



Collaborative ideas for

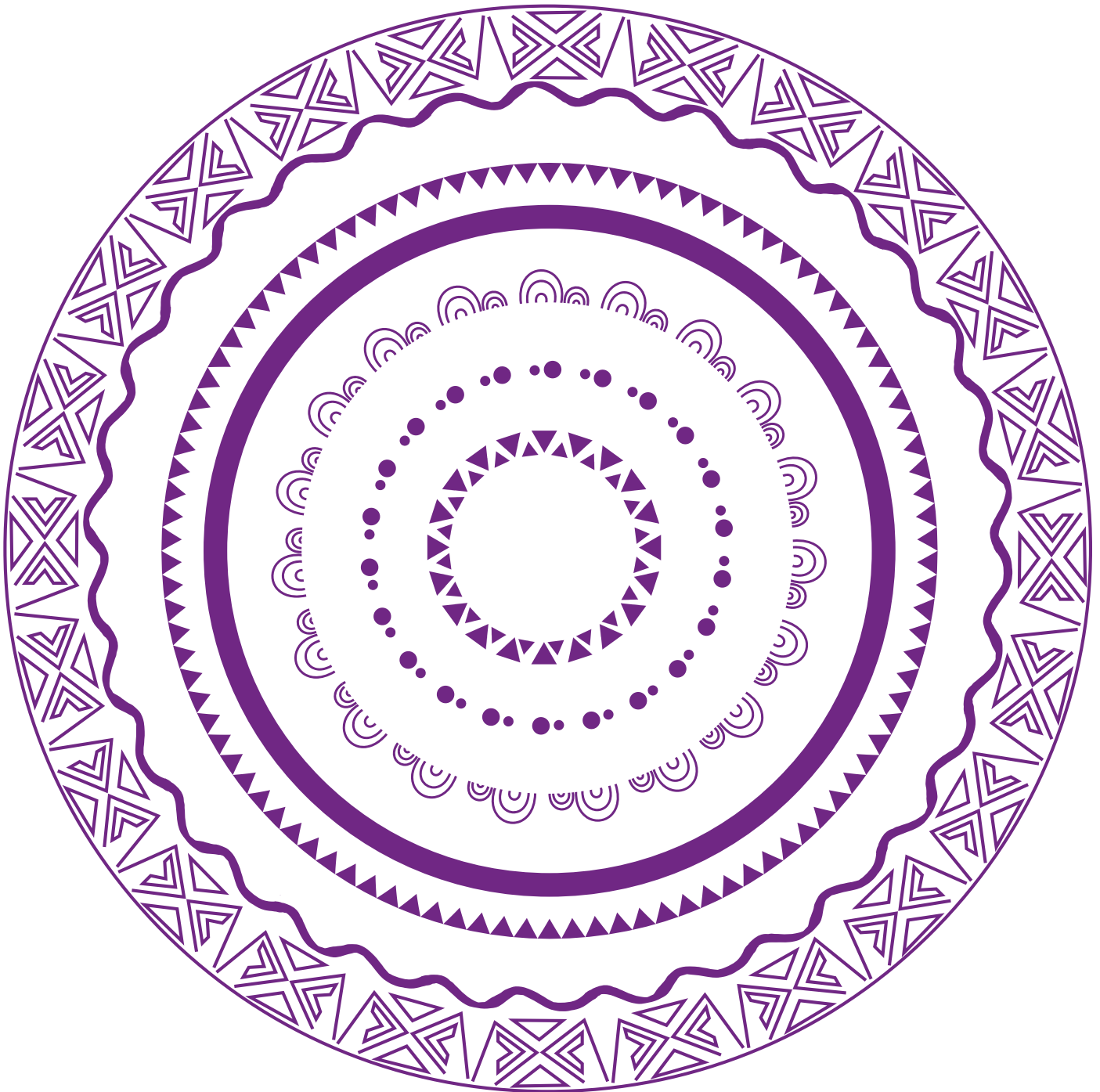
Igniting the Indigenous Economy

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In 2013, KPMG commissioned Supply Nation certified Indigenous design agency, Gilimbaa, to produce an artwork that reflects the diversity of Indigenous Australia and KPMG's commitment to reconciliation. This artwork tells the story of community, and the importance of community in society.

Foreword

The imperative to drive economic growth has traditionally been central to our national interest debate. However, Indigenous Australia has largely been excluded from these discussions. Instead, the discussions tend to revolve around what could be 'fixed' for Indigenous Australia.

Thankfully, this is changing.

A generation of Indigenous leaders has argued passive welfare is destructive to dignity, and that long term economic empowerment must be built through employment and entrepreneurial activity.

This publication is about contributing to this momentum. It is not a blueprint or a grand plan. It is not about what government or business can do 'for' Indigenous Australia. This publication brings together prominent Indigenous leaders and combines them with some KPMG specialists to provide tangible recommendations focused on economic development, and explanations for why they are important.

The result: a very broad, very exciting, yet very digestible collection of ideas we sincerely hope will inspire action.

In some cases these ideas are about encouraging government to step out of the traditional directing role. The modern 'Empowered Communities' push, for example, is about government transferring control to Indigenous communities and shifting into a support position.

Ultimately, however, the underlying aim is to stimulate meaningful employment, an area in which Australia's infamous 'gap' has refused to close over the last decade. The Indigenous employment rate sits at just 46 percent; 36 percent in remote areas.

A clear path to improvement of this unacceptable situation is education. For Indigenous Australians who attain a high level of education, we know the employment gap vanishes.

Another is stimulating the growth and success of Indigenous businesses, which are 100 times more likely to hire Indigenous Australians than non-Indigenous businesses.

This publication proposes a range of tax and other measures that could assist Indigenous enterprise by opening up new investment streams, such as through impact investment.

Additionally, it proposes more innovative ways for Indigenous communities to use and leverage land assets to better provide economic opportunity to more Indigenous Australians.

It also casts forward to look at how the fourth industrial revolution, disruptive for the whole economy, will deliver particularly acute challenges and opportunities to Indigenous Australia. Keeping an eye on the horizon is particularly relevant when you consider the relative youth of Indigenous Australia — 60 percent are, today, aged under 35.

This publication also presents ideas about the need to re-examine national structures like our superannuation regime, which, while designed to be universal, may actually contain blind spots in terms of serving the needs of Indigenous Australians.

This focus on empowering Indigenous Australians to manage their own economic development should not, however, equate to a vacating of the field from non-Indigenous Australia. Business, in particular, has a genuine responsibility to take a good, hard look at why employment opportunities are so elusive to Indigenous Australians.

Part of this is simply a gap in cultural awareness, and here in our experience, tools like cultural competency training are incredibly valuable. It is a program we have embraced wholeheartedly at KPMG, and we know it to be having a significant impact across many other organisations as well.

It is not until we take active and conscious steps to bridge the gap of understanding between Indigenous and non-Indigenous that the full and fair swathe of economic opportunities will really open up to the next generation.

It is vital therefore to expand intern opportunities, encourage the secondment of personnel to Indigenous communities, and generally facilitate opportunities for the cross-pollination of ideas and experience we know to be so critical to modern economic activity.

Indigenous Australians deserve the same access as non-Indigenous Australians to the dignity of work and to entrepreneurial opportunity. We believe it is economic participation and commercial enterprise – not government or corporate welfare – that will lead to better outcomes for Indigenous Australia.

We invite you to contribute, collaborate and join us in extending this conversation.



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Summary of recommendations

Our collaborative ideas: at a glance

Extension of Indigenous Procurement Policy

- The federal government should build on the success of its Indigenous Procurement Policy by insisting that state and territory governments reach Indigenous employment and procurement parity targets in all projects funded by federal infrastructure grants.

Innovation

- The creation of programs that expose Indigenous entrepreneurs and potential Indigenous entrepreneurs to incubators and accelerator environments are critical.
- Platforms that expose Indigenous entrepreneurs to venture capital, angel investors, and other forms of funding are also critical.
- Governments should contribute seed funding to impact investment funds for Indigenous enterprise. The private sector should consider impact investing for Indigenous enterprise.

Tax Reform

- The Federal government should create the Indigenous Community Development Corporation, designed so the Indigenous community can hold assets, make investments, and receive income from royalties.
- Indigenous Business Enterprise should be legislated, which would pay a small amount of tax if profitable, with the rate dependent on the level of Indigenous ownership and employment.
- A 10-year tax holiday should be deemed for large scale projects in Northern Australia where certain criteria on Indigenous employment are met.
- Indigenous Equity Funds should be established, and consideration given to federal government fund matching on a dollar-for-dollar basis.

