

Growing Aboriginal and Torres Strait Islander businesses

Overview

- 2.1 There has been significant growth in Aboriginal and Torres Strait Islander businesses over the past few years. This has been fuelled in part by the Federal Government's Indigenous Procurement Policy (IPP) and by similar policies that have been implemented in State and Territory jurisdictions. A more supportive environment for Aboriginal and Torres Strait Islander businesses has developed in recent years. This has been enabled partly by the advent of institutions such as Indigenous Business Australia (IBA) and Supply Nation, and a variety of new Indigenous business chambers of commerce, networks, and government supported hubs.
- 2.2 The IPP has been very successful. Federal Government agencies have significantly exceeded their targets. Now that the IPP is an established policy for supporting Aboriginal and Torres Strait Islander businesses, it is an appropriate time to review whether the IPP is bolstering broader Aboriginal and Torres Strait Islander participation in the economy so that the benefits of the IPP are broadly spread.
- 2.3 The committee believes that there are aspects of the IPP that could be improved to further promote Indigenous participation in the economy. The committee also believes that improvements can be made to the current operating environment for Aboriginal and Torres Strait Islander enterprises. These issues are discussed in more detail below.

Aboriginal and Torres Strait Islander business successes

2.4 Current estimates on the number of Aboriginal and Torres Strait Islander businesses range from 12,000 to over 17,000 enterprises across the country.¹ The sector is incredibly diverse, ranging from administration and support services, to education and health, to construction and ICT.

2.5 Although the data is limited at present, the Centre for Aboriginal Economic Policy Research at the Australian National University has conservatively estimated in a 2018 study that the number of Aboriginal and Torres Strait Islander business owner-managers grew by 30% between 2011 and 2016, from 13 700 to 17 900.²

2.6 The National Indigenous Australians Agency (NIAA) comments in its joint submission:

Indigenous businesses create wealth for Indigenous Australians. They are a source of pride and foster social and economic empowerment. A flourishing Indigenous business sector is also an unrealised source of economic growth for the broader Australian economy. Owning a business is a powerful way for Indigenous Australians to take control of the economic future of their families and communities.³

2.7 Mr Murray Saylor, Managing Director, Tagai Management Consultants Pty Ltd, an Indigenous-owned business, commented at the public hearing on 11 February 2020 on the importance of Aboriginal and Torres Strait Islander businesses for the future of Aboriginal and Torres Strait Islander people:

It's a tough journey, obviously. It's a very, very tough thing to do... But, with our journey, our responsibility as brothers and sisters, whether we are here on the mainland or in our communities on the islands, is our duty of care that's not about today; it's about the future generation that we're trying to empower tomorrow.⁴

1 National Indigenous Australians Agency (NIAA), Department of Employment, Skills, Small and Family Business (DESSFB), Department of Social Services (DSS), and the Australian Public Service Commission (APSC), *Submission 8*, p. 20.

2 Siddharth Shirodkar, Boyd Hunter and Dennis Foley, Centre for Aboriginal Economic Policy Research (CAEPR), *Ongoing growth in the number of Indigenous Australians in business*, Australian National University, 2018, p. 4.

3 NIAA, DESSFB, DSS, and APSC, *Submission 8*, p. 20.

4 Mr Murray Saylor, Managing Director, Tagai Management Consultants Pty Ltd, *Committee Hansard*, 11 February 2020, Canberra, p. 7.

2.8 Mr Kim Collard, Chief Executive Officer of Kulbardi, an Indigenous-owned workplace and office supplier, also stressed the importance of the legacy that Aboriginal and Torres Strait Islander businesses will create for future generations:

It's not being seen to be about 'take, take, take'; it's also about giving back to community. I talk about, as Aboriginal businesses, the freedom, the autonomy, the independence to do the things we want to do. It gives me a great deal of pride to see a new and emerging black entrepreneurship population coming through, and we're going to leave a fantastic legacy for our children and, indeed, our grandchildren.⁵

2.9 Arnhem Land Progress Aboriginal Corporation (ALPA), which was formed in 1972 as a collective of seven Aboriginal and Torres Strait Islander community controlled stores, has indicated in its submission that its key objective 'is to eradicate welfare dependency from our region by creating sufficient employment opportunities, and pathways into them, to allow financial independence through sustainable jobs.'⁶

2.10 The Committee heard from many successful Aboriginal and Torres Strait Islander businesses throughout the course of the inquiry. A number of these are highlighted below.

Kulbardi

2.11 Kulbardi is an Indigenous-owned and operated holistic workplace supplier, specialising in office supplies and equipment including office furniture, IT peripherals, and stationery, among others. Kulbardi carries over 15,000 products lines and manages warehouses in Sydney, Melbourne, and Perth.⁷

2.12 The company is Supply Nation certified (this process is outlined later in this chapter) and commented at the public hearing on 11 February 2020 that this had 'been a great vehicle to allow us to grow our business nationally.' Mr Kim Collard, Chief Executive Officer, further remarked that 'it gives me a great deal of pride to see a new and emerging black

5 Mr Kim Collard, Chief Executive Officer, Kulbardi, *Committee Hansard*, 11 February 2020, Canberra, p. 9.

6 Arnhem Land Progress Aboriginal Corporation (ALPA), *Submission 7*, p. 2.

7 Kulbardi, *About Us*, <<https://www.kulbardi.com.au/about.aspx>>, accessed 17 August 2021.

entrepreneurship population coming through, and we're going to leave a fantastic legacy for our children, and indeed, our grandchildren.⁸

- 2.13 Kulbardi noted some of the significant challenges that it had faced, particularly in overcoming perceptions about its ability as an Aboriginal and Torres Strait Islander business to deliver and be competitive. Mr Collard stressed that it was important that Aboriginal and Torres Strait Islander businesses be given an opportunity to put themselves forward and demonstrate their capabilities:

Rio Tinto is my largest client. Rio Tinto six years ago gave me three floors of their vendor refill in Central Park [Perth], and it wasn't so much about the size of the opportunity; it was more about a global brand the size of Rio giving a small, black business like Kulbardi an opportunity. Six years later I now deliver office supplies to all of Rio Tinto's operations nationally. What's that about? It's about leadership shown by the supply chain and the client. They broke a global agreement and instructed their procurement teams to work with Kulbardi. I think it goes back to that ability to deliver.⁹

- 2.14 Mr Collard also commented that it was important for his business to demonstrate corporate social responsibility, noting that he had established the Bibbulmun Fund, ensuring that part of the profits generated from his business were channelled back into community investment projects.¹⁰

Voyages Indigenous Tourism Australia

- 2.15 Voyages Indigenous Tourism Australia (Voyages) specialises in cultural tourism and hospitality and is a wholly owned subsidiary of the Indigenous Land and Sea Corporation (ILSC), a corporate Commonwealth entity, established in 1995. The ILSC's stated purpose is to assist Aboriginal and Torres Strait Islander people to acquire and manage land to achieve economic, environmental, social, and cultural benefits. ILSC acquired Voyages in 2011 as part of its purchase of the Ayers Rock Resort in Central Australia. All profits from this business are used to support Aboriginal and Torres Strait Islander training and employment.¹¹

8 Mr Collard, CEO, Kulbardi, *Committee Hansard*, 11 February 2020, Canberra, pp. 8-9.

9 Mr Collard, CEO, Kulbardi, *Committee Hansard*, 11 February 2020, Canberra, p. 8.

10 Mr Collard, CEO, Kulbardi, *Committee Hansard*, 11 February 2020, Canberra, p. 9.

11 Voyages Indigenous Tourism Australia, *The Voyages Story*, <<https://www.voyages.com.au/vision/voyages-story>>, accessed 17 August 2021.

- 2.16 Mr Matthew Cameron-Smith, Chief Executive Officer of Voyages, noted at the public hearing on 22 July 2021 that Ayers Rock Resort, one of Voyages' primary assets, had only 11 Aboriginal and Torres Strait Islander employees when the ILSC purchased it, but that this had risen to 400 out of a total of 1100 Voyages employees by 2020. Mr Smith further stated that Voyages was the largest employer of Aboriginal and Torres Strait Islander people in Central Australia, and in the tourism sector in the Northern Territory.¹²
- 2.17 Voyages further informed the committee that roughly 24 per cent of its Aboriginal and Torres Strait Islander staff were at supervisor level or above and it had three Indigenous general managers.¹³
- 2.18 Voyages facilitates the National Indigenous Training Academy (NITA) in partnership with the William Angliss Institute and Charles Darwin University and stated that NITA offers three streams focused on the cultural tourism industry: retail, horticulture, and hospitality. Graduates achieve a certificate III or IV in one of those disciplines and are guaranteed an ongoing job with Voyages. Voyages informed the committee that as at July 2021 that there had been 539 NITA graduates, and that graduations in August were expected to tip this number over the 600 mark. Moreover, Voyages reported that its retention rate among those cohorts was 78.7 per cent.¹⁴

Manapan Furniture

- 2.19 Manapan is a 100 per cent Indigenous-owned subsidiary of ALPA and was established in 2015 to produce high-end furniture on Milingimbi Island in East Arnhem Land. This furniture is sold in both domestic and international markets. ALPA notes in its submission that the establishment of Manapan was motivated by a desire to demonstrate what can be achieved in remote communities when there is a sustainable model in place with the correct support.¹⁵
- 2.20 Mr Alastair King, Chief Executive Officer of ALPA, explained at the public hearing on 7 July 2021 that Manapan was initially conceived to produce cost-effective furniture for remote communities. However, it was quickly

12 Mr Matthew Cameron-Smith, Chief Executive Officer, Voyages Indigenous Tourism Australia, *Committee Hansard*, 22 July 2021, Conference Call, p. 23.

13 Mr Cameron-Smith, CEO, Voyages Indigenous Tourism Australia, *Committee Hansard*, 22 July 2021, Conference Call, p. 23.

14 Mr Cameron-Smith, CEO, Voyages Indigenous Tourism Australia, *Committee Hansard*, 22 July 2021, Conference Call, pp. 23-25.

