

PROOF



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS

Reference: Indigenous businesses

DARWIN

Thursday, 23 April 1998

PROOF HANSARD REPORT

CONDITIONS OF DISTRIBUTION

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CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT
ISLANDER AFFAIRS

Members:

Mr Lieberman (Chair)

Mr Albanese	Mr McGauran
Mr Campbell	Mr Melham
Mr Dondas	Dr Nelson
Mr Entsch	Mr Quick
Mr Holding	Mr Tony Smith
Mr Katter	Mrs Stone
Mr Lloyd	

Matter referred:

To inquire into and report on the existing opportunities and arrangements for encouraging sound Aboriginal and Torres Strait Islander economic initiatives at the small and medium business level. In particular, the Committee will focus on:

the success of existing Commonwealth programs that help Aboriginal and Torres Strait Islander people (including those in joint ventures with non-indigenous people) to acquire, control, and develop sustainable commercial opportunities;

possible future policy directions and administrative arrangements at the Commonwealth level to encourage indigenous commercial initiatives;

any barriers to the establishment, acquisition or development of indigenous controlled businesses or businesses in which indigenous people are joint venture partners; and

means of raising the profile of indigenous controlled businesses or businesses in which indigenous people are joint venture partners.

The Committee shall also consider State, Territory, corporate and international examples of good practice in encouraging sound indigenous economic initiatives at the small and medium business level.

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT
ISLANDER AFFAIRS

Indigenous businesses

DARWIN

Thursday, 23 April 1998

Present

Mr Lieberman (Chair)

Mr Albanese

Mr Lloyd

Mr Dondas

Mr Tony Smith

Mr Entsch

Committee met at 9.15 a.m.

Mr Lieberman took the chair.

CHAIR—The purpose of the inquiry is to review existing Commonwealth programs to assist appropriate indigenous businesses and joint ventures and examine whether the programs could be delivered in more efficient and effective ways. The goal is to make it easier for indigenous people to start and maintain successful businesses. The Minister for Aboriginal and Torres Strait Islander Affairs, Senator Herron, has put out a discussion paper entitled 'Removing the welfare shackles'. The committee will take account of this paper in our deliberations. We will make our own recommendations about the best way to help indigenous businesses based on the information that you and others have kindly given us.

At this hearing the committee will be taking evidence from three organisations. I welcome the first organisation, Arnhemland Progress Association. If anyone would like further details of the inquiry, please feel free to ask the committee staff here this morning. I would like to thank my colleagues here today. We are fortunate to have the local federal member for the Northern Territory, Mr Nick Dondas. We thank Nick very much for his advice and guidance and for his invitation to come to the Northern Territory on this occasion and other occasions. We also have Mr Warren Entsch from Queensland, Mr Jim Lloyd from New South Wales, and Mr Anthony Albanese from Sydney, New South Wales. I am the chairman and I come from the best state, Victoria.

Yesterday we received a document during our discussions with the Yirrkala Business Enterprise. James Stuart, the chief executive manager, gave me some documents at the end of our proceedings yesterday and he consented to them being included as exhibits.

Resolved (on motion by **Mr Dondas**):

That the document tabled by James Stuart be accepted as an exhibit and received as evidence to the inquiry into indigenous businesses.

CHAIR—I also have some correspondence that Mr Stuart kindly gave me and consented to being included in our proceedings, a letter from YBE Pty Ltd 19 December 1994 from the previous general manager to the regional council of ATSIC. I have a letter from James Stuart in his own right of 19 September 1994 to the previous Minister for Aboriginal and Torres Strait Islander Affairs, the Hon. Robert Tickner, outlining serious concerns and a response from the previous minister to Mr James Stuart of November 1994. I table those documents.

[9.20 a.m.]

DJALANGI, Mr David, Associate Executive Officer, Arnhemland Progress Association, ALPA, GPO Box 3825, Darwin, Northern Territory 0801

GAYKAMANGU, Mr Donald Nulupani, Associate Executive Officer, Arnhemland Progress Association, ALPA, PO Box 3825, Darwin, Northern Territory 0801

MANNIX, Mr Francis Gerard, Executive Officer, Arnhemland Progress Association, ALPA, GPO Box 3825, Darwin, Northern Territory 0801

CHAIR—I formally welcome the representatives of ALPA. Although the committee does not require witnesses in this inquiry to give evidence under oath, you should understand that these proceedings are legal proceedings of the Commonwealth parliament. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. It is a warning which we give everyone. We are not singling out anybody. Our *Hansard* reporter will be taking a record of what is said today. That record will be available to you as a transcript. We have had the opportunity of watching your video presentation. Thank you for that. Do you have an opening statement that you would like to make?

Mr Mannix—Mr Chairman, for the record I would like to apologise that our chairman, Rev. Dr Djiniyini Gondarra OAM is unable to attend today due to a formal ceremony which he is attending. He has authorised us and requested us to be here today. At the outset I need to clarify that we come before a government body or a government representation panel, which is unusual for us because we tend not to have a lot to do with government bodies. We are independent in the sense that ALPA is an incorporated association under the NT association act. We come under the registrar's control and influence.

As we generate our own income and conduct our own activities in business, we do not normally respond to government bodies or institutions in the sense of being subject to funding, to direction, to policy or to any other activity that the government may be implementing. So we do not have a formal submission to make in the sense of what we are requiring from government in what we do and how we do it. The purpose of today's exercise, from our point of view, is to brief you on what we did and how we did it. Hopefully that may broaden your understanding of what we do and how we do it.

Mr DONDAS—In difficult circumstances.

Mr Mannix—In very difficult circumstances. The background on ALPA is that the Arnhemland Progress Association was formed in 1972 in what was a retail cooperative formed from the old Methodist mission stores. The Methodists' church had conducted mission stores in the communities and the church decided to form ALPA as an association, where its primary activity was to conduct retail stores. The member communities formed this association and it has grown today to where we own and/or manage 13 supermarkets across northern Australia. We have an annual turnover of \$25 million a year. We employ nearly 200 staff. Our membership base in the association is made up of 3,000 members from the communities of Milingimbi, Galiwinku, Ramingining and Minjilang. I will leave some of our annual reports with you today.

Policy and direction are given by the elected board of directors who are made up of 20 directors from

the those five communities. As discussed in Senator Herron's paper, 'Removing the welfare shackles', the greatest challenge our organisation faces is finding a balance between running a business as against meeting the social and economic development needs of our members. We do not conduct a business on the basis of profit for profit's sake. With companies down south in the retail industry, their No. 1 priority is profit. Ours is not on the basis of profit for profit's sake, but the focus that we have is to create a sufficient surplus in our financial activities and retail activities to secure future interests for our members.

By that, through our retail network we focus on other activities other than selling things for a profit. For example, we subsidise the freight costs on fruit and vegetables that we retail in our stores. We levy an extra 20c per pack on cigarettes—that is, it is set aside to pay for the freight on fruit, vegetables and bread being transported out to our communities so that from our end we are able to provide fruit, vegetables and bread at Darwin prices rather than at Darwin prices plus freight. We have a levy emphasis in our communities on promoting good food and nutrition, and on training staff to promote good food and nutrition. We have a heavy emphasis on the training and development of our Aboriginal employees.

Frequently we are faced with a particular need in the community whereby the association uses its financial, political and cultural strength to implement new programs that meet our members' needs. In 1993 it was clear that banks were closing agencies in remote areas, and there was no financial service for members in the community. The Department of Social Security was sending out social security cheques to people in places like Milingimbi and Ramingining only to have no place to cash those cheques. If you were able to cash them, you were faced with an inability to manage those funds because you were walking around with that cash in your pocket rather than being able to budget and control that service that normally comes through a financial institution.

In 1993 ALPA, through the board of directors, set about the establishment of the Traditional Credit Union. In December 1994 the Traditional Credit Union, as a result of the ALPA initiative, was formed as a separate legal entity and opened its first branch in April 1995 at Milingimbi. The significance of this, I present to the committee, is that here is a business organisation responding to the social and economic needs of its members. With considerable outlay and with the support of ATSIC, the Traditional Credit Union was established and now operates in the four North-East Arnhem Land communities of Milingimbi, Gapuwajak, Galiwinku and Ramingining.

CHAIR—What you are telling us is fascinating. Can you indicate how much support you got from ATSIC?

