



Australian Government
Indigenous Business Australia

Submission No.....104.....

Date Received.....10.....

“From little things,
big things grow”.

Quote from the song by the same title written by Paul Kelly & Kevin Carmody in 1993

Submission to the
Inquiry into Indigenous Employment

being conducted by the

*House of Representatives Standing Committee on
Aboriginal and Torres Strait Islander Affairs*

July 2005

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1. EXECUTIVE SUMMARY

Established in 2001 as an independent Commonwealth statutory authority as successor to the former Aboriginal and Torres Strait Islander Commercial Development Corporation, Indigenous Business Australia (IBA) is now part of the Employment and Workplace Relations portfolio. However, it continues to report to its Government appointed nine-member Board with a key part of its statutory charter to engage in commercial activities to advance the economic development of Indigenous individuals, families and communities.

IBA's Equity and Investments Programme (EIP) has been effectively building the asset base for a number of Indigenous organisations through major investments and joint ventures which IBA has facilitated and partnered in. Starting with an asset base of \$64.8 million in 2001, IBA's investments through this programme were worth \$100.4 million as at 30 June 2004.

The March 2005 passage of the *Aboriginal and Torres Strait Islander Commission Amendment Act 2005* effected the transfer of two key economic programmes to IBA, the Indigenous Business Development Programme (IBDP) from the Department of Employment and Workplace Relations (DEWR) and the Home Ownership Programme (HOP) from the Aboriginal and Torres Strait Islander Commission (ATSIC). The legislation also provided for the transfer of responsibility to IBA of all of the outstanding IBDP and HOP loans and a number of assets of the former Commission.

The combination of these programmes will enable IBA to contribute more holistically to the economic development of Indigenous people through a suite of complementary programmes. With this expanded role, IBA is now a key player in the whole of government approach to Indigenous economic development and is working closely with the Department of Employment and Workplace Relations in the development of the Indigenous Economic Development Strategy.

Under the new legislative provisions, IBA is committed to improving the opportunities for Aboriginal and Torres Strait Islander people to participate in business and to buy their own homes. Participation in business and asset accumulation through home ownership is seen as a key part of economic development.

While Indigenous employment outcomes are not a key objective of IBA under the enabling legislation, IBA's activities clearly contribute to Indigenous employment outcomes directly and indirectly. Participation in micro and small enterprises can be an effective way to increase the level of self-employment for Indigenous Australians.

There are so many success stories arising from IBA's programmes. The increasing level of home ownership by Indigenous Australians is the best indicator of success of the Home Ownership Programme. Similarly – there are examples of successful small, medium and large enterprises being owned and managed by Indigenous people, with the support of IBA. The common approach across the IBA programmes to undertake a careful assessment of opportunities and business proposals, and to provide training, aftercare support and mentoring of the Indigenous people, would appear to be the critical success factors.

2. INTRODUCTION

This submission has been prepared by IBA for the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into Indigenous Employment.

The Terms of Reference for this Inquiry are:

“The Committee inquire into positive factors and examples amongst Indigenous communities and individuals, which have improved employment outcomes in both the public and private sectors; and

- *Recommend to the government ways this can inform future policy development; and*
- *Assess what significant factors have contributed to those positive outcomes identified, including what contribution practical reconciliation has made”.*

There is a considerable amount of literature on the nature of the activities being undertaken by a wide variety public and private sector organisations in relation to Indigenous employment.

IBA seeks to facilitate economic development of Aboriginal and Torres Strait Islander peoples by providing them with support to pursue opportunities for participating in commercial ventures, business opportunities and home ownership. While IBA does not have the specific aim of increasing Indigenous employment, this is likely to be an outcome of much of the economic development activity facilitated by IBA.

There are a number of issues that IBA considers are relevant to the Committee’s consideration of Indigenous employment, in particular:

- Barriers to employment;
- Education, training and skill development;
- Industry strategies;
- Commercial strategies;
- Rural and regional strategies;
- Enterprise development;
- Coordination and partnerships;
- Personal wealth creation;
- Individual and family entrepreneurship;
- Access to financial services;
- Community socio-economic infrastructure;
- The role of service organisations and NGOs in socio-economic development;
- Government programmes; and
- Private and public sector initiatives.

IBA believes other Australian Government agencies with a more direct role in Indigenous employment, such as the Office of Indigenous Policy Coordination (OIPC) and the Department of Employment and Workplace Relations (DEWR), will be well placed to comment on many of the above issues.

This paper has been guided by IBA’s experience in working with Indigenous communities and organisations to create business opportunities, enterprises and investments, and to increase Indigenous home ownership.

3. POLICY CONTEXT

Many Indigenous communities in Australia experience serious economic deprivation often compounded by regional disadvantage.

The Australian Government appointed 'Regional Business Development Analysis Panel' report published in July 2003 entitled '*Regional Business - A Plan for Action*' states,

"Reduced access to finance, underdeveloped business skills, the complexities of Australia's governance system, infrastructure issues and poor communication and transport connections are holding back the growth of regional small and medium businesses."

When you combine these with other factors faced by Indigenous Australians in establishing economic development opportunities such as English as a second language, poor education, a history of racism, poor health and inadequate social infrastructure, one is able to appreciate the situation at hand.

The flow-on consequences from a cycle of poverty can be severe, ranging from the inability of communities with low incomes to generate adequate local markets, through to poor employment outcomes which impacts on the ability to earn incomes to support home ownership and generate personal wealth.

In addition, Indigenous economies and businesses also operate in social and cultural environments that are different in fundamental ways to those experienced by non-Indigenous enterprises. For example, whilst Indigenous Australia is enormously diverse, one characteristic which is almost universal is the attachment to place and the ties to family, clan and community. These physical and social attachments are a defining feature of personal identity and social life for Indigenous Australians.

It follows that management and decision making structures which are appropriate in non-Indigenous business ventures may not be entirely appropriate in Indigenous ones. IBA has been successful in assisting Indigenous communities structure appropriate corporate legal entities that blend the corporate and community cultures to minimise impediments to future success. Therefore, the development and delivery of economic and Indigenous business development initiatives that recognise commercial factors, but also reflect Indigenous economic, social, cultural and legal realities remain a priority for IBA.

Australia's task of assisting Indigenous economic development is enormous. But we must start somewhere and as the title of this paper suggests, *from little things, big things grow*.

Summary of Data Highlighting Policy Challenges

There are many demographic, economic, social and geographical challenges confronting Indigenous economic and business development, as highlighted by the following and although several of these indicators are showing an improving trend they still lag significantly behind the non-Indigenous indicators:

- The Indigenous unemployment rate is around three times that of the non-Indigenous unemployment rate;
- The level of self employment amongst Indigenous Australians is around one-third that of non-Indigenous Australians;

- Indigenous people earn less than 60% of the median weekly income of non-Indigenous people;
- Indigenous home ownership is almost a third of that of non-Indigenous Australians and there is a significant reliance on public and community housing (which is a significant impediment to providing equity for business finance);
- Indigenous students are half as likely to continue to year 12 at high school and are significantly under-represented at the tertiary education level;
- Self-employed Indigenous people have a lower level of education than other self-employed Australians: half of the non-Indigenous entrepreneurs have post-secondary qualifications compared to two-fifths of Indigenous entrepreneurs; and around 18 per cent of Indigenous entrepreneurs completed year 9 or less compared to 10 per cent of non-Indigenous entrepreneurs; and
- Indigenous self-employed people are employed in similar proportions across major industry groups; however, they tend to be employed in less skilled occupations as indicated by their existing lower levels of education attainment.

