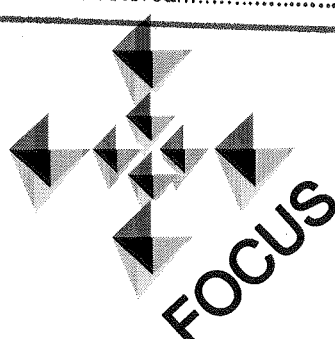


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Submission No. 25
Date Received



FOCUS

Clerk Assistant (Committees)
House of Representatives
Parliament House
Canberra ACT 2600
21.7.08

**Standing Committee on Aboriginal and Torres Strait Islander Affairs
Inquiry into developing Indigenous enterprises**

Dear Sir or Madam,

I wish to make a submission to the current Inquiry, and my submission is attached.

My company has been working with Indigenous client groups for the past 15 years, and this has included substantial research and policy development at the national, regional and local level. We also work with Indigenous groups and others outside Australia, and we have received several awards for our international and Australian planning work. I am currently President of the International Division of the Planning Institute of Australia and a member of the Indigenous Planning Working Group.

I am currently commissioned by State and Commonwealth Governments to write a book on "Building Indigenous Economies" and this is currently in draft, to be published by the end of the year.

I should be pleased to provide further information or evidence if requested to do so.

Yours faithfully,

Dr Jane Stanley, Director

SUBMISSION BY DR JANE STANLEY, FOCUS PTY LTD

INQUIRY INTO DEVELOPING INDIGENOUS ENTERPRISES

First, I wish to present my credentials to the Inquiry. As Director of FOCUS Pty Ltd I have been working with Indigenous client groups for the past 15 years, and have undertaken several major projects at national and State/Territory level. These have included:

- monitoring and evaluation of 30 Indigenous cultural and tourism industry businesses over a period of 18 months as a contribution to the National Aboriginal and Torres Strait Islander Tourism and Cultural Industry Strategies
- preparation and publication of the National Aboriginal and Torres Strait Islander Tourism, Cultural and Rural Industry Strategies, and preparation of a whole of government implementation strategy
- national impact assessment of business lending programs targeting Aboriginal and Torres Strait Islander clients
- national consultations with Indigenous landholders for preparation of the National Land Strategy by the Indigenous Land Corporation
- preparation of a Queensland Statewide manual for CDEP organisations on ways of securing employment for Aboriginal and Torres Strait Islander people, including purchasing or establishing businesses
- research for the Rural Industries Research and Development Corporation on emerging models of Indigenous land management and rural production
- review of several major mining agreements in terms of economic and enterprise outcomes as well as social benefits, and preparation of a published national manual on negotiating regional agreements.

These reports and others can be made available to the Inquiry if appropriate.

I am currently commissioned by the Queensland and Commonwealth Governments to prepare a book on "Building Indigenous Economies". This is in draft, and will be published by the end of 2008.

I am President of the International Division of the Planning Institute of Australia, as well as National Councillor and member of its Indigenous Planning Working Group. My international experience includes evaluation of microfinance projects for the World Bank and AusAID, and capacity building of NGOs involved in enterprise development. Last year I launched a textbook on grassroots cross-cultural planning techniques, aimed at an international audience. I have received several awards in International Planning for this work.

I have previously worked as Adjunct Professor for the Australian National University in developing and delivering its Sustainable Heritage Development program through the Asia Pacific Region.

Summary of Submission

This submission is based on practical experience, and puts forward the following propositions.

TOR 1

Government programs have often failed in the past because of lack of long term consistency in delivery, and lack of business experience on the part of those responsible for program delivery. Relative success has been in the recent shift towards business mentoring and partnerships.

TOR 2

Sectoral areas of competitive advantage are usually recognised as tourism, cultural industries, rural industries, mining and construction. Security services are another smaller area of opportunity. However this submission urges that looking at individual sectors may be less effective than setting business development in the context of building local economies. There is also an urgent need for support in mobilising Indigenous resources in the mining sector and in relation to Indigenous land management, so that current opportunities are not lost.

TOR 3

The minority business councils model could be useful but it should be trialled and evaluated before replication. There is a risk of such a model becoming yet another "flavour of the month". If successful, the model could become self funded or reliant on corporate sponsorship in the long term.

TOR 4

Incentives for mentoring and partnering Indigenous businesses are seen as highly desirable. In any partnership initiatives it would be useful to refer to the considerable international experience gained through the World Bank Business Partners for Development program, based on tri-sector partnerships (public, private and community sectors).

Detailed Response to Terms of Reference

TOR1: 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

There are two main areas where I consider government programs have failed in the past.

