



Back to Basics :
A new model for business creation
in remote Indigenous communities

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and Elizabeth Henderson



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Back to Basics : A new model for business creation in remote Indigenous communities

Indigenous economic participation in remote Australia through
business and entrepreneurship — a model based on first principles.

**Nyunggai Warren Mundine AO
and Elizabeth Henderson**



Analysis Paper 21

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Executive Summary

A step-change in Indigenous affairs policy over the past decade to focus on economic participation and business creation saw significant growth in the Indigenous business sector, fueled by landmark Commonwealth policies: the Indigenous Procurement Policy (IPP) and the Indigenous Business Sector Strategy (IBS Strategy). However, these policies have not succeeded, particularly in remote Australia where Indigenous economic participation is more desperately needed.

Lack of economic participation underpins all areas of Indigenous disadvantage and is the main barrier to achieving parity. Economic participation in regional and remote Australia is particularly important for two reasons. First, Indigenous Australians are disproportionately represented in those areas. In a CIS 'report card' on the Closing the Gap initiatives published in July 2020, Nyunggai Warren Mundine AO noted that remote performance under the IPP is lagging.¹ The most recent data shows a consistent pattern. Yet Indigenous people in remote areas are the poorest and have the least economic participation.

Second, the disparity between remote Indigenous people and the rest of Australia, including Indigenous people living in the cities, is alarming and growing. The recent CIS POLICY Paper, *Worlds Apart: Remote Indigenous disadvantage in the context of wider Australia*, sets this out in stark detail.²

There is a wide gap developing between Indigenous Australians living in the cities who go to school and to work, and those in remote Australia who overwhelmingly do not. If this disparity is not addressed, remote Indigenous people will continue to be the poorest and most disadvantaged people in Australia — and this may be masked by improvements in the lives of those in the cities.

Economic growth and development in remote Australia require commercial, profitable small to medium enterprises in those areas; and more of them. This is how all small, remote areas in global history have developed.

Supply and demand exist in Indigenous communities, as in all other communities. But the natural supply and demand cycle has been stifled by structures imposed on remote and regional Indigenous communities (by legislation, the legal framework for Indigenous lands, and government programs) and the mindsets that have developed as a consequence.

Policies and programs designed to promote Indigenous business creation — whether implemented by governments, the not-for-profit sector or the corporate sector — will not succeed unless they align with the age-old economic principle of supply and demand. This is a key reason the IBS Strategy has not succeeded.

There are three critical foundations for business creation. These are:

- **Capability:** capacity to provide goods or services someone else will pay for.
- **Entrepreneurship:** will and motivation to generate your own income by marketing and selling those capabilities through your own enterprise.
- **Business Support:** functions and activities for business health and survival and ensuring the business operates legally.

If one is missing, the business will struggle to survive.

Few people possess all three foundations of business creation. In our experience, programs and initiatives for business creation tend to focus on training people in Capability and Business Support when it is more important to focus on Capability and Entrepreneurship. With those two, a person has what it takes start a business. Business Support can be sourced externally and, in fact, it is better that it is.

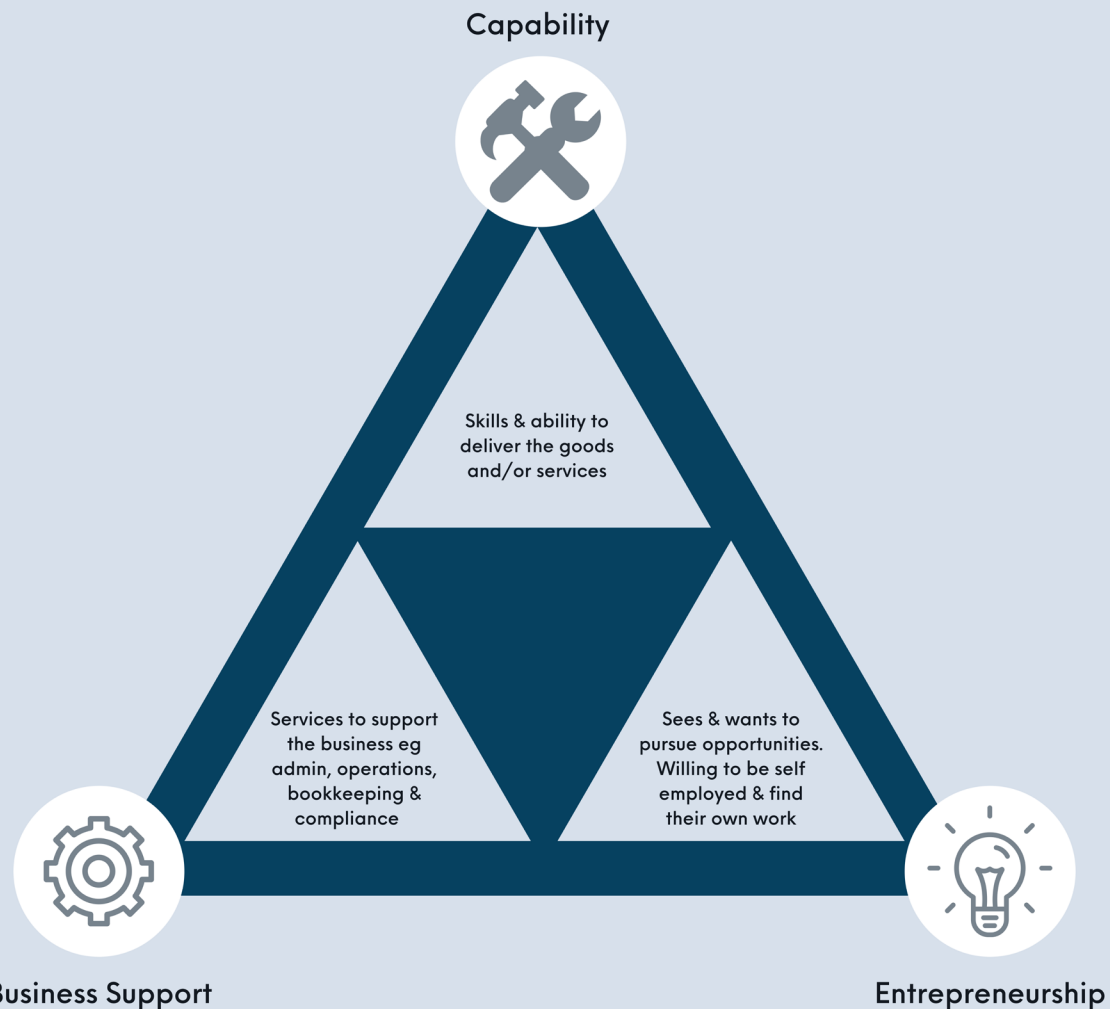
This paper outlines a practical, implementable model for business creation in remote Indigenous communities based around the Three Foundations and harnessing the fundamental principle of supply and demand.

1 Analysis Paper 11, *It's The Economy, Stupid: Economic participation only way to Close the Gap*, Nyunggai Warren Mundine AO, published by the Centre for Independent Studies, July 2020

2 Policy Paper 34, *Worlds Apart: Remote Indigenous disadvantage in the context of wider Australia*, Jacinta Nampijinpa Price, published by the Centre for Independent Studies, January 2021

Foundations of Business Creation

Triangles are used in construction because of their inherent strength. In geometry, a plane (flat surface) is defined by three points. A surface supported by three foundations will not waver.



This model is not limited to government programs and could be implemented by:

governments as part of an Indigenous economic development program, including through existing programs such as the Community Development Program (CDP) and Vocation Training and Employment Centres (VTECs);

community-controlled organisations such as native title Prescribed Body Corporates or land councils with asset portfolios or other funding pools;

private sector organisations wanting to promote or assist Indigenous economic development;

any person or entity with access to capital who wants to be a part of Indigenous business creation.

The model could be implemented in one community or at scale. It could be repositioned out of the evolution of existing programs and initiatives and could even pay for itself. For governments, it could be implemented without any additional funding beyond what is already allocated in these areas through reorganisation of existing structures and programs.

The key requirement (and challenge) is a mindset that understands — and more importantly, believes in — business and entrepreneurship.

Introduction

The past decade has seen a step-change in Commonwealth Indigenous Affairs policy, with an increased focus on greater Indigenous economic participation and business creation. There has also been significant growth in Indigenous business and entrepreneurship over this period, assisted by initiatives like Supply Nation and government Indigenous procurement, chiefly the Indigenous Procurement Policy (IPP), and similar initiatives adopted within the corporate sector.

The peak of the Australian government's focus in this area was the May 2017 announcement that it would develop an Indigenous Business Sector Strategy (IBS Strategy) to support Indigenous entrepreneurs and increase Indigenous economic participation through business, and the release of its *Consultation Paper: Indigenous Business Sector Strategy Supercharging Indigenous Business Start-Up and Growth*. The IBS Strategy included two funding pools to support Indigenous-owned businesses — the Indigenous Entrepreneurs Fund (IEF) that commenced in 2016 and the Indigenous Entrepreneurs Capital Scheme (IECS), which was to be established. The final IBS Strategy was launched in 2018.

Yet these policies have not driven business creation in remote Australia.

The IPP has resulted in a surge in Indigenous business creation generally, but not in remote Australia, despite the Mandatory Set Aside (MSA) rules requiring that Indigenous-owned businesses be awarded contracts in remote areas (as defined in the IPP) if certain pre-conditions are met. In the 2019-2020 financial year, the IPP saw 7,749 Commonwealth contracts awarded to Indigenous businesses valued at \$857 million as at 9 October 2020. Of these, 1,087 (or 14 per cent) were contracts delivered in remote areas valued as at 30 June 2020 at \$83.6 million (or 9 per cent).³

The definition of a remote area for the purpose of the IPP is different than used by the Australian Bureau of Statistics (ABS) and includes a number of Outer Regional and even Inner Regional communities under ABS criteria. A direct comparison is therefore

difficult; but given that around 40 per cent of Indigenous Australians live in Very Remote, Remote and Outer Regional areas, it is clear the IPP is not driving Indigenous business creation in remote Australia. Contracts are not being awarded at parity in the communities where Indigenous people disproportionately live, and those contracts awarded represent disproportionately lower value again.

The IBS Strategy has performed even more poorly. Since the 2019 election, it has withered on the vine. The IEF ceased in 2019, having delivered less than half its investment pool to only 111 Indigenous businesses. Indigenous Business Australia was funded with a fraction of the original proposed IECS funding pool to facilitate and fund delivery of an IECS pilot project by the banking sector, but the IECS is no longer mentioned on the National Indigenous Australians Agency (NIAA) website. The NIAA has demonstrated little focus or enthusiasm for Indigenous-owned private sector business and is predominantly focused on delivery of government-funded programs through not-for-profit, community-controlled organisations.

However, even at its peak, the IBS Strategy was not achieving the pace and momentum in regional and remote Australia — where it is most needed. We spent considerable time in remote Australia before and during the IBS Strategy's initial operation and our observations and learnings are outlined in Part 2 of this paper.

It is time for an overhaul of the approach to Indigenous business creation, and this paper outlines a model for doing so. We have focused on remote Australia⁴ as these are the communities with the greatest need and considered the most challenging for business creation. But the model can also be readily applied to regional Indigenous communities, particularly Outer Regional areas, where many Indigenous communities are also plagued by a lack of economic participation.

3 2019-20 Commonwealth Indigenous procurement outcomes and Mandatory Set Aside results as published on the Indigenous Procurement Policy page on the NIAA website www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp Sourced on 20 April 2021

4 ARIA+ scale Remote and Very Remote – refer to Glossary

Part 1 – Background

Why business?

The gap between Indigenous and non-Indigenous Australians exists for one reason — too many Indigenous people do not participate in the real economy. Lack of economic participation underpins all areas of Indigenous disadvantage. And lack of economic participation is the main barrier to achieving parity.

Economic participation is about having the financial means to meet your needs, without government benefits or charity, and the foundations necessary to do that; the most important of which is education and training. Education is the foundation of economic participation. Jobs are fundamental to economic participation. Businesses create jobs.

