

RECEIVED  
27 OCT 2008

DEPARTMENT OF TOURISM, REGIONAL DEVELOPMENT AND INDUSTRY ATSI  
(DTRDI)

**POSITION PAPER**

on

Submission No. 69
Date Received

**HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT  
ISLANDER AFFAIRS**

**Inquiry into developing Indigenous enterprises**

**Purpose of Paper**

To establish a departmental position on the terms of reference for this Inquiry which will form the basis of feedback to the Inquiry forum to be held in Brisbane on 9 September 2008 for Queensland government agencies.

**Background**

**The Inquiry**

The Inquiry website summarises its focus and terms of reference as follows:

"The Committee shall 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 will focus 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."

**Department of Tourism, Regional Development and Industry – Indigenous Business Development Unit (IBD)**

IBD supports and promotes growth in the participation and development of Indigenous people in Queensland's economy primarily through its Indigenous Business Development Grant Scheme.

The Scheme, first approved in the 2001-02 budget, allocated funding of \$9.75M for five years. In 2006-07 the Cabinet Budget Review Committee (CBRC) approved a further \$7.5M for an additional three years of the grant program to 2010. The scheme has two programs:-

- The Indigenous Business Capacity Building Program. Historically the program was used to partner with third parties to provide business development advice and support to Indigenous Queenslanders through Business Hubs. More recently the program has expanded support to mentoring and responses to other capacity building activities on a more ad hoc and as required basis.

- The Indigenous Business Establishment Program supports projects which lead to establishing viable Indigenous businesses and expanding existing businesses.

IBD now has over eight year's experience and has established relationships with many Indigenous clients, some of whom have been supported from research and development stages, through capacity building and business establishment to expansion.

EXAMPLE

Indigenous Traditional Owner Company, Christmas Creek Aboriginal Corporation has been supported by DTRDI under a partnership with James Cook University for cultivation, sampling and quality control, processing and sale of Morinda Citrifolia (Noni) juice into the nutraceutical market over a five year period.

Cape York tourism operators such as Mapoon Council Turtle Camp, Walker Sisters in Wujul Wujul, and Bubu Bamangu Nadaminku (BBN) in Mossman Gorge have all been supported over the last four years for business establishment and growth to ensure they remain operational and viable.

IBD has developed a keen understanding of the elements that are required to support Indigenous enterprises, which include:

- The significant time, mutual understanding, integrity and experience required in extensive front-end work in building business capacity with proponents. This work determines:-
  - motivation, governance and business capacity;
  - risks and possible mitigation strategies
  - stakeholder support;
  - strength of business case
  - employment and training issues;
  - ongoing commitment to doing business.
- On the ground support mechanisms, such as Indigenous Enterprise Development Officers and other Regional Centre support including departmental business tools and products.

EXAMPLE

Tools such as smart licence; business plan template and guidance; regional business workshops and yearly Reconciliation Business Forum which brings together Indigenous and non-Indigenous business people to network and learn.

- Appropriate and complimentary support and funding from other agencies.

EXAMPLE

Commonwealth and State funding for:-

South Queensland Indigenous Arts Development Initiative  
 Reconciliation Business Forum  
 Indigenous Enterprise Development Officers Network

- Partnership mentality.

Although it is understood that the focus of the Inquiry's Terms of Reference is on capturing the opportunities and successful models in developing Indigenous business - and this is largely addressed in this paper - points are made below to give an understanding of the practical environment in which the Department works; its insights on matters which can protract and inhibit effective business development.

