

CAPACITY BUILDING
INQUIRY

Submission No. 24

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

Dear Mr Catchpole,

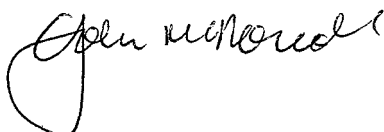
CAPACITY BUILDING IN INDIGENOUS COMMUNITIES

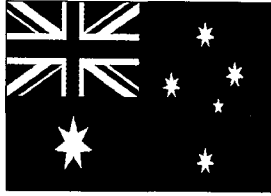
Enclosed is my submission addressing capacity building in Indigenous communities. I also enclose a computer disc as an electronic version for your convenience.

As I have recently joined the Commonwealth Public Service (Department of Employment and Workplace Relations), I would like to emphasise this submission is a private submission based on some relevant experience, research and observations. I advise this submission relies on published information and does not include portfolio-privileged information.

Out of courtesy to my direct reports I have advised them that I have made this submission. I would also like to distribute a copy of my submission to my direct reports and other interested parties such as ATSIC and IBA and I therefore request you seek Committee authorisation for such disclosure in accordance with the House of Representatives guidelines.

Yours sincerely,

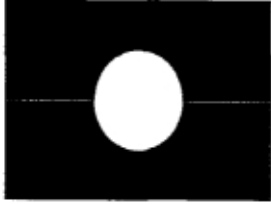




**Submission to House of
Representatives**

**Standing Committee Aboriginal and
Torres Strait Islander Affairs**

**Capacity Building in Indigenous
Communities**



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DEVELOPMENT OF INDIGENOUS SMALL BUSINESS – A KEY COMPONENT TO CAPACITY BUILDING IN INDIGENOUS COMMUNITIES

TERMS OF REFERENCE

“The Committee will inquire into and report on strategies to assist Aboriginals and Torres Strait Islanders better manage the delivery of services within their communities. In particular, the Committee will consider building the capacities of:

- (a) community members to better support families, community organisations and representative councils so as to deliver the best outcomes for individuals, families and communities;*
- (b) Indigenous organisations to better deliver and influence the delivery of services in the most effective, efficient and accountable way; and*
- (c) government agencies so that policy direction and management structures will improve individual and community outcomes for Indigenous people”*

RECOMMENDATIONS

Recommendations arising from this submission are focused on increasing the number of successful Indigenous small businesses as an important ingredient of capacity building. The recommendations are at Table 1.

Embrace a partnering approach within each sector of the economy	<p>Adapt the mining industry model of partnership between Indigenous Australians, governments and industry to other sectors of the economy. Essential elements of the partnering approach are:</p> <ul style="list-style-type: none"> • A well co-ordinated effort amongst the various governments and Commonwealth portfolios. • There is a need to appoint a lead government agency (for each industry sector) to co-ordinate cross government support and to establish formal communication mechanisms at the strategic, operational and site levels • Participation by industry associations to undertake a more strategic approach towards the development of Indigenous small business. • The maintenance of a community profile and business directory by Indigenous communities
Leverage \$35 billion of government purchasing power	<p>Use government purchasing power to directly promote Indigenous small business development. This approach is an extension of current whole of government purchasing policies (federal and state) that already successfully promotes small business within the general population. The extension to highlight Indigenous small business would be achieved by:</p> <ul style="list-style-type: none"> • Allocating objectives to each government portfolio and measuring progress • Identifying and monitoring pilot projects for each government portfolio
Improve Indigenous small business access to capital and small loans	<p>Review the current state of financial services provided to Indigenous communities and their effect on small business development</p> <p>Encourage the growth of Indigenous owned and commercially operated financial institutions to improve access to capital</p>

Table 1 Recommendations

INTRODUCTION

The terms of reference suggest that better management of the delivery of services within Indigenous communities will naturally follow the building of capacity of (a) community governance, (b) Indigenous organisations' collective capability to deliver the services and (c) government agencies' policy and implementation. The common theme is 'empowerment' where communities themselves control decision-making. Empowerment is hollow unless based on a sound underlying economic capacity that enables greater self-reliance where community decisions have real impact.

Figure 1 (over) illustrates an approach to empowering Indigenous Australians through capacity building in each of the areas identified in the terms of reference. The base of the diagram represents the foundation upon which improvements can be built. Improved capacity within the various governments will multiply the strength of the foundation by creating a more concentrated and co-ordinated effort across Indigenous communities, governments and industry. The three pillars that lead to the empowerment of Indigenous Australians represent the areas within Indigenous communities that require the sustained attention of all Australians over the long term.

This submission is focused on the pillar of economic development, and in particular Indigenous small business development, but in the context of the broader objectives.

It has been well documented that the level of Indigenous Australian participation in the economy compares unfavourably to that of the general population and a significant gap exists between Indigenous employment and Indigenous small business development compared to other Australians. Economic development allows Indigenous communities to initiate and generate their own solutions to common economic problems thereby building long-term community capacity and fostering the integration of economic, cultural, social and environmental objectives. Without improvement to the relative economic position of Indigenous communities to the general population, cultural, social and environmental objectives will not be achieved and Indigenous governance will be relatively hollow and meaningless.

Levels of Indigenous employment in both the public and private sectors of the national economy will always remain an important priority for Australia. In particular, the momentum generated by recent gains through the Commonwealth and State governments' Indigenous Employment Policies needs to be maintained. However improved employment prospects within the public and private sector will not by itself lead to the satisfying the aspiration of self-reliance within Indigenous communities.

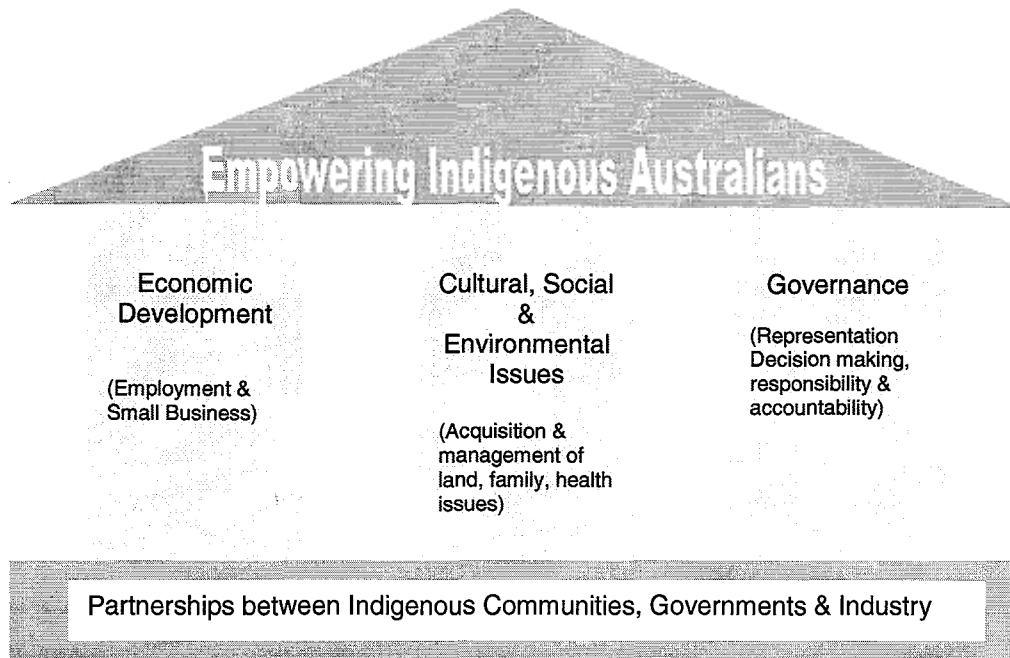


Figure 1 – Empowering Indigenous Australians

Indigenous small business development fosters self-reliance in more meaningful ways than employment in the public and private sectors. Small business promotes autonomy, self-confidence and respect. Small businesses owned and operated by Indigenous Australians are more likely to be accepted by Indigenous communities as a good place to work. Small businesses are generally community friendly. Indigenous small business development is fundamental to governance and service delivery within Indigenous communities and should be singled out for government policy direction.

Small business employs more Australians than the remainder of the private sector as well as the public sector. The Commonwealth government encourages the development of small business mandating departments and agencies to procure at least ten per cent of their purchases from Small and Medium Enterprises (SME), and is successfully achieving 27% ¹.

Research undertaken by the ATSIIC Business Development Program shows that around 1.3% of Indigenous people are self-employed, compared to 4.8% of the general population ².