4. INDIGENOUS BUSINESS AUSTRALIA

4.1. Legislation and Outcomes

IBA was established by the *Aboriginal and Torres Strait Islander Commission Amendment Act 2001*, adapting the role of the former Aboriginal and Torres Strait Commercial Development Corporation (CDC) which was originally set up in 1990.

At this time IBA was created to assist and enhance Aboriginal and Torres Strait Islanders' economic advancement, primarily through facilitating Aboriginal and Torres Strait Islander equity involvement in sound commercial ventures. Under the enabling legislation, IBA is required to meet this role by accumulating and using a substantial capital asset. The enabling legislation requires IBA to act in accordance with sound business principles in carrying out its functions of engaging in commercial activities, promoting and encouraging Aboriginal and Torres Strait Islander self management and economic self-sufficiency.

The March passage of the *Aboriginal and Torres Strait Islander Commission Amendment Act 2005* transferred additional functions to IBA, and renamed the legislation governing IBA as the *Aboriginal and Torres Strait Islander Act 2005*.

Under section 146 of the enabling legislation, IBA is required to:

- assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and
- advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal and Torres Strait Islander peoples.

Section 147 provides for IBA to have the following functions:

- to engage in commercial activities;
- to promote and encourage Aboriginal and Torres Strait Islander self-management and economic self-sufficiency;
- such other functions as are conferred on it by this Act.

Under Section 181A, IBA now manages the New Housing Fund which may only be applied:

- in making housing loans to individuals or bodies; or
- in making loans to individuals or bodies to enable the individuals or bodies to provide housing for Aboriginal persons or Torres Strait Islanders; or
- in making grants of money for the purpose of enabling Aboriginal persons or Torres Strait Islanders to obtain housing loans from lenders operating on a commercial basis.

Under section 148, IBA is required to comply with the following:

- In performing its functions, IBA shall act in accordance with sound business principles; and
- For the purpose of the performance of IBA's functions, IBA's Board shall have regard to the desirability of:
 - a. encouraging and facilitating Aboriginal and Torres Strait Islander participation in commercial projects and enterprises;
 - b. securing, as far as practicable, Aboriginal and Torres Strait Islander participation in the ownership and control of companies engaged in activities that are likely to have a significant impact on Aboriginal or Torres Strait Islander interests;

- c. promoting the development of industries and other commercial and economic activities that are likely to have a beneficial impact on Aboriginal or Torres Strait Islander interests; and
- d. making specialist commercial expertise available to Aboriginal persons and Torres Strait Islanders engaged in commercial activities.

IBA has a broad range of powers: subject to section 153 and Division 8, IBA has power to do all things that are necessary or convenient to be done for or in connection with the performance of its functions.

The powers of IBA include, but are not limited to, the following:

- to enter into contracts (including contracts for the provision of business or housing loans);
- to make grants for purposes associated with business loans or housing loans;
- to invest money of IBA;
- to appoint agents and attorneys, and act as an agent for other persons;
- to form, and participate in the formation of, companies;
- to subscribe for and purchase shares in, and debentures and other securities of, companies;
- to enter into partnerships;
- to participate in joint ventures and arrangements for the sharing of profits;
- to accept gifts, grants, bequests and devises made to it;
- to act as trustee of money and other property vested in it on trust; and
- to charge for the provision of services by it.

IBA can also act as a trustee and the powers of IBA may be exercised within or outside Australia. Subject to financial limitations, IBA can also provide guarantee facilities.

As IBA is a government authority performing in the open market place, IBA is also subject to the provisions of the *Commonwealth Authorities and Companies Act 1997* (the CAC Act). The legislation provides reporting, accountability and other rules and imposes standards similar to if IBA was a reporting entity under Corporation law. The Act also deals with other matters relating to Commonwealth authorities, such as banking and investment and the conduct of officers.

The March 2005 passage of the *Aboriginal and Torres Strait Islander Commission Amendment Act 2005* effected the transfer of two key economic programmes to IBA, the Indigenous Business Development Programme (IBDP) from the Department of Employment and Workplace Relations (DEWR) and the Home Ownership Programme (HOP) from the Aboriginal and Torres Strait Islander Commission (ATSIC). The legislation also provided for the transfer of responsibility to IBA of all of the outstanding IBDP and HOP loans and a number of assets of the former Commission. While now a part of the portfolio of the Minister for Employment and Workplace Relations, the Hon. Kevin Andrews MP, IBA will continue to report to its Government appointed nine-member Board.

The combination of these programmes will enable IBA to contribute more holistically to the economic development of Indigenous people through a suite of complementary programmes. With this expanded role, IBA is now a key player in the whole of government approach to Indigenous economic development. The Government announced the development of an Indigenous Economic Development Strategy in the context of the 2005-06 Budget and the

Department of Employment and Workplace Relations is coordinating the development of this strategy, with the support of IBA.

While Indigenous employment outcomes are not a key objective of IBA under the enabling legislation, IBA's activities clearly contribute to Indigenous employment outcomes directly and indirectly. The micro, small and medium sized businesses funded by IBA can create direct employment and self-employment opportunities for Indigenous Australians. IBA's involvement in major investments and joint ventures can also encourage involved non-Indigenous corporations to develop Indigenous employment policies and programmes.

Under the new provisions IBA remains committed to improving the opportunities for Aboriginal and Torres Strait Islander people to participate in business and to buy their own homes. Participation in business and asset accumulation through home ownership is seen as a key part of economic development.

In seeking opportunities for economic development for Indigenous people, IBA actively pursues strategic alliances with local, state and Australian Government programmes, the banking industry, private sector and Indigenous organisations. It also gathers regional market intelligence for analysis and improves awareness of training and entrepreneurial opportunities available to Indigenous people in regional and remote areas.

The revised programme structure for IBA is as follows:

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
Outcome 1		
Stimulating the economic advancement of Aboriginal and Torres Strait Islanders	This outcome reflects the legislative charter of IBA as set out in s.146, s.147 and s.148 of the Aboriginal and Torres Strait Islander Act 2005. These sections give IBA the responsibility to assist and enhance Indigenous self-management and self sufficiency.	Output Group 1.1 - Equity and Investments Output Group 1.2 - Home Loans Output Group 1.3 - Business Development and Assistance

4.2. Output group - Equity and Investments

Through the Equity and Investments Programme (EIP), IBA invests directly in business opportunities through joint venture arrangements with expert industry partners. The objective of the EIP is to assist Indigenous communities and organisations participate in business.