The first is in offering long term pathways for building capacity. Programs offered by Commonwealth and State/Territory Governments are constantly changing, often being terminated before funded projects are complete. Some of my client groups have wasted considerable effort and resources because of this unstable funding environment. For example, one rural enterprise lost several excellent farm managers (ie the most critical component of building such an enterprise) because funding for

this position could only be secured on a short term basis, or renewal of funding was delayed, or programs were halted and then restarted. The recent changes and uncertainty faced by CDEP organisations since 2006 amounted to death by a thousand cuts, and ignored the efforts being made by some organisations to morph into effective business incubators. Instability prevents establishment of the confidence and credibility necessary for building enduring external relationships within the business sector.

Government support for business incubation has itself been subject to much to-ing and fro-ing, with business incubators being in favour one year and out of favour the next. This fails to recognise successful international experience in how business incubation dramatically increases the sustainability of new businesses. This deserves much better long term commitment.

The second area of failure is in how government programs are administered. This often involves public servants with no business experience being placed in a position of deciding whether or how businesses should be supported. An example of this is the inclusion in several recent programs of an expectation that new businesses will be set up from scratch and operating profitably within a 12 month timeframe. Where contracting out has occurred this has often been to large accounting firms whose own experience is worlds apart from those of struggling Indigenous entrepreneurs.

A notable area of success is the move to business mentoring and buddy systems that partner new Indigenous businesses with established Indigenous or mainstream businesses. Also there appears to be new recognition that training should be practical and based on action learning. It is an indictment of previous approaches to vocational training that in our 2001 national impact assessment of business support programs, we were shocked to find that prior training was statistically counterproductive to business success. Not surprisingly, work experience in a relevant industry sector emerged as a critical success factor.

TOR2: Identifying areas of Indigenous commercial advantage and strength

The Royal Commission into Aboriginal Deaths in Custody identified the three key areas of competitive strength for enterprise establishment as tourism, cultural industries and rural industries. The reasons for this are well articulated in the Commission's report. It is on this basis that the three National Aboriginal and Torres Strait Islander Industry Strategies were prepared, and these remain as useful reference documents today. It is unfortunate that government support for implementation fell short, but the national strategies have been rolled down at State and Territory level, and have been used for guidance by operators within the private sector. They have also been picked up as useful models overseas.

The Commonwealth Government took some steps to build on the Rural Industry Strategy by articulating strategies for different sectors such as aquaculture and forestry. This approach has not been successful in my view. Such strategies ignored the findings of the National Rural Industry Strategy that Indigenous landholders were more interested in mixed use of their lands, within an integrated framework. Subsequent research my company carried out for the Rural Industry Research and Development Corporation described some of the emerging production models on

Aboriginal land. These turn the conventional approach to rural production on its head, being focused on low capital labour-intensive mixed production targeting local domestic markets as opposed to highly specialist capital intensive export oriented modes. Their unconventional nature has created difficulties in tapping into mainstream support programs that benefit non-Indigenous producers.

More recent work that my company has undertaken for the Commonwealth Government has identified other key sectors where there is competitive advantage as mining, building construction and security services. There is competitive advantage within the mining sector arising from the content of various mining agreements which establish preferential arrangements for Indigenous employment. There are many opportunities for establishing subcontracting businesses as well as job pathways.

Within the construction sector the skills shortage provides a gap which could be effectively filled by Indigenous contractors, and many CDEP organisations and community housing organisations have taken advantage of this opportunity in the past. The structure of the Australian construction industry is such that it depends on a wide range of small subcontracting firms. Many Indigenous people have been trained in construction trades, but have been unable to establish themselves as independent contractors. Initiatives to increase Indigenous building capacity have often been stop-start, lacking in long term programming to ensure completion of apprenticeships (ie 4 years). Provided there was effective support, the challenges of remote area housing delivery can most effectively be met by an Indigenous workforce. However tendering requirements for inclusion of Indigenous employees have often been laughed off by mainstream contractors.

Provision of security services is a smaller sector, but one where Indigenous employees and contractors are proving particularly successful. This builds on the Indigenous experience of night patrol in some localities, and it can help to overthrow negative stereotypes within local communities.

Despite my past role in identifying areas of competitive advantage, I am now inclined to feel that targeting particular sectors may in itself be faulty. In particular the targeting of tourism enterprises may be well intentioned and theoretically supportable, but experience has shown that there are significant difficulties in establishing sustainable Indigenous tourism enterprises, particularly in remote areas. This may be one of the most difficult sectors to enter.