¹ Web: www.finance.gov.au/scripts/Media

² Web: www.atsic.gov.au/programs/Economic/Business_Development

AIM OF SUBMISSION

The aim of this submission is to propose ways of increasing the numbers of Indigenous small businesses so that the numbers of self-employed Indigenous Australians is comparable to the general population.

SUBMISSION SCOPE

This submission firstly reviews the mining industry partnering model where genuine partnerships are being forged leading to Indigenous small business development and to better services and improvements in communities. The outcome of this examination is a generic partnering model that can be applied to other industries as a means of increasing Indigenous Australians' involvement in small business.

Governments are an important part of the partnering model, but governments can also foster Indigenous small business development through complementary action on a separate broad front by leveraging their purchasing power. Assisting Indigenous small business development in a similar way that governments already target SME development within the general population through government purchasing power, is the subject of the second part of this submission.

The wider terms of reference of the Inquiry note, "National comment and overseas evidence suggest that access to natural resources (including land) and finance is less important for community development and growth than effective governance at the community and regional level". However, the third part of this submission recommends a review into financial services provided to Indigenous communities as access to finance is important to the Indigenous small business sector of a community, if not as important to the wider community.

A GENERIC PARTNERING MODEL DERIVED FROM THE MINING INDUSTRY

The Indigenous Communities/Mining Industry Regional Partnerships Program initiated by the Department of Industry Tourism and Resources (DITR) is a good example of the benefits of partnering³. This partnership is at the heart of changed and improved relationships between mining companies and Indigenous communities. Mining companies recognise the special relationship Indigenous Australians have with their traditional lands. Indigenous communities recognise the opportunity for economic independence through the mining industry. Governments act in a facilitation role to bring the mining companies and Indigenous communities together and as a catalyst to improve the economic development of Indigenous communities.

³ <http://www.industry.gov.au/resources/indigenouspartnerships>

Examples of partnerships forged under this program which have a specific contribution to the development of Indigenous small business are outlined at Annex A. Some lessons learned from the DITR initiative include:

- Recognition by governments of the need for greater co-ordination in the program delivery and general assistance to Indigenous communities.
- Different types of Indigenous small businesses are emerging (*from* providing a labour hire service to mining companies *to* accepting the total responsibility for service delivery).
- Recognition within the mining industry of a need for a strategic industry wide approach to Indigenous small business development to build upon the earlier modus operandi focused at the site or operational level.
- Relationships take a long time to develop.
- Commercial needs drive business development and hence the structures required to achieve co-operation across Governments, Industry and Indigenous Communities.

On the Way to a Partnering Model of Best Practice

The mining industry experience has helped to establish a generic model that can be applied and improved upon in other industry sectors. The essence of the model is co-operation between Indigenous Australians, government and industry as illustrated by figure 2.

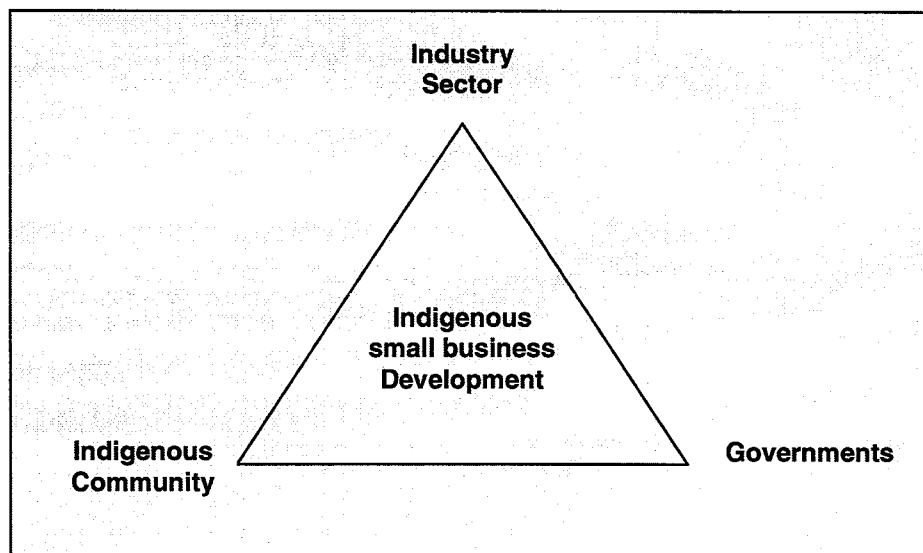


Figure 2 – Partnering to Develop Indigenous small business

The testing out in practice of a model will itself lead to better Indigenous small business outcomes. The roles and responsibilities of Indigenous Australians, government and industry are dealt with in a more detailed manner at Tables 2 to 4.

Building Government Capacity to Better Contribute to Partnering

Government objectives need to continue to focus on issues like:

- The creations of a supportive business climate including the recognition that time will be required to build partnerships
- Supportive governance arrangements where the initiative flows from Indigenous Australians and Industry
- Economic development funding
- Effective policy and regulatory arrangements
- Support for individual, community and institutional capacity-building

A model for government contribution to the partnership is at Table 2:

<p>Need for Co-ordination</p>	<p>There are many programs that impact Indigenous Australians in a general sense. Those that specifically target development of Indigenous small business are outlined at Annex B. These alone are of sufficient complexity to justify the need for co-ordination amongst governments and across Commonwealth portfolios. Co-ordination is necessary to bring about the most effective assistance</p>
<p>Appoint a Lead Agency for each Industry Sector</p>	<p>Accompanying the need for co-ordination is the need for co-operation. No single agency should assume the lead role for all Indigenous small business development initiatives. In general the lead role needs to be assigned to the best-positioned agency. However, sometimes the need for co-operation may mean the lead role is performed by another stakeholder</p> <p>A way of sharing the lead and maximising commitment is to consider the various industry sectors where Indigenous small business development can be encouraged. A suggested break up similar to the way Indigenous Business Australia (IBA) segments the market for its investments⁴ is:</p> <ul style="list-style-type: none"> • Mining • Building and Construction • Pastoral, Agricultural, Fishing • Food processing • Logistics (warehousing and transportation) • Manufacturing, Maintenance, and Industrial • Defence and Aerospace • Retailing, • Craft and Artifacts • Tourism and Hospitality • Health and Aged Care • Professional Services and Contract Services • Communications and Knowledge Based

⁴ Web www.iba.gov.au/operations

Suggested Lead Portfolios	<p>Under this sort of segmentation just as DITR assume the lead role for the mining industry, DOTARS would lead Logistics, Defence (Defence and Aerospace), Agriculture, Fisheries and Forestry (Pastoral, Agricultural and Fishing), Family and Community Services (Professional and Contract services), and Communications, Information Technology and Arts (Craft and artefacts & Communications and knowledge based) etc....</p> <p>The Commonwealth government should recognise that in some cases, local or regional considerations may dictate that a state authority take the lead</p>
Structure at three levels <ul style="list-style-type: none"> • Strategic • Operational • Site 	<ul style="list-style-type: none"> • To achieve co-operation between governments, a Steering Committee of senior officials of Commonwealth and State governments is needed to drive change. This committee would have a broad agenda dealing with improved Indigenous economic, cultural, social and environmental capacity across the entire private sector. Indigenous small business development would be but one item on this committee's agenda • At the operational level we begin to see the specific focus on an industry and upon Indigenous small business development. A project management approach is required, where the lead agency is responsible to appoint a project manager with requisite skills to achieve cross government co-ordination and to be pro-active in a partnering environment. Project managers should work in close co-operation with the Area Consultative Committee network administered by DOTARS. • The project management approach is further extended to the site level, where the leadership by Indigenous Australians is critical. Where Indigenous Australians lack sufficient skills to take the lead, then local managers and key appointments are funded by government with a view to training and handing over the business to Indigenous Australians
Public Acknowledgements	Governments need to continue to acknowledge publicly the issue of solving the economic inequity of Indigenous Australians is vital to our country
Improved Financial Planning	An ambitious and sustained program of support to Indigenous small business development will require improved financial planning where commitments are made over the longer term with varying levels of expenditure spread in different financial years
Education Program	<p>Where not presently provided for by the relevant industry sector, the lead agency should provide a general education program to Indigenous communities. Some features of an education program include:</p> <ul style="list-style-type: none"> • Basic information pertaining to the specific industry within the area, as well as the potential opportunities for small business development and the broader benefits for the community and its members: • To help to eliminate barriers that may exist, Indigenous Australians or area members would assist in the delivery of the program • The nature and desire of the community would determine if education is applicable, and how much education is needed
Establish formality in the Partnership	<p>As government has the major facilitation role in setting up partnerships within each industry sector, government should also ensure some formality is provided to partnering agreements. This should encompass:</p> <ul style="list-style-type: none"> • An agreed aim and objectives • The identification of the added value of working through a partnership
Measure what is done	<p>Promote systems where Indigenous small business development issues are identified and where progress can be measured. Quantitative measures will need to be supported with qualitative criteria. Measurement will identify what works and what could be imported where practical into a different sector. Ensure public reporting supports the long term development of partnerships</p>