Many people think business creation is a 'nice to have' when it comes to ending Indigenous disparity but not a first order priority. Business and entrepreneurship is hard enough for most people, let alone someone who's been on welfare or never worked, or has many barriers to employment — including the minimal education achievement in many remote Indigenous communities. Arguably it's better to just focus on getting people into a job.

Moving people into a job is critical. But there are important reasons to focus on both jobs and business creation, particularly in remote areas:

- Indigenous people are disproportionately represented in remote areas and underrepresented in urban areas, compared to non-Indigenous Australians. Around three-quarters of non-Indigenous Australians live in Major Cities, compared to just over one-third of Indigenous Australians. Nearly 20 per cent of Indigenous Australians live in Very Remote and Remote areas, compared to under 2 per cent of non-Indigenous Australians. A further 20% live in Outer Regional areas.⁵
- Indigenous business owners are also underrepresented in remote Australia areas, with only 5 per cent of Indigenous business owners based in Very Remote and Remote areas and only 14% per cent in Outer Regional areas.⁶

- Indigenous people in remote areas are the poorest and have the least economic participation of all Australians. There is actually another gap developing — the gap in economic and social indicators between Indigenous people who live in the cities and those who live everywhere else. The recent Policy Paper by the Centre for Independent Studies, *Worlds Apart: Remote Indigenous disadvantage in the context of wider Australia*, sets this out in stark detail.⁷
- In remote areas, people can't always rely on there being an employer offering a permanent, full-time job. But there is also a great deal of unmet demand for goods and services. People who can identify demand in remote areas from which they could generate an income can set themselves up as a sole trader or small business. In those remote Indigenous communities where there's currently no real economy, small business and entrepreneurship will be key to building an economy.
- Many of the activities that currently go on in these communities are paid for by governments. Through the IPP (and state and territory equivalents, where relevant) government agencies can be required to procure goods and services for those activities from a local Indigenous business. For example, under the IPP, the MSA rules require that Indigenous businesses be given an opportunity to demonstrate value for money before a general approach to market in remote Australia and for all other procurements wholly delivered in Australia valued between \$80,000 and \$200,000 (including GST).⁸ An Indigenous person in a remote community who sets themselves up as a sole trader or small business can therefore request that award them certain contracts. This provides a reliable initial income stream to kick-start the business.
- The small business sector is an important employer in regional and remote Australia. Small businesses are more likely than larger ones to be located outside major population centres because it may be less feasible for large businesses to operate in remote and some regional areas because of lower potential for economies of scale.⁹

5 Australian Bureau of Statistics, Estimates of Aboriginal and Torres Strait Islander Australians, June 2016

6 Indigenous Business Growth - Working together to realise potential, Supply Nation and First Australians Capital, Published September 2018

7 Policy Paper 34, *Worlds Apart: Remote Indigenous disadvantage in the context of wider Australia*, Jacinta Nampijinpa Price, published by The Centre for Independent Studies, January 2021

8 National Indigenous Australians Agency: <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp#msa>

9 Nicholls, S & Orsmond, D "The Economic Trends, Challenges and Behaviour of Small Businesses in Australia", Reserve Bank of Australia, 2015 available at www.rba.gov.au/publications/confs/2015/nicholls-orsmond.html

- Indigenous-owned businesses are widely credited as having higher rates of Indigenous employment; so new Indigenous-owned small businesses will, in turn, likely create more jobs for Indigenous people.

Myths about remote communities

There is a commonly-held view that remote Indigenous communities are places where there are 'no jobs' and remoteness is a barrier to having a real economy. This is a myth.

We believe — and it is a premise on which this paper is based — there is no community too small to have an economy; particularly when factoring in the broader region in which the community is located.

Small communities exist all over remote Australia with real economies, commerce, jobs and schools. But it's as if remote Indigenous communities are in a different universe. Then people say there are no jobs and communities should shut down; or governments should simply accept people languishing in chronic welfare dependence, never going to school or having a job.

There are plenty of people paid to work in, around and for remote Indigenous communities: teachers, police officers, gardeners, road crews, tradesmen, cleaners, community development workers, health workers, doctors, dentists, dental hygienists, drivers, pilots, air stewards, midwives, nurses, waste management workers, council workers, public servants, mechanics, vets, store managers, retail workers, truck drivers and delivery companies.

The problem isn't a lack of work. The problem is that most of the work that exists is done by people from outside the community — often at great expense because they have to be transported in.

We have seen this most starkly in Australia during the COVID pandemic; with borders closed and Australian employers, including in remote and regional areas, desperate for foreign workers — in regions with some of the highest unemployment in the country. Figures for March 2021 show around 3,000 people in the Kununurra, Halls Creek and Derby-West Kimberley regions on JobSeeker or Youth Allowance (other)

(i.e. the Youth Allowance paid to people who are not studying or in apprenticeships).¹⁰ A disproportionate number of these recipients are Indigenous. At the 2016 census, over 60 per cent of Indigenous people in the region were not engaged at all in employment, education or training (in some parts over 70 per cent), the unemployment rate among Indigenous people ranged from around 25 to 35 per cent and the labour force participation rate ranged from around 35 to 45 percent.¹¹ *The Kimberley Echo* reported on 21 April 2021 the "joy" as 60 Ni-Vanuatu seasonal workers arrived in Kununurra to work in the "severely understaffed" hospitality and agriculture sectors in the region.¹² Remoteness is not the problem here.

If remoteness was a barrier to a real economy, modern Australia would not exist. Every city and town in Australia started as a remote community with 'no jobs'.

Melbourne, Perth and Sydney started out far more remote and with far fewer jobs than in any remote Indigenous community today. And unlike Australia in the 1800s, even though it may take a day or more to physically travel to a remote Indigenous community, communication today is instant. Telephones, internet, mobile and satellite mean that no place in Australia is anywhere near as isolated as the early colonies. And this is especially true in the post-COVID world where virtual interactions are increasingly being embraced. Resource-rich regions in remote Australia the size of some countries can be self-sustaining economies with jobs and commerce too.

The myths about the relationship between remoteness and lack of Indigenous economic participation are widespread and need to be put aside.

In our extensive time in remote Australia, we have heard government employees and government-funded service providers based in remote communities — including those tasked with helping Indigenous people find work — express the view that there are no jobs or opportunities in remote Indigenous communities. If a public servant or service provider based in a remote Indigenous community doesn't believe there are jobs and business opportunities there for locals, they are the wrong person for the role.

10 JobSeeker Payment and Youth Allowance recipients - monthly profile - March 2021, published 16 April 2021 by Department of Social Services available at <https://data.gov.au/data/dataset/jobseeker-payment-and-youth-allowance-recipients-monthly-profile>

11 Australian Bureau of Statistics, Data by Region - Statistical Area Level 2 (SA2) for Halls Creek (Region code: 510011264), Kununurra (Region code: 510011265) and Derby-West Kimberley (Region code: 510011263)

12 *The Kimberley Echo*, 22 April 2021, "Welkam to Australia"

There are plenty of business opportunities in remote Australia

We have not been to any remote Indigenous community — including the most remote — where we have not identified obvious opportunities for new businesses, from micro/small businesses operated by one or two people to large development opportunities.

The Appendix — Business opportunities in remote Australia — sets out just a few examples from our observations visiting these communities over many years.

There's work to be done in remote Indigenous communities, like everywhere else. There are schools, police stations, government offices, airstrips, art centres, satellite dishes, generators, sewerage plants, air conditioners, roads, fences, water tanks, cars, houses, infrastructure and public buildings. Fertile and resource-rich land. Rivers, beaches, waterholes, ports. Beautiful landscapes. Mining, agriculture and tourism going on in the region. Perversely, a big challenge for those industries is a lack of local labour and many rely on fly-in-fly-out (FIFO) workers and backpackers to operate.

Remote Indigenous communities also have a lot of unmet demand for goods and services that people currently have to drive to a big town to access but would prefer to have closer to home — like visiting a hairdresser, buying clothes, getting a takeaway meal or purchasing furniture.

And it's not just the individual community level that is relevant. If you drive anywhere from one to three

hours from even the smallest remote Indigenous community, you'll find other communities, as well as larger towns with more people and more facilities. An individual community may only have a few hundred people, but if you look at the region you find lots of communities and a larger population. People trained in a trade or skill or profession or providing goods or services can service a wider region of several thousand people. In a speech to the Australian Libertarian Society's 6th Annual Friedman Conference in 2018, Nyunggai Warren Mundine AO remarked:

"I went to the APY Lands last year which is the north-west corner of South Australia bordering on the Northern Territory. There's a tiny town right next to the APY Lands border called Marla that sits on the road from Adelaide to Darwin. According to the last census Marla has a population of 100 people. It has a motel and a supermarket and a pub and an electrical business.

The reason I know it has an electrical business is because that business services all the towns on the APY Lands including the ones that are several hours away. The APY Lands are home to nearly 3000 people. Most of their goods and services are provided by outside businesses, including from as far away as Alice Springs, even Adelaide, at much higher cost.

You don't even have to have read Milton Friedman to appreciate the problem here isn't caused by market forces. The problem is an absence of them."

Part 2 – Observations and Learnings on Indigenous Business Creation in Remote Australia

Between 2016 and 2019, we spent considerable time in remote and regional Australia observing and understanding how government programs for Indigenous economic participation, particularly the IBS Strategy, were operating in remote Australia. For many years, we have worked and advised Indigenous organisations who hold land and native title assets in remote Australia and with service providers of the Community Development Program (CDP), Vocation Training and Employment Centres (VTECs) and similar government programs in remote Indigenous communities, programs which are intended to help people move from welfare dependency to economic participation. We also produced the television program *Mundine Means Business* that aired on Sky News Australia and WIN TV in 2017 and 2018 and featured stories on Indigenous business across Australia.

Through all of this, we have had an opportunity to observe and consider in detail the opportunities for and barriers to Indigenous business creation and participation in remote Australia and, in particular, how the IBS Strategy and the IEF were operating in their early stages. Part 2 sets out our observations and key learnings from that experience that should be factored into any remote Indigenous business creation programs.

A range of awareness and enthusiasm for business in remote Indigenous Australia

We have met many Indigenous people in remote Australia who are very keen to set up small businesses in their communities, who have clearly thought long and hard about the opportunities and how to go about

it. But we have also found there is more enthusiasm and awareness among Indigenous people in some remote areas than in others.

We consider awareness of, and enthusiasm for, business to be the most critical factor for Indigenous business creation in remote Australia.

Another important factor is whether the key building blocks for business creation are present, including access to services and facilities such as internet connection, banking, company set-up, bookkeeping and other Business Support services (discussed further below), access to education and training, including licences, and access to capital or other funding. An existing real economy with other businesses operating is also an important building block — because it is a model of what is possible — and this can come from proximity to regional towns or centres.

The building blocks for business creation are important but, unlike awareness and enthusiasm, these can be made available from external sources. Awareness and enthusiasm can only come from within. We therefore consider a population group that has high levels of enthusiasm and business ideas but lacks access to the necessary support and/or funding to act on it to be more 'business ready' than a population group in a large city with access to all the facilities, infrastructure and services needed for business creation but no enthusiasm or awareness. Business readiness is also not about the level of actual business creation but whether the right elements for business creation exist.

In this paper, we group remote Indigenous communities and/or population groups qualitatively as *Business Ready Communities* and *Low Readiness Communities*.

Business Ready Communities

We consider Business Ready Communities to be communities and/or Indigenous population groups where there is a high level of awareness of, and enthusiasm for, business and where key building blocks for business creation (most importantly Business Support) are accessible or could be readily accessed.

Some examples of communities we have spent time in which we consider to be Business Ready Communities are Kununurra, Palm Island, Katherine and north-east Arnhem land.

In Business Ready Communities, we have observed local Indigenous people with high enthusiasm for business supported by strong local Indigenous leadership with a clear and communicated vision for their communities and regions; which, in turn, generates awareness, enthusiasm and momentum among individuals.