**Responses to the Inquiry's Terms of Reference (TOR):**

*TOR 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*

IBD, learning from its supported projects and other activities, has evolved the following principles to support effective Indigenous business development assistance:

- Understand the **issues that are pre-requisite** to sound Indigenous business development – cultural imperatives, land ownership and tenure issues, authority and ownership (not necessarily the same), capacity, motivation and rationale for doing business.
- Provide **professional advice** and capacity building **services** with integrity. If good business is what is expected by the government, then treat proponents as business people.
- **Understand** the difficulties and barriers as well as the positives and opportunities involved in remote and regional area development.
- **Allow time** for building relationships and transfer of information, skills and trust - projects, initiatives and business establishment can take substantially longer than mainstream equivalent projects.
- Provide services and assistance on a regional, remote and **one on one basis**.
- Maintain **ongoing relationships** and **support** to identify mentoring opportunities and unpredicted support required to foster sustainability.
- **Link** Indigenous business to the private sector - encourage **partnerships and joint ventures**.
- Indigenous proponents with strong business cases can access appropriate mainstream incentive programs not only Indigenous specific support programs.
- recognise that economic development is **not the new panacea** to address all of the key indicators of Indigenous disadvantage.

Identified impediments to effective government program delivery:

- Red tape and siloing – lack of cohesion and collaboration in policies, timing and acquittal across government agencies.
- Government is, by nature, risk averse and in particular, investment into business is considered relatively high risk.
- There is a need for greater coordination between government policies and programs. Gaps between government funding (policy and programming can mean that joint projects can be under-funded or lacking in funding in critical areas) for example, time delays and/or under-funding can mean that on-the-job trainees are learning without a supervisor or necessary capital components needed to practice on.
- Stronger government representation in regional and remote areas is needed to support a place based approach which takes account of local opportunities, economies, resources, and matches those to assistance, markets and investors.
- Government programs and policies changing constantly – even name changes can impact on services sought, given that a business could be dealing with upwards of five agencies at a time.

More work needs to be done across government to build strong long term private sector relationships that can make meaningful contributions to Indigenous economic participation. Government could play a greater role in brokering partnerships between the private sector and Indigenous parties.

#### EXAMPLE

The development of overarching MOUs between private sector and government aimed at fostering increased Indigenous employment outcomes, enterprise development and business tendering opportunities. For example, the Queensland Government and Queensland Resource Council MOU that has led to research and development of the North West Queensland Initiative.

DTRDI has built relationships with Oz Minerals Century Zinc Mine in the Gulf and Rio Tinto Aluminium in Weipa which has supported increased local Indigenous service provision and job mentoring initiatives.

The Department of Communities Office of Aboriginal and Torres Strait Islander Partnerships (OATSIP) is developing an Indigenous corporate engagement strategy.

#### TOR 2.

#### *Identifying areas of Indigenous commercial advantage and strength*

#### Community and Traditional Owner businesses

These businesses are most often land and culture based, particularly in cultural and eco-tourism; arts; pastoral and fisheries; horticultural and aquaculture industries and display the following advantages and strengths:

- Indigenous community people want to remain on their land, and more importantly, want to keep their children there. Therefore any businesses carried out to keep community together tend to carry a high level of

commitment;

- Indigenous people know their land and seas through generational knowledge and experience with a historic association and preference for certain jobs (such as stockman, rangers, guides etc);
- In terms of tourism, Indigenous people hold authority and specific knowledge over land and seas and the native flora and fauna on that land and the market, in seeking to be better educated, now wants Indigenous specific tourism;
- In the Indigenous art market, cultural and traditional expression is often synonymous with country and therefore remoteness is an advantage for promoting authenticity and is fundamental to artwork's intrinsic appeal and value.
- There is pride in promoting and showcasing Aboriginal and Torres Strait products and businesses.
- Community based businesses can grow from experience and knowledge gained from managing social programs which develops work readiness and business acumen.
- New economic opportunities are emerging with growing environment concerns and demands, such as carbon trading and off-sets, land management and revegetation and pest eradication. These emerging eco-industries sit well with Indigenous knowledge and practices.

Sectoral opportunities could be better identified and promoted. There are a number of low hanging fruit such as mining, forestry, roads and horticultural industries. These sectors operate often in areas of high Indigenous populations. Locality and environmental resilience forms a good basis for employment of Indigenous people into these industries. Connection to country provides an advantage for working in remote locations where , for example camping out bush for long periods may be a requirement of the job.