IBA has investments throughout Australia in an extensive range of industries that include:

- commercial property;
- mining and mine services;
- manufacturing, retail and services;
- agriculture;
- fisheries;
- tourism; and
- financial services.

Through these EIP investments IBA brings industry and Indigenous communities together via joint venture ownership and management of businesses. It is very much a hands-on role that has proven benefits in terms of job creation and capital accumulation both of which help Indigenous people participate in Australia's economic activity.

IBA looks for opportunities to enter into commercial ventures that have the potential to create local and sustainable economic outcomes - to provide jobs and hope for Indigenous people (recognising that not all investments or joint ventures lend themselves to employment outcomes).

Investment opportunities are identified by:

- referrals from industry;
- identification from Indigenous communities;
- businesses for sale;
- government agencies; and
- word-of-mouth referral.

The EIP utilises suitably qualified staff to examine the opportunities and determine their likely success and risk. These staff also assist in creating an investment vehicle for each party's equity if the venture is approved by the Board. The EIP will then assist the community to access finance through other Government programmes or the private sector.

The EIP also works with potential Indigenous joint-venture partners by providing staff to assist in the development of appropriate corporate structures. Indigenous participants develop constitutions or rules that govern their entities and determine the future distribution of profits.

There is an opportunity for profits gained from these investments by community organisations to be invested in other economic opportunities within the community once the project realises returns after debt servicing and equity is accumulated.

IBA believes the opportunity that community members have in participating in commercial operations by actively participating on boards of management is extremely valuable. The experience increases Indigenous board members capacity to learn about corporate governance and managing and operating a business which is one of the primary strengths of our equity programme. IBA believes that the transfer of knowledge and skills to Indigenous board

members stays with the community, and this can be more beneficial in some cases than the development of managers, which can be lost when managers move on to new opportunities.

Once a business is viable and making profits, IBA reduces its EIP equity by allowing the Indigenous community to buy IBA's share of the business.

There are pre-emptive rights written into partnership arrangements that allow Indigenous partners first option to buy out IBA's stake in joint venture projects. IBA has recently tightened this option to include prescribed time limits, or clauses that require IBA's agreement to the exact timing of early buyout options. This has arisen because there are substantial establishment costs in joint-venture arrangements and IBA must realise a reasonable return for its initial outlays, in order to reinvest in other opportunities. When IBA exits business venture partnerships, IBA provides an option of continued fee-for-service assistance to communities if needed.

One of the significant benefits of our investment programme and developing Indigenous joint ventures is the potential for increased economic activity and resultant flow of funds through a community which can potentially stimulate further economic activity. With the recent transfer of the small-business loans programme, IBA can now look at small, medium and micro-enterprise developments in related activities, for example the provision of transport services to service tourism or mining ventures. IBA will seek to maximise opportunities for our equity and loans programmes to be used in tandem with this programme in regional areas and this may lead to further opportunities to increase the multiplier effect within communities and regions.

IBA continues to vigorously pursue employment and training initiatives wherever possible in those businesses in which it invests. However, there is an ongoing need for subsidies from governments for these activities given that they are above and beyond the rightful expectation of private industry.

Initially, any investment opportunity is examined from a purely commercial viewpoint. If the potential investment can not stand-alone as a business, then it is not a viable option for IBA. The primary purpose of joint ventures is to create wealth for the owners rather than social objectives (even though there are many). Opportunities need to be economically sustainable.

IBA sees a direct correlation between Indigenous communities owning businesses and the future improvement in employment opportunities.

It should be noted that IBA does not usually possess a controlling interest in a business, but usually has a stake at the board table and receives a return on investment for its participation. This return is reinvested into other Indigenous based joint venture opportunities.

IBA advocates its approach of partnerships and improved relationships with the private sector as an important part of the range of options available to governments. This approach is seen as an important key to achieving better economic outcomes for Indigenous Australians. In order to achieve its objectives, IBA has developed strategic alliances with experienced and reputable corporate operators who see the unique and commercial advantages in working with or involving Indigenous Australians in their operations.

That being said, IBA often has difficulty identifying attractive business investment opportunities in the larger urban centres as rates of return on investment are often marginal given the level of competition and market expectations on the sale value of businesses.

IBA is monitoring its investment portfolio in terms of the ratio of strategic, or passive, investments to active investments. Some projects have active participation strategies to increase Indigenous involvement in the management of the business and generate employment outcomes whilst others are strategic in nature and their objective is to realise dividends and accumulate equity and wealth. The selection of active or strategic investment depends upon issues like the community capacity and interest, the project's investment objective, the nature of the industry and the nature of the activities and work itself. It needs to be noted that large-scale employment opportunities specifically from joint-venture investments do not always eventuate and should not be the sole purpose of the programme.

One of IBA's successful strategic investments is in the Fitzroy Crossing Inn with Leedal, a local Aboriginal Group made up of 8 family clans from the region. At the time IBA and Leedal purchased 85% equity share they were concerned about the potential social ramifications, with its liquor licence, if the Inn was sold to a more conventional operator. The strong self imposed restrictions adopted by the owners have resulted in the Director of Liquor Licensing using the Inn as a model for remote hotels in WA. IBA's involvement has allowed Leedal to retain their share of the Inn and acquire an equity holding in the Fitzroy Crossing Lodge. While local employment is not a feature of these investments, the returns have enabled further investment in businesses in the town and increased the equity and wealth of the local Aboriginal people. Leedal also owns the local supermarket, post office, petrol station and a caravan park. Significant funding support for these businesses was provided by the Indigenous Business Development Programme when it was in ATSIC.

Another example of a strategic investment facilitated by IBA is the purchase and total reconstruction of Scarborough House in Canberra. Four Indigenous groups, with limited local economic development options, together with IBA, have invested in Scarborough House. The refurbishment and upgrade of the building is expected to be completed shortly, with the new tenants taking up their long term lease in September 2005. The advantage of this type of passive investment is that it allows Indigenous partners to build equity and wealth when local opportunities may be limited. This can create an income flow and increased asset accumulation that can then be used as security to raise funds for other activities that can foster business development and provide a means for real priority setting at the local level.

IBA's investment in the Gagudju Crocodile Holiday Inn and the Gagudju Lodge Coinda are also significant in terms of training outcomes. These investments have provided opportunities for significant training, development and employment of local Indigenous people, utilising the Indigenous Employment Programme.

IBA's experience suggests there are limited opportunities for large-scale joint-venture partnerships with low risk. While IBA has traditionally sought to participate in low risk opportunities, these investment opportunities are obviously limited. However, there is an opportunity to re-examine our portfolio and make appropriate suggestions to the IBA Board on how IBA could take advantage of opportunities with a higher risk. As with any portfolio of investments, IBA needs to continually monitor the wider economic environment and determine its strategy in relation to capital gains, dividends and return on investment. The Board's stewardship to date has seen IBA successfully grow its investments.