In Business Ready Communities, we have also met many Indigenous locals who have taken steps towards setting up a new businesses — using their own resources and funds — and others who are keen to do so but have had less assistance in where to start, as well as Indigenous locals who have already set up and are operating businesses in their communities.

Low Readiness Communities

We consider Low Readiness Communities to be communities and/or Indigenous population groups where there is a low or non-existent level of awareness and enthusiasm for business and where key building blocks for business creation are either not available, or are available but not accessed or effective.

Low Readiness Communities are typically characterised by high welfare dependency, low to zero employment, and a majority of activities in the community being operated or funded by government. There is typically an absence of enthusiasm or awareness of business by local Indigenous leadership. People in Low Readiness Communities typically find it difficult to identify potential business opportunities or understand how these opportunities may lead to jobs.

Many of the Low Readiness Communities we have observed are located within closed-off Indigenous traditional lands where private land ownership is not allowed and many of the facilities are run by community-controlled Indigenous organisations. The ability to own or lease private property is a key building block for business creation. However, many Low Readiness Communities otherwise have a high level of government-funded services and programs that, in theory, should be able to be accessed to support business creation.

Low Readiness Communities typically have few to no existing private enterprises located within the community. While there are many businesses that in fact operate in Low Readiness Communities, they are almost always based outside the communities, often hours away, and/or are operated by non-locals. For example, we have been to Low Readiness Communities located on lands with established cattle stations run by non-locals under agistment arrangements and where waste management, trades, maintenance and the stores are all operated by non-local businesses (often based far away), mostly employing non-local staff.

In our experience, there is limited small business experience or awareness in Low Readiness Communities. Most people have limited access to enterprises to interact or learn from, and few or no friends or family to learn business acumen from. This presents a barrier to enterprise development. For the most part, owning or running a business is not seen as an option or even given any thought. Yet, even in Low Readiness Communities, we have

met many people who clearly possess the skills to deliver a product or service — they just don't have the knowledge or imagination to convert their idea into a business enterprise. We have also met many people from these communities who have worked and/or lived outside the community for long periods of time and then returned or would like to return. People with those broader experiences would be well positioned to bridge gaps in experience and imagination when it comes to business creation.

While we have encountered fewer people who were thinking of business and self-employment in Low Readiness Communities, we saw obvious unmet demand and business opportunities. Locals in Low Readiness Communities repeatedly spoke to us of goods and services they would like to be available. It simply had not occurred to them that this demand could be met by someone local starting a business. Overwhelmingly, goods and services in Low Readiness Communities are provided by non-Indigenous people who come from outside the community.

Accessing business funding is a major challenge to remote Indigenous business creation

Accessing business finance is the greatest impediment to setting up a new business or expanding an existing one for Indigenous people in remote Australia. Our observations of the IBS Strategy in its first two years were that this was not being substantially addressed by the IEF.

Individuals setting up a new business who have no business track record or assets (e.g. a home to put up as security) and who live in remote communities, simply do not meet the lending criteria of commercial banks. Nor do people on welfare with no home or other assets. These people have no viable alternative other than government programs — for example IBA, government funding programs such as the IEF or equivalent state and territory initiatives — to secure their necessary business finance.

Speaking to people who are seeking to access funding for business, we were told that applicants for funding from government programs, including from the IEF during its operation, found the process difficult for a number of reasons:

- Application forms and processes are generally lengthy and complex and assume a moderate to high level of numeracy, literacy and business knowledge is held by the applicant in order to complete the application and comply with the reporting and compliance requirements. Whilst it may be appropriate, or even required, to obtain

detailed information (depending on the nature of the funding — and it may be unavoidable when applying for loan funding) it is something that needs to be addressed in any program intended to assist people into business who may have low levels of education and experience.

- Organisations and service providers we spoke to who were assisting applicants under the IEF during its initial operation told us that the same level of detail and information was required for small loans and grants (e.g. \$5,000–\$20,000 to fund initial equipment) as is required for large loans (e.g. \$500,000 plus for working capital, equipment or land purchases). We are not aware if this was adjusted during its operation.
- Locating details of potential funding or support programs and services, and then assessing which programs provided the necessary support required for the stage or status of the business proposal, was also frequently beyond the capacity of many applicants.
- Although there is generally a good awareness of IBA, in some places we observed limited to no awareness of the IEF during its first year of operation and, where there was awareness, we did not meet anyone who had moved past the very initial stages of enquiry within the first year after its establishment. These do not appear to be isolated anecdotes, given that when the IEF was discontinued in 2019 it had delivered less than half its investment pool to only 111 Indigenous businesses.
- The application processing time for government support through the various programs was reported to commonly exceed six months with no certainty as to timeframes for decisions. This timeframe often resulted in potential missed opportunities. For example, we met with one person who had the skills to operate bobcats and had a local project ready to award him a contract if he could get the financing for additional equipment. He had reached out to potential sources of funding from government programs but the process was taking so long he was likely to lose the contract and the opportunity, even though the funding he required was not particularly substantial.

Accessing business funding is a known challenge for Indigenous-owned businesses.¹³ Commercial lending and other traditional sources of finance can be harder for Indigenous business owners to access due to lower inter-generational wealth, savings, and home ownership rates (less than half the rate of non-Indigenous Australians)¹⁴ which are commonly

13 Detailed discussion of the challenges for Indigenous business obtaining business funding can be found in Research Report 35, *Risky business: the problems of Indigenous business policy*, Charles Jacobs published by The Centre for Independent Studies, November 2017

relied on for business creation. These challenges are far more pronounced in remote Australia. For new businesses in communities with little — if any — real economy, it is difficult or impossible to provide trading history and confident financial projections.

Access to business funding was a key factor identified in the *Consultation Paper: Indigenous Business Sector Strategy Supercharging Indigenous Business Start-Up and Growth* released in 2017. The government then made funding available through the IEF, but the processes for approving and releasing it were cumbersome and slow, and it was discontinued.

Gaining certifications and licences is a barrier to remote Indigenous business creation

Most remote Indigenous communities we visited have TAFE facilities, but we have rarely seen any TAFE facility open while in a community. Locals usually tell us that TAFE staff work in the communities on a FIFO basis.

Despite the presence of TAFE and other Registered Training Organisations (RTOs), most people in remote Indigenous communities told us they would need to leave the community to acquire the training and certifications required to operate a business. For example, on Palm Island we met several people who want to get a coxswain licence but had to go to Townsville to complete it. An apprentice fitter mechanic in Kununurra told us he needed to go to Perth to complete his course requirements. If there were other options, such as online or distance learning programs, these individuals were not aware of them or being directed to them.

Having to leave your community to complete apprenticeships or obtain other licences is a challenge. It was not so much a resistance to leaving a community, but the logistics and costs involved in moving to other towns or cities to complete training, particularly for people caring for children, disabled or elderly family members; whether it's a 90-minute ferry or a 3000km drive.

Overall, we have observed that in remote Indigenous communities there is both a lot of supply and a lot of demand for training and certifications, but a mismatch between them. TAFE and RTO services should be targeted to the kinds of training and certifications people need to start a business, and the service model structured so people can complete training and certifications in, or near, their community as much as possible, with targeted assistance to manage the logistics where leaving the community is unavoidable.

Debt funding is not the best model for Indigenous business creation, especially in remote Australia

Debt funding, whether from a commercial lender or IBA or the government, is usually not the best type of funding for a new business. Debt funding requires regular repayments from day 1, when early cash flow may be uneven and the new businesses may be running at a loss.

Nor is it easy for a new business to meet the approval criteria for debt funding. New businesses, by definition, do not have a trading history for a bank to review. Lending approvals are made on the basis that the money will be fully repaid with interest, and their credit standards are set on this basis. Responsible lending rules also make it difficult for anyone to lend to people from remote Indigenous communities who will have few, if any, assets and do not own their own home (and usually cannot own their own home if they live on Indigenous-controlled traditional lands).

A major objective of the IBS Strategy was to help close the gap through economic development and greater economic participation. The IBS Strategy was therefore particularly targeted at people who have not been participating in the real economy; particularly Indigenous people in remote and regional areas, the long-term unemployed and people working in CDP activities, and people who do not own their own home or have other assets. These individuals will not qualify for business loans based on normal lending standards.

Given that funding pathways like the IEF are intended for people who do not qualify for mainstream financing, it makes no sense to then apply similar criteria to applications for those funding pathways as for mainstream lending. Programs and initiatives like the IBS Strategy are intended to assist people who do not meet the credit standards of commercial banks and who, by definition, are a greater risk than other small businesses.

A model based on similar principles to equity funding is more appropriate for business funding under any initiative to promote Indigenous business creation in remote Australia, where there is a higher than usual risk that the business will fail. Equity funding provides no guaranteed return, and returns are paid if and when the business turns a profit and gains value, rather than from interest and regular payments. Many Rivers is an example of an organisation that works on this principle by focusing on micro-enterprise development and providing community economic development support to Indigenous Australians who lack the financial or practical business support to do so.

A bank's ideal objective is no, or very few, defaults within a small tolerance level. Loan defaults are a sign of a failure in credit assessment. By contrast, when providing early capital, investors expect some businesses in a portfolio (even a majority) to fail, but other businesses to take off and deliver returns. They look at their investments as a portfolio overall, rather than focusing on individual business failures.

Funding under any program or initiative for Indigenous business creation in remote Australia should have a tolerance for individual business failures and have success targets set across the portfolio of applicants, not at an individual level. The IBS Strategy, in practice, did not have this tolerance — but should have.

An exception can be equipment financing where the equipment is security. Fortescue Metals Group (FMG) has been active in Indigenous business creation in the communities in which it operates under its Billion Opportunities program since 2011. In 2017, FMG and ANZ announced a \$50 million guaranteed leasing facility for Indigenous-owned businesses that supply services to FMG where the businesses can access asset finance leases from ANZ at a competitive rate, supported by a guarantee from FMG. Under this kind of arrangement, the business is borrowing to acquire the assets and FMG, as guarantor, has comfort that the business will repay the loan out of the contract FMG has awarded.

An alternative funding model (and one that was a part of the IBS Strategy for smaller funding amounts) is a grant — funding provided and not expected to be returned either as a repayment of a debt or as a capital investment. Grants are not required to be repaid, but also do not involve an ongoing equity or other investment in the business, which is obviously less complex. Even if the funding provider does not take a shareholding, ongoing monitoring and accountability can and should be built in with the funding provider staying involved in, and continuing to monitor, the business and the business remaining accountable to the funding provider.

Business creation initiatives shouldn't try to "pick winners"

The objective of programs and initiatives for Indigenous business creation in remote Australia should be to support Indigenous people to create new businesses and increase Indigenous economic participation, not to 'pick winners'.

Approval criteria for Indigenous business creation initiatives should be aligned to that objective — i.e. of increasing economic participation through business

and entrepreneurship — rather than criteria designed to 'pick winners'. And if the program is being run by a government or any organisation that does not have business experience itself, criteria based on whether the business will succeed will drive the program into paralysis.

This was the case with the IEF. Its purpose of providing funding to start or expand private sector businesses was very different to purposes government departments are used to funding; such as health, education, housing or public infrastructure. Government departments have experience in making decisions on the provision of essential or public services. Government departments and their staff have less, if any, experience starting or operating private businesses or making investment decisions on business opportunities.

Our observations of the early years of the IEF, particularly in remote Australia, were that the process for IEF funding approval decisions was slow. We were made aware of many applications caught in the pre-approval process, some in the pre-application lodgment period (which also involved a complex process). Applicants and potential applicants had no sense of how long an approval would take or even who makes the approval decision. Concerns about funding businesses that may fail substantially contributed to this inertia. The Department was trying to pick winners.

A fear of failure and risk-aversion has also been identified as driving outcomes in the implementation of the IPP where, for example, a few established construction suppliers are awarded the majority of contracts rather than giving opportunities to smaller or newer businesses¹⁵ — which is what, in turn, supports new business creation.