15 ALPA, *Submission 7*, pp. 4-5.

realised that the company could not compete with cheap manufactured products imported from overseas:

So, we decided to go with more high-level, home-style furniture for people who could afford it – bespoke furniture – but also to make coffins for local funerals. We also make corporate gifts, which are very popular. But the really big part of the Manapan business – up until COVID-19 anyway – was those corporate, customised pieces that were quite spectacular that we built for some very large companies. For one client we built a table, which was worth \$70,000 with beautiful customised carving inspired by Yolngu culture.¹⁶

2.21 ALPA informed the committee that Manapan employs four permanent craftsmen and two trade mentors.¹⁷

2.22 A training and employment pipeline has also been created through the Manapan Academy, where Yolngu people can receive training in carpentry and joinery before graduating to the main workshop. The Academy works in partnership with ALPA providing English and financial literacy training, while also developing practical trade skills through community projects such as building public picnic tables and beds for the elderly. Manapan also facilitates work experience opportunities with the local school.¹⁸

The Eather Group

2.23 The Eather Group Pty Ltd is an Indigenous-owned and operated, family business, which specialises in transport, plant hire, bulk material, and waste to resource solutions for major construction projects across New South Wales. The company was established in 2010 with a single driver and vehicle. Since then, the business has grown steadily and now has over 30 trucks and heavy machines, as well 35 employees.¹⁹

2.24 Eather Group registered with Supply Nation in 2018 and attained certified status in 2019. It commented to the committee at the public hearing on 29

16 Mr Alastair King, Chief Executive Officer, ALPA, *Committee Hansard*, 7 July 2021, Conference Call, p. 38.

17 Mr Steven Roberts, General Manager, Enterprise and Economic Development, ALPA, *Committee Hansard*, 7 July 2021, Conference Call, p. 38.

18 ALPA, *Submission 7*, p. 4; Manapan, *Our Story*, <<https://manapan.com.au/our-story>>, accessed 17 August 2021.

19 Eather Group Pty Ltd, *Our History*, <<https://www.eathergroup.com.au/our-history>>, accessed 18 August 2021.

April 2021 that diversity was embedded in its business model and fundamental to its success. It noted further that roughly 25 per cent of its employees are Aboriginal and Torres Strait Islander, and 30 per cent of its workforce are women.²⁰

- 2.25 Eather Group is also member of the Yarpa NSW Indigenous Business and Employment Hub, which is discussed later in this chapter. Mrs Sally-ann Eather, Manager at the Eather Group, commented that:

Eather Group was born before the IPP and before the invention of Supply Nation. We thoroughly support the spirit of these initiatives. We have a long history of incubating entrepreneurs, both Indigenous and non-Indigenous, and creating employment opportunities where possible. We take our role in this very seriously.²¹

- 2.26 The company further noted in its testimony on 29 April 2021 that it operates both in the Aboriginal and Torres Strait Islander and the mainstream space and stated that it prides itself on being able to service the capabilities that it is offering and that being an Aboriginal and Torres Strait Islander business was just a bonus.²² Mr Peter Eather, Managing Director, further commented:

We're delivering on jobs as we speak. There are seven businesses that work for us. Two of them are 100 per cent owned transport companies, Indigenous businesses, and one of them started off with us. We're pretty proud that we can take on any project and deal with mainstream contracts. – and we've been doing that for years, just doing our business.²³

20 Ms Divinia Eather, Marketing Manager, Eather Group Pty Ltd, *Committee Hansard*, 29 April 2021, Liverpool, p. 32.

21 Mrs Sally-ann Eather, Manager, Eather Group Pty Ltd, *Committee Hansard*, 29 April 2021, Liverpool, p. 30.

22 Mrs Eather, Manager, Eather Group Pty Ltd, *Committee Hansard*, 29 April 2021, Liverpool, p. 32.

23 Mr Peter Eather, Managing Director, Eather Group Pty Ltd, *Committee Hansard*, 29 April 2021, Liverpool, p. 33.

The Indigenous Procurement Policy

Background and operation

- 2.27 The IPP was introduced in 2015 by the Federal Government to stimulate Aboriginal and Torres Strait Islander entrepreneurship, business, and economic development and is administered by the National Indigenous Australians Agency (NIAA). This policy sets targets for the number and value of Commonwealth contracts to be awarded to Aboriginal and Torres Strait Islander enterprises, as well as the Mandatory Set Aside (MSA) and minimum requirements for low- and high-value contracts.²⁴
- 2.28 The IPP stipulates that Aboriginal and Torres Strait Islander enterprises must account for at least 3 per cent by volume and 1 per cent by value of all Commonwealth procurement. The MSA also requires that Aboriginal and Torres Strait Islander businesses be given an opportunity to demonstrate value for money before a general approach to market. This applies to all procurements intended for delivery in remote Australia, and for all other procurements valued between \$80 000 and \$200 000 delivered wholly in Australia.
- 2.29 The Minister for Indigenous Affairs in 2015, Senator The Hon Nigel Scullion, emphasised upon the introduction of the IPP that it was one of the significant reforms ‘which form part of the Government’s response to the Forrest Review – *Creating Parity*, and will, over the long-term, lead to significant growth in Indigenous employment.’²⁵
- 2.30 The Minister further remarked that in supporting this procurement push, the Australian Government would be looking to work with Supply Nation to expand and strengthen its current register of Aboriginal and Torres Strait Islander businesses and that this would ‘make it easier for Government departments to identify procurement and partnership opportunities with Indigenous businesses.’ The Minister also noted that government procurement had been very successful in other countries in driving the growth of Indigenous businesses:

As Mr Forrest’s report pointed out, other countries such as Canada have successfully used procurement to significantly drive economic development for First Nations people. In Canada,

24 Supply Nation, *Submission 43*, p. 10.

25 Joint Media Release, *Commonwealth taking steps to increase Indigenous jobs*, <<https://www.financeminister.gov.au/media-release/2015/03/17/commonwealth-taking-steps-increase-indigenous-jobs>>, viewed 17 August 2021.

Aboriginal businesses are growing at five times the rate of other businesses specifically due to government procurement policies.²⁶

- 2.31 Contracts valued at \$7.5 million or more across 19 discrete industries are subject to the Mandatory Minimum Indigenous Participation Requirements (MMR), which impose Aboriginal and Torres Strait Islander employment and business participation targets.²⁷
- 2.32 To help facilitate connections between government buyers and Aboriginal and Torres Strait Islander suppliers, the NIAA funds Supply Nation to maintain a free online directory of Indigenous enterprises called Indigenous Business Direct (IBD). This directory is also utilised by the corporate and not-for-profit sectors to meet their own Indigenous procurement goals, creating further opportunities for Aboriginal and Torres Strait Islander economic advancement.
- 2.33 In addition to the funding received from the NIAA, Supply Nation is also supported financially by subscription fees from ‘member organisations’ that consist of non-Indigenous entities in the corporate, government, and not-for-profit sectors.
- 2.34 Supply Nation noted in relation to its funding model that:
- There is no cost for an Indigenous business to be registered or certified by Supply Nation. It is free for an Indigenous business to attend any Supply Nation training program. It is free for an Indigenous business to attend a Supply Nation trade fair around Australia.²⁸
- 2.35 To be eligible for an IBD listing, a business must be at least 50 per cent owned by Aboriginal and Torres Strait Islander peoples. Supply Nation lists two tiers of businesses in this regard: certified and registered. A certified business is majority Indigenous-owned (at least 51 per cent), controlled and operated, whereas a registered business must be a minimum of 50 per cent owned by an Aboriginal or Torres Strait Islander person or persons.²⁹

26 Joint Media Release, *Commonwealth taking steps to increase Indigenous jobs*, <<https://www.financeminister.gov.au/media-release/2015/03/17/commonwealth-taking-steps-increase-indigenous-jobs>>, viewed 17 August 2021.

27 NIAA, DESSFB, DSS, and APSC, *Submission 8*, p. 24.

28 Ms Laura Berry, Chief Executive Officer, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 7.

29 Supply Nation, *Submission 43*, p. 4.

- 2.36 Supply Nation verifies that the businesses listed in the IBD are authentically Aboriginal and Torres Strait Islander by checking their confirmation of Aboriginality documents against share structures registered with the Australian Securities and Investments Commission (ASIC), as well as partnership documents and trust deeds. The organisation also conducts annual audits and spot checks.³⁰ The latter checks are conducted with a minimum 20 per cent sample of all registered and certified businesses.³¹ Furthermore, Supply Nation receives daily updates regarding any changes to the ownership of ASIC registered businesses listed on IBD which allows them to carry out real time audits.³²
- 2.37 Supply Nation advised in its submission that there were over 2500 Aboriginal and Torres Strait Islander businesses on its national directory as at August 2020, and advised the committee at a later public hearing that this number had risen to 3130 by July 2021.³³ Supply Nation noted in its submission, from the August 2020 figures, that these suppliers had an estimated total revenue of \$3.9 billion per annum and employed nearly 31 000 people, roughly a third of whom (approximately 11 000 people or 37 per cent of employees) were Aboriginal and Torres Strait Islander. While Supply Nation further submitted that these represented only 20 per cent of all businesses in the Indigenous business sector in terms of volume, it stressed that their registered and certified enterprises accounted for roughly 44 per cent of revenue and 51 per cent of employment.³⁴
- 2.38 Supply Nation further stated at the public hearing on 22 July 2021 that, of the 3130 businesses listed on the IBD as of July 2021, 772 (roughly 25 per cent) had completed the certification process and were verified as majority Indigenous-owned, controlled, and operated. Of the remaining businesses listed as ‘registered’, approximately 1800 (roughly 76 per cent) were already majority Indigenous-owned but were yet to complete the certification process.³⁵ The NIAA also stressed that:

... while we only ask for 50 per cent or more, the vast majority that are on the register have greater ownership than that 50 per cent.

30 NIAA, DESSFB, DSS, and APSC, *Submission 8*, p. 25.

31 Mr Ryan Bulman, Group Manager, Economic Policy and Programs, National Indigenous Australians Agency, *Committee Hansard*, 22 July 2021, p. 30.

32 NIAA, DESSFB, DSS, and APSC, *Submission 8*, p. 25.

33 Supply Nation, *Submission 43*, p. 4; Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 7.

34 Supply Nation, *Submission 43*, p. 4.

35 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 7.

89 per cent of registered joint-ventures that have won contracts under the IPP are also 51 per cent or more Indigenous owned.³⁶

2.39 It was commonly recognised throughout the inquiry that the advent of government preferential procurement policies had driven demand for Aboriginal and Torres Strait Islander businesses and resulted in a significant expansion of this sector. The New South Wales Aboriginal Land Council (NSWALC) stated at its appearance on 29 April 2021 that:

Procurement targets at state and federal level have opened up a wide range of doors for Indigenous businesses to start up and grow. ... the successes of those businesses to date are testament to the benefits of supporting the Indigenous business sector. We also know that Indigenous businesses will employ more Indigenous people at a rate of 60 per cent higher than other businesses, further emphasising the importance of supporting an Indigenous business sector.³⁷

2.40 The NIAA stated at the public hearing on 22 July 2021 that the IPP had generated \$4.3 billion in contract value to date.³⁸

2.41 The Indigenous Preferential Procurement Programs Research Group (IPPPRG) stressed in its submission that the introduction of mandatory targets had been critical to this success:

... when Indigenous preferential procurements were first introduced into the *Commonwealth Procurement Rules* in 2011 as the IBE [Indigenous Business Exemption], the outcomes were negligible. It was only when the mandated procurement targets and other measures which are a feature of the IPP were introduced in 2015 that any significant beneficial results were shown.³⁹

2.42 This view was affirmed by Supply Nation, who observed that Commonwealth procurements from Aboriginal and Torres Strait Islander businesses prior to the introduction of the IPP had only amounted to \$6.3 million but increased to \$380 million within the first year of operation.⁴⁰ Supply Nation commented that the new policy:

36 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, 22 July 2021, Conference Call, p. 32.

