Indigenous business strengths and competitive advantage

The challenges of a small business

2.1 Small businesses make a significant contribution to Australia’s economy. The ABS defines small business as businesses employing fewer than 20 people. In Australia 95.6 per cent of businesses are considered ‘small businesses’ under this category. Small businesses are found in a wide range of industries including property, construction, retail trade and agriculture, forestry and fishing.

2.2 Three quarters of a million Australian small businesses employ 4.1 million people. There are 1.1 million non-employing small businesses, many of them independent contractors who are former employees and who may eventually take on employees of their own.

2.3 Setting up a business is not easy for anyone: the ‘great idea’ must be competitive and marketable. Business owners must access finance, achieve development time frames, employ and train staff, meet regulatory requirements, win contracts and sustain a business profit.

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Australia’s regulatory environment requires every business to have appropriate licenses, pay taxes and comply with various standards and regulations. This adds to the complexity of business start up and, ultimately, the overall costs as additional investment is needed to train entrepreneurs in the world of business and marketing.

Box 2.1 Prospective small business owners need much more than training

People who want to create a new small business need much more than training. They particularly need confidence, purpose and vision, as well as finance and skills to act strategically about products, services or sales, to create partnerships and/or to create teams of employees to develop their own small businesses. This involves much more than the training or skills itself. It requires facilitation of enthusiasm, motivation, confidence and purposeful action.

In particular, getting into small business in the ‘open market’, whether Indigenous or not, involves:

- having and believing in a marketable idea;
- being able to sense a business opportunity;
- knowing when to act;
- being confident enough to take a considerable risk;
- having a strategic and business plan;
- knowing how to implement these plans;
- targeting, identifying and recruiting interested partners and employees;
- being able to manage (budgets, staff, money, time lines, responsibilities); and
- getting or having finance, plant and premises.

What is an Indigenous business?

2.5 The Koori Business Network in Victoria defines an Indigenous business as one that is 51 per cent owned by Indigenous people.  

2.6 Internationally the criteria for Indigenous or ‘minority group’ ownership can be as low as 30 per cent. However, the Committee notes that for the purposes of this report Indigenous owned enterprises are generally understood to be those enterprises which are at least 51 per cent owned by people identifying as Indigenous.

2.7 Mr Kevin Peters, General Manager Northern Territory Industry Capability Network, reported that when compiling a database of Indigenous owned companies in the Northern Territory, they initially applied a very rigid criteria and stipulated that there had to be well over 50 per cent Indigenous ownership of a company. However, they later found that they needed to be more flexible to meet the market demand.

2.8 A Centre for Aboriginal Economic Policy Research (CAEPR) discussion paper on Indigenous enterprises stated that for a business to be identified as Indigenous it must be owned and controlled by an Indigenous person. It indicated that in business studies, 51 per cent is accepted as the benchmark for defining ownership. The study found that some of the businesses studied involved mixed marriages, so 50 per cent ownership was accepted as being an Indigenous business if the owners’ children identified as Indigenous and/or the partner showed support for Indigenous issues. The same criteria were applied for business partnerships.

Indigenous business drivers

2.9 Entrepreneurialism is not a culturally familiar concept to many Indigenous people. A focus on individual achievement and the drive for individual acquisition of wealth can contradict the ethos of collective benefit and hence entrepreneurial endeavour.

4 Mr Kevin Peters, Transcript of evidence, 6 August 2008, p. 51.
6 Gunditj Mirring Aboriginal Corporation, Submission No. 28, p. 2.
7 Mr Craig Furneaux, Submission No. 33, Attachment 1, p. 1.
Traditionally businesses with a commercial advantage grow to be strong and successful businesses, whereby the profits of the business exceed its financial outputs. Many such businesses consolidate strength in a particular industry sector, multiply and expand to achieve greater success.

In Indigenous businesses, the relationship between commercial advantage and business strength is not as clear cut as balancing a budget sheet and counting heads. While successful Indigenous businesses have much in common with others run by non Indigenous people, the diversity of Indigenous business structures can make a conventional assessment of business success or strength more problematic, in other words in Indigenous business, success can mean something more than balancing the books, and something less than continued expansion.

At times commercial objectives may sit uneasily with cultural drivers, but Indigenous Australians are discovering ways to form businesses that are both commercially viable and culturally affirming.

During the inquiry the challenges of managing an Indigenous business alongside kin and cultural obligations was acknowledged, but there was also recognition that Indigenous community connections can underpin successful enterprise development.

Professor Foley and Dr Hunter outlined two distinct forms of Indigenous business ventures: individual Indigenous entrepreneurs and community enterprises.

The Koori Business Network provided the Committee with their perspective of the difference between the two groups. They see community enterprises as based on land, living on the land or the community and all the profits going back into the community. Indigenous entrepreneurs are, in contrast, based on individuals, families or partnerships.

Professor Adela McMurray suggested that there are different drivers for Indigenous entrepreneurship than for non Indigenous entrepreneurs. For Indigenous entrepreneurs, much of the motivation

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8 Boolarng Nangamai Aboriginal Corporation & Boolarng Nangamai Aboriginal Art & Culture Studio, Submission No. 24, p. 4.
9 Professor Dennis Foley & Dr Boyd Hunter, Submission No. 40, p. 9; Professor Adela McMurray, Transcript of evidence, 14 July 2008, p. 51.
10 Professor Dennis Foley & Dr Boyd Hunter, Submission No. 40, p. 5.
comes from succession planning and the desire for future generations not to have to go through the hardships that they and their predecessors went through.\(^\text{12}\)

2.17 Mr Colin Gordon, operator of Exceed Security Services spoke for the roundtable of Sydney based Indigenous business owners when he said, ‘I think every one here has set up their business not only to make money but to give something back to our community’\(^\text{13}\).