Business failure is part of the normal business world, even for businesses set up by skilled and experienced people in the cities. The challenges are greater still for new businesses in remote Indigenous communities. It goes without saying that there will be new businesses that will fail. But more importantly, if an initiative for remote business creation operates based on a principle or requirement (whether express or unspoken) that it will only fund businesses that will succeed, the initiative will not work.

And even if a new business fails, the experience of setting up and operating a new business and dealing with the challenges is valuable to the individual involved, which will position them much more strongly for a job or even another business attempt.

Ultimately, however, the most effective way to mitigate the risk of business failures is to facilitate on-the-ground business support for new businesses.

¹⁵ Research Report 35, *Risky business: the problems of Indigenous business policy*, Charles Jacobs published by the Centre for Independent Studies, November 2017

Business Support is needed on the ground

Low levels of financial literacy and lack of experience in administration and compliance are impediments in Indigenous enterprise development. We had discussions with several organisations that have successfully worked with individuals in establishing businesses, and who outlined that many of their clients did not even possess the most basic understanding of business financing; such as material and labour costs out and income in equals gross profit only. GST, tax and equipment depreciation were essentially foreign concepts. These skills and abilities form part of what we call *Business Support* in this paper and they are a critical element of our model outlined below.

Business Support can be provided effectively and efficiently by a third party, and it is actually preferable that it is provided by a third party because, for new business owners with little experience, a third party Business Support service can also provide mentoring and financial capacity-building. The most important factor in getting business creation in remote Indigenous communities is access to Business Support, particularly when setting up the new business and in the first 12 months of operation.

The 2017 *Consultation Paper: Indigenous Business Sector Strategy Supercharging Indigenous Business Start-Up and Growth* recommended establishing Indigenous Business Hubs in major cities to support Indigenous business and Project Hubs anchored to the Indigenous Business Hubs; to support Indigenous businesses to connect with opportunities associated with major projects for remote regions.

However, it is critical that third party Business Support services are located within remote and regional Indigenous communities where two thirds of Indigenous people live. By being on the ground, Business Support services can build and maintain a close relationship with the business owner and can see the business when it starts operating and any issues that may be arising.

Many hours can be required to develop a relationship between a potential Indigenous business owner and a consultant or mentor before the necessary business development processes can even commence. Without this relationship-building and initial mentoring support, it is unlikely that Indigenous people with no knowledge of business will ever commence, let alone be successful in establishing, a small business.

A strong relationship and building of trust is also critical after the new business commences. Business owners need to be comfortable being transparent about the business operations and comfortable

sharing if there are problems in the business (e.g. cash flow, collection of payments, problems with staff or suppliers). If these issues are not dealt with promptly they can snowball into bigger problems that threaten the business's survival. Shame and embarrassment can be a major issue for Indigenous businesses owners in remote areas and one that Business Support services need to be aware of and capable of addressing in practice.

Therefore, key attributes of Business Support services at the early stages of business development are experience in building trust and relationships, and knowledge of what support or training options are available.

iBase, part of the Wunan Foundation, has developed a model for on-the-ground business support. Staffed by accountants, bookkeepers and finance professionals who live locally, it provides financial and administrative 'wrap around' services to clients, including bookkeeping and accounting, payroll processing, BAS reporting, and board reports. It assists with applications for finance and funding, cash flow forecasting and business planning and helps build capacity and financial management skills for Indigenous businesses owners. iBase provides very mature business support services for business development, bringing together expertise in financial management, bookkeeping, IT and transaction support. It is a model for the kind of Business Support services needed on the ground to incubate, nurture and mentor Indigenous businesses.

A limited level of business support was incorporated into the IBS Strategy from 2017, when six Business Advisors were appointed through a competitive procurement process to deliver business advisory services to Indigenous businesses in regional and remote Australia under the IEF. Business Advisors were located in the Department of Prime Minister & Cabinet's regional offices, acting on referrals from the Department and initiating work through their own engagement in the region, including with CDP providers. After a 12-month trial and an internal review in early 2018, the trial was extended to April 2019 and then to 30 June 2019, when it ended along with the IEF.

The conclusions from the 2018 review found a number of difficulties with the model.¹⁶ A key theme was that the business advice services were in high demand, but the model was insufficient to service the required levels of support. Demand for the advisory services exceeded expectations and caseloads were exacerbated by the advisors operating in large areas with long travel distances required.

16 Indigenous Entrepreneurs Fund Business Advisory Services Model Review available on the NIAA website at <https://www.niaa.gov.au/sites/default/files/publications/IEF-advisory-services-review.pdf>

Published results of the internal review included the following findings:

“There was a central dichotomy with the IEF that placed a private sector operating model in the midst of a public sector process. This, coupled with capacity issues listed above, led to some tension in managing the Advisor’s expectations for fast paced results. The majority of applicants approaching the Department had little more than a business idea. Most had no business plan and had conducted little or no research into the financial requirements or the market viability of their proposal. This resulted in a significant workload for Advisors, as well as for Departmental staff.”

“Many potential applicants entered the business advisory process with unrealistic expectations that a concept alone would be funded straight away and there was a general lack of understanding of business finance requirements. Businesses approaching the Department with little more than a business idea required substantial development before they could consider funding options, including commercial finance. However, the connection with the ‘IEF Business Advisor’ title created an expectation that if the applicant was meeting with the Advisor, they would receive an IEF grant. This led to applicants not considering other funding options. Greater emphasis to ensure that a grant, especially an IEF grant, was not necessarily the end point of the business transaction was required. Greater communication was necessary to ensure, for instance, that some applicants understood their idea may have a low chance of success, or that alternative assistance could be sought from IBA or Many Rivers.”

“There appeared to be a general lack of understanding, or discussion, between applicants, Advisors, and staff about financial impacts to a business following a successful grant funding application, such as tax implications, continued maintenance on plant and equipment, insurance and licensing.”

These findings do not surprise us, and reflect what we saw with difficulties of applying criteria of picking winners, the challenges for business creation where people have little, if any, business experience or financial acumen, and the difficulties in obtaining mainstream financing.

The purpose of any Business Support service also needs to be clearly articulated — assessing a business for a funding decision, assisting it to develop a business plan, and providing business support to its operations after it commences, are three very different functions. The review of the Business Advisory Services Model indicated these functions

were not clearly demarcated, articulated and/or understood by the Department, advisors and business applicants.

Business Support after business creation is the most critical, as discussed below.

A word on joint ventures

Joint ventures between Indigenous and non-Indigenous business owners have been a core part of Indigenous business creation initiatives including the IPP, which provides access to ‘Registered Suppliers’ that may be 50% Indigenous-owned. Encouraging partnerships between Indigenous and non-Indigenous businesses was seen as a way for Indigenous people who have less business experience or capital, or who operate smaller businesses, to participate in greater business opportunities by partnering with a more experienced or larger business partner who can provide support, access to more opportunities, and increased capabilities and skills transfer.

Having seen how joint ventures are operating in practice over the past five years, our views on joint ventures have changed. There are considerable and legitimate concerns about ‘black cladding’ where businesses meet the technical requirements for Indigenous ownership and board control but the non-Indigenous business partner exerts control and gains a greater share of the benefits through contractual arrangements. And there is great scope for abuse by unscrupulous operators. Other than family businesses (e.g. husband and wife), we believe the entire approach to joint ventures should be reconsidered. This should include a full financial and operational audit and review of joint ventures (whether 50% or 51%) being awarded contracts under the IPP, so there can be an assessment and review of the real level of Indigenous economic participation resulting from joint ventures.

A better model for skills transfer and capability-building is for the business to source it (or contract for it) rather than partner with it (like the external Business Support model outlined below) rather than reliance on the experienced or larger joint venture partner for these functions and activities.

We also have always said that, in addition to ownership, there should also be an employment test where a business cannot be considered an Indigenous business for the purposes of the IPP and other business creation and support initiatives unless it has a minimum level of genuine Indigenous employment.

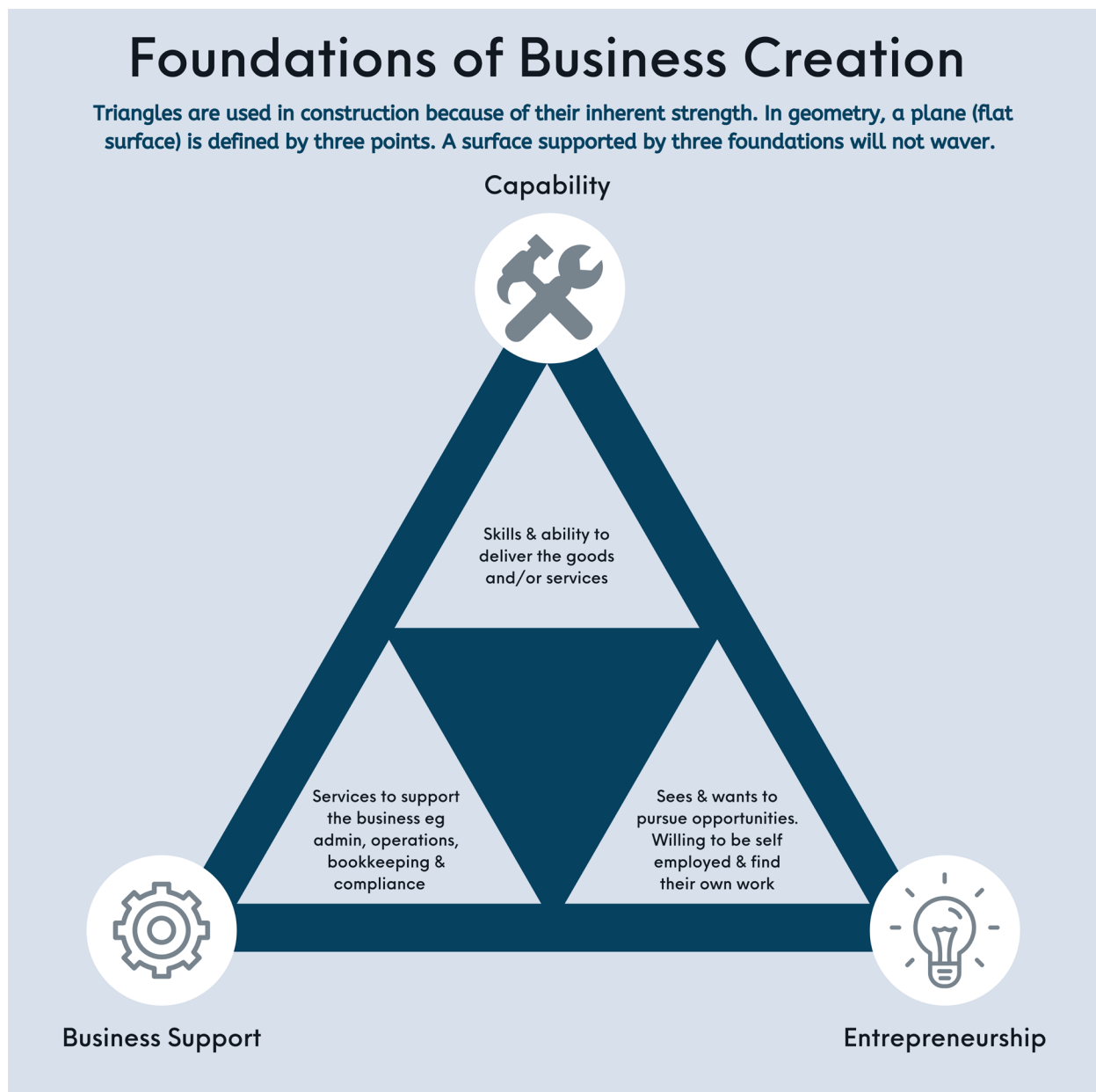
We go so far as to say that any business with a percentage of Indigenous employees above a certain threshold should be considered an Indigenous business regardless of its ownership. In remote areas with high Indigenous populations, this percentage should be set high. For example, if a business in a remote Indigenous community with local Indigenous

employees (who are genuinely performing work) — making up, say, 90% of its workforce — were considered an Indigenous business under the IPP, it would be eligible to put its hand up for government contracts in that community under the MSAA rules. This would encourage existing businesses operating

in those communities to engage a local workforce (and no change in ownership would be required). This would result in far greater Indigenous economic participation than a joint venture notionally owned by a silent Indigenous partner hiring a mostly non-Indigenous, non-local workforce.

