

# NEW PARADIGMS FOR THE TERRITORY'S ECONOMY AND GOVERNANCE

Lex Silvester reports on the Northern Territory Economic Summit held in Darwin

Standing in the great hall at Parliament House late on Sunday afternoon, 4 November, I looked around the assembled throng and wondered about the political wisdom of an economic summit called by the new government. Apart from Nick Mitaros and Neil Philip — there, I suspect, as much for their achievements as businessmen and developers — there were no other lawyers. Which surprised me really, because an efficient cost effective fast operating justice system is plainly one area of micro-economic reform which could greatly improve the ailing Territory economy.

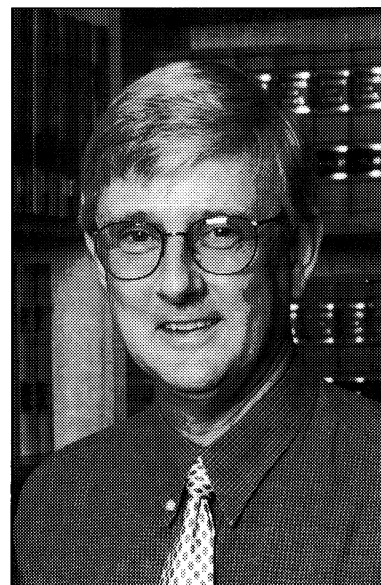
"Ailing Territory economy". I caught the thought before it got out, fearful of retribution which the years has taught me awaits those guilty of religious dissent. "Purge yourself of such unworthy thoughts, Lex," I said to myself. An opposition member sidled up to my ear. "There is no 'black hole,'" she said, a little too desperately, firmly. "I've come to find out for myself," I said, "Shall we discuss it after that? ". I felt faintly superior. I was a 'delegate' after all, and she, as befits her new found status, was a mere observer.

Next morning, the conference proper got under way. Over 120 delegates were comfortably ensconced in the parliamentary chamber, which was efficiently converted to a conference venue. Looking around I saw all the major business groups represented in large by their high achieving individuals, and a large number of Aboriginal and ethnic Australians. I had already picked up a strong feeling among the business community, the engine room of the Territory economy, that they were here to work for outcomes. A new government was in power, times were tough, political loyalties and old habits aside, the new government had to be supported, and today, 5 November 2001, was the day it would begin. I was right and it simply got better from there.

A thing about small communities is that they find it easier to pull together when they need to. If you were here for Cyclone Tracey, you'd know that Territorians have this quality in abundance. It was thus entirely appropriate that Professor Peter Brain, who apparently alone among important economists, picked the Asian financial crisis, should warm us up on the parlous outlook for the world economy. I hope what follows fairly summarises his views.

For the next two years the world will experience growth at 1.5–1.8 percent. A world recession occurs when growth is less than 2 percent over a calendar year, a world depression is 4-6 years at below 2 percent growth. An unprecedented grand conjunction of circumstances renders the world economy certain to experience a global recession, with a moderate chance of a world depression. US growth down to 1 percent for the next two years. Japan at 1-2 percent negative growth, Asia, a mild decline in 2001-2 and zero growth in the next year, he said. China is the bright spot, but excluding China, world growth at 1 percent or less in the next twelve months. A very grim outlook for Australia's major trading partners. He singled out the US and Australia as being at elevated risk, compared with "Euroland" which had managed its economies in anticipation of these times. Australia has special problems. Weak private finances, a very high short term foreign debt to reserves ratio, a real prospect of 10 percent unemployment, the manufacturing sector falling below 12 percent of GDP, growth constrained by a continuing low exchange rate.

The outlook? By 2004, our major trading partners will be at 3-4 percent growth. Meanwhile in 2002-2003 Australian domestic growth at 1.5-2 percent, in 2003-2004 at 3 percent and in 2004-2005 at 3-4 percent. Even allowing that some people think Peter Brain is pessimistic, this is not good.



*Lex Silvester, William Forster Chambers*

So, very tough times are ahead in the short term, better prospects for those who survive. But watch it, by 2006, interest rates will start to rise.

I looked around. A sea of long faces confirmed this was grim stuff for openers. I expected a more spirited defence from Neil Conn, former Under Treasurer and Territory Administrator, the fiscal governor of the Territory's past good times. His message was comparatively upbeat. Minerals, tourism, proximity to Asia, defence, an aggressive risk taking government (the Port, the railway, Sheratons, casinos etc) a high quality NT population with its 'can do' optimism and its 'animal spirit' had got us where we were. Now, he said, there were seven key elements against a continuation of this. Distance and costs, small population and little economy of scale, the post war baby boomers were close to retiring, a worsening world economy and recent NT growth at zero or negative and slowing, the defence build up is over and tourism since September 11, a basket case.

