



Indigenous Business

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Map of the Kimberley Region



Legend

- Sealed major road
- Sealed minor road
- Unsealed road
- 4WD track
- 4WD track only
- T National highway
- R National route
- Marine park boundary
- Reef
- Conservation park
- Marine park
- National park
- ✈ Airport
- Local Government Area boundary

Approximate driving distances (km)

	Perth GNH	Perth NWCH	Broome	Derby	Fitzroy Crossing	Halls Creek	Wyndham	Kununurra	Darwin
Perth GNH	—	—	2237	2391	2565	2843	3197	3202	4039
Perth NWCH	—	—	2374	2528	2701	2990	3345	3349	4176
Broome	2237	2374	—	221	395	683	1037	1042	1869
Derby	2391	2528	221	—	259	547	894	899	1733
Fitzroy Crossing	2565	2701	395	259	—	289	642	647	1474
Halls Creek	2843	2990	683	547	289	—	354	359	1186
Wyndham	3197	3345	1037	894	642	354	—	100	929
Kununurra	3202	3349	1042	899	647	359	100	—	829
Darwin	4039	4176	1869	1733	1474	1186	929	829	—

GNH = Great Northern Highway, NWCH = North West Coastal Highway

Executive Summary

This regional brief outlines the state of Indigenous Business, its opportunities, and its challenges. It also highlights Regional Development Australia Kimberley's recommendations to enable long term sustainable growth for the betterment of the Kimberley and its people.

- Indigenous people represent 50% of the Kimberley population and have controlling influence over 91% of Kimberley land through Native Title. The work force participation rate in the Kimberley of Indigenous people is 37.3% compared to the non-indigenous rate of 82.5%. This can be attributed to low cultural values towards education leading to poor education outcomes and low participation rates. However, it is critical that higher levels of Individual and community led education and workforce engagement occur for social and economic development.
- There are 144 registered Indigenous businesses operating across the Kimberley¹ making up make up seven percent of businesses in the region. However, there are many more Indigenous business operating who are not registered, who are not declared an Indigenous enterprise or who do not meet the registration requirements. Indigenous business predominately operates in construction, health and social services, education and utility management. They are 100 times more likely than non-indigenous business to employ an indigenous workforce², and the social return to the community is valued at \$4.41 per dollar of revenue³.
- There is excellent opportunity for significant industry growth in the key areas cultural tourism, health services provision, agriculture and construction.

- However, low education levels and poor business skills present barriers to Indigenous business growth. Additionally, access to mainstream financing is difficult, therefore there is a heavy industry reliance on government funding.
- Indigenous Procurement Policy workforce content are not realistically deliverable due to lack of skilled indigenous labour in many instances which creates instances of 'black cladding' (the practice of a non-Indigenous business entity or individual taking unfair advantage of an Indigenous business entity or individual for the purpose of gaining access to otherwise inaccessible Indigenous procurement policies or contracts⁴) Current large Government tender contracts could be sectioned into smaller work packages to enable local business to deliver and provide opportunity to engage apprenticeships to build work force over time.

RDAC Recommendation:

- Indigenous education and workforce development programs ensure health and education targets set by the Closing the Gap Refresh are met.
- Funding & financing models are streamlined, reflect actual costs of programs, include wrap around services, allow flexibility and are accountable.
- Urgent revision of the Indigenous Procurement Policy to allow smaller work packages to engage local business, monitor registered business ensuring realistic Aboriginal Employment targets are met and preclude non for-profit registered charities benefiting from Indigenous Business Program.



¹ Kimberley Development Commission Website

² Supply Nation Website

³ The Sleeping Giant A Social Return on Investment Report on Supply Nation Certified Suppliers

⁴ Supply Nation Building Indigenous Growth Report

The Snapshot



Indigenous people represent 50% of Kimberley population



34.6% Indigenous people over 15 years engaged in the workforce¹



Indigenous unemployment rate is 15.3% compared to 2.2% non-indigenous



Indigenous youth 3 ½ times less likely to finished Year 12 as non-indigenous



100 times more likely than non-indigenous business to employ an indigenous workforce.³



91% land under Native Title



144 Indigenous businesses²



Operating in construction, health and social services, education and utility management.