Mr Mannix—The initial development costs from ALPA's end were \$160,000 to develop the project. To start the credit union there was a seed grant of \$400,000 from ATSIC, and ALPA contributed a further \$150,000. If the whole project took \$700,000, ALPA provided \$300,000 of that \$700,000. That money has been made back by the government many times over in the form of no longer having to pay social security benefits in the form of cheques in that the Reserve Bank provides direct crediting through the on-line services that we have in the branches themselves. So it has been a worthwhile investment for the government.

CHAIR—How many branches are there?

Mr Mannix—There are four in North-East Arnhem Land, and last week we opened a branch at Port Keats/Wadeye, where 800 members joined in two days upon opening last week. There are now five branches across the Northern Territory. I was not trying to go on about the credit union; I was trying to explain the difficulty we have as a business in responding to social and economic needs as against simply operating as a business generating income and returning it directly to the members.

The Traditional Credit Union stands alone today as a separate legal entity. David is the chairman and I am one of the directors, but it is a separate body to ALPA itself. It is responsible to the registrar of financial institutions, supervisor authorities including ATSIC and soon to be the new prudential authority that has been started.

CHAIR—Would you be able to table for the committee the annual reports from the inception of the credit union up to date and your Arnhemland Progress Association?

Mr Mannix—I do not have the Traditional Credit Union annual reports with me, but I am able to table the ALPA annual reports of 1994-95 and 1993-94 that talk about the development of the credit union and how it was put into place.

CHAIR—Can you in the next week send to the secretary those annual reports that exist of the Traditional Credit Union?

Mr Mannix—No problem. It will be done. We get complaints from two areas. One area is that of our members, with the basic question being, ‘Where does the money go?’ If you paid \$1.20 for a can of Coke, we are asked where the \$1.20 has gone? There is an expectation with some of our members that we should be able to put \$1.20 back into the community without the appreciation of the money story of how we had to buy it, freight it, prepare it for sale, employ people, house it and then finally sell it. That is a basic difficulty we have in understanding the economic story or the money story that exists in our communities.

On the other hand, we have visitors to our community—educators, doctors, nurses and government employees—who think that our prices are too high. They come with an expectation that we should be able to retail like Woolworths does. The naivety on the part of these educated people is beyond belief at times. The manager of Woolworths can buy 1,000 bananas for every one that I buy. You can imagine what discount he gets for buying 1,000 when I buy one and then we turn around and sell with a limited mark-up compared to what the big grocery chains are able to mark up. There is a considerable difference. Yet we constantly are criticised for that.

Then we have to deal with the issue of freight. We buy it from Darwin or we buy it from Adelaide and then we have to most often barge it out to our communities. Then we have the cost of service and delivery. The classic difficulty that we face is refrigeration. If Coles or Woolworths in Darwin have a problem with their refrigeration, they call up the refrigeration mechanic who walks in the front door and attends to the matter. It is repaired and they have paid for one or two hours of service to get the matter dealt with.

For us to get a refrigeration mechanic, he has to turn up at Darwin and his clock ticks on from the

time he turns up at the airport. It may be a two- or three-hour journey out to the community. It may be that he does not have the correct part with him and he is going to have to come back. He may have to stay overnight and do extra work. He may be there for two days and fly back, and it is not until he arrives back in Darwin that that clock stops ticking, in which case we have had to deal with it. They are expenses which are incidental which could be commonly phrased with that term tyranny of distance. We are not complaining about that. That is the way the economic system is. We are simply saying for our critics that they should attempt to understand how difficult it is to conduct a business successfully in remote area communities.

CHAIR—Do you have your 1996-97 annual report of ALPA?

Mr Mannix—Yes, I have already sent it.

Resolved (on motion by **Mr Entsch**):

That the annual reports of the Arnhemland Progress Association be received as evidence into the inquiry into indigenous businesses.

Mr Mannix—That is the general briefing. The major points that pertain to your terms of reference I wanted to mention briefly. ALPA does not receive Commonwealth assistance directly. If there was any area of assistance that could be developed at a policy level in a real and tangible level in the long term, it would be the area of training and education both of our directors and community leaders and at the grassroots. This is interwoven with the standard of education generally in the communities, and this may be a point for discussion. It may be that this committee is able to look at developing policies to enhance Aboriginal participation in tendering for regional contracts and developing a policy of regional development offsetting this tyranny of distance. The problems we face include freight, communication and government services and looking at the education for business owners. I am happy to make those points to you and your committee. I am pleased to have David, Donald or me answer any questions that you may have.

CHAIR—Thank you very much. From what you have told us, from your submission and from my brief scanning of the annual reports, it makes me feel very privileged to hear of the record of achievement that your organisation, staff and board of directors have achieved. I would like to say how wonderful that is because in our travels around Australia we tend to hear of grave difficulties. Unfortunately, there is currently very little progress, and you are a breath of fresh air. I would also like to thank you for your contribution to our inquiry. I have a few questions that I would like to ask. I think you have answered most of them. You said that you employ 200 staff. How many of those are Aboriginal indigenous?

Mr Mannix—The majority. It would be approximately 80 per cent.

CHAIR—That is in stark contrast to other organisations. Do you attribute a lot of your success in employing such a high proportion of Aboriginal people to the training aspect of your organisation's corporate approach?

Mr Mannix—The success of that approach is directly linked to being able to train people in their own communities. We are a registered training provider. We are able to qualify people with their experience

and skills, so if they chose to work at Coles in Darwin they would be duly recognised and they would be skilful enough to do that job if they wanted. The benefit we have offered is being able to train and educate staff in their own communities where they do not have to leave Milingimbi or Galiwinku. They are able to be employed locally and trained locally. I believe that is the key to success in giving people accreditation that acknowledges the skill and development of each and every worker and the workers collectively. That has been essential.

One of the services we offer is that we are willing to go to other communities to take over or manage their store. Frequently we will be in a position where there are 10 people working in a store and eight are non-Aboriginal and two might be Aboriginal. If we take over the store, we would want to see two balanda and eight Aboriginal workers. That is through training and education. That is our policy. Part of our direction is the social and economic development of Aboriginal people. That is what we do. That is our practice.

CHAIR—Do you see any role for government assistance in addition to the very limited indirect assistance that you have told us about? Being an accredited trainer, you obviously get some assistance. Do you see any additional opportunity for government that might be relevant that could also bring about a more dynamic outcome?

Mr Mannix—Recently there was a report by Dr Keith Woollard or under his control from the AMA about food and nutrition in communities. One of the points made was the need to be able to offer lower prices as a result of bulk purchasing. We are able to offer lower prices in some of our stores because we purchase \$25 million a year. Those prices would be a lot different if we had 13 individual stores buying individually from a range of wholesalers, which would limit any bulk purchasing ability. We are looking at expanding our retail activity. We have set a policy to put this into place to expand our retail activity so as to increase our turnover and decrease in the long term the price we pay for goods. If there were any area we would like looked at, it would be that when we have a proposal for government down south it be met with open ears regarding the business development opportunities which we are currently looking at, but I am not willing to discuss those before the committee today. It is a major expansion that we are looking at, and it will need to be in the form of a business loan.

CHAIR—Would it be outcome oriented—in other words, would it have performance measures, the works?

Mr Mannix—We conduct a business and we conduct a business to be profitable.

CHAIR—I have one final question. The balance between social and economic is a very important part of this whole issue. It has been mentioned to us as we travel around Australia—and indeed the submission from the corporation which the minister has attached to his discussion paper argues—that there needs to be a clear separation between social and economic factors in administering the distribution and decision making of funds to come from the taxpayer into enterprises. You talked about ensuring a balance and you also talked about securing futures. Could you elaborate on that? Does your board recognise that to succeed in your corporate objectives you have to have financial strength and security? In that regard, it is no good spending \$1 if it is going to cause losses in the organisation.

Mr Mannix—The most common analogy that we use is that we have to protect the turtle so as to get eggs next year. If we eat the turtle—that is, the capital—we do not get any eggs next year. If we eat only some of the eggs, leave some eggs and leave the turtle alone, we will be in a better financial position in the long term. I suppose that is the basis of our business development that we look at now. We distribute an enormous amount of funds from what we make back to the communities, but we endeavour not to kill the turtle and not to use all the eggs that the turtle can produce in one year.