Indigenous Estate

- Declutter - a clear, concise and consistent framework in which each key institution/ agency or sector participating in Indigenous economic development should be created to ensure each understands its strategic role, required capabilities, areas of focus, and interrelationship to other key stakeholders.
- Links between the Indigenous Estate and the broader Australian economy should be mapped for the benefit of Aboriginal and Torres Strait Islanders.
- Aboriginal and Torres Strait Islander people should be permitted to choose governance mechanisms that are fit for purpose, allowing them to focus appropriately on achieving both financial and social impact.
- Consistent and robust measures of success and impact should be identified, which in turn engender greater accountability.
- Mechanisms for ensuring Aboriginal and Torres Strait Islander people work together to share experiences, and leverage their collective scale to access commercial advice, solutions and partnerships that might otherwise not be available to them individually should be developed.

Education

- Education is the key to Indigenous employment and must be invested in strongly, including through a needs-based school funding model.
- Investment in education and training of Indigenous Australians at the school level and beyond is essential in the areas of STEM, entrepreneurship, agile management, lean startup, human centred design, commercialisation, and IP management.
- Funding cuts to Indigenous Education Units and not-for-profits that support the tertiary education of Indigenous Australians should be reversed.
- Reform the ABSTUDY means testing system to acknowledge complexities around income, and widen eligibility to a larger cohort of tertiary-ready Indigenous students.
- Corporates who give internships to Indigenous students should consult with IEs to enable flexible tailoring to the needs of individual students.

Superannuation and wealth

- Indigenous financial literacy must be increased through more innovative uses of software tailored specifically for mobile technologies.
- Financial literacy sessions should be a mandatory component of the Community Development Program (CDP) scheme.
- The \$10,000-per-annum limit for early access to superannuation savings should be increased in cases of severe hardship for Indigenous Australians.
- Identification processes should be recalibrated in order to compensate for a common lack of valid ID, as well as cultural and geographical barriers.
- Re-assess the appropriateness of providing an insurance benefit, and improve cultural awareness for dealing with Indigenous Australian members making insurance claims.

Empowered Communities

- The federal government should move immediately to enact Empowered Communities reform, based on the advice of the government-sponsored Empowered Communities Design Report.
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Economic advancement of Indigenous Australians



Craig Emerson



Prof Marcia Langton AM

The infamous gap between Indigenous and non-Indigenous Australians is finally showing some signs of closing in key areas.

Indigenous infant mortality has more than halved in the last 16 years. The gap in life expectancy between Indigenous and non-Indigenous Australians remains at an appallingly large 10 years, but overall mortality rates have been declining swiftly over the past decade.

Employment

Yet when it comes to employment, progress has been nothing short of poor in recent times.

No progress has been reported against the target since 2008. Just 46 percent of working-age Aboriginal and Torres Strait Islander people are currently in work.

Recent softening of the labour market has adversely affected the employment prospects of all Australians by about one percent, but it has cut more deeply into Indigenous employment rates.

A common misconception is that most Aboriginal and Torres Strait Islander people live in remote areas of Australia. In truth, almost 80 percent live in major cities and regional centres. But unemployment is more acute among Indigenous Australians living in remote areas, where only 36 percent of those of working age are actually in work.

The steep decline in the statistics for Indigenous employment is partly attributable to the demise of the Community Development Employment Programs (CDEP) scheme. But the CEDP should be compensated by the new Indigenous affairs employment programs in the Department of the Prime Minister and Cabinet, which are showing early signs of success.

In the period 1 July 2014 to 31 January 2016, there have been 24,137 job commencements as a result of a range of tailored assistance grants and programs, such as those offered by the Vocational Training and Employment Centres (VTEC), the Community Development Program, and the Employment Parity Initiative, which involves partnerships with corporate Australia.

Education

The qualified success of these government programs should be acknowledged, but to attack the problem more broadly it is vital to absorb the most significant finding of the **2016 Closing the Gap report**: “There is a strong link between education and employment – at high levels of education there is virtually no employment gap between Indigenous and non-Indigenous Australians.”

It is a point worth repeating: *for Indigenous Australians who attain a high level of education, the employment gap vanishes.*

While progress is on track to meet a target of halving the gap for Year 12 attainment by 2020, the gap itself remains large – 85 percent of non-Indigenous students stay on to Year 12 while only 59 percent of Indigenous students do so.

Getting to and through university is an even bigger challenge. But there is encouraging progress: over the past decade there has been a 70 percent increase in the number of Aboriginal and Torres Strait Islander students enrolled in university courses.

Under the needs-based school funding reforms recommended by an inquiry chaired by David Gonski, two of the five indicators of disadvantage are Indigeneity and school remoteness.

Extra school funding does not automatically lead to improved education outcomes, but it is difficult to see how education attainment levels for Indigenous students can be improved in the absence of a substantial funding boost by federal and state governments.

School-based apprenticeship schemes can also be effective in contributing towards training qualifications while enabling students to stay on and complete high school.



Indigenous business

The Commonwealth's Indigenous Procurement Policy has ignited a new wave of Indigenous entrepreneurialism, increasing the Government's expenditure on goods and services provided by Indigenous businesses from \$6 million to \$156 million in less than a year.

The momentum in government policy innovation in employment and business investment must be continued. Inevitably, the policy prescriptions for improving the employment rates of Indigenous Australians in major cities will differ from those for Indigenous people in remote communities, where employment prospects are limited by distance and lack of infrastructure.

Yet these constraints are not unbreakable. They have not, for example, stopped the Arnhem Land Progress Aboriginal Corporation (ALPA) - a not-for-profit organisation with 25 shops in remote communities - from topping the annual table produced by the Office of the Registrar of Indigenous Corporations.

ALPA is a sign of the growing success of Indigenous enterprises, even in remote areas, in the public-private sector. It provides retail, employment and community services, trades and mechanical work, job-placement services, social club management, accommodation and hospitality. It is also a large provider of the Commonwealth's work-for-the-dole program. The Corporation provides these services across the Northern Territory, Cape York and the Torres Strait, with income of \$89 million last year, up from \$60 million the previous year.¹ It has 933 employees, 83 percent of them Indigenous.

As reported in the eighth annual analysis by the Office of the Registrar of Indigenous Corporations (ORIC), the combined income of the top 500 Aboriginal and Torres Strait Islander corporations had jumped 250 percent from 2004-05 levels.

ORIC reported the average income per corporation last year was \$3.76 million and total assets under management by the top 500 were up 5.7 percent from the previous year, to \$2.22 billion. The report found health and community services providers constituted the largest sector, making up 197 of the top 500 corporations. There were 2,688 registered corporations in total, with 165 of the top 500 in the Northern Territory.

The top 500 Aboriginal and Torres Strait Islander corporations employed more than 11,000 Indigenous people in 2014-15. Most of these are not-for-profit organisations operating outside urban Australia, with more than 40 percent of their total income self-generated. Over the past decade the average annual growth rate in total income for these corporations was a strong 9.4 percent.

So Indigenous business development is not only possible, it's happening, including in the most remote parts of Australia. The success of the largely government funded Indigenous corporation sector is just a part of the story.

The instances of success above do not include the Indigenous-owned or part-owned businesses in the private sector. Their numbers are difficult to determine but we do know from the reports of Supply Nation and the First Australians Chamber of Commerce and Industry, as well as businesses procuring their services that they are growing exponentially.

The success of Indigenous business is a core driver of Indigenous employment.

As Prime Minister Malcolm Turnbull has pointed out, the research shows Indigenous businesses are 100 times more likely to hire Indigenous Australians than non-Indigenous businesses.

While many Indigenous businesses are enjoying success, just as in the non-Indigenous community, other business start-ups have failed.

The signs of success in the latest reports from governments indicate that building on these successes and accelerating progress will require a willingness to take risks not only on the part of Indigenous people, but also by governments.

Failure rates among small business start-ups are high in the best of times in the best of circumstances. They will be higher in riskier ventures in remote Australia.

¹ <http://www.theaustralian.com.au/national-affairs/indigenous/income-for-indigenous-business-up-8pc-at-18bn/news-story/8343a1991d44586676e653cc52bea597>

“Supporting entrepreneurship, financial literacy, and better educational attainment among Australia’s First People is a much better use of taxpayer funds than passive welfare, which most Indigenous leaders agree is poison to the dignity and self-esteem of their communities.”

Impact investing

A relatively new investment approach, impact investing offers significant promise. Impact investing involves coupling desirable and measurable social outcomes with a financial return.

In some cases the financial return might not be the most competitive, but sufficient to invoke entrepreneurship and the profit motive, while keeping the investor fund’s capital base intact for further investments.

Acting alone, however, private financiers might not have the appetite for the perceived riskiness of Indigenous small businesses. In addition, they may not have the in-house capability to assess Indigenous business proposals.

That is why governments should contribute seed funding to impact investment funds for Indigenous enterprise, and deploy private project assessors. This would engender confidence and limit downside risks. Of course, all the usual governance systems and accountabilities, including audited financial statements, would need to apply.