The EIP's Success

IBA believes that the EIP has been successful in drawing together Indigenous Australians and the private sector into sustainable business relationships which provide for profit (and risk) sharing, employment opportunities, and asset accumulation. This continues to be a valuable

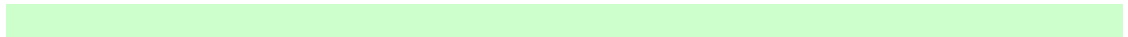
role model in which mainstream Australian businesses are progressively introduced to commercial opportunities with Indigenous groups for mutual gain.

The current success of the commercial approach by IBA can be highlighted by the following key facts:

- The total Australian Government investment in EIP to date has been \$70.4m - and as at 30 June 2004 was worth over \$100m – this is a good result given that IBA often invests in ventures that carry some risk and has met all business losses and all running costs from its successful investments;
- IBA through EIP is currently involved in 28 significant investments of which 14 have existing Indigenous partners and a further 5 have negotiations underway to introduce Indigenous partners;
- Of these 28 investments, 20 are located in rural and remote Australia;
- IBA expects that shortly its Indigenous business partners will hold equity in IBA joint ventures to a gross amount exceeding \$40m (currently exceeding \$19m gross);
- Despite its modest capital base, in 2004-05, IBA expects that its EIP investments will have provided approximately 600 jobs for Australians of which around 260 will be Indigenous Australians;
- The expected annual wage bill for Indigenous employees in these investments will be in the order of \$8m to \$10m;
- Profit distributions to Indigenous business partners was in the order of \$2.1m for the year ending 30 June 2004;
- Over recent years, IBA has sold its remaining equity in five other successful investments to its Indigenous partners (three of these businesses had continuing non-Indigenous partners). These businesses had a combined gross value of some \$15 million and employed nearly 300 Australians; and
- There is clear evidence that the EIP business activities and the subsequent involvement of local communities is having positive social benefits. We have reports of reductions in alcohol and drug abuse in communities keen to take up employment opportunities.

IBA does not believe such results are achievable in a pure public sector or welfare programme dominated environment. It also highlights that greater successes can be achieved in this difficult area by focussed activity – rather than attempting to integrate the activity into a broader range of responsibilities which can cause confusion in objective setting and client expectations.

An overview of IBA's EIP investments is contained in our 2003/04 annual report available at www.iba.gov.au. The following case studies demonstrate IBA's success in supporting the growth of our Indigenous partners' equity and providing employment outcomes.



CASE STUDY 1

Tasmanian Investment Corporation – from a vision to commercial reality

In 1992, six Aboriginal organisations in Tasmania put up \$60 each to form a joint venture company called the Tasmanian Investment Corporation (TIC), with the goal of achieving economic self-sufficiency for all Tasmanian Aboriginals. From a standing start in an economic sense, in just over twelve years the TIC has been able to acquire several profitable business interests, become a profitable commercial organisation with a solid capital base, and generate significant profits and associated benefits for its Tasmanian Aboriginal members. Although substantially achieving its initial goal, the corporation still retains the desire and has the economic base to achieve even more. So how was this transformation achieved?

Indigenous Business Australia (IBA) facilitated this through a relationship that began in 1992, when TIC and IBA formed a joint venture to purchase the Burnie Shopping Complex, housing a Coles Supermarket, K-mart store and twelve specialty shops. With vendor finance which later became a commercial loan from IBA to be repaid from the profits of the business, TIC took equity of 54% and IBA equity of 46%. The arrangement also allowed TIC to purchase IBA's equity over time, with the ultimate goal of full ownership by the TIC by 2007.

Following the success of the Burnie Shopping Complex business, in 1994 TIC and IBA formed a second joint venture to purchase a 50% interest in the Marine Culture Unit Trust that owned and operated two oyster producing leases in Tasmania. At that time the business produced 3.5 million oysters per year. Today, the enterprise has grown to become Australia's largest oyster aquaculturalist, holding over 24 million oysters with sales of over 1 million dozen per year to both domestic and export markets, it has expanded into South Australia and NSW and has a substantial stake in the major oyster hatchery. Additionally, the oyster leases provide employment for over forty people in South Australia and Tasmania, a significant number of which are Aboriginal. IBA facilitated TIC's participation in the venture by providing a commercial loan to fund TIC's equity and structured the arrangement so that ownership in the venture progressively passed to TIC.

In December 1995, TIC and IBA deepened their relationship when they created a joint venture to purchase a 50% interest in Gordon River Cruises. The business is one of Tasmania's premier tourist attractions drawing 70,000 tourists a year in 1995 and growing to over 120,000 tourists in the first three years of the venture and today retains its position as one of the iconic tourist destinations in Tasmania. In a similar arrangement to the previous joint ventures, IBA provided commercial funding for TIC's equity in the joint venture.

From humble beginnings in 1992, by the year 2000, through IBA's facilitation TIC had acquired interests in three commercial enterprises and found itself in a position to be able to repay the commercial loans to IBA and take full equity positions in each of the businesses. IBA were proud to have been able to assist in the creation of ownership of three valuable assets for TIC, providing future income streams for the Indigenous people of Tasmania. TIC also utilised financial support from the then ATSIC (now IBA) Indigenous Business Development Programme to support its individual business ventures.

Today, TIC has diversified its interests into other commercial properties and a hotel/motel enterprise, sold the Burnie Kmart Plaza and is now in a financial position to acquire more investments for its members that enhance not just its future commercial viability but also local employment and training opportunities for Tasmanian Aboriginal people. TIC provides a positive example and workable model of the ability of Aboriginal people to achieve economic success when given the opportunity and a supportive organisation such as IBA to provide management expertise that can be transferred to the Indigenous partners.

CASE STUDY 2

Ngarda Civil and Mining

Ngarda Civil and Mining is a contract-mining business based in Port Hedland. It was established in 2001 as a joint venture and is 50% owned by Henry Walker Eltin, 25% by IBA and 25% by the Ngarda Ngarli Yarndu Foundation. It was established to address the identified need to increase Indigenous participation in major local economic opportunities.

At the end of last financial year, over 100 of Ngarda Civil and Mining's 118 staff were Aboriginal. The venture has been very successful in the up-skilling of Indigenous employees, with many going on to further their new careers with large mining companies. In 2003, Ngarda won the Prime Minister's award for Community Business Partnership in the large business category.

In 2003-04, Ngarda was awarded three major contracts with BHP Billiton and Rio Tinto, for a combined value of \$25m per annum generating over \$8.2m in wages to Indigenous employees. The initial contracts gave Ngarda a solid base on which to build its reputation and bid for more work. Today, although some of the initial contracts have been completed, several continue and Ngarda has been successful in gaining new business and maintaining levels of employment.

Ngarda also received a commercial loan from IBA's Indigenous Business Development Programme.

The outcomes generated by Ngarda for Indigenous Australians have been significant. There have been significant employment and training opportunities at all levels, from unskilled labourers through to involvement at Board level.

4.3. Output group - Home Loans

The Home Ownership Programme (HOP) was first established in 1975 under the Aboriginal Loans Commission. The programme has since gained recognition as one of the most successful Australian Government Indigenous specific programmes.