Part 3 – Foundations of Business Creation

The three critical elements required to successfully establish and operate a business are Capability, Business Support and Entrepreneurship. These come together to build the strong foundation for any business. If one is missing, the business will struggle to survive.





Capability

Capability is the ability or capacity to provide goods or services someone else is willing to pay for. Capability is what generates revenue.

Capabilities include making and/or selling products like food, clothing, furniture, art, technology; services including trades; repairs and maintenance, professional services, transportation, labour (skilled or unskilled) and equipment operation.

Capability is the offering.



Entrepreneurship

Entrepreneurship is the ability to see opportunities for income generation and the will and motivation to pursue them. It is also a willingness to take the risk of being self-employed and the challenge of generating your own income by marketing and selling the capability you have to offer.

Entrepreneurship is the critical difference between running your own business and being an employee of someone else. Where there is Capability without Entrepreneurship, a person is better suited to a job.

Entrepreneurship is the driver.



Business Support

Business Support is required for business health and survival: to ensure the business operates legally, the business owner and management stays on top of paperwork, and the company remains financially viable.

Business Support skills include bookkeeping and accounting, compliance, operations (e.g. IT, supplies, procurement), company secretariat, and due diligence when buying or expanding a business.

Business Support is the engine.

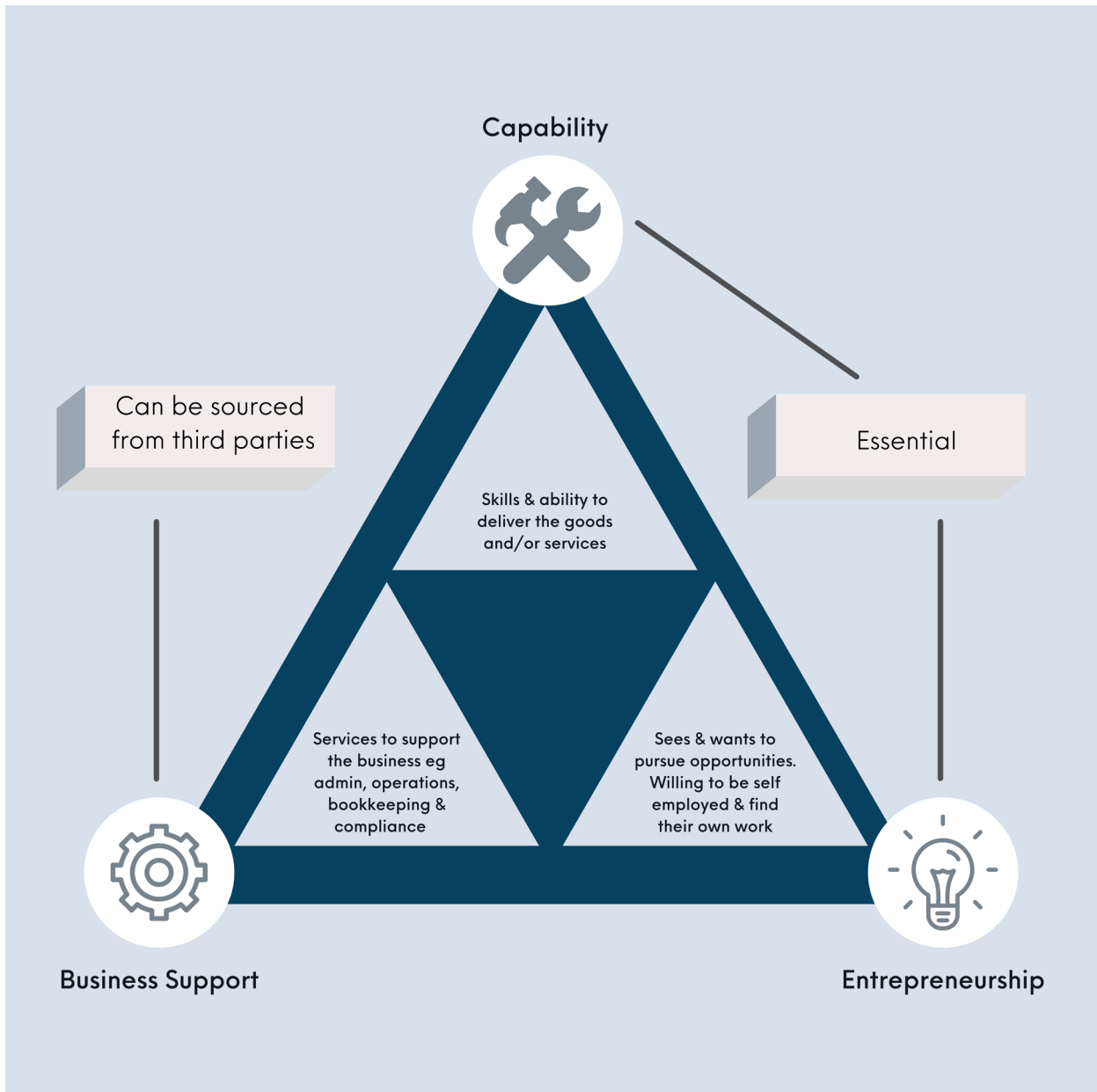
Two out of three ain't bad

Few people alone have all Three Foundations. But they don't need to.

- 1. Capability** can be learned and acquired. Indigenous programs are heavily focussed on Capability. There is no shortage of assistance for any Indigenous person living in a remote community who wants to learn a skill.
- 2. Entrepreneurship** is often thought of as an unusual trait that people either have or do not. In fact, it can be learned and people can develop an entrepreneurial mindset. Entrepreneurship can be about seeing opportunities not seen before. It is also about preference — some people are willing to take on the risk of working for themselves and the responsibility for generating their own

income, while others are not. This can change with circumstances. Entrepreneurship is often considered to be something that is rare; but at the most basic level, most humans have an innate, natural ability to be self-sufficient if they need to be and can identify something of value to supply to generate income or secure resources. Entrepreneurship is not just about innovation and building multibillion-dollar companies. Every self-employed tradesperson is an entrepreneur.

- 3. Business Support** skills can be learned but — more importantly — they can easily be sourced from third parties who are expert in these areas. Many successful innovators and businesspeople have never developed these skills and instead hire people to manage administration, compliance and operations for them.



If a person has Capability and Entrepreneurship they have what it takes start a business, because Business Support can be sourced externally.

Indigenous programs tend to focus on 1 and 3:

- skills training, because capability is not just a pre-requisite for business but also for having a job employed by someone else; and
- business administration skills, which we believe is based on a belief that people cannot create a business unless they are able to be on top of Business Support themselves.

For business creation it is more important to focus on 1 and 2:

- does the person have a capability they can offer?; and
- are they willing to start a business through which to offer it?

If so, they have what they need to start a business, provided they can access Business Support from somewhere else.

Business Support

Business Support can include the following services:

Before business creation:	<ul style="list-style-type: none">Advising on business structuresAdvising on potential sources of finance or financeConnecting would-be business owners to funding sources introductions to banks, investors, joint venture partners etcAssisting to prepare cash flow forecasts and business plansAssisting to complete application forms and compile necessary informationAssisting applicant to bid/tender for procurement contractsDue diligence (e.g. if buying a going concern)
After business creation:	<ul style="list-style-type: none">Payroll, bookkeeping and accountingCash flow managementMarketing and business developmentBAS and PAYG reporting and paymentsComplianceDispute management (e.g. with employees/suppliers/customers)Company secretarial support including board meetings and minutes, ASIC/ORIC and other regulatory filingsMentoring/coaching supportEarly intervention if things don't go to planTraining in financial management, company administration, compliance

After a business is established, it is actually better for Business Support to be sourced externally from dedicated and experienced professionals (as outlined further in Part 3), and business funding should include a dedicated amount to pay for the initial external Business Support services, after which this becomes an ongoing expense to be paid for by the business.

The purpose of Business Support is to provide the back-office services a business needs to operate, and to mentor and upskill new business operators so they gain confidence and independence. The objective is business self-sufficiency, not ongoing dependency on the Business Support provider. Business Support providers should be a service provider to the business owner, not a controller or decision-maker in the business.

Entrepreneurship — building mindsets and imagination

On our 2017 visit to Palm Island, the local school principal asked us to talk to the senior year about business and entrepreneurship. We said that at its heart, business is about identifying what you can do that someone else is willing to pay for. And some of the most successful entrepreneurs are people who realised they could be paid to do what they love.

We asked the students to think about things they know how to do and like to do, and then outlined examples of how that could be a business in their

community. Some students said they liked going fishing around the island and swimming and snorkeling out on reef. People will pay you to take them out fishing and snorkeling, we said. That's a business. Likewise taking people hiking or on tours of the island. One of the students had a lawn mower and had started mowing lawns on the island for the National Disability Insurance Scheme (NDIS). That's a business.

Their faces showed their minds were ticking over, thinking of the possibilities. In less than 10 minutes their awareness — and imaginations — had been activated.

Most Indigenous children in remote Australia grow up being told there are no opportunities in their communities. Most of the adults around them don't work, and everything is done for their communities by (mostly non-Indigenous) people who come from far away. This message needs to be turned on its head.

As a start, schools in remote Australia should be teaching commerce, business studies and entrepreneurship as a core part of curriculum. And the many training programs that Indigenous adults are cycled through via CDP and government programs should also include commerce, business studies and entrepreneurship; as well as bringing in people who have started their own businesses, to talk to Indigenous people in remote Australia about how they did it.

Part 4 – A Model for Business Creation

Overview

Part 4 outlines a model for business creation in remote Indigenous communities, based around the Three Foundations and the fundamental principle of supply and demand.

Funding providers

The model assumes an organisation (or individual) that wants to provide funding to support the creation of new businesses in remote Indigenous communities; including approaches to setting approval criteria and to measuring the funding program's success. This funding organisation need not be a government and the model could be implemented by:

- governments as part of an Indigenous economic development program, including through existing programs such as CDP and VTECs;
- community-controlled organisations such as native title Prescribed Body Corporates or land councils with asset portfolios or other funding pools;
- private sector organisations wanting to promote or assist Indigenous economic development; or
- any person or entity with access to capital who wants to be a part of Indigenous business creation.

The model could be implemented in one community or at scale. It could be repositioned out of the evolution of existing programs and initiatives, and could even pay for itself. For governments it could be implemented without any additional funding beyond what is already allocated in these areas, through reorganisation of existing structures and programs.

For example, CDP has been in existence in some form or another for decades. It is badged as a remote employment service supporting job seekers in remote Australia through skill building and addressing barriers to work, but is essentially a complicated work-for-the-dole scheme which has very little, if any, track record of moving Indigenous people from welfare to work. However, the footprint and infrastructure in place for CDP could be repurposed to foster business creation with the specific objectives of creating enterprises that could then be spun out into small businesses operated by former CDP participants. CDP providers repurposed as Business Incubators would also be required to provide Business Support services to newly-created businesses for a period of time — and those services should be paid for ultimately by the new business itself as a fee-for-service. As for the

VTEC model, payments from government to CDP operators/Business Incubators would be linked to business creation rather than the current CDP model where payments continue if people remain on long-term welfare.

Type of funding

The model is independent of whether the funding is provided via an equity investment, a grant/gift (or even a loan) or some other advance (whether repayable or not). Therefore, this paper does not set out proposals for legal funding structures in detail.

For ease of writing, we use the term 'grant' to describe the funding provided, but this does not mean the funding needs to be provided by way of a grant.