It must also be noted that none of this will stop the fact that some business ventures will fail, just as they do in the non-Indigenous community.

Other measures

There are other positive discrimination measures that can help close the economic and social gaps between Aboriginal and Torres Strait islander and non-Indigenous Australians.

We know, for example, that government subsidies in employment and training to businesses that lead directly to employment are working, especially with a 26-week period before payment to the corporation.

Setting targets to reach employment parity has also been shown to work. The Commonwealth public service has a new Indigenous employment target that will be reported next year and all state and territory governments should follow suit with both employment and procurement targets for their Indigenous populations.

The federal government should build on the success of its new Indigenous Procurement Policy by insisting that state and territory governments reach Indigenous employment and procurement parity targets in all projects funded by federal infrastructure grants. Only an integrated national effort will bring about the urgently required changes that would give the overwhelmingly young Indigenous population a better future.

Supporting entrepreneurship, financial literacy, and better educational attainment among Australia’s First People is a much better use of taxpayer funds than passive welfare, which most Indigenous leaders agree is poison to the dignity and self-esteem of their communities.

The task ahead is to build on the successes and learn from the failures so that Indigenous Australians have the same opportunity as non-Indigenous Australians of fulfilment through the dignity of work, and the satisfaction of reward for entrepreneurial effort.

Recommendations:

- Education is the key to Indigenous employment and must be invested in strongly, including through a needs-based school funding model.
- Governments should contribute seed funding to impact investment funds for Indigenous enterprise.
- The federal government should build on the success of its Indigenous Procurement Policy by insisting that state and territory governments reach Indigenous employment and procurement parity targets in all projects funded by federal infrastructure grants.

The rise of Indigenous entrepreneurs



James Mabbott



Eddie Fry

The world is now entering a fourth industrial revolution, also known as Industry 4.0. The exact nature of this new revolution is difficult to define, because it lies mainly ahead of us.

We can say it will likely be characterised by advancing technology creating a blurring of the physical, virtual, and biological realms. We can also say with confidence it will fundamentally reshape economies in both developed and emerging economies. Such a revolution will obviously create disruption at all levels of Australian society.

For Indigenous Australia, however, the fourth industrial revolution presents particularly acute challenges and potential opportunities.

The threat of Industry 4.0 for Indigenous Australia

As labour markets morph rapidly, Australia's capacity to compete in an increasingly global marketplace will lie in its ability to innovate and instill a culture of innovation.

The employment and entrepreneurial opportunities of the future will look very different to those of the past. In many cases they will be unrecognisable.

What we do know is that they are likely to require a high level of education and training, and the capacity to collaborate effectively.

Australia's Indigenous population is at an immediate and obvious disadvantage here.

The educational, socio-economic, and often geographic disadvantage of Indigenous Australians today would suggest most may miss out on the opportunities the new digital economy brings.

Accelerator and incubator programs, for example, so critical in facilitating the cross-pollination of ideas, are generally clustered tightly in inner-city metro areas, away from Indigenous populations which tend to be located in outer suburbs and regional areas.

Challenges also loom for Indigenous enterprise at a time when Indigenous business is just starting to enter an encouraging growth period.

We are increasingly seeing non-Indigenous modern enterprise — banks, telcos, retail companies, and the like — investing heavily in the new tools of innovation like human-

centred design, investment in research and development, lean start-up, agile management and powerful data and analytics. These are the key building blocks of the super-companies of today, such as Google, Facebook, Amazon and Apple.

Through this innovation they are looking to completely re-engineer the way they create, test and iterate products and services. They also have an intimate knowledge of the customer and an ability to make decisions based on data driven frameworks.

The risk to Indigenous enterprise is that without the skills and capital to similarly evolve their commercial offerings, they will be left behind in the 'old economy' while other non-Indigenous businesses leap forward into the new.

Indigenous Australia's great opportunity in the fourth industrial revolution

Industry 4.0 though could also present great opportunity for the economic development of Indigenous Australia.

Indigenous Australians are, on average, much younger than other Australians. As previously noted today, 60 per cent are aged under 35 years. Children, teenagers and young adults are ready to seize on new competencies that power the start-up economy. They are also likely to be avid users of new digital services and with that have a familiarity that older Australians do not have.

An understanding of the kinds of skills necessary in the new economy is still being developed. There is opportunity for young Indigenous Australians to begin their education from a relatively level starting point, and seize opportunities as they arise in the new economy, without starting behind the eight ball.

Currently, there is a push toward STEM (Science, Technology, Engineering and Mathematics) skills and additional new economy skills, like coding and entrepreneurial business fundamentals, to be taught in schools and universities. If extra effort is made to bring Indigenous Australia into this frame, it will have an equalising effect on opportunity.



“For Indigenous Australia, the fourth industrial revolution presents particularly acute challenges and potential opportunities.”

We know from research that the overwhelming majority of Indigenous Australians, even in very remote areas, are already engaged with new consumer technology — there is a very high rate of smartphone usage, for example.

With access to an internet connection and new technology there is a brand new potential for Indigenous Australians in regional and remote areas to access global audiences, with almost three billion people online.

The blurring of physical and virtual realms provides an opportunity for remote Australia to more effectively compete within Australia and globally. Technology and bandwidth mean physical location is less relevant.

Areas of the economy in which Indigenous Australians are already active carry significant potential as providing a basis for existing start-up entrepreneurial activity.

Start-up entrepreneurial opportunities look likely to abound in areas that Indigenous Australians are already economically active in: think agri-tech, mining-tech, and clean-tech.

Education and capital the key to seizing Industry 4.0 opportunities

In order to play fairly and equally in the future of enterprise Indigenous Australia needs to have the same skills, capabilities, and access to capital as other Australian entrepreneurs.

Without this, Indigenous Australians will not be able to access the commercial opportunities presented by new technologies, business models, and a digitally connected world.

Education efforts should focus on STEM skills and entrepreneurship, agile development, lean startup, and human centred design. Educational opportunities also lie in commercialisation and IP management.

Much of the training is at the school level, but valuable opportunities also lie in post-school training. Initiatives to attract global talent to work with Indigenous entrepreneurs and innovators would be valuable to facilitate knowledge sharing and exposure to the latest skills and techniques.

We also need to ensure there are paths for Indigenous entrepreneurs to access incubator and accelerator environments to give them the opportunity to build, develop, and grow digital and tech based enterprises.

While taking incubator environments to remote and regional areas is important, we should also be conscious of the lower hanging fruit: shifting opportunities to urban Indigenous locations on fringes of major cities, for example.

Education is one half of the equation - access to capital is the other.

Impact investing, social bonds, and other means of developing funding sources to support Indigenous enterprises can be utilised in this context.

However, such funding only makes sense where there are opportunities to invest. We therefore need a platform to expose Indigenous entrepreneurs to venture capital, angel investors, and other forms of funding.

The next generation of Indigenous Australians in regional and rural Australia could be leveraging the economic opportunities of the 'Indigenous Estate' into exciting new start-up projects.

Potential opportunity abounds. For example, the rapidly rising middle class in Asia will generate high demand for high quality produce, creating an opportunity for Indigenous Enterprise to meet this need through innovative use of land and agri-tech.

However, there is also no reason we could not see Indigenous robotics or Indigenous artificial intelligence ventures.

To achieve any of this means striving to provide this young Indigenous generation with equal access to tech education, training, and learning opportunities.

This may lead to completely unique Indigenous ventures, or simply a reasonable proportion of Indigenous entrepreneurs working at the cutting edge of new enterprise.

What is certain is that if we do not build the right skills and investment environment, we will see a rapidly accelerating widening of the already unacceptable economic gap between Indigenous and non-Indigenous Australians.

Recommendations:

- Investment in education and training of Indigenous Australians at the school level and beyond in the areas of STEM (particularly coding), entrepreneurship, agile management, lean startup, human centred design, commercialisation, and IP management.
- Create programs to expose Indigenous entrepreneurs and potential Indigenous entrepreneurs to incubators and accelerator environments.
- Create platforms on which to expose Indigenous entrepreneurs to venture capital, angel investors, and other forms of funding.

Tax reform can boost the Indigenous economy



Grant Wardell-Johnson



Prof Marcia Langton AM

“Tax compliance provides a discipline for small businesses, which can give rise to an understanding of ‘the numbers’ and better decision making.”

The long term economic empowerment of the Indigenous population, we believe, would be greatly enhanced by the creation of four types of investment bodies, each with specific taxation characteristics.

The ideas in this paper are preliminary. They would need to be considered by Indigenous community leaders and adapted accordingly.

Each contains a revenue cost, but if they were properly drafted to benefit the Indigenous community as intended, the long-term benefits would be likely to greatly outweigh the costs.