Low education levels and poor business skills present barriers.



Access to mainstream financing is difficult. Heavy industry reliance on government funding.



Social return to the community from Indigenous business is valued at \$4.41 per dollar of revenue.⁴



Higher levels of individual and community led workforce engagement is critical.



Indigenous Procurement Policy workforce content are not deliverable due to lack of skilled indigenous labour.



Opportunity in key tourism, health services provision, agriculture and construction

Industry Characteristics

Australia's Indigenous people have a rich 40,000+ year history of successful trading and business. However, for the last century they have been largely absent from mainstream enterprise.

Historical restrictions on freedom and dispossession of land, limited opportunity for education, acquisition of wealth and labour market skills. That said, over the past decade or more, government policy and community led programs have seen the substantial growth of Indigenous businesses in Australia.

Indigenous people make up, 50% of the total Kimberley population, however when it comes to workforce participation there are major imbalances.

Overall, Indigenous unemployment rate is 15.3% compared with 2.2% for non-Indigenous with 34.6% of Indigenous people aged 15 years and over employed (employment to population ratio).⁵

This can be attributed to low cultural values towards education leading to poor education outcomes and low workforce participation rates. In some cases young Indigenous people do not received the same sort of parental mentoring that non-Indigenous youth do, when it comes to education, career development and workforce participation.

There are 144 registered Indigenous businesses in the Kimberley region. These businesses are defined as being owned and controlled by at least 50% Indigenous or Torres Strait Islander person/s.

Clear data is difficult to obtain, however there are many more Indigenous business operating who are not registered, who are not declared an Indigenous enterprise or who do not meet the registration requirements. Many have less than the 50% ownership but are still considered an Indigenous business, (ABS define an Indigenous

business is one who has at least one owner who identifies as being of Indigenous and Torres Strait Islander origin) or cannot justify the costs of accreditation.

These businesses cover a diverse range of industries including hospitality and tourism, horticulture, transport, labour hire and training and retail. However, statistics show the majority are in construction, utility provision, health care and social services.

Currently Indigenous businesses comprise approx. seven percent of all Kimberley businesses - higher than the national average for remote areas but about 10 % lower than Indigenous population to business national average⁶.

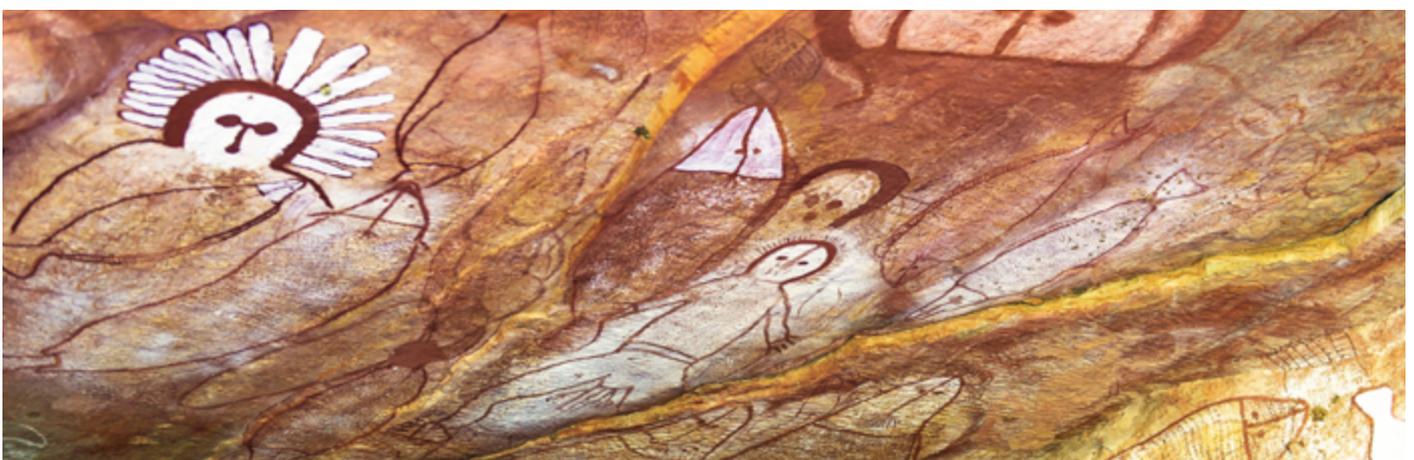
Establishment of Indigenous businesses is an important driver for economic development and increased Indigenous participation in the workforce. Indigenous businesses have an average Indigenous employment rate of 39% Australia wide, and they are 100 times more likely to hire Indigenous people. This makes them critically important in the Kimberley where Indigenous people represent nearly half the population.

