

Indigenous communities and business:  
Three perspectives, 1998–2000

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## Abbreviations and acronyms

AEDP	Aboriginal Employment Development Policy
ATSIC	Aboriginal and Torres Strait Islander Commission
CDC	Commercial Development Corporation
CDEP	Community Development Employment Projects (scheme)
HORSCATSIA	House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs
IBA	Indigenous Business Australia
IBIP	Indigenous Business Initiatives Program
NACIS	National Arts and Crafts Industry Strategy
NPO	National Policy Office (ATSIC)

## Preface

The issues of Indigenous engagement with business are perennially debated and nowhere is this question more pertinent than in what is sometimes loosely termed 'the community sector'. In such circumstances, Indigenous people are often living in remote predominantly Indigenous communities that for a host of historical, cultural and structural reasons are underdeveloped and excessively dependent on the state. In analytical terms, in such circumstances there may be state-dependent and customary economies, but the market is largely absent. 'Doing business' in such circumstances can be extremely difficult.

This working paper comprises three previously unpublished papers written over the period 1998–2000. The reason for making these papers more widely available via the CAEPR electronic working paper series at this time has been largely influenced by recent discussions with the Aboriginal and Torres Strait Islander Commission's (ATSIC's) National Policy Office (NPO) as a new Indigenous Employment Policy is being discussed and moulded. In fact it seems to me that the NPO's thinking is extending well beyond mere employment issues to wider issues of community and economic development. As we have discussed a number of these issues around-the-table I have drawn upon ideas that have been influenced by the researching and writing of the attached papers; it seemed to me that there might be some use in making them more widely available on the CAEPR website.

The history of the three papers is as follows. The first 'New horizons, new opportunities, new strategies: Where to now for 'doing business with Indigenous communities'?', was presented at the 4th AIC Doing Business with Aboriginal Communities Conference held at the Plaza Hotel in Alice Springs in February 1998. While the paper set out to summarise the conference's deliberations and was presented as the concluding paper, it was written prior to the conference and largely animated by the range of topics covered. It is instructive to consider that this paper was given before passage of the 1998 amendments to the Native Title Act and before the current policy emphases on issues associated with welfare dependence and mutual obligation.

The second paper, 'The development potential of the Indigenous economy and the role of 'doing business'', was presented at the 'Towards Better Business Partnerships' 6th AIC Doing Business with Aboriginal Communities Conference, held at the Carlton Hotel in Darwin in February-March 2000. This presentation was very different from the first, because it was sought as an opening keynote and scene setting paper and consequently its ambit, while still focused on business and communities, is somewhat broad.

The paper was presented in a very sombre mood, for the audience and I had just found out about the premature death of Mick Alderson, an elder of the Murrumburr clan, member of the Kakadu National Park Board of Management and a key figure in the establishment and subsequent success of the Gagudju Association. I had worked closely with him on a number of occasions from 1982 until quite recently. At the conference, I dedicated the paper to his memory with the following words:

In the 20 years of working on issues affecting the land and people of the Kakadu region, I always placed great value on the views and knowledge of Nabangardi, Namurrumburr [Mick Alderson]. He was a 'doing business' leader and visionary who understood well the needs of his people and who worked hard and courageously to deliver opportunities and benefits to his community. He was always very thoughtful and insightful about the dramatic changes of the last two decades and consequently influential; but he always remained candid and humorous. Long may the real benefits of his endeavours be maintained for current and future generations of Bining [Aboriginal people].

The final paper, 'Culture and commerce: are they separable in Indigenous business policy?' was prepared as a personal comment on two discussion pieces released by the then federal Minister for Aboriginal and Torres Strait Islander Affairs Senator

John Herron in 1998. The first paper was a discussion paper *Removing the Welfare Shackles* and the second was a policy statement *Beyond Welfare* released in September 1998. It was written in October 1998 as a commentary for some discussions I was having at the time with staff of the then Economic Division of ATSIC.

All three papers are informed by the harsh reality that in many situations Indigenous Australians continue to have very circumscribed economic options. In rural and remote locations these limits might be set by resource constraints, locational disadvantage, and limited resource endowments. In urban and metropolitan situations limits might be set by historical legacies like poor education and health, poverty traps associated with demographic structure and access to welfare and increasingly competitive labour markets.

Underpinning these papers is a degree of acceptance that 'economic development' is a priority for many Indigenous Australians. What do we mean by economic development? In the contemporary context the focus appears to be on employment, higher incomes, and less dependence on government. This definition creates a number of dilemmas and paradoxes because these three objectives may be incompatible within the current policy framework. For example:

- employment (underwritten by the Community Development Employment Projects (CDEP) scheme) might expand, but incomes may stagnate;
- where employment growth is government funded (as it is with CDEP) it increases rather than reduces dependence on government; and
- much Indigenous economic policy seeks to facilitate economic development with more, rather than less, state intervention without a clearly articulated time frame to reduce subvention and dependence.

These three papers are being disseminated more widely to facilitate discussion about these difficult issues. I emphasise that each was written for verbal presentation to diverse audiences; I hope that they will be of greater value distributed and discussed than sitting in my office.

Professor Jon Altman  
Director, CAEPR  
June 2001



## New horizons, new opportunities, new strategies: Where to now for 'doing business with Indigenous communities'?

This paper was presented at the 4th Doing Business with Aboriginal<sup>1</sup> Communities Conference held in Alice Springs in February 1998. Conference presentations covered a great deal of material on Indigenous, governmental and industry perspectives on doing business with Aboriginal communities. These included a number of empirical best practice case studies; perspectives of native title tribunal, legal and bureaucratic practitioners; and an Indigenous community voice. In an attempt to add value, I presented this overview under the broad rubric 'new horizons, new opportunities and new strategies' of the respective and highly interactive roles that Indigenous communities, governments, and industry can play to facilitate a higher degree of business engagement by Indigenous communities.

The overarching conceptual framework utilised here is a gross simplification of reality because it is clear that there is enormous diversity within each of the three simplified categories of Indigenous community, governments, and industry. For example, where does the Aboriginal and Torres Strait Islander Commission (ATSIC) fit within such a framework: is it Indigenous community or government or, as some unkindly suggest, 'an industry'? The answer is, perhaps, all three. For this analysis ATSIC is placed firmly in the governmental domain, despite the enormous differences in many views between the current federal government and the ATSIC Board of Commissioners. It is assumed that, for analytical purposes, these simplifications will be accepted.

There is an ongoing and highly stylised exchange relationship that is continually occurring between these three entities. Government attempts to provide industry with the right environment and signals it to operate competitively and profitably. Industry provides government with taxes (sometimes in exchange for government-owned resources like mineral rights) and contributions to a healthy economy through job creation and other multiplier effects. Indigenous communities, where bestowed by rights of consent or rights of negotiation, provide industry with access to resources. Industry provides these communities with direct and indirect benefits increasingly defined in formal agreements.

The interaction between government and Indigenous communities is a little more complex, because there is an overarching social compact between the two based on citizenship entitlements and responsibilities. Nevertheless, in the doing business, development context, government provides Indigenous communities with economic programs and financial resources (sometimes as compensation) in exchange for direct or indirect savings, be they in taxes paid or welfare payments saved. It would not surprise that in this greatly simplified world and under ideal conditions 'doing business with Aboriginal communities' would require a tripartite (or three-way) approach that includes all three parties.

