

# **Flying an Indigenous Jumbo Jet:**

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## **Introduction**

Today I have been asked to stimulate your thinking around Indigenous Business Enterprises in the context of Economic Development in Northern Australia.

My credentials for doing so are limited. I am the CEO of a large national Indigenous organisation that employs over 100 people, 35% of whom are Indigenous, and we have an annual turnover in the order of \$23 million. Perhaps by the time we finish tomorrow I will know whether CAT is an example of an Indigenous Business Enterprise or just another aboriginal organisation.

Today I would like to briefly touch on the following:

- What is an Indigenous Business?
- Why do we need Indigenous Business?
- The current context for Indigenous Business
- Some lessons from Indigenous Business
- Issues for Indigenous Business and finally,
- To explore future opportunities for Indigenous Business.

This presentation carries a number of assumptions and adopts a position that allows us to relate back to the broader forum objectives around improving economic development and governance across remote and northern Australia.

I have assumed that our discussion on Indigenous business is in the remote and regional Australia context and not in the more densely populated urban centres.

And I have assumed that many of you are already involved in Indigenous businesses in some way either through program support or within the business itself as an owner or employee and that you have already been to many similar workshops and have read the myriad publications that set out all of the pitfalls and benefits of being in business.

## **What is Indigenous Business?**

The title of my presentation invites the question “what is an indigenous Jumbo Jet?”

Is it an Indigenous Jumbo Jet when an Indigenous person designs the art that adorns its skin?

Is it indigenous if the CEO (pilot) is Indigenous?

Is it Indigenous if the employees (flight stewards) are Indigenous?

Is it indigenous if the Board is predominantly made up of Indigenous people?

Or is it Indigenous if the passengers are Indigenous people?

These questions are challenging, however, they are all secondary to the bigger question, is there an indigenous way to fly a Jumbo jet?

Implicit in these questions is a question about whether we are making this all harder than it should be in an attempt to better define a market niche.

I think it is important to ponder such zany questions before we leap seriously into the rhetoric that sits around Indigenous Business enterprise and the many opportunities and barriers and programs and gap fillers that are designed to make them fly as a business.

The nature of Indigenous Business is certainly a topic that occupies the CAT Board from time to time. They regularly return to the jumbo jet analogy to help clarify their thinking. They recently established a wholly owned for profit company to trade in the general marketplace well outside the Indigenous space in their belief that they may be Indigenous people but that should not stop them having a global outlook.

In the context of this forum’s broader objectives we might ask what is the difference between:

- Indigenous economic development
- Indigenous business development and
- Indigenous employment

recognising we are actually talking about economic development, business development and employment involving Indigenous people.

Why do we need it? Why is Indigenous Economic Development different to other economic developments or is it? Do we set up Indigenous economic development because we don’t want it exposed to the full rigours of the market?

Is regional development a realistic concept or is it second class or marginal economic development?

Is regional development a spatial concept related to scale or a sectoral concept with defined scope? Does regional development make sense when it is applied to more than 80% of a jurisdiction?

Is an Indigenous enterprise regarded as such because it is a business, a brand or a brand essence?

Why is it important to pursue indigenous business and how does this differ from welfare to work job placements?

I ask these questions because one of the barriers to Indigenous business can be our mind set – we are so focussed, almost entrapped, by our rhetoric of filling gaps, catching up, doing things together yet apart, we appear to celebrate disadvantage by rewarding it with program money that locks employment opportunity into servicing disadvantage rather than more productive activity.

We are also apt to acquire national program logic that doesn't share a good fit with regional systems. At the present time a number of programs allow you to merely sustain a culture of poverty. This is a compelling reason to be engaged in Indigenous wealth creation and business activity, as it is my belief that financial independence offers the best prospect for maintaining Indigenous culture.

What makes a business? – Risk, capital, markets, know-how and intelligence, networks and partnerships, opportunity, demand and supply, market niches.

