

Indigenous Economic Empowerment: Fact of Fiction

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Ladies and Gentlemen, I would like to acknowledge the traditional owners of this land.

I would also like to thank the Menzies Research Centre for inviting me to address you today. As you would be aware, I am the second speaker in a series of three lectures. The first was by the Prime Minister in December. The final speaker will be Leon Davis in April.

The Menzies Research Centre continues to demonstrate its concern over various indigenous issues and, as a Torres Strait Islander, and an Australian, I welcome the Centre's continued interest in matters affecting a small, but nevertheless, important part of Australian society.

In my talk today, I would like to canvass a number of topics, which broadly embrace the following.

A reflection on Indigenous circumstances in Australia today;

the fundamental need to improve the interaction between Indigenous Australians and the private sector looking at some successful overseas models; and

my own views for the future of our people, and the contributions to that future which need to be made by governments, the private sector and importantly, Indigenous leadership.

Indigenous People in Australia Today

- Wealth or Welfare?

I do not need to quote facts and figures for you to understand that despite some 30 years of extensive government support programs, Australia's Indigenous people remain, as a group, the most socially and economically deprived sector of the community. This fact was clearly acknowledged by the Prime Minister in the first lecture in this series.

Despite a number of positive trends and outcomes, the dependency of many Indigenous people on the welfare system continued unabated. Discussion on the impact of this

relationship is not new and has certainly attracted far more attention in recent times. A number of people, including Noel Pearson and the previous Federal Minister for Aboriginal and Torres Strait Islander Affairs, have spoken at length on the devastating impact that total and uncontrolled welfare can have. Recent media reports attributing various comments to the Opposition Spokesman also suggest that a future Labor Government may have different views on the continued wholesale application of welfare programs.

We should not however, delude ourselves that this is a uniquely Indigenous issue. The Federal government's response to the McClure report highlighted the need to change income support and associated services in a way that would help prevent and reduce welfare dependency among working age people. One in seven Australians of working age is dependent on social security payments. Recent research has also confirmed transgenerational welfare dependence. Generations of families can be caught in welfare dependency with increasing numbers of children living in jobless families.

Despite the damage of long-term welfare on all sectors of Australian society, the problem for indigenous people is compounded and even more devastating. Firstly, the overall percentage of Indigenous people subject to the welfare system is significant. Secondly, there are whole indigenous communities with almost 100% participation in welfare or welfare equivalents. Finally, many Indigenous communities do not have an internal history of conventional employment or education from which to compare their current circumstances.

The traditional approach to addressing need is to mount a range of welfare programs - some of which apply to the whole society (such as those administered by the Department of Family and Community Services), while others are uniquely Indigenous (such as those administered by ATSIC) or others have been modified to suit perceived needs (such as the education assistance programs). Some of these programs take the nature of rights programs, others might more accurately fall into the category of catch-up programs.

An unfortunate feature of many of these programs is that their rules and application remain consistent Australia wide without meaningful reference to local circumstances or needs. Often policy makers and program deliverers do not, or cannot move quickly with the times nor do they appear prepared to challenge conventional wisdom. There is little evidence that they are prepared to seriously consider the valuable experiences already learnt overseas. In my view, we have a very serious potential in this country to marginalise the intended beneficiaries through continued use of historical policy-making and program delivery concepts.

It is perhaps this "institutionalised" approach, which is not underpinned by any "big picture" and longer- term economic vision, which gives me the greatest concern.

While what I have said may lead to a picture of doom and gloom, there are some very positive indicators within the broader economic arena and these outcomes directly reflect the initiatives of individuals.

Therefore, we do need to avoid any stereotyping that might suggest that all Indigenous people are in a state of poor health and poverty. While the percentage of the Indigenous population in need is indeed high, a significant number of our people do not access welfare or support programs. They are part of the broader economy of this country.

The demographics of the Indigenous population of Australia are dynamic. To quote from a recent report by ANU's Professor Jon Altman: *"Indigenous Australians today face a diversity of economic circumstances. At one end of the spectrum are those residing in urban settings and engaging with the market economy, with varying degrees of success, like other Australians."* This report goes on to identify that 73% of Indigenous Australians reside either in towns or cities, with the remaining 27% residing in small Indigenous towns, pastoral stations or outstations.