Dr Conn kept his best bits till last. There were positive changes coming, he said. Transportation logistics (code for the railway), IT and communications, agriculture and oil and gas, had the potential to transform our economy into

a new and exciting future. "For every threat", said Dr Conn, "there is an opportunity". From the looks on the faces of the assembled multitudes no real opportunities sprang readily to mind. Everyone was thinking offshore natural gas and the realization of gas being the make or break factor in the short term was unsettling.

Thus was laid the ground for former NSW Under Treasurer, Percy Allan to lead us on a dark and foreboding journey deep into the 'black hole' that is the Territory's budget deficit.

There is a black hole. It's a budget deficit in this fiscal year of \$107m. It wasn't revealed by the former government. It was covered up. Confronted with the details of how it happened; recurring operating deficits caused by lack of control over spending, covered up by artificial manipulation and assisted by closed unaccountable government and a compliant, or is that frightened public service, you could have heard a pin drop in the Chamber. Such truths are truly shocking, especially to those who love the Territory. I was not the only angry delegate there I can tell you. Interestingly, to most of the delegates I spoke to, one of the highlights of the summit was hearing about the 'black hole' from the horse's mouth. The attitude was now we know it's real and it cannot be dismissed as the expected rhetoric of an incoming government.

Its worse than that even. The Territory has the highest per capita debt and unfunded liabilities in Australia. Our combined net debt is \$2.89b now and will be 3.26b in 2005. About 160percent of our annual budget. Other states average 60percent. We're broke. There's no sugar daddies to bail us out. We have significantly lower taxes in the NT than anywhere else in Australia. The Grants Commission is unlikely to answer the phone until our taxes are at the national standard. Percy Allan was blunt. There's no more money to come from Canberra, a fact many older proud determined and independent delegates, forgetting the years of Canberra bashing, and the senseless squandering of our ambitions for Statehood, seemed to find hard to swallow. (Full details of Percy Allan's paper are at the NT Treasury section of the NT government web site).

So, I thought, our new government has truly inherited a poisoned chalice. The medicine? Government outlays will be reined in, tighter than most of us could bear to contemplate. Taxes will go up. Changes in spending priorities will see many sectors of the economy detached from familiar nipples, and making unfamiliar sacrifice. Public sector reform will be a big agenda item.

By Monday lunch time some thing amazing had happened at this conference. First, albeit through some very gritted teeth, there was near total

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support for what all seemed to accept the new government has to do. Fiscal rectitude and harsh reform. The feeling was, OK, we've been told the truth, this is the go, no more argument about the black hole, now what can we all do to fix it. And that's how the Conference progressed from there.

First, the delegates were given a range of ideas by experts.

Dr Judith McNeill, former Territorian, now a world authority on regional clusters as core strategies for economic development of depressed rural and regional economies said that the withdrawal of government services in such areas should be regarded as an opportunity for businesses. In small communities, links between people are social capital, collaboration its engine room. She talked about clustering initiatives. Regional clusters are simply different ways of thinking. New responses for old problems. I tried to think of a local regional cluster. The best I could come up with was crocodiles. Poultry farm waste feeds them. They produce eggs and skins and intellectual knowledge and capital. Significant local businesses and industries support, as outsourced

common functions, the production and harvesting of crocodiles. Inputs are re-used or by-product of other industries. Outputs are re-usable in other businesses. Don't laugh, just understand the principles. There are many world success stories, eg Silicon Valley, Ireland. Dr McNeill said that the role government should play was to collect and analyse data, identify and involve the partners and bankers, lawyers and accountants, document a private sector led economic development plan, assign priority to capital works. It comes back to "partnerships".

Might an integrated privately operated justice system based on ADR be an opportunity for a regional cluster?

Joseph Elu, a director of Henry Walker Eltin and CEO of ATSI's 'Indigenous Business Australia' stood up and said rather bluntly, that three things must be accepted by indigenous people in Australia. First, its time to live in 2001. Second, Australia is a capitalist country. Third, white fellas are not going to jump in a boat and go away. If this was his advice, his mantra was the need to improve indigenous education, to stimulate investment in business on Aboriginal land, that "partnerships" between white and indigenous Australia were the key to the future. Communities, he said, need to adopt the principle of normal business risk and stop wrapping themselves in cotton wool.