For the reasons outlined above, traditional debt funding is not a good model for Indigenous business creation in remote Australia. More realistic funding structures are:

Equity funding (or one based on similar characteristics) based on a 'patient capital' concept targeted at (but not limited to) new businesses;

Concessional loan — with more relaxed credit standards and repayment criteria than for commercial bank and IBA loans, targeted at (but not limited to) existing businesses that wish to expand;

Grants — funding not expected to be repaid or deliver a return; and

Debt financing linked to a specific contract or equipment (eg like the FMG/ANZ guaranteed leasing facility described above).

For funding used to purchase material assets, the funding provider should take security over the assets.

For grants, funding agreements should include ongoing monitoring and accountability and stipulate that funding is repayable in certain circumstances; for example, if the business is sold, the business owner ceases to be involved in the business, or the business owner voluntarily ceases trading within a certain period (e.g. three years). This a mechanism to prevent abuse/arbitrage by placing a contingent obligation on the business owner to keep carrying on the business for a minimum period without imposing regular or permanent repayment obligations. It is not intended to be a penalty for failure, and the purpose of the security is not credit enhancement or credit risk mitigation, but to prevent abuse/arbitrage.

Scale of funding

Some aspects of the model are set depending on the scale of the funding provided, recognising that

for larger funding amounts, more robust criteria are appropriate. There is no 'science' behind what constitutes a large funding amount or is a small funding amount.

The following is an example of parameters for small and large grants:

Example: Small grant v Large grant		
Description	Purpose	Examples
Small Grant	<p>Funding micro-businesses (e.g. sole traders), small expansions of an existing businesses or for providing amounts to scope and plan for a larger initial costs or initial work and planning before applying for a Large Grant.</p> <p>At a program level, Small Grants may also have the objective of getting amounts flowing into communities to generate momentum for business ideas, provide quick boosts for existing businesses to seize opportunities and provide immediate opportunities for new micro-businesses ('give it a go').</p>	<p>Purchase tools, equipment, computer software, subscriptions to start a micro-business (e.g. buy a lawnmower to start a mowing business, buy design software to start a web design business)</p> <p>Administrative fees e.g. company/business name registration, shelf company acquisition, domain name, licences, registry searches</p> <p>Bid/tender costs (if bidding for contracts).</p> <p>Costs to explore a business idea (e.g. prototypes, samples, surveys if the applicant wants to trial the business idea or test demand, expert due diligence and inspections) and prepare application for Long Term Grant including cash flow forecast and business plan, assisted by Business Support service.</p>
Large Grant	<p>Establishing a new small business, buying an existing business or a majority shareholding, business expansions. At a program level, Large Grants may have the objective of creating a business to win or perform a specific contract or provide particular goods and services in a community with the intention of enabling the business to commence and operate until it is generating a profit.</p>	<p>Purchase of an existing business providing services in a remote community or a majority share in that business.</p> <p>Purchase of assets or major equipment.</p> <p>Initial working capital (including salary, lease/licence fees) to support the business until break even.</p> <p>Bid/tender costs (if bidding for large contracts).</p>

Funding Approval decisions

Approval criteria should not include confidence that the new business will be a success (i.e. picking winners).

Rather, a simplified application process should be adopted where applicants provide information to

support the approval criteria which are based on:

Supply: confirming the Three Foundations are present; and

Demand: demand for the goods or services to be provided by that business in the particular remote community, with criteria for “deemed demand”.

The following is an example of approval criteria for small and large grants:

Example: Approval criteria		
Criteria	Small Grant	Large Grant
Application information	<p>Goods or services to be supplied.</p> <p>How the funding will be applied/spent.</p> <p>Details to demonstrate the approval criteria are met.</p>	<p>As for Small Grant plus:</p> <p>Proposed business structure and/or nature of expansion.</p> <p>Cash flow forecast to breakeven point</p>
Approval criteria	<p>The approver is satisfied that:</p> <p>the applicant has the ability or capacity to provide the goods or services;</p> <p>the applicant is motivated to pursue the business opportunity;</p> <p>the applicant has engaged a Business Support provider (who will provide the services for a set period out of grant funding and can continue to access Business Support services on a fee for service after that time);</p> <p>there is demand in the relevant location for the goods or services or deemed demand (see below).</p>	<p>As for Small Grants plus the approver is satisfied that the applicant has a broad understanding of the cash inflows and outflows and administrative obligations and how they impact, and are impacted by, the day to day operation of the business.</p>
<p>Process</p> 	<p>The approver should:</p> <p>meet with the applicant to get to know them</p> <p>meet with the applicant and its Business Support provider and understand the relationship;</p> <p>have spent time in and know the community in which the business will be located.</p>	<p>As for Small Grants plus:</p> <p>the approver should hear the applicant explain the business proposal and their understanding of the cash flow forecast;</p> <p>approver should do a site visit with the applicant at location(s) where the business will be operated.</p> <p>if the business is reliant on a contract (eg in a supply chain), the approver should meet with the other contract party.</p>

Deemed demand

Predicting a business's progression and prospects is difficult enough in regions with developed economies and large populations. It can lead to inertia and paralysis when making decisions about funding new businesses in remote Indigenous communities. How do you come up with a business plan in a community where there is no real economy? The answer is to go back to basics and rely on the fundamental economic model of supply and demand.

In our experience there is a great deal of unmet demand for goods and services in remote Indigenous communities. If there is no hairdresser but people in the community who want to get their hair cut, coloured or styled, then it follows that there must be demand for a hairdresser. If the community has electricity but the nearest electrician is four hours' drive away then it also follows that there is demand for an electrician. A regional approach is required here, not community by community. One small community is unlikely to have enough demand for a full-time hairdresser or electrician but a region of several thousand people comprising many communities does.

In addition, most local services and facilities in remote Indigenous communities are provided by (or are the responsibility of) government departments that have to meet Indigenous procurement targets and policies requiring or encouraging contracts to be awarded to Indigenous-owned businesses that are capable of providing relevant goods or services. That is also demand.

Another source of income in remote Australia are mining and infrastructure projects (often also within a government remit). These projects generate long-term contracts that can support businesses in a supply chain where demand is a given.

Funding approval criteria should include a concept of 'deemed demand' where demand is deemed to be demonstrated if:

1. the goods or services are currently not available in the community; or
2. the goods or services are supplied in the community but the only current suppliers are located outside the community (e.g. more than two hours by road); or
3. the business has a commitment from a prime contractor, customer or client to enter into a contract which will generate revenue.

Items 1 involves an assumption that the goods or services not available in the community would be acquired in the community if made available. Some additional criteria may be appropriate here — e.g. are people travelling out of the community to acquire goods and services, or sourcing goods

from others who do? Or will people who are doing without the goods and services continue to do without them even if the goods or services become locally available? This is an area where a repurposed CDP (as outlined above) could operate to test the market for particular enterprises. We saw an example of this in one community where the CDP operator brought in a hairdresser who trained up local women in hairdressing and operated a salon. This was essentially operating as a small enterprise, and with some imagination and planning could have been spun out to continue operating as an independent business and not a CDP activity — but with the demand already established.

Ultimately, however, there is no certainty any business enterprise will succeed. Even new businesses with detailed forecasts and market testing do not necessarily succeed. The purpose of a deemed demand concept is to simplify the decision-making process for funding approval so it is not dependent on an assessment of a forecast outcome.

For item 2, there is clearly demand, because the goods or services are being acquired in the community. A new local business could supply those goods and services instead of, or in competition to, the one from outside the community. Many services supplied from outside the community are supplied to government buyers (e.g. maintenance of public or community buildings) who under the MSA can award the contract to a local Indigenous business if they can demonstrate value for money. A key challenge here will be opposition and resistance from the outside service providers.

Item 3 is essentially what is relied on in the guaranteed leasing facility offered by ANZ for Indigenous-owned businesses who supply services to FMG supported by a guarantee from FMG. As guarantor, FMG knows the business can repay the loan out of the contract that FMG has awarded.

Similar facilities could be put in place for procurement contracts awarded by government agencies where any Indigenous enterprise supplying goods or services to a government agency in a remote Indigenous community (directly or indirectly via a larger supplier or service provider) can access asset finance leases and business loans from a lender (e.g. IBA or a mainstream bank) supported by a guarantee from the agency.

For-profit businesses

If the objective of a program is Indigenous economic participation through business and entrepreneurship, a condition of funding should be that the funded entity is a for-profit business, not a not-for-profit organisation, charity, association, cooperative or statutory body (even though those entities may also conduct business activities). A person can only

build a livelihood out of a for-profit business. This is consistent with the Supply Nation condition for certification that the organisation be a for-profit company.

Conditions based on ability to access mainstream finance

Under the IBS Strategy, a requirement to obtain funding under the IEF was that the business was unable to access mainstream finance. The rationale for this requirement was sound, but we observed that in practice this was a major hurdle to accessing funds by the very people funds were intended to benefit. Many people on the ground had the impression the IEF was a funding source of last resort after all other funding avenues have been exhausted, and we met prospective applicants who had been told they had to go to the bank and get a rejection.

It is common to want to include a condition in funding programs that enables funding to be targeted to those most in need of it, rather than a funding source for people who would be able to obtain funding from traditional finance sources. However, it can generally be assumed to be the case that mainstream finance will be out of reach if:

- The applicant does not have real property assets that can be used as security for a loan for the amount they are seeking;
- The applicant is currently unemployed or receiving government benefits (e.g. NewStart, disability support, carer's allowance, parenting payments or replacement payments under proposed changes to the welfare system);
- The applicant is a job seeker in a CDP or VTEC program; and/or
- The applicant has not been in the workforce or a business owner for the previous six months or more.

One or more of these will generally apply if the applicant lives in a Remote or Very Remote location.

Business Support

It is essential for business creation in remote Indigenous communities that new businesses have Business Support services to help incubate and support them.

New businesses will be more likely to survive and grow with third party Business Support, particularly in remote Indigenous communities where the person(s) starting the business will likely have little, if any, business experience and will often be on a substantial learning curve across all elements of the business.

Indigenous business creation programs and initiatives should provide or source dedicated Business Support

to "wrap around" all new businesses, for at least the first 3-5 years to provide the Business Support services required after the business commences. External Business Support should be a condition of any funding with the Business Support provider paid out of the business funding provided for the first, say, 2 years and then engaged for the remaining period by the business on a fee-for-service basis.

Business Support does not need to be provided by government agencies or dedicated government-funded service providers. (And Business Support services are not a core skill of governments, in any case.) But governments could, through their existing programs, create incentives for private providers to offer Business Support services to remote Indigenous Businesses, for example:

- requiring that recipients of grants or funding for business creation out of government programs engage appropriately qualified third party Business Support services providers and allocating a portion of that grant or funding to sourcing those services for, say, the first 2 years;
- encouraging or requiring existing providers of government programs in remote Indigenous communities (e.g. providers of CDP and VTECs) to adapt or expand to provide Business Support services to new businesses in remote Indigenous communities.

If the right incentives are provided through existing funding and programs, Business Support services will generate on the ground.

An organisation wanting to run a program to fund business creation in remote Indigenous communities should consider either providing Business Support as part of the program or partnering with a local service provider who can provide those services.

Assessing outcomes

Consistent with the principle that funding decisions should not be made on 'picking winners', the assessment of outcomes of funding programs should not be set at an individual business level, but on the portfolio of funded businesses as a whole; with success criteria not based on individual business successes or failures, but on increasing Indigenous economic participation.

One example of this is to set portfolio-based targets for the survival rates of the businesses funded by the program or initiative after particular periods.

What the survival rate targets should be will depend on the details of program or initiative, including where it is located (e.g. in a Business Ready Community or a Low Readiness Community), the profile of the applicants, and the maturity of available Business Support.

