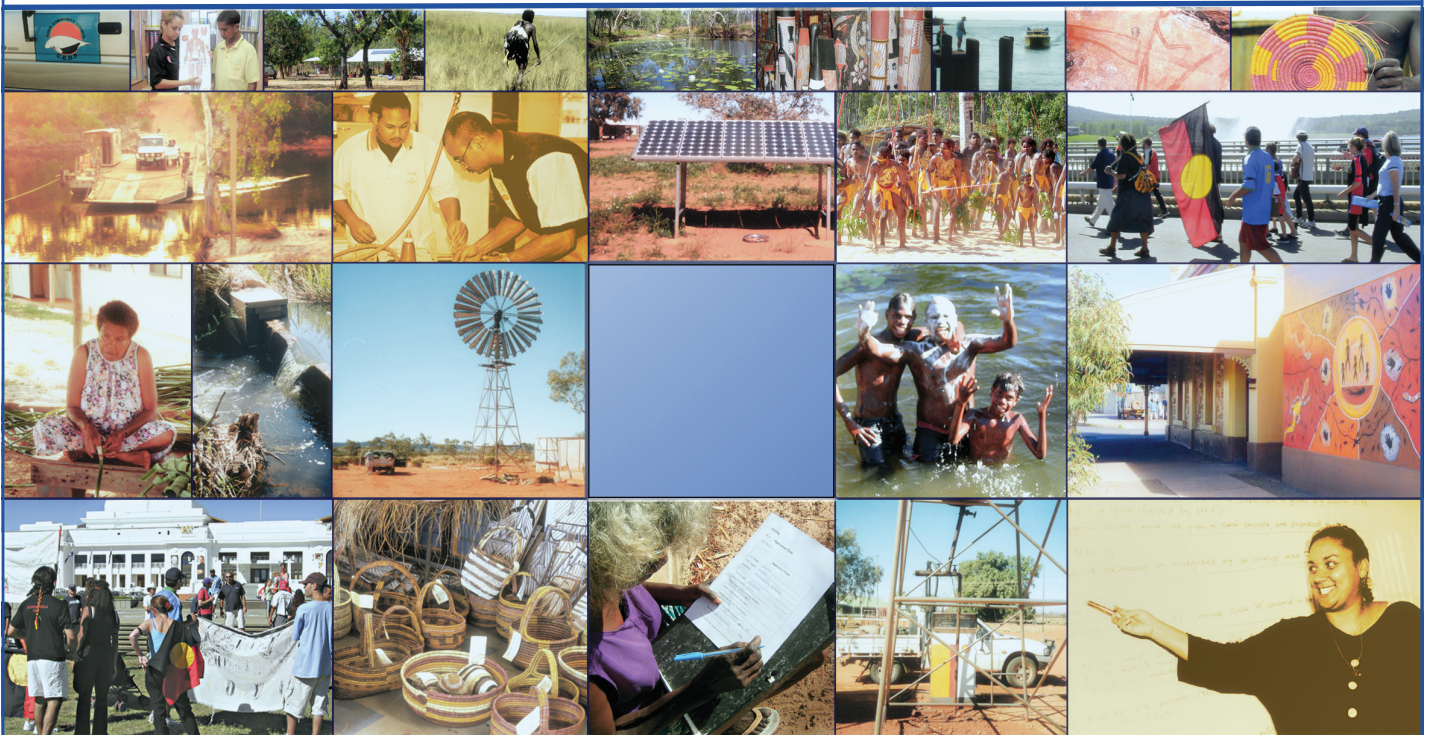


Submission to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into developing Indigenous enterprises

J.C. Altman & K. Jordan

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PROFESSOR JON ALTMAN

DIRECTOR

Centre for Aboriginal Economic Policy Research

Hanna Neumann Building 021

ACT Australia 0200

T: +61 2 6125 2858

F: +61 2 6125 9730

E: Jon.Altman@anu.edu.au

Committee Secretary
House of Representatives Standing Committee on
Aboriginal and Torres Strait Islander Affairs
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Secretary

Please find attached a brief submission to the Inquiry into developing Indigenous enterprises.