1. Investment vehicle - Indigenous Community Development Corporation (ICDC)

The federal government could introduce a company specifically designed for an Indigenous community to hold assets, make investments, and receive income from royalties. It would be modelled on a proposal by the Taxation of Native Title and Traditional Owner Benefits and Governance Working Group.

The Native Title Act 1993 has resulted in hundreds of Indigenous Land Use Agreements. The ICDC would be an alternative for the Indigenous members of charitable trusts, corporations with Deductible Gift Recipient status, and other Indigenous corporations that receive payments on behalf of traditional owners of a land area, subject to an agreement with a company or entity.

It would be clear that the ICDC holds assets and receives income for the benefit of the specific Indigenous community it represents. Managers of the ICDC would owe a fiduciary duty to that community. This would clarify uncertainty that currently exists in some circumstances where funds are held by individuals.

The ICDC would be able to invest a portion of its funds in active local Indigenous businesses within certain bands. This would enable investment in Indigenous business ventures now, balanced with the preservation of low income-producing assets for the future. Indigenous corporations could unlock the economic potential of their assets for the benefit of present and future generations. They would be freed from the restrictions of charitable trust obligations and limitations.

The ICDC would have tax exempt status. However, given this vehicle would have a strong commercial focus, and is not intended to be the beneficiary of philanthropy, Deductible Gift Recipient status would not necessarily be appropriate. This would be a point of further consultation.

The ICDC would need to comply with high standards of corporate governance. It would be audited by external auditors and reviewed by an independent regulator such as ASIC or ORIC. Accounts of each ICDC would be public documents and easily available on a website.

2. Entrepreneurial vehicle - Indigenous Business Enterprise

A number of bodies have recommended the formation of an Indigenous Business Enterprise (IBE). The latest Indigenous Jobs and Training Review (the Forrest Review, for instance) recommended the federal government provide for a tax exempt body if certain Indigenous thresholds on ownership and employment are met.

We would recommend the formation of an IBE which has certain attractive tax characteristics, but does not fall outside the corporate income tax system completely. This is because tax compliance provides a discipline for small businesses, which can give rise to an understanding of 'the numbers' and better decision making.

Our proposal would involve three features:

- (i) The IBE would pay a small amount of tax where profitable. The tax rate should depend on the percentage of Indigenous ownership. Thus an effective 5 percent tax rate would apply in cases of 100 percent Indigenous ownership. This would rise to 10 percent where Indigenous ownership exceeds 75 percent, and rise to 15 percent for an ownership percentage between 50 and 75 percent. This would also involve an Indigenous employment target of, say, 40 percent. However, a further 50 percent discount on the tax rate could apply where a 60 percent Indigenous employment threshold is met.
- (ii) A CGT discount to vendors selling a business to an IBE. An additional 50 percent capital gains tax discount could apply to a vendor selling a business to an IBE, provided there were no back-to-back sale arrangements. This would encourage the sale of businesses to Indigenous entities and enhance the prospects of economic parity between the Indigenous and non-Indigenous population.
- (iii) An IBE would be able to transfer taxation benefits of depreciation and capital allowances to a corporate investor. This transfer, if properly structured, would lower the cost of acquisition of capital equipment for Indigenous businesses and lower the risk of investment for corporations.

3. Large Indigenous Projects

There is a significant need for large scale projects in northern Australia and remote areas in particular. The concept here is to provide a 10-year tax holiday for investment that exceeds a certain threshold, say \$50 million, and meets certain criteria on Indigenous employment, ownership, board membership and, if appropriate, remoteness. The tax holiday could be scaled back in cases where criteria are partially met.

4. Indigenous Equity Funds

It is important there are investment funds that can encourage the growth of small Indigenous businesses into medium size ones, and medium size Indigenous businesses into large ones. Such funds would require specific expertise. They should be commercially motivated and not based on philanthropy.

Training costs could be paid for by the federal government through such equity funds and consideration should be given to federal government fund matching on a dollar-for-dollar basis. A similar model has been proposed for certain innovation funds and this could be replicated.

Such investment funds would be transparent for tax purposes and thus not give rise to additional taxation costs for an investment.

There is now effective consensus that the long term economic empowerment of Indigenous Australians cannot be built on welfare provisions and must be built through employment and entrepreneurial activity. The creation of these four investment body types would create valuable scaffolding to support the economic activity needed to drive the necessary results.

Recommendations

- The Federal government should create the Indigenous Community Development Corporation, designed so the Indigenous community can hold assets, make investments, and receive income from royalties.
- Indigenous Business Enterprise should be legislated, which would pay a small amount of tax if profitable, with the rate dependent on the level of Indigenous ownership and employment.
- A 10-year tax holiday for large scale projects in Northern Australia where certain criteria on Indigenous employment are met.
- Indigenous Equity Funds should be established, and consideration given to federal government fund matching on a dollar-for-dollar basis.

Unlocking the economic potential of the Indigenous Estate



Jonathan Taylor



Eddie Fry

Across the Australian landmass, Aboriginal and Torres Strait Islander peoples hold a rich base of assets and rights. Indeed, according to estimates, Indigenous people now own or have rights and interests to some 40 percent of the Australian land mass under various forms of title and legislation.

The repossession and growth of the Indigenous Estate in the last 40 years by Aboriginal and Torres Strait Islander people has been significant.

The challenge now is both to continue to grow the Indigenous Estate and more importantly to cause its assets to be converted to bring Aboriginal and Torres Strait Islanders benefits and influence to the national stage.

The assets comprising the Indigenous Estate include *tangible assets*: the land and waters of the Estate, and the resources located on or within it, and also *intangible assets* – cultural and intellectual property rights, as they exist in forms of expression (arts, dance, music, language); traditional cultural, environmental and bioscience practices, and other forms of traditional knowledge.

And the Indigenous Estate continues to grow through:

- the acquisition, development and management of land;
- the flows of funds from royalties and rents from resources, land use and other agreements, and the investment of those funds – domestically and internationally;
- the development and growth of Indigenous businesses; and
- revitalisation or enhancement of intellectual and cultural property and knowledge, and new forms of expression and works.

Steps that can be taken to assist the Indigenous Estate reach its full potential

1. We need to better understand the Indigenous Estate

Whilst there have been many studies on particular regions or landholdings, a structured identification or assessment of the assets of the Indigenous Estate is required, coupled with an understanding (driven by appropriate consultation) of the aspirations and opportunities desired by Indigenous communities and groups within their respective regions or landholdings.

Once this understanding of aspirations and opportunities increases, we can establish an enabling ecosystem/ framework for Indigenous economic development and the Estate can be grown by and in line with the aspirations of Aboriginal and Torres Strait Islander groups and communities.

2. We need to establish a consistent, national, enabling framework for economic development

To allow Aboriginal and Torres Strait Islander people the full opportunity to protect, and if they wish, develop or harness, their respective interests in the Indigenous Estate, a framework is needed that enables the potential of these assets to achieve the outcomes that Aboriginal and Torres Strait Island peoples choose.

Such a framework should establish the mechanisms and support structures that enable Aboriginal and Torres Strait Islander people to:

- Establish governance structures that are sufficiently agile to participate effectively in economic and investment activity, whilst also reflecting cultural and community needs and expectations;
- Develop the commercial capability necessary to make informed strategic, investment and commercial decisions; and
- Access capital and advice from aligned partners who can work effectively alongside Aboriginal and Torres Strait Islander people.

In addition, it must:

- articulate the role of each key institution, agency and segment in the spectrum of Indigenous economic development, the role it is expected to play and its inter-relationship with the others; and
- identify the resources, skills, products and services required for each player to be fully effective as an enabler of the economic aspirations of Indigenous Australians.



3. We need to ensure policy settings are enabling, not inhibiting

Current policy settings for economic development of the Indigenous Estate do not articulate a clear framework and can impose requirements seen to inhibit economic activity, rather than enable it.

For example, in certain circumstances organisations are often compelled to incorporate under prescriptive governance regimes which are compliance driven rather than commercially agile. The weight of effort necessarily then goes to meeting reporting and related obligations, rather than strategic and/or commercial decisions, let alone economic development. Many organisations are simply not resourced or ill-equipped otherwise to operate in these contexts, and are caught in a cycle of compliance, audit and reporting, rather than growth.

Similarly, royalty arrangements have often limited Indigenous communities' ability to make risk-based commercial decisions that suit their circumstances, and instead the agreements have enforced the use of an external trustee or adviser with a deliberately conservative mandate, and with incentives/drivers that are not always well aligned with the community's own aspirations.

4. We need to plan for sustainability

Over the course of many years, there have unfortunately been many examples where communities or organisations have lacked a long-term plan for the use and development of their assets.