The financial market does not provide the necessary opportunities for Indigenous Australians to obtain home loan finance. Market testing of the programme has shown that the private sector would not be willing to take on the risk of this programme without heavy discounting of the loan portfolio value or Australian Government guarantees. The level of aftercare inherent in the programme has effectively caused conventional financial institutions to absent themselves from this market.

Objectives and Outcomes

The key objective of the HOP is to reduce the disparity in home ownership participation rates between Indigenous Australians and the broader Australian population by providing Indigenous families with access to affordable and flexible home loan finance and other associated services.

Since its establishment, the HOP has assisted more than 12,000 Indigenous families to buy their own home. The HOP has been a significant contributor to the increase in home ownership rates of Indigenous Australians which have risen from 27% in 1986 to the current rate of 32% in 2005.

In keeping with the key objective of increasing home ownership participation rates, the programme is targeted towards Indigenous people who have the capacity to repay a long term loan, but who would generally have difficulty in obtaining alternative finance. Around 85% of the clients of the HOP are first home owners. Many loan recipients move from the subsidised and limited loans available from HOP to mainstream commercial loans after establishing a capital base and demonstrating their capacity to repay loans.

The desire and ability to own a home is commonly linked to benefits such as stability of employment, improved health and education, flexibility to adapt the dwelling as needs or preferences change and as a store of wealth for future lifestyle decisions and economic independence. Home ownership provides a stronger and more stable base for building social capital, which in turn can support improved employment outcomes.

Although the HOP operates as an independent programme, it forms an important part of the Government's overall strategy for the economic empowerment of Indigenous Australians.

Current Operating Environment

The main delivery mechanism for the programme is the provision of flexible and affordable home loans to eligible Aboriginal and Torres Strait Islander people.

Lending is based on commercial lending principles; however, the key focus is wherever possible to facilitate a family into an affordable housing loan product that enables them to begin the home ownership journey.

Lending is managed, at the 'coal face' through housing loans units located in 12 Indigenous Coordination Centres throughout Australia. A significant amount of after-care is provided to loan recipients to ensure the continuity of repayments. This after-care, which differentiates the

programme from most private sector models, is a critical success factor for the programme, and a key to the low default rates.

Lending is targeted towards eligible Indigenous applicants and is based on well established lending criteria, which encompasses family size, employment history, household income, purchase price and deposit levels, loan serviceability and access to other finance.

New loans are funded from monies received from interest, housing loan repayments and discharges of existing loans. In this way the housing loan portfolio is constantly being turned over to provide an on-going source of funding for future clients.

Capital injections have been made to the programme in the past, including a recent \$20 million injection of funds from the Australian Government's 2004-05 Budget. This highlighted the Government's recognition of the important role of the HOP in meeting the needs of Indigenous Australians and its commitment to the ongoing operation of this important programme.

The current home loan portfolio comprises over 3,450 current loans with a total value in excess of \$350 million. A budget of \$110 million for new loans was approved for the 2004-05 financial year. Currently the loan portfolio has record low level of reportable arrears, which are below 5% based on the number of accounts in arrears and 0.15% of the portfolio by dollar value.

There is significant unmet demand for this programme, with a waiting list of 525 eligible applicants, which translates into a need of approximately \$100 million dollars. Clearly there is a strong case to be made for an additional capital injection to address some of this excess demand.

While not directly contributing to employment, the Home Ownership Programme is a powerful driver of economic empowerment as it provides a foundation for individuals and families to build an asset base for their future prosperity. The stability associated with home ownership supports the development of social capital that can support greater take up of economic opportunities by Indigenous people.

IBA is also investigating the possibility of how it could tailor a programme, utilising its experience and infrastructure, to provide a flexible financing package, including loans and grants to support home ownership on Indigenous controlled land. It will be important to ensure that such a programme is appropriately resourced from outside IBA and separated from the existing HOP to ensure that the higher levels of subsidy that will be essential to support home ownership on Indigenous land do not divert resources from the highly successful and oversubscribed HOP.

4.4. Output group - Business Development and Assistance

The IBA Indigenous Business Development Programme (IBDP) has a budget allocation of approximately \$30 million dollars in 2005/06 and aims to equip Aboriginal and Torres Strait Islander people with the necessary market intelligence, skill development services and alternative funding products (in lieu of mainstream finance) to achieve greater independence from Governments and improve their capacity to make life choices.

The IBA IBDP also aims, wherever possible, to facilitate the transition of IBDP funding provided to Indigenous individuals or organisations across to mainstream commercial lending institutions. As with the Home Ownership Programme, IBA performs a critical role in bridging the gap in commercial lending for Indigenous Australians.

The IBDP employs the following strategies to achieve its objectives:

- Micro Economic and Indigenous Business Development Initiatives
- Business Funding/Finance

4.4.1. Micro Economic and Indigenous Business Development Initiatives

Micro Economic and Indigenous Business Development Initiatives provide Indigenous people with access to tailored 'up-front' and 'on-going' business skill development services (e.g. business mentoring and marketing advice). Micro Economic and Indigenous Business Development Initiatives facilitate the development of the skill equity required to successfully manage commercial enterprises.

4.4.2. Business Funding

Business Funding provides Indigenous people with a range of funding products for the acquisition, establishment and/or development of commercially viable enterprises, where they have demonstrated or have the potential to achieve long term commercial viability.

As a result of reviews undertaken examining the nature of loans programmes over the last 2-3 years, the programme has undergone changes to improve its flexibility and refocus its assessment processes to examine commercial viability. These changes focus the loan assessment towards examining a holistic range of risk factors including:

- Technical and vocational skills;
- Managerial ability and small business skills;
- Industry type;
- Market volatility and fluctuations;
- Industry benchmarking;
- Competition factors;
- Economic climate factors;
- The provision of security and equity; and
- Loan serviceability.

The banking industry develops assessment formulas that are quite rigid in their approach and these can severely impact on the success of business proposals gaining access to loans, even if they are commercially viable. Therefore the IBDP is different because:

- The IBDP has a hands-on approach, building relations with clients and supporting and facilitating their business ideas - something mainstream financial providers have no commercial interest in doing;

- Whilst IBA sees security and equity as a factor when assessing a loan, we concentrate more on a holistic risk assessment and look to commercial viability as the key component of whether we should lend funds to a business; and
- IBA is able to offer our clients access to business support which supports the development of Indigenous enterprises and reduces the risk of business failure, both prior to the loan and with after loan care.

These are the fundamental differences between the mainstream financial lenders and the IBDP. Needless to say, within IBDP the assessment of proposals is completed at arm's-length from those providing business support.

