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Committee Secretary
House Standing Committee on Aboriginal and Torres Strait Islander Affairs
House of Representatives
Parliament House
Canberra ACT 2600

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Dear Secretary

Re Inquiry into developing Indigenous enterprises

The Minerals Council of Australia welcomes the opportunity to provide input to the House Standing Committee's inquiry into developing Indigenous enterprises.

The Minerals Council of Australia (MCA) is the peak industry association representing Australia's exploration, mining and minerals processing industry regionally, nationally and internationally, in its contribution to sustainable development. Our member companies produce more than 85 per cent of Australia's annual mineral output and a greater proportion of minerals exports. The MCA's strategic objective is to advocate public policy and operational practice for a world-class industry that is safe, profitable, innovative, environmentally and socially responsible, and attuned to community needs and expectations.

Members of the MCA recognise that Industry's engagement with Indigenous peoples should be founded in mutual respect and in recognition of Indigenous Australians' rights in law, interests and special connections to land and waters. This point is made even more acute by the fact that more than 60% of minerals operations in Australia have neighbouring Indigenous communities.

The Australian minerals industry seeks to ensure that their operations make a significant positive socio-economic contribution to the communities in which we operate. The industry's overarching goal is to assist the development of strong and sustainable Indigenous communities, beyond the life of mine.

It is through direct community involvement and the creation of partnerships between companies, governments and communities in areas such as jobs, training, health, education, essential infrastructure and enterprise facilitation that companies can and do contribute the greatest value.

We recognise that stable environments and lives are created through equitable socio-economic opportunities and outcomes and that self-employment is an important part of economic participation. Accordingly, our policies and practices are directed at building local community capacity and capturing opportunities to grow the intergeneration socio-economic wellbeing of Indigenous Australians.

Barriers to Indigenous Enterprise Development

Success in business for many Indigenous peoples is constrained by a number of complex barriers. These systemic barriers often prevent them from taking up employment and business development opportunities and require long-term commitment to overcome. The systemic barriers are twofold, both structural and cultural.

Structural barriers to Indigenous enterprise, include poor health, housing, poverty and education outcomes which stem from the long term failure of investment by governments in social and physical infrastructure for remote and regional Indigenous communities.

Cultural barriers include the need for flexibility in programs and policies to support the unique culture of Indigenous Australians including flexibility in employment practices.

In addition to the structural and cultural barriers to Indigenous enterprise, there has also been institutional failure in government mechanisms to facilitate the development of Indigenous enterprise, including:

- while tax exemption to encourage venture capital is granted for specific emerging businesses, including a tax exemption for non-residents, no clear venture capital opportunity exists to encourage Indigenous enterprise development;
- while a range of Government funded venture capital products and sectoral grants schemes and development funds exist (eg Small Business Incubator Program; Business Ready Program for Indigenous Tourism) the application guidelines for these funds are onerous and prescriptive, and their eligibility criteria is too narrow to support the diversity of Indigenous enterprise development necessary to facilitate the development of real economic opportunities for a significant number of Indigenous people and communities;
- the existing institutional and governance arrangements of government programs are often overly complex and inflexible, for example Indigenous Business Australia's (IBA), Indigenous Business Assistance and Indigenous Equity and Investments are onerous, require emerging businesses to meet equivalent hurdles that are required by mainstream investment options such as banks, and have tended to favour investment in businesses that may be sustainable and economically viable even without investment by IBA;
- many of the application requirements for assistance under the strategic land acquisition and management activities of the Indigenous Land Corporation are onerous and do not facilitate effective *capacity building for Indigenous businesses seeking to establish in this area, nor do they specifically support the incubation and further development of a broad range of Indigenous businesses;*
- poor up front investment in building the capacity of individuals and organisations in terms of financial and management skills etc;
- a lack of organisations that can provide mentoring and other assistance required for a business to develop and grow; and
- poor coordination and targeted promotion of the various initiatives that do exist, making it difficult for a fledgling business know where they can seek support and assistance.

Facilitating the development of Indigenous enterprises

To address the issues raised above it is proposed that a series of amendments should be considered to existing taxation and institutional arrangements to achieve better outcomes in facilitating the development of Indigenous enterprises. Such amendments could include:

- Granting flow through tax treatment, coupled with tax exempt income and capital gains for venture capital partners in Indigenous enterprise development where business have prescribed minimum levels of Indigenous ownership and targets for increasing equity arrangements over time;
- Providing specific arrangements for government funded Indigenous enterprise development, including venture capital grants targeted at small family enterprises, application processes that are simplified and do not simply rule out Indigenous enterprises in un-defined markets or products as higher risk and unsuitable for investment, and the provision of a specific Indigenous Enterprise Development Grants Program (akin to the existing Export Market Development Grants Program) that supports the promotion, marketing and growth of Indigenous enterprises following their establishment;
- Reforming the focus and function of Indigenous Business Australia (IBA) such that their capacity building and investment strategies better facilitate the incubation and emergence of Indigenous businesses including: a reduction in the commercial viability hurdles required for the provision of support or assistance by IBA, enhanced provision of capacity building and other support measures, removal of the requirements to provide security in the form of assets of sufficient real value that can be sold to recover the full value of the loan in the case of default, removal of the loan application fee requirements, reductions in the credit report requirements and removal of the requirement to provide a financial return which is consistent with the relevant industry sector;
- Reforming the Indigenous Land Corporation to better facilitate Indigenous enterprise development, including a simplification of the application process, greater capacity building assistance for business incubation and development, and revision of the Program Guidelines that currently prescribe narrow parameters within which a business must demonstrate that it is sustainable over the long term and delivers quantifiable and sustainable benefits, specifically in employment and training, through land ownership; and
- Creation of Indigenous business enterprise centres that can provide a one stop shop of advice and support to businesses and potential businesses. These centres could also provide the up front capacity building and mentoring of businesses and coordinate the various initiatives and programs available to support Indigenous businesses. In addition, the centres could take a role in stimulating growth and financial opportunities for existing and emerging businesses.

Australian minerals industry approach to Indigenous enterprise facilitation

In many remote and regional areas, minerals operations provide the only significant mainstream economic activity in the region.

The Australian minerals industry is uniquely placed to make the most significant contribution to the socio-economic development of remote Indigenous communities. We consider that the industry can make the strongest contribution through the development of skills, in providing training and employment opportunities, and in supporting Indigenous enterprise development.

An identified goal within the MCA's Indigenous relations strategic framework is to support and facilitate the capacity of Indigenous Australians to more effectively engage in the broader economy, including through wealth creation and the establishment of vibrant, diversified and sustainable regional economies. One of the ways we seek to achieve this goal is through the promotion, support and facilitation of Indigenous communities engagement with minerals companies operations, including the promotion of education, training, employment joint ventures and local business diversification including post mining options.

We hope to increase Indigenous participation in the minerals and other related industries through employment and support for the development of Indigenous businesses along our supply chain and in the broader community.

The minerals industry's approach relies on many precursors being in place to address the systemic barriers to Indigenous enterprise, however this is often not the case in remote and regional Australia.

We recognise that efforts to address these issues cannot be achieved solely by industry or by Indigenous communities. They will require a coordinated program of reform by the Federal and State and Territory Governments working together, as well as companies and communities working in partnership with schools, vocational education and training and higher education sectors.

Consequently, the MCA's focus has been on developing a suite of programs and partnerships that seek to build sustainable communities, particularly in remote and regional Australia. To this end, the MCA is pursuing a number of initiatives at the industry level, a few examples are outlined as follows:

- The MCA is an active supporter of the Association for Aboriginal Enterprises in Mining, Energy and Exploration (AAEMEE) recognising the opportunities this provides to facilitate the development of Indigenous businesses, and to provide strategic linkages between businesses and industry. This support encompasses the joint hosting of an annual AAEMEE conference which provides capacity building opportunities and support for Indigenous businesses to meet and exchange on industry requirements, in terms of procurement, health and safety, and legal and financial arrangements to partner for scale.
- The MCA's commitment to promoting education and training, employment, and business opportunities for local Indigenous peoples where our companies operate is also demonstrated in the MCA and Australian Government's joint focus on Indigenous Employment and Enterprise Development under a Memorandum of Understanding framework. The MoU provides a strategic platform for the minerals industry and governments to work in partnership with Indigenous people to build sustainable Indigenous communities, through increased employment and business opportunities in mining regions.

The minerals industry recognises that, in line with its social licence to operate, companies can assist Indigenous community development through providing employment, training and enterprise development opportunities related to its mining activities. Increasingly industry is also extending its responsibilities in facilitating regional development opportunities beyond those directly related to mining activities, including through the provision of opportunities beyond the life of mine.

And we hope that we will increase Indigenous participation in the minerals and other related industries through employment and support for the development of Indigenous businesses along our supply chain and in the broader community, recognising the benefits of a local supply chain through local Indigenous owned businesses.

Areas for Indigenous commercial advantage and strength associated with the minerals industry fall into three categories:

> The supply chain – There are a variety of supply chain services which could be a focus for Indigenous enterprises, including; mining contracting, catering and supply, construction and uniform supplies and there are instances where that has occurred eg, Ngarda Civil and Hookey Contracting;

> Environmental management - there are a number of specific skills relevant to minerals industry activity in relation to traditional environmental knowledge, also referred to as caring for country. These skills include; seed collection, rehabilitation, revegetation and fire and weed management; and

> Cultural - as required under State heritage legislation, the identification and preservation of artefacts, and the provision of anthropological services are examples of areas for Indigenous business delivery in the minerals industry. This can also extend to cultural tourism and interpretation.

The Beacon Foundation's '*Something Concrete*' project is an example of an innovative approach to developing a commercial local enterprise, one that will employ young local Indigenous people.