In its simplest form business is when you have something someone else wants and they are prepared to pay for it.

Business is getting someone to pay you to:

- Solve their problem
- Enable them to enjoy doing something
- Allow them to avoid doing something
- Provide for basic needs that sustain life
- Expend your energy rather than theirs.

Sustainable business is about getting enough of these people to regularly pay you to do these things. It is also about being able to organise capital and labour to expand these offerings without depleting resources.

There is nothing particularly Indigenous about this.

## **Why do we need Indigenous People in Business?**

For a long time the overwhelming concern in Indigenous people has been to improve their health through medical interventions, to reduce the obvious gaps between key measures of health and employment.

The growing body of evidence<sup>1</sup> on the societal determinants of health indicates 'that the scale of income differences in a society is one of the most powerful determinants of health standards in different countries, and that it influences health through its impact on social cohesion'.

Across remote Australia there is no doubt that the income differentials between Indigenous people and other residents are large and increasing.

The evidence suggests that what matters within societies is not so much the material living standards but the effects of social relativities. In terms of income the relationship is with relative rather than absolute income levels.

It is the nature of social and economic life rather than medical services and public housing that determines the health of populations. This is a fundamental effect of political economy – not an outcome of improved service delivery. Social service delivery, however efficiently and effectively delivered, will not deal with the fundamental causes of the 'social gradients of inequality'. If a person is welfare dependent, in the absence of economic opportunity, they will basically remain welfare dependent

It seems that a focus on income management and passive welfare dependency has eclipsed this more serious long-term discussion of political economy.

This 'income relativity gap' is the most critical gap that needs bridging between Indigenous and non-Indigenous people, for without this reduction the health gap will remain resistant to change.

Clearly it is only through Indigenous people being involved in business enterprises where they generate wealth and convert their assets into income that they will get ahead of welfare income levels and bridge the income relativity gap.

### **Context for Indigenous Business**

Indigenous Australians have seen significant change over the past ten years.

On the one hand, the low level of development in remote Australia has permitted Aboriginal culture to persist much longer in remote Australia than in settled areas. However, Aboriginal settlements in this region of Australia experience an

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<sup>1</sup> Richard Wilkinson, *'Unhealthy Societies – The Affliction of Inequality'* Routledge, 1996.  
See also, Richard G Wilkinson, *'The Impact of Inequality: How to Make Sick Societies Healthier'*,  
Routledge, 2005

extreme economic context, arising from a lack of economic opportunities in remote settings, the small size of settlements and large distances between them, the lack of human and institutional capital, and the high level of mobility between and within settlements. Economic globalisation has favoured intensification in urban centres in Australia, resulting in increasing capital leakage from rural and remote areas.<sup>2</sup> Due to low levels of personal savings and disposable incomes, Aboriginal settlements have historically failed to attract private sector consumer services such as banking.<sup>3</sup> Market failure, and a lack of creative economic, social and settlement policy responses have led to a welfare economy.<sup>4</sup>

Most people see the outback as a vast, sparsely populated, place of isolation, the national heart, a waste land, a place of market failure and extreme poverty, somewhere to drive when you retire and of course the heartland of the mining boom that is driving the economic performance of the nation.

Over the past few years the outback has changed:

- The pattern of settlement has changed: initially our country towns were established around the distance a Cobb and Co coach could go in a day.
- The nature of mining has changed
- The nature of pastoral leaseholds has changed
- The tourist industry has changed and
- The basis of indigenous communities is in the process of change

The early Indigenous settlements were originally ration points and mission posts established as convenient staging points away from major centres or in support of the pastoral industry.