Statistics on employment generated from loans for the period prior to June 2003 are not available because these statistics were not collected at that time. The key indicators from this programme since July 2003 show that 44 loans have been settled totaling approximately \$6 million. 178 jobs have been created by these loans. 25 of these positions have been CDEP related positions and 91 have been the employment of Indigenous people. The remaining 62 positions have created employment for non-Indigenous employees. If we simply extrapolated this data to show trends, given the total number of active loans in the portfolio totals approximately \$60 million dollars, it could be generally hypothesized that \$50,000 worth of loans funds provides 1 employment position. On this basis, the current loan portfolio could be said to have created 1500 jobs and about 1,000 of these would be employing Indigenous persons. But these types of hypotheses can only be used as a rough guide.

The following case studies demonstrate how successful businesses can generate employment.

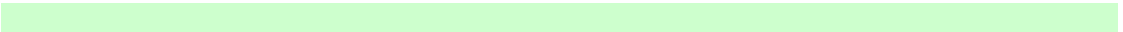
CASE STUDY 3

Yarnteen Aboriginal and Torres Strait Islander Corporation

In 1993 Yarnteen purchased industrial land at Koorangang Island NSW with finance provided by the Aboriginal and Torres Strait Islander Commission (ATSIC). This land was developed as three bulk grain storage warehouses and a bagging, grading and weighbridge operation for bulk grains and fertiliser.

The operation is a joint venture with Hunter Grain Pty Ltd. and the business operates under the name of Port Hunter Commodities Pty Ltd. There are ten employees at the business - five Indigenous and five non-Indigenous.

The business is soundly managed. The finance facilities have been conducted in an excellent manner and one of the facilities was repaid this year, some two years ahead of the loan expiry date.



CASE STUDY 4

Didgeridoo Hut and Art Gallery – from a market stall to a successful small business in tourism

The Didgeridoo Hut and Art Gallery, owned by Dennis and Janis McCarthy, started as a stall selling authentic didgeridoos at a local market in Darwin in 1998. Encouraged by their initial success they obtained a hawkers licence and re-opened a small shop to sell their authentic didgeridoos, which had previously been selling market garden produce and then imitation didgeridoos made from Indonesian bamboo, on a 20 acre (8 hectare) block in the rural area of Darwin.

Set on the corner of the Stuart and Arnhem Highways just outside Darwin, this strategic location is the ‘3-ways’ of the Top End. They are in a position to sell didgeridoos and Aboriginal art to tourists on their way to Kakadu and Litchfield National Parks, Territory Wildlife Park, the Jumping Crocodiles at Adelaide River and other southerly destinations.

In 2001, the McCarthy’s had an opportunity to buy the land that their shop was on and were able to obtain a loan/grant financing package from IBA under the Indigenous Business Development Programme to facilitate the purchase. They saw the potential to develop the spot into a bigger business by re-developing the access road, creating parking space for buses and more cars and expanding the shop to cater for a wider range of Aboriginal art, crafts and didgeridoos. These ideas had to wait for a couple of years for the business to grow its revenue large enough to finance the expansion. The business grew substantially from 1998 at an average of 20% per year and in 2004 the business was in a position to finance this expansion.

IBA was able to provide further finance through its Indigenous Business Development Programme for the completion of the business plan. Today, the access roads and parking have been completed and they commenced trading in the new building on July 1, 2005.

The McCarthy’s believe that with the new gallery and amenities they will be able to attract the larger bus groups visiting Kakadu as well as more of the small tour operators that regularly visit the existing shop and gallery. With the business trading in its new premises, it is anticipated that employment opportunities will grow as the number of tourists visiting the business increases.

CASE STUDY 5:

Microcredit Projects

“Microcredit is the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. In developing countries especially, microcredit enables very poor people to engage in self-employment projects that generate income.”¹

Access to small business finance by Indigenous Australians has removed a significant barrier to improving Indigenous entrepreneurialism throughout Australia. This year is the United Nations ‘Year of Microcredit’ highlighting the importance of microcredit programmes on an international basis. Australian Government agencies have been researching and piloting the delivery of microcredit or microfinance loans to Indigenous Australians over the past few years. This work was initially developed by organisations with international expertise including Opportunity International and Hillsong Emerge. Pilot projects were established in Northern New South Wales and Sydney funded by ATSIC.

Following passage of the Aboriginal and Torres Strait Islander Commission Amendment Act in March 2005, Indigenous Business Australia is continuing the work previously facilitated by ATSIC, ATSIIS and the Department of Employment and Workplace Relations to develop delivery models that can assist access to microcredit by Indigenous Australians.

In mid 2004 Hillsong Emerge assumed full responsibility for the project from Opportunity International. Under the Indigenous Business Development Programme, IBA have provided Hillsong Emerge with a grant of over \$950,000 for operational funding to further extend the microcredit product and provide business support in a remote region (Cape York) and continue to deliver it in the Sydney and Northern New South Wales regions. Additionally \$280,000 in loan funds was provided to Hillsong Emerge to assist in delivery of the project. The project will also deliver a strategic and operational framework that presents a future delivery model for the microcredit concept on a national basis for Indigenous people.

Although the project has been primarily focused on the development of a delivery model and physical infrastructure establishment, the project has worked with over 150 clients, of whom 77 have taken out loans to grow their business. Four clients now employ additional people in their businesses. One client has employed 11 Indigenous workers from the local CDEP programme. The average size of the initial loans is \$2,500 with second loans averaging \$3,000 in size. Loans are typically used to establish or enhance small business ideas such as assisting a local artist to purchase moulds, paints and inventory to sustain and grow his art business; purchase of a vehicle to assist a worm farmer distribute his produce to local fish tackle shops; and purchase of materials and supplies for a group of Indigenous women who produce hand-painted silk scarves. Performance indicators after almost three years from the loan portfolio are positive with an arrears rate of 10% and a loan loss rate of less than 5%.

The microcredit programme has tracked selected impacts to businesses with results suggesting that significant improvements start to show up during the second loan cycle. Of 21 borrowers taking on second loans, enterprise income has grown on average by 67%, the proportion of their total income coming from enterprise has increased on average by 102% and the value of business assets acquired by over 200%.

In the 2005/2006 financial year with IBA support through the Indigenous Business Development Programme, Hillsong Emerge will continue these pilot activities with a view to developing a model that may involve partnerships between governments and the corporate sector that can be rolled out on a national basis. There is a significant opportunity if this pilot is successful and a decision is made to expand this project given that many Indigenous small business aspirants need access to mainstream finance to kick-start their business ideas and start on the road to self-sufficiency and economic independence. International examples show that the microcredit concept can have significant and sustainable benefits for its participants, including self-employment.

¹ Source: www.microcredit.org.au

5. ISSUES FOR INQUIRY CONSIDERATION

The Australian Government announced the development of an Indigenous Economic Development Strategy within existing resources as part of the 2005 Budget Statement. The Department of Employment and Workplace Relations (DEWR) is leading the development of this strategy, with IBA support. The complementary programmes in DEWR and IBA that contribute to the Indigenous Economic Development Strategy focus on employment and wealth creation respectively.

Given IBA's new role and function and the Indigenous Economic Development Strategy, we are working with key government agencies to ensure that our activities are set within a broader national whole-of-government framework. The following provides general comment in regard to issues where IBA can contribute to Indigenous economic development.