The attached submission by Ms Kirrily Jordan and myself summarises some of the relevant research produced by the Centre for Aboriginal Economic Policy Research (CAEPR) at the Australian National University. By way of background, CAEPR is a research centre that has been at ANU since 1990. Its role is to contribute to better outcomes for Indigenous Australians by engaging in constructive academic and public policy debates based on evidence-based and innovative research. It should be noted though that CAEPR does not adhere to any corporate view and so this submission focuses primarily on research that we have undertaken and has a particular geographic focus on remote Australia. It is our understanding that our colleague Dr Boyd Hunter will be making a separate submission to the Inquiry.

This submission principally focuses on the first two of the terms of reference for Inquiry into developing Indigenous enterprises and especially the aim of the Inquiry to identify areas of Indigenous commercial advantage and strength. In particular, it highlights the emerging opportunities for Indigenous enterprise in natural resource management, including in the response to climate change. Appropriate action to identify and support these activities will provide benefit to Indigenous Australians through the development of Indigenous enterprise, including joint ventures, as well as combining culturally-informed commercial activity with the potential for much-needed financial return. In addition, it will have positive outcomes for environmental and ecological sustainability, not only for the 20 per cent of the Australian land mass that constitutes the Indigenous-owned estate, but also for the nation as a whole. Support for these activities is pressing not only in the face of continued Indigenous economic disadvantage, but also in the face of the ongoing threat to biodiversity and the critical need to respond to climate change.

In reflecting on the question of whether current government, industry and community enterprise support programs and services to Indigenous enterprises are effective, the submission highlights the need for programs to recognise the diversity of the Indigenous population, Indigenous aspirations and Indigenous circumstances, with opportunities in both individual and collective enterprise and across

urban, rural and remote areas. It outlines three Indigenous business models that have a proven track record in fostering sustainable Indigenous enterprises and recommends that enterprise development programs continue to support these approaches.

We recognise that the issues raised by your Inquiry, and in our submission, are complex and we would be happy to assist further if required. We would also be able to provide any of the material referenced as exhibits if required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jon Altman', with a long, sweeping horizontal line underneath it.

Professor Jon Altman
29 July 2008

Submission to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into developing Indigenous enterprises

Jon Altman and Kirrily Jordan
Centre for Aboriginal Economic Policy Research
The Australian National University, Canberra

This submission focuses on terms of reference 1 and 2 of the inquiry into developing Indigenous enterprises.

1. Identifying areas of Indigenous commercial advantage and strength.

Limited opportunities, unique advantages

It is well established that Indigenous Australians are under-represented among Australia's entrepreneurs – a result, for example, of limited commercial opportunities in rural and remote areas and the disproportionate educational disadvantage of Indigenous people even in the cities. However, despite much rhetoric, opportunities do exist for Indigenous businesses in both cities and rural and remote areas. Foley (2006) notes that in 2001 there were 1,845 Indigenous Australian employers (employing themselves and others) in urban areas. Indigenous enterprises were spread across a wide range of industries including construction, the auto industry, hospitality, retail, publishing and professional services (Foley 2006).

Altman and Dillon (2004) also highlight a broad range of opportunities for commercial enterprises in remote areas. These include retail stores, tourism, road maintenance, the provision of government housing and aged care facilities and programs, and investment in valuable tradable assets such as crabbing and fishing licenses. Hunter (1999: 9) notes that while Indigenous people in remote areas may have limited opportunities they also have some unique commercial advantages:

there is a greater potential for business diversity due to the isolation of local markets. That is, each individual locality needs a shop, petrol station, plumber etc. Other explanations might be that: barriers to entry, such as capital start-up requirements, are lower; and the larger indigenous market in remote locations counteracts the lack of mainstream commercial opportunities in such areas.

Areas such as tourism and the arts have often been seen as areas of particular commercial advantage for rural and remote Indigenous communities. For example, they may have low requirements for start-up capital and provide a market advantage in supplying an 'authentic,' internationally recognised product with established demand. The

opportunities and challenges for Indigenous small and medium-size businesses in tourism and the arts have been the subjects of much academic research (see for example Altman 1993, 1995, 2003). Increasingly, mining is also being seen as an area of particular locational and commercial advantage for Indigenous Australians, with a number of mining companies engaging in joint ventures with Indigenous businesses. These may be commercially lucrative. For example, the recent agreement covering the Yarrie iron ore mine in the Pilbara provides for the mine, owned by BHP Billiton Iron Ore, to be managed by the 25 per cent Indigenous-owned enterprise Ngarda Civil and Mining. The contract is worth more than \$300m over five years and, as of September 2007, was the largest Indigenous mining contract in Australia (*Australian Mining* 2007; see also Holcombe 2004).