The *Something Concrete* project was the first time the Beacon Foundation's 'real jobs' template was applied to Indigenous unemployment. The Foundation's template seeks to create a new enterprise in a local region with a focus on the social dividend of creating sustainable real local jobs for unemployed young people ahead of the financial dividend. The template relies on a committed local project host and heavy subsidy from all available sources during the establishment, training and learning phase in order to allow unpressured learning without fear of failure due to commercial and time pressures. Under the template, at the end of the establishment period the newly created local Enterprise is required to stand and trade alone in a wholly commercial manner.

The *Something Concrete* project is a partnership between the Beacon Foundation, the local Shire of Wyndham and East Kimberley, a local Indigenous organisation, the Wunan Foundation, Cemex (previously Readymix), Sinclair Knight Merz, Argyle Diamond Mines and Pilbara Iron amongst others. The project involves the establishment of a pre cast concrete manufacturing business in Kununurra to manufacture components for affordable homes in remote communities in the East Kimberley.

The enterprise has already received orders for 15 precast homes over the next three years and as the experience and reputation of the factory grows, its backers hope it will attract orders for a wider range of pre cast products from further afield, allowing for its expansion and guaranteeing its long term viability. This has already started happening with an order for two precast concrete flood openings.

The Beacon Foundation is currently developing plans to replicate the '*Something Concrete*' project in remote Indigenous communities across Australia.

United States minority business council model

While not directly familiar with the US minority business council model, the MCA understands that it provides a range of services for Indigenous owned businesses, including providing a clearing house type mechanism to enable the matching of Indigenous owned business services to potential clients, capacity building support programs, and financial assistance through capital loans etc.

We support the intent of the model and note that it aligns with Ernesto Sirolli's enterprise facilitation model which provides a resourcing, mentoring and support framework for emerging businesses opportunities. Specifically, the Sirolli model recognises that no individual has the necessary range of skills in product development, marketing and promotion and financial management necessary to ensure business success, and works to create a supportive environment around emerging businesses to ensure that these needs are met. The model has been used widely internationally and in Australia, including in Indigenous communities, and was the inspiration for the establishment of Business Enterprise Centres in Western Australia.

The MCA considers that any application of the US model within the Australian context would benefit from being driven by a local approach, ie, driven by local Indigenous communities to suit local circumstances. The Association of Aboriginal Enterprises in Mining, Energy and Exploration (AAEMEE) mentioned earlier, is a good example of a functional Indigenous led model in the Australian context.

Similar to the US model's clearing house mechanism, the MCA supports the concept of a service directory or compendium of Indigenous owned/operated businesses that can provide goods and services to the construction, mining and related industries.

Incentivisation

The MCA considers that incentives should be provided to encourage business with Indigenous enterprises. For example, taxation incentives to encourage companies to contract with Indigenous business, through enabling them to partially offset the additional costs of purchasing goods or services from local Indigenous businesses versus the economies of scale in pricing they can achieve if their purchasing is undertaken on a global scale.

Taxation incentives, similar to existing research and development tax deductibility, could also apply to enable the deductibility of expenses companies might incur if they resource the mentoring and training of Indigenous businesses required before they can do business with them.

An additional area that should be considered is the important role that mentoring and business development assistance plays in incentivising Indigenous businesses to develop and prosper. This mentoring and support assistance needs to be *culturally appropriate and assist in the transition from traditional cultural obligation to a commercial environment*. This is a role that fits within the purvey of government, and could perhaps be undertaken through Indigenous Business Australia.

The MCA also advocates for government assistance for organisations such as the Association of Aboriginal Enterprises in Mining, Energy and Exploration (AAEMEE), to better equip them to provide services to their membership, Indigenous businesses. For example, support to provide capacity building in areas such as; understanding the legal requirements of Corporations law and the Corporations (Aboriginal and Torres Strait Islander) Act, drafting service proposals and preparing cost estimates for tenders and bids, partnering with other Indigenous business and/or non-Indigenous businesses for scale, and issues related to insurance and legal indemnification.

In addition, the MCA considers that there is merit in governments including purchasing policies in their procurement guidelines which encourage business with Indigenous owned/operated enterprises. This would help grow Indigenous businesses through secure contracts, offer long term partnering arrangements and is also an opportunity for government to ensure that the social dividend is reflected in their purchasing practices.

Summary

This submission has highlighted the barriers and opportunities for the facilitation, support and encouragement of Indigenous enterprises.

This submission also seeks to underscore the critical need for the systemic structural and cultural barriers to be addressed by governments to provide an enabling framework and community capacity to take up the opportunities offered by the industry, through the provision of quality public infrastructure, in terms of education, health and welfare.

The Australian minerals industry also highlights what it considers are key avenues and suggestions for institutional reform to facilitate the development and growth of Indigenous enterprises, including:

- The introduction of a range of taxation and other financial incentives,
- Government support for mentoring and capacity building programs,
- Reforming overly onerous or complex Government programs,
- Creating Indigenous business enterprise centres as a one stop shop of advice and support, and

Should you have any queries on this submission please do not hesitate to contact me on 02 6233 0625.

Yours sincerely



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