37 Mr James Christian, Chief Executive Officer, New South Wales Aboriginal Land Council, *Committee Hansard*, 29 April 2021, Liverpool, p. 17.

38 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, Conference Call, 22 July 2021, Conference Call, p. 29.

39 Indigenous Preferential Procurement Programs Research Group (IPPPRG), *Submission 37*, p. 3.

40 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 4 February 2021, Conference Call, p. 2.

... reduced some barriers by putting a focus on Indigenous businesses specifically and putting those targets in place. It thereby allowed Commonwealth procurement officers the ability to use that policy as a lever to go and speak to Indigenous businesses, bring them in the door, and see where they could offer them contracts.⁴¹

- 2.43 Commonwealth agencies agreed with this sentiment. The Department of Health, for example, stated that:

The targets were very useful in the early piece when we were working to embed [the] IPP as part of our procurement processes ... It's part of our standard procurement process to consider first Indigenous suppliers and work with Indigenous suppliers wherever they present value for money, and to work hard across our organisation to make sure that we are considering Indigenous suppliers. So, the targets were very useful.⁴²

- 2.44 Supply Nation concurred with this view, commenting that 'the setting of those targets and the accountability of the agencies towards them, and also the government's willingness to iterate the policy as we've gone along, means that we have seen that success.'⁴³ Supply Nation further remarked that Commonwealth departments had consistently overachieved in terms of the target set by the policy from 2015.⁴⁴

- 2.45 The Department of Defence stated at the roundtable on 18 June 2021 that they had awarded contracts to the value of about \$400 million per annum with approximately 600 separate Aboriginal and Torres Strait Islander businesses since 2015 and had always exceeded their procurement targets. The department commented that it had a target of only 70 contracts during the 2015-16 financial year but awarded 278 and that by 2019-20 with a target of 714 contracts, it had in fact awarded 2,974 contracts under the IPP.⁴⁵

- 2.46 Other departments have also far exceeded their IPP targets. Table 1 compares the targets for contract numbers and values in different years for

41 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 4 February 2021, Conference Call, p. 2

42 Mr Craig Chalmers, Assistant Secretary, Corporate and Financial Services Branch, Department of Health, *Committee Hansard*, 18 June 2021, Conference Call, pp. 5-6.

43 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 4 February 2021, Conference Call, p. 2.

44 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 4 February 2021, Conference Call, p. 2.

45 Mr Steven Grzeskowiak, Deputy Secretary Estate and Infrastructure, Department of Defence, *Committee Hansard*, 18 June 2021, Conference Call, p. 2.

different Commonwealth agencies under this policy with the actual numbers that were awarded.

Table 1 Comparison of the targeted number and value of contracts for various Commonwealth agencies under the Indigenous Procurement Policy with the numbers actually awarded

Agency	IPP contract targets and actual awards in 2015-2016		IPP contract targets and actual awards in 2019-20 or 2020-21	
	Target number*	Number awarded (value)	Target number (value)	Number awarded (value)
Department of Defence	70	278 (\$159.3M)	714 (\$95.5M) 2019-20	2974 (\$471.9M) 2019-20
Department of Social Services	6	37 (\$3.5M)	114 (\$23.9M) 2020-21	265 (\$150M) as at June 2021
Department of Health	12	27 (\$3.5M)	78 (\$7M) 2019-20	191 (\$67.6M) 2019-20
Department of Infrastructure, Transport, Regional Development and Communications	See note below [#]	51 (\$18M)	49 (\$4.4M) 2019-20	366 (\$31.5M) 2019-20
Department of Finance	8	28 (\$4.9M)	49 (\$3.5M) 2020-21	79 (\$5.7M) as at June 2021

Sources Mr Steven Grzeskowiak, Deputy Secretary Estate and Infrastructure, Department of Defence, Committee Hansard, 18 June 2021, p. 2; Mr Adrian Hudson, Deputy Secretary, Chief Operating Officer, Department of Social Services, Committee Hansard, 18 June 2021, p. 4; Mr Craig Chalmers, Assistant Secretary, Corporate and Financial Services Branch, Department of Health, Committee Hansard, 18 June 2021, p. 3; Mr Brad Medland, Chief Financial Officer, Finance, Legal and Information Technology Division, Department of Infrastructure, Transport, Regional Development and Communications, 18 June 2021, p. 4; Mr Iain Scott, First Assistant Secretary, Corporate Services Division, Department of Finance, Committee Hansard, 22 July 2021, p. 2; NIAA, Supplementary submission 8.9 (responses to questions taken on notice), p.10; Department of Health, Submission 58 (responses to questions taken on notice), p. 2; Department of Prime Minister and Cabinet, Indigenous Procurement Policy - Portfolio Snapshot 2015-16 <<https://pmc.gov.au/indigenous-procurement-policy-portfolio-snapshot-2015-16-infographic-text>>, accessed 17 August 2021; NIAA, Indigenous Procurement Policy, <<https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>>, accessed 13 August 2021.

*targets for total IPP contract values were not stipulated until 2019-20; [#]Infrastructure & Regional Development and Arts & Communications were separate departments at that time, with targets of 8 and 5, respectively.

2.47 NIAA commented at the public hearing on 22 July 2021 that the IPP contract targets were based on population parity and stated that it was 'impressed with the way departments really engaged in the program. A lot of departments have exceeded targets. Some haven't, as well. Some require a bit more encouragement. But the program has been really successful.'⁴⁶

46 Mr Bulman, Group Manager, NIAA, Committee Hansard, 22 July 2021, Conference Call, pp. 29-30.

2.48 A number of agencies expressed the view to the committee that the IPP targets were now somewhat redundant. The Department of Health asserted that targets were 'less relevant now and not something we pay close attention to, because ... we're generally exceeding targets and have embedded into our processes that Indigenous procurement is something that is important to us as an agency and important to the government'.⁴⁷

2.49 Similarly, Mr Steven Grzeskowiak, Deputy Secretary of Estate and Infrastructure at the Department of Defence, and current Defence Indigenous Champion at that department, remarked:

My personal view and my experience of how we've managed this in the department is that targets are interesting but they're not driving what we're doing. We're pushing hard on Indigenous procurement for a couple of reasons. The first is: it's the right thing to do. The second is: clearly, it's government policy as part of Closing the Gap. So, I haven't paid attention to targets for a couple of years, but what I do pay attention to is working with teams in Defence, promoting the message, ensuring people are aware that this is something we want to do and are going to push hard on. So, from my perspective ... the targets are meaningless. Whether they're set rightly or wrongly, I won't be paying any attention to targets. What we're paying attention to is promoting Indigenous business into the Defence supply chain.⁴⁸

2.50 The NIAA maintained at its appearance on 22 July 2021 however that targets still had a place as these were useful for ensuring that assigned goals remained firmly on the agenda:

'... the strength of having targets that are mandated across the Public Service is really making sure some of our big procuring agent departments particularly are focused on Indigenous business'.⁴⁹

47 Mr Chalmers, Assistant Secretary, Department of Health, *Committee Hansard*, 18 June 2021, Conference Call, p. 6.

48 Mr Grzeskowiak, Deputy Secretary, Department of Defence, *Committee Hansard*, 18 June 2021, Conference Call, p. 5.

49 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, 22 July 2021, Conference Call, p. 30.

Successes with the IPP

- 2.51 The committee heard evidence that many Aboriginal and Torres Strait Islander businesses have found success with the IPP and believe that it is a valuable initiative.
- 2.52 IPPRG considered the results of the IPP as ‘overwhelmingly impressive’ and highlighted that although the Indigenous preferential procurements were first introduced into the *Commonwealth Procurement Rules* in 2011 as the Indigenous Business Exemption, it was only when the mandated procurement targets were introduced in 2015 that any significant beneficial results were evident.⁵⁰
- 2.53 Speaking in Colour also expressed a positive view of the IPP. Ms Cherie Johnson, Managing Director, stated at the public hearing on 28 April 2021:
- Firstly, round of applause – great policy. And the reason I say that is the why: Aboriginal businesses employ Aboriginal people, and Aboriginal product needs to be written and delivered by Aboriginal people. So it's fantastic, first and foremost. I just think that, in any policy, there's always the refining and pivoting. You're never going to get anything right straight up.⁵¹
- 2.54 Managing Director of IPS Management Consultants, Mrs Kristal Kinsela-Christie, noted that winning contracts under the IPP had greatly benefited her business, allowing IPS to grow and expand:
- I think the greatest success for us was in our second year of business. We won 14 contracts worth \$1.4 million under IPP, which helped us grow from three to 15 staff. We're now in our fifth year of business, and we have 25 staff. That in itself is quite extraordinary and seeing some of those larger contracts starting to exist. We've been delivering the ATO's management leadership program now for three years. To see Indigenous business delivering mainstream management training is I think quite extraordinary. That would probably be our biggest success.⁵²
- 2.55 The Northern Territory Indigenous Business Network (NTIBN) highlighted at its appearance on 8 July 2021 that the IPP has specifically

50 IPPPRG, *Submission 37*, p. 3.

51 Ms Cherie Johnson, Managing Director, Speaking in Colour, *Committee Hansard*, 28 April 2021, Wyong, p. 6.

52 Mrs Kristal Kinsela-Christie, Managing Director, IPS Management Consultants, *Committee Hansard*, 11 February 2020, Canberra, p. 6.

been of great benefit to local businesses getting into Defence and growing, as well as the businesses in the construction and consultancy industries.⁵³

- 2.56 Professor David Throsby and Ms Katya Petetskaya of Macquarie University noted in their submission that the IPP also presents an opportunity for Aboriginal and Torres Strait Islander cultural producers to generate more income and employment. Cultural services can include cross-cultural consulting, translation or interpretation services, and cultural governance services.⁵⁴

Issues

- 2.57 Notwithstanding the great successes of the IPP in terms of exceeding the number and value of the target contracts, a number of contributors to the inquiry identified several measures that could further enhance the outcomes for Aboriginal and Torres Strait Islander businesses and communities.
- 2.58 In addition, given that the total value of IPP contracts was close to \$1 billion of public money in 2019-20,⁵⁵ and it is earmarked for contracts that only Indigenous business can apply for, it is important that such public money is addressing the concerns for which the IPP was established. The committee does not have the forensic capacity to properly interrogate these matters, but it would enhance public confidence in the IPP if these issues were examined in greater detail than a parliamentary committee can be reasonably expected to do.