Industry Closure	In the event of an industry closure, government should provide continuing support for those Indigenous programs and initiatives developed and initiated during the operation of an Industry. This support would include the financial support necessary to allow people already enrolled in training or educational programs the opportunity to complete the program
Access to Capital	The withdrawal of the banking industry from regional and remote Australia coupled with the difficulties faced by Indigenous Australians to access start up capital should continue to be a focus for Government
Access to markets (domestic and international)	Most Indigenous businesses are small and serve local markets. They need access to partnership and mentoring opportunities to gain a foothold in the larger regional and national/international markets. There is a role for government to assist Indigenous businesses gain better access to markets particularly niche markets such a tourism
Infrastructure Development	There is a very clear role for government to take a strategic approach to the development of infrastructure. Single program objectives rarely justify intervention by government to create new infrastructure. In this sense, the economic development of Indigenous communities is inextricably linked to the development of the general population, particularly disadvantaged regions

Table 2 – Partnering Model (Government Contribution)**Industry**

A model for industry contribution to the partnership is at Table 3:

Help Create Sustainability	Short-term market fluctuations should not be allowed to adversely impact the development of Indigenous small business. Business relationships with Indigenous Australians require a long term outlook and should be based on some form of alliance contracting where risks and rewards are shared
Co-ordinated Industry Approach	Like the Chamber of Minerals and Energy of Western Australia has done (see Annex A), other Industry associations should take a strategic and co-ordinated approach to the development of Indigenous small business. Both Industry and individual companies should endeavour to work with government at the strategic, operational and site levels This will require the development of an understanding of the framework for government within Australia as well as the engagement of public sector officers to enhance their understanding of how accountability and political controls affect the way government works
Public Acknowledgements	Raise awareness of the importance of measures to promote Indigenous small business through senior level pronouncements and inclusion of policies in an Indigenous strategy at both Industry and individual company level
Help Develop Local Supplier Networks	The larger individual companies within the private sector can do much to re-engineer the way work is conducted and to assign tasks to external businesses. Industry therefore has some obligation to develop a responsive and flexible supplier network
Company Purchasing Power	As WMC Resources Ltd has done (Annex A) companies should consider using their purchasing power to leverage other non-Indigenous companies to promote Indigenous small business

Table 3 - Partnering Model (Industry Contribution)

Indigenous Communities

A model for the contribution of Indigenous Communities to the partnership is at Table 4:

Community Profile and Business Directory	<ul style="list-style-type: none"> • This profile should include human resource and business inventories, community services and other related information. • This profile should be made available to government and industry so they would have quality information for planning and development. • The human resource inventory should identify individuals within the community with university, college, or some other formal training.
Internal Education	Indigenous communities should incorporate a significant internal education and support process to orient and prepare the community for emerging opportunities. Besides introduction and orientation, the Indigenous community would stimulate small business development by providing ongoing education and training counseling, recruitment and employment services, and life-skills and retention education.
Focus Initially on Opportunities where Strengths lie	As in the Burnna Yurral Aboriginal Corporation example at Annex A, Indigenous communities should exploit their inherent strength (knowledge of their culture and community) and initially focus small business on areas where they hold a distinct advantage (e.g. the commitment to provide trained labour to industry)
Use of Technology	The use of e commerce to sell product has had as many successes as failures, but for remote communities often provides the easiest and most direct route to market.

Table 4 - Partnering Model (Indigenous Community Contribution)

Addressing The Risk Of Small Business Failure At The Outset

Without some discussion about risk, the model outlined above is incomplete. It serves no useful purpose to promote Indigenous small businesses only to see those businesses fail soon after implementation. If the need to grow the number of Indigenous small business is accepted then government has an obligation to ensure the risk of failure is dealt with in detail. It is noteworthy that the Commonwealth New Enterprise Incentive Scheme (NEIS) is successfully dealing with the issue of small business failure in the general population through proper training and preparation of small business aspirants (refer to Annex B).

The Indigenous small business fund (ISBF also see at Annex B) would be the most appropriate program to adopt a "NEIS like approach" for the specific benefit of Indigenous Australians. It is notable that the Commonwealth does not report the success of the ISBF and that the program is very small (less than \$2 million per year). The objectives of this fund need to be broadened to meet the training and preparation needs of Indigenous small business aspirants, at the very outset of a venture.

A detailed assessment of the training and preparation needs for Indigenous Australians seeking to become self-employed are provided at Appendix 1 to Annex B. In outline these needs are summarised here as:

- The Small Business Decision
 - The Indigenous small business community
 - The small business decision
 - Business opportunities for Indigenous entrepreneurs
- Preparing for Small Business Ownership
 - Organising a business
 - Acquiring a business: buying and franchising
 - Financing Indigenous small businesses
- Managing the Indigenous small business
 - Marketing management
 - Financial management
 - Operations management
 - Personnel management
 - Indigenous tax issues
 - Indigenous business growth

Commonwealth Government Capacity to Support the Partnering Model

The major cost to the Commonwealth government of implementing the generic partnering model would be in the expansion of the ISBF to deal with the risk of failure of Indigenous small business. However this issue of capacity should not be viewed as an additional requirement so long as the unit cost to implement is better than other Indigenous Programs (and the success of NEIS relative to other mainstream programs is a strong indicator that an expanded ISBF would be cost effective in relation to other Indigenous Programs).

A CATALYST - USING GOVERNMENT PURCHASING POWER TO PROMOTE INDIGENOUS SMALL BUSINESS DEVELOPMENT

Public Purchasing Policy Initiatives – Indigenous Small Business

Within Australia, the government purchasing power on goods and services which can be bought to bear on promoting whole of government policies is about \$35 billion per year (see Table five ⁵).

Government	Yearly Expenditure
Commonwealth Government	\$ 13 billion
Northern Territory	\$ 1 billion (estimate)
Queensland	\$ 5 billion
New South Wales	\$ 4 billion
Victoria	\$ 4 billion (estimate)
Tasmania	\$ 1 billion
South Australia	\$ 2 billion (estimate)
Western Australia	\$ 5 billion
Total Commonwealth/State	\$ 35 billion

Table 5 – Expenditure on Goods and Services – Australian Governments

Utilising government purchasing power to positively impact whole of government objectives is not new and there are many current examples of this practice where benefits to Indigenous communities are a specific concern. Increasingly, governments are extending their influence from favourable Indigenous employment outcomes to include Indigenous small business development. A sample of recent initiatives is provided at Annex B, where a variety of approaches (from the soft to the more intrusive) are outlined. Policy may either be direct where government contract to Indigenous small business, or indirect where government encourage major contractors to sub-let work packages to Indigenous small businesses.

Future demographic based projections of the relative economic position of Indigenous Australians will impact the approach to be taken by governments in harnessing their purchasing power. The different demographic profile of Indigenous people Vs non-Indigenous and its impact on the economic development of Indigenous Australians is highlighted in “The Job Still Ahead” ⁶. If this research is accepted, then a greater sense of urgency and more aggressive intervention by government is required for Australia to improve the relative position of Indigenous people.

⁵ Information sourced from various government procurement policy web sites. The value includes goods and services expenditure and excludes capital expenditure. At the time of this submission figures were not obtained for all states. The total of \$35 billion is an extrapolation based upon reported figures (Commonwealth, Qld, NSW, Tas and WA) and an estimate of \$7 billion for (NT, Vic and SA).

⁶ The Job Still Ahead, a report for ATSIC by John Taylor and Boyd Hunter 1998, pages 10 to 20

In addition to the \$35 billion in Table 5 there is also government capital expenditure (on infrastructure, facilities and equipment) which is excluded from the table, but which can also be targeted to assist in the development of Indigenous small business. The Queensland governments' public works example at Annex B is evidence of the potential impact capital expenditure can have on improving Indigenous Australian's socio-economic position, though in this case in direct employment and not through small business development.

However, capital expenditure is excluded as an immediate means of promoting Indigenous small business development because of its sporadic nature and consequent effect on cash flow. To reduce the risk of business failure, in the first instance the reliability and predictability of government expenditure on goods and services should be the focus to assist Indigenous small business.

Canadian Federal Government Approach

The Canadian federal government approach (outlined at Annex B) to leveraging its purchasing power has helped to promote Indigenous small business development. The First People's Business Association has 500 members with an aspiration of becoming a network connecting the more than 20,000 Aboriginal businesses listed in Canada.