However, one unique commercial opportunity for Indigenous Australians – particularly in rural and remote areas – that has been relatively overlooked in the literature on entrepreneurship is natural resource management. Given the lack of attention to this industry, as well as its increasing importance in the context of challenges to biodiversity and the predicted impacts of climate change, it warrants more detailed investigation.

Opportunities for Indigenous entrepreneurship and joint ventures in natural resource management

Over the past three decades approximately 20 per cent of the Australian land mass has been returned to Indigenous Australians as a result of land rights claims and land acquisition programs (Altman and Dillon 2004). While much of this land is not commercially viable for "old-economy" pastoral and agricultural uses, it is a significant environmental and ecological asset (Altman and Dillon 2004). Some bio-regions are largely intact while others face pressures from wildfires, weeds, feral animals and other threats to biodiversity. The recent *Fourth Assessment Report of the Intergovernmental Panel on Climate Change* found that many regions will face an increased threat to biodiversity with the onset of climate change, including an increase in pests, weeds and wildfires (Hennessy et al. 2007; see also Dunlop and Brown 2008; Millennium Ecosystem Assessment 2005; NRMMC 2004). Patterns of biodiversity may change over relatively short timeframes (Altman et al. 2007: 33).

Historically, natural resource management on the lands that now constitute the Indigenous-owned estate has been either absent or significantly under-resourced. While some Indigenous land-owners currently engage in natural resource management activities, much of this is conducted outside the market or poorly remunerated, pointing to a significant opportunity for commercial development (Altman 2007). Opportunities exist both in managing ecosystems to minimise environmental damage and in developing environmental programs that help reduce Australia's carbon emissions. For example, there are significant opportunities in wildlife management projects and emerging industries such as carbon trading and biodiversity credits.

The West Arnhem Land Fire Abatement (WALFA) project is one promising example. WALFA is a commercial agreement based on customary knowledge of fire management that aims to reduce the greenhouse gas emissions from wildfires and produce a tradable carbon offset should a suitable carbon market arise (Altman et al. 2007; ATSIJC 2007). It is a partnership between traditional owners of western Arnhem Land, the Northern Land Council, fire ecologists, five Aboriginal community-based ranger groups and the energy company Darwin Liquefied Natural Gas Pty Ltd (DLNG). It is a 17 year agreement, with DLNG committing \$1 million per annum over the period (Altman et al. 2007: 42; ATSIJC 2007: Chapter 12). By altering the pattern and intensity of fires in what had been depopulated and largely unmanaged land for several decades, WALFA reduces the emissions of methane and nitrous oxide from bushfires, thereby offsetting some of the greenhouse gas emissions from DLNG's operations (Tropical Savannas CRC n.d.). WALFA has an annual carbon-equivalent abatement target of 100,000 tonnes and in its first two years has abated an estimated 256,000 tonnes (Altman et al. 2007: 43). It has provided employment for 30 Indigenous Australians from the five Aboriginal communities involved in the partnership (Altman et al. 2007: 42; ATSIJC 2007: 266).

Similar schemes could be developed elsewhere on the Indigenous-owned estate, with particular opportunities in the fire-prone tropical savannas along Australia's north coast (Altman et al. 2007: 43). There will also be other types of opportunities in the response to climate change, such as feral animal management (to reduce methane emissions), carbon sequestration (tree planting) and geo-sequestration (Altman and Jordan 2008). Such schemes can play a crucial role in the national response to climate change. There may also be a role for Indigenous ecological knowledge in additional environmental management projects on the Indigenous estate, such as in 'bio-prospecting', feral animal control, weed eradication, quarantine inspection and the commercial utilisation of wildlife (Altman and Dillon 2004). While many of these opportunities will occur in rural and remote areas, opportunities may also exist in metropolitan areas such as where Indigenous Australians have negotiated Indigenous Land Use Agreements.