Black cladding

- 2.59 One of the issues that the committee was asked to consider was 'black cladding.' Supply Nation defines 'black cladding' as:

The practice of a non-Indigenous business entity or individual taking unfair advantage of an Indigenous business entity or individual for the purpose of gaining access to otherwise inaccessible Indigenous procurement policy. Unfair advantage involves practices and arrangements that result in the

53 Ms Naomi Anstess, General Manager, Indigenous Business Growth, Northern Territory Indigenous Business Network (NTIBN), *Committee Hansard*, 8 July 2021, Conference Call, p. 3.

54 Professor David Throsby and Ms Katya Petetskaya, Department of Economics, Macquarie University, *Submission 5*, p. 6.

55 NIAA, *Supplementary Submission 8.9*, p. 11. The exact figures is almost \$911 million.

disadvantage or detriment to an Indigenous business, or that do not represent a genuine demonstrated level of equitable partnership and benefit.⁵⁶

2.60 A number of witnesses made allegations that black cladding was going on in the Aboriginal and Torres Strait Islander business sector. Willyama Indigenous ICT Services explained in its appearance on 27 February 2020 that unscrupulous operators exploit the system by establishing businesses with no capability and no previous history, but ‘they are now, basically, the front face of the mailbox to a multinational – predominately multinationals or other large Australian companies – who wins and delivers all the work.’⁵⁷ Willyama further stated:

... what you’ve got now is every firm that can dangle the right carrot in front of an Aboriginal person is getting their business ticked off as Aboriginal. The employment is that one person in the business in most cases – and it might be a 50,000-person multinational with one Aboriginal person calling themselves fifty-fifty Aboriginal – there’s no employment and no outcomes.⁵⁸

2.61 Bara Barang Corporation stated in a similar vein:

We do see it often here on the Central Coast. We see mainstream NGOs come through with big contracts, and they put one of our community members at the forefront of the program, but it’s all managed by a non-Aboriginal person who is not from the region.⁵⁹

2.62 The New South Wales Indigenous Chamber of Commerce Inc. (NSWICC) also commented on the growing prevalence of black cladding in its appearance on 28 April 2021:

From the work that we do in our state and from our relationships with other states and territories, we do know that black cladding is a growing issue. It still continues to get through. It’s not only a frustration for Aboriginal communities and businesses; it’s also a

56 Supply Nation, *Submission 43*, p. 8.

57 Mr Kieran Hynes, Managing Director, Willyama Indigenous ICT Services, *Committee Hansard*, 27 February 2020, Canberra, p. 2.

58 Mr Hynes, Managing Director, Willyama Indigenous ICT Services, *Committee Hansard*, 27 February 2020, Canberra, p. 3.

59 Mr Chris Thew, Director, Mingaletta Aboriginal Corporation; Manager, Community Services, Bara Barang Corporation, *Committee Hansard*, 28 April 2021, Wyong, p. 21.

frustration for stakeholders who actually want to make a difference through these policies.⁶⁰

- 2.63 While the NIAA acknowledged the potential for black cladding, they maintained that there was little evidence to support claims that the IPP had been misappropriated. They expressed confidence in Supply Nation registration and certification processes and argued that the organisation does an excellent job of ensuring all businesses listed on IBD meet the relevant eligibility requirements:

... we have the Indigenous Procurement Policy, which has a really clear eligibility criteria for understanding what an Indigenous business is. Under the policy, it must be 50 per cent owned by Indigenous Australians. If it's a joint venture it must be 50 per cent owned and the management of it must be 50 per cent. So, it's actually really clear ... what the eligibility criteria are. Then we have Supply Nation, which is the body that we fund to register these Indigenous businesses against those criteria. ... they look through ASIC records on who the directors are and who the ownership belongs to. They do checks on indigeneity using a very similar test, or the same style of test, that the Commonwealth and other governments use, which is a three-part test on indigeneity. It's very common. They do regular checks. They've got alerts through ASIC that will tell them if there's been any change of management or any change of ownership ... They keep monitoring that, and we fund them to do that.⁶¹

- 2.64 Supply Nation also noted during its appearance on 4 February 2021 that, in addition to their eligibility checks, it has a formal complaints process for reporting suspected instances of black cladding. Supply Nation stated that in the six months from July to December 2020, they had received eight complaints out of almost 2,800 businesses. Of these, only one was removed from the IBD because the joint venture in question was unable to provide the documentation requested during the investigation.⁶²
- 2.65 At the last public hearing for the inquiry on 22 July 2021, NIAA informed the committee that it was satisfied that Supply Nation had robust

60 Ms Debbie Barwick, Chief Executive Officer, New South Wales Indigenous Chamber of Commerce Inc, *Committee Hansard*, 28 April 2021, Wyong, p. 3.

61 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, 5 March 2020, Canberra, p. 3.

62 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 4 February 2021, Conference Call, p. 5.

processes in place and that these afforded a sufficient barrier to any attempts to exploit the system.⁶³

- 2.66 Some of the contributors to the inquiry suggested that IPP processes could be further strengthened against black cladding by engaging with Aboriginal community-controlled organisations at the regional level. Barang Regional Alliance, for example, stated at the public hearing on 28 April 2021 in Wyong that it avoided black cladding in its own procurement processes by recruiting independent and local community panellists to assess tenders. Barang remarked that this created an extra level of transparency.⁶⁴
- 2.67 Barang additionally suggested that government procurement officers should be required to check with the relevant local decision-making organisations, or their equivalents, in the regions to which the Commonwealth was seeking to deliver goods and services:
- The additional check would help the Commonwealth identify additional prospective Indigenous suppliers and provide a further mitigation against black cladding. Procuring officers could also check with state-based Indigenous chambers, such as the NSW Indigenous Chamber of Commerce.⁶⁵
- 2.68 Joint ventures were recognised by some contributors to the inquiry as an area which could be vulnerable to potential abuse. Innovative Engineering Solutions, for example, argued that procurement officers rely heavily on joint ventures which ‘are rife with so-called black cladding’.⁶⁶
- 2.69 Supply Nation stressed in its submission that joint venture arrangements are a legitimate business practice and do in fact present an opportunity for Aboriginal and Torres Strait Islander businesses to increase scale rapidly and take on larger and more complex contracts.⁶⁷
- 2.70 Different Commonwealth departments likewise expressed confidence in the current system, most stating that they relied upon Supply Nation when procuring Aboriginal and Torres Strait Islander business and that a listing on the IBD was sufficient to be considered for a procurement

63 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, 22 July 2021, Conference Call, pp. 30-31.

64 Ms Corinne Hodson, Manager, Community Engagement and Partnerships, Barang Regional Alliance, *Committee Hansard*, 28 April 2021, Wyong, p. 19.

65 Barang Regional Alliance, *Submission 45*, p. 15.

66 Innovative Engineering Solutions, *Supplementary Submission 25.1*, p. 2.

67 Supply Nation, *Submission 43*, p. 8.

tender.⁶⁸ These agencies informed the committee that the national registry eased the administrative burden under the IPP and ensured consistent application of its rules across the public sector.

- 2.71 Nevertheless, many inquiry participants suggested that eligibility requirements should be strengthened to safeguard against the potential for black cladding.

Defining an Aboriginal and Torres Strait Islander business for the purposes of the IPP

- 2.72 As previously mentioned, Supply Nation has two tiers of businesses: certified (at least 51 per cent Indigenous-owned, controlled and operated) and registered (minimum of 50 per cent owned by an Aboriginal and Torres Strait Islander person or persons).⁶⁹

- 2.73 Supply Nation indicated to the committee at its appearance on 22 July 2021 that it would support a change in the definition of an Indigenous business, and noted that it had previously recommended to the NIAA that the definition of Aboriginal and Torres Strait Islander ownership be changed to a 51 per cent minimum, with the certification process also designed to ensure that the Indigenous business owner was involved in controlling the enterprise.⁷⁰ When asked about the reason why the 51 per cent compared to 50 per cent makes a difference, Ms Berry, CEO, stated:

I think the principal reason is that the Indigenous entrepreneur is in the business, they understand the business, they are in the day-to-day operations and they have the controlling decision-making power, and that in turn builds the opportunity for that business owner.⁷¹

- 2.74 The NHLF was concerned that the 50 per cent rule raised questions about the benefit from these enterprises that goes to Aboriginal and Torres Strait

68 See for example: Mr Craig Chalmers, Assistant Secretary, Corporate and Financial Services Branch, Department of Health, *Committee Hansard*, 18 June 2021, p. 9; Mr Brad Medland, Chief Financial Officer, Finance, Legal and Information Technology Division, Department of Infrastructure, Transport, Regional Development and Communications, *Committee Hansard*, 18 June 2021, p. 11; Mr Steven Grzeskowiak, Deputy Secretary Estate and Infrastructure, Department of Defence, *Committee Hansard*, 18 June 2021, p. 10; Mr Parker Brigg, Assistant Commissioner, Strategic Procurement and Contracts, ATO Finance, Australian Taxation Office, *Committee Hansard*, 7 April 2021, p. 8; and Mr Ryan Bulman, Group Manager, Economic Policy and Programs, NIAA, *Committee Hansard*, 22 July 2021, p. 30.

69 Supply Nation, *Submission 43*, p. 4.

70 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 9.

71 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 10.

Islander peoples and how much of the IPP process looks only at program outcomes while ignoring the inputs.⁷²

2.75 NSWICC noted that the businesses with a Supply Nation certification align with its own standards for membership and that the certification process has ensured that Aboriginal and Torres Strait Islander peoples were genuinely engaged in the business undertaking, whereas registration offered less reassurance in this regard.⁷³

2.76 In a similar vein, NTIBN stated that it only acknowledges Supply Nation certified, ie, majority Indigenous-owned businesses, and that a 50-50 arrangement is not an Aboriginal business in its view.⁷⁴ NTIBN further stated:

We'd like to see drivers in that space around recognising that a majority owned business is the only Aboriginal business... because the reality of it is that you're opening up through black cladding a market that otherwise wouldn't be there for them.⁷⁵

2.77 Supply Nation further stressed at that final public hearing for the inquiry that as the intent of the IPP was to stimulate economic advancement, and enable Aboriginal and Torres Strait Islander business owners to stand on their own feet, joint venture arrangements needed to foster these outcomes:

If it's a partnership – for example, a majority Indigenous business owner who has management and control but actually has a partner who has more of that capability – you would expect, in the course of that business relationship, that that capability would be transferred to the Indigenous business owner themselves.⁷⁶

2.78 Supply Nation also commented that there is a growing preference among corporate entities to procure from only those businesses with majority Aboriginal and Torres Strait Islander ownership and control:

We do have some corporate members who will only engage with certified suppliers; they will not engage with registered suppliers. That is becoming more prevalent across our membership. They see

72 National Health Leadership Forum, *Submission 31*, p. 14.

73 Ms Barwick, CEO, NSWICC, *Committee Hansard*, 28 April 2021, Wyong, p. 3.

74 Mr Jerome Cubillo, Chief Executive Officer, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 5.

75 Ms Anstess, General Manager, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 5.

76 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 9.

the benefits of certification; it gives them that extra layer of comfort as the buyer.⁷⁷

Should the IPP have skills transfers and/or employment measures?

