

Submission from the Australian Indigenous Chamber of Commerce to the House of Representatives Inquiry into Indigenous business Development

Submission No. 50
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Terms of Reference

The Committee has been given the responsibility to inquire into and report on opportunities for Aboriginal and Torres Strait Islander people to grow small and medium-size business. This shall include Indigenous controlled enterprises and business in which Indigenous people are joint venture partners.

In particular, the Committee's focus is on:

1. whether current government, industry and community programs offering specific enterprise support programs and services to Indigenous enterprises are effective, particularly in building sustainable relationships with the broader business sector;
2. identifying areas of Indigenous commercial advantage and strength;
3. the feasibility of adapting the US minority business/development council model to the Australian context; and
4. whether incentives should be provided to encourage successful businesses to sub contract, do business with or mentor new Indigenous enterprises

Key Issues

The timing of the House of Representatives Inquiry into Indigenous Business Development is most welcome and necessary. Momentous changes in the economic landscape both within Australia and globally provide opportunity for renewed concepts and approaches to Indigenous business enterprise. In particular the challenges and opportunities presented through Climate Change and Carbon Trading legislation can provide unprecedented opportunity. This combined with the interface between the mining and resource boom, land management, tourism and agriculture require a collaborative partnership between Indigenous communities, Corporate Australia and Government at all levels.

These elements can provide a sustainable economic base for indigenous enterprise and employment based on the triumvirate of Land, Resources and People. This opportunity is based on custodianship and sustainable use and management of Indigenous land, based on both traditional and newly acquired skills. It also requires the commercial framework in which to foster and grow Indigenous prosperity and economic independence requires robust

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structures, national unity and governance that respects the cultural and societal complexities of Indigenous Australia.

Prior to British colonization, Indigenous Australians lived a subsistence life. In the intervening period many aboriginals have integrated into the mainstream economy using their labor or sometimes their entrepreneurship but some (particularly those in remote communities) are locked into a dangerous social welfare trap - without land, education, capital and entrepreneurship. Without the basic tools necessary to compete in our modern economy therefore Indigenous Australians need these tools to compete.

Indigenous Australians need land tenure to give them a true sense of ownership. Most Australians own or lease their own homes and the location of their business if they are entrepreneurs. Without security of tenure Aboriginals have no capital and or asset base to leverage up from. Some remote indigenous communities have agricultural or mineral wealth on or under their lands but they cannot unlock this economic potential as a result of Commonwealth laws.

Education is a basic building block of our society. Without it, Aboriginal children are doomed to failure. Education is central to the economic progress of Aboriginal Australians and our Indigenous education system needs to focus on practical vocational training for work and business.

But schooling is too late for adults without the necessary skills to obtain secure work or establish a business. In the short term there is a desperate need for adult training and mentoring. In particular, the opportunity to create employment through recognizing and fostering the deep connection between Aboriginal people and the land is paramount. Also the co-operative and sharing cultural structure of Aboriginal society and the strength of family relationships and bonds provide impetus for small home based enterprise and larger co-operative industry based on work and profit sharing.

There is also enormous potential to exchange knowledge through business partnerships joint ventures, apprenticeships and mentoring. Structures need to be established to facilitate a sharing of knowledge and enterprise between Indigenous and non Indigenous Australians. The potential structures are discussed below in "Streamlining".

AICC

The timing of the inquiry coincides with the establishment of the Australian Indigenous Chamber of Commerce (AICC) which has been formed to promote and serve the interests of Indigenous business. The need to integrate Indigenous business endeavours with corporate Australia is critical. From employment programs, such as that recently proposed by Andrew Forrest of Fortesque Metals to major indigenous enterprise in Tourism, Mining and

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Agriculture, the AICC intends to generate mentoring, joint-venture and investment opportunities as the base for Indigenous self reliance and economic prosperity.

In particular the Chamber aims:

- (a) to promote trade and commerce between Indigenous and non-Indigenous Australians;
- (b) to promote international trade and commerce with indigenous Australian businesses;
- (c) to advance Indigenous entrepreneurship;
- (d) to commission research into Indigenous economic policy and to social outcomes;
- (e) to promote excellence in Indigenous economic policy making and research;
- (f) to promote "business to business" mentoring, dialogue and networking opportunities between Indigenous and non-Indigenous Australians;
- (g) to represent and advance the interests of Indigenous business.