5.1. Economic Opportunities

Essentially regional circumstances dictate business opportunities. Also, some industries are better suited to Indigenous employment because of Indigenous skill sets and current interests.

IBA is undertaking a pilot project to develop regional specific economic data sources that can be utilised to provide information and advice for business and industry entrepreneurial activities. The pilot studies include analysis of the Townsville and the Kimberley regions. The process is expected to facilitate regional alliances and the resultant reports should contain Indigenous specific information and fill existing information gaps within the existing regional market and economic climates.

The resulting regional economic intelligence can be utilised to assist IBA staff and clients make more informed financial decisions about starting business, purchasing existing businesses, developing business opportunities and understanding the industries and regions in which they intend to operate. The development of these regional economic intelligence reports has the potential to facilitate the development of regional strategic alliances, assist in identifying and closing information gaps and contributing to a database of Indigenous related information and research and improve the targeting and effectiveness IBA's economic development programmes, with resultant improvements in employment levels. IBA will also share the findings with Indigenous, government and private sector players in the regions and work with them to develop Indigenous business development opportunities that may be identified through the pilots.

The success of increased Indigenous employment at the regional and remote level varies as it is geared to industry opportunities and characteristics.

There appears to be anecdotal evidence that Indigenous people in regional and remote Australia have preferred certain types of employment e.g. mining employment over hospitality employment. The skill set required is very different and the likely rewards are quite different. It is not hard to see why Indigenous people prefer to engage in employment opportunities where personal and financial rewards are higher.

There is very little employment opportunity in property management, however, the return on such strategic investment is high and increases community equity for other investments in the future. Through such strategic investments as significant property wealth, Indigenous groups may be able to leverage or influence Indigenous employment outcomes in related service industries such as property management and maintenance and construction.

There may be an opportunity to examine transport strategies to remote communities and the subsequent business opportunities that flow.

IBA's objective is to channel funds towards economic opportunities in the real economy. These may not always have direct employment outcomes in the short term.

5.2. Physical Infrastructure Development for Regional and Remote Areas

Without appropriate local infrastructure, economic development can not become sustainable. Local infrastructure includes:

- Transport – roads, distribution, airports, sea;
- Telecommunications – phone, electronic banking, internet;
- Local commerce – access to food, petrol etc;
- Access to banking/financial services; and
- Adequate housing and health infrastructure.

These linkages can not be under-estimated. IBA can play a role in the development of such infrastructure, while providing opportunities for Indigenous equity and business involvement in these major projects through its programmes.

5.3. More Effective Use of Indigenous Assets for Economic Development

While Indigenous needs are great and in many ways demand is growing, the extent of financial resources that can be directed to this need by governments is limited. With this in mind, it is perhaps appropriate for Indigenous groups and funding agencies to consider more innovative and commercial approaches to service delivery. In particular, IBA is referring to more effective use of assets that are already in place and encouraging a range of Indigenous service providers to act commercially in their operations.

This could include using existing housing and building stocks as security to raise funds for additional housing, and the lifting of caveats to allow this. Promoting the use of Aboriginal facilities (such as health and legal services) by the broader community on a fee for service basis could allow funding agencies to free up financial resources which can then be directed to other priorities.

Leveraging off streams of future income from assets such as investments, or royalty income streams from mining projects on Indigenous land are other possibilities that IBA would encourage.

Importantly, more strategic use of Aboriginal held land should be examined as a lever to promote other forms of development. Utilisation of land assets should not require the sale of the land - lease of land can produce a secure income stream. Alternatively, Aboriginal owned land can be used as equity in joint ventures to develop that land on a commercial basis.

It is perhaps a question of promoting more effective and business-like use of current assets, rather than additional welfare funding. Given the limitation on government budgets, IBA would encourage a close examination of the option of gearing existing Indigenous assets as one way of raising funds to address unmet needs.

Leveraging these assets to generate new local viable and sustainable businesses would contribute to improved employment outcomes.

5.4. Private Sector Involvement

There is a need to develop innovative ways to have the private sector invest in areas with high Indigenous populations.

Through joint venturing, IBA has effectively engaged many private sector participants in economic development activities. This engagement is a demonstration of practical reconciliation, but more importantly it demonstrates the value to the private sector of working together with Indigenous organisations.

International experience points to the success of tax incentives as a means of encouraging philanthropic and private sector investment in business that creates opportunities for Indigenous people and IBA considers this may be worth considering in Australia.

There is a comprehensive network of banking services in Australia; however these institutions often appear to be incapable or unwilling to meet the needs of Indigenous people. The concept of providing debt finance to a commercially "unsophisticated" section of the community, which is generally without equity and often located in remote rural or on inalienable land, is not seen to be commercially sensible. IBA's involvement in these circumstances demonstrates how a more flexible approach can be commercially worthwhile and IBA hopes this will encourage banks to more actively engage with Indigenous communities. By directly engaging the financial sector in discussions, IBA could promote greater engagement by the banks to better bridge the gap in existing commercial finance and, perhaps in doing so, reduce the pressure on its own limited capital base.

5.5. Urban Indigenous Programmes

The needs of Indigenous people in urban areas should not be seen as less than regional and remote regions. These needs arise through a combination of:

- historical dislocation;
- poor education levels resulting in poor employment outcomes and prospects;
- increasing Indigenous population both in natural growth and migration from rural and remote areas;
- increasing pressures on scant resources; and
- high costs of living in the larger centres.

In the view of IBA, Indigenous needs in urban areas are significant with additional pressure being applied through Indigenous population growth in all urban areas and the cost of living in major urban centres. Employment outcomes will continue to be poor until such time as there is an adequately educated and trained Indigenous workforce able to take up the more complex urban based jobs and until Indigenous employment needs are embraced by the private sector.

IBA believes that its approach of promoting joint ventures involving Indigenous people and industry experts for economic and employment outcomes is an effective model, however its joint venture and investment activities have been limited in the larger metropolitan centres, primarily because of resource constraints. The recent legislative changes involve a higher level of metropolitan and urban activity through the HOP and IBDP. Through the development of strategic alliances with other key bodies such as the Indigenous Land Corporation (ILC), IBA could increase the commercial opportunities and resultant employment opportunities for Indigenous people in urban areas.

5.6. Education and training

Education is a key to improving employment, and innovation by education and training providers is a key factor in improving outcomes.

Research strongly suggests educational qualifications are a strong general indicator of a person's future earnings. Therefore a significant investment in Indigenous social programmes is required to advance Indigenous economic participation in the real economy.

The delivery of training packages in rural and remote areas requires a significant allocation of time to underpinning background knowledge, which is taken for granted in urban areas. This increases the cost of providing training.

Many of the existing training packages are above the level required for Indigenous learners. We need to ensure that more Vocational Education and Training (VET) opportunities at the certificate I and II levels are available and these are pathways for higher level courses.

For Indigenous small business to be successful, Indigenous small business operators need to develop appropriate skills through training. IBA, through its IBDP, already provides business ready skill development and will continue to work closely with the Department of Education, Science and Training and the Department of Employment and Workplace Relations to improve the relevance of education and training programmes to Indigenous business and self employment options.