- 2.79 Given the value of the contracts awarded as part of the IPP, questions arose about whether there should be broader measures like skills transfer or Aboriginal and Torres Strait Islander employment tied to the contracts rather than volume and value being metrics for success. NSWICC commented that ‘there is a bit of a focus on the quantity, government are very interested in numbers of Aboriginal businesses rather than businesses with the capability to succeed.’⁷⁸
- 2.80 Ensuring the IPP builds capability was raised by the NSWICC which cited an incident in which they were asked to provide a list of their member businesses to government procurement officers. They offered instead to forward information on only the businesses with the capability of responding to government purchasing requirements, but indicated that this was rejected, further stating:
- ... it's a bad experience for everybody. The procurement people get frustrated that there are no Aboriginal businesses that can provide what they need, and that's not the case; we have very good Aboriginal businesses with really strong capability. But we need to put those businesses forward and keep developing the other businesses and developing the pipeline.⁷⁹
- 2.81 In a similar vein, Arnhem Land Progress Aboriginal Corporation (ALPA) stressed that ‘it’s alright to have targets, but you actually have to have a view to look to using local businesses that will employ local people because they literally have skin in the game’.⁸⁰
- 2.82 Barang Regional Alliance also expressed frustration that there seemed to be very limited penalties for those companies which failed to meet employment or participation targets under the MMR:
- ... for those organisations that do secure large contracts and that have minimum standards, or minimum rates that they say they will achieve through the process for Indigenous employment,

77 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 13.

78 Ms Barwick, CEO, NSWICC, *Committee Hansard*, 28 April 2021, Wyong, p. 2.

79 Ms Barwick, CEO, NSWICC, *Committee Hansard*, 28 April 2021, Wyong, p. 2.

80 Mr King, CEO, ALPA, *Committee Hansard*, 7 July 2021, Conference Call, p. 41.

there's actually no accountability attached to evidencing those outcomes.⁸¹

- 2.83 NTIBN likewise remarked that there were no implications for businesses that don't meet their MMR requirements and that the targets discussed when securing an IPP tender in relation to Indigenous participation are not always met.⁸²
- 2.84 The disincentive of additional layers of compliance was also raised by some witnesses. Tangentyere Council Aboriginal Corporation noted that while procurement is a challenge, the level of monitoring to ensure compliance with employment and training type outcomes is also a challenge.⁸³ NSWALC recommended that there be 'greater accountability for agencies and business to meet their procurement targets'.⁸⁴
- 2.85 NTIBN informed the committee that it was working towards establishing a cultural integrity process, particularly for joint ventures, to examine 'the internal intent around skills and capability building, skills transfer, promotional opportunities.'⁸⁵ NTIBN stated that it was looking to create a scale of cultural integrity audit tools to assist businesses to do the right thing when entering into a joint venture under the IPP.⁸⁶
- 2.86 Some contributors to the inquiry expressed the view that the IPP should also be delivering mandated Aboriginal and Torres Strait Islander employment targets. Pickwick 1A Facilities Services stated at the public hearing on 11 February 2020 that 'what we really need to do is enhance the IPP, not only for spend on volume or dollar value but also for targets for jobs, because we all know, as Aboriginal businesses, our preference is to employ mob'.⁸⁷
- 2.87 Notably however, neither NIAA nor Supply Nation accept that such measures would definitely produce a net benefit. The NIAA commented in this regard that:

81 Mr Gary Field, Operations Manager, Barang Regional Alliance, *Committee Hansard*, 28 April 2021, Wyong, p. 19.

82 Ms Anstess, General Manager, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 6.

83 Mr Michael Klerck, Social Policy Manager, Tangentyere Council Aboriginal Corporation, *Committee Hansard*, 9 July 2021, Conference Call, p. 4.

84 NSWALC, *Submission 6*, p. 2.

85 Ms Anstess, General Manager, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 5.

86 Ms Anstess, General Manager, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 5.

87 Mr Gary Oliver, Chief Executive Officer, Pickwick 1A Facilities Services Pty Ltd, *Committee Hansard*, 11 February 2020, Canberra, p. 2.

We're concerned not to overburden small business, particularly small Indigenous business, by mandating Indigenous engagement, employment or other supply conditions on them. The focus of this policy is to drive Indigenous business. It's not an employment program. We have employment programs. It's great to get employment out of it. And we know a small Indigenous business, or any Indigenous business, will employ Indigenous people at a greater rate. But we want to keep focused on making sure more Indigenous Australians engaged in small and medium business, or even large business, where possible, that's the focus of that. We wouldn't want to burden business with additional layers of requirements.⁸⁸

- 2.88 Ms Laura Berry, Chief Executive Officer, Supply Nation concurred with this viewpoint, stating:

... when you start to define an Indigenous business based on its employment data, that can become a bit tricky, and it's not something that I would personally advocate for. I think, if you grow the sector, as a result you grow employment and you grow opportunity and you also grow a pipeline of potential future entrepreneurs.⁸⁹

Lack of data

- 2.89 IPPPRG commented that a proper understanding of the flow-on effects of growing the Aboriginal and Torres Strait Islander business sector required the development of a data infrastructure, to which all parts of the sector would need to contribute.⁹⁰

- 2.90 IPPPRG also remarked that there is a shortage of data that can assist in the creation of targeted programs into areas of demand, as well as to properly understand the impact of the wider economic benefit and value of the Aboriginal and Torres Strait Islander business sector to the Australian economy:

If Australia is to make headway in closing the gap, we must develop better evidence on what does and does not work, which requires commitment to evaluate the causal impacts of programs.⁹¹

88 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, 22 July 2021, Conference Call, p. 31.

89 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, pp. 9-10.

90 Dr Michelle Evans, Associate Professor of Leadership, University of Melbourne, *Committee Hansard*, 7 April 2021, Conference Call, p. 4.

91 IPPPRG, *Submission 37*, p. 9.

2.91 NSWALC concurred with this view

You can produce all the reports in the world, but unless the reports are reflecting what's actually happening – my fear is that IPP reporting at the moment isn't reflecting the reality. If it doesn't reflect the reality, the other consequence of that is that it does not give you the opportunity to sharply focus on areas that you need to target. That might be particular areas of government, or it might be particular areas of industry and the main players in those industries. Without the data, without accountability and without independent accreditation, I think the IPP is not going to deliver on the promise.⁹²

2.92 The oft-repeated statements about good Aboriginal and Torres Strait Islander employment outcomes from Aboriginal and Torres Strait Islander businesses need also to be supported by better data. The committee was informed by many contributors to the inquiry that Aboriginal and Torres Strait Islander businesses employ Aboriginal and Torres Strait Islander people at a higher rate than non-Indigenous businesses, and that the expansion of the Aboriginal and Torres Strait Islander business sector would therefore result in increased employment outcomes for Aboriginal and Torres Strait Islander peoples.

2.93 NSWALC submitted that Aboriginal and Torres Strait Islander businesses will employ Aboriginal and Torres Strait Islander staff at a 60 per cent higher rate on average than non-Indigenous businesses.⁹³

2.94 However, while there was considerable anecdotal evidence provided to the inquiry to suggest that growth in Aboriginal and Torres Strait Islander enterprises was accompanied by growth in Aboriginal and Torres Strait Islander employment outcomes, various stakeholders noted that this was difficult to substantiate without empirical data.

2.95 IPPPRG remarked in this regard:

The Indigenous businesses that we can see on the registries employ a lot of people. We cannot tell whether they are Indigenous or non-Indigenous employees, but this is an important piece to understand the impact of the Indigenous business sector. We would like to understand that a little bit more.⁹⁴

92 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 33.

93 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 17.

94 Dr Evans, University of Melbourne, *Committee Hansard*, 7 April 2021, Conference Call, p. 4.

- 2.96 Supply Nation stated that it has previously recommended to the NIAA that suppliers with IPP contracts be required to provide data through the registration process, as well as through the annual audit process, that indicate the benefits to Aboriginal and Torres Strait Islander peoples and Aboriginal and Torres Strait Islander businesses.⁹⁵

Administrative burden

- 2.97 The administrative hurdles involved in obtaining a Supply Nation certification and listing on the IBD were an area of concern to some of the stakeholders in the inquiry.

- 2.98 IPPPRG suggested that there were many Aboriginal and Torres Strait Islander businesses which were not registered with Supply Nation because they do not have the current capacity to compete for an IPP tender, but that this may prevent them from identifying future opportunities under this program.⁹⁶

- 2.99 Supply Nation noted that only 25 per cent of its suppliers were certified but that over 75 per cent of the remaining businesses on the IBD were eligible to attain certification status. Supply Nation explained that it was much quicker and easier to go through the registration processes than through the certification process:

Registration, from when an Indigenous business owner hops onto our website and clicks on the 'join now' button and goes through that process, takes anywhere between 20 and 45 minutes online. We then check all that documentation in the back end and make sure we've got everything and we follow them up. That can take, on average, up to about four days – from when they start until they're on the database. But certification can take anywhere up to about four weeks, depending on whether they've got the documentation and when they're available for the interview. So, business owners will sometimes choose the path of least resistance – which is to get registered first and worry about certification later.⁹⁷

- 2.100 Supply Nation further commented that the reluctance of Aboriginal and Torres Strait Islander businesses to undergo the certification process could present an unintended barrier for them as procurement officers in both
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95 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 11.

96 Dr Cain Polidano, Senior Research Fellow, Faculty of Business and Economics, University of Melbourne, *Committee Hansard*, 7 April 2021, Conference Call, p. 3.

97 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 13.

corporate and government sectors which increasingly opt to engage exclusively with certified businesses.⁹⁸

- 2.101 The committee was also informed by ALPA that Aboriginal and Torres Strait Islander businesses in Northern Australia did not necessarily recognise the value of becoming a supplier through the IBD:

We're associate members of Supply Nation, and I know a lot of companies go through Supply Nation, but when you look at the events and networking opportunities, they're all east coast. They're all very Sydney, Melbourne centric, and the referrals are few and far between. Again, Supply Nation seems to be more east coast centric and hasn't afforded us much value.⁹⁹

- 2.102 ALPA further commented that membership of the NTIBN and was a better way for it to access opportunities, stating:

... [it] gives us a more localised outlook for us to be able to network with other Indigenous organisations and corporates from around Australia that are looking to do something specifically in the Northern Territory.¹⁰⁰

- 2.103 NTIBN remarked that the lack of Supply Nation registration could hurt Aboriginal and Torres Strait Islander businesses in the north but noted however that it had a memorandum of understanding with Supply Nation, with the aim of fostering a closer working relationship between the organisations:

... part of the work around working with Supply Nation is to achieve commensurate certification, so if you're certified with us, you're certified with them and you don't have to duplicate the process.¹⁰¹

- 2.104 NTIBN argued that this would prevent duplication, ease administrative burdens, and enable more procurement opportunities in Northern Australia.¹⁰²

- 2.105 Supply Nation informed the committee that it was aware of existing problems with duplication and that a centralised approach was therefore desirable:

98 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 13.