We funded \$25,000 towards the airstrip lights at Galiwinku. We funded \$37,000 in the last year towards the sealing of the road from Milingimbi airstrip into town. These were contributory grants that also complemented government grants from transport works and other activities. Somewhere along the line the board is constantly having to draw a line between what we can do and what we do not do. Our assets could justifiably be distributed completely next month to meet community needs, but we would no longer be able to continue as a business. That is the balance we have to continue to find—meeting some of the needs where it is possible with youth fund grants, with education grants, with ceremony grants and with dividends to community councils. That is where our funds go to having a sufficient reserve to continue productively and successfully as a business.

CHAIR—Would you give us a round figure of your reserves?

Mr Mannix—I do not have a precise figure right now. We probably have a precise reserve of \$2 million to \$3 million. They are our turtles that we are protecting. If we do not have that, we cannot operate as we do as a business.

CHAIR—We have been informed in some areas of the lack of educational skills of young Aboriginal people. Yesterday we were alarmed to be informed that one of the huge barriers to the successful employment of Aboriginals is the inability of Aboriginals to be able to read and write and to speak English, and that this was causing a dramatic drop in the employment of Aboriginals that had previously been employed. Secondly, it is causing a potential drop in future opportunities for employment. The allegation was made that this is attributable to the curriculum; the lack of a realistic curriculum in some schools. Can you enlighten us from your experience? Have you encountered this?

Mr Djalangi—When the young fellas go to buy something, they just point at it. They do not know the name of it, whether it is a can of Coke or Fanta.

Mr ENTSCH—A suggestion was made yesterday that the older Aboriginal people who had the discipline from the previous regime—

Mr Mannix—Church educated Aboriginals.

Mr ENTSCH—Yes, that they were far more literate. It was suggested that some non-Aboriginal people came into the communities and learnt a language and thought it was a great idea to start a bilingual program. Then they started a whole different program in the schools in some of the communities where they are focusing on teaching bilingual curriculum, with not so much of a focus on mainstream maths and English. As a consequence, kids are coming out of schools in grade 12 with an education level of grade three.

Mr Djalangi—I think they started that at Yirrkala. Education for speaking in another language should be in the home with the parents.

Mr ENTSCHE—That is what they are saying.

Mr Djalangi—When they go to school they should learn English.

Mr Mannix—It is terribly patronising of an institution to presume to teach culture where the students come from a cultural base.

Mr ENTSCHE—That is exactly the same argument that is coming through.

Mr Mannix—That is a personal point of view, for the record.

Mr ENTSCHE—What we are hearing is that the cultural side of things is a personal thing and it should be taught at home, but the mainstream educators should be focusing on the three Rs—reading, writing and arithmetic. We had evidence from Nabalco that said, while they would be very keen to take on apprentices and train kids, the fact is that they take on people with a minimum of year 10 education and that the kids are finishing year 12 with a year three educational background. They cannot bring those kids up quickly enough. The same thing was coming from some of the Aboriginal corporations. At YBE they have very few Aboriginal people employed within their organisation. They were saying that they could not get kids with any standard of education to go through on mainstream apprenticeships and traineeships. They were certainly strongly recommending that they go back to a more traditional or mainstream type of education program.

Mr Mannix—I am not here to provide a policy on how education should or should not work, but I can acknowledge that there is a demand on our training to look at issues of numeracy and literacy. Coles and Woolworths do not have to do that.

Mr ENTSCHE—So you agree that there is a problem in that area.

Mr Mannix—Yes.

Mr ENTSCHE—It needs to be looked at. I have two quick questions. It is interesting that you said you had the vision to start a credit union. It is something that has been raised from very high levels that a special indigenous meeting situation would—

Mr Mannix—I have been involved with the development of the credit union. In regard to the concept of an indigenous black bank, I think people have to get a basic understanding of cultural groups. What will make traditional credit unions successful in the long term is if they respond to grassroots community needs with a board of directors that relate culturally across the board in a particular regional area. If somebody had presented a policy to establish an indigenous black bank out of Sydney or Canberra or Melbourne, it would be more foreign than the Commonwealth Bank or Westpac. It would be more foreign. We started the credit union on the basis of sitting on the ground at Milingimbi and talking with the elders. We consulted first with

traditional land owners, with the clan leaders, and then with the community council, the women and the community as a whole. We got grassroots support for the development from the grassroots, not from a policy at bureaucratic level. The development of our credit union was swept away at one stage by bureaucracy, and we had to take our development back and remain independent because we were going to be swallowed by this development going on in the south. It was not going to be responding to our community needs.

Mr ENTSCHE—One of the criteria that has been suggested is to respond to the specific cultural and economic needs of Aboriginal people. Given the difference between people living in the Far North, in Arnhem Land, in the central desert area and in the Torres Strait, there would have to be a provision to account for the differences. Is your Traditional Credit Union a banking institution facility or do you advance loans?

Mr Mannix—We provide loans. At this stage we provide a full financial service: Christmas club, savings club, budget advice, financial management and clan accounts. There is one clan group that has automatic deductions taken out of its fortnightly income. One clan group has built an asset base or a reserve base of \$30,000 or \$40,000 from their clan group contributing to it to meet their own clan needs. The great part about that money is that it is clan controlled. There is no bureaucrat, no outsider, no regulator; it is within the cultural grouping that their fund exists. Similarly, we do lend. At this stage it is a maximum of a \$5,000 loan in which we have not had to write off a bad debt yet.

Mr ENTSCHE—I have one final question on the bank. You have just opened up a fifth branch in the community. What is your membership rate? Are you finding that the majority of people in each of those communities are becoming members? Are you getting very high levels of participation?

Mr Mannix—Membership is not compulsory. It varies. Some communities might be as high as 90 per cent and some may be as low as 60 or 50 per cent.

Mr ENTSCHE—That is still a very high percentage.

Mr Mannix—What is the alternative? To get on a plane and fly to Nhulunbuy or Darwin to attend to your financial needs? That is one of the reasons why we developed a credit union because of the costs involved for people to access what is taken for granted—maybe not so much from remote areas today—in being able to access a financial institution.

Mr ENTSCHE—I have one final question with regard to the establishment of the stores. Do you manage all of the stores? You do not own them, do you?

Mr Mannix—Five of them are owned. They are the member communities of ALPA. The other eight we manage.

Mr ENTSCHE—The ones that you manage, are they individually owned by community members or are they community owned?

Mr Mannix—It varies. Sometimes there may be an association like a progress association that owns

the business. Sometimes it might be a community council operation. Generally it is some body grouping, not an individual.

Mr ENTSCHE—There is not a level of individual ownership within the communities.

Mr Mannix—In our case you have the land rights act that does not permit an outsider to own any physical structure.

Mr ENTSCHE—I am not talking about an outsider. In the IBIP stores in the Torres Strait, which are government owned, there have been individual Islanders that have moved in to establish a business. In spite of all of their best intentions and their good management they have not been able to compete with the government-run IBIP stores. As a consequence, they get so far into it and they fall over. Given the cultural differences and the community aspect within the area that you operate, there would not be individual Aboriginal people in a position willing to take on a store, would there?

Mr Mannix—I doubt it. Frequently there are outsiders who own a business and have come to some lease arrangement in that community. We were asked to go into a community where there was a store manager who forced the local store into \$180,000 debt that could not be met. They called in ALPA. Most often we are called in to put out the bushfire. After two years we have managed to operate the store profitably, train local workers and pay back that debt for that community. Frequently that is the position we are in. We are not brought in to take over something that was already successful.

Mr DONDAS—Frank, I was very interested to hear your future interest in the expansion program because I think that is the only way to go, with your good track record. In terms of local produce, are you encouraging members in the community of Milingimbi or Galiwinku or wherever it may be to grow produce that you can sell in some of your stores?

Mr Djalangi—They are slowly working on it. They are starting up a banana plantation through the CDEP and watermelons and other stuff. There is also a poultry farm where they buy eggs.

Mr DONDAS—So there is some movement towards self-sufficiency. On Bathurst Island they are growing two tonnes of yams a week and some of it is being sold to Woolworths.

Mr Djalangi—Traditional yams?

Mr DONDAS—Sweet potatoes.

Mr Djalangi—I thought you meant traditional yams.

Mr DONDAS—What tax regime do you work under—company tax, corporate tax or payroll tax? Or do you get some type of exemption?