As part of its Procurement Strategy for Aboriginal Business, the Canadian federal government allocates specific objectives to each portfolio to achieve in respect of Indigenous small business development. The progress of each portfolio is measured in four general areas. They are ⁷:

- **Supplier Development Activities.** "What means the department or agency intends to take to increase representation of Aboriginal businesses with specific references to regional activities where they exist".
- **Supplier Inventories.** "What means the department or agency intends to take to increase its inventory, again with specific reference to regional activities" (i.e a register of Indigenous businesses).
- **Number of Contracts.** "Specify number of contracts and sub-contracts to be awarded to Aboriginal businesses".
- **Dollar Value of Contracts Awarded.** "Total value of contracts and sub-contracts awarded to Aboriginal businesses. In addition, specific contracts, or sectors, or regions in which increased contract values will be sought, may be specified".

⁷ Web: tbs-sct.gc.ca/pubs_pol/dcgpubs/ContPolNotices/cpn

In Canada, aboriginal small business is excelling in various fields and moving into new areas – from primary activities to manufacturing and services. While still most prevalent in traditional pursuits, such as fishing, trapping, farming and contracting, Aboriginal entrepreneurs are also successful in new economy areas that are highly knowledge-based. For example the Aboriginal Mall Inc., an Alberta based Aboriginal company, ⁸ offers e-commerce solutions through its business-to-consumer site, which enables Aboriginal people and companies to establish their online presence for the sale of goods and services. By using its business-to-business site, Aboriginal offices and communities will be able to purchase products online at a more competitive price and, eventually to even bid on previously unavailable tenders.

What to Import from the Canadian Experience

Irrespective of the approach taken by Australian governments (from the soft to the more intrusive), the Canadian way of setting objectives for portfolios to achieve and following up with measurement against those objectives would seem to be an appropriate outcome oriented approach suitable to Australia. If applied in Australia, there is likely to be an increase in the numbers of Indigenous small businesses. Indigenous small business objectives allocated to Australian government agencies would need to be long term in nature and based on benchmarks using ABS-derived Indigenous statistics relative to the general population.

Infrastructure and Indigenous Small Business

In some cases government purchasing results in infrastructure improvement. The creation of infrastructure in disadvantaged areas underpins long term viability of economic initiatives. The opportunity to improve infrastructure is more likely to be realised where a whole of government approach is adopted. For instance, what might not make business sense in terms of infrastructure development for a narrowly scoped single portfolio initiative may well make sense if requirements are aggregated across departments and between government jurisdictions.

There is a close parallel between Indigenous communities and the more broadly defined disadvantaged areas of our nation that include both Indigenous and non-Indigenous Australians. This synergy if analysed on a region by region basis may well provide a whole of government business case for the investment in infrastructure.

In addition, Infrastructure development could be shared between governments and the private sector. The Commonwealth Government recognises the potential for private sector development of infrastructure through

⁸ Web: www.aboriginalmall.com

its Policy Principles for the Use of Private Financing⁹. The principles focus specifically on value for money. “By comparing the outputs, benefits, and price of a proposal against a ‘best practice’ public debt financed approach, will enable us to test whether the financing proposal represents ‘Value for Money’¹⁰.”

Australian Government Outsourcing Initiatives – A Particular Focus for Indigenous Small Business

Outsourcing policies across Commonwealth and State governments have encouraged government departments and agencies to critically analyse the services they deliver with a view to returning to the taxpayer the most efficient and effective outcomes. There is no doubt that no more big government workshops and inefficient government industries are benefits that justify outsourcing policy. There are some downsides.

Outsourcing is accompanied by a risk of losing long term capability, particularly in the delivery of technical services (e.g. maintenance). The median age of workforces subject to government outsourcing initiatives is as a rule much older than the Australian workforce at large. These people will retire, sooner rather than later. This represents an opportunity for government and industry to take a longer-term view with respect to the development of Indigenous small business. The demographic profile of Indigenous Australians provides a pool of potential labour and entrepreneurs available to takeover sub-let work packages as older Australians retire.

The general maturity (ten to fifteen years of experience) of outsourcing by Australian governments offers an important advantage to business development. Maturity has led to well-articulated outcome focused specifications and a well-developed contract management capability within government agencies. Both these factors create a degree of certainty that would reduce the risk of Indigenous small business failure. In addition clearly defined work packages assist government contractors to sub-let work to smaller Indigenous businesses.

Pilot Projects

Each government portfolio should be encouraged to pick a major purchasing initiative, which has the capability to favourably impact on Indigenous small business development.

To demonstrate by example, the Department of Defence (with 70% of the Australian Defence Force located in regional and rural Australia or on the outskirts of some of our cities¹¹) is well placed to identify a pilot project. The

⁹ Commonwealth Policy Principles for the use of Private Financing , October 2001

¹⁰ Web: www.finance.gov.au/scripts/Media

¹¹ Press Statement by Peter McGauran 24 Oct 2001

Department of Defence could be invited to contribute by piloting the Defence Integrated Distribution System outsourcing project (Due for decision shortly with contract negotiations later this year and involving about 1000 jobs). The project's potential across Australia is outlined a Table 6. It is suitable as a pilot because it:

- Will shortly identify a preferred tenderer ¹²
- Has Australia wide coverage, is large enough, impacts regional and rural Australia ¹³
- Has possible infrastructure options that can transfer opportunities from metropolitan to regional and rural Australia
- Comprises technical and non skilled labour presenting a range of opportunities for small business development
- Is suitable for co-operation between governments at all levels

Location	Electorate	Current Defence Workforce ¹⁴	Likely Industry Workforce ¹⁵	Remarks
Edinburgh, Adelaide	Bonython	34	22	
Ipswich	Blair	62	40	
Brisbane + Wallangarra	Ryan, Moreton, New England	242 12	160 12	
Darwin	NT	56	42	Good potential for Indigenous small business development
Sydney	Hughes Parkes Grey	507	363	Possible re-location of warehousing centre to commercial and emerging transport hubs at Parkes or Port Augusta ¹⁶ . Significant potential to transfer employment and small business opportunities to the bush
Nowra	Gilmore	23	17	Good potential for Indigenous small business development
Oakey	Groom	21	14	
Perth	Perth, Brand	66	44	
Seymore + Hobart	McEwen	182 12	121 10	Trade shortages create potential for small business development
Richmond	Macquarie	51	34	
Townsville	Herbet	71	54	Good potential for Indigenous small business development
Newcastle	Paterson	50	34	

Table 6 The Defence Integrated Distribution System Project as a Pilot

¹² Source Hansard

¹³ Source Hansard

¹⁴ Source Hansard

¹⁵ Based on current achievement by defence of 30% savings for outsourcing activities reported in Hansard.

¹⁶ Based on strategic importance of junction of North/South and East/West railway at Port Augusta and the Commercial Logistics Hub at Parkes. DOTARS under Regional Solutions Program have published a developmental strategy for Upper Spencer Gulf region targeting Defence Logistics.

FINANCIAL ASPECTS

The responses by industry and communities to rapid change in the financial services industry are best considered as formative. It is proposed that a formal comprehensive national review of financial services to Indigenous Australians be undertaken by a joint organisation (comprising representatives from government, industry and Indigenous organisations). This review would include the impact of current financial services on Indigenous small business.

McDonnell and Westbury in their Centre for Aboriginal Economic Policy Research (CAEPR) paper, *Giving credit where it's due* (paper No 218/2001) have successfully documented:

- The withdrawal of financial services to rural and remote communities within Australia quoting RBA statistics that show of the almost 7,000 bank branches in operation in 1990, only just over 5,000 were in operation in 2000
- The dramatic effect of closures of banks on rural economies and on individuals located within those economies
- Further, in many respects credit unions, community banks, and electronic based banking systems do not provide an adequate substitute for services lost by communities when banks close

The provision of small loans (or micro finance) to Indigenous Australians seeking self-employment is required as major enabler to increasing the number of Indigenous small businesses.

Small business establishment costs vary from a low overhead operation of between \$5,000 to \$30,000 to a higher overhead operation (with higher capital and working capital requirements) of up between \$30,000 to \$200,000¹⁷. Most Indigenous Australians because of their lower income and asset base are more likely to enter Small Business seeking small loans. Previously, this market has not been served well by traditional financial organisations because the cost of small loans is the same for large loans, making smaller loans a higher relative unit cost/less attractive commercial proposition.

McDonnell and Westbury by case studying Indigenous communities in the Barwon-Darling region also identify some specific problems faced by Indigenous Australians, which include:

- Failure of financial providers to take account of the different conceptions that Indigenous Australians have of financial facilities.