A particular advantage of Indigenous enterprise in natural resource management is the ability to provide commercial returns from utilising traditional knowledge and customary activities associated with land management and caring for country. As the recent *Native Title Report 2007* suggests, many remote Indigenous communities face a lack of "culturally appropriate" employment opportunities (ATSIJC 2007: 271). The WALFA project is one example of a successful project that "fits perfectly into the remote communities that it engages with because it represents commercial opportunities from carrying out the cultural activity of fire management" (ATSIJC 2007: 271). Not only do Indigenous communities have a market advantage in carrying out this work – due to both geographic location and the ability to utilise Indigenous ecological knowledge – but there is a clear public interest in responding to environmental threats and a strong business case, particularly if opportunities arise in carbon trading and if governments, corporates and environmental NGOs and philanthropies provide support through fee-for-service environmental management contracts.

In light of the potential for commercial development of NRM on the Indigenous-owned estate, as well as the cultural suitability of working in these industries, opportunities for both Indigenous controlled enterprise and commercial joint ventures in these activities need to be thoroughly explored and effectively promoted through public policy.

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

Reflections on the diversity of the Indigenous population and aspirations and the importance of cultural context

In reflecting on the success of existing enterprise support programs it is first necessary to briefly discuss the efficacy of the current policy framework. For at least a decade the dominant approach to Indigenous economic development in public policy has been informed by a neo-liberal model of development that prioritises markets and individualised economic engagement with the 'mainstream'. While engaging with mainstream markets and developing an "enterprise culture" among Indigenous Australians may, indeed, be part of an effective response to continued economic disadvantage and an over-reliance on welfare payments (see, for example, the conclusions of DIMIA's Indigenous Business Review 2003), it is insufficient on at least two bases.

Firstly, this approach fails to recognise the diversity of Indigenous experience and aspirations. For example, it overlooks the significant role of the customary economy in Indigenous communities in rural and remote areas. In many instances, these communities participate in a "hybrid economy", relying on a mix of customary activities (such as hunting), market activities (such as commercial arts production) and state support for their livelihoods (Altman 2007a, see also Altman 2001a; Altman and Dillon 2004). Programs to facilitate the expansion of Indigenous entrepreneurship in rural and remote communities that overlook local aspirations and the significance of the customary economy not only misunderstand Indigenous economic engagement but may be experienced as "economic assimilation" and a forced "cultural acquiescence to the market" (see Altman 2002: 1-2).

Secondly, the dominant policy approach to Indigenous economic development has tended to assume that the goal for remote Indigenous communities should be economic independence. For many communities faced with limited opportunities for standard commercial activity, this goal may be unrealistic. A more appropriate goal may be economic inter-dependence, where ongoing state support (such as through CDEP) allows a range of options including self-employment and enterprise development. For example, Bawinanga Aboriginal Corporation (BAC) in the Maningrida region of central Arnhem Land has successfully supported the development of a large number of commercial enterprises, some of which are wholly Aboriginal managed and staffed and most of which are underwritten by CDEP (see Altman and Johnson 2000; Altman and Cochrane 2003; BAC 2007).

Policies designed to increase the rate of Indigenous business development must also recognise the diversity of enterprise structures. For example, Foley (2006) argues that research and policy relating to Indigenous enterprise has tended to focus on collective, rather than individual, enterprise. However, Hunter (1999: 13) highlights the importance of the collective and cooperative nature of some forms of Indigenous production. He suggests that community arts and crafts production, for example, may offer a competitive advantage in rural and remote areas because it can incorporate Indigenous systems of obligation and cooperative production. McDonnell (1999: 10) suggests that businesses such as Amway and Nutrimetics may have been popular in the Torres Straits because of the orientation to community and the high degree of sociality involved.

The diversity of Indigenous organisations and aspirations means that successful enterprises may take many forms. As Altman and Dillon (2004: 5) argue in relation to loans schemes for Indigenous commercial ventures:

The Indigenous actors involved are heterogeneous, with diverse worldviews, contact histories, resource bases, and aspirations. They will wish to utilise different corporate vehicles, and work at different scales, from the individual and family level up to the regional level. Thus any general scheme will need to be flexible and adaptable.