Mr Mannix—We get some exemptions. We are a public benevolent institution because our income comes back to non-profit bodies. We do pay payroll tax but we do not pay company tax.

Mr DONDAS—How do you deal with nepotism in some of the communities, or is it just part of the cultural experience?

Mr Mannix—You have to be able to persuade me that democracy is the complete answer.

Mr DONDAS—Do you have much trouble with it in terms of being able to make a better cost operation?

Mr Mannix—I do not think it is a business issue. Sometimes it can influence decisions. The way we operate and the assistance that we provide is that generally we successfully distribute income equally throughout all our membership base. As for the operations, communities are just like European based communities in Australia. Sometimes it is not what you know, it is who you know. Sometimes people get jobs in our society in Sydney or Melbourne because of who they know.

Mr DONDAS—It was not nepotism in terms of employment but in terms of supplying goods and not receiving money for the provision of those goods.

Mr Mannix—Can you expand a little?

Mr DONDAS—I have heard as I move around that in some of the stores there is a relative working behind the cash register who finds it difficult to charge for goods.

Mr Mannix—Shrinkage is a problem that we are fully aware of. The great part of our operation is that where shrinkage causes a financial downside the other stores support that store to maintain its viability. That is the secret of a cooperative base. We have our techniques. If we come to an awareness that a checkout operator is having difficulty charging someone, that person is relieved of working on a checkout and reshelves stock or finds another activity. We have on-line services, scanning and monitoring services that indicate problems fairly quickly. We are able to address those problems. It is not without difficulty, for the record.

Mr DONDAS—You have the capacity to overcome it.

Mr Mannix—We stand today independent and expanding profitably despite those challenges.

Mr DONDAS—In terms of the CDEP programs that exist in some of the communities, do you as ALPA have problems in recruiting staff or training staff in those communities because it is easier to be on a CDEP program than working in the store?

Mr Mannix—In some communities we have too many staff. People love to work. Our staff bill is too high for what the store turns over but people want to work. They enjoy being trained. They enjoy the income, the independence, the freedom and the stimulation of the job. In other communities you have to talk to the community elders and say we need staff to be able to operate. It varies. The CDEP does not play a role in our operation as to whether we are successful or not. However, if we take on CDEP employees we provide that training and usefulness in employment.

Mr ENTSCHE—It is not a matter of whether they want to work or not; it is a matter of some of the councils suggesting that there is inflexibility in the way the CDEP operates in that an additional 25 per cent goes into the council. If the CDEP workers are released to go somewhere else, such as private employment, they feel they are penalised. The numbers come down, they cannot get something that they have budgeted for and things like that. It is not so much the individuals that are very keen to do it, but quite often it is the councils that will actively discourage individuals from going off CDEP for periods of time. It was suggested that maybe there needs to be some special consideration to be able to acknowledge the problems associated with the loss to the council.

Mr Mannix—It sounds to me like it is more a community council issue. We try to take on CDEP people where we are able.

Mr ENTSCHE—Have you ever experienced problems in accessing staff?

Mr Mannix—Not directly.

Mr LLOYD—With your registered accredited training provider, with the level of training that you give your staff, have you got any examples of staff leaving their communities and getting a job in another community or in Darwin or somewhere else?

Mr Mannix—Why would you want to leave a tropical paradise like Milingimbi to live in an urban area? They are already being paid award rates or above award rates. They are with their family cultural base on their own land living in a traditional, legal, cultural environment. That is the idea of being able to have people economically independent in their own traditional base where you can catch barramundi and do all the other things.

Mr ENTSCHE—Any vacancies?

Mr LLOYD—They are paid award rates or above award rates?

Mr Mannix—Yes.

Mr LLOYD—If those people were on a social security benefit, would what they are paid be accounted for? If they have a full-time job with you, obviously it is accountable against the social security benefit.

Mr Mannix—There have been some misunderstandings, and we have provided the information to the Department of Social Security which has been able to assess any repayments or overpayments that came about. That is all followed up now, with information technology the way it is. That is not a major issue.

Mr LLOYD—With the people that you have employed through your training, has there been any interest in establishing their own business?

Mr Mannix—Quite a number have small businesses like a cottage industry where somebody might

choose to get a fridge, a freezer and a microwave and set up a small takeaway outlet on the veranda. That is economic development in which they will buy from us in bulk and sell something off the front veranda after hours when we are not open.

Mr LLOYD—If they wanted to loan—

Mr Mannix—We have an enterprise fund in which we provide business loans for small scale enterprise—

Mr DONDAS—Who is this?

Mr Mannix—ALPA does it.

Mr DONDAS—Why would the credit union not do it? Why would you be in competition with the credit union?

Mr Mannix—The Traditional Credit Union is able to provide a business loan of up to \$5,000.

Mr DONDAS—But ALPA is doing it as well. Why would you not have an investment arm and let the lending arm be your credit union?

Mr Mannix—We had this policy before we were working on the credit union. Until the credit union is really up and firing for the long term, then we are in this position. We have had people come to us for a personal loan. We have said that we are not in a position to service a personal loan and that they should go to the credit union. We were not able to do that beforehand.

Mr LLOYD—Could you provide to the committee any examples, without names, that would be very useful of enterprise loans or of people going out into cottage industries?

CHAIR—We might use it as a beacon.

Mr Mannix—It has to work within the cultural and legal barriers. It is all about communication and understanding. In some ways in the past we were too generous. We provided so much assistance to some that those businesses became so successful that they are now taking away our own business. That has not been in our long-term interest. We do not encourage that now, but we do encourage small scale developments. It may be someone with a poultry business to get it going, or it may be a fishing business or something like that, but we can provide examples.

Mr LLOYD—If you could give us examples, not specific names or anything, but if you have a poultry business or a fishing business where you have been able to do something, that would be useful.

Mr Mannix—I will forward that along with the annual reports.

Mr ALBANESE—You have put a very good case for the need for business projects to come up from

the local communities, and you have spoken about the way you established the Traditional Credit Union, et cetera. I want to give you the opportunity to say what role you would like to see from this committee, given that you have looked at our terms of reference. What would you like to see this committee come up with in terms of recommending a way forward?

Mr Mannix—If there was any basic message that our organisation would have from its membership base it does not relate to business; it relates to the respect of traditional law and culture in the communities. It relates to recognition of customary law. It relates to the appreciation of this unique, ancient traditional but very much living and active society that exists. It comes through in a whole lot of areas. It comes through the bureaucrats. They visit a community and think they have done their job because they talk to the council president but they walked by this old man who was sitting under the tree, and he is the most important person in the community but he was ignored.

It is some of those factors from a government point of view that need to be addressed. There is a lot more about success in communities than writing a magic formula or creating a magic formula which will cure. Some of it is recognition and respect of traditional law that exists. This has come out in the statehood convention in the Northern Territory. That is a basic premise. Without that recognition it appears to me—and I speak as an individual here not as someone promoting a policy from the board—that cultural influence is treated with suspicion. When Australians go to Indonesia to do business, they adapt to the cultural environment. When European Australians go to Arnhem Land, there is not necessarily the same level of cultural respect.

Mr DONDAS—Good point.

Mr Mannix—There should be an understanding and appreciation of that. This comes from a reconciliation perspective and long-term recognition of Aboriginal people in the constitution. I suppose it is linked to native title, Wik and a whole lot of other things. I think that is a pretty basic issue that has to be addressed. Apart from that, there is education, training and those sorts of holistic issues that have to be addressed such as health and housing. Some people say that Aboriginal people are not coming to work, but if 30 people are sharing a two-bedroom house without a water supply or sewerage, people are saying that they are not very motivated to go to work. It is extremely difficult without health, housing and education being looked at.

I am not here to speak on behalf of the organisation to say that there is a whole group of answers or a magic formula to apply. The purpose of our being here was that you are inquiring into business. We are a business, we are successful. We have probably kept our hand under the bed rather than on top for a long time, but that suits us as well. We frequently turn down media who want to do stories on us because people feel it is an invasion of their privacy. Secondly, they never control the output of what is told.

CHAIR—Nor do we.

Mr Mannix—As politicians you would understand what can happen when you make a comment and it can be misconstrued.

Mr ENTSCHE—You raised housing and you said that you have 30-odd people living in one house. Earlier you mentioned building roads to one of the communities and other community projects. Is any of the money that you make through the profits of your organisation channelled into housing?