99 Mr King, CEO, ALPA, *Committee Hansard*, 7 July 2021, Conference Call, p. 42.

100 Mr King, CEO, ALPA, *Committee Hansard*, 7 July 2021, Conference Call, p. 42.

101 Ms Anstess, General Manager, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 8.

102 Ms Anstess, General Manager, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 4.

Supply Nation was set up to be a national certifying body for businesses, so my view is that that's what we should be doing and there is no need to have duplications all around the country. We absolutely need the chambers of commerce. We absolutely need that localised, on-the-ground presence and support for Indigenous businesses in the various states. But, if we have one standard certification process and Supply Nation is issuing it, then that should be enough for those chambers.¹⁰³

- 2.106 IPPPRG concurred with this view, stating with regard to the assorted registration processes for different procurement lists:

Absolutely, it can be a burden, but you can make it easier for them. That is why we're suggesting centralising the coordination of this, so they only have to do it once.¹⁰⁴

- 2.107 Issues around further capacity building for Aboriginal and Torres Strait Islander businesses, including around administration and certification, and support for engaging with government tendering processes, is discussed later in the chapter.

Committee comment

- 2.108 The committee heard evidence of the strong growth of the Aboriginal and Torres Strait Islander Business Sector in recent years. The committee also heard evidence of the success of the IPP in terms of the number and value of the contracts awarded, and that the contract targets under this scheme have been consistently exceeded by many government departments.
- 2.109 As the IPP is embedding more into the culture of the Australian Government it is appropriate to look at the targets and the administration of the program to ensure that they best serve the goal of promoting Indigenous participation in the Australian economy.
- 2.110 On one level, the IPP's ability to create, foster and encourage a group of Aboriginal and Torres Strait Islander entrepreneurs is a very important outcome of the IPP. Given the substantial public money involved in the IPP, the Government should give further consideration to whether there should be performance measures for IPP contracts to such as employment outcomes and skills transfers for Aboriginal and Torres Strait Islander peoples. This would also bring the IPP into line with its original aims of

103 Ms Berry, CEO, Supply Nation, *Committee Hansard*, 22 July 2021, Conference Call, p. 10.

104 Dr Polidano, University of Melbourne, *Committee Hansard*, 7 April 2021, Conference Call, p. 3.

creating more Aboriginal and Torres Strait Islander employment and skills transfer.

Recommendation 1

- 2.111 **The committee recommends that the National Indigenous Australians Agency (NIAA), in consultation with other agencies, considers developing a richer measurement of performance and outcomes for the Indigenous Procurement Policy (IPP) than just contract numbers and value. Consideration by the NIAA should include how IPP contracts can help maximise Aboriginal and Torres Strait Islander employment and skills transfer.**
- 2.112 Agencies appearing before the committee explained the reliance they place on Supply Nation's registration, certification and auditing procedures in determining whether a business is in fact an Aboriginal and Torres Strait Islander business. Supply Nation has its own auditing procedures and has responded to the very few complaints that have been made about the IPP. While there is no suggestion that Supply Nation has not been doing its work properly, given the value of the contracts involved and the fact that agencies are relying on Supply Nation for its proof of indigeneity, the committee needs to be able to satisfy itself that these large government contracts which are only open to Aboriginal and Torres Strait Islander businesses are actually being awarded to Aboriginal and Torres Strait Islander businesses.
- 2.113 The committee believes an external audit should be undertaken of a random sample of contracts awarded under the IPP to see if they have been awarded to a genuine Aboriginal and Torres Strait Islander business and also to see what additional positive benefits these contracts have had, if any, beyond the financial benefit to the business owner such as employment and skills transfer.
- 2.114 The audit would have two further benefits. It would provide Supply Nation with an opportunity to assess its process and policies and also address allegations of black cladding.
- 2.115 The committee has heard evidence about the discussion of registered and certified businesses having either 50% or more than 51% Aboriginal and Torres Strait Islander ownership. However, the percentage of the ownership does not indicate anything about the values of the company, nor its focus on broader Aboriginal and Torres Strait Islander economic development beyond the owners of the business. While not expressing a

concluded view, the committee would like to see government giving more consideration to the values and focus of the business.

- 2.116 The Government should also consider whether the IPP has created a risk of dependency on government contracts and whether the IPP is supporting Aboriginal and Torres Strait Islander business to enter the general commercial market too.

Recommendation 2

- 2.117 **The committee recommends a series of independent random audits of entities that have been awarded IPP contracts to ensure that black cladding is not happening and to assess if employment, skills transfer or other benefits to Aboriginal and Torres Strait Islander peoples is occurring as a result of the contract.**

Following these audits, Supply Nation should review its policies and procedures to ensure they are fit for purpose.

Recommendation 3

- 2.118 **The committee recommends that Supply Nation review its current definition of an Aboriginal and Torres Strait Islander business to better ensure that awarding IPP contracts benefits Aboriginal and Torres Strait Islander communities. Rather than just a percentage ownership definition, consideration should be given to including, among other things, the proportion of Aboriginal and Torres Strait Islander employees, skills transfer, the use of company profits and whether the business has been able to attract work from the broader commercial marketplace.**
- 2.119 The committee heard evidence that there is duplication between the registration and certification requirements of Supply Nation and the Northern Territory Indigenous Business Network. The committee agrees that the administrative burden for Aboriginal and Torres Strait Islander businesses would be lowered considerably by a centralised registration/certification mechanism through Supply Nation which other Aboriginal and Torres Strait Islander business organisations and chambers of commerce could use.

Recommendation 4

- 2.120 **The committee recommends that Supply Nation works with State and Territory based bodies, such as the Northern Territory Indigenous Business Network, to streamline registration processes to create a single national registration and certification system, and thereby reduce the administrative burden on Aboriginal and Torres Strait Islander businesses.**
- 2.121 The committee also heard evidence that Supply Nation does not have a physical presence in Northern Australia. The committee believes that registration and certification of Aboriginal and Torres Strait Islander business would increase if Supply Nation had a presence in Northern Australia.

Recommendation 5

- 2.122 **The committee recommends that Supply Nation establishes a presence in Northern Australia.**

Capacity building for Aboriginal and Torres Strait Islander businesses

Background

- 2.123 The committee was interested throughout the inquiry in barriers that may be specifically faced by the Aboriginal and Torres Strait Islander business sector and whether policy interventions by the Federal Government could strengthen the current environment in which Aboriginal and Torres Strait Islander businesses operate.
- 2.124 The principal issues that were raised during the inquiry in this regard included difficulties with tendering for government contracts due to a lack of expertise, and the value of services such as Indigenous business hubs in providing this capability, the legislative restrictions on Indigenous Business Australia (IBA) from expanding its lending operations, and untapped opportunities for Aboriginal and Torres Strait Islander businesses to access foreign markets and foreign direct investment.

- 2.125 The committee was interested also in whether there was a now dependency on the IPP by some Aboriginal and Torres Strait Islander businesses. NSWICC noted in its testimony that it was working to create sustainability for its member businesses in their industries:

Something that we're very passionate about is creating capable, sustainable businesses despite policy. Our work is always about making sure that the business is a successful and sustainable business in its industry. Right now there are a lot of reactive business startups and so forth because of policy. I would say, again, that around 60 per cent of our membership would continue quite well outside of government procurement policies and it's only because that focus is on ensuring that they are competitive businesses in the marketplace.¹⁰⁵

Tendering for government contracts

- 2.126 The Committee heard that one of the barriers to entry presented by the IPP is a lack of understanding of the tendering process of government. Some businesses do not understand how to get onto a government panel - and whether that is even necessary to win government work - while other businesses complain that once on a panel they never get invited to tender for work. A third group of businesses explain that for a small business, winning a tender, especially against more established players, can be difficult.
- 2.127 Some inquiry participants also expressed frustration that they were often excluded from procurement opportunities because procurement officers believed that Aboriginal and Torres Strait Islander companies were only capable of carrying out 'cultural' work not 'mainstream' work.
- 2.128 IPS Management Consultants, for example, observed:

We also get pigeonholed, because we're an Indigenous business, we can only do Indigenous focused work. But we have skills capabilities that sit outside of that. ... We have mainstream skills and can provide those service clients, but quite often people say, 'Oh, can you do cultural awareness training?' That's why we made a business decision never to deliver cultural awareness training

105 Ms Barwick, CEO, NSWICC, *Committee Hansard*, 28 April 2021, Wyong, p. 4.

because we don't want to be put in that box, that it's all we can do.¹⁰⁶

- 2.129 Willyama Indigenous ICT Services also argued that some Aboriginal and Torres Strait Islander businesses were often overlooked to begin with and expressed frustration that procurement officers were apparently unaware that the IPP allowed contracts to be awarded to businesses which were not already on prequalified selection panels:

You get in front of the ASO6 procurement officer, and they say, 'We have no mechanism for engaging you, because you're not on our panel.' You say, 'But it's the IPP.' They say, 'Yes, but you're not on the panel'.¹⁰⁷

- 2.130 Similarly, Bullroarers Australia expressed the view that while the IPP was a 'fantastic document', it was somehow not being communicated or articulated properly, or that some people working in government did not seem to understand it. Bullroarers commented that procurement officers are reluctant to contract Aboriginal and Torres Strait Islander businesses with which they are unfamiliar, meaning that eligible and capable enterprises are not accessing the opportunities which the IPP is supposed to afford.¹⁰⁸

- 2.131 IPS Management Consultants spoke to the committee at the public hearing on 11 February 2020 about the difficulty of winning larger contracts:

... for us one of the hardest challenges has been getting higher-value contracts. You need higher-value contracts in order to grow, to become more sustainable and obviously to employ people within the business... I think unconscious bias is something that exists, and it has existed throughout the life of the IPP, and that's where there is this inability because they are so risk averse to wanting to do business with us and give us those higher-value contracts. It is seen as quite risky.¹⁰⁹

106 Mrs Kinsela-Christie, Managing Director, IPS Management Consultants, *Committee Hansard*, 11 February 2020, Canberra, p. 9.

107 Mr Hynes, Managing Director, Willyama Indigenous ICT Services, *Committee Hansard*, 27 February 2020, Canberra, p. 4.

108 Mr Cornelius (Neal) McGarrity, Co-founder and Director, Bullroarers Australia, *Committee Hansard*, 29 April 2021, Liverpool, p. 30.