¹⁷ Base on practical experience of Author in operating a low overhead small business over a period of four years.

- Problems caused by the inadequate provision of banking and financial services within the region
- The fact that many Indigenous Australians do not understand either the way bank fees and charges operate, or how to minimise these fees and charges
- The low technical proficiency of many Indigenous Australians
- In addition Indigenous Australians want banking services to be provided on a personal, private face to face basis by Indigenous Australians

A list of recent initiatives implemented in Canada, the USA and Australia to counter the removal of traditional banking services from rural and remote communities and to exploit the emerging micro finance opportunity is at Annex D. Many of these initiatives appear to be capable of addressing the issues raised in the research done by McDonnell and Westbury. However, most of the examples are recent and further objective research will be required to evaluate their success and to determine the best path for Australia.

Options

Some of the emerging options that require further analysis are at Table 7:

Allow market forces to prevail	The growth in Montreal Bank North American Aboriginal business (Annex D) was the result of that bank's assessment to provide services to a largely untapped market. The issue with this option is whether Australia can afford to wait whilst the market adjusts.
An Indigenous owned national bank	With a network of branches extending into regional and remote Australia, such a bank, using the First Nations Bank of Canada as the model (Annex D), could be created from a partnership between Indigenous Business Australia (IBA) and a major financial institution. However a national bank may lose a community focus and could lead to community capacity being dissipated by leakage of investment funds. Such a bank may also be subject to the same cost structure that led traditional banks to withdraw their services from "the bush".
Grow the number of Regional Transaction Centres (RTCs)	Further partnering between government and traditional financial institutions to grow the number of RTCs that provide financial services to Indigenous Australians. Further options include partnering with a range of different financial institutions to mitigate risk or to partner with one financial institution to reduce costs. The issues with this option appear to be sustainability, whether the range of services is comprehensive enough and whether a face to face service can be provided to Indigenous Australians.
Encouraging the micro finance service providers	Encourage credit unions and community banks to extend operations into Indigenous communities. Like the USA 'Community Development Financial Institutions Fund' (Annex D), either or both ATSIIC and IBA could partner with financial institutions to invest in credit unions or community banks.
Stand alone Indigenous owned Credit Unions	Credit Unions could support Indigenous small business development without the pressure of making profits for shareholders, but generally credit unions are not geared to servicing businesses.

Stand Alone Community Banks	Unlike traditional banks, community banks are not designed to serve a geographic community, rather they serve a "community of interest", a collection of stakeholders from the not-for-profit and community sector sharing a common purpose. Community banking (Bendigo Bank/Community 21 example at Annex D) is now seeking to create a structure to deliver financial rewards to all stakeholders. This way they are capable of operating nationally whilst community sector stakeholders receive a share of the profits; thereby generating revenue that can be put back into the sector/community.
Indigenous Owned Loan Funds	Both IBA and ATSIC have the capability to extend their loan operations, but they are not necessarily community oriented.

Table 7 – Financial Services Options**Role of Government**

In keeping with the generic model proposed earlier in this submission the role of government in the financial services sector would be to facilitate rather than to do. The proposed review could examine ways for government to make it more attractive for financial institutions to improve their services to remote parts of Australia. For instance, tax concessions to Indigenous financial organisations that could be passed on to major Australian investors could be used to provide better financial services to remote areas. Another examples of reducing costs would be through the provision of facilities (as part of the RTC concept).

Whilst the wider terms of reference appear to diminish the importance of Indigenous Australians access to capital in the general community, there is value in a narrower sense of detailed consideration of the impact of financial services on Indigenous small business development.

CONCLUSION

The growth in Indigenous small businesses is an important component to building capacity in Indigenous communities. This submission has established ways within our national capacity to grow Indigenous small business.

A partnering model bringing together Indigenous Australians, Industry and government needs to be applied across all sectors of industry. Equally, it is important to adapt the model according to each industry sector, to co-ordinate government assistance through lead agencies and to take a strategic approach within industry. For its part, the Commonwealth government should build on its success with the NEIS program and broaden the ISBF accordingly to deliver training and preparation for Indigenous small business aspirants.

Government purchasing power should be harnessed as a catalyst to start the growth in numbers of Indigenous small businesses accompanied by the need

to reduce the risk of failure by expanding the ISBF to include better training and preparation (along lines similar to NEIS).

Finally, the importance of access to capital for Indigenous small business needs to be acknowledged and a better understanding of the current state of financial services as they impact Indigenous small business is required.

ATTACHMENTS

Annexes:

- A. Examples Of Indigenous Small Business Development In The Mining Industry
- B. Commonwealth And State Programs Assisting Indigenous Small Business
- C. Sample Public Purchasing Policy Initiatives That Foster Indigenous Small Business
- D. Some Examples of Indigenous Financial Service Initiatives

Appendices:

- Appendix 1 to Annex B: Hypothetical Indigenous Small Business Training Program

Glossary:

About the Author:

Annex A to Submission for House of
Representatives Standing Committee on
Aboriginal and Torres Strait Islander Affairs
Capacity Building in Indigenous Communities

EXAMPLES OF INDIGENOUS SMALL BUSINESS DEVELOPMENT IN THE MINING INDUSTRY

Burnna Yurral Aboriginal Corporation Providing Trained Labour to the Mining Industry

The Burnna Yurral Aboriginal Corporation is wholly owned and operated by Aboriginal people ¹. It was established in 1993 with the goal of creating meaningful employment for Aboriginal people in the Goldfields region of Western Australia. The mining industry benefits as the Burnna Yurral Aboriginal Corporation accepts the risks of managing labour.

The Burnna Yurral Aboriginal Corporation is a registered training organisation that actively assists and promotes the development of Aboriginal people through tailored training, skills development, work experience and employment. They provide the mining industry with:

- Training and skills development
- Labour contracting and permanent recruitment
- Housing management for Indigenous employees
- Native Title and cross-cultural consultation

Carey Mining Stretching beyond labour hire to Conducting Operations

Carey Mining is a wholly Indigenous owned and controlled mining company established in 1995 ². Carey Mining seeks to grow through a combination of successful contracts and strategic joint ventures with major mining and contracting companies working in the mining industry.

Carey Mining provides contracting and consulting services to the mining industry, and is involved with or offer professional and leading edge information and services in the following areas:

- Open-pit mining
- Construction of mine-related infrastructure
- Indigenous Affairs Mine Management Systems and Assessment
- Crusher operations

¹ Web: www.byac.com.au

² Web: www.careymining.com.au

- Native Title agreements and mediation services
- Contract personnel
- Labour hire

Henry Walker Eltin

Contributes to Indigenous Small Business development by distribution of some profits into the Indigenous community provide a source of capital for Small Business Development

Henry Walker Eltin is one of the largest contract miners in the world with operations at more than 30 sites in seven countries³. Its approach to creating and developing Indigenous small business is through project focused joint ventures. In Australia, some examples include:

- Ngarda Civil & Mining, which involves Henry Walker Eltin (50% interest), the Ngarda Ngarli Yarndu Foundation (25% interest) and Indigenous Business Australia (25% interest), has secured a number of contracts that have provided employment for Indigenous Australians. Profits are directed into the community for the development of cultural and commercial projects.
- Mirrwork, which involved Henry Walker Eltin, the Jawoyn Association and Indigenous Business Australia in the operation of a \$160 million mining contract at the Mount Todd gold mine in the Northern Territory.

Indigenous Business Australia has been one of Henry Walker Eltin's major shareholders since 1993 and is represented on the board.

Pasminco

Contributes Indigenous business development through an annual contribution to an Aboriginal trust

Pasminco contributes \$1 million per year from its Century Mine to the Aboriginal Development Benefits Trust⁴. The trust is a legal company consisting primarily of local Aboriginal community members. It manages the \$20 million in contributions over 20 years for local Aboriginal business development. The trust's current strategy is to invest one third of the contributed funds in long term investments with the remainder being available for business development loans.

³ Web: www.hwe.com.au

⁴ Web: www.pasminco.com/Indigenous

**Rio Tinto Group
Encourages Indigenous Small Businesses through contracting and
through investment**

Hamersley Iron ⁵ have committed to assisting Aboriginal communities associated with the Yandicoogina Project in the Pilbara to the value of \$60 million over 20 years. As part of this agreement several Aboriginal small businesses now provide services to the mine and the town. These businesses include earthmoving, accommodation management and catering services, as well as an equipment hire company.

In North Queensland, Comalco has recently signed the Western Cape Communities Co-existence Agreement ⁶. The development of Indigenous small business is one important objective for this agreement.