These aims are supported by a 'best practice' approach to business development and a commitment to encouraging robust governance and management procedures. Particular attention to business skills training and development with provision of support services to assist with contracting, accounting, marketing and international trade will underpin the aims and activities of AICC.

The AICC will promote trade and business development within a framework of certainty. Exploitation of Indigenous assets has caused discontent in the past and there is a need for transparency relating to business transactions involving communal assets.

Executive Summary

- current government, industry and community programs offering specific enterprise support programs and services to Indigenous enterprises are not effective, and are not building extensive sustainable relationships with the broader business sector;
- The current focus on community based economic activity has failed and necessitates a policy review that focuses on the individual.

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- indigenous business opportunities need to be built on fundamentals through:
 - (a) education
 - (b) legal and financial certainty
 - (c) mentoring
 - (d) the streamlining of bureaucratic logjams
 - (e) the provision of tax breaks and incentives
 - (f) modifying the social security system to remove the barriers to learning and then leaving welfare programmes
 - (g) accessible credit and lending programmes
 - (h) encouraging business support and outreach programmes particularly through the AICC; and
 - (i) reforming land laws to free up and provide access to land which is capable of alienation or mortgage

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Recommendations

The key recommendations in this submission provide for:

1. The mechanisms for the provision, assistance and support to Aboriginal Communities and Entrepreneurs to achieve economic independence and prosperity through fostering successful and sustainable business enterprises:
2. A plan to assist communities to plan for their futures, foster businesses and train and retain locals in essential roles and then to review the operation of aboriginal businesses each year and consult with and mentor businesses regularly.
3. The establishment of legislative reforms where appropriate in regard to streamlining administrative requirements and expediting processes and procedures to promote Indigenous business.
4. New banking, finance and tax structures to assist aboriginal business and provide incentives for investment by corporations, institutions and individuals.
5. Funding an annual National Indigenous Enterprise Summit (which should include representatives of government, indigenous communities and business) in conjunction with the AICC to ensure that the momentum for the promotion of indigenous business is maintained.

The AICC does not recommend that the US minority business/development council model be implemented in its current form or at the current time without substantially more work being done to encourage indigenous entrepreneurship on the ground and without a critical mass of operating Indigenous businesses. The model has relevance but will require changes to succeed in the Australian context. In particular in order for such a model to be adapted, a well planned process of community consultation and some legislative or regulatory reform would need to be considered. As the implementation of such a model may require a new overarching administrative structure, there is a danger that it may hamper rather than encourage business development if not developed in light of Best Practice business modelling, taxation and regulatory reform.

Communications

There are limited prospects for job creation in remote communities but work and business opportunities can be created over the Internet. If the Federal Government is serious about creating work, training and business opportunities in remote aboriginal communities it must upgrade communications to those communities.

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Remote Indigenous communities lack the communications infrastructure that businesses receive elsewhere in Australia. Fast internet access to remote indigenous communities will facilitate better administration, education, governance and entrepreneurship.

Intellectual Property

Aboriginal culture and art has the potential to provide enormous business opportunities to Indigenous Australians but requires legislative protection.

When non-Aboriginals appropriate Aboriginal culture and intellectual property, Aboriginal business opportunities and jobs are lost. Some non-Indigenous businesses that have expropriated aboriginal intellectual property are even protected by government policies, practices and laws locking Indigenous Australians out of lucrative employment and business opportunities. For example - Why is it that no local Aboriginals are employed as tour guides to tell their dreamtime stories at Uluru?

Our Intellectual Property laws need to protect indigenous culture and art from exploitation and facilitate local indigenous enterprise.

This requires urgent legislative reform and a lead from the Commonwealth Government. This needs to be supported by a legal and commercial advisory service, a process which could be facilitated through the AICC.

Capital, Investment and Taxation Incentives

Many Indigenous Australians live in abject poverty despite enormous resources being invested in them. Even if they have the necessary skills, they lack the capital to commence an enterprise in our modern economy.