I consider that a more practical approach is to focus on business opportunities that contribute to building local economies, as this enhances the chance of business success. It is a failing of business support programs in Australia and overseas that the concern with individual businesses ignores the considerable opportunity for filling gaps and adding value to existing local goods and services. Clusters of interrelated enterprises may provide one another with peer support, and may make external support mechanisms more cost effective. This is especially important in the context of discreet Aboriginal communities, or communities within which Aboriginal consumers form a large proportion of the population.

A more recent concern of mine has been with mobilisation of the considerable resources that are available to some communities through mining agreements or Indigenous lands. There has to date been very little attention paid to these areas of opportunity by government, despite widespread recognition that this could be the key to addressing Indigenous poverty.

As an example one of my client groups is party to a large number of different mining agreements with prospects of many more, but the basic framework for first negotiating and then implementing these agreements is lacking. Agreements are commonly negotiated by lawyers who have little knowledge of what could be achieved to provide best economic prospects, the Indigenous participants have little knowledge of what is in the agreements or how to secure the benefits, and in many cases the mining companies fail to implement the provisions of the agreements. The administrative arrangements for monitoring agreements, invoicing for payments when they fall due, investing the proceeds appropriately, initiating review of agreements on schedule, and taking action where agreements are breached are lacking. In the example I am referring to, the community organisation has been party to between 50 and 100 agreements, some of which sit in the solicitor's office several hundred kilometres away, and others of which appear to be in the possession of the previous solicitor several thousand kilometres away. Individual agreements can theoretically offer considerable potential for economic development – the organisation in question could expect to receive several million dollars-worth of compensation annually, plus the same again in company shares, if it was able to ensure compliance. Without any framework and back-up for administering agreements it could fall flat on its face.

For communities in this potentially fortunate situation, capacity building needs to extend to administering and reviewing agreements, providing input into the negotiation of new agreements, building an investment arm, strategic management of a share portfolio, and setting up a grants program to help individuals and families establish small businesses. Particular larger scale business opportunities exist in the areas of labour hire and post-mining rehabilitation, and these could be targets for joint ventures. It should be noted that there are many millions of dollars bonded by mining companies which could be applied to progressive rehabilitation works.

In relation to mobilisation of land resources, there are some excellent models of land management and rural production that have emerged with CDEP support. The ongoing uncertainty about CDEP has been extremely challenging for the affected organisations. There is an opportunity to establish a national network of "teaching farms" that can offer work experience to Aboriginal people who can then apply it to their own lands. This has to some extent been happening informally, but it deserves more strategic government support. In future, this could be effectively geared to economic opportunities arising from carbon trading as well as more conventional production. There is also substantial opportunity for the network of teaching farms to be nodes of research and development in relation to post-mining rehabilitation and commercial bushfood production, which represent overlapping opportunities. CSIRO and university research programs could provide valuable support. This was recently the subject of much discussion at the Queensland Business Reconciliation Forum and associated workshops.

TOR3: The feasibility of adapting the US minority business/development council model to the Australian context

This model appears to have some possible value, but it would be unfortunate if this became the latest “flavour of the month”. I would suggest establishment of such a council in a trial region, with monitoring and evaluation over a two year period before any more extensive roll out. This would enable program design to be firmly based on experience of what works, and for the necessary guidelines to be put in place before a full scale commitment is made. Once committed, there needs to be clear support for the long term, ie 5-10 years. There may be the possibility for minority business councils to move to a self-funding model or to draw on corporate sponsorship if they prove their worth within this timeframe.

TOR4: Whether incentives should be provided to encourage successful businesses to subcontract, do business with or mentor new Indigenous enterprises

This gets a big YES from me. Successful businesses need these incentives, as being successful generally means being busy. If there is no incentive then the pool of available mentors and networkers may be limited to less successful (ie less busy) entrepreneurs, including failed entrepreneurs and retirees.

Forming partnerships to build business capacity may be essential to take advantage of the opportunities for mobilising Indigenous resources relating to mining compensation or land. There can be opportunities for mutual advantage flowing from these partnerships.

Some years ago the World Bank worked with CARE International to develop a model for Tri-Sector partnerships, combining the resources of the public, private and community sectors. This was the Business Partners for Development program, based on numerous case studies and research in several sectors. Very extensive facilitation materials were produced and disseminated. I was fortunate in being a participant in one of only four training programs delivered worldwide, and found it most impressive. The program was based around best use of complementary resources from the three sectors, focusing on areas of relative strength and underlying interest. I am not aware of any examples of its application to date within this country, and most of the cross-sectoral agreements I have seen fall well short in terms of productive mobilisation of resources. I believe that this approach would be very useful in addressing Indigenous business development in Australia.