**WMC Resources Limited
Encourages Indigenous Small Businesses through contracting and sub-
contracting initiatives**

WMC Resources ⁷ supports Indigenous businesses by facilitating commercial contracts with Indigenous enterprises, either directly or through its contractors. Such opportunities may take the form of single contracts, joint ventures or sub contracts.

WMC Resources have "Local Community and Indigenous People" requirements in all their major contracts. These conditions require contractors to WMC Resources to seriously consider the participation of Indigenous businesses. Since these requirements were introduced a total contract value of around \$30 million has been awarded to companies owned or operated by Indigenous people.

The Mining Industry and Aboriginal Network Concept

The concept has arisen from the observation that most of the Indigenous small business outcomes have been at the 'micro' site level rather than the 'macro' industry level. This is certainly true for the preceding initiatives outlined in this Annex.

To supplement the initiatives at the micro level, WMC Resources Ltd proposed the concept under the guidance of the Chamber of Minerals and

⁵ Web: www.hamersley.iron.com

⁶ Web: www.comalco.com.au

⁷ Web: www.wmc.com.au

Energy of Western Australia Inc ⁸. The Mining Industry and Aboriginal Business Network intends to:

- Establish a mutually beneficial commercial network between the Chamber and Indigenous businesses
- Identify existing Indigenous businesses and assist in and facilitate the establishment of new enterprises
- Provide the industry with a comprehensive information and resource link to existing and new Indigenous businesses

The intent of the concept is to provide:

- Opportunities for Indigenous businesses to gain more exposure by having a clear window into the 'mainstream' mining industry
- Development of Indigenous businesses by promoting and facilitating external support and assistance
- Initiatives to foster and develop Indigenous enterprise
- Contacts for mining companies seeking Indigenous participation in their own enterprises
- Participation by Indigenous businesses in the Chamber

The concept has both a strategic and operational perspective:

- The chamber takes a leadership role in joining with other bodies (public and private) to develop a coherent and strategic approach to the development of Aboriginal businesses to meet the specific needs of the mining sector
- The provision of a range of practical 'tools' for use by mine site personnel and Aboriginal businesses to assist in implementing sustainable, mutually satisfying business relationships in an integrated way

⁸ Web: www.mineralswa.asn.au

Annex B to Submission for House of
Representatives Standing Committee on
Aboriginal and Torres Strait Islander Affairs
Capacity Building in Indigenous Communities

COMMONWEALTH AND STATE PROGRAMS ASSISTING INDIGENOUS SMALL BUSINESS

Aboriginal and Torres Strait Islander Commission (ATSIC)

ATSIC has a Business Development Program comprising a loan and a grants scheme:

Business Funding Scheme (a loan scheme) ¹. This scheme promotes the economic independence of Aboriginal and Torres Strait Islander individuals and corporations by facilitating the acquisition, ownership and development of commercially successful businesses and community enterprises through the use of loans. Benefits to Indigenous businesses include:

- Concessional finance in the form of loans, guarantees and grants
- Wages subsidy support (for up to 12 months)
- Access to expert advice and expertise for the establishment and ongoing management and operation of the business

Indigenous Business Incentive Program (a grant scheme) ². This scheme provides small grants to individuals to establish small-scale businesses that create at least one sustainable full time job. The scheme aims to assist Indigenous Australians who might otherwise not be able to enter into business. The emphasis is on providing seed funding grants, training and other support to newly established businesses.

In addition to these specific programs, the Community Development Employment Projects (CDEP) scheme comprises a majority of projects, which are located in remote Australia with an employment focus. In the absence of any significant market these CDEP scheme will remain an important instrument of self-governance, if not promoting business acumen and a commercial approach. However, Morphy and Sanders note “a significant minority of CDEPs with access to stronger labour markets....could be attracted by incentives to transform their role and become facilitators of employment ³” Extending the Morphy and Sanders logic, favourably located CDEP could also become facilitators of Indigenous small business.

¹ web www.atsic.gov.au/Programs/Economic

² web www.atsic.gov.au/Programs/Economic

³ F Morphy & W Saunders, *The Indigenous Welfare Economy and the CDEP Scheme*, CAEPR research monograph No 20 of 2001 pp 71/72

Indigenous Land Corporation (ILC)

ILC is a Commonwealth Statutory Authority, which aims to assist Indigenous Australians to acquire land and to manage Indigenous-held land ⁴. Set up in 1995, ILC is represents another means (alternate to Native Title) for Indigenous Australians to rebuild a land base for future generations. ILC has a relatively small impact on the development of Indigenous small businesses

Indigenous Business Australia (IBA)

IBA is a Commonwealth Statutory Authority with an asset base of \$67 million seeks to assist and enhance Indigenous self-management and economic self-sufficiency by advancing Indigenous commercial and economic interests. IBA achieves this through ⁵:

- Seeking sufficient equity in specific companies to hold a board position and then actively influence the way that company relates to Indigenous Australians
- Forming joint economic ventures with Indigenous Australians
- Forming strategic partnerships/alliances with individual companies to promote positive responses to opportunities

IBA does not receive recurrent funding and is required to act commercially and must meet its responsibilities from the profits derived from its investment activities.

Commonwealth

Indigenous Small Business Fund (ISBF) ⁶. This fund provides assistance to Indigenous Australians to learn about business, to develop good business skills and expand their businesses The ISBF does not provide business finance and venture capital. Department of Employment and Workplace Relations (DEWR) and ATSIIC jointly administer the fund. Limited funding (grants) is available for projects that foster the development of businesses owned, operated and managed by Indigenous Australians and that promote sustained Indigenous employment opportunities. Funding is available to:

- Identify and facilitate business opportunities
- Help Indigenous people start businesses
- Provide advice or support services to small business people in developing their skills, markets and networks

If the need to grow the number of Indigenous Small Businesses is accepted then the ISBF needs to be broadened to include a detailed training and preparation

⁴ Web www.ilc.gov.au

⁵ Web: www.iba.gov.au

⁶ Web: www.workplace.gov.au

package to reduce the risk of business failure. A hypothetical training program is at Appendix 1 to this Annex. The program at Appendix 1 is based on the success of the New Enterprise Incentive Scheme, but has an Indigenous focus.

New Enterprise Incentive Scheme (NEIS) ⁷. NEIS is a self-employment program that helps eligible unemployed people become self-supporting. There is a range of other Commonwealth programs that all Australians (including Indigenous Australians) can benefit from. As this summary is mainly concerned with programs that are provided for the benefit of Indigenous small business development few of these general programs are listed. However NEIS is achieving such good results where “the proportion of job seekers off income support six months after programme participation is 74.8% ⁸ [for the general population] that it is worth highlighting. The success of NEIS as a risk mitigation factor can easily be transferred to the Indigenous small business development. The success of NEIS is largely attributable to the awareness the scheme provides people who are contemplating setting up a business.

Regional Solutions Program ⁹. Projects funded under the Regional Solutions Programs are run by the community (Indigenous and non-Indigenous and Indigenous/non-Indigenous). The program primarily aims to work with communities situated in regional, remote and rural Australia facing economic challenges, a declining population due to industry re-structuring, a lack of development opportunities, or high levels of unemployment and social disadvantage. The Regional Solutions Program can assist in building infrastructure for communities, the development of strategic plans and the implementation of community projects. The fund is administered by DOTARS.

Foundation for Regional and Rural Renewal ¹⁰. The Foundation will provide a mechanism for the private sector to work with communities in regional Australia through grants for community capacity building, project facilitation and seeding grants for community and economic development initiatives.

States and Territories

Northern Territory – Whilst no specific programs are identified the government seeks to encourage Indigenous business through its procurement guidelines (refer to Annex C).

Queensland – There are two relevant initiatives in Queensland:

- Ten Year Partnership Plan ¹¹ – A broad range of socio-economic issues are to be addressed including economic development.

⁷ Web: www.workplace.gov.au

⁸ Web: www.dewr.gov.au/publications/annualreports/9900/part_2/outcome1d_table4.asp

⁹ Web: www.dotars.gov.au

¹⁰ Web: www.frrr.org.au

¹¹ Web: www.indigenous.qld.gov.au/partner

- Aboriginal and Torres Strait Islander Business Intender's Product ¹² - This product is designed to give business intenders information to make practical decisions about developing their business idea.

New South Wales - The Aboriginal Enterprise Development Officer (AEDO) Program has two aims ¹³ :

- To assist in the establishment and retention of viable, locally designed Aboriginal and Torres Strait Islander businesses.
- To encourage an entrepreneurial culture within Aboriginal communities

Funding is provided on an annual basis to community organisations to employ an AEDO officer and is administered by the Department of Education and Training

Victoria – The Indigenous Partnership Strategy ¹⁴ administered by the Department of Natural Resources and Energy aims to develop the capacity of Indigenous communities and to promote economic development. Capacity is built by the Department improving the capability of Indigenous organisations to manage government programs and services. The Department also plans to increase opportunities for purchasing services and goods from Indigenous owned enterprises and Indigenous community run employment and training programs.

