



Department of Industry and Resources
Government of Western Australia

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Mr Richard Marles MP
Chairman
Standing Committee of Aboriginal and Torres Strait Islander Affairs
PO Box 6021
Parliament House
CANBERRA ACT 2600

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BY: ATSI

Dear Mr Marles

**STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER
AFFAIRS INQUIRY INTO DEVELOPING INDIGENOUS ENTERPRISES**

Thank you for your letter of 25 June 2008 addressed to both the Hon Fran Logan MLA and the Hon Eric Ripper MLA, inviting a submission to the above inquiry. Your correspondence has been referred to me for a direct reply.

Please find attached the Department of Industry and Resources' (DoIR) submission to the inquiry addressing the terms of reference.

DoIR has a number of areas involved in assisting Indigenous people in economic development, including the Aboriginal Economic Development division and the Mineral and Title Services division involving tenure and native title. The Aboriginal Economic Development division has been operating in this area for 23 years and has extensive experience in addressing the barriers to Indigenous enterprise success.

If you have any enquiries relating to DoIR's submission please contact Alan Pitman, Manager, Aboriginal Economic Development on (08) 9222 0945 or at Alan.Pitman@doir.wa.gov.au.

Yours sincerely

Joe Oston
A/Deputy Director General

September 2008

Att

cc Hon Fran Logan MLA
Hon Eric Ripper MLA

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS INQUIRY INTO DEVELOPING INDIGENOUS ENTERPRISES

Introduction to Submission

The Aboriginal Economic Development division (AED) within the Department of Industry and Resources (DoIR) provides a range of business support services, including financial assistance, to Indigenous people and organisations. AED often works with a coalition of local, State and Federal Government, industry and philanthropic financial assistance providers.

The primary eligibility criteria for access to AED financial support are based on sustainable and commercially viable employment, enterprise development and wealth creation outcomes for Indigenous people and organisations. One of AED's great strength is that the ability to access this funding is flexible as it is not based on funding rounds like many other Government programs. Applications can be made at any time in the budget cycle, if funds are available within AED's budget

- 1. whether current government, industry and community programs offering specific enterprise support programs and services to Indigenous enterprises are effective, particularly in building sustainable relationships with the broader business sector;*

Government Programs

With AED's experience, the principal government programs for business assistance available to Indigenous persons or companies lack the flexibility to support proposals that are less 'conventional' such as where a restricted window of opportunity is available, or where the risk factors are not those routinely met by the broader community's small to medium businesses. This general lack of flexibility often means that issues such as complimentary support from industry are not factored into the assessment of the business proposal which then fails to meet the funding criteria. In a similar way, the use of 'funding' rounds by government introduces a level of inflexibility that works against Indigenous entrepreneurs.

On a larger scale, Indigenous Business Australia (IBA) and the Indigenous Land Corporation (ILC), enter into business joint ventures or purchase land or other significant capital assets on behalf of Indigenous clients. This approach ensures there is a capacity partner in the early stages of the new venture. However, in the past there appears to have been a reluctance by both the ILC and IBA to divest their interest to the Indigenous client once the venture starts to mature and provide meaningful returns on the investment.

Industry Programs

In the resources sector, joint ventures between a capacity partner and Aboriginal interests with a direct link to the project provide the greatest opportunity for success. The nature of the relationship reduces the risk that the capacity partner will withdraw. Once established, these arrangements can continue beyond the initial project thereby bringing the Aboriginal participants into the mainstream. Additionally, Aboriginal interests can branch out into other commercial activities and arrangements, employing the skills learnt through a close working relationship with the capacity partner.

The establishment of joint ventures between Indigenous enterprises and capacity mainstream businesses, together with the development of strong associations between industry and Indigenous business organisations, can provide increased negotiating power and improved governance capacity for the Indigenous business.

2. identifying areas of Indigenous commercial advantage and strength;

AED considers that there are a number of areas of Indigenous commercial advantage and strength:

- in enterprises and employment involved in the arts and tourism industries;
- where native title has an impact on industry operations, including land access, future acts, native title extinguishment or suppression and Indigenous land use agreements;
- in 'caring-for-country' situations such as ranger employment and mining rehabilitation; and
- in the cultural industry including museums, heritage, welcome to country, cross-cultural training and event representations.

These advantages are counterbalanced by a general lack of commercial knowledge including market intelligence, business governance awareness, access to capital, limited opportunities to achieve commercial economies of scale and, at times, community backlash against successful individuals.

3. the feasibility of adapting the US minority business/development council model to the Australian context; and

The US minority business/development council model is mentioned as a subset of the US Department of Commerce, Minority Business Development Agency (MBDA). The MBDA website includes references to funding regional MBDA Business Development Centres (RBDCs), which assist with the start-up, expansion and development of minority owned firms, Minority Business Enterprise Centres (MBECs) and Native American Business Enterprise Centres (NBECS), which provide individualised management and technical

assistance to minority entrepreneurs. Finally, Minority Business Opportunity Committees (MBOCs), coordinate Federal, State and local business resources.

While this multi-layered approach may be appropriate in the US, there are concerns that this model may be too complex for the Australian Indigenous business environment. A simplified version under consideration by the Western Australian Small Business Development Corporation (SBDC) has regional Small Business Centres providing specialised services to Indigenous people and may be more appropriate. SBDC is currently conducting a pilot project in Derby, WA and will review its efficacy shortly.

Many of the MBECs charge a subsidised fee for services of US\$100 per hour (in line with MBDA directions), although this can be further subsidised at the MBEC's discretion. Most of the Indigenous businesses in Western Australia that require business services such as mentoring cannot afford to meet this level of charge for long. Those Indigenous businesses that can afford the charge tend to have specialised staff to provide the appropriate level of management.

It is recommended that an initial assessment of the US model should include direct feedback from minority businesses that were assisted and those that could not, or declined, assistance.

4. whether incentives should be provided to encourage successful businesses to sub contract, do business with or mentor new Indigenous enterprises.

Some incentives already exist including:

- opportunity for non-Indigenous businesses to access areas where Indigenous enterprises have access to competitive advantages;
- access to Government employment funding programs, e.g. Structured Training Employment Program (STEP); and
- satisfying some public companies "social license to operate" requirements.

Tax Incentives

While the above are valuable incentives, more could be done. The matter of tax incentives, similar to those that once applied to the Australian film industry, has been raised in many Indigenous forums. Any such incentive requires broad policy discussion by governments and industry and is beyond the remit of a single agency response. The COAG whole-of-government process would provide a better forum for such a discussion.

Other Incentives

- Adoption of Government incentives for non-Indigenous businesses tendering jointly with Indigenous businesses for State Government projects, e.g. an Indigenous allowance similar to the State Government Buy Local Policy of a 20% allowance in price.
- Extension of current Government business programs to fund non-Indigenous business to provide direct business and governance mentoring, preferably where a partnership exists.