

**Submission to the House of Representatives Standing  
Committee on Aboriginal and Torres Strait Islander Affairs**

**Indigenous Business Inquiry**

**by the  
Torres Strait Regional Authority**

## **INQUIRY INTO INDIGENOUS BUSINESS - HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER**

### **Preamble**

The Torres Strait, like many of Australia's indigenous communities, is geographically isolated from mainstream Australia. This isolation and a lack of adequate community infrastructure, including water, housing, power and transport, are factors affecting the economic development in the region. Other important factors that impact on the economic development in the region are the shortage of useable land, the land tenure system and the constraint placed on the communities to borrow money.

Despite the many impediments to economic growth in the region, economic opportunities do exist. The fishing industry, including commercial fishing, prawning, pearl farming and crayfishing, has the potential to become a significant and viable industry, for indigenous people, with the injection of capital and trained management personnel.

There is also a significant potential for tourism development in the Torres Strait. The pristine environment, abundant fishing stocks and presence of a unique indigenous culture are all draw cards to both local and international tourists.

Seisia, a Torres Strait Islander community on Cape Yorke, has successfully established a tourist facility, which caters for recreational fishermen, overland tourists and backpackers. Other communities in the Torres Strait, with TSRA assistance, are now addressing the problem of inadequate accommodation and linking up with Seisia community to encourage tourists to visit the outer islands. As communities become interested in encouraging tourists and establishing appropriate infrastructure, tourism has the potential to become a major economic resource for the region.

Currently, the majority of Torres Strait Islanders are employed under the Community Development Employment Program (CDEP). The program is used to provide employment to develop community infrastructure, as well as maintaining satisfactory levels of municipal operations and provide training opportunities. Cases are emerging where CDEP is used to provide subsidised labour for community enterprises and construction projects.

If CDEP is excluded from the unemployment figures, the unemployment rate is approximately 44% for Torres Strait Islanders; including CDEP this lowers to approximately 12%. Part of the reason for these high unemployment rates are the low percentage of Torres Strait Islanders that continue studying until the completion of high school. According to the Australian bureau of statistics only 9.9% of Torres Strait Islanders have post school qualifications. This translates to a generally unskilled work force throughout the region. Although some of the more traditional economic activities such as commercial fishing are not effected; industries such as construction (who have the potential to employ a significant number of Torres Strait Islanders) currently only employ a small percentage of Torres Strait Islanders.

The percentage of Torres Strait Islanders who are self-employed is extremely low when compared to the Australian average. According to the Australian Bureau of Statistics only 4% of Torres Strait were self-employed in comparison to the Australian average of 16%.

**The Torres Strait Regional Authority (TSRA)**

The TSRA was established as a separate Commonwealth Statutory Authority on 1 July 1994 following a review of the Aboriginal and Torres Strait Islander Commission Act, which recognised the separate and distinct nature of Torres Strait Islanders.

Apart from administering the Community Development Employment Program (CDEP), the TSRA has an Economic Development Program, which has two components namely Business Funding Scheme (BFS) and Community Economic Initiative Scheme (CEIS). The economic development principles of the Aboriginal and Torres Strait Islander Commission (ATSIC) have been adopted with modifications to administrative processes to suit the operational environment of the TSRA. The programs are described in detail in the following paragraphs.

**The Existing Commonwealth Programs for The Torres Strait Islanders**

**The Community Development Employment Program (CDEP)**

Currently, the majority of Torres Strait Islanders are employed under the CDEP, which totalled \$20,205,000 in 1997/98. As well as providing employment to develop community infrastructure and municipal services, it also provides training opportunities to the Islanders. Communities including St Pauls, Badu and Bamaga have employed a number of Torres Strait Islanders under apprenticeships and traineeships for their construction projects to increase their skills base.