Within this overarching conceptual framework this paper aims to:

- examine of broad economic and policy context to structurally and institutionally situate the position at this juncture in relation to doing business with Indigenous communities, focusing in particular on the role of the three distinct entities of Indigenous communities, business, and government; and
- highlight some new horizons, new opportunities and new strategies for Indigenous business development while reiterating, perhaps a little pessimistically, some old challenges. In conclusion there is a view to the future, identifying new hurdles and cautiously noting the role that business might play in overall Indigenous economic development.

## The broad economic and policy context

There is a Howard government election platform and ideological commitment to stimulate the business sector as a means to employment and economic growth in Australia. The extent of Indigenous relative poverty and high unemployment is well-documented: in the 1996 Census Indigenous unemployment was estimated at two-and-a-half times the non-Indigenous rate and Indigenous self employment is about 2 per cent of the working-age population compared to about 8 per cent for the non-Indigenous population. There is a government view that enhanced Indigenous involvement in business will improve Indigenous socioeconomic status.

Such a view has much intuitive appeal and has, in fact, influenced government policy for at least the last decade, especially in the aftermath of the Miller Report of 1985 and implementation of its recommendations in the Aboriginal Employment Development Policy (AEDP) launched in 1987. Indeed, there is a view that a major thrust of government policy in the late 1980s and into the early 1990s sought to utilise the 'enterprises' option as a means to enhance Indigenous economic status. At the broadest level this has occurred with special programs to increase Indigenous factor endowments: land, human capital (education and training), and capital, optimistically assuming that Indigenous entrepreneurs will automatically emerge, with time.

There has been targeted assistance to Indigenous business. This ranges from assistance to micro-business or self employment (e.g. via the Community Development Employment Projects (CDEP) scheme to business loans schemes), to businesses in the small and medium enterprise sector (mainly via the Commercial Development Corporation (CDC)). It extends to broad industry strategies aimed at enhancing participation in particular industries where Indigenous people have incipient competitive advantage (like the Aboriginal arts and crafts industry) or potential comparative advantage in niche sectors (like cultural tourism).

## New horizons

Much discussion has focused on native title and there is no doubt that it has been the catalyst for major change, if not in the government sector, then certainly for Indigenous communities and industry. Interestingly, the new horizons have not been precipitated by new industries: the options for doing business primarily remain mining, tourism, pastoralism, cultural manufacturing, commercial harvesting, and commercial fisheries. While new horizons have been predicated on native title leverage, this is not all: there has been a broad attitudinal change that has seen many Aboriginal communities and representative organisations become more development oriented. There is a sense in which Indigenous communities themselves are seeking greater engagement with the wider economy and society and are looking to convert their asset base, be it financial or cultural, to community well-being. This trend is not universal or uncontested, but it is evident (see ATSIIC 1997).

The Howard Government also has new horizons both for industry and Indigenous business. It has stated a commitment to real outcomes (Herron 1996). It is seeking cost savings in Indigenous affairs, and has a commitment to privatisation and the free market. Interestingly, at a time when industry policy is moving to fundamentally divest or withdraw government support, there is renewed support for Indigenous business. This is presumably due to evidence of market distortions (e.g. bias in the provision of finance from the private sector) or of market failure (due, for example, to extreme locational disadvantage).

Industry attitudes have changed almost entirely owing to native title: industry wants to maintain competitive advantage, both over domestic rivals and over international rivals. In the native title era, there is a real desire for 'risk minimisation'-perhaps a more realistic term than certainty. At times this results in industry alliances with government that are counter to Indigenous interests. But industry also recognises

that Indigenous community participation as stakeholders, especially in joint venturing, is perhaps the most effective mechanism to reduce risk. This in turn creates new opportunities.

### New opportunities

The willingness of industry to negotiate agreements with Indigenous communities provides important commercial concessions and other benefits to Aboriginal communities. These agreements can be project-specific regional agreements as at Century, regional land use agreements as with Yandicoogina, or exploration agreements as in South Australia. Conversely, in negotiations, Indigenous communities are using native title right-to-negotiate leverage to gain access to new opportunities and new private sector resources for development. These opportunities and resources may be in training, employment, enterprise or infrastructure provision sectors.

The institutional and structural framework provided by government will also, potentially, assist Indigenous business if only because government is in the process of reviewing some key and long-standing institutions like the Community Development Employment Projects (CDEP) scheme (Spicer 1997) and Indigenous businesses (House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs (HORSCATSIA) 1997). The emphasis in the latter inquiry is clearly on commercial sustainability, removal of barriers to Indigenous business participation, and joint venturing. There is also reference to national and international best practice. Assuming the Committee's views are not predetermined, such institutional review could result either in the establishment of new institutions or the strengthening of existing institutions (if proven effective). Similar reviews are under way of the Aboriginal Land Rights (Northern Territory) Act (Reeves 1997) and of proposed amendments to the Native Title Act, both with an emphasis on workability, presumably both for industry and Indigenous communities.

### New strategies

New horizons and new opportunities suggest the need for new strategies and these are evident at the government, industry, and Indigenous communities levels. However, it is probably fair to say that new strategies will not necessarily work unless they meet the challenge of overcoming old well-documented inhibitors to development. This issue will be discussed in the following section.

The new strategies for Indigenous communities include using native title and land rights leverage to ensure greater participation in business, primarily through joint venturing. However, such new approaches require the development of appropriate Indigenous structures to overcome problems of external and internal accountability. New industry strategies are already evident in a willingness to negotiate with Indigenous interests, to incorporate them as stakeholders in projects, and ultimately to profit share. Perhaps the greatest need for new strategies lies with governments: not only do they need to provide a degree of certainty with constant and consistent statutory and regulatory regimes (especially in the native title domain), but at a broad level they need to maintain incentives for Indigenous communities to pursue and benefit from development.

Governments must also provide appropriate policy frameworks. In the Indigenous business domain alone there is an urgent need to differentiate forms of Indigenous enterprise, not only according to scale of enterprise (micro, small and medium categories). Indigenous enterprise should be differentiated into target populations (individuals or families, traditional owners or native title parties, communities or regions) and target objectives (socio-cultural, public good or commercial). Even such oversimplified differentiation does not lend itself to any easy-fit matrix because of enormous category overlap.

Nevertheless, it is possible to consider new strategies to better correlate existing program options to different Indigenous needs. For example:

- it should be possible to revamp the CDEP scheme (with capital component) to assist micro-businesses for income generating and socio-cultural objectives;
- the Indigenous Business Initiatives Program (IBIP) could target community small business as a public good. A disciplined approach could ensure enterprise efficiency and effectiveness through benchmarking and performance monitoring. Examples of such potential enterprises would be community-based art centres; and
- medium-sized commercial enterprises or joint ventures could be targeted for support via the CDC. The CDC is an appropriate, but under-resourced, institutional mechanism to facilitate Indigenous wealth creation. Its performance to date indicates that it is doing a great deal right, but that it could do more with an enhanced capital base. It is responsive to Indigenous initiative to strictly commercial opportunity in the business sector. Its operations target businesses with growth potential, encourage joint venturing with options to ensure future Indigenous ownership, engender Indigenous participation in regional economies, provide role models, and ensure that, ultimately, Indigenous people will become active stakeholders in the Australian economy.