The consequences of this have been wide ranging. In some cases funds have been disbursed or applied for short-term needs, or invested into local, high risk businesses or activities, with no amounts set aside for longer term use or intergenerational benefit. In other cases, the activities undertaken by such organisations have been opportunistic and reactive, and misaligned with community expectations.

Where funds have consistently been used for the short term, or are locked in an illiquid local business or asset prone to distress, the capital base of the organisation affected is depleted permanently. This is particularly stark where the funds have arisen from a land use or other agreement in which there has been an "asset swap" or "conversion of interest", in which the group has exchanged inherent rights to an asset (lands, waters, related rights and/or intellectual property), for financial assets (primarily cash) or other rights.

It is becoming increasingly apparent that establishing an appropriate plan, and subsequently an asset base which provides for financial sustainability, often better positions organisations to meet community

expectations (whether relating to community development or otherwise) over the long term.

5. We need to invest in building true commercial capability

Building commercial capability allows Indigenous groups and communities to test, challenge and change the (often imposed) structures to which they are subject.

Within the Indigenous Estate, there are too few examples where commercial capability has been fostered genuinely and sustainably, with the focus instead being on coursework and training. Commercial capability cannot be developed solely in the abstract – rather, it is best developed in the context of, and when it is integrated into, real and tangible projects, for example where groups have co-invested in real ventures and have called upon to plan for and make decisions about how their money will be invested or used, and how the underlying assets and businesses are managed.

6. We need to improve access to appropriate commercial expertise and advice

The lack of understanding of the opportunities within Indigenous Australia, the small asset base of many organisations, and the remoteness and other barriers to effective engagement with many Indigenous communities has meant that, generally, communities have not been able to access the most appropriate and highest quality advice needed to engage in commercial activity.

As the Estate becomes better understood, and as corporate and wider segments have become increasingly engaged with Indigenous Australia, this has started to change – there is still much room for improvement.

7. We must ensure that institutions, policies and structures that manage and regulate access to Indigenous landholdings are used creatively and flexibly

Mechanisms exist, and have indeed been utilised, to lease and otherwise make land available where native title rights and interests or statutory land rights exist for commercial activity (where desired).

For the institutions, policies and structures that manage and regulate access to and with Indigenous landholdings, we must ensure we think laterally and creatively about how to create the necessary certainty, balancing risk and reward, to achieve the outcomes being sought. Accordingly, we must look within existing laws, such as the flexibility afforded by the "Indigenous Land Use Agreement" (ILUA) Scheme within the Native Title Act 1993 (Cth).

Agreements concluded under the ILUA provisions can be remarkably flexible, covering a wide array of matters, including to support

commercial activities, or to provide long-term, binding and legally enforceable rights to an individual. Similar outcomes can be achieved via existing provisions in statutory land rights schemes.

The time to start working towards achieving the potential of the Indigenous Estate is now.

Over the past decade in particular we have witnessed Aboriginal and Torres Strait Islander communities and groups engage in an accelerated period of agreement-making. The financial benefits arising from this agreement-making activity has largely been generated by extractive resources-related activity associated with the mining boom.

Studies conducted estimate that there could be up to \$10 billion in investable assets in the Indigenous Estate, much of which is held in trusts. While there remains a reasonably long tail of operational activity left to run, the benefits that can flow from such activity into the Indigenous Estate are inevitably finite.

In the boom and bust cycle associated with the extractive resources industry, the challenge is to now ensure that this wealth derived from a non-renewable asset works for and benefits both current and future generations by creating opportunity and facilitating independence.

It is time for governments and the institutions that manage, and govern access to the Indigenous Estate to look beyond the next electoral cycle and work with Aboriginal and Torres Strait Island groups, communities and individuals to focus on the future that these groups, communities' and individuals want to achieve. They must be structured in such a way as to give Aboriginal and Torres Strait Islander groups and communities access to appropriate and professional advice, absent self-interest and "short-termism".

Critically, in addition to working to generate a long-term plan and vision that is driven by Aboriginal and Torres Strait Island people about what they wish to achieve, we must continue to allow the Indigenous Estate to link with the broader Australian economy and vice versa, so that investments, opportunities and benefits are generated for Aboriginal and Torres Strait Islander people, if they so choose.

“Developing the appropriate settings for the management and access to the Indigenous Estate is critical to enable it to achieve its potential, to generate opportunities and choice and to bring Aboriginal and Torres Strait Islanders benefits and influence to the national stage.”

Recommendations:

- Develop a clear, concise and consistent framework in which each key institution/agency or sector participating in Indigenous economic development understands its strategic role, required capabilities and areas of focus, and its interrelationship to other key stakeholders.
- Appropriately map and identify the potential key areas of the Indigenous Estate so as to develop innovative approaches and thinking to develop ventures through which the Indigenous Estate can be leveraged into “future waves” of business activity.
- Identify and fashion links between the Indigenous Estate and the broader Australian economy for the benefit of Aboriginal and Torres Strait Islanders.
- Ensure Aboriginal and Torres Strait Islander people can choose governance mechanisms that are fit for purpose, allowing them to focus appropriately on achieving both financial and social impact.
- Develop a consistent and robust measures of success and impact, which in turn engender greater accountability.
- Establish mechanisms for Aboriginal and Torres Strait Islander people to work together to share experiences, and to leverage their collective scale to access commercial advice, solutions and partnerships that might otherwise not be available to them individually.

Indigenous millennials and education



Ruby Langton-Batty

Only 44 percent of the Australian population is expected to be under 35 by 2026.² The economic implications of Australia's ageing population for the millennial generation are becoming increasingly clear. Australia's current youth look set to experience extra tax burdens, budget deficits, and a decline in skilled workers that will halt the pace of economic growth.³

Aboriginal and Torres Strait Islanders differ, as a group, from the rest of Australia. Our population is younger - over 60 percent are under 35.⁴ Given the huge gap between Indigenous and non-Indigenous Australians in terms of employment, however, our burden will not come later, as with our peers – it faces us right now. We must become educated to overcome poverty. The Forrest Review showed that Indigenous Australians who are educated to a high level experience no employment disadvantage when compared to non-Indigenous Australians. So, as the review noted, “only employment will end the disparity, and employment is only possible if we remove all impediments to parity in education.”

There are three policy areas where the barriers to Indigenous education can be alleviated.

Boost the pipeline of minds from high school to higher education

I am part of the growing ‘middle-class’ of First Australians, who are lucky to be the second generation within their families to attain a university education. For me, not completing university was never an option – my mother would simply not have it.

I have many friends who, like me, come from families that made incredible sacrifices to ensure their education. This is a fact: educated Aboriginal parents make their kids go to school and to university.

But there are many others whose family circumstances did not permit education to be a priority. I recall a recent conversation with a friend of mine who has faced significant adversity since starting her degree. She told me

she would do anything to get through university because she did not want her children to experience the hardship she has. The fierce determination in her eyes was familiar to me because I have seen it in my own mother. We are not complacent, but we do face genuine barriers to attaining higher education.

Indigenous Education Units (IEUs) in universities across the country help students and families to overcome these barriers by building relationships with high schools, and providing essential support. Strong relationships between universities and high schools open pathways into higher education. Nura Gili at The University of New South Wales (UNSW), where I am currently undertaking the Juris Doctor in Law, provides stellar examples of where this has been successful.

But education is not free, and these programs cost money. Unfortunately, over the last 24 months, many IEUs and not-for profits working in the area have faced funding cuts.

Ensure incentives like ABSTUDY are available and not inappropriately withheld

Housing and the cost of living present major barriers to the prospects of enrolling in and remaining in university. While employers, universities and professional bodies make important contributions, more must be done to provide financial and other support to students through cadetships, scholarships, and bursaries.⁵ Universities should offer more scholarships that pay for housing, the cost of living, or on-campus accommodation.

For young Indigenous Australians who are able to earn a wage straight out of school, there are lost opportunity costs to consider when deciding to go to university. Many move straight from high school into a service job, administration, or a trade. Undertaking university becomes an unattractive financial burden.

² Source: KPMG Demographics based on relevant state population projections

³ The Australian Government, The Treasury. Australia's Demographic Challenges.

⁴ Australian Bureau of Statistics, 'Estimated and Projected Aboriginal & Torres Strait Islander Population, Australia - 2001-2026'

⁵ The Australian Government, Australian Institute of Health and Welfare, Australian Institute of Family Studies, Pathways for Indigenous school leavers to undertake training or gain employment Resource sheet no. 2 produced for the Closing the Gap Clearinghouse Boyd H. Hunter June 2010.

“Many of my friends have been barred from entering university by the ABSTUDY eligibility test, though I know their family lives in comparative poverty and hardship.”

But while these young Indigenous Australians may have jobs that pay a good standard wage, they are missing out on career opportunities. Job titles like ‘CEO’ or ‘partner’ are unattainable for those without tertiary qualifications.