Although the outcomes could be better, it is still pleasing to note that:

- Australian Indigenous self-employment numbers continue to grow.
- Educational outcomes continue to improve with more and more students going on to tertiary level.
- Employment prospects for well-trained Indigenous people are nearly as good as for the wider community

Overseas Best Practice

If one takes the time to look at overseas experiences, one has the clear impression that other governments and the private sector have separately, or together, adopted a far more aggressive approach to economic development for their indigenous peoples or for economically depressed zones.

To quote from a recent address by ANU's Centre for Aboriginal Economic Research Policy *"In the United States and Canada connecting poor people in poor communities with the financial mainstream is a key plank of government policy, as are the provision of funds for financial education and tax incentives to promote savings. We are yet to come to grips with these concepts in Australia."*

In the United States, the Government clearly is looking at private sector investments to complement Government programs to address Native American housing needs.

The Native American Housing Assistance and Self-Determination Act of 1996 sets a number of objectives. These objectives include ensuring better access to private mortgage markets for Indian tribes and their members and promoting the development of private capital markets in Indian country and to allow such markets to operate and grow, thereby benefiting Indian communities.

In terms of business development, many countries, including the United States, Canada and a range of European countries, have sought private sector intervention to stimulate local economies and provide employment opportunities. The incentives provided through the nomination of special economic zones to the private sector can be substantial. The selection of these zones is based on a range of economic factors. The zones are established to create employment by attracting new investment to economically depressed areas that suffer from high unemployment.

The incentives can be set at the national level or local economic zones can be empowered by granting special tax benefits.

One European country, for example, passed laws empowering local economic zones to make final decisions in relation to taxation applying to companies operating in the zones. During the initial 15 years of a particular zone's life cycle, an investor may be fully exempt from income tax for a period of up to 10 years. After these 10 years of income tax free operations, an investor may be entitled to a further 50% of income tax relief for a period of up to 10 years, not to exceed the zones life cycle. The investor has to meet either a minimum investment or employment level within the zone in order to qualify for these benefits. Interestingly, the size of investment required is quite moderate in order to qualify.

The United States has also introduced a series of economic development zones, which include rural and a number of inner city areas. While the incentives may differ, they are clearly aimed at attracting and encouraging a healthy private sector presence.

Another innovative approach adopted in the United States arose through the recognition of the sovereignty of various Indian Nations. As a consequence, many of the first nation's land holdings are exempt from US taxation allowing the Indian land-holders to establish local taxation regimes which are capable of stimulating private sector investment.

Many of you would be aware of the construction of a number of casinos on Indian lands - while I am not an advocate of gambling, it is nevertheless an approach which has generated local employment opportunities and an income stream not dependant upon the welfare system.

Gambling in the United States is big business - close to US\$400 *billion* a year and growing. From US government reports it appears that some 5% of this amount is spent in casinos owned by Native American tribes. There are some 557 federally recognised reservations in the United States. About 33% do have some form of commercial gaming now, and 29% more hope to. Success is varied but monetary benefits can be good for very small tribes, fairly close to major urban areas or areas already well-developed for extensive tourism.

Importantly, key government agencies in the United States play a central role in ensuring low and middle income earners have equitable access to affordable credit and appropriate services. The US Treasury has provided significant resources to community-based groups

to educate low-income earners about the benefits of having a bank account, managing household finances and building assets.

The US Treasury has also established the Community Development Financial Institutions Fund (CDFI). This fund was created in 1994 under a bi-partisan US Congress initiative to expand the availability of credit, investment capital and financial services in distressed urban, rural and Native American communities.

The CDFI fund seeks to stimulate the creation and expansion of community development financial institutions and to provide incentives to traditional banks and credit unions to invest in CDFI's. \$90 million of these incentives to the private sector have leveraged more than \$1.8 billion of investment and lending by banks to projects in low-income communities - a ratio of 20 to 1.

These initiatives are centrally linked to the Community Reinvestment Act 1977 which awards the banks credits based on their performance on lending, investment and the provision of services to low income earners. Banks must have at least a satisfactory CRA rating to gain regulatory approval to merge or acquire another depository institution, open or close a branch or expand into securities and insurance.