While cultural, and in particular land based, proposals are generally seen as positive opportunities for enterprise development, there are number of impediments, some of which are listed below which inhibit development altogether and may necessitate long term expert engagement and support.

- Indigenous cultural politics (for instance, the inability for entrepreneurs or leaders "to speak for" any group outside their own political and cultural affiliations. This can be compounded by private sector agreements that adhere to prescribed Indigenous cultural/political considerations. This can mean:-
  - A number of Indigenous business partnerships are inhibited or fall apart
  - Business establishment can require the sign-off of a large number of stakeholders both within the community and the wider land area and can include considerations around Native Title, local government legislation, Indigenous Land Use Agreements, other Traditional Owner agreements, government agreements and, in some case private enterprises (all of which can be operating in some form on the same area of land).
  - An Indigenous "better the devil you know" mentality whereby there is exclusivity granted to proponents who are known not have capacity or business runs on the ground over Indigenous 'outsiders' who may have honed and successful businesses already.

- Board membership may be politically and culturally appropriate, but board members do not have, or are not interested in having, business acumen.
- 'Tall poppy' syndrome (culturally based) and jealousy impacts on successful Indigenous community businesses which can lose community support or experience undue pressure for nepotistic employment or diversion of profits into ill considered community activities.

In short, Indigenous community enterprise development has to have a multi-layered approach whereas Indigenous Individuals doing business off-country rarely have these factors to contend with.

### Small Business

Over the last ten years, particularly in small business, and more so in sole traders and family partnerships, there has been a shift in Indigenous thinking from welfare mentality to economic independence. The advantage and strengths of these structures are:-

- Motivated by lifestyle improvement, particularly in relation to educating and providing for their children to have a better life;
- Less likely to have another job and hence very committed to making the business work;
- Committed to reversing the old stereotypes of "going walkabout" "getting hand-outs" and have more to prove;
- Small Indigenous business is still likely to secure Indigenous community support in a regional town or area;
- These businesses tend to employ extended family members, thereby providing employment to local people.
- Small Indigenous businesses has more in common with mainstream small business than with larger Indigenous corporations. Small business operates across remote, regional and urban settings and the commercial advantages and imperatives that are prevalent in those settings apply equally to Indigenous small business.
- Unlike community based businesses, where directors can have conflicting responsibilities, key people do not leave as readily while the business is operating (unless the business fails, is sold or closes);
- Small Indigenous business is less likely to have to deal with a plethora of authorisation and cultural protocols;

#### EXAMPLE

At a recent national aquaculture conference held in Brisbane, it was noted by workshop facilitators that private (family or partnership) Indigenous aquaculture businesses were generally more successful, particularly in the establishment stage and tended to operate longer than community based aquaculture businesses.

Conversely, as there is very little data collated on small Indigenous business, there is insufficient information on the number and continuity of these enterprises. This represents a gap in the data collected by the Australian Bureau of Statistics. This information is not readily provided by other Government agencies, such as

Indigenous Business Australia, which has a high number of sole traders and family partnership clients.

However, business acumen is still critical and, to a large extent, a staged approach of securing employment – particularly in the private sector – coupled with on-the-job training provides a much better chance of self-employment and business know-how.

In any approach to Indigenous enterprise establishment, business mentoring and coaching is imperative to ensuring sustainability and growth. Although some Indigenous businesses have developed successfully from the building blocks of social enterprises by facilitating management of community and not-for profit organisations, the financial acumen needed for business is more complex and training in business and financial management needs to be on offer. For instance, it has been stated by communities that there is a huge need for training in personal budgeting. Entrepreneurs and businesses cannot be built without basic financial knowledge.

### General Observations

Unlike the American model where construction is the largest single industry sector for American Indians, this sector has not been proliferated by Indigenous business, service providers and employment despite an environment of infrastructure boom and skills shortage.