Going to university gives young Indigenous people self-esteem, because they know their knowledge will now be seen as legitimate. They inspire their peers who come to understand that graduating is possible. University education creates strong networks of highly-educated young Indigenous professionals. Attaining higher education must, therefore, be encouraged.

ABSTUDY is also a good way to incentivise young people to undertake higher education. The purpose of the ABSTUDY scheme is to ‘address the particular educational disadvantages faced by Aboriginal and Torres Strait Islander people by improving educational outcomes to a level commensurate with the Australian population in general’.⁶

Yet, the policy today is socio-economically inappropriate, because the cut-off threshold for eligibility is channeling disadvantaged students out of university.

For students who are considered dependent on their parents, the ‘Parental Income Test’ is used to tell whether they can financially support them. If their parents’ income exceeds \$110,000 per annum they are not eligible for ABSTUDY.

This means the children of parents living in rural and remote areas who have taken up employment in the mining industry that may be short-term, are not be eligible.

The means test for ABSTUDY eligibility also overlooks that Indigenous students are often raised in extended communities. Many Indigenous students are raised by a complex network of elders including Aunts and Uncles who are raising multiple children. Looking solely at family units, as defined by non-Indigenous standards, is a poor way to determine eligibility. Many who earn a wage use it to support an extended family and community.

Financial stability on paper does not always translate as stability in the home. Many of my friends have been barred from entering university by the ABSTUDY eligibility test, though I know their family lives in comparative poverty and hardship.

Obviously some form of means testing is desirable for the public good, however the ABSTUDY policy lacks the necessary nuance to achieve its overall aim. When we know poverty is hereditary, when we know education is a proven direct way to get Indigenous people out of poverty, we must make sure every possible barrier is removed.

Shoring up retention and completion

Indigenous students are, on average, half as likely to complete higher education compared to other students. The Indigenous completion rate was 28 percent while the completion rate for the mainstream student body was 59 percent.⁷

Indigenous leaders are working with the government to implement policies that improve school attendance and educational outcomes. Most notably, Empowered Communities, which is headed by leaders from eight regions across Australia, works tirelessly toward ensuring that Indigenous children ‘succeed in mainstream Australia, achieving educational success, prospering in the economy and living long, safe and healthy lives’.

Organisations such as the Australian Indigenous Education Foundation, the Madalah Foundation, the Yalari Foundation, and the Aurora Project are proving pipelines into universities, and providing support that boosts retention and completion. The not-for-profit sector improves educational outcomes by providing scholarships, job opportunities, and mentoring.

⁶ The Australian Government, Department of Social Services, ABSTUDY Policy Manual Student Payments Policy 1 January 2016.

⁷ The Australian Government, Department of Education and Training, Higher education Statistics: <https://education.gov.au/higher-education-statistics>.

An example of support that university faculties can provide comes from my own experience. Earlier this year my clan's Native Title hearing was scheduled in rural Queensland, on the same day as my final exams. The UNSW Law Faculty ensured that I was able to attend by allowing me to re-sit the exams at a later date. This is the kind of flexibility that every Indigenous student needs in order to maintain their cultural heritage.

There are a growing number of corporates who, as part of the Reconciliation Action Plan, take on Indigenous interns while they are still at university. They provide wonderful opportunities to young people who have for too long been locked out of this sector. Students gain experience that is essential to starting their careers.

Understandably, many students get carried away with the excitement of a new job and the seemingly endless possibilities of the corporate culture. So corporates must support students on a pathway to employment that prioritises educational outcomes above all.

We can see what is working and where tweaks are necessary – we do not need to reinvent the wheel. But long-term commitment to policies that are working are a must.

Mapping a positive path forward for Indigenous millennials demands that we refine and double-down on the efforts that are already being made.

Ruby Langton-Batty is of Yiman descent (QLD), and has lived in many different places across the country including Darwin and Melbourne. Currently based in Sydney, she is an intern with Corporate Citizenship at KPMG and is completing a Juris Doctor (Law) at UNSW.

Recommendations

- Reverse funding cuts to Indigenous Education Units and not-for-profits that support the tertiary education of Indigenous Australians.
- Reform the ABSTUDY means testing system to acknowledge complexities around income, and widen eligibility to a larger cohort of tertiary-ready Indigenous students.
- Corporates who give internships to Indigenous students should consult with IEOs to enable flexible tailoring to the needs of individual students.

Envisioning a better Australia for all Australians: a response to Ruby



By Bernard Salt

I am mightily impressed with the story of Ruby Langton-Batty a young Indigenous woman working as an intern with KPMG Corporate Citizenship based in Sydney. In one sense this is a very personal story of the hardships encountered by Indigenous Australians. But in another sense it is a story of hope for the future. Not for a future that Ruby's narrative speaks to but for a future that Ruby herself represents.

Here is youth, ambition, talent and resolute determination writ large. I am often asked which communities within Australia are our most disadvantaged. Is it Melbourne's Broadmeadows or Sydney's Claymore or Brisbane's Riverside which are suburbs dominated by public housing and welfare dependency. My answer is that the most disadvantaged communities on the Australian continent are places most Australians have never heard of let alone been to.

Here are places where unemployment can reach 70 percent. That number is not a misprint. Here are places where income levels are the lowest in the nation. Here are places where teenage pregnancy is rife. Here are places that deliver the barest levels of education. These are of course this nation's remote Indigenous communities often located on the margins of the outback.

By any range of statistical measures this nation's Indigenous community is demonstrably different to the balance of the population. The Indigenous community has a lower life expectancy than other Australians. And sadly Indigenous mortality is often effected by preventable means such as suicide, homicide, cirrhosis of the liver and lung cancer. Dementia is not a big killer of the Indigenous community largely because mortality comes too early for this later-life disease to flourish.

But there is more to disadvantage than comparative measures gleaned from the census. And this is where Ruby's narrative is so compelling, so powerful. It is the context of life and of life's expectations. If everyone around you is unemployed and poorly educated then there are no role models to show alternative pathways.

And this is why Ruby's narrative is evidence of hope for the future. One-on-one support, access to education and access to role models in, say, the business community may well deliver outcomes that could not be achieved by other programs. And this is why I am so proud of the work that our firm KPMG and no doubt other big corporates are doing in this space.

An internship, a graduate position and a support program designed to leverage talented Indigenous youth into the business world may be a single step, however it is a significant step in the right direction to a brighter future. And not just for a young Indigenous woman like Ruby but for an inclusive harmonious and above all a more equitable Australia for all Australians.

Superannuation: breaking down the barriers to Indigenous Australia



Paul Howes



Josephine Cashman

Indigenous Australians face unique issues when participating in Australia's compulsory retirement savings regime.

Australia's biggest Indigenous population lives in Western Sydney. Yet in the Northern Territory, Indigenous Australians account for 30 percent of the overall population. And this is projected to rise to 50 percent by 2030. Many Indigenous Australians therefore live in remote and regional areas where depressed labour markets leave a significant number of people dependent on welfare and receiving no superannuation at all.

Indigenous Australians who are in employment and who do receive superannuation payments face a myriad of issues that substantially reduce the efficacy of this system for them, their families, and their communities.

These issues include low levels of financial and language literacy, the onerous administration requirements of the superannuation industry, and relatively low incomes.

The greatest challenge faced by Indigenous Australians, however, is life expectancy. The average life expectancy of an Indigenous Australian is 67.5 years.⁸ Access to superannuation benefits is generally restricted to beneficiaries who have reached the preservation age of 60.⁹ Life expectancy is lower for people in regional and remote areas. The reduced life expectancy of Indigenous Australians, which is about 17 years lower than that of the overall population, along with the higher proportion of Indigenous Australians living in more remote areas contributes to a lower life expectancy than in major cities.¹⁰

The average Indigenous man born between 2005 and 2007 therefore has only 7.5 years to benefit from his super, relative to 18.9 years for the average non-Indigenous man born between 2005 and 2007.

Superannuation was created as a universal and compulsory benefit to provide access to a more dignified retirement for all working Australians. Grounded in this foundational principle lies a need to better respond to the unique needs of Indigenous Australians and provide solutions that are fit for purpose.

We believe there is much that can be done by superannuation funds, regulators, governments, and communities themselves to ensure that Indigenous Australians have fair and equitable access to the benefits of Australia's superannuation regime.

Financial literacy

The cornerstone of any effort to improve Indigenous Australians' access to and benefits from superannuation must be increased levels of financial literacy. This financial literacy challenge is not unique to Indigenous Australians. However, English literacy in rural and remote Australia is often low among Indigenous Australians thus adding an additional layer of complexity. The Northern Territory, for example, is very culturally and linguistically diverse. Many among its Indigenous population do not speak English well and literacy levels are low. According to the Australian Bureau of Statistics, 16.6 percent of Aboriginal and Torres Strait Islander language speakers report that they do not speak English well or at all.¹¹

8 <http://www.aihw.gov.au/indigenous-observatory/reports/mortality/>

9 For those born after 1 July 1964 or later, the preservation age is 60. For those born before 30 June 1960, the preservation age is 55. For those born between 1 July 1960 to 30 June 1964, the preservation age increases one year from 55 years of age to 60, depending on date of birth.