109 Mrs Kinsela-Christie, Managing Director, IPS Management Consultants, *Committee Hansard*, 11 February 2020, Canberra, p. 6.

- 2.132 Yerin Aboriginal Health Services also commented at its appearance on 28 April 2021 in Wyong that it has faced significant challenges with respect to the attitudes of procurement officers:

Our most recent experience was around competing against a non-Aboriginal agency for some funding for a mental health service to be run in our region. Interestingly, as an Aboriginal health service we obviously put in a bid through the procurement process. We were unsuccessful. ... The feedback was that, whilst our Aboriginal community represents 75 per cent of the population here on the Central Coast that would be mentally unwell, the panellists were apparently concerned that non-Aboriginal people would not go to an Aboriginal service to seek help. I questioned that, saying, 'If we represent 75 per cent, aren't you concerned that our mob won't access white services or non-Aboriginal services?' to which they replied, 'We hadn't thought of that.' So, these are the types of things that we're continually up against.¹¹⁰

- 2.133 Asquith Workforce also noted at the same hearing in Wyong that they had been engaged frequently for Aboriginal participation but with no ultimate success and that there appeared to be an educational gap there for the procuring organisations.¹¹¹
- 2.134 Mr Kim Collard, Chief Executive Officer of Kulbardi recommended that there should be education of government procurement teams.¹¹²
- 2.135 Logit remarked in its submission that while some Aboriginal and Torres Strait Islander businesses have benefitted greatly from contracts secured under the IPP most do not, in fact, understand how this program works.¹¹³
- 2.136 Similarly, Desert Gem indicated at the public hearing on 7 April 2021 that it did not have support to assist it with winning government contracts and that it was therefore very difficult for it to meet the requirements of the capability statements in tender applications.¹¹⁴
- 2.137 NSWALC informed the committee about the difficulties in tendering for major contracts like Jobactive:

110 Ms Belinda Field, Chief Executive Officer, Yerin Eleanor Duncan Aboriginal Health Services, *Committee Hansard*, 28 April 2021, Wyong, p. 18.

111 Ms Jillian Asquith, Managing Director, Asquith Workforce, *Committee Hansard*, 28 April 2021, p. 12.

112 Mr Collard, CEO, Kulbardi, *Committee Hansard*, 11 February 2020, Canberra, p. 9.

113 Logit, *Submission 26*, p. 1.

114 Ms Vattessa Colbung, Co-founder and Director, Desert Gem, *Committee Hansard*, 7 April 2021, Conference Call, p. 25.

The tendering process in the past has been highly contested... as a new entrant, it is really difficult in that highly contested environment to compete against some of the biggest providers, who've got tender writers, performance that they can look back at, and a balance sheet that represents that they can commit to deliver the quality that the Australian government is contracting them for in particular jobactive regions.¹¹⁵

- 2.138 Ms Cherie Johnson, Managing Director, Speaking in Colour noted at the public hearing on 28 April 2021 in Wyong that she had been successful in securing Commonwealth contracts with the Department of Education, but that it was a difficult process:

I'm still not familiar with the ways to write tenders and I often don't have the time budget to actually pour into tender writing. So, for me, that's a huge barrier.¹¹⁶

- 2.139 Innovative Engineering Solutions noted in its submission that the lack of support for Aboriginal and Torres Strait Islander businesses in this regard can increase the burden on others in the sector:

I am often approached, or identified by the larger companies for other Aboriginal business to contact and seek support from, I help wherever I can, but it takes away from my own business, and we often are so stretched we struggle to do our own work, let alone support and guide others.¹¹⁷

- 2.140 Innovative Engineering Solutions further noted that an Indigenous Business Hub had started in Perth and anticipated that the hub could provide some of this expertise.¹¹⁸ The roles of Indigenous business hubs are examined in more detail below.

- 2.141 NSWICC discussed the support it subcontracts to assist with procurement:

We subcontract seven procurement advisers. They work with businesses one on one, depending on their industry and the background of the adviser, and help them get ready for procurement – understanding the objectives of procurement, understanding what the different tender questions mean. The language is usually foreign. If they don't have people within their

115 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 20.

116 Ms Johnson, Managing Director, Speaking in Colour, *Committee Hansard*, 28 April 2021, Wyong, p. 7.

117 Innovative Engineering Solutions, *Submission 25*, p. 1.

118 Innovative Engineering Solutions, *Submission 25*, p. 1.

business, because they're relatively small, then we tuck them into another program that we run for the state government called the Business Connect program. We tuck them into that to make sure that they've got everything that they need to be able to put in a bid, if they've got the capability to deliver.¹¹⁹

Indigenous business hubs

- 2.142 Evidence to the inquiry suggested that Indigenous business hubs are a highly effective way to build the capacity of new and established Aboriginal and Torres Strait Islander enterprises.
- 2.143 The NIAA submitted that under the IBSS, the Federal Government intends to roll out Indigenous business hubs in major cities, which would provide advice and access to support for Aboriginal and Torres Strait Islander enterprises.¹²⁰ There are currently two such hubs in operation: the Yarpa NSW Indigenous Business and Employment Hub in Western Sydney, which the committee visited during the inquiry, and the Wirra WA Indigenous Business and Employment Hub in Perth.
- 2.144 NSWALC partnered with the Australian Government in 2018 to create the Yarpa hub in Western Sydney. NSWALC observed that:
- Since then, Yarpa has become a one-stop shop for Indigenous businesses, entrepreneurs and jobseekers to build relationships and connect Indigenous people to business employment opportunities.¹²¹
- 2.145 NSWALC commented also at the public hearing on 29 April 2021, that Yarpa had built relationships with several leading construction companies and key government agencies, signing a memorandum of understanding with major industry leaders. NSWALC indicated that Yarpa had over 1,500 members and was operating a range of programs to assist business owners and jobseekers.¹²²
- 2.146 Mr Ricky Walford, a Director at Yarpa, submitted that one of its main objectives was 'about helping people assess their capacity and capability to apply for contracts' and stressed that Aboriginal and Torres Strait

119 Ms Barwick, CEO, NSWICC, *Committee Hansard*, 28 April 2021, Wyong, pp. 3-4.

120 NIAA, DESSFB, DSS, and APSC, *Submission 8*, p. 10.

121 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 17.

122 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 17.

Islander businesses needed to be adequately prepared to meet contractual obligations well in advance of winning such work.¹²³

2.147 As NSWALC further explained:

Yarpa is designed to be that pipeline between understanding as early as possible what are the demands that we're going to have for Indigenous businesses so that we can work with Indigenous people whether they're entrepreneurs at the ideation stage or they're businesses that need to grow to be ready to meet that demand.¹²⁴

2.148 NSWALC stressed the importance of Indigenous business hubs particularly in relation to gaining contracting work and submitting tenders:

We've got a massive issue in terms of the accreditation of the companies who have to fulfil those targets, and we've got a massive problem in that they don't start early enough. The earlier, for example, they start working with Yarpa, the better, so, at the time they're preparing their tender, whether it's BESIX Watpac or Fulton Hogan or Lendlease, they are already working with Yarpa, so Yarpa knows. We've had Aboriginal people or existing businesses that need to actually grow, that have difficulties in meeting some of the accreditation to be, for a tier 1, a subcontractor. ... But it is about getting that assistance to them early so that it's a lot quicker, easier and more straightforward for companies to meet those targets.¹²⁵

2.149 NSWALC additionally remarked that Yarpa was a game changer for Aboriginal and Torres Strait Islander companies who want to win these contracts.¹²⁶

2.150 The NTIBN commented in its appearance on 8 July 2021 that it was currently developing a business case and feasibility study on building an Indigenous business hub in Darwin.¹²⁷

123 Mr Ricky Walford, Director, Yarpa NSW Indigenous Business and Employment Hub, *Committee Hansard*, 29 April 2021, Liverpool, p. 26.

124 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 27.

125 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 28.

126 Mr Christian, CEO, NSWALC, *Committee Hansard*, 29 April 2021, Liverpool, p. 28.

127 Mr Cubillo, CEO, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 6.

Indigenous Business Australia

- 2.151 Indigenous Business Australia (IBA) is a commercially focused organisation that was first established in 1990 as the Aboriginal and Torres Strait Islander Commercial Development Corporation. IBA's stated purpose is to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency, and to advance the commercial and economic interests of Aboriginal and Torres Strait Islander people by accumulating and using a substantial capital asset for their benefit.¹²⁸
- 2.152 IBA reports in its submission that it has deployed over \$1 billion through investment and lending activity since 1 July 2016, which is over nine times the level of funding from the Government. IBA states that it works alongside Aboriginal and Torres Strait Islander customers to:
- achieve their aspirations for home ownership;
 - support and assist businesses and entrepreneurs; and,
 - facilitate wealth-generating investments.¹²⁹
- 2.153 IBA invests in the development and growth of Aboriginal and Torres Strait Islander businesses through its Business Solutions Program which offers a range of financial products to assist at every part of the business cycle, including leveraging opportunities from the IPP.
- 2.154 IBA also discussed some of the success in the Aboriginal and Torres Strait Islander business sector in its submission. It notes that their business customers generated over \$1.2 billion in aggregate turnover in 2016-17 and had an average turnover in 2016-17 of \$1.64 million, which IBA stated is almost 13 per cent higher than the average turnover of all Australian businesses.¹³⁰
- 2.155 IBA further observed that their Housing Solutions Program assisted Aboriginal and Torres Strait Islander peoples into home ownership by providing home loans at concessional interest rates, with low deposit requirements and flexible repayment terms.¹³¹ IBA reported in this regard

128 *Aboriginal and Torres Strait Islander Act 2005 Cth*, Section 46, <<https://www.legislation.gov.au/Details/C2014C00404>>, accessed 6 August 2021.

129 Indigenous Business Australia (IBA), *Submission 22*, p. 7.

130 IBA, *Submission 22*, p. 13.

131 IBA, *Submission 22*, p. 14.

that 90 per cent of their current home loan customers are ahead of their repayments.¹³²

- 2.156 In 2020, IBA indicated that it supported the 20,000th Aboriginal and Torres Strait Islander family into home ownership since the program's inception. A 2019 study by Deloitte Access Economics stated that this program had generated over \$900 million in wider social and economic outcomes, including improved health, education and employment outcomes.¹³³
- 2.157 IBA stated that its Investment and Asset Management Program provides opportunities to its Aboriginal and Torres Strait Islander partners and co-investors to directly invest in businesses assets. The program targets sectors like tourism, retail and commercial property, to undertake joint ventures where IBA aims to build the commercial capability and capacity of its partners.¹³⁴
- 2.158 IBA submitted to this inquiry that its Indigenous Real Estate Investment Trust delivered a distribution return of 6.54 per cent for the 12 months to 31 December 2020, and a distribution return of 9.75 per cent per annum since its inception in 2013 to 31 December 2020, benefiting more than 20 Aboriginal and Torres Strait Islander organisations who co-invest in the fund.¹³⁵
- 2.159 IBA asserted at the public hearing on 18 February 2021 that their main point of difference with banks is their customer risk profile:
- A lot of the time, people don't have the 20 per cent or 10 per cent deposit, so it's that ability – for some people, it's extraordinarily hard to be able to save up for that deposit. We also provide a better support for our clients. We provide no establishment fee, no annual fees. There is no lenders mortgage insurance. We don't charge that, which is a very big benefit to anybody entering into the home market.¹³⁶
- 2.160 IBA also noted at that hearing that when their home loan customers build enough equity in their property, they generally refinance with mainstream lenders which allows IBA to recycle its capital and assist other families into homeownership.¹³⁷

132 Mr Sean Armistead, Executive Director, Government and Public Relations, IBA, *Committee Hansard*, 18 February 2021, Conference Call, p. 3.