Mr Mannix—No, not into housing. Where do we begin with housing? It is such a state that we are just not in a position. Often we have had to build some of our own houses to house staff because there was no other housing available which has had to be paid for from our profits. People are paying for that house from the packet of rice they are buying off the shelf. We are unable to address the issue of housing in the communities much like schooling and other activities.

CHAIR—We have gone over time but it was certainly worthwhile. We hope our paths cross many times. Your advice to the committee and your submissions are invaluable. We wish you continuing success.

[10.50 a.m.]

WOOD, Mr Wayne, Principal Consultant, Double W Associates, GPO Box 3742, Darwin, Northern Territory 0801

CHAIR—I welcome Mr Wayne Wood from Innovative Financial Management to give evidence. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of the Commonwealth parliament. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. You have made a submission which has already been authorised by the committee for publication. This is now part of the public record. We thank you very much for the time and trouble that you took in that regard. Before we ask questions, would you like to give us an overview of approximately five minutes about your concept and your organisation and give some background about yourself which led you to this peculiar project.

Mr Wood—Perhaps if we do the background first. I am a long-term territorian. I have always been interested in small business. I do not make the distinction between indigenous business and white business. I have been fascinated by the way in which different government programs have approached the idea of industry support. I prepared a submission to the Northern Territory government based on an application I did for a Churchill scholarship in looking at trying to determine the impediments to indigenous enterprise and, in particular, entrepreneurial indigenous business enterprise. I already had this submission largely done when I saw the advertisement in the paper, and I thought it might be of interest so I sent it to the House of Representatives committee.

CHAIR—So it is based on your work towards the Churchill scholarship.

Mr Wood—Partly and interest in small business in the north.

CHAIR—You have had considerable experience in credit unions. I think you were the chief executive of a credit union.

Mr Wood—The Public Service Credit Union before it became the NT Credit Society.

CHAIR—You have also worked with the National Australia Bank.

Mr Wood—Yes, as a financial planner. Could I seek your indulgence in asking a couple of questions before I start?

CHAIR—It depends what the questions are, but you have my indulgence.

Mr Wood—Can anyone here confidently describe what AusIndustry does, or what it did because it is being wound down?

CHAIR—That is probably not appropriate for this committee today.

Mr Wood—It will become clear. Did you agree or disagree with the emphasis on industry assistance as recommended by the Moore report?

CHAIR—We will not come into that.

Mr Wood—How does the investment funding that is being accomplished assist indigenous enterprise?

CHAIR—We are examining those things.

Mr Wood—The questions are rhetorical. Basically I do not really expect an answer, but those questions are important in the framework of what I am about to say. There seems to be a lack of coordination at federal and state levels in government programs. I suggest that ATSIC does not know what small business programs are available, that the Department of Industry, Science and Tourism does not know about the business funding scheme. Nobody seems to know very much about farm business. DEETYA runs programs without reference to other departments, and the federal and state governments often have their own agendas, particularly when it comes to indigenous enterprise.

If a group of state and federal politicians were asked those questions with reference to the sorts of programs delivered by both the state and federal governments, you would find very few people would know the answers to all three of them. Yet in their way they are all very important, because you should not be discussing indigenous enterprise without knowing what AusIndustry is. AusIndustry is the formal vehicle for the DIST's delivery of business improvement programs. Similarly with the other two, particularly important to me is the accomplishment of the innovation investment funds, because without knowing where to get scarce venture capital very few Aboriginal entrepreneurs will be able to make a success of the ideas that they have.

In lots of ways, the plethora of federal and state programs that exist could be easily and inexpensively modified to assist indigenous enterprise development. The most important thing is that everybody knows about everything that is going on, and there is a lack of coordination. Implementation of industry development programs is, in my opinion, impeded by the fragmentation of agencies and a lack of cooperation and coordination between state and territorial agencies and the Commonwealth equivalents. Problems are currently addressed on a case-by-case basis using an annual funding cycle. This results in a lack of long-term security or stability with little feedback and minimal evaluation of the processes.

Mainstream agencies, even with a comprehensive knowledge base and a wide range of advisory services, have not developed specific programs for indigenous enterprise development. Program delivery during the eighties was almost exclusively tied to the incorporated body, the legal entity established to receive and account for public funds. There is a view that this tended to confuse the issues of enterprise development with those of community development. Thus the goal of maximising income normally associated with commercial enterprise became confused with the socially oriented goal of employment generation and other social goals within the community. These are more commonly associated with the phenomenon of community enterprise.

Listening to the previous speaker, I hope you got the same impression that I did: that commercial

enterprise incorporated a much wider thing than just the profit motive. There are other things like the reconciliation processes and understanding the traditional owners. I love the story of people visiting a community and walking past the old guy sitting under the tree who is the most important person in the community. The other interesting thing I found was the number of people that hit on those very important people in the community. In a big community of 500 people you might have all the decisions being made by 10 or 15 people, and they are being hit on by hundreds and hundreds of different government agencies and authorities. As a result, they tend to cop out. They sit quietly under a tree. If you do not know who they are, you miss out on them.

The features of a community enterprise can be summarised as control by a collective group working towards a social goal rather than income maximisation. The collective good is given priority over individual gain. Projects do not necessarily aim to be self-sufficient and, therefore, often require ongoing subsidies and level structure of choice is the incorporated association. When a community structure—an incorporated association—is used for enterprise development, there is a very real risk of confusing the task of supplying public services with the aims of the community enterprise. There is a strong case for keeping these different functions and the structures that deal with them separate.

For the last 200 years there has been a tendency within government to view the community or the larger group as the unit of indigenous development, and there is often considerable political pressure to establish businesses with some form of collective ownership. However, there is evidence to show that in some cases it is more appropriate for the owners of businesses to be smaller family groups. The above makes a good argument for shifting the funding focus from community enterprise to individuals, families and small homogenous groups. Such a move would not accord with the principles of community enterprise and would instead encourage the formation of a relatively wealthy entrepreneurial subgroup with the backing of public funds.

This begs the obvious question: how does this process differ from the public support of entrepreneurial non-Aborigines? In this morning's news I read that the car industry is going to get another \$2 billion in assistance. If the argument is to be used that we should not use public funds to promote an entrepreneurial subgroup of Aborigines, how do we justify the expenditure of public funds on the car industry or any other select group of non-indigenous people? Government subsidies to rural industries and to regional sectors is common in Aboriginal enterprises. However, these subsidies are not generally to community controlled entities. They are to individuals or small groups set up specifically for the purpose.

We have the classic example of Katherine. Much of the reconstruction of Katherine business will be publicly funded. It is essential to clarify policy and program aims to determine the appropriate enterprise structure. Thus, if the aim is basically socioeconomic—that is, the generation of employment for the community—then community ownership is appropriate. If, on the other hand, the aim is strictly commercial—for instance, as Frank said, you buy a microwave and a fridge and become a little shop after the main shop closed or you grow chooks for the community—that is, to maximise income for the owners, the better for the enterprises to be owned by individual family groups and organisations based on family ties.

A review of the literature suggests that before the establishment of missions, family business units were responsible for much of the trade that exists all the way from the Macassar Island through the Top End

and down through Central Australia. As the traditional owners were disenfranchised by physical displacement to the missions, there was a change from enterprises being conducted by family business units to executive ownership. When the missions closed down, this collective ownership principle was reinforced by the corporate structures—mostly incorporated associations—that were used to fill the vacuum.

There is a historical precedent for individuals and families conducting entrepreneurial enterprise. Our thesis is that by coordination of program delivery and by shifting the focus of funding from communities to individuals and family business units—that is, to encourage the formation of a relatively wealthy entrepreneurial subgroup—and backing with public funds that indigenous enterprise would flourish and lead to the achievement of many social goals desired by ownership.

CHAIR—The emphasis in your last few words has been on encouraging individual enterprise. You have raised some questions which need to be answered publicly so there is plenty of transparency. Is it your conclusion that it is in the long-term interests of many indigenous Australians to be able to go into smaller groups of entrepreneurial activity ceded by public funds and that would be an investment for the future, if that were the case?

Mr Wood—Yes, it is an investment in two ways. I look to the Yolngu people as being a very good example of this happening. I do not know enough. I am a white fella when it comes to traditional culture. I really do not understand enough about it to talk to you about it, but I understand that it is only a couple of generations ago that Yolngu people used entrepreneurial groups to facilitate training both northwards and southwards in a very successful manner. I do not think it would take a hell of a lot to reverse the process of collective ownership and move back to where individuals were awarded individually for entrepreneurial business activity.