10 <http://www.aihw.gov.au/rural-health-life-expectancy/>

11 Australian Bureau of Statistics, 'Census of Population and Housing', 2011.

With this in mind, the swathes of paper and, more recently, written digital content that superannuation funds have traditionally used to educate their members are ineffective vehicles for communication.

Mobile technologies, however, are ubiquitous in Indigenous communities. The Indigenous population is a young one with a median age of 21 years and a high social-media uptake.¹² Research suggests that, in some areas, Indigenous people appear to be even more enthusiastic users of social media than their non-Indigenous counterparts, demonstrating the importance of new technologies in maintaining Indigenous social networks.¹³

Research also confirms the rapid take-up of prepaid mobile phones in remote central and northern Australia, which are preferred for their cost and credit management features.¹⁴

The Tangentyere Council Research Hub and Central Land Council joint report on mobile phone use among remote low-income Indigenous people around Alice Springs found that 60 percent of those surveyed used phones for emergencies and family contacts noting that ‘for the majority, a mobile phone is considered a necessity, rather than a luxury’.¹⁵

This high uptake of mobile technologies is something that should be leveraged. Relevant content that already exists on ASIC’s Money Smart website,¹⁶ for example, could be repurposed as smartphone audio visual content. Gamification of these educational materials would also work to remove English literacy barriers to comprehension and to reach younger Indigenous Australians.

The Australian Government’s Community Development Program (CDP) could also be leveraged as a channel for delivering financial literacy initiatives. The CDP is designed to equip Indigenous Australians with the necessary skills to join the workforce and ultimately receive superannuation. It therefore makes good sense to equip these individuals with the financial literacy required to manage their finances, including their superannuation, as they are preparing to enter the workforce.

A series of financial literacy sessions delivered by an accredited provider should be a mandatory component of the CDP, and associated employment agencies should be mandated to have at least one RG146 accredited staff member to enable the support of CDP participants with financial literacy issues.¹⁷

The CDP scheme’s reach is vast. It is delivered across 60 regions into more than 1,000 communities, which are dispersed across 75 percent of Australia’s landmass. These regions are typically characterised by weak labour markets, which make it difficult to find work or gain work experience and skills. There are nonetheless some 37,000 people supported by government in CDP jobs of whom 80 percent are Indigenous Australians. In each of the CDP’s 60 regions is a CDP provider that serves as a single point of contact for all participating workers and employers.

Financial literacy training could be delivered to all participating workers through CDP providers as an essential step towards job readiness, and towards either joining a superannuation fund for the first time or consolidating their new and existing accounts for investment and taxation purposes.

“Indigenous Australian superannuation members are more likely to need access to fund options to provide monies in times of hardship.”

Identification

Identification is a problem for Indigenous Australians endeavoring to interact with regulated services. Many simply do not have a photographic proof-of-identification document like a drivers’ license or a passport. For those that do, certification and transmission to providers, including superannuation funds, can be problematic due to geographical remoteness, and lack of access to suitably qualified witnesses and professionals.

AUSTRAC recently made changes to the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Identification compliance program in recognition of the complexities that Aboriginal and Torres Strait Islander communities face.¹⁸

AUSTRAC has provided some direction to enable reporting entities, such as superannuation funds, to exercise flexibility with compliance to Chapter 4 of the AML/CTF Rules for Applicable Customer Identification Procedure.

Superannuation funds and insurers should consider the guidance that AUSTRAC provides for processes like simple identification questions, changes of address, changes of banking details, and death-benefit applications, which are usually established to align with the cultural norms of non-Indigenous Australians and are inappropriate for many Indigenous Australians.

12 J Taylor, ‘Population and Diversity: Policy Implications of Emerging Indigenous Demographic Trends’, Centre for Aboriginal Economic Policy Research (CAEPR) Discussion Paper No. 283, Australian National University 2006, p. 7.

13 Studies by the Victorian Department of Education and Early Childhood Development (DEECD), 2010, and the State of Victoria’s Children, 2009, cited in F Edmonds, C Racher, J Waycott, P Morrissey, O Kelada and R Nordlinger, ‘Keeping Intouchable’: a Community Report on the Use of Mobile Phones and Social Networking by Young Aboriginal People in Victoria, Institute for a Broadband-Enabled Society (IBES), University of Melbourne, Vic. 2012, p. 6.

14 ACMA, Telecommunications in Remote Indigenous Communities, March 2008, pp. 46–47 and Tangentyere Council Research Hub and CLC, Ingerrekenhe Antirrkweme, Mobile Phone Use Among Low Income Aboriginal People: a Central Australian Snapshot, 2007, p. 6.

15 Tangentyere Council Research Hub and CLC, Ingerrekenhe Antirrkweme, Mobile Phone Use Among Low Income Aboriginal People: a Central Australian Snapshot, 2007, p. 6.

16 <https://www.moneysmart.gov.au>

17 RG146 sets out the competency requirements for providers of general and personal financial advice.

18 <http://www.austrac.gov.au/aboriginal-and-or-torres-strait-islander-people>

The recalibration of these processes by accepting alternate identification documents such as referees' statements, for example, can markedly reduce the likelihood of creating or exacerbating Indigenous disadvantage. AUSTRAC provides these alternatives so that financial services providers can be confident in providing flexibility for Indigenous members without falling foul of legal obligations or exposing themselves to disputes.

Financial Hardship

Indigenous Australian superannuation members are more likely to need access to fund options for the provision of monies in times of hardship. There are a number of measures that could ease the distress of Indigenous individuals facing hardship, while simultaneously assisting economically-depressed communities.

We propose that the Australian Government considers increasing the \$10,000-per-annum limit for early access to superannuation savings in cases of severe hardship for Aboriginal and Torres Strait Islander superannuates. Severe financial hardship provisions should include situations where the member is unemployed in excess of a certain period of time and job prospects are low. Government assistance payments to farmers in situations of severe hardship form a precedent for this kind of provision.

We also recommend that the Australian Government Department of Human Services amend its hardship application processes by leveraging AUSTRAC's identification provisions. A confirmation letter valid for only 21 days may be insufficient for an Indigenous applicant to complete due processes because of factors such as remoteness of location, and lack of access to appropriate witnesses and other documentation.

Insurance and Superannuation

The industry needs to debate and further research the value of insurance within superannuation for Indigenous Australians. As this sector of the population suffers from poor health and longevity, it is arguable that the availability of cover in the event of death, or total and permanent disablement is a significant benefit. However, the cost associated with providing this product further erodes the already chronically-low superannuation balances of Indigenous Australians.

Aside from considering the appropriateness of providing an insurance benefit, the superannuation industry also needs to assess the impact of its processes and lack of cultural understanding for Indigenous Australian members making insurance claims. Changes should be considered to improve industry expertise and outcomes in this respect.

It should be noted, for example, that the nature of familial relationships within Indigenous communities often does not neatly align with the sorts of considerations trustees typically make in assessing beneficiaries for the purpose of benefit payments.

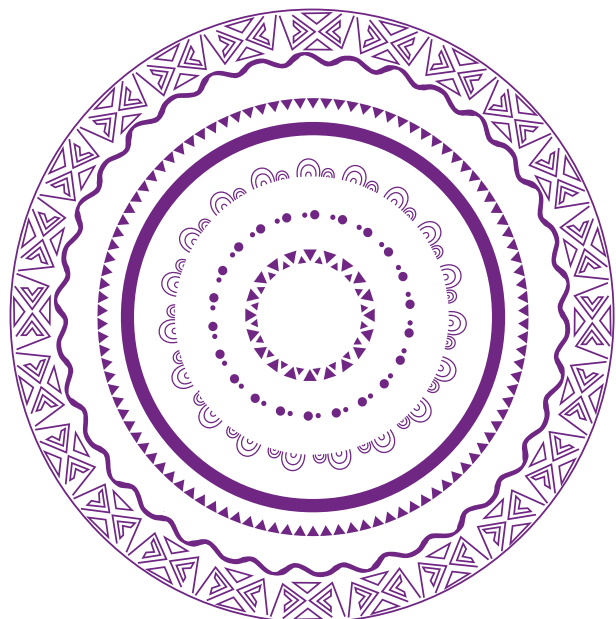
These sorts of issues should be front of mind for trustees and their claims committees when making decisions regarding the payment of death, and total and permanent disablement benefits.