#### Challenges: overcoming existing inhibitors

It is not enough to suggest that new horizons, new opportunities and new strategies in themselves will enhance the doing of business with Indigenous communities. There is also a need to ensure that new strategies address existing and well-documented inhibitors to Indigenous development. Policy realism is essential in any consideration of enhancing Indigenous participation in the business sector. The diversity of circumstances of Indigenous Australians that are the result of the interplay of locational, cultural, structural, historic, political, and other factors will mean that any overarching policy framework or mix of government programs will need to be sufficiently flexible to match this diversity. Owing to such heterogeneity it is unlikely that international, national or even regional exemplary practice will be readily transportable. There is considerable historic evidence of high default rates and high risk in supporting Indigenous enterprises, and some evidence of poor discipline in risk assessment when considering grant and loan applications. Any initiatives to enhance Indigenous participation in the business sector will need to carefully consider such lessons from the past.

Much of the focus in the past has been on the government sector. Poor performance has resulted from poor and uncoordinated program delivery, imbalance in support, and, in particular, substitution funding. Any real benefits from agreement making have quickly dissipated (see Kakadu Region Social Impact Study 1997). Program guidelines have rarely signalled clearly that involvement in the business sector must be commercial. Commercial and socio-cultural outcomes have rarely been separated. All too often program support has been targeted at the community (where commercial enterprise is rarely successful) rather than at the individual. Policy makers have rarely recognised the fundamental need for business advisory services and the need to constantly mentor Indigenous business during a potentially prolonged establishment phase.

There has been a lack of focus on poor performance that has emanated from industry and Indigenous community interaction, action, and inaction. For example, there has been a lot of discussion at this conference on negotiating agreements. History is replete, however, with evidence that it is the post-agreement phase, the operationalisation of agreements, that is of crucial importance: there is always a need for agreement dissemination, implementation, monitoring, evaluation, and review. Part of the problem lies in the nature of agreements: all too often agreement objectives, beneficiaries, sanctions, and monitoring mechanisms are poorly specified.

If industry wants to overcome its legacy of poor agreement implementation and historically poor relations with communities then it must pay attention to these issues.

At the Indigenous community level there has been insufficient attention paid to the need to get the local politics right; not surprisingly, political instability has been an ongoing inhibitor to business investment and development. Such political instability has also resulted in a lack of commonality of community purpose to development or non-development (and vice versa). In these circumstances there is an urgent need to pay careful attention to the establishment of appropriate corporate structures, especially when engaging in joint venturing or land use agreements.

There is a need to allocate adequate human and financial resources to these issues, from baseline data onwards. There is a need for discipline to ensure that agreements, benefits and other resource flows are carefully and transparently assessed. In too many contexts in Australia we have situations where, many years after agreements have been signed, a local or regional population articulates a total lack of understanding about the nature of agreements, opportunities available, how decisions about resource distributions have occurred and the role of community members and elected or nominated leaders in decision making. This was the one very salutary issue made clear in the Kakadu Region Social Impact Study (1997).

An additional important issue at the community level is the need to understand that success results from separating management from ownership (in much the same way as with most non-Indigenous big business). An important means to manage this is by joint venturing. There is still a need, given known risk in Indigenous-owned enterprise, for appropriate risk management and for appropriate accountability requirements to regulatory agencies. All too often intervention is required because Indigenous businesses are incorporated under inappropriate statute that does not clearly stipulate reporting and accountability. Indigenous businesses need to operate under talented boards. Appropriate governance frameworks should be developed to emphasise direct accountability to government for financial (including economic rate of return targets) and non-financial performance and, more importantly, accountability to Indigenous business and community participants.

#### Future outlooks: overcoming new hurdles

The characteristics of the Indigenous population in terms of residential location and associated poor market linkages, demographic structure, socioeconomic characteristics (often a historical legacy) and cultural inhibitors to involvement in commerce, suggest that it might not be realistic to pursue enhanced involvement in the business sector. Certainly one of the new hurdles that Indigenous communities face is pressure for improved performance from both the Indigenous and wider domains. There is a need to continually evaluate mechanisms to enable Indigenous organisations to operate more effectively and accountably at the interface between the Indigenous and wider political and administrative systems. Other new hurdles include the need to perform in a more competitive national and international environment, and the possible heightened political instability that could result from the assertion of native title rights by competing groups.

Industry in the new environment is looking to ensure success from the agreements it is making with Indigenous communities. At face value this should assist communities, but there is always a danger that poor agreement outcomes will either be blamed on Indigenous communities or might see the withdrawal of discretionary agreement benefits. Industry needs to embrace joint venturing, making big business expertise available to the Indigenous business arena. In today's global economy it is important that the leverage provided by land rights or native title is not overplayed because there is evidence of a high level of investment mobility.

The greatest challenge in the immediate future is probably with governments. The uncertain native title framework needs to stabilise, the acrimony in Indigenous relations witnessed in 1997 needs to be reversed, and the Indigenous public policy environment, much of which is being reviewed at present, needs stability. The current government's focus on economic development issues and greater emphasis on private sector growth should acknowledge the underlying demographic trend that could see unemployment rates continue to rise. Strategies to deal with this situation could include, for example, exploring expanding resources to the CDC from government, accessing land rights and native title 'future act' compensation moneys for development purposes, and revamping the CDEP scheme.

New horizons are emerging, new opportunities exist and new strategies are evolving. As we look to the future it is imperative not to see 'business' as the sole panacea for Indigenous underdevelopment. Business and private sector dependence have risks, especially if offset by government sector withdrawal; and business alone will not overcome the enormous historical legacy still faced by Indigenous Australia.

Table 1. Synopsis of presentation: New horizons, new opportunities, new strategies

	Indigenous communities	Industry	Government
<b>New horizons</b>	<ul style="list-style-type: none"> <li>a. development-oriented</li> <li>b. want engagement</li> <li>c. want to convert assets to community well-being</li> </ul>	<ul style="list-style-type: none"> <li>a. want competitive advantage</li> <li>b. want risk minimisation</li> <li>c. want participation</li> </ul>	<ul style="list-style-type: none"> <li>a. want improvement</li> <li>b. want cost savings</li> <li>c. want privatisation</li> </ul>
<b>New opportunities</b>	<ul style="list-style-type: none"> <li>a. native title leverage</li> <li>b. access to new resources (capital, training, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>a. agreement making</li> <li>b. commercial concessions</li> </ul>	<ul style="list-style-type: none"> <li>a. 'new' institutions</li> <li>b. institutional reviews</li> </ul>
<b>New strategies</b>	<ul style="list-style-type: none"> <li>a. joint venturing</li> <li>b. appropriate structures</li> <li>c. greater participation</li> </ul>	<ul style="list-style-type: none"> <li>a. negotiate</li> <li>b. incorporate profit share</li> </ul>	<ul style="list-style-type: none"> <li>a. provision of appropriate frameworks</li> <li>b. provision of certainty</li> <li>c. maintenance of incentives</li> </ul>
<b>Challenges: overcoming existing inhibitors</b>	<ul style="list-style-type: none"> <li>a. political instability</li> <li>b. poor understanding of commerce</li> <li>c. poor factor endowments</li> <li>d. mix social/commercial goals</li> </ul>	<ul style="list-style-type: none"> <li>a. poor implementation</li> <li>b. poor understanding of context and culture</li> <li>c. poor historic relations</li> </ul>	<ul style="list-style-type: none"> <li>a. substitution funding</li> <li>b. imbalance in support</li> <li>c. poor and unco-ordinated program delivery</li> </ul>
<b>The future: Overcoming new hurdles</b>	<ul style="list-style-type: none"> <li>a. more competitive environment</li> <li>b. wider political pressures for improved performance</li> <li>c. heightened politicking</li> </ul>	<ul style="list-style-type: none"> <li>a. greater expectations of agreements</li> <li>b. global market instability and investment mobility</li> <li>c. who to negotiate with</li> </ul>	<ul style="list-style-type: none"> <li>a. uncertain native title framework</li> <li>b. deteriorating Indigenous relations</li> <li>c. uncertain policy environment</li> <li>d. increased unemployment rates</li> <li>e. elections</li> </ul>