A system that focuses on the individual, that hothouses their businesses is essential to ensure the success of Indigenous entrepreneurs, many of whom lack the experience and skills of their non-Indigenous competitors. The current focus on community based economic activity has failed and necessitates a policy review that focuses on the individual.

There is also a need for objective project evaluation and due diligence of indigenous business enterprise activities on a community-by-community basis. This will allow for projects and programmes to be supported and evaluated through predetermined financial and commercial processes in order to qualify their viability and sustainability.

New banking finance and tax structures need to be developed to assist aboriginal business. Such structures could be supported federally through the following initiatives:

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- (i) There is little or no culture of saving and capital accumulation in poor communities and tax incentives must be combined with an educational campaign to encourage Aboriginals to save through tax deductible deposit accounts or invest in income producing assets.
- (ii) A new form of Aboriginal Business Corporation (see below) could receive tax breaks and have access to an Aboriginal business fund which could be funded from the tax deductible deposits used to encourage Aboriginal savings.
- (iii) Micro banking could be reviewed to investigate its potential for Aboriginal Communities and businesses.
- (iv) Amendments to tax laws are needed to clear up the status of payments under native title agreements.
- (v) The tax system should be used to provide a financial incentive for the use of indigenous sub-contractors double tax deductions for non-Indigenous Contractors who employ or contract with indigenous contractors would be a real incentive to promote indigenous business.
- (vi) Tax exemption for Aboriginal Venture Capital Funds to encourage investment in Indigenous entrepreneurship by the entire Australian Finance and Investment community.
- (vii) Full tax deductibility and tax incentives for all Aboriginal education and job hunting expenses to encourage education and employment.

Consolidating human resources and funding into centres of Aboriginal business or incubators will assist Aboriginal businesses by mentoring them and introducing them to providers of seed capital, role models and advisors.

Marketing

Emerging Aboriginal businesses require marketing support and role models. The AICC has initiated an "Aboriginal Business of the Year" programme; comprising a major event, award and advertising promotion package to promote Indigenous business.

In order to facilitate effective communication, support and marketing networks the AICC is promoting a rollout of:

1. State offices and ultimately regional offices to provide local incubators with mentoring, business support, access to capital and networking for Aboriginal business.

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2. A sponsored Internet e-portal of qualified and accredited Corporations and businesses providing information of capabilities in regard to partnering and providing services to Aboriginal companies and communities.
3. An integration and affiliation plan aligning the AICC with chambers of commerce and National industry associations and authorities nationwide

There is a desperate need for government funding to create a web based indigenous business portal and for Government tenders in remote areas which encourage tenderers to joint venture or partner with Indigenous communities or businesses and training opportunities for Indigenous Australians should for a part of each tender.

Incentives should be provided to encourage successful businesses to sub contract, do business with or mentor new Indigenous enterprises. These incentives should be promoted by the use of education and advertising campaigns to non-indigenous business.

The AICC is already bringing together businesses and mentors with Indigenous businesspeople and should participate to the establishment of any business development agency or councils.

Land

Indigenous Australians need land tenure to give them a true sense of ownership. Most Australians own or lease their own homes and the location of their business if they are entrepreneurs. Without security of tenure Aboriginals have no capital and or asset base to leverage up from. Some remote indigenous communities have agricultural or mineral wealth on or under their lands but they cannot unlock this economic potential as a result of Commonwealth laws.

The Commonwealth must review its land laws including land rights laws to free up access to land and make it capable of alienation or mortgage, through:

- (i) the reform of state and Commonwealth aboriginal land regimes;
- (ii) proper consultation with remote communities about the impact of green policies effective for gaining votes in the cities but which 'lock up' indigenous land and land use;
- (iii) the development of policy initiatives beyond 99 year leases which allow native title land to become 'bankable'.

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The Role of Government

Streamlining

Aboriginal Corporations: Many non-Indigenous Australians do not understand directors' duties and corporate governance and it is unreasonable to burden nascent Aboriginal businesses with unnecessary complexity, therefore we recommend that the Registrar of Aboriginal Corporations establish a low doc, low reporting structure to facilitate aboriginal business. Simple Aboriginal Business Corporations could be created with low establishment fees, minimal documentary record keeping, a standard constitution with necessary business powers and no annual fees or annual reporting requirements.