A recent independent evaluation of the impact of the CRA prepared for the US Treasury concluded that in 1998, mortgage lending to low income earners by CRA regulated institutions stood at \$135 billion, up from \$75 billion in 1993 - an 80 per cent increase. This increase is also reflected in other loans approved over the same period to borrowers, which have risen in total number by over 45 per cent.

Congress has also requested the US Treasury to investigate and make recommendations to Congress and the President on the elimination of barriers to private sector lending and investment on Native American Reservations. The studies findings and recommendations will be submitted to Congress and the President sometime this year.

Another innovative development involves the provision of Individual Development Accounts (IDA's). A key feature of IDA's is that every dollar saved by an individual is matched by a community group, foundation or government. Participation is conditional upon the saver's completion of a financial education program.

Withdrawals from IDAs are limited to specific purposes, which range from deposits for housing purchase, self-education, buying a business, buying or repairing a car for work or for family emergencies.

Specific Youth IDA's have also been established that provide up to a 3:1 dollar match for similar purposes.

The US Federal Government's decision to devolve responsibility for the Temporary Assistance for Needy Families (TANF) program to Tribal Governments has included

provisions that enable Indian Tribal Governments to apply these monies as matching IDA funds.

In a more conventional approach, in Canada, the Saskatchewan people, one of the major First Nation groups and a major bank joined forces to create First Nations Bank. In December 1996, the First Nations Bank of Canada was officially launched, with branches opening in subsequent years. The First Nations Bank of Canada was created with an investment of two million dollars from the Saskatchewan people, and an investment of eight million dollars in start-up capital from the Toronto-Dominion Bank Financial Group. The Bank offers a range of products to Canadian First Nations people and any other customer and has professional support from the Toronto-Dominion Bank at cost.

A number of products are specifically targeted at fostering business development including business loans, business line of credit, and business overdraft protection. Interestingly, the Saskatchewan have had a long involvement in promoting business development amongst their people. They were instrumental in the founding of Canadas only First Nations controlled university, the Saskatchewan Indian Federated College in Regina. The Saskatchewan Indian Equity Foundation Inc., Canada's first Aboriginal Capital Corporation, was created in 1982 by the member nations of the Federation of Saskatchewan Indian Nations to provide term loans to Saskatchewan First Nations businesses. Since 1982, SIEF has loaned more than \$30 million, with a loan loss rate of just over one per cent.

The Bank of Montreal has gone down a different path establishing a commercial approach to Aboriginal banking within its existing structure. In October 1992 the value of its commercial loan business with Aboriginal communities amounted to \$10 million dollars. Some eight years later, that same commercial loan business has grown to \$1 billion, with the bank holding a further \$1 billion in trust for First Nations communities.

The bank has over the same period;

- increased from 121 to 600 the number of its Indigenous employees,
- opened 16 Aboriginal Banking centres and
- established an alliance with Canada Post that has resulted in first time access to banking services for 20 remote communities.

The Bank of Montreal has also concluded innovative On Reserve Housing Loan Program agreements with 12 First Nation's communities enabling member families to borrow funds for the construction, renovation and purchase of owner occupied housing.

These banks are not lone players - other major Canadian banks are actively chasing the Indigenous dollar. They are also designing and delivering financial education and training courses for First Nations communities and funding scholarships for Indigenous students.

The banks believe these investments are essential in order to build long term trust and credibility.

The Need for Strong Indigenous Leadership

From an Australian Indigenous viewpoint, positive change has occurred though we can validly criticise the slow pace of that change.

There have been many spokesmen, both black and white, who have quite rightly challenged conventional views. We need to ensure that these challenges go beyond rhetoric and that we collectively examine achievable on-the-ground solutions.

We do not need another voice in the wilderness calling on everyone to help our peoples. We need to stop finding blame and start finding solutions.

Although I have been involved in community matters for many years, I am of the view that programs aimed at the economic development of the community, the individual or family unit, have the potential to have a more sustainable effect than broad based welfare programs. In my opinion we need to look at the definition of economic development in the broadest sense and include education, employment business creation and asset accumulation - in particular house ownership.

We must avoid the dangers of our youth remaining on the continuous cycle of unemployment or revolving training, which often still leaves them without jobs, incomes and worst of all hope for the future.

The solutions don't lie exclusively with governments and they don't lie in our own indigenous service organisations. These are support mechanisms.