2.18 Whether as individuals or community based enterprises, Indigenous people are increasingly seeking business opportunities. Some of this pressure may come from demographic shifts. Indigenous people are a young and growing population—more than 60 per cent are under the age of 25 years.\(^\text{14}\) They have a future focus on raising families, education, housing and jobs.\(^\text{15}\) Indigenous business mentors also report an entrepreneurial attitude among young Indigenous people: explaining that they have ‘very little fear about going out and taking risk’\(^\text{16}\).

2.19 In remote Cape York, young communities are brimming with ideas for business. Indigenous Enterprise Partnerships, which mentor economic development across the Cape, advised that the demand for corporate mentors for project management and administration training outstrips the capacity of the providers.\(^\text{17}\)

2.20 Some evidence referred to young Indigenous women in particular as entering partnerships and initiating self-employment enterprises, balancing community obligations with new business demands.\(^\text{18}\)

2.21 In contrast, Mr Iain Govan told the Committee about a workshop for potential entrepreneurs that he ran recently, where seven people came with an idea, and five of the seven were over 65 or older. He stated that:

\[
\text{\ldots there needs to be some sort of educational or awareness-raising program that teaches young people that they can be involved in business, simply because, when all those old}\]

\(^{12}\) Professor Adela McMurray, *Transcript of evidence*, 14 July 2008, p. 34.


\(^{17}\) Mr Mark Scott, *Transcript of evidence*, 25 July 2008, p. 3.

people come to me and say they want to start a business, they
tell me they want to start it for the young people, but the
young people are not making that connection.  

2.22 While ‘ideas’ are the starting ingredient for individual or community
enterprise, the Committee heard that entrepreneurship requires
something more.

2.23 Mr Peter Shepherd stated while strategic work such as planning,
getting infrastructure in place and having the right sort of service at
the right time is important, entrepreneurs are the individual factor
that you need to make an enterprise work:

It is not something you can make or teach ... It is their energy
and enthusiasm, rather than the idea that make something
successful, without the person to make it work, it never will.  

2.24 Mr Bob Waite also reflected that in small business there needed to be
a champion of an enterprise. Experience has shown that even if a
community was enthusiastic about setting up a business or enterprise,
a personal champion was needed to make the business successful.  

2.25 Others also affirmed that the key requirement for business success is
having a passionate individual with a vison driving the business.  
The Committee heard from a wide range of such individuals during
the inquiry. Some had suffered personally the pain of family
separation or had relatives die in custody and had overcome the
effects to build successful businesses. In every instance these
Indigenous entrepreneurs had a broader social objective which
underpinned commercial motivations.

2.26 The Committee notes that one of the strongest recommendations to
this inquiry was that the Committee should listen to Indigenous
people about what currently works for them and fashion its
recommendations accordingly.

2.27 Additionally, Mr Brian Stevens from the Koori Business Network
expressed caution about the newness of Indigenous entrepreneurs:

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19 Mr Iain Govan, Transcript of evidence, 6 August 2008, p. 62.
20 Mr Peter Shepherd, Transcript of evidence, 6 August 2008, p. 60.
21 Mr Bob Waite, Transcript of evidence, 14 July 2008, p. 25.
22 Guurrbi Tours, Submission No. 2, p. 1; Mr Mark Scott, Transcript of evidence, 25 July 2008,
p. 7; Dr Tracey Westerman, Submission No. 5, p. 1.
24 Ms Helene George, Transcript of evidence, 9 September 2008, p. 50; Mr George Newhouse,
We are still entering into a new phase for Indigenous people, so a lot of the stuff that we are talking about is relatively new. Ultimately, at the end of the day, as an Indigenous person, I do not want to see Indigenous people set up to fail. It is really about ensuring that they are around for the long term, a long time to come.25

The culture of Indigenous business

2.28 The Small Business Ministerial Council recently commissioned an issues paper on Indigenous small business enterprises. This paper drew on past and current experiences in all Australian jurisdictions and in New Zealand, and highlighted a number of important social, cultural and economic characteristics relating to Indigenous owned businesses and the context in which many of them operate (with a focus on regional and remote areas). Issues in relation to the successful formation and sustainable growth of Indigenous owned businesses include:

- Reciprocal Family Obligations - The onerous responsibility of traditional cultural obligations to family often clash with non Indigenous principles of business efficacy;
- Isolation - While life and business for the vast majority of Indigenous entrepreneurs in both Australia and New Zealand is highly urbanised, those in regional and remote locations face significant disadvantages. The limited market size, poor economies of scale and high cost of living in remote and regional centres severely narrows business opportunities;
- Discrimination - Cultural differences give rise to decision making based on kinship ties and a first language other than English can be a further barrier to operating in the wider market place;
- Poverty - Many Indigenous people are caught in a poverty trap. On the one hand, the lack of personal assets denies access to credit; while, on the other, ongoing dependency on welfare acts as a disincentive to entrepreneurial activity; and
- Networks - Indigenous people, particularly those in remote and regional locations, lack the social capital networks that support and encourage participation in business enterprises.26

26 Small Business Ministerial Council, Submission No. 56, p. 2.
Mr Keith Djiniyini, Chairman of the Burrthi Aboriginal Corporation in Parap, Northern Territory, noted the cultural differences that face Indigenous people entering business:

My people were brought up in a different world. We are traditional Aboriginal people who were born in the bush and raised by the mission people. We were paid in food, clothing and a roof over our heads.

