of the Northern Territory itself is Commonwealth funded. Defence is one of our biggest areas of the economy. Administration. And below that you get mining. So you've got to go down three places before you get to a point where the Territory is actually producing money. And I'm not expecting that that will change overnight. But I think it's given us a moment in time to say you know, "Have we developed to some extent a cargo cult mentality that there will always be Commonwealth funding. The Territory will always be special and all the other states will be nice to us and give us a big chunk of money". The reality is, I think with this inquiry and the issues that have been raised, that it might not always be the case.

And my understanding of the HFE is that it is not bound by anything more than a Parliamentary piece of legislation which could be changed overnight, regardless of what the states think. So we are, to some extent, I suppose left to the great charity of the rest of the nation to make sure that we get the funding we need. And I'm not here to argue that we shouldn't get the funding because you've heard AMSANT and Robert Parker and other groups tell you that providing services out bush requires a lot of money.

And it is, to some extent, about equity, because I was just reading the original agreement about the practice of HFE in Australia and it says "State Government should receive funding from the pool of Goods and Services Tax revenue such as, after allowing for material factors affecting revenue and expenditure, each would have the fiscal capacity to provide services and the associated infrastructure at the same standard, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency". So that's the way it's been put forward of course, and that could change. So I presume part of what you're talking today is should it change, and you have raised what I think are some important issues.

My wife is Aboriginal. She was born at Bulgul or Channel Point, which is down near the mouth of the Daly River. She has a grade 5 education. That's probably as far as she got. She can read and write. She can do all the crosswords. She can beat me at Scrabble. And my daughters, the three of them, would regard themselves as Aboriginal, all got good jobs with the Commonwealth Government.

45

The issue that I wonder is what – and AMSANT mentioned it before, whilst it's nice to talk about Aboriginality and I understand that's part of our culture, we should be looking more at what the needs of individuals is. I'll give you a classic example. We have two forms of help for kids at school, I presume it's still there, ABSTUDY and AUSTUDY. So one is for Aboriginal kids and one is for AUSTUDY. Some of my kids got help through the ABSTUDY. But should it actually be help based on a person's needs. You can have a poor non-Aboriginal person who can need help, as much as you can have a richer Aboriginal people that doesn't need the help.

So if we've got issues in the Territory because of remoteness, should it be because it's a remoteness rather than because there's certain people in there? So to provide services to that particular community, do we base it on Aboriginality or would it be based on the need of that population, which may not all be Aboriginal by the way. Some of our small towns are mixed groups of people. So should we be looking more at that?

And should we be also saying that by lumping everything in to Aboriginality, are we losing the equality you might say? So people who are of Aboriginal descent in Sydney may have a pretty reasonable lifestyle. My daughters, they don't need any assistance. They're on good wages. So is that formula uneven across Australia, simply based on "That's my classification", rather than "Who actually am I? What is my background? What is my income? Do I live in a nice three bedroom house or do I live on an outstation where I've got a tin hut?" And so I think we need to look at things a little bit better. We need to think about what we're trying to achieve.

I think as well, this is an issue that again I was listening to AMSANT there, I think all governments have got to think about why they should spend money on Aboriginal communities and there's two ways, do you just let these places drop off and services diminish and people drift into town and then we've got more and more problems in town with people drunk, people homeless, people getting disease, or do we understand that people have a strong connection with their land and that we should help fund some of those communities that are outstations?

But at the same time, we've also got to make sure people have got pride in themselves. And one of the things that's annoyed me for so long is unemployment. I started off at Daly River and then I started off at Bathurst Island. At Bathurst Island I worked for the Ngiuu Shire Council which was the first Aboriginal council in the Northern Territory. We employed at that time every man, because that was mainly what my – the council employed.

5 And then about 1978 the Labor Government decided to introduce unemployment benefits and that on, that time on, we have many people in our community that are basically dependent on the CEP or unemployment benefits. So we've lost that employment, you might say, culture which I think is important that people work not only for the benefit of themselves but for the benefit of their community.

10 Now I'm not saying - there's a lot of good people out there, and you've got to be careful when you generalise here. There's a lot of good people that work and there's a lot of good communities. But as someone said before, we have some of the highest unemployment in those communities. So I think the government has got to keep funding going, but I think it's also got to support not just the physical, that is we've got a good health clinic here or we've got something over there, but also find ways of
15 overcoming those social issues.

20 People talk about overcrowding. Now I've been following the SIHIP program for many years. I was on a committee that our government tried to keep track of all those houses. And there have been many, many new houses built but in a lot of cases it never caught up with the overcrowding because they had to knock down the old houses, they were in such a bad state. So when you look at the pluses and minuses, it hardly achieved anything. It is still going.

25 But where do we keep saying that - where's the responsibility of people to sort of get to the point where, "I spend my money on buying a house". So if you want people to have - Aboriginal people to have self-determination, where's the effort to say, "You've got to make an effort. You've got to try and buy your own" - "build your own house. You can't
30 rely on the government forever and a day to do it". So how do we give people that ability to be able to do that as well? Otherwise I think we will continue with the cargo cult mentality, "I'll be fine. The government's going to provide us with houses".