The benefits that would flow are that the indigenous business owners would learn very quickly that they need to learn a hell of a lot more about running business than they currently know. Because there has been that hiatus where lots of business skills that were once understood by family business units have been lost and they need to be regathered. DEETYA runs some very good programs. There is a very good mentoring program run by ATSIC under the guise of the business development program. My point is that they should be properly coordinated, but all the people who should know about them do not.

Training is the first part. The second part is that I firmly believe the way in which you lift a community's standard of living is to encourage entrepreneurial activity by a few. Perhaps I should use Indonesia as an example. Indonesia's standard of living has increased enormously, and it could be said that is partly due to the fact that very few people at the top had untrammelled unrestricted activities, and they introduced all those wonderful business things like monopolies. I think the same thing could happen in an indigenous community. By artificially restricting the development of individual entrepreneurs, you are slowing down the development of a community.

Mr ENTSCHE—To compare Aboriginal custom and culture to Indonesia is not a great comparison, with due respect. How do you get around the situation where there have been individuals or family groups within communities that have been given immense assistance and opportunities to be very entrepreneurial and after many years of that treatment people within the same community, even members of a different section of

their family, are still getting absolutely no benefit whatsoever from what is being achieved by that individual or that group? They are continually being pushed away by that individual or that group. You have said that governments should be in there encouraging that individual or that one family. How do you then deal with the problems associated with the rest of the group? There are examples where assistance has been singly focused on some individuals over a period of decades. They have done very well, thank you very much—very much to the detriment of the rest of the community. How do you get around that?

Mr Wood—Two points come out of this. I think you will find that there are very few cases where the advancement of an individual or family group has been to the detriment of the rest of the community. Quite often the flow-through effect of dragging the average standard of living of the community up has not occurred, but that does not mean to say it is wrong. What we should do is learn from that process. If you look around in the general community, you will find that it does not matter how much help you give some people, they are not going to make it for a variety of reasons. I have a son who works when he wants to simply because he lives at home and does not have any need for any more money than pocket-money. As hard as I try—and he has my genes and my sense of entrepreneurial business—I cannot get him to strike out on his own and become successful.

Mr DONDAS—That is by your standard, though, not necessarily by his.

Mr Wood—He is entitled to his own set of standards. In an indigenous community you will find the same thing. We are no different really. There are good guys and bad guys. There are fellows who will work their ring off and come to work every day even if they are sick, and there are people who will look for any excuse not to have to work. I accept that there have been examples where individuals or small indigenous groups have been supported by public funds for a long time. We need to analyse what has been done and learn from it. I do not think that has been done nearly enough in the communities. What makes the people who have been successful successful? What have they done differently from those people who have tried and failed?

Mr ENTSCH—One of the problems with Aboriginal culture which a lot of non-Aboriginal people have great difficulty in dealing with is something called nepotism. It is rife within those communities and it is part of their culture. I have found in my experience that most of the communities deal with it by having a community structure, community ownership of land. You go out and try to get an individual to buy a piece of land in a community, and it cannot happen. They will not allow it in most cases. This is where you have problems with housing because you have no ownership of individuals. It is very difficult to identify an individual and say that they have potential and they will be supported. You make a criticism of bureaucrats and those in authority wandering into a community, meeting with the chair and walking past the man under the tree who is the most important person. How do you identify that one sitting under the tree when you walk into a community if you are not told?

Mr Wood—This is largely my theory. I will probably get shot out of the water quickly.

CHAIR—You have the courage to put it forward anyway.

Mr Wood—When the traditional owners were disenfranchised from their land, which basically gave them their status, they were moved into the missions. There grew up this culture of traditional owners who

owned the land on which the mission was situated being the only people who had very much say about what happened on the mission. Because they had no money, most of the decisions concerning business and the day-to-day running of the missions were done by the mission managers.

There grew up two groups between the traditional owners. One group had power because they owned the land on which the mission stood, and one group of traditional owners were disfranchised because their land had been taken away from them. They were virtually the guests of the people who owned the land on which they sat. There grew up between the mission authorities and these two groups of traditional owners a third group, which were the relatively well educated mission boys. They were not the elders, the initiated men, but they were not the white fellas, the mission authorities, they were in between. The mission authorities used those people to give instructions to and to consult with the traditional owners.

When you talk about nepotism, what you have within a community is an extremely complex set of social relationships that have been built up over a long time that did not break down totally when the missions were closed down. You still have the white fellas, the government agent or whatever. Who do they talk to in the communities? They talk to the remainder of the mission boys, the people who are relatively well educated, and they never get to talk to either groups of the traditional owners. That is why when we as white fellas look at what is happening on the community we see nepotism, we see social relationships that are very complex, but they can be reasonably explained if you go back to the pre-mission times and understand that once a traditional owner is disfranchised from his land it is very difficult to talk to him about business or anything else because he does not have this anchor.

Mr ENTSCHE—We went through Arnhem Land and talked to people representing the Arnhem Land Aboriginal people. One of the things they continually stressed to us during the meeting we had there was the fact that their culture is probably the most intact in all of Australia and they have not been disfranchised like other areas. The problem that they have there are very much the problems that we are raising here today. They are not the mission we are talking to. Some have never left their land or been affected. They have not been in the mission.

Mr Wood—The Yolngu are a unique circumstance. You could not apply what happened in North-East Arnhem Land to the Aboriginals in the rest of the territory.

Mr ALBANESE—I have a similar line of questions to what Warren has put forward. I have two questions. First, how do you pick winners from outside? You heard the evidence of the previous witness, who basically seemed to be arguing the opposite to what you were, which was that any attempt from the outside to impose ideas for new businesses or structures will not be successful. It seems to me that there is a contradiction. How would you respond to that?

Mr Wood—I disagree with you. I do not think my thesis is that we try to pick winners. I disagree that any government or any body outside from the community should attempt to do that. I think it is a waste of time and money. I agree with the community people who turn around and say, 'Let us pick the winners,' because they are really the only people who know what the capabilities of various individuals or groups within the communities are. My argument is that we should change the structures, the laws, the government's procedures to make it easier for individuals or family business units to get funding. I believe at the moment

all the programs are too focused on the community. I do not think governments can pick winners anywhere. I am totally against the idea of industry assistance being focused on particular industries. If governments try to pick the industry or something like that, they will fail. Similarly, if governments say that growing poultry on a community sounds like a good idea, why do we not fund that, it will fail. The idea for the entrepreneurial activity has to come from within the community, preferably from an individual or a group of individuals.

Mr ALBANESE—But if the community itself does not want to break from the executive ownership to a more individual basis, then that is their decision surely.

Mr Wood—Exactly. I would not have it any other way. What I am saying is that we should have the facilities available for those individuals who want to come up, and we do not. We have lots of programs and funding for communities. If the communities turn around and decide amongst themselves that we do not want to encourage formation of a relatively rich entrepreneurial subgroup within the community, that is fine. We back off. They are entitled to do that.

Mr DONDAS—I have one question. In your submission you inferred there was evidence showing it is more appropriate to go to small operators than large operators and there was evidence of that. What evidence do you have? Can we have an example that we might be able to get on the record?

Mr Wood—The evidence is largely from the writings. At the end of the paragraph there are a couple of references that are more detailed in the references at the back of the submission. I think you will find that in the body of the submission. The details are listed in the reference part. Let me give you a couple of examples. A good example was from a community in the Tanami which wanted to set up a screen printing operation manufacturing clothing. In fact, they had researched the whole thing and the principle behind it was a young man who obviously had to get permission from all the people involved even to think about it. He had done that and he got the community on side. He did some preliminary research and came to me for the production of a feasibility study. The whole thing fell down because the feasibility study said it would only work if he kept very strict control over the intellectual property—in other words, the designs that they were going to use because they had already been cleaned up by a company down in Victoria which had virtually stolen their designs. I said to him that that was absolutely crucial to the development of the business that they kept copyright of these designs so that nobody else could clean them up. We went back to the community and explained this to them but the plan was that nobody knew who owned the intellectual property—whether it was the painter or the community or the skin group. Nobody really understood the concept of copyright and who owned it. That is a good example where that job needed to be done. That business needed to be run as a community enterprise because otherwise you could not copyright the design because nobody knew. There was no individual who owned the copyright. It would be more appropriate in my opinion for that business to be run by an individual.