Today’s commercial world requires a different degree of understanding and we need help to be able to embrace it and show our younger people why they should be doing the same.27

Mr Neil Willmett told the Committee about successful Indigenous business owners who choose to work six months of the year so that they can have the time for cultural matters. He indicated that for some people, the cultural things made them strong. Mr Willmett felt the most important aspect was that Indigenous people were informed before getting into business so they could make the choices that were right for them.28

Mr Edgar Price told the Committee that while many issues were put down to a cultural divide, he felt that often they were more about experience in business rather than anything particularly cultural.29

Ms Helene George from Creative Economy Pty Ltd contended that the cultural aspect of business offers Indigenous people an advantage:

Governments should recognise that there is that advantage in a cultural business, culture should be seen as an opportunity for businesses, and it should be seen as a point of strength and not as a constraint.30

Skill gaps

Many of the participants in the inquiry considered that financial literacy was a key first step in developing Indigenous entrepreneurs and needed to be part of any business support. The New South Wales Government stated that too many Indigenous enterprises lack basic

28 Mr Neil Willmett, Transcript of evidence, 9 September 2008, p. 18.
30 Ms Helene George, Transcript of evidence, 9 September 2008, p. 49.
business knowledge and financial skills or have poor strategic management, contributing to business failure.  

2.34 Rio Tinto Australia and the Minerals Council of Australia also considered that financial literacy and money management are a vital but missing link in Indigenous business preparedness for growth.  

2.35 Some participants indicated that the financial management role could be outsourced. Tangentyere Council has found that business advice from private financial consultants on cash flow management was of importance in establishing viable enterprises. They indicated that a government grant could be used for that purpose.  

2.36 Mr Edgar Price told the Committee that outsourcing financial affairs could effectively ‘quarantine’ business income from extended family or the pressure for funds that extended family may place on the business owner.  

2.37 The art centre model as a hub for a range of assistance was demonstrated to the Committee on the visit to the Waringarri Art Centre in Kununurra. Centre Manager, Ms Cathy Cummins, explained how the art centre would assist artists with any form of assistance that they needed: 

Generally — and I think this is quite true of art centres across the top end at least—quite often you are dealing with a group of people whose numeracy and literacy skills may not be of a very high level. So, when the Centrelink form comes in or a notification from Homeswest or something else, you need to support that artist by reading it to them. So, as I mentioned to you earlier, we do assist artists in a whole range of ways that maybe government could be assisting them with. But, I guess, for a lot of artists and the surrounding community, the centre seems to be a bit of a hub. Artists trust that hub, so they come to you for information that they cannot read or they do not understand.  

2.38 The submission from Harlequin Business and Training Consultants provided an alternative view. They suggested that long term reliance for business administration on outside sources and consultants tends

31 NSW Government, Submission No. 49, p. 6.  
32 Rio Tinto, Submission No. 43, p. 6; Minerals Council of Australia, Submission No. 54, p. 2.  
33 Tangentyere Council, Submission No. 30, pp. 3-4.  
34 Mr Edgar Price, Transcript of evidence, 7 August 2008, p. 12.  
to reduce the Indigenous business operators sense of ownership and motivation. They cautioned that ignorance of such financial or operational issues may also lead to the misuse of business funds by outside persons.36

2.39 Small businesses can face problems with key issues such as gaining capital to start their business, financial management and access to networks associated with small business. These problems can be amplified with Indigenous businesses, where there may not be a family background in small business, financial skills or networks to assist with sales and marketing.37

2.40 The Law Council of Australia considers that access to commercial legal advice and assistance is a key concern for Indigenous people, organisations and entities seeking to establish a new enterprise. Commercial legal assistance is practically essential for new entrepreneurs who face significant risks and challenges when entering into business ventures. However, such assistance is rarely available or affordable for low income business enterprises requiring guidance and legal advice on start up issues or other issues such as debt recovery, interpreting a lease or other business contracts.38

2.41 Ms Sarina Jan told the Committee about how her business adopts an alternative process to mentor Indigenous people who want to go into business. They use Indigenous business people who volunteer their time to groom and mentor entrepreneurs over 12 to 16 months before actually going into business. They also include a cultural component in any business plan developed because experience has shown that most of the business plans that Indigenous people have for their businesses miss out on having a cultural plan.39

Counting Indigenous businesses

2.42 The Committee has heard evidence that there is little data on Indigenous economic activity currently available particularly in terms of specifics around Indigenous enterprises. Several participants in the inquiry indicated that more data needs to be collected on Indigenous

36 Harlequin Business and Training Consultants, Submission No. 48, p. 3.
37 Xsite Building Services, Submission No. 65, p. 2.
39 Ms Sarina Jan, Transcript of evidence, 6 August 2008, p. 68
businesses. The Committee notes that the Indigenous focus group discussion on economic development at the 2020 Summit also raised these concerns and recommended that a national review and an annual survey of Indigenous businesses be conducted.

The ABS currently obtains statistics on the economic activity of Indigenous people through labour force and income data from the Census of Population and Housing and household surveys, with a limited amount of information on self-employment available through the Census.

Available data indicates that the rate of self-employment for Indigenous people is markedly lower than that for non Indigenous people. There are several reasons for low rates of self employment and ownership of enterprises for Indigenous people in Australia. The 2007 Government report *Overcoming Indigenous Disadvantage* comments that government policy has emphasized business opportunities at the Indigenous community level, rather than self employment opportunities.

In very remote areas there is the largest difference in Indigenous and non Indigenous self employment rates, with Indigenous people being almost nine times less likely than non Indigenous people to be self employed. Business opportunities are often more limited in remote areas, and there is greater difficulty in accessing capital and infrastructure. However, in remote areas there are also opportunities for service and related micro-enterprises due to the small and dispersed population base.

Complicating a coordinated policy development process for Indigenous businesses is the lack of data that can describe current industry spread and identify where and how best to target an appropriate range of business assistance. The challenge for policy makers in this environment is to develop incentives and coordinated policy frameworks which respond flexibly across these sectors, regions and business models.