133 Mr Armistead, IBA, *Committee Hansard*, 18 February 2021, Conference Call, p. 2.

134 IBA, *Submission 22*, p. 14.

135 Mr Armistead, IBA, *Committee Hansard*, 18 February 2021, Conference Call, p. 2.

136 Mr Armistead, IBA, *Committee Hansard*, 18 February 2021, Conference Call, p. 3.

137 IBA, *Supplementary Submission 22.2 (responses to questions taken on notice)*, p. 2.

- 2.161 IBA informed the committee at the last public hearing of the inquiry on 22 July 2021 that it receives a certain amount in appropriations annually from the Federal Government but that it has identified greater opportunities than the amount of capital it currently has, particularly in the amount of home lending it could do.¹³⁸
- 2.162 IBA is constrained by certain provisions of the *Aboriginal and Torres Strait Islander Act 2005 (Cth)*, which place limitations on its ability to undertake normal, everyday, commercial activities. This includes borrowing money to raise capital and to act flexibly to provide the financial and business services that its customers are seeking.¹³⁹
- 2.163 IBA contended at the 22 July hearing that if it was able to leverage its existing home loan book and secure additional capital by borrowing, it could lend to more customers. When asked by the committee about the potential risks involved with this, Mr Cronje Wolvaardt, Director of Investment and Business Solutions at IBA, asserted:
- I think it's very easily possible to put in place the appropriate mitigants to ensure that there's a cap on the quantum of lending, probably from an LVR position, and to ensure that IBA can therefore leverage that base but not overleverage it.¹⁴⁰
- 2.164 NIAA told the committee at the same hearing that IBA is prevented from leveraging their asset pool due to a legislative barrier and a barrier within their charter.¹⁴¹
- 2.165 However, NIAA also commented that they are currently working with IBA to explore options to ensure they are fit for purpose for the future. These activities may not only include leveraging IBA's books to increase lending, but also looking at what other types of business or clients they can engage with to increase their risk profile. NIAA stated:
- A government would make sure, and IBA would be very focused – I know their board would be – on making sure that they don't engage in anything that's too risky. But there's a policy journey there that will go on with them. It's a live matter.¹⁴²

138 Mr Cronje Wolvaardt, Director, Investment and Business Solutions, IBA, *Committee Hansard*, 22 July 2021, Conference Call p. 27.

139 IBA, *Submission 22*, p. 19.

140 Mr Wolvaardt, IBA, *Committee Hansard*, 22 July 2021, Conference Call, pp. 27-28.

141 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, 22 July 2021, Conference Call, p. 31.

142 Mr Bulman, Group Manager, NIAA, *Committee Hansard*, 22 July 2021, Conference Call, p. 31.

Foreign trade and investment opportunities

- 2.166 The Committee received evidence that the use of geographical indicators (GIs) in Free Trade Agreements can protect both Aboriginal and Torres Strait Islander products and the national interest. The Department of Foreign Affairs and Trade (DFAT) defines a GI as ‘a name used on a product that has a specific geographical origin and possesses qualities or a reputation that are essentially attributable to that origin’, and states that once a GI is protected the name may only be used by producers who comply with certain rules.¹⁴³
- 2.167 Mr Darren Godwell, Chief Executive Officer, i2i Development Global Pty Ltd explained to the committee at the public hearing on 9 July 2021 that one of the benefits of GIs is that Australia will be securing the national interest in products or goods that will be grown predominantly in regional Australia, and that the effects will be seen in those regional economies, as well as yielding rewards for Aboriginal and Torres Strait Islander peoples.¹⁴⁴
- 2.168 Mr Godwell further remarked to the committee that a trade-led strategy to advance export opportunities for Aboriginal and Torres Strait Islander businesses could yield positive commercial outcomes for Aboriginal and Torres Strait Islander peoples and for regional Australia. He commented in this regard in relation to native plants:
- ... we very much want to assert that the uniqueness of those Indigenous botanicals comes from their geography, from their location, and from the cultural practices of propagation, maintenance, harvesting and potential use by Indigenous peoples.¹⁴⁵
- 2.169 In relation to the Kakadu plum, which Mr Godwell described as the ‘darling ingredient’ of the global cosmetics industry, and is included as the active ingredient in products of the top five global cosmetic companies, Mr Godwell stated:

143 Department of Foreign Affairs and Trade (DFAT), *Geographical indications*, <<https://www.dfat.gov.au/trade/agreements/negotiations/aeufta/geographical-indications>>, accessed 6 August 2021.

144 Mr Darren Godwell, Chief Executive Officer, i2i Development Global Pty Ltd, *Committee Hansard*, Conference Call, 9 July 2021, p. 39.

145 Mr Godwell, CEO, i2i Development Global Pty Ltd, *Committee Hansard*, 9 July 2021, Conference Call, p. 35.

That's an existing market with some tens of millions of dollars which Australia has forfeited our interest in to-date by not listing Kakadu plum within the geographical indications list.¹⁴⁶

- 2.170 Mr Godwell further claimed that there are billions of dollars available to social enterprises from investors that are interested in impact investing. There needs to be a 'deliberate mechanism to support those inflows of capital into Indigenous businesses'.¹⁴⁷ He emphasised also that many Aboriginal and Torres Strait Islander companies do not see the market or export opportunities for their business. He provided the example of small enterprises selling products via an ecommerce payment facility to customers in America or Canada that do not see themselves as exporters.¹⁴⁸
- 2.171 The NT Government discussed the Trade Support Scheme run by the NT Department of Industry, Tourism and Trade stating that it supports small to medium businesses in the Territory to offset the costs of international marketing activities, such as development of export marketing plans; trade exhibitions, conferences and marketing activities; and freight.¹⁴⁹
- 2.172 NTIBN informed the committee of its work to develop an Aboriginal export strategy for the NT with the aim of encouraging Aboriginal and Torres Strait Islander businesses to engage in export activity.¹⁵⁰
- 2.173 In addition, NTIBN advised that they are keen to support their members in the export area of Aboriginal bush foods and botanicals. Importantly, NTIBN asserted the importance of the industry being Aboriginal-led, as well as Aboriginal people more broadly leading the cultural vitalisation of Australia regarding the native botanicals and bush foods that Australians can find in their backyard.¹⁵¹
- 2.174 Professor Throsby and Ms Petetskaya of Macquarie Business School highlighted in its submission that living remotely does not mean a lack of engagement with the outside world, as many remote artists send their work Australia-wide and internationally. They further noted that nearly

146 Mr Godwell, CEO, i2i Development Global Pty Ltd, *Committee Hansard*, 9 July 2021, Conference Call, pp. 34-35.

147 Mr Godwell, CEO, i2i Development Global Pty Ltd, *Committee Hansard*, 9 July 2021, Conference Call, p. 36.

148 Mr Godwell, CEO, i2i Development Global Pty Ltd, *Committee Hansard*, 9 July 2021, Conference Call, p. 38.

149 Northern Territory Government, *Submission 28*, p. 14.

150 Ms Anstess, General Manager, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 2.

151 Mr Cubillo, CEO, NTIBN, *Committee Hansard*, 8 July 2021, Conference Call, p. 9.

one-third of Aboriginal and Torres Strait Islander artists have had their work shown or presented overseas.¹⁵²

- 2.175 Mr Godwell remarked to the committee that \$130 billion per year flows from UK investors into Australian businesses and enterprises as direct foreign investment. He commented that if only one per cent of this capital could be injected into investment-ready Aboriginal and Torres Strait Islander enterprises, this would be \$1.3 billion per year from valued and trusted partners in the UK. By comparison, he informed the committee that the Indigenous Land and Sea Corporation and IBA have just \$100 million per year combined to invest in Aboriginal and Torres Strait Islander businesses.¹⁵³

Committee comment

- 2.176 The committee believes is that government has an important role to play in enhancing the capacity of Aboriginal and Torres Strait Islander businesses to compete for both public and private sector contracts, and to access investment opportunities.
- 2.177 There needs to be government resourcing of more Aboriginal and Torres Strait Islander business hubs, not only to provide assistance and expertise with regard to tendering and procurement contracts, but also to foster commercial relationships and help to identify opportunities.
- 2.178 The committee agrees with IBA that it should be able to expand its lending operations and would like to see legislative changes that will enable this. Providing more capital to Aboriginal and Torres Strait Islander peoples and Aboriginal and Torres Strait Islander businesses helps to improve Indigenous economic opportunity.
- 2.179 The committee also acknowledges that there are opportunities for Aboriginal and Torres Strait Islander businesses to access foreign markets and foreign direct investment. Future trade policies should therefore seek to foster Aboriginal and Torres Strait Islander enterprises through the use of GIs and other mechanisms.
- 2.180 The use of GIs represents an opportunity to develop a trade-led strategy that can yield commercial outcomes for both Aboriginal and Torres Strait Islander and regional Australia. Better access to foreign direct investment

152 Professor David Throsby and Ms Katya Petetskaya, Macquarie Business School, *Submission 5*, pp. 3-4.

153 Mr Godwell, CEO, i2i Development Global Pty Ltd, *Committee Hansard*, 9 July 2021, Conference Call, p. 38.

by Aboriginal and Torres Strait Islander businesses will open up investment capital outside of public funds.

- 2.181 Such a strategy will not only have positive impacts on Indigenous participation in employment and business but will also promote the national interest.

Recommendation 6

- 2.182 **The committee recommends that the Australian Government support more business hubs and employment incubators where Aboriginal and Torres Strait Islander businesses can receive assistance with tender processes and with accessing government procurement opportunities.**

Recommendation 7

- 2.183 **The committee recommends that the Australian Government remove legislative and other barriers that could impede Indigenous Business Australia from expanding its operations.**

Recommendation 8

- 2.184 **The committee recommends that all future free trade agreements contain Aboriginal and Torres Strait Islander inclusions, including geographical inclusions, and that the government should support Aboriginal and Torres Strait Islander access to foreign direct investment.**