However, managed properly, enhanced Indigenous participation in business will facilitate Indigenous well-being, if not in the immediate term then more strategically in the medium to long term. From that perspective, it is encouraging to see land rights and native title as a positive first step in improving underdevelopment in Indigenous Australia. Now the challenge is to utilise economic institutions to continue Indigenous development in the right direction. That will require concerted, well-targeted and efficient effort by all parties. There is a clear need to cultivate doing business with Aboriginal communities in the short to medium terms in order to be in a position to reap benefits to Indigenous people, industry, government, and the Australian community in the long term.

## The development potential of the Indigenous economy and the role of 'doing business'

This paper was presented at the 6th Doing Business with Aboriginal Communities Conference held in Darwin in February-March 2000. This paper was presented early in the conference, and therefore addressed some threshold issues, while also attempting to provide a framework for later conference discussions.

Much of the presentation is discursive and deals with generalities, not particulars: it seeks to provide a reality check on the role of business in Indigenous economic development rather than a discussion of best cases/best practice that would be the focus of later presentations.

In particular, the following issues are examined:

- What do we mean by the Indigenous economy?
- What do we mean by 'Doing Business with Aboriginal Communities'?
- How can the Indigenous economy be expanded?
- What role might 'business' play in expanding the Indigenous economy?
- What new directions in policy and practice are emerging to facilitate this expansion?
- What role can and should government, business and Indigenous communities play in this expansion process?; and
- Where might all this lead us in the future?

This paper is largely about how little we know about the Indigenous economy and the role of Indigenous business: this is partly due to conceptual difficulties of definition, but it is also due to an absence of purpose-built statistical collections. This paper is not about problematising the issue of business and Indigenous development, while seeking not to ignore the very real problems in delivering business development to the Indigenous community sector.

### The Indigenous economy

The Indigenous economy is an often used, but extremely loose, term. At the outset it might be useful to consider what it actually means. Each of the two terms 'Indigenous' and 'economy' are problematic. Turning first to the economy, this is variably defined depending on the disciplinary inclination. One option is to be as broad as possible and refer to the economy as the totality of social relations of production, distribution, and consumption. This definition, while uncontested, is also next to meaningless when attempting to undertake quantitative or comparative analyses. In Australia, as elsewhere, we tend to define the economy by some measure of economic activity over a given period of time. This is reflected, for example, in national accounts that seek to measure the value of the national economy. This valuation can occur in one of three ways: the income approach, the expenditure approach or the production approach. To measure sub-national economies any of these approaches can be used so long as we can delineate the economy to be measured according to some criteria, such as regional or ethnic.

Measuring the Indigenous economy along either line is extremely difficult, if not currently impossible, for a variety of reasons. No single region, even the Torres Strait, is made up of only Indigenous Australians only. Identifiers that can isolate 'Aboriginality' are fraught with problems, the most significant being that it becomes necessary to reduce economic actors to individuals (those who identify as Indigenous/those who do not) when in reality the minimum economic unit is usually the family or household (which can comprise one person).

What these conceptual problems and data shortcomings do is provide us with very limited means to quantify the Indigenous economy. National accounts do not have Indigenous identifiers, so the only means available to estimate the Indigenous economy is to measure and contrast the incomes of Indigenous and non-Indigenous Australians from the census. At a macro-level this approach estimates Indigenous incomes at \$2.9 billion in 1996, a figure that sounds impressive. But in comparative terms this figure is less impressive: Indigenous Australians who represent 2.1 per cent of the population receive only 1.03 per cent of national income (Judd 2000). Such an approach primarily reflects the differential in individual income status that is already well known. However, it tells us little about the contribution of Indigenous families and households. This is an increasingly pertinent issue because as Ross (1999: 45-52) shows, 64 per cent of all 'Indigenous' couples Australia-wide are mixed couples.<sup>2</sup>

Information in Table 2 derived from the 1996 Census indicates the variable Indigenous income share of the national economy based on section-of-State.

Table 2. The Indigenous income share of the national economy, 1996

	Major urban	Other urban	Bounded locality	Rural balance	Total
Indigenous population (15 plus)	64,821	86,927	23,190	36,499	211 570
Average annual income (Indigenous)(\$)	16,152	13,930	10,675	11,659	\$13 894
Average annual income (other)(\$)	21,564	18,844	17,032	19,100	\$20 580
Indigenous/non-Indigenous income ratio (%)	74.9	73.9	62.7	61.0	67.5
Proportion of total income received by Indigenous people(%)	0.5	2.0	4.3	1.5	1.0

Source: Adapted from Judd (2000).

Table 2 indicates that the Indigenous population is distributed differently from the rest of the population, with a greater proportion in rural areas. The data also reveal that while average annual incomes decline progressively with distance from major urban areas, a pattern that is similar for Indigenous and non-Indigenous Australians, the Indigenous share of total income is relatively more significant in regional and remote Australia.

Such quantification has many shortcomings.

- Being based on cash income, it fails to quantify non-cash income. For Indigenous Australians in particular, residence in remote localities often provides opportunities for participation in subsistence activities of economic significance.
- It fails to differentiate sources of income. This has relevance in current debates about the negative impacts of inter-generational dependence on welfare (Herron 1998b; Pearson 1999).
- It fails to acknowledge the potential significance of Indigenous incomes in some regional contexts. For example, Crough, Howitt & Pritchard (1989) estimated that, when the incomes of Indigenous organisations and grants from government were added to earned income and welfare, the central Australian economy derived about one-third of its income from the Indigenous sector. Such significant proportions clearly have threshold implications, via multiplier effects, for the viability of a range of service institutions like banks, accounting services, retail outlets, and so on.

- It fails to distinguish value-added income from transfer payments. Hence while Indigenous incomes may have positive regional impacts, for economic activity to make a contribution to national output it must value-add.
- Such quantification fails to acknowledge potential positive externalities from Indigenous economic activity, much of which might be captured by non-Indigenous commerce.

### Doing business with Aboriginal communities

This paper was prepared for a conference with the title 'Doing Business with Aboriginal Communities', and subtitled 'Towards Better Business Partnerships'. At once this topic both limits the breadth of focus to the Indigenous community sector, whilst widening our focus to consider what 'doing business' might entail and what 'business partnerships' might encompass.