We recommend that trustees enlist an expert adviser to support its claims committee in considering all relevant aspects in arriving at claims decisions. We also recommend that trustees have at hand an expert adviser to support their claims management teams in appropriately and sensitively managing interactions with Indigenous members and their families at the time of claiming.

To this end, we recommend that claims committees and claims management teams participate in regular training to build their understanding and awareness of specific cultural considerations relevant to Indigenous Australian members. This would be a useful addition to the range of training topics offered by peak bodies within the industry.

Recommendations

- Increase Indigenous financial literacy through more innovative uses of software tailored specifically for mobile technologies.
- Make financial literacy sessions a mandatory component of the Community Development Program (CDP) scheme.
- Recalibrate identification processes to compensate for a common lack of valid ID, as well as cultural and geographical barriers.
- Increase the \$10,000-per-annum limit for early access to superannuation savings in cases of severe hardship for Indigenous Australians.
- Re-assess the appropriateness of providing an insurance benefit, and improve cultural awareness for dealing with Indigenous Australian members making insurance claims.



Empowering Indigenous communities



Liz Forsyth



Sean Gordon

“It is a significant thing to ask government to switch from its role as a fixer of Indigenous problems, to an enabler of local Indigenous approaches.”

The *Empowered Communities: Empowered People's Design Report*, delivered to the federal government in March 2015, articulates a fundamentally new approach to Indigenous policy development. It argues for a move away from top-down decision-making by government and the transfer of planning and decision-making control to Indigenous leaders and communities.

The report was sponsored by the federal government in 2013, and enjoyed bi-partisan support. The communities who have endorsed the plan are now eager to get started on the new agenda.

While the federal government has agreed to partner on the regional aspect of the Empowered Communities reform agenda, it is imperative that the report and its recommendations at a national level are introduced in order to sustain gains made at the regional level.

What are Empowered Communities?

Empowered Communities was born of agreement among Indigenous leaders that current government policies are not working sufficiently to advance Indigenous communities, and well-intentioned funding is being wasted.

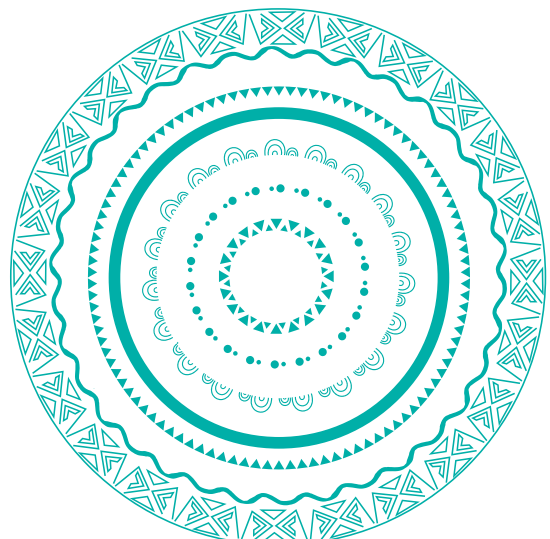
Conceived as a new approach for Indigenous communities and government to more effectively work together, Empowered Communities was first publicly announced at the August 2013 Garma Festival in Arnhem Land.

The announcement leveraged prior work from Jawun, an innovative not-for-profit organisation established under the guidance of Patron Noel Pearson. Jawun seconds experienced people from Australia's leading companies and government agencies into Indigenous organisations. These secondees share their expertise and support Indigenous leaders to achieve their own development goals.

Jawun operates in eight regions around Australia,¹⁹ and the Indigenous leaders of each of these pledged their commitment to responsibility-based Indigenous reform, including greater collaboration within and between regions, and more cooperation with government and the corporate sector in the prosecution of Indigenous-led regional reform agendas.

Seven joint principles of reform were agreed to at Garma, reflecting a vision for Indigenous communities where critical social norms are accepted: children in school, adults in work, safe care of children and the vulnerable, freedom from domestic violence and crime, and family responsibility for public housing tenancies.

¹⁹ The eight regions include Cape York, Queensland; Central Coast, New South Wales; East Kimberley, Western Australia; Goulburn-Murray, Victoria; Inner Sydney, New South Wales; Ngaanyatjarra Pitjantjatjara Yankunytjatjara (NPY) Lands, Central Australia; North East Arnhem Land (NEAL), Northern Territory; West Kimberley, Western Australia. <http://empoweredcommunities.org.au/regions.aspx>



Under the Empowered Communities framework, Indigenous leaders consult with their regional communities to develop the following planning elements:

- **Development Agendas** – the creation of a medium term (around five years) Indigenous-led development agenda, setting out the region’s social, economic and cultural development goals with a focus on promoting enabling environments for development.
- **Development Accords** – a development agenda would be the basis for the negotiation of a formal development accord with government, establishing a binding commitment and funding mechanisms for the achievement of the agenda’s development goals. Each accord is to be centred on a set of well-defined goals, with quantifiable indicators used to measure progress and refine the allocation of resources and incentives accordingly.
- **First Priorities Agreements** – interim plans for action on high-priority areas (such as school attendance, economic participation, safe and supportive communities and home ownership opportunities) while development agendas and accords are under development.
- **Delivery Plans** – annually reviewed operational plans setting out the agreed actions, targets and responsibilities for planning and tracking performance in the delivery of agreed programs.

Bi-partisan support enables Empowered Communities Design Report

In 2013, the Empowered Communities Compact received bi-partisan support from then Minister for Indigenous Affairs, Jenny Macklin, and the then Leader of the Opposition, Tony Abbott. Once in government, Mr Abbott committed funding of \$5 million for the joint development of a detailed Empowered Communities policy Design Report to further develop and give these principles effect.

Engagement work commenced early in the design phase, to identify and document examples of good practice that could be shared, while ensuring that the frameworks proposed are workable and able to meet the needs and priorities of the people and organisations in each region.

Core to the proposal is the development of a centralised delivery unit within the Department of Prime Minister and Cabinet, as well as an independent statutory body: the Indigenous Policy Productivity Council (IPPC). The IPPC is necessary to ensure a systemic alignment to the Indigenous empowerment policy and compliance with agreed plans and structures over the long term, irrespective of the government and personalities of the day. A key function of the IPPC would be to report annually on the overall progress of reforms based on the measurable outcomes achieved in each region.

Regional progress

In December 2015, Prime Minister Turnbull wrote to Empowered Community leaders offering that the federal government would partner with Empowered Community regions – with a focus on the regional aspect of the Empowered Community reform agenda. He advised the government would delay consideration of the national reform proposals for three years, including the IPPC.

Empowered Community Indigenous leaders accepted the federal government's offer. This has enabled Empowered Community regions to set up backbone organisations to support regional Indigenous leaders implement reforms. The backbone teams will help ensure that Indigenous voices are heard.

Empowered Community leaders are continuing to strongly make the case with the government about their proposals for institutional reform at the national level to ensure that the gains made at the regional level are sustainable. In particular, the IPPC will be crucial to ongoing success.

In the meantime Empowered Community leaders are bringing Empowered Community reforms to life. They have agreed a set of deliverables with the government for the first year of implementation, are developing and implementing First Priority Agreements and starting to progress five year Development Agendas for their regions that include:

- consulting with Indigenous people and organisations in the regions,
- analysing data and matching it with community knowledge and experience, and
- reviewing existing services provided in Empowered Community regions.

It should be acknowledged that it is a significant thing to ask government to switch from its role as a fixer of Indigenous problems, to an enabler of local Indigenous approaches. Most ministers and senior public servants are used to leading from the front.

But this is how government should work: as the supporter of good reform ideas. As the Design Report notes, that may mean tackling government silos and blockages, identifying funding sources, or garnering support from key agencies. An effective enabler is also honest and knowledgeable about perceived shortcomings in strategy or performance, and can provide constructive advice that strengthens confidence rather than undermines it.

The need for support of Empowered Communities beyond government

We must be diligent in not relying solely on government. The power of business must be enlisted to grow the capacity of Indigenous-controlled organisations, leaders and communities to meet the challenges they face today and into the future.

New initiatives, like the Jawun Corporate Partnership, provide examples of better, more effective ways of working. Jawun's model of leveraging corporate and government partners to support Indigenous led projects is based on enablement, rather than ownership. As partners lending time and talent, businesses are well positioned to support Indigenous leaders and to help build their leadership capacity.

Significant challenges have already been overcome in the creation of the Empowered Communities initiative, not least the unifying of Indigenous leadership across eight diverse regions. The result has been a uniquely sound, forward-thinking reform led by Indigenous people, for long term Indigenous-led reform.

It holds the potential to truly deliver on our collective obligation to close the gap.

Recommendation:

- The federal government should move immediately to enact the Empowered Communities reform at the national level to sustain the progress made at the regional level, based on the advice of the government-sponsored Empowered Communities Design Report.

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