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Where other countries such as New Zealand, Canada and the United States all conduct some form of annual ‘Aboriginal’ business surveys, Australia has no baseline data to assess the development of Indigenous businesses. The lack of data limits the capacity to track Indigenous business growth and results in government policy and business assistance being development in a vacuum.44

The ABS has indicated that it is looking to better respond to emerging needs for Indigenous economic and business statistics through assessing existing data sets and investigating future frameworks for measuring Indigenous economic activity. This will include:

- Exploratory work with prospective users to develop a framework for measuring Indigenous economic activity, identifying specific needs and concepts for measurement. These issues may include:
  ⇒ measuring and understanding economic resources available to remote Indigenous communities;
  ⇒ the characteristics and activities of incorporated Indigenous organisations;
  ⇒ community-level governance and business leadership;
- assessment of the outcomes of the Northern Territory collaborative project on Indigenous business activity, to identify opportunities for measurement of Indigenous business activity across other jurisdictions and at a national level;
- analysis of 2006 Census Indigenous self employment data with the view to including these in Council of Australian Governments Overcoming Indigenous Disadvantage reporting; and providing them to the Ministerial Council on Small Business; and
- further exploration of the potential use of external agency ‘business’ related administrative data.45

Targeted assistance that meets the range of Indigenous enterprise needs is reliant on trend data. The Committee considers that, as a priority, there must be introduced a biennial survey of Indigenous business across Australia. The Committee suggests a biennial survey in an endeavour not to impose a further burden on industry, and in recognition that the importance of such a survey is to capture enterprises across all sectors, business models and locations, from

44 Mr Neil Willmett, Submission No. 64, p. 6.
45 Australian Bureau of Statistics, ABS Directions in Aboriginal and Torres Strait Islander Statistics, Jun 2007, cat. no 4700.0.
urban to remote, and the particular challenges of ensuring comprehensive results.

**Recommendation 1**

2.50 The Committee recommends that the Australian Government conduct a biennial national review of Indigenous businesses in Australia, collating data on industry sector, business size and structure, location and economic contribution.

**Counting the social contribution of Indigenous businesses**

2.51 Understanding the prevalence, geographical and sector spread of Indigenous businesses is key to developing government policy that can harness strengths and competitive advantages. Similarly understanding the contribution of Indigenous businesses, at a national and local community level, is essential in assessing the economic and social returns on investment of fostering Indigenous enterprises.

2.52 The Committee received a range of evidence emphasizing the social benefits of Indigenous enterprises, particularly when businesses are clustered to provide local benefits to surrounding Indigenous communities.

2.53 The Bawinanga Aboriginal Corporation (BAC) in Maningrida was founded in 1979 and operates a range of enterprises based around a ‘hub and spoke’ business model:

BAC now manages 20 businesses including a mechanical workshop, road and housing maintenance services, a retail fuel outlet, a large supermarket/variety store, construction services, aged care services, a mobile shopping service, a takeaway food outlet, land care, a commercial wildlife venture, an eco tourism business and a highly successful community-based arts and culture centre. Its 20 businesses
contribute more than half of BAC’s annual turnover of over $27 million.46

2.54 Dr Stanley of Focus Pty Ltd suggested that diversifying local economic development, rather than focusing on individual entrepreneurs, is the best way to support this business diversity:

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.47

2.55 Anecdotal evidence from individuals and communities emphasised the importance of entrepreneurship in overcoming Indigenous disadvantage and achieving a social and economic sustainability. However, the Committee felt that the lack of methodology to assess social as well as economic contributions was impeding the overall and evaluation of assistance measures.

Recommendation 2

2.56 The Committee recommends that the Australian Government recognise the vital contribution of Indigenous business development to the economic and social sustainability of Indigenous communities and, accordingly, develop the methodology to adequately value this economic and social contribution when assessing the investment returns for providing assistance to Indigenous businesses.

Areas of Indigenous commercial advantage and strength

2.57 Generally Indigenous commercial or competitive advantage is in culture based industries where the advantage is in the uniqueness of the product, not the quality or price. Other areas of competitive advantage are land or location based, such as land and resource

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46 Professor Jon Altman & Ms Kirrily Jordan, Submission No. 39, p. 8.
47 Focus Pty Ltd, Submission No. 25, p. 4.
management opportunities, the tourism sector, and a range of service opportunities around the mining sector.\textsuperscript{48}

2.58 This section considers Indigenous arts, tourism and natural resource management as sectors of strength and opportunity for Indigenous people. The section also considers initiatives to strengthen governance and improve benefits to local communities when negotiating Indigenous Land Use Agreements (ILUAs).

2.59 There was limited evidence received on opportunities in the construction industry although the Committee considers there is potential to grow this area of Indigenous business. Discussion on opportunities for the construction industry is provided in the section on procurement in Chapter 4.

2.60 Submitters noted that Indigenous people have both history and advantages in different areas of business:

- Balkanu Cape York Development Corporation wrote of Indigenous peoples’ history with and continuing keen interest in the pastoral industry and potential to expand in timber, fishing and mining.\textsuperscript{49}

- Father Dalton Bon referred to the Torres Strait Islanders work in pearling and trochus shell industries, railway construction and mining on the mainland, as indications of acumen for tourism and marine business developments.\textsuperscript{50}

- The East Kimberley’s Gelganyem Trust Co-Chair Ms Maria Morgan emphasised Indigenous peoples’ unique advantage in the tourism sector saying: ‘We were born with the ability to know our culture and to show visitors, whether they are from here or not’.\textsuperscript{51}

2.61 The Committee also notes that the location of mining ventures offers business opportunities for Indigenous communities. These opportunities are considered in Chapter 4 as part of corporate incentives to engage with Indigenous businesses. Strengthening land use agreements is also crucial to capturing benefits from the current boom in the mining sector.