The term Aboriginal communities suggests a focus on residentially discrete communities. Given the heterogeneity of Indigenous economic circumstances, this geographic and racial limitation simplifies some of the more difficult issues outlined above in delineating the Indigenous economy. However, even this more limited focus has problems. First, 1996 Census data suggest that, at most, about 30 per cent of the Indigenous population reside in such discrete communities (Ross 1999). Second, there remains an enormous diversity between Indigenous communities in terms of 'doing business', with respect to access to factor endowments and, in particular, land and property rights in land. Owing to relative remoteness, late contact histories, and prolonged exclusion from citizenship entitlements, these very communities are the most socioeconomically disadvantaged<sup>3</sup> and the least well equipped for equitable participation in business. There are growing indications that non-Indigenous communities in similar locations (but with very different histories) are also beginning to experience similar disadvantages.

What does 'doing business' with these communities potentially entail? To simplify considerably, business, be it Indigenous or non-Indigenous, will seek to engage with Aboriginal communities for profit. This might involve businesses operating as producers, or suppliers, selling goods and services to Indigenous consumers. This is where doing most business probably occurs and it reflects many things: the extremely small size of most Aboriginal communities, the impact of small community market size<sup>4</sup> on commercial viability, and the lack of competitiveness of much community business in providing goods (like food, clothing, and transport) and services (like housing and health).

'Doing business' also occurs when Aboriginal communities, or some of their members, trade property rights in land or resources with usually non-Indigenous large-scale business. It is this form of 'doing business' that has largely captured the public imagination in the aftermath of land rights and native title legislation. What this form of doing business might encompass includes the payment of royalties and rents, the provision of employment and training opportunities, or the provision of commercial opportunities or concessions to local Indigenous entrepreneurs. It might also include the possibility of 'business partnerships' either in joint ventures or in discrete, but interdependent, commercial activities. As already noted, such activity is generally undertaken either for profit or for competitive advantage (even as a loss leader) with respect to potential rivals.

Two broad issues need to be highlighted here. First, there is a general understanding, and similarity, in what the business sector means by 'doing business with Aboriginal communities'. But there is a great deal less understanding and far less similarity in what members of Indigenous communities mean by this term. This is reflected, to some extent, in the enormous variability evident in formal agreements for doing business.<sup>5</sup> This in turn is influenced by the limited capacity of many Indigenous communities to engage in commercial bargaining on an equal basis, a structural limitation influenced in part by historical legacy and in part by cultural

difference. In striving to develop better business partnerships there can be many development misunderstandings and mismatches.

Second, there can be a great diversity of view within Aboriginal communities about the 'doing business' option. Such diversity can be based on differing views about the likely economic, social, cultural, and environmental costs and benefits of development. This can be compared to the monolithic and generally uncontested company (and government) view about development, once project feasibility and commercial viability is determined. This diversity can be extremely commercially disadvantageous and socially divisive for Indigenous communities and can be reflected in political instability and an unwillingness to actively participate in business partnerships.

### Expanding the Indigenous economy

According to all standard social indicators that measure health, housing, education, employment and income, Indigenous Australians are relatively disadvantaged (Altman 2000). But just as the Indigenous economy is difficult to demarcate clearly, so are disadvantaged Indigenous Australians. Socially they live in a wide diversity of family and household types. In many ways, the starkness of Indigenous disadvantage is most visible in those discrete Aboriginal communities that are the subject of this conference. In such situations, disadvantage is also, unfortunately, extremely difficult to address.

This short presentation cannot canvass the enormous issue of addressing Indigenous disadvantage: suffice to say that, for decades now, governments have recognised the problem and efforts have been made to rectify this situation. There are ongoing debates about whether enough has been spent, whether what is spent is applied in a constructive way, and whether government intervention has made a difference. A critical issue is how economic improvement can be delivered without matching and interlinked efforts in the areas of education, training, housing, and health.

In economic terms, the crucial issue is how to expand the Indigenous economy, at least in those situations where Indigenous people desire such expansion. Over the last three decades, the policy approach has been remarkably similar, despite party political rhetoric. It has been based on two broad planks: increasing the overall levels of Indigenous employment, and increasing Indigenous participation in business-sometimes termed 'building an economic base'. The former broad approach has not been successful, with most statistics suggesting that any decrease in employment disparities between Indigenous and non-Indigenous Australians is either due to increased general unemployment (Altman and Hunter 1998) or to the cosmetic impact of the CDEP scheme (Taylor and Hunter 1998). Recent projections suggest that, in the first decade of the twenty-first century, Indigenous population growth and demographic transitions will result in an increase, not a decrease, in employment disparities.

The implications of this potentially expanding employment disparity is amplified for discrete Indigenous communities because they are remote, and opportunities in what is termed the 'real' (or mainstream) economy are extremely circumscribed. Paradoxically, it is precisely in such geographically remote areas that debates about the negative impact of welfare have been most clearly articulated both by Indigenous leaders (Pearson 1999) and government (Herron 1998b). There is though no clear answer on how such deep-seated structural disadvantage might be alleviated, besides the articulated policy desire for the development of Indigenous businesses and entrepreneurs (ATSIC 1997).

## The role of business

Focusing on business, be it the establishment of viable Indigenous business in the community sector or Indigenous participation in non-Indigenous business in regional and rural Australia, as the panacea for Indigenous underdevelopment is problematic. To begin, if we know little about the size and structure of 'the Indigenous economy' we know even less about Indigenous business, and failure and success rates.<sup>6</sup> In particular, there is no data set that actually identifies an Indigenous business sector.

In a recent analysis of 1996 Census data aptly subtitled 'Miracle cure or risky business?', Hunter (1999) used self-employment as a rough proxy for business and found that only 2.7 per cent of Indigenous employed were self employed, in comparison to about 8 per cent for the total population. Interestingly, Hunter (1999: 7) found no statistical evidence that self employment was skewed away from remote communities. Indeed, Hunter suggests that the need for services in dispersed communities might in fact enhance Indigenous self employment opportunities. This concurs with Arthur's (1999: 3) finding, also based on 1996 Census data, that Indigenous self employment is concentrated in agriculture, forestry, and fisheries industry; the construction industry; and the retail industry.

What is not available from the census is an assessment of available opportunities for increasing Indigenous self employment, especially at remote communities. There are some indications in the work of both Hunter and Arthur that increased self employment will be in either the services sector or in primary production, especially small-scale commercial fisheries. Any expansion in Indigenous self employment will assist the growth of the Indigenous economy. The success or failure of the Indigenous self employed, irrespective of the ethnicity of their customer base, will ideally be predicated on the quality of goods and services provided—that is, by consumer choice.<sup>7</sup> Historical data suggest limits to the potential for such growth and that new opportunities in, or in conjunction with, the expanding private sector business development are needed to generate growth at a faster pace. Of course, as noted above, such growth might be in employment rather than in self employment.