If we look to overseas models such as New Zealand, Canada and the United States, the change process was often sponsored by Indigenous leaders at the national and community levels.

Again, in talking to overseas groups, who have lived with treaties, many of them became trapped in the same poverty cycles that we have. What has happened in recent years, and is still emerging, is that many indigenous groups in New Zealand, Canada and the United States, have had a mind shift in deciding where they fit and how they will interact with government and the business sector.

They are now generating incomes, establishing powerful lobby groups and are able to influence the business sector in ways that we can only dream about at the moment. They are not reliant on government agencies but they do use the services that are available to achieve their goals.

They have recognised that power comes from within and the rest of the needs can be serviced by a combination of support programs and building their human and capital

base. In other words they have accepted the need to establish the means of empowerment and utilise the services and support mechanisms Governments and the private sector can provide as the means of achieving the things that are important to them.

In these countries, Indigenous spokesmen and community leaders clearly saw the need to adopt a more statesman-like role so that they could properly debate issues and offer constructive advice not only to governments, but more importantly, to their own people. The importance of this leadership role is a message that a number of indigenous groups around the world have stressed to me.

I believe that this change process has not yet occurred in Australia. Most individual Indigenous Australians continue to feel alienated in today's society and our leadership has sometimes gone to extraordinary lengths to highlight the negative position we find ourselves in. Unfortunately the purpose of this type of message often gets misrepresented within our own communities leading to a continued pessimistic view rather than encouraging the development of optimism for the future.

If we want to have meaningful dialogue and have our rights respected we must start to act as statesmen and show a vision for our people which is both meaningful and targeted. I personally believe that economic empowerment is fundamental to influencing the way we interact with governments and the private sector.

For such an approach to work, the media will also need to change. People who have sought to be given exposure by Australian media. The media is more interested in controversial statements rather than conveying positive and constructive messages.

Future Directions in Australia

When governments have the will they can be quite creative but these days everything seems to rest with ATSIC and it is my view governments must commit themselves to working closer to explore the means of achieving solutions. And the private sector can play a major role in ensuring that development is economically sound and sustainable.

This country's answer to economic and social problems is to continue to put band-aids over the problems and as a consequence, there is little sustainable improvement. And while the current levels of support may or may not be adequate, I do not believe extra government funding can necessarily address the causes of the problems. So the solution could well be of a focused commercial nature that requires all parties to commit to contributing to the solutions

Subsidies to overcome disadvantage should not create a dependency. There are many examples in our mainstream society where subsidies are provided to provide society with a broad range of choices. On the other hand there is what Noel Pearson describes as negative welfare, which must be redirected to underpin our moves to economic and social empowerment. While saying this, I recognise that solutions are not simple - many of our communities are located in remote areas where there are few or no industries.

The challenge facing governments and the private sector is to listen to what people are saying and work constructively with us. We hear a lot these days about supporting and introducing special measures for the rural sector. Our peoples are a significant part of the rural sector and we must be included in debates about the needs of rural Australia.

We need to open up the debate about what is working and empower our communities to make the choices about what is an appropriate program for our peoples.

Access to capital, on proper and equitable terms, is paramount for Indigenous economic development. It is time to allow communities to adopt normal risk and for governments to stop sheltering communities and wrapping them up in cotton wool for "their own good". It is also time for the private sector and in particular the financial sector, to pursue investments involving Australia's first peoples. The overseas models clearly reinforce the importance of non-government interventions.

While Native Title has created opportunities, a number of companies have adopted a Santa Claus mentality handing out gifts and one-off compensation payments, rather than creating long-term arid sustainable business opportunities for local communities.

Conclusion

While overseas experience shows a developing relationship between Indigenous people and the private sector, the Australian scene has been somewhat different. Apart from a few exceptions the private sector is a relatively new entrant in indigenous affairs, although as I have stated, Native Title has proven to be the major stimulus for a more rapid interaction in recent times.

I have a lot of praise for the openness of some larger companies to our entry into the business world. I believe that the business community has been pleasantly surprised at our professionalism but it is clear that business likes to work in an environment of certainty.

But still issues persist. Some industry sectors need to come to terms with our rights and the way in which we will lever our unique position to look for the best possible commercial position we can achieve. In many cases, Indigenous people are at a double disadvantage. Our economic circumstance is compounded with geographic isolation.