Three successful business models

While the diversity of Indigenous populations and aspirations mean that business models may take many forms, this section reports on three approaches to Indigenous enterprise development that have had proven commercial success and long-term track record. These three approaches may overlap in the sense that all three may be present in one community-based development agency. Indigenous business support programs should recognise the viability and sustainability of these models.

i. Indigenous enterprise through community arts centres

In Indigenous enterprises in the arts the model of a community-controlled arts centre that provides a brokerage service to remote Indigenous artists has proven to be both cost-effective and sustainable (Altman 2003, 2005, 2007b). These centres depend on highly skilled arts advisors who have the capacity to effectively mediate between the artist and the market. Many of these arts centres have a strong business orientation, with effective financial and information management systems and stock control procedures and proactive exhibiting and marketing strategies. The community-controlled arts centre model can be extremely effective in both remote and urban contexts.

ii. Indigenous enterprise underwritten by CDEP

In arts and other Indigenous enterprises, incomes may often need to be supported through CDEP. For example, few artists, whether Indigenous or not, can make a living wage from their arts practice alone. Many non-Indigenous artists supplement their arts income from other part-time work. For Indigenous artists in remote areas, there is a

continued role for CDEP where other employment opportunities are limited. Similarly, as noted above in the case of the Bawinanga Aboriginal Corporation (BAC), successful enterprise development in remote areas may need to be underwritten by CDEP. This is not an indication of commercial failure. Rather, the CDEP scheme can assist in the development of micro-businesses that generate additional income as well as socio-cultural objectives (see Altman 2001b). For example, CDEP allows the development of viable businesses while providing a living wage based on CDEP (as a wage subsidy) plus 'top up' for workers who take on extra hours or responsibilities.

iii. Indigenous enterprise development through Outstation Resource Agencies (ORAs)

Bawinanga Aboriginal Corporation also demonstrates the possibilities for enterprise development through ORAs. BAC is a highly successful Indigenous organisation that has taken on the role of fostering business development in the Maningrida region. Its proactive and entrepreneurial role in enterprise development began in 1996 as operator of Maningrida's fuel supply, with profits from that enterprise used to fund the development of additional businesses. BAC now manages 20 businesses including a mechanical workshop, road and housing maintenance services, a retail fuel outlet, a large supermarket/variety store, construction services, aged care services, a mobile shopping service, a takeaway food outlet, land care, a commercial wildlife venture, an eco tourism business and a highly successful community-based arts and culture centre. Its 20 businesses contribute more than half of BAC's annual turnover of over \$27 million. As BAC states in its 2006/07 Annual Report, "it is both a source of regret and confusion that no agent of the Commonwealth Government has ever sought to draw on the experience and success of BAC with a view to applying our model elsewhere" (BAC 2007: 2).

Summary and recommendations

This submission focuses on only two of the terms of reference of the Inquiry into developing Indigenous enterprises and notes the following.

First, there are new emerging industries particularly evident on the remote Indigenous estate that could provide opportunity for Indigenous enterprise. Such opportunity is especially evident in provision of environmental services to generate carbon and biodiversity credits. There are some emerging programs to support such enterprise, notably the new Working on Country program administered by the federal Department of Environment, Water, Heritage and the Arts; and some evidence of public/private partnerships supporting innovative enterprise like the West Arnhem Land Fire Abatement project.

It is **recommended** that in considering areas of current and potential Indigenous commercial advantage and strength, the Committee pays particular attention to emerging natural resource management opportunities and options to support such initiatives.

Second, it is argued that in parts of remote Australia, the mainstream economic model will have limited relevance because in many situations the hybrid economy model that incorporates a customary or non-market sector is dominant. The very diversity of Indigenous circumstances means that a mainstream economic model might not be appropriate to non-mainstream situations. Three often inter-dependent examples of models that have proven successful and durable over many years are provided: community arts enterprise, enterprise underwritten by CDEP and on-country enterprise facilitated by Outstation Resource Agency 'hub and spokes' organisations. These models often undertake joint ventures with state agencies or the broader business sector.

It is **recommended** that at the current moment in Indigenous affairs when there is an over-emphasis on policy failure the contribution that existing institutional arrangements and programs can make to Indigenous enterprise development should not be overlooked.

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