## New directions in policy debates

As already noted, the broad thrust of government policy in Indigenous affairs has changed little, except at the margins. Similarly, at times, broad government policy rhetoric and program support reality diverge. In recent government policy there has been a healthy tension between attempts to include Indigenous communities in broader changes for Australia (like increased privatisation, reduced interventionist pump priming of regions, the introduction of the Goods and Services Tax and a commitment to enhancing private sector and business activity as a share of the economy) and Indigenous-specific policies that continue to provide redistribution of land and capital to Indigenous people.<sup>8</sup>

Two main issues appear to be new. First, it is interesting to recall that much of the discussion in earlier 'Doing Business' conferences was focused on land rights, native title, and access by big business to resources. In the aftermath of the Wik amendments and linked land rights uncertainty, fuelled in part by the highly-contested Reeves Review of the Aboriginal Land Rights Act, there is a great deal less public focus on the unique leverage that such property rights might bestow on Indigenous communities to profit from development or extract concessions from government and business. Second, a critical element in the Indigenous affairs policy framework for business, as articulated by Senator Herron, is that business success will be predicated on a separation of commerce and culture (Herron 1998a). The Minister has argued '... to be successful, economic programs must be operated on a purely commercial basis and distinct from social considerations' (1998b: 2). This view has been challenged both by ATSIC (1998) and others (Pritchard 1998). There is

a further challenge in the third paper in this Working Paper ('Culture and commerce: are they separable in Indigenous business policy?'), see below.

What is paradoxical in these two developments in the 'Doing business with Aboriginal communities' context is that dilution of property rights in land and resources and attempts to divorce the cultural from the commercial have the potential to negate the very economic spheres where Indigenous communities enjoy a degree of competitive advantage. The logical corollary of the view that business must be undertaken on a strict commercial basis is that Indigenous communities can competitively engage with the world economy in minerals, tourism, and arts manufacture. The reality that continues to be reflected in policy practice is that structural and locational disadvantage mean that to succeed, Indigenous communities will require ongoing assistance to engage in, and with, the business sector: historical legacy and a special form of market failure are implicitly acknowledged.<sup>9</sup>

### The roles of government, business, and Indigenous communities

It is important to consider what the proper respective roles of government, business, and Indigenous communities should be in the 'doing business' equation. To some extent, as already noted, current government policy is seeking to engineer a withdrawal of the state from a role in supporting and underwriting business generally. Simultaneously, there are attempts to ensure greater Indigenous participation in the private sector. This has implications for business because in many remote situations it is the private sector. It also has implications for Indigenous communities, especially in those situations where mainstream commercial options are absent.

#### Government

Government policy continues to support the restitution of factor endowments to Indigenous communities. Many discrete communities are in fact located on Aboriginal-owned land. Access to capital, when unavailable from commercial sources owing to lack of collateral or intergenerational poverty, is facilitated by programs such as ATSIC's Business Development Program, the activities of the CDC. The Indigenous Land Corporation has potential through its access to regular draw-downs from the Land Fund (in perpetuity) that can be applied to land purchase or land management and development. A key missing ingredient remains appropriate training, advice and mentoring ('business incubators') for potential Indigenous entrepreneurs, especially at remote communities.

Two main policy issues remain contested. First is the issue of expectation mismatch, so clearly evident during the Reeves Review and its aftermath.<sup>10</sup> Reeves argued that the restitution of land to Aboriginal people in the Northern Territory should have resulted in improved economic outcomes for Aboriginal communities. Indigenous people argued that the land claims process was as much about natural justice and cultural and social prerogatives as economic development. Others argued that the development potential of the land was limited (hence its availability for claim) and that, in any case, it will take many more decades for land to have an impact given the extent of socioeconomic disadvantage. This again demonstrates the diversity in views of development within both Indigenous and non-Indigenous domains.

Second, government policy seems ideologically determined to avoid reference to any form of market failure, despite the fact that some of its most successful programs are based on such a premise. This is evident in a major success in the support of the Indigenous art and craft industry, in what could be termed 'culture business'. Paradoxically, this industry is supported by ATSIC under the National Arts and Crafts Industry Support Strategy, which is a cultural program, not an economic or business development program. Such opportunities for economic development and

enhanced economic independence at Aboriginal communities are frequently the result of the very mixing of commerce and culture that the government regards as the cause of business failure.<sup>11</sup> Similarly, continued government support for the CDEP scheme that can be mobilised to make businesses viable is a reflection of the total absence of mainstream employment opportunities in many regional and remote locations.

## Business

What messages for business in the 'new' environment? There is no doubt that there is a potential role for business in joint venturing with Indigenous communities in situations where these communities have leverage and seek such an approach to economic development. Similarly, big business will presumably make rational choices about the relative commercial benefit of providing Indigenous communities with small business concessions, or of employing local Indigenous staff in contrast to relocating other staff or fly-in-fly-out options. One of the lessons that big business has learnt in the 1990s is that its handling of Indigenous community issues in one region, or country, can have ramifications for competitive advantage elsewhere in the global economy. But ultimately big business remains more accountable to its shareholders than governments or Indigenous communities.

In another sense, big business has a role to play in Aboriginal community economic development as a provider of capital for investment. Such capital can be provided directly in negotiated agreements for access to Aboriginal land; or it can be provided as loans from commercial sources. Banks in particular have a role to play as facilitators of business development and government can rightly expect that banks operate in a commercial, but non-discriminatory, way. There is certainly a growing call for the private sector to facilitate Indigenous economic development, especially under the auspices of the reconciliation process (Council for Aboriginal Reconciliation 1999).

## Indigenous communities

In the 'doing business with Aboriginal communities' equation, there is an obvious pivotal role for Indigenous communities. Interestingly, there is a view that a major inhibitor of business development is the community, as distinct to family or household entrepreneurs. In between the two sits the Indigenous incorporated organisation that is also, often, the locus of community business activity. A critical issue that many communities face is determining where their competitive advantage lies. In many situations it is in what is termed above 'culture business', but a problem with culture business is that it is not very amenable to commercial business. Conversely, commercial business is not very amenable to cultural priorities. The result is a major potential development mismatch.

Self employment is possible, but is high risk and better suited to individuals and families than communities. In the services sector, Indigenous providers need to ask how can they gain a competitive edge with both Indigenous and non-Indigenous clients, while at the same time remaining efficient and open to competition. It remains unclear, despite the aspirations of Indigenous leaders and politicians for a higher degree of business development at Indigenous communities, whether this is an aspiration that is unequivocally shared by residents of these communities. It also remains unclear, even in situations where community aspirations are developmental, if sufficient business opportunities exist to really make a difference to the overall socioeconomic status of community members.

## The future

The immediate future does not look bright for 'doing business' in regional Australia. In many ways any existing hurdles are exacerbated for Indigenous communities, where technical and management skills are in short supply and where local markets are small and consumers relatively impoverished. How can the currently expanding Indigenous community asset base be utilised strategically in the longer term to ensure enhanced socioeconomic well-being? Three broad economic development options linked to 'doing business' exist.

First, it is increasingly evident that Indigenous communities only have competitive advantage in a small number of industries, mostly in the areas of 'culture business' (the manufacture of arts and crafts, the provision of cultural tourism services, etc.). It is important that, with time, this culture business is operated in an increasingly business-like manner, possibly in joint ventures with non-Indigenous partners. It is these industries that have potential to add real value (and positive externalities) to both national and regional economies.

Second, where Indigenous communities have property rights leverage resulting from land rights or native title, this must be utilised to extract commercial concessions and a share of profits from major developers. The problem remains that Indigenous businesses frequently lack expertise and widespread community support to ensure benefit from such leveraged opportunities. Furthermore, they frequently lack access to banking services and commercial capital. Again, joint venturing may be required to assist in the fostering of entrepreneurship. Alternatively, 'doing business' may require the employment of Indigenous people by mining companies and others who enter partnership relationships in the development of Aboriginal-owned land, although the historic record here is not great.