35 So I just think that what you're doing is good. I don't think we're going to get - I would hate to see this change happen for a while yet. I think the Territory Government has not got a lot of ability to raise taxes, I heard before. And one of the reasons is because we've got nearly a negative population growth. Now as soon as you start taxing things, whether it's a
40 land tax or increased payroll tax and you've got an economy that's basically not growing, I think the reverse will happen, you'll have a bigger drop off in population and you'll have less economy and therefore there'll be less GST. I think it will actually work in reverse.

5 When the economy's booming and I know we've got impacts – but impacts have limited effect on the economy of the Territory. It had an effect, but once they're gone, which will probably be in the next two or three years, that is the major development, we'll go back to what we used to be before.

10 **MS CHESTER:** Okay. Well, thanks Gerry for those opening remarks. We might try to bring it back a little bit more to the specifics of the HFE Inquiry that we're tackling at the moment. In your opening remarks though you did say that you wanted to talk a little bit about local government or local council funding.

MR WOOD: Yes.

15 **MS CHESTER:** And as we understand it, I mean our focus is on the HFE as it applies between the Commonwealth and State and Territories. But below that there is another level of HFE in terms of the territories and the states allocating funding to local councils. And we heard earlier from an inquiry participant that they thought, in the Northern Territory, that it was
20 sort of done on an equal per capita basis with some sort of adjustment above that.

MR WOOD: Yes.

25 **MS CHESTER:** Is that your understanding from your background?

MR WOOD: Yes. I've spent 13 years on local government as well, so I – this - - -

30 **MS CHESTER:** So what form of equalisation, if any, occurs at the Territory level from Territory Government down to local councils?

MR WOOD: Well - - -

35 **MS CHESTER:** And who decides that policy?

40 **MR WOOD:** Well, there's a couple of revenue sources for a local government. One is it gets – the local government in the Northern Territory gets its money based on population. So straight away instead of Horizontal Fiscal Equalisation, so out of the GST bite, the one bit that is not given the same is local government funding. So it's purely based on population.

45 And I just can give you a couple of examples to show you the difference. So if you took the shire of Longreach, 40,000 square kilometres, population 4092. It gets \$5.5 million in general purpose grants. The

Barkley Shire, just over the other side of the border more or less, has an area of 323,514 square kilometres, 42 per cent bigger than Victoria, has a population of 8000, double, received \$1.8 million in general purpose grants.

5 In road funding, the ACT, big old ACT has 1837 kilometres of roads and gets \$21 million. The Northern Territory local government area has 13,872 kilometres of roads and gets \$15 million. There is a vast difference between the two. Even my own local council, which is Litchfield, population 23,000, area square kilometres about 3000 square kilometres,
10 we get \$497,000. Ararat in Victoria, 4200 square kilometres, population less than half of ours, \$3.3 million.

 So from a local government perspective which also very much affects Aboriginal people especially in the Northern Territory, because those large
15 areas like the Barkley, like McDonald Shire, they are mainly Aboriginal people living there who, as AMSANT said, they travel those roads and we don't have a lot of funding. The Territory Government does give them some funding but not a large amount.

20 So the system at the moment, when it comes to local government is – it doesn't work for the Territory. We certainly miss out. And if you wanted to look at it – if you weren't going to change that, then don't make it less in the new policy, because we are well and truly disadvantaged from that point of view. So if you give us that dose, then we are further behind the eight
25 ball, because we have you know very big challenges in the wet season.

 If you want to travel in the Northern Territory, sometimes, especially remote communities, you just simply can't, either the roads are out or there's no bridges across some of the floodways and that. So you know,
30 transport is a – travelling by road is something that we try and do but then you have to use an aeroplane in the wet season and immediately the cost of travel, the cost of patients coming into hospital, all that sort of thing, the cost of people working, teachers going out early in the wet season to start the school year, all that is more expensive because we don't have a road
35 system that's equivalent to a lot of the other states.

MS CHESTER: Well, maybe if we then bring it back to the HFE story then and we'll leave local council alone.

40 **MR WOOD:** That's all right. Yes.

MS CHESTER: But we just wanted to try and get an understanding on what version of HFE occurs Territory to local council because it's – as we understand, pretty dissimilar to HFE Commonwealth to State Territory. But
45 just on the point that you raised about sort of the cost disabilities for

remoteness and then another point that you mentioned earlier about making sure that any adjustments for indigeneity in terms of cost disabilities are relevant adjustments in terms of – so I’m not sure if you’re aware though, the way the CGC does it at the moment for indigeneity, it’s not sort of on a one person NT versus one person New South Wales. There’s the remoteness factors, but there’s also an index based on socioeconomic which it’s kind of a little bit more of that look through that I think you’re - - -

MR WOOD: I think I was talking about the total pie, and if the pie is being reduced by people who live in New South Wales claiming Aboriginality that, as I said, perhaps don’t need it. In other words, we should be targeting the people that really need it, not the people that don’t need it. Just because they’re called Aboriginal, doesn’t necessarily mean they’re poor. They could be quite well off living in a nice house. Is that the people we’re targeting, or we people – or are we targeting the people who have low health outcomes, overcrowding, remoteness, et cetera, et cetera?