\textsuperscript{48} Focus Pty Ltd, \textit{Submission No. 25}, p. 3; Dr Barrie Pittock, \textit{Submission No. 16}, p. 1; Winda Mara Aboriginal Corporation, \textit{Submission No. 29}, p. 2; Mr Peter Shepherd & Mr Iain Govan, \textit{Submission No. 45}, p. 4.

\textsuperscript{49} Balkanu Cape York Development Corporation, \textit{Submission No. 14}, p. 3.

\textsuperscript{50} Father Dalton Bon, \textit{Submission No. 1}, p. 1.

\textsuperscript{51} Ms Maria Morgan, \textit{Transcript of evidence}, 7 August 2008, p. 27
Indigenous arts

2.62 The arts sector offers a unique competitive advantage to Indigenous Australians across a wide range of media such as painting, carving, sculpture, weaving, pottery, print-making, fabric printing, photography, dance and theatre.

2.63 Mr Basil Hall runs a print-making studio and outreach program for between 80 to 100 artists annually across 10 remote communities across the north and centre. He observed:

In terms of identifying Indigenous commercial advantage and strength, obviously if we are talking about art we are talking about something that Indigenous people are damn good at. It is proven in auctions all around the country and all over the world that we are actually dealing in something that is performing well for Aboriginal people.\textsuperscript{52}

2.64 Few Indigenous artists operate as sole business owners. Many work through an art centre which can be cooperatively run by an artist collective or a community corporation, or alternatively managed as an independent business providing work space as well as showing and purchasing works from artists in the area.

2.65 For example, the Kununurra Red Rock Art Gallery is a non Indigenous owned, for profit organisation that has been operating for over 12 years and provides a neutral space to paint for artists who are off country.\textsuperscript{53} Another arts business in Kununurra, Waringarri Aboriginal Arts is registered as an Indigenous corporation under the Corporations (Aboriginal and Torres Strait Islander) Act 2006, with a board of ten artists elected annually. It is one of oldest Indigenous owned art centres in the country.\textsuperscript{54}

2.66 Indigenous artists in both urban and remote environments have flourished through the formation of Indigenous arts collectives and hubs. The National Association for the Visual Arts (NAVA) advised:

There is no 'typical' Art Centre, however, each Art Centre is based on the principle of Indigenous self determination; focuses on the economic, social and cultural benefits to be accrued for Indigenous artists from Indigenous art; and has a

\textsuperscript{52} Mr Basil Hall, \textit{Transcript of evidence}, 6 August 2008, p. 8.
\textsuperscript{54} Mrs Jenny Kelly, \textit{Transcript of evidence}, 7 August 2008, p. 16; Ms Catherine Cummins, \textit{Transcript of evidence}, 7 August 2008, p. 16.
unique role in the brokerage, or mediation, of Indigenous cultural products to the wider public.\[^55\]

2.67 The Indigenous arts collective function is like an enterprise hub or facilitator, but the artist is attached to the centre by an agreement for the sale and production of their work.\[^56\] NAVA promoted the Indigenous owned community art centre as a model for success both culturally and commercially in remote environments, and one that could be applied to incubate other Indigenous business sectors.\[^57\]

2.68 In remote areas, 75 to 80 per cent of Indigenous people can be unemployed\[^58\] and living largely outside of mainstream culture. Mr Hall advised that Indigenous art centres provide a unique social function as ‘printmaking workshops, as drop-in centres, as women’s refuges’, in addition to being enablers of Indigenous control of their product.

2.69 The Torres Strait Regional Authority (TRSA) reported that ‘Torres Strait Islanders have a uniquely different artistic expression to Aboriginal people. The TSRA submission noted that the Kubin Arts Centre on Moa Island is now a key incubator for new artists and is producing export ready art work for the fine art market.\[^59\]

2.70 While painting and printmaking dominate the Indigenous arts sector, there are a range of theatre and performing arts businesses. Yirra Yaakin Aboriginal Corporation is a West Australian theatre group which produces theatrical productions that are written, directed and performed by Indigenous artists. It specialises in theatre highlighting Indigenous themes as well as producing issues based performances and workshops that address social concerns in the community.

2.71 The business structure of Yirra Yaakin has been central to the ongoing success of the company and the company’s ability to stay true to culture. Yirra Yaakin has an Indigenous member base that it operates from and it also acknowledges that they may need to draw on skill sets that are not readily accessible within the Indigenous community. Consequently they also have a non associate membership which does

\[^55\] National Association for the Visual Arts, Submission No. 31, p. 6.
\[^56\] National Association for the Visual Arts, Submission No. 31, p. 6.
\[^57\] National Association for the Visual Arts, Submission No. 31, p. 1.
\[^58\] Mr Ralph Addis, Transcript of evidence, 7 August 2008, p. 2.
\[^59\] Torres Strait Regional Authority, Submission No. 63, p. 5-6.
not have voting rights ability but can assist the members on the board to make informed decisions.\textsuperscript{60}

2.72 Yirra Yaakin was highly commended in the 2006 Reconciliation Australia Indigenous governance awards. However, despite successes nationally and internationally, the company noted the challenges in securing arts funding.\textsuperscript{61}

**Issues for the arts sector**

2.73 The lack of individual entrepreneurs in the arts sector was regarded by some during the inquiry as a weakness while for others the community arts centre model was considered worthy of application in other sectors, being both culturally consolidating and commercially strong.\textsuperscript{62}

2.74 Mr Peter Leo saw the Indigenous controlled centre as the antidote to the problem of people who exploit artists:

\ldots some operators when purchasing quantity from our people pay the lowest prices and on some products marking up the same product 300 and 400\% and higher in some instances \ldots if one or more local Indigenous enterprises could be financially set up to service our people and bring some equity to our mob and our mob only sell to them in order to control the local Indigenous art and craft market it would not only benefit our local mob but encourage other Indigenous people and businesses to participate and set up operations.\textsuperscript{63}

2.75 Professor Altman reported on the Bawinanga Aboriginal Cooperation at Maningrida where the art centre is one of many businesses run in the town on CDEP with top-up payments. The collective model, he maintained allowed for profits made in the town to be reinvested in enterprise development. This is turn gave women artists for example, flexibility for child care and the opportunity to move out to small business and move off CDEP.\textsuperscript{64}

2.76 The Committee notes that the funding allocated to Indigenous art centres in May 2008 indicates the Government’s commitment to the

\textsuperscript{60} Ms Sam Cook, *Transcript of evidence*, 12 September 2008, p. 33.