Finally, Indigenous communities may increasingly look to self-servicing as a mechanism to establish local small business, although again there is evidence that poor educational status, the absence of appropriate corporate structures, and associated political instability may be business inhibitors. There are other areas where important contributions can be made, especially in national park and Aboriginal land management. Unfortunately, because such activities are rarely seen as value adding to the national economy there is a reluctance by government to provide appropriate resources.

In conclusion, it is unlikely that economic development and equality can be delivered to Aboriginal communities in regional and remote Australia. In so far as we can define the Indigenous economy, its development potential is heavily circumscribed. Nevertheless, some opportunities do exist and it is important that when these accord with community development aspirations they are successfully pursued. It is in such situations that the expanding Indigenous asset base, especially the land base, will be of vital strategic significance.

## Culture and commerce: are they separable in Indigenous business policy?

Indigenous economic development public policy is currently being openly debated. A key proposal from the Minister for Aboriginal and Torres Strait Islander Affairs was outlined in a policy statement 'Beyond Welfare' (released 23 September 1998) for the establishment of a new organisation entitled Indigenous Business Australia (IBA). This new institution will promote Indigenous business development: 'The promotion of Indigenous business opportunities is an important part of the Coalition's commitment to assist Aboriginal and Torres Strait Islander people escape welfare dependency ... Indigenous business success will mean greater job opportunities for Aborigines and Torres Strait Islanders' (Herron 1998a: 2). The difference between IBA and existing institutions that have aimed to deliver commercially-oriented programs is that IBA will operate on a 'purely commercial basis'.

This proposal has had a gestation period that dates back to a discussion paper *Removing the Welfare Shackles* released by the Minister in March 1998 (Herron 1998a). That paper asserted that 'history shows that the most common problem faced by Indigenous organisations responsible for commercially oriented programmes in the past has been the conflict between social and economic goals where social needs have led to poor commercial decisions, and thus commercial failures in so-called Indigenous economic ventures' (Herron 1998a: 6). This view is reiterated in the Minister's policy statement where it is again asserted that 'Local and overseas experience clearly demonstrates that, to be successful, economic programs must be operated on a purely commercial basis and distinct from social considerations' (Herron 1998b: 2). This view has been challenged by ATSIC in a recent discussion paper 'Getting on With Business' (ATSIC 1998) and by an academic commentator Pritchard (1998).

This brief discussion paper aims to:

- question whether the conflict between economic and social goals is the most common problem faced by Indigenous organisations responsible for commercially-oriented programs;
- argue that it is impossible to differentiate the commercial from the cultural or the economic from the social in Indigenous business support programs, and that if such a separation is needed this is an enterprise management rather than program genesis problem;
- query whether there is evidence that Indigenous business success generates employment opportunities for Indigenous people; and
- it argues that the existing institutional and policy framework has no fundamental flaws in delivering business development aid to Indigenous Australians.

This topic has become contentious in both bureaucratic and party political environments. The proposed establishment of IBA and the transfer of ATSIC's business programs to this new institution is regarded by ATSIC as a further attempt to dilute its power and influence. On the other hand, it is recognised that new governments like to re-badge their initiatives to distance them from those of earlier administrations (Altman and Sanders 1991). Yet the Howard Government has done little that is fundamentally different from previous Labor Governments in the area of Indigenous economic development. Viewed in this context, it is difficult to discern if the ministerial arguments for the establishment of IBA are intended as a justification for policy change and whether there is a genuine commitment to change. Nevertheless whether the separation of the commercial and cultural is either possible and/or desirable and whether it will deliver enhanced outcomes for Indigenous Australians are significant issues.

## The causes of Indigenous economic disadvantage

The causes of Indigenous economic disadvantage are now so well documented that only a very few pertinent points require reiteration. Contemporary economic disadvantage is caused by a highly variable mix of the following:

- the historical legacy of dispossession and exclusion from the mainstream provisions of the welfare state;
- the continuing consequence of poor education, housing, health and income status as economic disadvantage reproduces itself;
- structural factors reflecting Indigenous family formation, demographic transitions, and high population growth;
- locational factors reflecting the distribution of the Indigenous population disproportionately remote from economic opportunity;
- cultural factors reflecting a diversity of Indigenous priorities that in varying degrees diverge from predominant Australian capitalist values; and
- other influences like the preconceptions and prejudices of non-Indigenous Australian society.

This legacy is proving enormously difficult to overcome, despite concerted and varied government efforts in the past 25 years. Catch-up in a steady state environment is difficult; in a rapidly changing world economy it is close to impossible. In a broad sense, there are two economic development options available. The first is to enhance Indigenous factor endowments, especially human capital, to make them increasingly competitive in the Australian labour market. The second option is to facilitate the establishment of an Indigenous economic base through the establishment of viable Indigenous businesses. The discussion here focuses on the latter option, although the diversity of Indigenous circumstances Australia-wide suggests that business aid must take a diversity of forms.

## The causes of Indigenous business success and failure

There has probably been inadequate analysis at a macro-policy level of the reasons for Indigenous business success and failure. Public information about Indigenous business is generally limited to Indigenous business that receives public support: the information base available is so rudimentary that there is no basis for even estimating what proportion of Indigenous business is commercially or privately funded and what proportion receives public support. While there is a perception that publicly-funded Indigenous business has a high failure rate, there is limited information about Indigenous in contrast to non-Indigenous business failure (particularly in the small business sub-sector), especially given some of the locational and factor endowment constraints facing Indigenous people.

Empirical evidence that exists, primarily at the case study level, indicates a wide range of explanatory factors for Indigenous business failure. These include:

- original poor purchase or investment decisions and/or decisions to invest that have been over-influenced by social, cultural or political considerations;
- poor consultation about Indigenous business aspirations, vagaries of the market;
- inadequate management expertise;
- inappropriate organisational forms;
- poor management practice in differentiating commercial from non-commercial objectives;
- tension between managers and owners;
- inadequate business advisory support; and
- poor mentoring and aftercare.

The reasons for failure are as diverse as the types of Indigenous business that encompass mainstream and distinctly Indigenous forms and that are organised at individual, family, community, and regional levels. There is no empirical basis for arguing that the most likely reason for Indigenous failure is a conflict between economic and social goals, although in many situations non-commercial priorities will be a key factor potentially undermining commercial viability.

Conversely, there is a limited database on the factors that generate Indigenous business success. Factors contributing to success may include:

- joint venturing (although it is arguable whether joint ventures can be strictly defined as Indigenous businesses);
- high quality and committed, usually non-Indigenous, management;
- involvement of highly competent, usually mixed, boards of management; and
- commercial concessions or monopolistic or competitive market niches.

Just as there is no single explanator of failure, there is no single explanator of success. It is clear though that there are examples (Tjapukai Dance Theatre, Cooina Lodge, Maningrida Arts and Culture) where a mix of commercial and social goals have been a pre-condition for success rather than failure. It is also clear that any analysis of success and failure has tended to obfuscate ownership, management, and effective Indigenous participation.