There is a tendency particularly within community businesses to incorporate as 'not for profit'. This is a historic response to incorporation of quasi-businesses run by CDEP or Aboriginal Councils and the rationale is to contribute to community and social development programs. While there are some advantages, this incorporation tends to undermine the actual motivation for and capital reinvestment in doing business.

The Department of Local Government, Planning, Sport and Recreation is presently examining, as part of the Local Government Act 1993 reforms, how Indigenous Councils can best carry out or invest in enterprise activities.

### *TOR 3.*

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

The US minority business / development council model provides opportunities for small to medium sized minority-owned businesses to compete to supply large corporate entities. Services provided by these not-for-profit councils include an online database, referrals linking members with corporate buyers, programs, networking opportunities and events to facilitate and enhance business relationships between members and purchasing agents. The councils also provide working capital loans and access to specialised financing to certified members.

Elements of the US model exist in Australia across the public-private sector mix. For instance a number of Indigenous targeted loan facilities exist and are being established. For example:

- Working capital loans can be accessed through Indigenous Business Australia (IBA).
- Specialised loans (Indigenous Capital Assistance Scheme (ICAS)) through Westpac in partnership with Department of Education, Employment and Workplace Relations (DEEWR).

- Bendigo Bank – community banking services
- NAB micro-financing

The value of the US National Minority Supplier Development Council is that it offers a centralised co-ordinated approach in connecting corporate and minority-owned businesses. In Australia there is a move to set up more 'not for profit' Indigenous chambers of commerce who provide business information, networking and access opportunities for their members. The corporate connection component of the US model could feasibly be undertaken by such representative bodies.

It is noted that this is reinforced in the US by Federal procurement legislation that requires that a percentage of government contracts go to small and medium minority-owned businesses. However, this type of legislation here could have the difficulties because of insufficient Indigenous capacity and work readiness to meet these targets.

The figures for the American Indian and Alaska Native group provided is for businesses only and not for wider employment - and it is noted that the firms are small businesses and employ on average only 1.05 people in each business. Therefore in terms of employment outcomes, the minority business council model may not be successful.

In addition, a key issue in the Australian context lies in population size. Indigenous people represent only 2% of the Australian population and it would not be feasible for an Indigenous specific Council of this nature to be established.

Adoption of any imported models must take into account that socio-economic, political and particularly cultural imperatives for Indigenous populations are vastly different. For instance, American Indians own and manage casinos as a high return business. This is unlikely in an environment where taverns on communities are being closed down rather than being handed back to the community.

The US model could be aligned to Indigenous chambers of commerce for the corporate connection component only. A case for further targeted financing is not clear with the current environment already fulfilling this service. It is unclear whether there has proved to be any synergies in marrying these two services.

Any model needs to be carefully trialled and closely monitored first.

#### *TOR 4*

*Whether incentives should be provided to encourage non-Indigenous successful businesses to sub contract, do business with or mentor new Indigenous enterprises*

Incentives must be based around placing Indigenous and non-Indigenous companies or partners on an equal playing field and on a win-win situation, with Indigenous companies able first to compete in or supply the market place. Business incentives should not be in place for purely philanthropic or tokenistic reasons. This places a demand on government to ensure business training and capacity building programs are in place. In other words, all the incentives in the world will not keep a company buying a bad service or product.

In the same way that Indigenous community boards are expected to undergo governance training, Indigenous company directors should undergo accredited business training. Incentives could be built into the incorporation process or as a prerequisite for inclusion on the supply database.



Incentives can support mentoring to Indigenous businesses –

- by successful players in a related industry or sector – either from within corporations or by the recently retired;
- by inviting non-Indigenous mentors to sit on Indigenous company boards as advisors;
- through joint venture arrangements.

Successful Indigenous businesses could also be provided with incentives to be role models and to mentor and build other Indigenous businesses to the same standards.

Tax Incentives such as offsets to payroll tax or company tax could be considered as an alternative to wage subsidies which have historically been under-utilised and may contribute to a perception of employees being under valued.