CHAIR—Thank you very much for your evidence.

[10.45 a.m.]

CLARE, Mr Christopher Lawrence, Regional Manager, Sylvatech Ltd, PO Box 1826, Darwin, Northern Territory

CHAIR—I welcome the representative from Sylvatech Ltd. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of the Commonwealth parliament. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. This is a warning which we give to all witnesses across Australia. I note that we do not have a submission from you. I understand that you wish to make an opening statement. I therefore invite you to do so.

Mr Clare—I will give some background as it may assist the members of the committee. Whilst I am currently the Regional Manager of Sylvatech Ltd, I have been involved in the field of Aboriginal affairs for 33 years from my days in the early sixties as a patrol officer trained by the federal government in the same way in which we trained our patrol officers for New Guinea that led to various postings throughout the Northern Territory. I suppose I know it like the back of my hand. I have done foot patrols through Arnhem Land and I know most of it. That led to my heading up a federal government operation. I was the state director of the former department of Aboriginal affairs in New South Wales. I was the General Manager of the Northern Land Council in Darwin for three years and other statutory bodies of the Commonwealth.

I guess what I am trying to outline is a background in this field that is extensive. I moved out of the field of Aboriginal affairs in about 1988 and semi-retired to the north coast of New South Wales and took up a job as a local government coordinator for all of local government on the north coast. In 1996 I was successful in winning the Commonwealth Bank national award for regional economic development throughout Australia. As such, I was invited back to Darwin by the Commonwealth government to be the keynote speaker in a national regional development seminar that was being held here.

Whilst here I was approached by the Northern Territory government, which was aware of my previous background and knowledge of the territory, of Aboriginal leaders and culture. I was taken on as senior adviser to Minister Palmer with a brief to investigate and stimulate Aboriginal economic development. During that period I had a look at a number of opportunities that were presented, and I was very interested to hear the views of the previous speaker. The former Chief Minister of the Northern Territory, Paul Everingham, who is now the Chairman of Sylvatech, approached me and made me an offer that I could not refuse. I have taken up the position as regional manager of this company.

In all the years that I have had anything to do with Aboriginal affairs—and I have investigated aquaculture, agriculture and every manner of business opportunities, and I have views on all of them—I have never seen an opportunity presented like this one. Given that background, I would now like to outline the company.

CHAIR—Do you have a prospectus or an annual report?

Mr Clare—Yes. I thought you had them. These have been obtained from an office in Canberra but

they are to hand out to your members. I have a letter here from the Tiwi Land Council which they have asked me to table before your committee and if possible to read out.

Resolved (on motion by **Mr Dondas**):

That the documents from Sylvatech be received as an exhibit and received as evidence into the inquiry on indigenous business.

CHAIR—You are free to read the letter. Please tell us whom it is from and the date of the letter.

Mr Clare—Can I do that at the appropriate time?

CHAIR—Certainly.

Mr Clare—Sylvatech Ltd was formed in 1996. It came out of a parent company by the name of ForBio, which is located in Brisbane. It is an Australian company. ForBio has offices and laboratories in Brisbane and in Gosford, New South Wales.

Mr LLOYD—That is my electorate.

Mr Clare—It is one of the largest independent bioplant technologies, research and development and plant production companies. It developed biotechnology research and development for genetically elite germoplasm. It has developed commercial robotic plant propagation technology, and it produces and sells genetically elite plants. ForBio won the Queensland Business of the Year award, and it was the lead article in the *Business Review Weekly* of March 1997.

In its role of developing robotic plant propagation technology and producing elite plants, ForBio saw the opportunity to put that technology into practice. As a consequence, it set up a business arm called Sylvatech. That business arm was divested from ForBio last year and now operates independently with its own board. It has operations in Brisbane, the Northern Territory, Hawaii and Indonesia. The Northern Territory, Hawaii and south-eastern Queensland are all plantation timber operations. The Indonesian operation is sugar. Sylvatech has developed an industry operation, and we are not saying that we are the first in the world but I believe we are in Australia whereby rapid growth tropical fibre farming is put in place. They call it fibre farming because the operation is to grow an area very quickly, to harvest that area and to replant.

If I can explain the process, it works something like this. The role of Sylvatech works like this: imagine a triangle, with three corners of the triangle being the market, the landowner and the financier. Sylvatech sits in the middle, brings all three together and sets in place a project. The capital investment required for one of these projects is between \$90 million and \$100 million. The minimum operational area for a project is approximately 30,000 hectares. The way in which it operates is that of rotational farming. If we can use as the simplest equation 5,000 hectares per year planted for the first six years, harvested and planted again and the rotation keeps going around. One of these projects alone keeps a 50,000 tonne bulk carrier operational 365 days of the year. That is servicing south-east Asia, Japan and Korea.

One of the very important reasons that this project is so relevant to the coast of the Northern Territory is that of its proximity. The shipping rate time frame is a lot shorter. We also have weather patterns, rainfall and so forth that enable it to operate. I will just jump ahead of myself for a moment. Our trial planting of 200 hectares this year on Bathurst Island is achieving growth rates of two centimetres a day. The plantations operate without irrigation. They rely solely on our wet season rains. If we have a succession of very good wet seasons, we have a much faster maturity.

After six years, the trees are harvested, chipped and sent off to the mills. We know that the market is assured because south-east Asian paper mills are operating at approximately 40 per cent of capacity. I think you would all be aware of what they have done to their forests. A lot of those forests have not been replanted, and people who are desperate for land to run their small farms have moved onto the land. That means the timber farming resource is not there. So we are very confident of the end market.

Currently we have five heads of agreements with five prospective projects each of 30,000 hectares, each with a capital investment of between \$90 million and \$100 million. They are located on the Tiwi islands and the Gove area, and that agreement is with Galarrwuy Yunupingu, the head of the Gumatj clan, and the Marikas of the Yurongan. Wangkangurru, which is on the Cato River in Arnhem Bay, and the Arnhem Bay area, in the Milingimbi coastal area across from Milingimbi and Port Keats or Wadeye. We have five, and we are currently negotiating a few more at the moment. We are very confident that we will end up with a minimum of 200,000 hectares under plantation.

I will return to the structure. We set up a joint venture. The joint venture is comprised of the Aboriginal group. With the Tiwi, for example, it will be the Tiwi Land Council. With other groups, they are setting up companies of their own. So it is the Aboriginal group, the financier and us who set up a joint venture. The joint venture then leases the land from the traditional owners of the land. To address a question that I think came up earlier and may come up later, most of those issues we very deliberately leave to the Aboriginal people. For example, with land ownership and so forth, we leave it to them to determine. It is an area fraught with difficulty for non-Aboriginals.

The benefits we believe will flow to the Aboriginal people are both in very real terms and in terms that I believe will flow. The very real terms are that each project generates 200 industry jobs at peak times, which is at planting and harvesting. On an ongoing basis there is an average of 80 jobs, but at planting and harvesting times there are 200 jobs. That brings substantial income into the community or the communities as it is likely to be. In terms of our negotiations with the groups we are negotiating with at the moment, we are negotiating holding charges. In other words, some agreement whereby even though the area of land may not be being used, if it has been identified as being suitable and the Aboriginal owners have said they want that land to be part of the project for our good faith, for their good faith and for the comfort of the financiers, we enter into an agreement to pay a holding charge or holding fee over that. The third component is rental for the land. The traditional owners receive a negotiated rental. The fourth component is a share of the profits. All of those components are to be negotiated. At this stage we have heads of agreement.

To move on to a specific project, the Tiwi Island project, we have already spent in excess of \$2 million since early last year in developing a small nursery and a trial plantation on Bathurst Island. The trial is 200 hectares. As I said earlier, the growth rates that we are achieving are very impressive. One of the

positive benefits of our program is that throughout the world it is more normal than not for ladies to run the nurseries. They have skills that men generally do not have.

As a consequence, on Bathurst Island in developing the seedlings for planting out, we employed 17 Aboriginal ladies who we had been told were unemployable according to the local arm of DEETYA. Those ladies have been absolutely wonderful. It got to the stage where they had to go to the plantation to see their trees being planted before they would give them up. With the operation that we are looking at this year on the Tiwi islands—and this will be our first full year of operation—we have commenced a full scale nursery at Pirlangimpi, previously Garden Point, at a cost of \$1.5 million. We expect to have 2,000 hectares of substantial plantation go into Melville Island this year.