5.7. Skill Development For Indigenous Managers and Employees

There is an ongoing need within businesses to improve the skill development opportunities for existing Indigenous employees. It appears that this skill development incurs additional business expenses and may not always be seen as a priority by many businesses because of the impact on their bottom line.

There are additional considerations, and as a consequence, increased on-costs to business when hiring Indigenous employees and these have to be managed to ensure retention and outcomes.

There needs to be an examination by governments into the creation of flexible models of workplace agreements that respect diversity, promote best practice and are suited to Indigenous cultural issues.

Loyalty to business outcomes and employment ethics increase with Indigenous ownership and management.

One of the critical success factors in IBA's Equity and Investments Programme has been the level of mentoring and support for skill development that IBA provides. In particular, IBA focuses on supporting its Indigenous partner to develop the appropriate corporate and business management skills essential to run a viable and sustainable business.

5.8. Managing Economic Change – Welfare to real work

Welfare dependency has been identified as a major contributor to continuing disadvantage. Encouraging an enterprise culture within community can be a consequence of successful business development.

The Community Development Employment Projects (CDEP) Programme is essentially a work for the dole scheme that has long operated as a social and employment programme. Recent reform of the CDEP Programme has focused on increasing the development of real employment opportunities for Indigenous people through the programme. Historically, CDEP has assisted people when there is a lack of employment opportunities, but has had limited success in moving to real employment beyond the CDEP, and has been accused of sheltering participants from economic reality. By working with DEWR in relation to CDEPs, IBA can assist developing commercially viable businesses that can generate real employment opportunities.

Change takes time and restructuring of government programmes is essential to ensure outcomes. However, it needs to be done in a way where likely impacts are known, understood and planned for, to ensure improvements are incremental and adjustments minimise any negative social impacts.

5.9. Coordination within the Australian Government

IBA is a key player in the whole of government approach to Indigenous development. The DEWR led examination of programme delivery as part of the Indigenous Economic Development Strategy announced in the 2005 Budget is welcomed by IBA.

Regional Australia has constantly commented on the difficulties of accessing and understanding Australian Government mainstream programmes and the Australian Government has developed initiatives to address these concerns. Indigenous access is a compounded problem and the Council of Australian Governments (COAG) service delivery trials are likely to lead to innovative methods to assist Indigenous communities better access programmes. The Australian Government needs to ensure that the process of gaining assistance under the wide range of different Indigenous and mainstream programmes in different agencies does not confuse, disadvantage, delay or discourage Indigenous progress.

Coordination is the key and this needs to be managed, funded and facilitated with appropriate accountability back to the Indigenous community and the Australian Parliament. The Indigenous Coordination Centres (ICCs) under the Office of Indigenous Policy (OIPC) provide an opportunity for the Australian Government to better coordinate access to programmes the regional level. IBA has staff in many of the ICCs, managing the local implementation of the HOP and IBDP and promoting the activity of the Equity and Investment Programme.

The Australian Government must ensure that any economic development planning that flows from mainstream reports by mainstream Australian Government agencies such as the Department of Transport and Regional Services, the Department of Industry, Tourism and Resources and the Department of Education Science and Training and essentially targeting mainstream Australia includes strategies to include Indigenous communities and individuals.

Developing the appropriate understanding of Indigenous clients and review of programme delivery issues is an essential part of the change management inherent in mainstream agencies delivering programmes to Indigenous clients. Cultural awareness and diversity training should be seen as an extremely important staff development and training initiative.

IBA is strengthening its relationship with government agencies as part of this new whole of government approach to the delivery of Indigenous economic development programmes. For example, it is working closely with DEWR and OIPC in the development of the Indigenous Economic Development Strategy, and related activities such as the development of agreements with state and territory governments.

5.10. Coordination within State and Regional bodies

Agencies need people on the ground within existing structures to be able to coordinate and implement strategies. IBA believes outsourcing advocacy to existing structures at the State/Territory and local level is a part of practical reconciliation as people need to continue learning about Indigenous communities in a partnership approach. There is a vast opportunity to tap into existing networks for Indigenous economic development. One of the best vehicles to improve economic development at the local level is to coordinate and assist it through Indigenous Policy Officers/Facilitators in non-government organisation (NGO) peak bodies.

The strengths of the private sector and real economy could be better harnessed. There could be an opportunity for the Australian Government to consider supporting Indigenous Policy Officers within organisations willing to assist, such as the State and Territory Chambers of Commerce and Industry and Local Government Associations. Such positions would better complement the policy agenda at the national level.

A national reference group could be coordinated through a national body with government funding. The reference group could have representatives from State, Territory and Australian Government agencies, Industry groups, etc. The objects of the group would be to ensure the linkages and strategy between:

- vocational education and training;
- employment;
- professional development;
- business opportunities;
- business management;
- industry strategies; and
- regional strategies.

5.11. Future Policy Considerations

Strong governance of Indigenous communities and businesses is critical to economic development. Whilst IBA is creating economic opportunities for Indigenous communities, factional disputes with ownership and the distribution of profits could be a potential area of tension in the longer term. Continuing research into models of incorporation and in particular the development of appropriate commercial constitutions, and identifying those aspects that promote best practice should be undertaken to assist future Indigenous communities develop appropriate structures. This will speed the development of agreements in the future.

IBA has generally adopted a conservative approach to investment because of its very limited capital base. While IBA has generated a strong growth in its assets, a more rapid asset growth could be achieved if IBA were able to raise private sector financing or advances from the Australian Government outside the Budget. The IBA Board generally supports a greater diversification of the risk profile of IBA's investments.

6. CONCLUSION

IBA is very positive about its role in increasing the opportunity for Indigenous people to participate in economic development throughout Australia.

This participation can best be increased by applying the principles of 'development' assistance in a coordinated and cooperative manner through partnerships between governments, industry and communities.

Social programmes in areas such as education and training, health and nutrition, employment and equity, land and culture, continue to play an extremely important role in creating the foundations of Indigenous economic prosperity. Without a healthy skilled Indigenous workforce, improvements will not flow.

IBA believes Indigenous Australians welcome the Australian Government's policies to increase their opportunity to participate in the real economy. Removing the 'welfare shackles' under the banner of practical reconciliation will take time and may be seen with some scepticism initially. However, if managed correctly, the associated incremental success and positive outcomes that flow will only generate enthusiasm for the new policy measures.

There is a considerable amount of work to be achieved under the whole of government framework of the Indigenous Economic Development Strategy, but if the momentum of government agencies matches the political and community aspirations, then we should expect that success will be forthcoming.

A critical element of the economic development of Indigenous people is facilitating wealth and asset generation as a step to greater economic independence, employment and the creation of real options for Indigenous people. IBA is well positioned to support this through its home ownership, business development and investment programmes, and stands ready to play this role in the overarching economic development strategy that emerges.

Indigenous Business Australia
July 2005

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