They also generate pride, independence and financial stability and create positive futures for indigenous communities. A recent report on Social Return on Investment finding for every dollar of revenue, Indigenous businesses create \$4.41 of economic and social value.

54 % of indigenous businesses provide their community with pro-bono advice and sponsor local sport and cultural activities.

There is massive potential for Indigenous business to grow and prosper with over 91% of Kimberley land coming under the controlling influence of Indigenous people through Native Title. The challenge is how to harness this natural asset to achieve sustained social and economic advancement.

“ There are **144** registered Indigenous businesses in the Kimberley region. They comprise approx. **7%** of all Kimberley businesses ”



⁵ ATEA Kimberley Snapshot 2020

⁶ As per reference 5

INDIGENOUS BUSINESS ANALYSIS



STRENGTHS

- Strong demand for Indigenous cultural knowledge
- Considerable land assets
- Young population that can be developed into labourforce

OPPORTUNITY

- Increase Tourism businesses
- Increase Ranger Programs
- Increase health service businesses
- Increase Joint Ventures
- Increase private sector employment
- Develop Native Food Agriculture

BARRIERS

- Poor education and low business skills
- Difficult obtaining finance
- Reliance on funding
- Poor labourforce engagement
- Social exclusion
- Traditional recruitment process alienate Indigenous

RISKS

- Black Cladding
- Changes to government policy and programs
- Poor client diversity
- Over reliance on funding

Industry Opportunities

Tourism

Tourism enterprise can provide the opportunity for Indigenous people to stay on country and enable Indigenous communities to showcase their cultures while maintaining and strengthening community identity in their local region⁷.

Demand for authentic Indigenous tourism product is growing, particularly from the international markets⁸ and the Kimberley is well positioned to grow Indigenous cultural tourism.

The domestic market should be leveraged as over 90% all tourists visits to the region are domestic yet less than 1% of these customers participate in Indigenous tourism. Opportunity for growth exists especially from all-weather sealing the Dampier Peninsula Road and increased product offering from small communities.

Health Services

Indigenous rate of some communicable and non-communicable diseases is substantially higher than the

non-indigenous community. Overall disability rate is twice that of the non-Indigenous population, therefore demand for health services is high in the Kimberley⁹.

Proximity to community, understanding of local Indigenous health issues and the ability to deliver culturally appropriate service provides opportunity for increased indigenous labour force to engage in this sector.

Construction

Construction and utility (water, power, waste management) is the largest sector for Indigenous business in the Kimberley. However, most are still micro business - with less than 20 employees.

Current Tender processes can prohibit growth. Large scale projects are frequently awarded to organisations outside the region due to scale and unrealistic time constraints.

Provision to section large tenders and guarantee longer term contracts (4-5 years) would offer sustainable growth allowing local businesses to offer apprenticeships to deliver projects with appropriate Indigenous content.

⁷ Winters, T. (2009). Media Release: Indigenous Australia to Play Greater Role.

⁸ Department Foreign Affairs and Trade

⁹ Department of Prime Minister and Cabinet (2018): 'The Indigenous Business Sector Strategy: Supercharging Indigenous Business Start-Up And Growth 2018-2028'

Industry Opportunities Continued

Management of Country

Indigenous ranger projects funded by government support Indigenous people to combine traditional knowledge with conservation training to protect and manage their land, sea and culture.

Indigenous ranger groups can also develop partnerships with research, education, philanthropic and commercial organisations to share skills and knowledge, engage with schools, and generate additional income and jobs¹⁰. Currently the Kimberley Ranger Network employs 70 full-time Indigenous rangers and 100 casual rangers and cultural advisers.