\textsuperscript{61} Ms Sam Cook, *Transcript of evidence*, 12 September 2008, p. 38.

\textsuperscript{62} National Association for the Visual Arts, *Submission No. 31*, pp. 1, 5, 7.

\textsuperscript{63} Mr Peter Leo, *Submission No. 15*, p. 1.

sector. Funding allocations for governance and mentorship training for artists is an important initiative but some submitters suggested that there may be a case for a funding model which enables diversification of product, such as print making which allows artists to bank their work for their future, and centre manager training and support.

**Indigenous tourism**

2.77 Tourism offers a range of successful business models which exhibit varying degrees of Indigenous control. At one end are large tourism developments conducted with Indigenous Business Australia (IBA) and joint ventures with corporate partners, at the other end are community based and stand alone microtourism enterprises.

2.78 Tourism has synergies with the arts and culture industries. Availability of accommodation and other local attractions can affect the sustainability of arts ventures, and likewise, an arts centre provides an opportunity to build a range of support services around it. Tourism moreover, offers a bridge between culturally based industries and more purely commercial endeavours.

2.79 IBA’s investments in tourism are mostly at the top end of the tourism sector, in large tourism resorts and theme park type ventures. Groups such as the West Australian Indigenous Tourism Operators Committee (WAITOC) act as a broker for those who wish to get into Indigenous tourism.

2.80 Cultural tourism ventures range from the single guided tour, to microtourism ventures through to joint partnerships with large companies. Cultural tourism relies on the transition of knowledge and culture to groups or individuals on the land owner’s country. This can involve tours through country or teaching of traditional skills.

2.81 Native title arrangements are significant determinants of capacity for tourism development in national parks under Indigenous control.

2.82 Flexibility in terms of the models used and agreements which are appropriate and inclusive of Indigenous communities characterise the

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65 The Hon Peter Garrett, Minster for the Environment, Heritage and Arts, media release ‘Increased Support for Aboriginal Art Centres’, 28 May 2008
66 Mr Basil Hall, Transcript of evidence, 6 August 2008, pp. 10-11; Red Cockatoo, Submission No. 12, p. 1.
67 Ms Angelique Fransen, Transcript of evidence, 12 September 2008, p. 3.
range of eco-tourism ventures raised during the inquiry. They include:

- Mr Roger Allen of Indigenous Capital Limited has developed a franchise model for Indigenous tourism development in the Daintree areas. Under the model the management provides microfinance and the venture capital funds for the infrastructure, including jeeps and boats. The proposal will be set up as an entity owned by Jabalbina, the body corporate formed under an Indigenous land use agreement with the Yalanji people. 68

- At the microtourism business end, anthropologist Mr John Gaetorex works with Yolngu in cultural tourism in Arnhem Land:

  A little business is operated just south of Elcho Island. They have been running a little weaving business. They run workshops for people from around Australia. When people go out there, they sit with these people—women—they collect pandanus dyes, they weave and the tourists experience what it is like to be in north-east Arnhem Land living with these people. They have been doing that for six years without any assistance—doing it themselves with some facilitation by me. 69

**Issues for Indigenous tourism**

2.83 A key issue for Indigenous business is the limited opportunity to engage with large tourism development. The Committee received some evidence on this issue but is not in a sufficiently informed position to make any recommendations on ways forward.

2.84 Dr Stanley, for example, regarded tourism as one of the most difficult and daunting sectors to enter as a small business and indicated that Indigenous involvement in mainstream tourism is very low. 70

2.85 WAITOC reported that there was a lot of interest in the tourism industry and that it was regarded as a glamorous opportunity. They tended to counsel potential business owners with some realism, highlighting some of the less glamorous aspects that may not be

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70 Focus Pty Ltd, *Submission No. 25*, p. 5.
immediately apparent. They have found that this tends to separate those who are serious.\textsuperscript{71}

2.86 In some instances, potential opportunities for cultural tourism are not able to be fully captured under Native Title arrangements and ILUAs. This issue is considered further later in this chapter.

**Natural resource management and primary industries**

2.87 Australia has a fragile natural environment which is vulnerable to climate change. This is a particular threat to Indigenous communities in regional and remote areas, but it also opens up a range of opportunities to build culturally affirming industries based on traditional land and resource management skills.

2.88 Indigenous people control over 20 per cent of Australia’s land, over 40 per cent of which is undeveloped. Indigenous settlement patterns and land ownership is extensive in national parks and in remote unprotected regions with high environmental heritage value. In the Northern Territory 44 per cent of land mass and 84 per cent of the coastline is under Indigenous ownership. Thirteen per cent of all Australia’s forestry areas are in Indigenous hands.\textsuperscript{72}

2.89 A recent environmental study identified Australia as one of the five most important wild areas on earth. The study also found Australia has the highest number of endemic mammal and reptile species in the world but the worst rate of species extinction due to threats from feral animals, invasive weeds and bushfire.\textsuperscript{73}

2.90 The desire of many Indigenous people to stay on country connects with the opportunity for enterprise in natural resource management.\textsuperscript{74} Professor John Altman and Ms Kirrily Jordan were advocates for a government response to environmental and climate threats, utilising Indigenous intellectual property and traditional stewardship of lands:

> While some Indigenous land-owners currently engage in natural resource management activities, much of this is conducted outside the market or poorly remunerated, pointing to a significant opportunity for commercial


\textsuperscript{72} CSIRO, *Submission No. 27*, p. 6.


development…. Opportunities exist both in managing ecosystems to minimise environmental damage and in developing environmental programs that help reduce Australia's carbon emissions. For example, there are significant opportunities in wildlife management projects and emerging industries such as carbon trading and biodiversity credits.\textsuperscript{75}

2.91 The Commonwealth Science and Industrial Research Organisation (CSIRO) advised that it is investigating the potential that land and resource management holds for Indigenous people in both economic and social terms. The submission identified the following opportunities:

- Fire management for carbon abatement and offset schemes;
- Land management on pastoral properties, defence properties, and NT and Australian Parks;
- Environmental monitoring and rehabilitation around mine sites and forestry plantations;
- Landscaping and dust reduction around major towns and communities;
- Control and eradication of weeds and feral animals, particularly in high biodiversity areas;
- Biodiversity offsets and the maintenance of intact landscapes;
- Indigenous ecological knowledge; and
- Cultural and environmental tourism.\textsuperscript{76}

2.92 Dr Jocelyn Davies Principle Research Scientist of the CSIRO outlined the commercial opportunities of the West Arnhem Fire Management Agreement:

It has got pretty significant potential. In that particular area of west Arnhem Land the agreement that has been made returns about $19 million over 20 years, I think—it is about $1 million a year—to Aboriginal people for fire management in that particular area. It is engaging 30 people who will be employed in fire management. It is in the first three years of operation…It has mitigated above target on the greenhouse

\textsuperscript{75} Focus Pty Ltd, \textit{Submission No. 25}, p. 4.
\textsuperscript{76} CSIRO, \textit{Submission No. 27}, p. 4.
gas offsets. It is something like 40 per cent above target. That is not a market arrangement at the moment. That is a contracted agreement that involves the company, the Northern Territory government and the flow of money down to the traditional owner groups.77

2.93 There is also research and development taking place that seeks to commercialise native food harvests and to investigate use of the land for carbon sequestration.

2.94 The Desert Knowledge Cooperative Research Centre (CRC) reported that its Bush Food Systems programs focus mainly on bush tomatoes and the development of a supply chain in which Indigenous people are more involved and receive greater benefits.78

2.95 Mr Paul Dodd of the World Indigenous Cultural Exchange & Economic Development Organisation (WICEEDO) is working with the CSIRO to trial Indigenous harvesting of bush foods, desert permaculture and carbon abatement.79

2.96 Message Stick Group is investigating carbon trading opportunities for remote Indigenous communities. Director Mr Dugald Russell explained that the model relies on a carbon emissions trading scheme which includes forestry offsets. Potentially the model enables 30 and 40 years of income streams which is the life of the trees in the ground.80

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77 Dr Jocelyn Davies, Transcript of evidence, 4 September 2008, p. 18-19.
78 Professor Murray McGregor, Transcript of evidence, 12 September 2008, p. 25.
The Committee heard a range of evidence that natural resource management and carbon abatement activities provide immense potential to build not only sustainable enterprises, but sustainable communities.

The Australian Indigenous Chamber of Commerce advised:

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 enterprises.

Box 2.2 The problem with camels

There are between one million and 1.3 million feral camels in Australia. They are increasing at a rate of 10 per cent per year and they are doubling every eight to nine years.

Camels do significant damage to land assets, including waterholes. They foul waterways and also eat plants which native animals would eat. They do significant damage to quandongs, for instance, and other species which are valued by Indigenous people. Camels can eat 80 per cent of what is on offer.

Australia has massive problems with pest animals such as camels and there are potentially enterprises and employment for local Indigenous people in programs to control these animals.

However, there are issues with the remoteness of the locations where the large populations of camels are located that make these enterprises difficult to sustain. Camels are difficult to transport live and the distances may be great. At the moment the market for camels is the pet food industry and prices are very low and would require a large capital expenditure for setting up an abattoir.

It is not as simple as setting up a business. There are a whole series of factors which go against the economics of managing camels in a way that might get some economic return. Unless there are greater financial incentives for land conservation initiatives to reduce the feral camel number will not be commercially viable.

Source: based on evidence provided by Professor Murray McGregor, Transcript of evidence, 12 Sept 2008.
prosperity and economic independence requires robust structures, national unity and governance that respects the cultural and societal complexities of Indigenous Australia.\textsuperscript{81}

2.99 The Desert Knowledge CRC is also investigating commercial opportunities for remote land management entrepreneurs and the CSIRO is a partner in this research. The CSIRO program of research is discussed further in Chapter 3.

**Strengthening governance to capture business opportunities**

2.100 The Committee heard that Indigenous enterprises function best when Indigenous control is maximised in a strong corporate governance structure. In this way social and cultural obligations can consolidate outcomes:

> Where communities exercise genuine decision making control, greater risk and accountability results in community leaders bearing the consequences of their actions and dealing with the consequent approval or opprobrium from stakeholders, which in turn fosters better decision making.\textsuperscript{82}

2.101 Ms Sarina Jan reported that Indigenous people are so used to doing community development governance that they do not know how to do corporate development governance when they get into business.\textsuperscript{83}

2.102 Reconciliation Australia, with BHP Billiton, plays a key role in promoting the importance of good governance to Indigenous business success through its annual Indigenous Governance Awards.\textsuperscript{84}

2.103 Some assistance in the area of business governance is now provided through the introduction of the Corporations (Aboriginal and Torres Strait Islander) Act 2006 which has opened business opportunities by giving flexibility to Indigenous corporations to structure their governance arrangements for the commercial outcomes they want. Further detail on the Act and the programs administered by the Office of the Registrar of Indigenous Corporations (ORIC) is provided in Chapter 3.