Any administrative activities such as change of address, shareholding or operations would be reported by the manager and the burden of compliance shifted away from the small business operator. Any businesses in difficulty could be referred to appropriate mentors or referred to administrators.

Most importantly a National Indigenous Enterprise Authority should be established to assist the operation of aboriginal businesses and streamline corporate and bureaucratic regulation.

Bureaucracy

Indigenous Australians often live in a highly regulated environment. For Example - Commencing a business as simple as a coffee cart near Uluru is almost impossible because of the complexity of leasing, heritage, environmental and National Park laws.

Even non-Indigenous advisors cannot find their way through the morass of laws and regulations. This stymies entrepreneurship and reduces the opportunities for Aboriginals.

In July 2008 the Federal Government announced a raft of reforms which would streamline the regulation of business across the States but none of the reforms address the impediments to Aboriginal business and entrepreneurship.

There is an urgent need for the Federal Government to remove the bureaucratic barriers to the creation of Indigenous businesses. We see benefits in the creation of a body with the power to cut through legislative red tape and to recommend legislative reforms where appropriate to assist Aboriginal business.

We recommend that streamlining be specifically addressed through the empowerment of a federally legislated National Indigenous Enterprise Authority as a matter of urgency.

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Community Plans, Government Business Legacy Model and Vision for the future

Whilst entrepreneurship is focused on the individual; government and community activities are a vital source of employment and entrepreneurship for Indigenous Australians, particularly those in remote communities. Accordingly local communities should be vital and well funded.

In a business sense, each community should be required to have a plan in place for the future. The plan would cover economic as well as social and environmental concerns.

The community plan should assess the strengths and weakness of each local community and will provide a plan for meeting the future needs of the community. Under the plans locals should be identified to be trained to fill those long term needs to leave a lasting economic and social legacy. Importing non-indigenous workers is expensive and makes the community passive recipients of welfare rather than economically and socially sustainable.

Incentives

Government and Commercial tenders in or around Indigenous communities and in large cities should require the provision of training and employment opportunities for Indigenous Australians. Meeting employment and training targets should be part of the tender evaluation process.

Incentives should be provided to encourage successful businesses to sub-contract, do business with or mentor new Indigenous enterprises. These incentives should incorporate tax breaks, tax deductibility and funding support.

There is an urgent need for the AICC Indigenous Business of the Year Award to be established as an annual event which would be sponsored by the Federal Government and State Governments. This will assist the mentoring process and encourage positive role models and incentivise the pursuit of excellence.

Momentum

All levels of government must maintain momentum in the push for Indigenous economic self sufficiency. Policy initiatives should be reviewed annually at a summit where new initiatives and improvements can be floated and a culture of continuous quality improvement is encouraged through a system open and honest review.

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Areas of Indigenous commercial advantage and strength;

Indigenous Australians live in diverse locations from the Central Desert to inner city areas. Business and work opportunities vary from area to area.

Some communities have potential to profit from extractive and agricultural Industries, others from art and tourism. Inner city areas create different opportunities.

Each Indigenous community should be funded and resourced to develop a strategic plan which includes testing the strength and weaknesses of each community. The AICC does not recommend that the Federal Government identify strengths and weaknesses but rather that it seek responses from each local community. Trained business managers should attend each community and facilitate local ideas through outreach programmes.

Aboriginals have advantages in sustainable agriculture on traditional lands and waterways in Indigenous health and indigenous heritage consulting and areas of specialty should be encouraged and funding provided for training in those areas.

US Business Council Model adapted to the AICC Australian context

The vision and values of the USBC model are laudable however the model will need modification if it is to be implemented in Australia.

In the United States there is a critical mass of Indigenous businesses and many minority groups are located in or near urban areas. The Minority Business Council Model is not designed for remote populations as it requires the confluence of business and mentors in a single geographic area.

The internet and telecommunications could be used to overcome geography and other modifications could tailor the US model to Australian conditions

Any business council model would also need to recognise the need to reduce rather increase bureaucratic processes and facilitate integration with both Government and private organisations nationwide. These include but are not limited to State/Territory and Federal Departments fostering Business and Industry, Chambers of Commerce and Industry, National and State Industry Representative bodies and National Business Associations.

Australian Indigenous Chamber of Commerce.