**The Economic Development Program**

In 1993/94, the economic development portfolio consisted of two loans with a combined value of \$12,150. Since then it has grown to become the TSRA's third largest program, behind CDEP and major infrastructure. The tables and graph below provide relevant statistics for the BFS and CEIS schemes.

***Table 1 TSRA Economic Development Budget***

	<b>1994/95</b>	<b>1995/96</b>	<b>1996/97</b>
Business Funding Scheme (BFS)	\$100,000	\$396,000	\$262,110
Community Economic Initiative Scheme (CEIS)	\$355,000	\$0	\$800,000

Table 1 shows the total funds allocated towards each program under the Economic Development Budget for the last three financial years. The budget for Economic Development in 1997/98 is \$1.7 million. This represents 5% of the TSRA's annual budget and represents a significant increase from 1995/96 where only 1% of the TSRA's funds were allocated towards Economic Development programs.

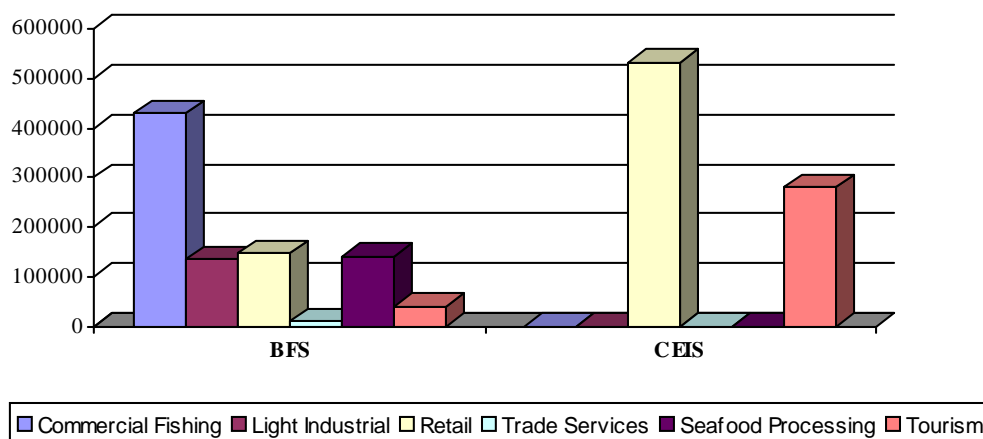
**Table 2 Breakdown of Economic Development Projects by Programs & Industry**

	<b>BFS</b>	<b>CEIS</b>
Commercial Fishing	41	0
Light Industrial	4	0
Retail	4	3
Trade Services	2	0
Seafood Processing	2	0
Tourism	1	1
<b>TOTAL</b>	<b>54</b>	<b>4</b>

As at 31 January 1998 the TSRA had 54 active loans under BFS and 4 CEIS projects. 4 additional projects under CEIS have approval for funding and these enterprises are presently being established.

The majority of loans are for people to enter small business for the first time. At this stage it is too early to know the long-term success of the program. However, based on our assessment, the signs are promising. The portfolio is growing at a strong rate, and awareness within the community regarding the program's availability is increasing.

**Graph 1 Value of Funds Advanced by Program & Industry**



The average value of the 41 commercial fishing loans under BFS is \$10,500. In terms of numbers, they account for 70% of all projects under the Economic Development Program. In terms of value they account for only 25% of funds advanced under the program. The retail sector has seven projects funded with a combined value of \$679,232. The majority of these funds were allocated to two main projects, a supermarket located at Seisia and a Mini-Mart located at Hammond Island. These two projects have a combined value of over \$500,000 and were both funded through the CEIS program, while the remaining five were funded under BFS.

**Barriers to the Establishment, Acquisition or Development of Indigenous Controlled Businesses**

As mentioned in the preamble, the lack of basic infrastructure is the major handicap to economic development in the Torres Strait.