Having regard to these factors, Australian Bureau of Statistics data on survival rates for new businesses in Australia generally can provide guidance on setting the targets.¹⁷

Key data is as follows:

- The survival rate of the small business sector is lower than that for larger businesses. Less than 61 per cent of micro businesses (those with 1–4 employees) and less than 68% of small businesses (those with 5-19 employees) established in 2015-2016, were still operating as at June 2019. By comparison, the survival rate of businesses with 20 or more employees was just under 72 per cent (although these made up only 1.4 per cent of 2015-2016 employing business entries). (See Appendix – New business survival rates, Table 1)
- Survival rates vary by state and territory. The 3-4 year survival rate for new businesses established in 2015-2016 in the Northern Territory was the lowest at 49.3 per cent, compared to a national average of 53.6 per cent. Data broken down by remoteness and region (e.g. Major Cities v Remote) is not published, but the Northern Territory data is a reasonable proxy for the upper end of expected survival rates of new businesses in remote areas. (See Appendix – New business survival rates, Table 2)
- Survival rates also vary by the type of organisations, with sole proprietorships having considerably lower 3-4 year survival rates (44.6 per cent) than companies (55.4 per cent) and trading trusts (over 55 per cent).

Therefore, it reasonable to assume that the 3-4 year survival rate of new small and micro-businesses in remote Australia for a typical business is under 50 per cent, and lower for sole traders.

New businesses in remote Indigenous communities (with no real economy) will be far more susceptible to failure than a typical new business, because the conditions for doing business are much harder again. Therefore, target survival rates for assessing outcomes of Indigenous business creation programs or initiatives in remote Indigenous communities should be well below typical survival rates.

The above reasoning might result in the following example of business survival rate targets.

Example: Business survival rate targets		
	Year 2 business survival rate	Year 4 business survival rate
Base target	30%	20%
Aspirational target	50%	40%

Targets could be lower (or higher) for Low Readiness Communities (or Business Ready Communities).

A business should be considered still operational if the original business owner is still carrying out the business, even if the structure of the business has changed. For example:

- A business owner sets up as a sole trader to carry out an electrical business and then later sets up a company and operates the electrical business through the company;
- A business owner sets up a company to operate a tourism business and later brings in an investment partner and moves the business into a partnership or joint venture.

Assess community readiness and opportunities

The effectiveness of Indigenous business creation programs and initiatives depends in a large part on the readiness level within each particular community. In Business Ready Communities, the only barrier is access to funding and Business Support. In Low Readiness Communities there is still a way to go in awareness of opportunities and possibilities. For any business creation initiative to be effective, there needs to be a solid understanding of the level of readiness and opportunities in different communities.

- For **Business Ready Communities** the main barrier to growing Indigenous business is access to funding, provided that Business Support can be sourced.

17 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2015 to June 2019, released 20 February 2020. More recent data (to June 2020) was released on 16 February 2021 but we have used the previous year's data to exclude the business impact of COVID-19 and associated business shutdowns.

- For **Low Readiness Communities**, there are multiple barriers to growing Indigenous business. Access to funding will not, in itself, generate business creation and communities may need additional intervention.

Other factors that affect readiness include the availability of, and access to, infrastructure. Telecommunications such as internet access and mobile phone coverage are critical tools in carrying out any business activity today. Availability of other infrastructure such as power and water capacity, or road access, is also critical to support new enterprises such as horticulture/agricultural enterprises and tourism. In some areas, upgrades or even establishment of infrastructure will be key to opening up new opportunities for new enterprises. Even in the most remote communities, there is a wide range of infrastructure, facilities and assets that are relevant to understanding readiness and identifying opportunities.

Organisations that implement Indigenous business creation programs or initiatives should conduct assessments of target communities in which they want to operate, and design and tailor their program accordingly.

For small communities on Indigenous lands, or where there is no real economy, assessments should be of the whole community. In larger communities where there is a real economy, business readiness and demand assessments should be of the segment of the population whom the program is designed to assist.

Demand assessment

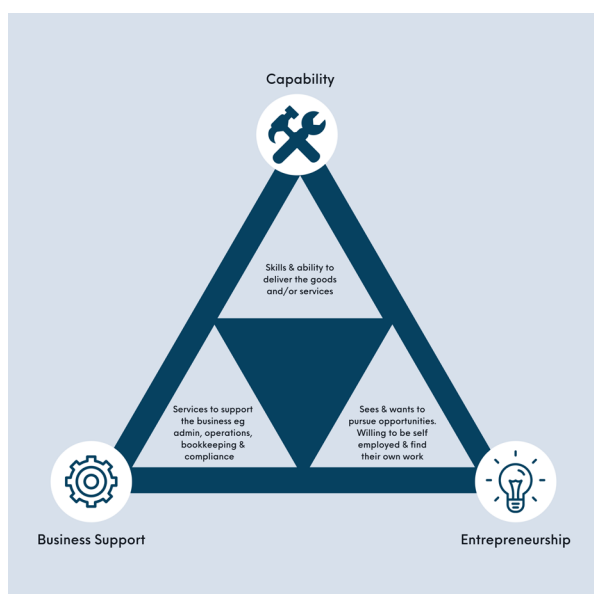
- Estimate of the number and type of businesses and other goods and services providers located in the community (e.g. shops).
- Summary description of the main businesses and other goods and services providers located outside the community who the community relies on (e.g. trades, maintenance).
- Identify goods and services requested or in demand in the community, but not currently provided in or to it.
- List of Commonwealth procurement contracts for goods or services provided in the community. Identify any such contracts that count under the IPP.

Business readiness assessment

Business readiness should be assessed across the Three Foundations:

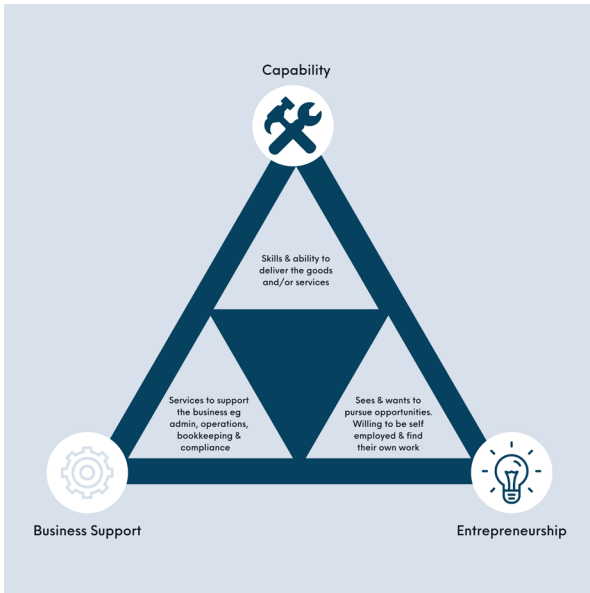
- **Capability:** Identifying community members who have the capacity to provide goods or services someone else will pay for and what capabilities.
- **Entrepreneurship:** Identifying community members who see business opportunities and want to pursue them. Identifying community members who want to run their own business and be self-employed.
- **Business Support:** Are there organisation(s) in the community that have the capability to provide Business Support services?

EXAMPLES



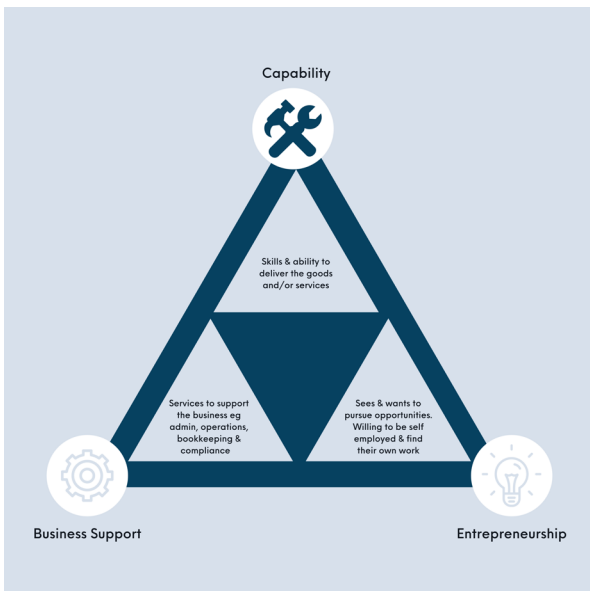
BUSINESS READY COMMUNITY EXAMPLE 1

Numerous people with skills and training who've seen opportunities and are keen to setting up businesses to pursue them, people who've lined up supply contracts, employees and/or business partners, and people operating existing businesses they want to expand. There is mature Business Support available through a local organisation. Mining projects and other infrastructure are in the area.



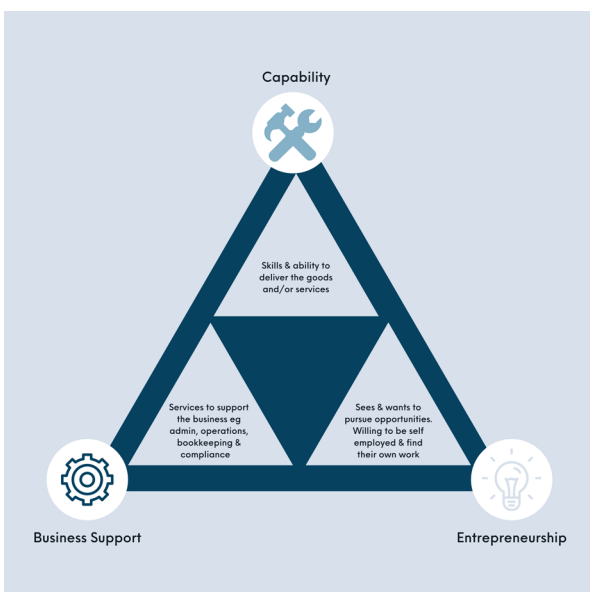
BUSINESS READY COMMUNITY EXAMPLE 2

Many people with skills and training (both formal and informal), people who have seen and are pursuing opportunities, including putting their own money into buying equipment and preparatory work. A great deal of enthusiasm. Regional infrastructure. No on-the-ground Business Support but, if made available, new businesses could take off quickly.



LOW READINESS COMMUNITY EXAMPLE 1

People with skills and training, and potential to qualify in trades. Great unmet demand for goods/services and therefore great opportunity. However, little awareness of these opportunities, few people thinking of business as an option, and no on-the-ground Business Support.



LOW READINESS COMMUNITY EXAMPLE 2

People who have been 'trained for training's sake' with on-paper credentials but no real work experience. On-the-ground Business Support including services and facilities and multiple government programs. Little awareness of business opportunities and no enthusiasm for (or contemplation of) business.

Development and infrastructure assessment

- Identify major infrastructure (including social infrastructure) in the area, including:
 - roads
 - resources projects
 - airports
 - military
 - agriculture
 - corrective services
 - schools
 - hospitals
 - telecommunications facilities
 - public, social and Indigenous housing
 - other public buildings
 - waste management centresand for each:
 - who owns or operates them;
 - service providers engaged to service, maintain or support them;
 - any known potential or scheduled development, upgrade or maintenance.
- Identify machinery, vehicles, IT and other equipment smaller infrastructure and equipment and who owns them (e.g. government, service providers)

Governments can conduct these assessments themselves — for example, by requiring Government Business Managers (GBMs) embedded in communities to conduct and deliver the assessments — and publish the results.

The role of government

Business creation in remote Indigenous communities is not dependent on governments. But governments, as the major operators in these communities, can put greater focus on business creation and can do so without new programs or funding, but by repositioning the plethora of existing ones.

Most remote Indigenous communities have government employees such as GBMs living in the community and government-funded services such as

CDP providers. VTECs and Job Active service providers also operate in many remote and regional locations as do local government officers, TAFE providers and RTOs. Then there are NIAA regional officers and state/territory government officials responsible for various government programs and initiatives.

These are all existing resources that can be worked with to deliver Indigenous enterprise and small business development, and contribute towards the success of Indigenous business and entrepreneurship through their own functions.

Plans could be developed to address individual needs, so other service providers and agencies deliver what is required to satisfy specific needs.

TAFE and RTOs could develop or tailor their training programs in a community to deliver the specific needs required for people to start a business; for example, based on advice from Business Support services that are working with potential new business owners. TAFE and RTOs should also offer basic to advanced business-specific financial literacy and management courses using identified business opportunities, again working with Business Support services.