Even if not so bluntly expressed, this theme was picked up by the other Aboriginal leaders at the summit, perhaps none more enthusiastically that Galarrwuy Yunupingu and David Ross of the Northern and Central Land Councils respectively. In terms of the survival and secure future of indigenous Australia, what I think is a new paradigm for the development of the Northern Territory was articulated at the summit. The leaders of indigenous Australia see the future for their people lies in economic participation through education and partnerships involving use of Aboriginal land, traditions, culture, land management combined with the capital, know how and investment practices of capitalist European Australia.

The idea of 'partnerships' (not in the sense of a legal partnership) was a

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recurring theme in the summit. Recognise, said Galarrwuy, the shared interests and essential attributes and capabilities of white and black. He too emphasised the new partnership paradigm. All speakers warned of the difficulties in the new future of partnerships whilst there are such large differences in respective housing, health, education.

I think it would be fair to say that the new paradigm is based, (finally), on a broad recognition that Aboriginal people and the future prosperity of the Northern Territory are interdependent. Do not be surprised if this new paradigm is one of the main drivers of our new government's approach to economic development. One encouraging result of the summit is that Territory business now understands and accepts, enthusiastically I think, this new paradigm, even if in relation to implementation there is a lot of early uncertainty.

In my judgment, lawyers will fail to recognise, understand and participate in this new paradigm at their peril.

No one could fail to have been stimulated and motivated by the futurist Dr Peter Ellyard. He reminded us all that 30 or so years ago some South Korean peasants decided that their country would be a world leader in electronics in 30 years time. He posed fundamental questions for the Territory's future. Like do we have long term processes, systems, and governance for making and sticking to long term plans? How do we develop learning for life long prosperity? How do we make what we do well (eg desert knowledge, tropical knowledge), worlds best? He talked about clean and green technology, the indigenisation of land management, horticulture and agriculture, population and social capital, hi-tech futures, partnerships as the future of Aboriginal well-being.

Dr Ellyard had a quote from the author Drusilla Modjeska: "Do not follow where the path may lead. Go instead where the path may follow".

Dr Ellyard's point was that if the path is to lead to economic prosperity, then

cultural, environmental/ecological and social prosperity is where we have to go to drag the path along behind us.

Thus energised and armed, the summit delegates split up into groups to try and answer these fundamental questions from the perspective of the special interests they represented. This part of the summit amazed me to be honest. I think it has something to do with the new government's inclusive approach. About 15 groups of summiteers grouped by areas of common interest, got together and developed a vision for future Territory economic prosperity.

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Short, medium and long term ideas were assembled. Each group had little difficulty, free to do so, in articulating ideas and their vision. I have a copy of what they put together in a few short but intensive hours if anyone is interested.

A few other things about the summit need to be mentioned. The chairpersonship of Neville Walker and Bob Collins stood out. Both have authority and wisdom which ought to be recognized and in terms of our future, treasured. The new Labor government stayed out of the summit. Sure, the Chief Minister addressed the delegates. Her style was not to lecture or harangue, but to encourage people to participate and contribute. But otherwise Clare Martin and her Ministers sat down and listened. If partnerships are the new paradigm in economic development, then inclusiveness is the new paradigm for Territory governance. We saw it at the opening of Parliament and it continued at the economic summit. It is to be hoped it will continue.

What should the legal profession make of all this? First, I don't think the legal industry will be spared the fiscal rectitude now rapidly descending upon us. Salaried employees in the public and NGO sectors of the justice system may not feel the pain, but those in the private sector will. Those already best prepared will survive better than the rest. Second, if the legal industry does not reform within its own micro-economy and become more efficient, cost effective and innovative, it will be left behind, marginalized and struggling to be relevant. Third, it must focus on the incredible opportunities that will emerge as the new paradigms of partnerships and inclusiveness begin to reshape our business and political landscape. Fourth, we have to develop new ways of doing what we do to service the new paradigms. This particularly applies to commercial transactions and to dispute resolution. I have ideas which I will write separately about.

The Northern Territory Economic Summit was an extraordinary event. It achieved a lot in my view. It was a pity the legal profession was not there officially participating as an important sector of the Territory economy. That is probably because few in the legal profession seem to understand that first and foremost, that is what it is. We focus on social and criminal justice and mostly don't see the bigger picture.

The summit was not a once off event. Arrangements are in place for the work of the summit, and its individual groups to continue. All those attending will get regular reports. New forums will grow out of what was discussed and agreed on. Fascinating legal questions and new professional opportunity for lawyers will arise from the new paradigms.

The challenge will be to recognize them and contribute in ways that benefit us as lawyers and the Territory community as consumers of our services. Some serious internal reform will be a condition precedent to reaping the benefits.

The re-organisation of the Justice Department reminds us that that is the least that is expected of us.