And while we have a private sector that is risk adverse, and a banking sector that has effectively withdrawn to the coastal fringe, prospects do not look good. It is clear that other countries have developed innovative approaches that have been embraced by Indigenous people and the private sector alike. These innovations have often been underpinned by government programmes and policies that encourage active private sector involvement and solutions. These programmes and policies also provide a positive environment in which to act in partnership.

In Australia the needs and solutions may not be that different. We are looking to achieve better incomes, more jobs, improved training opportunities and the building of our asset base.

The challenge for the country, I believe, is to find the means to reduce welfare dependency by creating an environment that will encourage private sector involvement. Innovative approaches based on overseas models may well be the answer.

The title of my address today was "Indigenous Economic Empowerment: Fact or Fiction". In my address I have canvassed a range of issues and a range of subjects and while we should acknowledge the many positive developments, one must conclude that based on overseas models, Australia has indeed a long way to go. To plagiarise from a film of some years ago, in Australia we *"talk the talk and we walk the walk"* but in reality our efforts to achieve real and sustainable economic equity for Indigenous Australians is seriously deficient.

I believe that at all levels we need to accept the challenge to do better

And what are these challenges?

For governments, it is going beyond the rhetoric and providing real leadership on this most important need through the development of an achievable economic development strategy. And if leadership does not result in positive outcomes, it should be prepared to use legislative means to achieve those outcomes. Some initiatives that Australian governments and the private sector might like to explore in terms of committing to establishing the means to achieve an economic base for indigenous Australians include:

Industry incentives

Taxation incentives

Creating economic development zones

Legislating to create a requirement for indigenous involvement in the expenditure of government contracts.

Compulsory community services obligations imposed on our financial institutions

(I am not optimistic of a positive response to these suggestions because when I have raised these approaches in Government forums, the response is often to focus more on the provision of grants to fix communication problems or provide more roads or hospitals. These are not the means of addressing the underlying problems of the rural sector They do not provide a sustainable framework for future growth. They are targeted at the effect and not the cause of the downturn in the rural sector).

For the private sector, the challenges are to deal with Indigenous people as equal Australian citizens in terms of employment opportunities and investment potential. I recognise that the private sector looks at the "single bottom line" but in this day and age, the private sector needs to look at the "triple bottom line". I do not expect the private sector to throw funds at non-viable businesses or investments - I am asking that they take the time to consider all the pluses of doing business with Indigenous people. And if the government accepts the challenge to provide a better investment environment, all the better. Just as industry has come to grips with emerging changes such as environmental protection to ensure a sustainable future for everybody, the private sector should view investing in Indigenous Australians as an investment for the future.

For the financial sector, the challenge is clear. You have a responsibility to provide full services to Indigenous people and to ensure that Aboriginal and Torres Strait Islander people can access business funding and housing funding on proper commercial terms. I believe that it is getting to the stage that if the financial industry does not provide self led reform in these areas, then it is incumbent on government and community to impose its will.

For Indigenous leadership, the challenge is to provide quality leadership and to ensure that economic development is a major part of the agenda for dialogue with communities, governments and the media. This leadership should be demonstrated through positive and constructive debate rather than a continued reliance on past wrong doings without reference to a positive future, I have been a strong advocate of economic solutions and seek to practice that philosophy within my own community and at the national level. At times I despair at the lack of commitment from Indigenous leaders to pursue positive outcomes based on a genuine partnership with governments and the private sector.

There will be no overnight solutions. But we all need to draw the line in the sand and start somewhere with a positive commitment to face the challenges and move ahead. What better time to start the process than the year in which many Australians celebrate the centenary of the formation of a single country under the one national government.

I share the Prime Minister's statement of purpose and vision for Australian society. Our peoples are a unique part of Australian society and we make the contributions where and when we can.

But regardless of what programs are offered and how Indigenous people choose to embrace change, one thing must be made clear. We are a multi cultural society and we respect the rights of individuals moving to Australia to maintain their cultural ties and their beliefs. This same tolerance must be extended to the first Australians and development must not come at the cost of compulsory assimilation.

Positive change can come about but for change to be sustainable, I believe the approach must be based on community, individual and family empowerment supported by the opportunities created by a healthy and dynamic private sector.