As regards extrapolation into the future, I have basically been overwhelmed by approaches from Aboriginal groups throughout Arnhem Land wanting to be part of this process—the issue of trees, the issue of being involved in something that is outdoors. Quite frankly, the ABC did a program on our Bathurst Island trials that went throughout the Northern Territory, and I have had to field a lot of inquiries. I believe we will be looking at the generation of at least 1,000 jobs. We are going to be looking at real industry employment and income for the Aboriginal people along the coastal areas. It has to be coastal.

I am extremely pleased personally to see this because I have wrung my hands over the years thinking, ‘Where have we gone wrong with the Aboriginal people?’ I go back to seeing the most productive market gardens that you could ever imagine throughout Arnhem Land that just disappeared overnight once the big government dollar started flowing in.

CHAIR—You mean the welfare dollar.

Mr Clare—Yes, exactly. Wherever I have gone over the last 18 months I have had people saying to me, ‘We are very worried about where we are going with this welfare money. We see that it is being very destructive to our people. We want to get off it and get into some real jobs. How do we do it?’ I believe the working relationship that we have with people is heading down that track.

CHAIR—Thank you.

Mr DONDAS—How do you see the organisations that you are doing business with now in signing them up becoming involved in the actual business structure of the company in any way?

Mr Clare—In one of the heads of agreement that we have a very senior—I will not mention the name because he may not want it mentioned at this stage—Aboriginal leader in the Northern Territory who has already agreed to be, and we have all agreed will be, the chairman of the joint venture.

Mr DONDAS—Of one particular community?

Mr Clare—That is just one at this stage but that opportunity will be open with all of our negotiations. The last thing that we want is window dressing, but it has to do with the capacity of the individual to be able to handle the job.

Mr DONDAS—What you are saying is that each particular 30,000 hectares will employ about 200 people.

Mr Clare—At peak times.

Mr DONDAS—Do you see any other smaller cottage industries developing around what you intend doing? For example, we spoke to someone at Yirrkala yesterday who was involved in a Landcare group in that area. Obviously Landcare is something that you would be very interested in in terms of propagation of small plants. Would you be subcontracting that work out into those communities, or would you be doing it all on Bathurst Island and taking it to the various communities where you have an agreement to plant the 30,000 hectares?

Mr Clare—Each project is a stand alone project. Each will require the infrastructure to stand alone. One area that I did not cover was that of training. I am currently negotiating with the federal government and Dr Kemp for a training program to train 100 people on Bathurst and Melville islands this year or at least 1998-99 in the forestry industry. We have had the University of the Northern Territory and Melbourne University School of Forestry develop the training program. It will be an accredited training program.

Anecdotally, another thing I hear wherever I go is that Aboriginal people are sick of being trained over and over again when there is no job at the end of it. We intend training 100 people this year. The cost of the training program will be \$1 million or thereabouts. It is comprised of \$650,000 in the actual training delivering and \$350,000 in capital outlay. At this stage I am negotiating with Bob Mansfield, the program's major projects coordinator, to ensure that that project goes through—

Mr DONDAS—That it is fast-tracked.

Mr Clare—Yes. One of the problems is that DEETYA have come back and said, 'We can meet the cost of the training but we have no capacity within our program for capital costs.' We are talking about some fairly remote areas here. If the government is fair dinkum about getting real industry going, it has to get in there and kick the can a bit. That is the training area.

The other issue that I did not cover is that of our negotiations with the Tiwi and with other areas. We can adopt a very flexible approach. With regard to Gove, for example, our instructions from the Yolngu leaders are to the effect that Yirrkala Business Enterprises, YBE, will be the contractors that carry out the clearing and which will employ the people and so forth. We are very happy with that. With our negotiations with the Tiwi, there is a whole range of small businesses which hang off a project like that where individuals, if they wish, can become contract partners. We intend on being as flexible as possible. If that is the way the communities wish to go, we will assist them in setting up those small businesses and contracting out the work.

Mr ENTSCH—You are talking about getting the clearing done. Is there any benefit in using land that is earmarked for revegetation where Nabalco have finished the process? Has there been any consideration and negotiation for that land?

Mr Clare—We have tested the land and it is unsuitable. It really is basically a cap of rock and it has had a couple of inches of stuff which has been taken off and put back on top. Unfortunately, we have to go out into sandy soil.

Mr ENTSCHE—Mr Dondas made mention of an Aboriginal person who is actively involved in Landcare in that area. Again, this project was raised and there were some serious reservations made by this person with regard to environmental issues. There was a very serious reluctance to support the project. Are you able to deal with that and be able to reassure them so it does go ahead.

Mr Clare—I would prefer not to address the specific, because I think I know who you are talking about. As best we know, there is no requirement for Aboriginals to undertake an EIS under Northern Territory law. With the Tiwi project, which is the first that we are undertaking in our discussions with the Tiwi, we have agreed and we have encouraged the Tiwi—who were reluctant to have anyone looking over their shoulder on their land and telling them what to do—to carry out the most extensive EIS with regard to that 30,000 hectare plantation. Whether that becomes the same equation elsewhere I do not know. It will be a matter for negotiation. I would guess that, from my company's perspective, given that we have been very keen to get the first one done with a substantial EIS, we would be keen to see the same process followed elsewhere.

Mr ENTSCHE—One final question: it was also raised yesterday, and you made comment in our reference to it, that there are professional trainees within YBE and they pull them out to every program, and one of the disincentives is long-term work opportunities. Are they indefinite projects or do they have a life?

Mr Clare—No sunset time at all that we can see.

Mr DONDAS—Other than markets.

Mr Clare—And we see the market getting bigger and bigger.

Mr LLOYD—I am a great fan of ForBio. I am very supportive of this idea. Have you addressed the cultural aspect of harvesting the trees? We had the classic example of Garrangali Crocodile Farm where they are hatching crocodiles but when it comes to killing them—

Mr Clare—That is their totem.

Mr LLOYD—That is right. Have you addressed the difficulties? You said that the Tiwi people were so attached to the trees that they propagated that they wanted to see them planted. What is going to happen when you want to harvest them?

Mr Clare—I do not want to be glib here, but I am sick to death as I walk around the Northern Territory of all the white fellas and all the non-Aboriginals that are all half-baked experts in what Aboriginal culture is all about. I am not being rude; I am answering your question.

CHAIR—We do not think you are being rude.

Mr Clare—Our approach is this—and this is the agreement we have with the Tiwi and the agreement that we have with the Yolngu of North-East Arnhem Land—Yolngu business is their business, it is their culture, it is for them to work out. Our direct agreement with Galarrwuy Yunupingu is to leave our culture to us. We will handle it. Leave our dealings in terms of dealing with bodies like the Northern Land Council, of which he is the chairman, to them and they will deal with it. I am making a very clear point here that as you move through this field you will get thousands of experts. The only real experts are the people themselves, and we want to recognise that.

Mr ENTSCHE—A good case is the totem animals. We have negotiated with them and we process them now.

Mr LLOYD—I raised that issue in good faith. You are putting a huge amount of capital investment for Sylvatech into this. Can you be sure at the end of it that those cultural concerns are going to be addressed by the people? Otherwise, from a purely business financial point of view, the whole project will fall over.

CHAIR—A memorandum of understanding would cover that.

Mr Clare—We will have that. I just wanted to explain to you the approach that we are taking. We do it for a reason. That reason is, if the Aboriginal people are going to be totally committed to this project, it has to be with us saying ‘In terms of what you do, fellas, you are the experts, not us.’

Mr LLOYD—You are confident at the end of the day that any problems will be overcome by those people.

Mr Clare—That will be their responsibility.

CHAIR—Before I close the meeting I would like to thank Mr Clare and other witnesses, members of the public and the Northern Territory government for being here today. I would like to thank *Hansard* and the staff of the secretariat for their great arrangements in getting us safely to the proceedings.

Resolved (on motion by **Mr Dondas**, seconded by **Mr Albanese**):

That this committee authorises publication of the evidence given before it at the public hearing this day.

CHAIR—I also table a letter received from the Tiwi Land Council.

Committee adjourned at 11.30 a.m.