CDP providers and Ranger programs could be assisted in the role of establishing income-generating activities that could be 'spun out' to private ownership; essentially adopting a business incubator role alongside their work-for-the-dole or ranger activities. If a successful enterprise is created, there will potentially be more employment placements they can train and mentor their clients into. An example of this in relation to CDP programs is outlined above. For Ranger programs, the core ranger services and activities would be unchanged; but participants would have the opportunity to move out of the core activities into independent sustainable business activities (e.g. cultural tourism, soil and water testing for resources companies), making way for new Ranger program participants to join. CDP providers and VTECs could develop Business Support service capabilities to provide Business Support services on the ground.

GBMs could monitor contracts issued for work in the community, and identify opportunities for either select tender or direct awarding to ensure local businesses are supported and jobs are established. GBMs are also a critical resource in understanding whether and how policies such as the IPP are operating on the ground.

KPIs and service levels and deliverables in government contracts could be tied to business creation outcomes and delivery of Business Support.

Concluding Remarks

The approach outlined in this paper represents a fundamental shift from the way things have been done by governments and their departments over decades. This would likely meet widespread resistance both from bureaucrats and government agencies, as well as from the large industry of private service providers and community organisations that are paid by governments to manage and operate the vast array of Indigenous programs and welfare delivery services. Implementing these ideas would require dogged determination and courage from the relevant Ministers (which we have seen at times over the past decade); that must be stubbornly sustained over multiple political cycles (which we have not).

Politicians may not have the appetite to change the status quo, but that doesn't make the status quo the right path.

Ultimately, the greatest contribution governments could make towards Indigenous business creation (and Indigenous economic participation more generally) in remote areas is real welfare reform and adopting an unrelenting mission to move people from welfare to work — not just Indigenous Australians but also the many other Australians who are languishing outside the real economy in the long-term welfare trap.

Appendix – Business Opportunities in Remote Australia

Retail	<p>Remote Indigenous communities are substantially under-serviced by retail, with a great amount of unmet demand. There are many opportunities for small retailers of goods and services. For example, hairdresser, bait supply, convenience stores operating outside of 1970s trading hours, furniture. Food services and catering can service locals as well as sporting carnivals and other gatherings.</p> <p>Typical opening hours for stores in remote Indigenous communities are 9–4:30pm weekdays and 9–noon on Saturdays. Many close for an hour or even more between noon–2pm weekdays and rarely open at all on Sundays. When questioned, the common response we have heard is that ‘this is just when the shop is open and you just have to work around store times’.</p> <p>Remote Indigenous communities have a wide range of products or services delivered to residents from other places. There are many products and services that people these communities would like, but are not currently supplied or meeting demand. For example, furniture supply and assembly is just one example that has been regularly raised with us.</p>
Art	<p>There is incredible Indigenous art all through remote Australia. But most art centres we have visited are operated by non-Indigenous non-locals. And most of these are operated as community-based enterprises, not as private, for-profit businesses. There are opportunities for work and businesses in these areas, not just in producing art but also in sales and marketing, curation and retail.</p> <p>And there are opportunities for competition — why should there only be one supplier in a remote Indigenous community to purchase local art?</p>
Trades	<p>Remote Indigenous communities have a great need for tradesmen. We have come across communities with substantial need for trade skills; particularly plumbing, electrical, construction, repairs and maintenance. Currently, almost all of these services in remote Indigenous communities are provided by businesses from outside the community — often flying or driving in at great expense.</p> <p>In many of these areas, infrastructure and building activity is taking place, particularly in housing. The median age of Indigenous people in remote Australia is around 23 — i.e. half of all Indigenous people in these communities are under 23. In coming years, there will be a boom in demand for housing and schooling and social infrastructure (eg hospitals) in these communities and the regions around them, providing further opportunities.</p>
Maintenance	<p>There are opportunities to service government contracts for public buildings, areas and facilities e.g. cleaning, maintenance, waste management, security, landscaping and garden maintenance. Landscaping and turfing also reduces dust and therefore has a positive health impact as well as improving the appearance of the community which is important for tourism. For example, a person or a couple in remote communities who set themselves up in a cleaning business would have numerous contract opportunities to clean public buildings in their community and others in a region. Under the IPP they would have a right to win those contracts</p>
Horticulture	<p>We met a couple in Katherine who established a business growing and shipping desert roses and a high school student who started a lawnmowing business on Palm Island who was finding work mowing lawns in people homes and as part of the services provided to some community members under the NDIS.</p>

Maritime	There is also demand for a range of goods and services out of the working ports across remote Australia.
Agriculture and Aquaculture	There are many business opportunities in agriculture and aquaculture. Many remote Indigenous communities have land capable of running cattle and camels. Kangaroo meat and leather is a budding area. There are also business opportunities clearing lands of feral pests and in land management. In fact, this is an area where economic participation by Indigenous people in these areas has decreased since the early 1970s and we have seen numerous cattle stations run by non-locals under agistment arrangements or former cattle stations that have ceased to operate. All of these activities, in turn, generate business opportunities supplying goods and services.
Demand driven by public programs and services	<p>There is substantial demand coming out of new and expanded public programs in physical infrastructure; such as road building and social infrastructure like the National Disability Insurance Scheme. There will likely be increased physical infrastructure projects in coming years stemming from government public works programs as part of post-COVID economic recovery plans. All these projects and programs require suppliers across a range of areas, including working on the projects and programs themselves and supplying goods and services to them.</p> <p>Frequently projects in remote areas do not source supplies from local businesses. When I travelled through APY Lands in 2017, the roads there were undergoing extensive upgrades, involving both road maintenance and quarrying of the materials for the upgrade. However, the project did not appear to be using local contractors or labour much, if at all.</p>
Transport	Public transport facilities in remote Indigenous Australia are limited, or non-existent. Within some large Indigenous land areas, people use unregistered vehicles that cannot be taken onto public roads outside the Indigenous land areas. There are numerous opportunities for private transport operators, shuttles, bush taxis and charter flights.
Mining and infrastructure	<p>Mining is one of the obvious opportunities for Indigenous business development.</p> <p>Fortescue Metals Group (FMG) has been running a Billion Opportunities program since 2011. It has been a standout in nurturing Indigenous business creation in remote Australia through awarding of contracts in its supply chain to businesses owned by members of the native title groups on which the company's projects are situated. Since 2011, the program has awarded more than A\$2.7 billion in contracts and sub-contracts to Aboriginal businesses and joint venture partners. In January 2021, FMG announced A\$13 million in new contracts under the program in its Iron Bridge Magnetite Project; with two contracts awarded to businesses 100% owned by members of the Njamal Native Title group, the traditional owners of the land where the project is located. The contracts were for provision of light vehicles for project operations and non-mining process infrastructure work.</p>

Tourism and Hospitality

Tourism is one area most commonly raised as an opportunity for economic activity in remote Australia. We list it at the end to illustrate that it is not the only opportunity and also because the COVID-19 pandemic has had a devastating effect on many tourist destinations in Australia, the recovery from which is going to be slow and difficult.

In normal times, there are multiple opportunities in remote Australia for both mainstream tourism and tourism that incorporates cultural and/or unique experiences across the entire spectrum of experiences — from camping, day walks, horse trails, water activities, cultural tours, four-wheel driving (self-drive or tag-along) through to sophisticated high-end experiences such as resorts, spas, luxury accommodation. There is also scope for recreational boating including fishing and tourism; in particular, taking advantage of some of the substantial waterways in remote Australia such as the Great Barrier Reef, Lake Argyle, the Kimberley River system, Katherine Gorge and Katherine River systems.

Even before the pandemic, many remote Indigenous communities had minimal tourism taking place and a key barrier is the restrictions on outsiders coming into the community and lack of accommodation and other facilities for outsiders. The difficulties getting things done under traditional land and governance structures has also been a major hurdle. However, even with these limitations, there are opportunities for small-scale operations such as a sole trader taking people fishing, camping or four-wheel driving and we have seen several examples of this. Many remote Indigenous communities, even on traditional lands, are already near significant and popular Australian tourism sites where tourists are travelling to; those areas already provide an opportunity for new tourist businesses to develop off the back of the existing mature industries.

Post-pandemic could potentially provide new opportunities for increased targeting of domestic tourism (but only if states and territories can better manage the uncertainties over internal border closures) and smaller more 'socially distant' tourism experiences.

Business/back office services

As new businesses develop, they in turn will require back office services; especially bookkeeping and accounting and legal services. Also website design, IT support, maintenance for vehicles and equipment.

Appendix – Business Survival Rates

Table 1 Survival of new businesses by employment size range

	Entries in 2015-16	Survived to June 2017 (Survival rate)	Survived to June 2018 (Survival rate)	Survived to June 2019 (Survival rate)
	no.	no. (%)	no. (%)	no. (%)
Non-employing	212,964	160,480 (75.4%)	126,134 (59.2%)	106,306 (49.9%)
Employing				
1-4	87,057	73,057 (83.9%)	60,873 (69.9%)	52,999 (60.9%)
5-19	9,131	7,887 (86.4%)	6,927 (75.9%)	6,182 (67.7%)
20-199	1,161	1,007 (86.7%)	911 (78.5%)	819 (70.5%)
200+	122	109 (89.3%)	101 (82.8%)	99 (81.1%)
Total employing	97,471	82,060 (84.2%)	68,812 (70.6%)	60,099 (61.7%)
Total	310,435	242,540 (78.1%)	194,946 (62.8%)	166,405 (53.6%)

Table 2 - Survival of new businesses by main state or territory

	Entries in 2015-16	Survived to June 2017 (Survival rate)	Survived to June 2018 (Survival rate)	Survived to June 2019 (Survival rate)
	no.	no. (%)	no. (%)	no. (%)
NSW	107,853	84,200 (78.1%)	67,554 (62.6%)	57,698 (53.5%)
VIC	82,675	64,761 (78.3%)	52,269 (63.2%)	44,604 (54.0%)
QLD	60,854	47,354 (77.8%)	37,859 (62.2%)	32,335 (53.1%)
SA	16,901	13,536 (80.1%)	11,163 (66.0%)	9,637 (57.0%)
WA	31,731	24,440 (77.0%)	19,362 (61.0%)	16,368 (51.6%)
TAS	4,064	3,343 (82.3%)	2,830 (69.6%)	2,413 (59.4%)
NT	2,008	1,506 (75.0%)	1,165 (58.0%)	990 (49.3%)
ACT	4,145	3,273 (79.0%)	2,645 (63.8%)	2,276 (54.9%)
Other / Unknown	204	127 (62.2%)	99 (48.5%)	84 (41.2%)
Australia	310,435	242,540 (78.1%)	194,946 (62.8%)	166,405 (53.6%)

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GLOSSARY

ARIA+	Accessibility/Remoteness Index of Australia (ARIA+), Hugo Centre for Migration and Population Research (Hugo Centre), The University of Adelaide
CDP	Community Development Program
GBM	Government Business Manager
IBA	Indigenous Business Australia
IEF	Indigenous Entrepreneurs Fund
IECS	Indigenous Entrepreneurs Capital Scheme
Inner Regional	Inner Regional Australia - ABS Remoteness Areas for Australia, SA1 average ARIA+ value range greater than 0.2 and less than or equal to 2.4
IPP	Commonwealth Indigenous Procurement Policy
Major Cities	Major Cities of Australia - ABS Remoteness Areas for Australia, SA1 average ARIA+ value range 0 to 0.2
MSA	Mandatory Set Aside rules under the Commonwealth Indigenous Procurement Policy
Outer Regional	Outer Regional Australia - ABS Remoteness Areas for Australia, SA1 average ARIA+ value range greater than 2.4 and less than or equal to 5.92
Remote	Remote Australia - ABS Remoteness Areas for Australia, SA1 average ARIA+ value range greater than 5.92 and less than or equal to 10.53
RTO	Registered Training Organisations
TAFE	Technical and Further Education
Very Remote	Very Remote Australia - ABS Remoteness Areas for Australia, SA1 average ARIA+ value range greater than 10.53.
VTEC	Vocation Training & Employment Centre

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