Carbon Farming

Opportunity exists to develop more Carbon Farming projects across the region on Indigenous Native Title lands. This may bring potential for income generation, diversification and social and environmental benefits although at present it remains unproven in terms of economic value to the Kimberley, and it is not well understood in the wider community.

Indigenous Aquaculture & Bush Food Agriculture

Recent pilot projects across the Kimberley show that Indigenous led aquaculture ventures of native species of cherubin, rock oysters, barramundi and trochus represent an opportunity for Indigenous people to stay on country and develop sustainable business models.

An increasing global demand for cosmetics, medicines and health foods derived from Australian native plants (e.g. gubinge and wild rice) provides opportunity for Indigenous enterprise in bioprospecting and commercialising native plants. Importantly, market demand is driven not only by their health benefits but also for the Indigenous cultural connection to the native food products.

Both agri food opportunities will likely remain boutique businesses unless capital and expertise are sourced to scale them to what global and Australian markets require.

Private Sector

The private sector is and will continue to be the driver of future opportunities for Indigenous employment due to the significant skills shortages in many industries. The mining and resource sectors are the largest private sector employer at five per cent Indigenous workforce, this is forecast to increase as they have a vested interest in engaging an Indigenous workforce as much of the resources are located on land that Indigenous people have land rights to¹¹.

Joint Ventures

Many Indigenous businesses tend to be awarded small scale and/or short-term contracts often due to the lack of business scale. To ensure they can bid on and secure larger or long-term procurement opportunities they can and sometimes do enter joint venture agreements with other non-Indigenous organisations. This provides opportunity to sustainably grow whilst leveraging on the capacity delivered by connecting with more mature business models.

There is additional opportunity to utilise Native Title land assets in which Indigenous people who have land and assets but may lack expertise and capital can grow employment and training opportunity for their community through a working joint venture.



¹⁰ National Indigenous Australians Agency Indigenous Rangers - Working on Country

¹¹ Australian Parliament House - Business Committees - Indigenous Employment 2

Industry Barriers

Labour Force

The work force participation rate in the Kimberley of Indigenous people is 37.3% compared to the non-indigenous rate of 82.5%. There is a desperate need for more engagement of Indigenous people into the workforce.

Community Development Programs aim to address this with support for job seekers to build skills and address barriers, however, progress is very slow. Critically, change must come from individuals and communities themselves not just through government instigated policy and programs.

Nothing highlights this more than business owned by Indigenous companies and corporations employing visa workers, for the same reasons non-indigenous business do. That is, despite higher unemployment rates it makes short term business sense to preference visas workers over local unemployed people.

Growth in industry sectors to generate more jobs is needed in the Kimberley region, but local people need to take more of the jobs currently available.

Procurement Policy

The current procurement policy requiring a percentage of indigenous workforce is not realistic for many businesses due to a lack of suitably qualified indigenous workforce to fulfill the requirements.

Both indigenous and non-indigenous local businesses are unable to honestly compete for tenders or complete projects when there is limited indigenous workforce.

Anecdotal evidence suggests large companies based out of the region are winning tenders and then not delivering on the appropriate indigenous content. Stronger monitoring and accountability for indigenous content must be initiated. Government leading by example and offering work in smaller tender packages to promote regional business development is recommended.

Education and Skills

Indigenous education levels in the community are low compared to non-indigenous. Considering the equal population ratio, three and a half times as many non-indigenous students complete Year 12 compared to Indigenous students¹². Research suggest many Indigenous students who finish Year 12 remain illiterate and lack basic numeracy skills¹³ making them virtually unemployable in many sectors.

This disparity is not because Indigenous youth are less intelligent, but because on average their parent guardian support for education is considerably less than on average for non-indigenous youth. Programs like Community

Development Program could provide numeracy and literacy programs to build job ready skills.

Access to training, governance and compliance skills can be limited in the region. The ongoing development of business skills is critical to success as many Indigenous entrepreneurs have limited familiarity with business concepts and processes. The need for a mentor support network that has a local focus could be supported through the education process from middle secondary school through as youth transition to work. The same support service could support those older workers picked up as opportunities start in the local area (eg mining and or support services).