Western Australia – Two relevant programs are operated by the Office of Aboriginal Economic Development ¹⁵ :

- Assistance is provided to establish joint ventures between Indigenous and Non-Indigenous entities
- Assistance is also provided to Indigenous stand alone businesses (including feasibility studies, business planning, funding applications, mentoring and legal, taxation and accounting advice)

¹² Web: www.sd.qld.gov.au

¹³ Web: www.det.nsw.edu.au/eas

¹⁴ Web: www.nre.vic.gov.au

¹⁵ Web: www.indtech.wa.gov.au

Appendix 1 to Annex B to Submission for House of
Representatives Standing Committee on
Aboriginal and Torres Strait Islander Affairs
Capacity Building in Indigenous Communities

HYPOTHETICAL INDIGENOUS SMALL BUSINESS TRAINING PROGRAM

I - THE SMALL BUSINESS DECISION	II - PREPARING FOR SMALL BUSINESS OWNERSHIP	III - MANAGING THE INDIGENOUS SMALL BUSINESS
<p>The Indigenous Small Business Community</p> <ul style="list-style-type: none"> • What is Small Business? • Contributions of Small Business • Small Business and the Future • Economy • Political Climate • Social Climate <p>The Small Business Decision</p> <ul style="list-style-type: none"> • The Small Business Decision: Personal Evaluation • Advantages of Small Business Ownership • Disadvantages of Small Business Ownership • Personality Characteristics Typical of a Successful Owner-Manager 	<p>Organizing a Business</p> <ul style="list-style-type: none"> • Getting Started: Establishing the Business • The Small Business Plan <p>Acquiring a Business: Buying and Franchising</p> <ul style="list-style-type: none"> • Acquiring a Business • Purchasing an Existing Business • Evaluating a Business for Sale • Determining the Price or Value of a Business • The Purchase Transaction • Acquiring a Franchise • What is Franchising? • Advantages of Franchising • Potential Disadvantages of Franchising 	<p>Marketing Management</p> <ul style="list-style-type: none"> • The Role of Marketing Management in the Small Indigenous Business • The Target Customer • External Influences on the Market • Developing the Product or Service • Developing the Distribution System • Setting the Price for the Product or Service • Promotion • Steps in Carrying out a Promotional Campaign <p>Financial Management</p> <ul style="list-style-type: none"> • The Need for Financial Records • The Accounting Cycle • Accounting Systems for the Small Business

<ul style="list-style-type: none"> • The Small Business Decision: Organizational Evaluation • Small Business Successes • Small Business Failures • Entrepreneurship and Small Business Management <p>Business Opportunities for Indigenous Entrepreneurs</p> <ul style="list-style-type: none"> • Evaluation of Business Opportunities • Non-Quantitative Assessment of Business Opportunities • Attributes of Indigenous Communities • Breaking Into the Market • Collection of Information • Quantitative Assessment of Business Opportunities 	<ul style="list-style-type: none"> • Evaluation of a Franchise Opportunity • The Entrepreneur as a Franchiser <p>Financing Indigenous Small Businesses</p> <ul style="list-style-type: none"> • Small Business Financing • Determining the Amount of Funds Needed • Determining Types of Financing • Determining the Terms of Financing • Financing Micro-enterprises • Preparing a Proposal to Obtain Financing 	<ul style="list-style-type: none"> • Management of Financial Information for Planning • Evaluation of Financial Performance • Credit and the Small Business <p>Operations Management</p> <ul style="list-style-type: none"> • Management of the Internal Operations • The Production Process • Physical Facilities • Layout • Purchasing and Controlling Inventories <p>Personnel Management</p> <ul style="list-style-type: none"> • Personnel Management and Small Business • Planning for Personnel • The Hiring Process • Personnel Management • Family Businesses • Paying Employees • Controlling and Evaluating Employee Performance • Handling Grievances
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		<ul style="list-style-type: none">• Government Requirements and Assistance• Record-Keeping for Employees <p>Indigenous Tax Issues</p> <ul style="list-style-type: none">• Exemptions to Tax• Non-Exempt Businesses• Financial Transactions Between the Owner and the Company• Government Tax-Related Programs• Goods and Services Tax <p>Indigenous Business Growth</p> <ul style="list-style-type: none">• Small Business and Growth• The Business Cycle• Problems Created by Growth• Evaluating the Growth Question• Growth Planning• Long-Range Planning
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Annex C to Submission for House of Representatives
Standing Committee on
Aboriginal and Torres Strait Islander Affairs
Capacity Building in Indigenous Communities

SAMPLE PUBLIC PURCHASING POLICY INITIATIVES THAT FOSTER INDIGENOUS SMALL BUSINESS

The Commonwealth

Commonwealth Government Procurement Guidelines February 2002 state ¹:

"Where individual projects involve expenditure over \$5 million (\$6 million for construction and related facilities) and are in places where there is significant Indigenous populations with limited employment and training opportunities, officials should:

- consider opportunities for training and employment for local Indigenous communities and document the outcomes;
- consider the capabilities of local Indigenous suppliers when researching sources of supply; and
- consult the ATSIC and/or the relevant community council or group, as appropriate, in the planning stages of proposed projects."

The States and Territories

The Northern Territory Procurement Review Board Guideline No:G 30 June 2000, states ²:

" The Territory has endorsed a policy that aims to assist in developing Aboriginal Community Organisations, to a stage where they can compete in the open tendering process, by allowing them to undertake maintenance and service for works within their own Community boundaries provided they are willing and deemed capable of the task in question.

Aboriginal Community Organisations considered appropriate to undertake maintenance and service for works within their respective regions of jurisdiction (provided they are capable) are:

- Community Government Councils;
- Association Councils;
- Town Camps/Town Camp Organisations;
- Aboriginal Community Owned Business Enterprises, and
- Out station Resource Centres "

¹ Web: www.dofa.gov.au/ctc/publications/purchasing/cpg/commonwealth_procurement

² Web: www.nt.gov.au/dcis/caps/policy_guidelines/intro.shtml

The Northern Territory government also propose ³ to amend the tendering and contract process to further encourage contractors seeking government building contracts to include Aboriginal involvement in their tenders under a "Two Price Tendering". The proposed changes will allow tenderers to submit two prices (one as they would normally bid and one that includes Aboriginal participation).

The Queensland Department of Public Works and Housing Reconciliation Management Plan 2002-2006 initiatives include ⁴:

- Support of business opportunities for Indigenous Australians, particularly in building and construction;
- Educating Indigenous business operators in the tender process to encourage greater participation in seeking government contracts;
- Developing a central register of all Department of Public Works major projects in Indigenous communities

On 7 September 2002, ⁵ The Hon Matt Foley MP (Queensland Minister for Employment and Training Matt Foley) said the Queensland public works policy introduced last year resulted in 146 jobs employing local indigenous workers throughout the State. Mr Foley said the Government sets minimum levels of local participation in State Government-funded construction in 32 indigenous communities and three shires. It is mandatory for all civil construction, and for building contracts over \$250,000. "Additionally, there is an expectation that government agencies will apply it to their smaller contracts. Contractors must recruit at least 20 per cent of their on-site labour force from the local community and at least half the local recruits must undertake formal apprenticeships or traineeships, or other training approved by the State Government. "It is a way of developing skills in the local workforce, helping indigenous workers to acquire the skills they need to compete for work in their communities, outside their communities and anywhere in Australia," he said.

Strategy 11 of the 1999 Policy Statement for NSW Government Procurement states ⁶ :

" It is the NSW Government's objective to ensure that Aboriginal people receive ...access to business...opportunities. It is anticipated increased participation by Aboriginal people in the government procurement process will lead to improved economic and social conditions in Aboriginal communities.