### Separating the commercial from the cultural

In recent ministerial policy discussions there has been a tendency to juxtapose the commercial and the cultural, the commercial from the non-commercial or the economic from the social (or non-economic) with these terms being used interchangeably. Such imprecision makes rigorous analysis difficult. For example:

- separating the commercial from the cultural is impossible in any business that is trading in distinct Indigenous cultural product like arts and crafts or Indigenous tourism (Department of Aboriginal Affairs 1989);
- separating the economic from the social would require the exclusion of social objects like the fostering of business-subsidised Indigenous employment and training; and
- separating the commercial from the non-commercial would need to recognise the incredible diversity of non-commercial considerations like variable Indigenous cultural forms.

There are Indigenous businesses that are run entirely on commercial grounds; an example here is Carey Mining Pty Ltd. In reality the commercial can rarely be differentiated from the social if Indigenous aspirations are to be met. The issue is not to view social and economic goals as being in conflict. The issue is that appropriate management structures and accountability mechanisms should be in place to ensure that operating surpluses from the commercial entity facilitates the meeting of social goals. This is preferable to enterprise viability being undermined by social goals.

A stylised example is the pastoral station that has been purchased to meet community land aspirations (a social goal), but also contains a cattle enterprise. The operation of the cattle company has to be insulated from the community as a corporate structure and management challenge. If successful, the dividends of the company can be distributed to meet community social goals.

### Indigenous business success and Indigenous employment

The links between Indigenous business success and the creation of Indigenous employment can be direct or can be tenuous. It is estimated that nearly 3000 Indigenous Australians were self employed in 1996 (Taylor and Hunter 1998). A

proportion of these people would have been in Indigenous businesses. At the individual and family levels, successful Indigenous business obviously generates Indigenous employment.

But at the larger community and regional levels (whether as stand-alone Indigenous enterprises or as joint ventures) the correlation is far less clear. For example, Arthur's (1996) analysis of the employment practices of successful businesses established or financed by the CDC indicated that a perceived problem in terms of meeting community service obligations was the low current level of employment of Indigenous people. This does not augur well for the proposed IBA if it is modelled on the CDC. There is no doubt that, in the longer-term, Indigenous ownership of successful businesses could generate employment opportunities for Indigenous people. This social goal would jeopardise the commercial viability of the business, however, unless Indigenous staff were at least as productive as non-Indigenous staff.

Alternatively, a number of Indigenous businesses that remain subsidised by specific program funding generate considerable employment for Indigenous people. For example, a number of community-based art centres funded under the National Arts and Crafts Industry Strategy generate jobs for artists. Another example is enterprises funded under the CDEP scheme. These examples illustrate that if employment generation is the goal, then existing ATSIC programs already generate employment.

#### The existing policy and institutional framework: an evaluation

A crucial issue that the *Beyond Welfare* policy thrust does not address is whether the existing policy and institutional framework has fundamental shortcomings in delivering business development to Indigenous Australians. Are there demonstrable benefits from establishing a new institution as distinct from fine-tuning existing institutions? A comprehensive answer to this question would obviously require a careful analysis of the cost effectiveness and performance of different approaches. The two models being implicitly compared are ATSIC's economic programs, especially the Business Funding Scheme and the Indigenous Business Incentives Scheme, and the CDC's small to medium enterprise support activities. These two models have some important similarities and differences. The ATSIC model is linked to funding support delivered via its three-tiered nation-wide administrative and representative structure. The CDC model is delivered by a very small Canberra-based team. The scale of operations of each model is very different and ATSIC's programs are often interlinked with other areas. Historically, the two institutions have frequently collaborated both in decision-making and funding.

In many ways the overarching institutional structure is ideal: a diversity of Indigenous circumstances requires a diversity of program responses which are currently being provided. This is not to say that both ATSIC and CDC support-delivery mechanisms are operating perfectly-indeed, a great deal of fine-tuning could be undertaken. In ATSIC's case, key issues are how to provide appropriate funding support aftercare, how to ensure funding decisions are not politically influenced, and how to link business support with other social support programs. The CDC must ensure employment spin-offs from its investments. Both institutions need additional resourcing which can be provided by government or leveraged out of the private sector (see ATSIC 1998). Finally, both institutions need to recruit of staff with expertise in both commercial and Indigenous domains.

#### Summary and conclusion

This brief paper set out to address four issues, and in conclusion the following summary answers are offered.

Firstly, Indigenous people and organisations face a range of problems in delivering commercially-oriented programs and conflict between economic and social goals is only one of these problems.

Secondly, it is impossible to differentiate the commercial from the cultural or the economic from the social in Indigenous business. If such a separation is needed then this is largely an enterprise management rather than program delivery problem.

Thirdly, the rate of employment generated by Indigenous business success can be highly variable and independent of the commercial viability of a business.

Finally, existing diversity of institutional and policy frameworks are suitably diverse in order to deliver business development aid to Indigenous Australians in all their diversity.

In conclusion, it should be recognised that the competitive edge of Indigenous business is often precisely the result of a mixing of the commercial and cultural, be it in the tourism sector, in arts and crafts manufacture or involvement in mining on Aboriginal-owned land. These are areas which are all, incidentally, supported by ATSIC. A requirement that business support be purely commercial, counter-productively suggests that there may be no need for Indigenous specific business programs: the operation of Indigenous business on purely commercial lines suggests that the commercial sector should be used for finance. It is clear that even the argument for strictly commercial business development is couched in terms of social policy goals: employment generation for Indigenous people.

Ultimately, it appears that existing institutional forms are adequate. Any attempt to alter the current institutional and policy frameworks, especially where it is established by statute will create disputation and uncertainty that will not benefit Indigenous Australians. Facilitating Indigenous business development will require strategic alliances between both Indigenous and non-Indigenous interests, and between all Indigenous interests. To ensure optimal beneficial outcomes for Indigenous business will require a degree of political and policy stability that current debates in policy and political domains may unintentionally be undermining.

## Notes

1. The term 'Aboriginal' reflects the AIC Conference title and is used here interchangeably with the term 'Indigenous'.
2. Ranging from 21 per cent of all Indigenous couples in the Northern Territory to 88 per cent in Tasmania and the Australian Capital Territory (see Ross 1999: 47).
3. At least according to ethnocentric social indicators (see Altman 2000). Importantly, in many remote situations differing Indigenous aspirations actually ameliorate the extent of comparative disadvantage owing to differing priorities and aspirations.
4. Based both on small populations and low incomes.
5. Some agreements emphasise options for employment and training, others focus on business opportunities and payment of royalties and rents, and others deal with the rapid provision of services that are the responsibility of government.
6. It should be noted that globalisation has raised serious questions about the likelihood that government intervention will result in the establishment of viable business. The exception may occur when there are market distortions in, for example, the provision of commercial capital for investment.
7. In situations where there is competition there is no evidence that Indigenous customers overwhelmingly patronise Indigenous businesses. With remoteness, the likelihood of monopolies increases rapidly.
8. Since this paper was written there has been considerable wavering in the federal government's stated commitment to market forces alone dictating service delivery outcomes in regional Australia, a wavering influenced by political rather than ideological prerogatives.

9. This special form of market failure is linked to distortions in gaining access to capital, special forms of land tenure that require collective decision making, etc.
10. See Reeves (1998); Altman, Morphy & Rowse (1999); and Commonwealth of Australia (1999).
11. Obviously, where Indigenous businesses seek to engage in mainstream activity, assessing the commercial viability of an enterprise via business agents is entirely appropriate.

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