Funding

Access to commercial lending and traditional business financing can be more limited for Indigenous businesses, due to low inter-generational wealth, lack of trading history, low operational experience, little personal savings, and poor home ownership rates¹⁴.

Heavy restrictions and untenable conditions from commercial lenders due to the regions geographic location inhibits development – with some lenders refusing loans based purely on postcode and others requiring 40% deposit.

Native Title holders cannot sell or borrow against their land interests, because Native Title rights are not the same as land ownership, thereby diminishing funding access. Therefore, many Indigenous businesses rely on government funding or other indigenous related funding mechanisms, at least during start-up phase.

Funding can also be difficult to obtain through government agencies. Lengthy delays and short-term funding models demand considerable compliance work impacting planning and cashflows. Government funding remote models need to reflect actual costs of delivering programs where cost of living can be up to 25% higher than metropolitan costs¹⁵. Funding contracts should also allow programs to be delivered within realistic time frames and flexible to include required mentoring, education or other elements of the program to achieve successful outcomes.

Private Sector Recruitment

Traditional recruitment practices such as psychometric testing, lengthy questionnaires and formal panel interviews may alienate potential Indigenous applicants and limited their workforce development. Simple requirements for a Motor vehicle license can be overcome with sensitive employment practises.

“The work force participation rate in the Kimberley of Indigenous people is **37.3%** compared to the non-indigenous rate of **82.5%**.”

¹² ABS 2016 Highest Year of School Completed by Indigenous Status by Sex

¹³ Interview with Ms Susan Murphy, CEO, Wunan Ngari Indigenous Corporation

¹⁴ Supply Nation Building Indigenous Growth Report

¹⁵ Regional Price Index 2019

Social Exclusion

Indigenous participation in the economic and business community can be impeded by social exclusion – factors include lack of literacy and numeracy, alcohol and drug addiction, past intergenerational trauma, having prior criminal convictions and poor physical health.

For many, Native Title is seen as a social exclusion as holders must obtain permission from their Prescribed Body Corporates and other holders to move forward, which creates barriers & breakdown of family relationship and kinship.

Industry Risks

Black Cladding

The practise of black cladding (the practice of a non-indigenous business entity or individual taking unfair advantage of an Indigenous business entity or individual for the purpose of gaining access to otherwise inaccessible Indigenous procurement policies or contracts¹⁶) within corporations and joint ventures is heavily impacting growth for Indigenous business across the region. This restricts any real economic or social flow on benefits into the communities. Monitoring to ensure only bonafide indigenous business are being awarded work through the Indigenous Procurement Policy (IPP) is crucial.

Government Policy Changes

Indigenous business development relies heavily on favourable policy and programs funded by all levels of government. Any change in status, policy and funding needs to consider whether it will on balance advance or impede ongoing development.

Report Recommendations

Recommendation One

Better develop Indigenous Education and Workforce Development by:

- a. Australian Government policy and programs are focussed on ensuring child health and education targets set by the Closing the Gap Refresh are met to foster intergenerational change and long-term work force development.
- b. Australian Government funded training programs providing literacy, numeracy, job ready and business management skills are appropriately funded, correctly delivered and held accountable to realistic KPIs.
- c. That a community led impetus creating a cultural shift to valuing education more by local Kimberley people is needed to improve education outcomes.

Recommendation Two

Create funding models for all Australian Government programs aimed at Closing the Gap targets that are

- a. streamlined to attain and reflect the true cost of program delivery in remote locations.

Recommendation Three

Urgent revision of the Indigenous Procurement Policy to include;

- a. Tender structure and processes allow for smaller work packages to better engage local business
- b. Better monitoring of registered Indigenous businesses to prevent what is known as “black cladding” is required to ensure confidence and legitimacy in effort to advance local Indigenous people through business.
- c. Monitoring of both non-Indigenous and Indigenous businesses to ensure that realistic Aboriginal Employment Targets as per contractual agreements are being met.

¹⁶ Supply Nation Building Indigenous Growth Report

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