\textsuperscript{81} Australian Indigenous Chamber of Commerce, *Submission No. 50*, p. 2.

\textsuperscript{82} Jumbunna House of Learning, *Submission No. 37*, p. 3

\textsuperscript{83} Ms Sarina Jan, *Transcript of evidence*, 6 August 2008, p. 68.

\textsuperscript{84} Ms Barbara Livesey, *Transcript of evidence*, 25 September 2008, pp. 18-19.
2.104 Mr Beven, the Registrar of Indigenous Corporations, told the Committee:

[the Act] has been tailored specifically to meet the needs of Aboriginal and Torres Strait Islander people around the country. Central to the intent of the legislation is recognition that there are different cultures and traditions that Indigenous people operate under when they are managing organisations, whether they are for commercial reasons, for non-profit reasons, or just for private purposes. The legislation does reflect that.85

2.105 The impact of the Act, however, is seen in the diversity of structures which are being formed:

When we look at what activities Indigenous organisations registered with us are involved in we are seeing a real shift away from the delivering of government services to being more mainstream organisations, more profit oriented bodies.86

2.106 As mining and climate change take the centre stage in Australia’s economic development, corporate partnerships provide unique opportunities and very significant challenges to Indigenous land owners. As Jumbuna Indigenous House of Learning submitted:

One can envisage economically prosperous Indigenous communities supporting a range of business enterprise models - community controlled businesses enterprises run by Indigenous entrepreneurs and joint ventures - that will contribute to and be sustained by the community in different ways. The critical question is how do communities create the environment that will promote and uphold sustained economic development?87

**Negotiating benefits under Indigenous Land Use Agreements**

2.107 Land ownership can represent a number of commercial opportunities for Indigenous communities. However, as noted in the *Overcoming Indigenous Disadvantage* 2007 report, the potential to generate business

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85 Mr Anthony Beven, *Transcript of evidence*, 28 August 2008, p. 3.
opportunities from land ownership and control depends on factors such as:

- the location of the land — remoteness from markets and population centres adds to the costs of delivering products and services from some Indigenous communities;

- the nature of the land — opportunities to profit from mining, agriculture and tourism depend, respectively, on the presence of certain minerals, rainfall and soil fertility, and places and activities that appeal to tourists; and

- the extent of ownership and control over the land — some land is held communally and/or with a restricted title, which may limit certain economic activities (for example, leasing or selling the land to others, or restrictions on land use).\(^{88}\)

2.108 The formation of Indigenous Land Use Agreements (ILUA) under the *Native Title Act 1993* provides for communities to negotiate with government or industry for access to land where native title has been recognised or is subject to a claim. These agreements allow for Indigenous communities to establish businesses or business partnerships with mining and other industries to secure financial or other benefits for distribution or investment.\(^{89}\)

2.109 ILUAs are not considered in the courts and so offer a means of regional negotiation which can avoid the confrontational and litigious claims progressed under native title legislation.\(^{90}\)

2.110 There has been a substantial increase in the number of registered ILUAs, which is to a large degree fuelled by the increase in mining activity. The number of ILUAs increased from 84 in 2003 to a total of 250 in 2006, which covered 10.6 per cent of the total land area of Australia.\(^{91}\)

2.111 It was widely acknowledged among community owners and experts that strong economic outcomes are achievable under ILUA partnerships. However, there were also concerns about the relative

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powerlessness of Indigenous people to negotiate best terms for their communities under such agreements.

2.112 Moreover, Indigenous community corporations do not have the resources to pay for the expensive legal and taxation advice needed to set up arrangements to their best advantage. In some instances companies engaging in these agreements do pay for communities to seek advice. However, in contrast to the advice and assistance and monitoring provided to Indigenous Corporations under the CATSI Act, ILUA partnership agreements are not monitored.\textsuperscript{92}

2.113 Dr Jane Stanley of Focus Ltd noted that both administration and monitoring procedures for ILUAs are poorly developed, with agreement documentation being prepared off country by legal representatives who often have no knowledge of the cultural or commercial aspirations of the Indigenous communities involved.\textsuperscript{93}

2.114 To streamline the negotiation of ILUAs, templates have been introduced in some areas following successful developments in Queensland.\textsuperscript{94}

2.115 The Committee considers that there is potential under ILUA templates to mandate certain conditions, such as payment by industry partners for a lawyer and anthropologist to assist communities in agreement making. Templates for joint partnerships arrangements in specialised sectors such as such tourism could be developed, with the flexibility to specify cultural and commercial objectives.

2.116 The Committee notes that ORIC currently uses a template for corporate structures for negotiation of more flexible governance arrangements for communities. ORIC also provides extensive training, advice and mentoring to ensure the governance model fits closely to community needs. This model of support should be applied when negotiating ILUA agreements.

\textsuperscript{92} Focus Pty Ltd, \textit{Submission No. 25}, p. 6, Dr Lisa Strelein, \textit{Transcript of evidence}, 4 September 2008, p. 12.

\textsuperscript{93} Focus Pty Ltd, \textit{Submission No. 25}, p. 4.

Recommendation 3

2.117 The Committee recommends that the Australian Government develop templates for Indigenous Land Use Agreements to specify that corporate and industry partners fund Indigenous partner corporations to access advice, including financial, taxation and in particular expert legal advice of a quality comparable to that available to the other negotiating partner. This is to ensure that the terms of agreement meet the social and commercial objectives of the Indigenous communities involved.

Recommendation 4

2.118 The Committee recommends that the Australian Government develop a process for monitoring the content and implementation of Indigenous Land Use Agreements, and develop a complaints process for Indigenous partners.