So should we be targeting the people that we need to, rather than just having this blanket, “You’re Aboriginal, therefore we’ll cut the pie up this way”. And what happens there is the people who need the help don’t necessarily get the help because some people who don’t need the help are getting funding and that’s probably what I’m looking at.

MS CHESTER: Yes. Well I think that’s what the CGC are trying to do with those indices.

MR WOOD: Can I just say one other quick thing? I know that it was mentioned about, I think it was Yothu Yindi. I wasn’t here when – and they were talking about how the money that they believe the Commonwealth gives is not adequately spread out to the people it’s targeted at, and I heard Paul Henderson talking about it. Could I say one of the – to me you know, it – we can get a bit silly about this. The hospital in Darwin is built for everybody and so about 70 per cent of the people who use that hospital are Aboriginal people. The road that was built to take those people from the hospital from their community there was built for everybody. And if you wanted to get technical you say “Well 70 per cent of that road is built for those people that have got to go to hospital”.

The schools, there was – my areas has got about 10 per cent Aboriginal people. So 10 per cent, do I charge 10 per cent of the building and the running of that school, to Aboriginal? Who does all that sort of work? So sometimes I think you can get saying, “Well, this money must specifically be used for that”. Well, we don’t live in a sort of split society. We’ve got areas in the Territory where we all live together. So how do you work out whether that amount of money went to those sort of people exactly? It beats

me. I think that sometimes you can get a bit simplistic and you know, as Paul Henderson said, there was a auditor's report and it came out that you know it's wasn't the case. So I think - - -

5 **MS CHESTER:** So I think you need to be careful firstly not to mischaracterise what the Yothu Yindi Foundation said.

MR WOOD: I was only hearing what Paul – what you said at the table, so maybe I misinterpreted that.

10 **MS CHESTER:** No. So I mean and it's not just Yothu Yindi Foundation that have raised that us. We've had other submissions from academics and people that have been involved in Commonwealth State relations over many, many years, that raise the issue of the way HFE works is that there's
15 cost disabilities and for the NT the biggest one is indigeneity and then remoteness. But when you do a look through as to how the money is then spent, the cost disabilities don't align with the effort, i.e. what's actually spent by the NT Government. And they just raise issues of "Well is that really fair and should there be autonomy".

20 **MR WOOD:** And I think you get that – the hard thing is, you're trying to mix things together. We're a mixed society and money gets mixed between the groups. So how you filter that out to say, "Well, that's that bit and that's that bit", I'm not sure and I'm sure that it really achieves a lot of things
25 either. Yes.

MR COPPEL: Well that's the task that the CGC tries to perform and that's one of the reasons why a number of participants have said that you know the goal is full equalisation practice and we fall a bit short of that because
30 it's not perfect.

MR WOOD: Yes. And that's why I'm saying need, I think is something we should aim at. We need to focus the money where it's most needed. And just lastly, you mentioned about taxation and this probably won't be
35 the most popular thing, but you know I think Aboriginal people, just like the rest of us, have got to try and develop an economy. Now how that's developed, because again if you want self-determination, the best way of self-determination, you have control over your life your economy rather than relying on.

40
Now there are royalties in some areas. Now those royalties generally to the TOs because that's the way that legislation is. But it seems to me that we perhaps need to look at seeing whether royalties also can be spent for the benefit of a community. I'm not - and some people do. I gather dialysis
45 machines are funded by community, which I think is fantastic. But I do

think we need to look at that as well. That's an economy that sometimes only goes to a fairly narrow group. Other places, it certainly expands, but it's an income.

5 And my concern is that we can't continue to presume that we will live on you know money from the Federal Government. That's a presumption that we think might happen. But the Territory is very small. It's only a Territory and it won't even – it probably wouldn't even make a difference if it was a state. But it get outgunned by the rest.

10 So I think we have to make the effort to try and grow an economy both - Aboriginal people as well. They own 50 per cent of the land. They have native title interests in the rest. They have 35 per cent of the population. We need to make sure they grow with the Territory, they are part of the economy, otherwise you'll have "us" and "them" type. But I think we also
15 have to say "You have to make an effort because there's no guarantee that this money is going to come forever and day".

20 So I think that's why I think that the inquiry is a good wake up call for us as Territorians to say, "Hey, what are we doing to help ourselves", and don't think taxation is the way. I think boosting the economy and getting jobs that way is the way to go.

25 **MS CHESTER:** Okay. We don't have any other questions for you, Gerry. So thank you appearing this afternoon.

MR WOOD: Thanks. Thank you.

30 **MS CHESTER:** Well, Gerry was our last formal participant for the hearings this afternoon. I am happy if anybody else has a burning desire to share their views with us and they didn't lob in a participation form with us. We're happy to hear from you. But I don't see anybody jumping off their seat, so I can assume that we can therefore close today's hearing and we'll resume tomorrow morning at 8 am. So thank you very much everybody.

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**MATTER ADJOURNED AT 4.40 PM UNTIL
WEDNESDAY, 29 NOVEMBER 2017 AT 8 AM**