Another impediment to the development of indigenous businesses is the inability of the Torres Strait Islanders to attract potential joint venture partners to construct infrastructure on their land because of the Deed of Grant In Trust (DOGIT) land tenure system. Any dealings in DOGIT land must be consistent both with the specific terms of the DOGIT and also with the provisions of the Land Act. Those provisions will often require ministerial approval for specific land dealings. In the Torres Strait context, the DOGITs are held by the Island Community Councils as trustees and the Councils have a general obligation to have regard to Island Custom in performing their legislative functions. This together with the constraint placed on the Community Councils to borrow money dampens the incentive to start any business venture.

The remoteness of the region makes it difficult and costly to access many of the professional business services that are readily available in mainstream Australia. Normal State Government services are not available in the Torres Strait. The lack of facilities is a significant obstacle to running a business in the region. It has been assessed that the cost of freight cost to the outer islands adds a 10% to 20% increase in prices as compared to Cairns. Another example is the Far North Queensland Electricity Board (FNQEB) demand charge for new electricity connections. The charge is \$1.00 for each kilowatt of power, which is an additional cost not faced by businesses operating on the mainland.

### **Possible Future Policy Directions and Administrative Arrangements at the Commonwealth Level to Encourage Indigenous Commercial Initiatives**

Recognising the many disadvantages faced by the Torres Strait region and how they impede the progress of the region, the TSRA has submitted a New Policy Proposal in 1998 to fast track the upgrade of water, sewerage and housing stocks in the outer islands.

To encourage commercial development on the outer islands, the Commonwealth/TSRA could either provide specific grants to build infrastructure or be a guarantor to the joint venture partners of the Torres Strait Islanders. This would ensure that the joint venture partners would not lose their security on the infrastructure they build on the DOGIT land.

The Commonwealth could provide a freight subsidy, in line with its Tasmanian freight subsidy scheme, to indigenous organisations and people living in the Torres Strait.

This could be extended to other remote indigenous communities on the mainland.

### **Means of Raising the Profile of Indigenous controlled Businesses or Businesses in which Indigenous People are Joint Venture Partners**

Successful indigenous businesses receive little recognition for their achievements. In order to address this, the TSRA in June 1998 will present its inaugural business awards in an effort to raise the public awareness of its Economic Development Programs and give due recognition to successful indigenous businesses.

The TSRA also produces a quarterly community bulletin that contains articles and advertisements regarding its Economic Development Program. The last edition is attached for your information.

Successful businesses should be publicised to provide a positive feedback to the indigenous people and to inform the general public that, with appropriate encouragement, determination and assistance, success is possible.

## **Conclusion**

It is important to remain realistic, and acknowledge that the opportunities for economic development are limited within the Torres Strait. It is also recognised that at times it is necessary to import relevant skills and expertise to help realise many of the economic opportunities that are available. An example is the Seisia Campgrounds which has been leased to the private sector for the last five years. The skills and expertise brought in by the private operator has lifted the profile of the campgrounds, and consequently there has been a steady increase in tourist numbers. The increased tourist numbers have contributed to the profitability of other community run enterprises such as the petrol station and supermarket.

The TSRA's main strategy regarding BFS program has been to target small business. Being locally based allows TSRA staff to be pro-active and approach indigenous residents who have the capacity to succeed in business. Over 75% of loan recipients have either been approached by TSRA staff or have been recommended by members of the indigenous business community. Based on current trends the TSRA expects to have over 100 active loans by the December 1998.

The success of the TSRA Economic Development program is built on the fact that the administration staff has a good understanding of local issues and are thus better informed when funding decisions are made. Evidence of this success is displayed by the fact that in June 1994 the TSRA's Economic Development portfolio valued of \$12,150; today it has a portfolio valued at well over \$2 million.

The upgrading of basic infrastructure including water, sewerage and power as well as legislation that would provide greater land tenure security will create an economic climate capable of attracting more private sector investment. This combined with TSRA's economic programs to overcome the natural barriers to development will be of great benefit to indigenous people of the Torres Strait.