Service providers to government agencies will be required to indicate, in identified contracts, measures they intend to implement, if awarded the contract, for Aboriginal people in the community "

Canada

In Canada, the Federal Government Procurement Strategy for Aboriginal Business works along the following lines ⁷:

³ Web: www.tw.nt.gov.au

⁴ "Working for Reconciliation", The Department of Public Works Reconciliation Management Plan 2002 - 2006

⁵ Queensland government press release 7 Sep 02

⁶ Web: www.dpws.nsw.gov.au

- All government contracts that serve a primarily Aboriginal population and that are worth more than CND \$5,000 are reserved for competition among qualified Aboriginal businesses
- Government buyers are also encouraged to set aside other contracts for competition among Aboriginal businesses whenever practical
- Aboriginal firms are encouraged to create joint ventures with other Aboriginal or non-Aboriginal firms in bidding and executing government contracts
- Whenever contractors need assistance to fulfil a government requirement, they are encouraged to sub-contract to Aboriginal businesses

⁷ Web: www.asi-rfa.inac.gc.ca/Static Pages/attnbus_e.asp

Annex D to Submission for House of
Representatives Standing Committee on
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Capacity Building in Indigenous Communities

SOME EXAMPLES OF INDIGENOUS FINANCIAL SERVICE INITIATIVES

First Nations Bank of Canada - Developing an Indigenous Bank with a National Capability

In 1994, the Toronto-Dominion (TD) Bank was chosen as the financial institution stakeholder for the creation of the First Nations Bank¹. A stakeholder was identified out of need to provide training, management expertise and operational support to the First Nations Bank of Canada.

In 1996, the new bank was created with the first branch opening in early 1997 and now is well on way to developing network of locally staffed branches and community banking centres across remote and regional Canada.

The First Nations Bank currently operates as a subsidiary of TD bank. The board of directors has four appointees from the parent bank, four appointees from its investors (Saskatchewan Indian Equity Foundation or SIEF) with the President of the Bank chairing the board.

The future intent is for ownership and control to be transferred from TD to First nations investors (SIEF) as the First Nations Bank of Canada builds its own internal capabilities and expertise,

Bank of Montreal

A different (to the First Nations Bank) approach to providing Indigenous people with financial services within Canada is taken by the Bank of Montreal². This bank decided to target the Indigenous market in the early 1990's and as a result has achieved significant growth within Indigenous communities. The Bank of Montreal:

- Employed a high profile Indigenous person to head a newly created Indigenous division within the bank.
- Increased the number of indigenous employees and established an alliance with Canada Post to deliver 'Indigenous friendly face to face services' into remote and regional Canada.

Interestingly in Australia, Westpac has recently adopted an initiative to increase its numbers of Indigenous employees³ and the Commonwealth Bank has an alliance with Australia Post to deliver counter services to 'the bush'⁴.

¹ Web: www.tdcanadatrust.com/fnbank/bankpath

² Web: www.bmo.com

³ Westpac are a signatory to the Commonwealth Corporate Leaders for Indigenous Employment Program which commits Westpac to an indigenous employment strategy.

Community Development Financial Institutions Fund USA

The Community Development Financial Institutions Fund (CDFIF) is a statutory corporation wholly owned by US Treasury ⁵. It was created in 1994 as an initiative to provide better financial services to disadvantaged Indigenous communities within the USA, particularly Alaska and Hawaii. It achieves this objective by fostering the establishment and growth of community development financial institutions and by providing incentives for the major banks and other financial institutions to invest in community development financial institutions.

In Australia, Westpac and the Colonial State Bank are taking a similar community approach where a community operates a franchise, or agency, of an established bank ⁶.

Australia – Rural Transaction Centres

The Commonwealth has recognised the issue of availability of financial services to regional and rural Australia deepened by the withdrawal of traditional banking services in the 1990s. Rural Transaction Centres (RTCs) provide basic banking and other services to “the bush”. The partnerships between RTCs and financial service providers appears to be improving financial services to Indigenous communities but more time is required to determine the success of this initiative ⁷.

First Nations Australian Credit Union – Providing financial services to Indigenous Communities

The First Nations Australia Credit Union is the only Indigenous credit union in Australia. Established in 1999 with more than \$12 million in deposits, 300 loans, and overdrafts totalling \$5 million, 2,900 members (across Broome, Torres Strait, Port Augusta, Alice Springs, Fitzroy Crossing, Lockhart River and Cairns). Its mission: “Exists to assist each member to protect and improve their financial position” ⁸

Community Sector Banking

Community Sector Banking ⁹ is the result of a joint venture between Bendigo Bank Ltd, and Community 21 Ltd, a company whose shareholders are community sector organisations. Profits generated by the Community Sector Banking activities will be shared with the participating community sector organisations.

Aboriginal and Torres Strait Islander Commission (ATSIC)

ATSIC has a Business Development Program comprising a loan and a grants scheme. The Business Funding Scheme could form the basis of an Indigenous Bank. This scheme ¹⁰ promotes the economic independence of Aboriginal and Torres Strait

⁴ McDonnell & Westbury, Giving credit where it's due, CAEPR Paper No 218/2001 p 21

⁵ Morphy & Sanders, The Indigenous Welfare Economy and the CDEP, CAEPR Monograph No 20 pp 88/89

⁶ McDonnell & Westbury, Giving credit where it's due, CAEPR Paper No 218/2001 p 17

⁷ McDonnell & Westbury, Giving credit where it's due, CAEPR Paper No 218/2001 pp 19/20

⁸ Web: www.australiancu.com/firstnations/

⁹ Web: www.csbanking.com.au

¹⁰ Web: www.atsic.gov.au/Programs/Economic

Islander individuals and corporations by facilitating the acquisition, ownership and development of commercially successful businesses and community enterprises through the use of loans. Benefits to Indigenous businesses include:

- Concessional finance in the form of loans, guarantees and grants
- Wages subsidy support (for up to 12 months)
- Access to expert advice and expertise for the establishment and ongoing management and operation of the business

Indigenous Business Australia (IBA)

IBA is a Commonwealth Statutory Authority with an asset base of \$67 million seeks to assist and enhance Indigenous self-management and economic self-sufficiency by advancing Indigenous commercial and economic interests. IBA achieves this through ¹¹:

- Seeking sufficient equity in specific companies to hold a board position and then actively influence the way that company relates to Indigenous Australians.
- Forming joint economic ventures with Indigenous Australians
- Forming strategic partnerships/alliances with individual companies to promote positive responses to opportunities.

IBA does not receive recurrent funding and is required to act commercially and must meet its responsibilities from the profits derived from its investment activities. IBA could also be used as the basis upon which to build an Indigenous Bank.

¹¹ Web: www.iba.gov.au

GLOSSARY

ABS	Australian Bureau of Statistics
AEDO	Aboriginal Enterprise Development Officer
ATSIC	Aboriginal and Torres Strait Islander Commission
BFS	Business Funding Scheme
CAEPR	Centre for Aboriginal Economic Policy Research
CDEP	Community Development Employment Projects
CDFIF	Community Development Financial Institutions Fund
DEWR	Department of Employment and Workplace Relations
DITR	Department of Industry Tourism and Resources
DOTARS	Department of Transport and Regional Services
IBA	Indigenous Business Australia
ILC	Indigenous Land Corporation
ISBF	Indigenous Small Business Fund
NEIS	New Enterprise Incentive Scheme
RBA	Reserve Bank of Australia
RTCs	Regional Transaction Centres
SIEF	Saskatchewan Indian Equity Foundation
SME	Small and Medium Enterprises
TD	Toronto-Dominion

About this Submission and its Author

This submission represents one person's humble opinion substantiated by some relevant experience, research and observations. Given resource constraints and the timeline required for submission, comprehensive coverage of each aspect of the detailed terms of reference has not been possible in a way that commercial and government organisations could achieve. However it is hoped that the issues raised are considered relevant and discussed deeply enough to contribute in a small way to the discussion on how to build capacity within Indigenous Australian communities.

The author, John McDonald joined the Department Of Employment and Workplace Relations in July 2002. Prior to joining the Australian Public Service, John ran a small consultancy business during a four year period providing advice to: Honeywell Inc, Caterpillar Logistics, Fleet Support Logistics (UK), BAE SYSTEMS and the Australian Department of Defence.

This activity was preceded by 26 years of combined Commercial and Military experience in Logistics, where he developed and implemented major change programs through both internal re-engineering and external outsourcing activities.

In work conducted for Honeywell Canada Logistics Services in 2000/01, John's awareness of Indigenous employment issues was heightened by the requirements of the Canadian government on North American Aboriginal issues. The Canadian government required Honeywell as part of a tender submission to demonstrate its record in Indigenous employment and explain the benefits its tender would bring to North American Aboriginal People.

Earlier interest in Indigenous issues was maintained at a working level throughout John's commercial and military logistics experience. In addition, John provided assistance to the SA State Government about a proposal for economic development in a disadvantaged region. Whilst this work was not focused on Indigenous issues it had a direct co-relation.

This submission is a private submission and is based on John's interest in Indigenous Australians and commitment to the ideal that small business is the engine room of our nation. The submission relies on publicly available information (i.e. no privileged Commonwealth Government information has been used).