Over the past 30 years culture and land attachment have driven development of more than 1000 new settlements including some established as a retreat from the dysfunction of larger settlements where forced co-location of different groups was unwieldy. Under today's conditions this re-engagement with significant country through the outstation and homeland movement has been questioned on grounds of viability as it is not seen to support increased engagement in the mainstream and in the view of some<sup>5</sup> has helped create the social dysfunction evident in many communities. Further the nature of the land holding is seen as

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<sup>2</sup> Holmes, J. (2002). 'Diversity and change in Australia's rangelands: a post-productivist transition with a difference?' *Transactions of the Institute of British Geographers* 27, 362-384.

<sup>3</sup> Taylor, J. (2002). 'The Spatial Context of Indigenous Service Delivery.' Centre for Aboriginal Economic Policy Research, Australian National University, Canberra, Australia. (see P.19)

<sup>4</sup> Stafford Smith, M and Moran, M., 'The Community – Settlement nexus – drivers of viability and resilience in remote areas of desert Australia'. (in development), p2

<sup>5</sup> Sutton, P., 'The Politics of Suffering: Indigenous Policy in Australia Since the Seventies', Inaugural Berndt Foundation Biennial Lecture given at the annual conference of the Australian Anthropological Society, University of Western Australia, on 23 September 2000.

Kunoth-Monks, R., 'Land and Culture: Necessary but not Sufficient for the Future'. Identity in the 21<sup>st</sup> Century, presentation to Desert Knowledge Symposium, November 2006, Alice Springs

problematic by those seeking to use conventional models of Indigenous economic development.

A reflection on settlement practice reveals there are not too many settlements around the world that survive and thrive when they are not associated with a significant economic resource or market adjacent to them.

If culture and land are seen as necessary but not sufficient factors in settlement viability into the future then more time needs to be spent examining what might form the economic base for the dispersed network of settlements across Australia.

In the absence of a more considered understanding of regional dynamics it is difficult to see how employment opportunities will be found should people abandon their communities and move to town. Sustainability and business investment would be greatly enhanced if there is a clearer agenda for investment and development of the settlements across remote Australia.

Indigenous futures and settlements, and by implication their businesses, are now inextricably bound to a much larger system of settlement across jurisdictions to the point that non-systemic solutions are likely to be unsustainable

In determining new policy settings there is a clear distinction between policy that reduces disadvantage and policy that enables development as a people. This distinction has not been clear in the policies and programs of the past 30 years.

Until it is possible to develop a rationale for an agreed pattern of settlement across outback Australia it is difficult to invest in sustainable livelihoods and housing for Indigenous people. Indigenous housing is increasingly a regional development problem requiring a shift from a primary focus on normalising services and minimising disadvantage and overcrowding to a process principally driven by investment decisions around the capacity of people to derive an income that supports their livelihood.

The challenge is to position emerging business investment opportunities in this regional development context.

## **Lessons from Indigenous Business Enterprise**

### **Understand the Value Chain - The Aboriginal Art Industry**

It is useful to ask yourself how did the Indigenous art industry evolve?

We do not have an Indigenous art industry because aboriginal people can paint.

Aboriginal people had expressed themselves through their art forms over the ages.

What had been absent almost til the 1980s was an interest in Aboriginal art from the fine art world and the city art galleries. Australian galleries neglected the purchase of indigenous art up until that time except as collections of 'primitive art'.

It was not until the early 1980's that Aboriginal art had become part of the normal process of value creation of art in Australia. And that process of value creation relied on a mix of private collectors, institutional collectors, art dealers, artists' agents, auction houses, prizes, exhibitions, catalogues, art writers and reviewers.

Training Indigenous people to paint did not give us the Indigenous art enterprises. An industry or system has arisen around the artists.

It is often the case that Indigenous people have an interest in one part of the chain but have little control over the other components and are therefore often beaten to the market by better-organised partnerships. This requires a much greater emphasis on forming joint ventures and partnerships as an entry point rather than establishing separate businesses. (Bush products are a good example of this.)

### **Issues for Indigenous People and Business**

There are four critical issues that confront Indigenous business.

#### **1. Finding or Creating Indigenous Entrepreneurs who want to Accumulate Wealth and Reduce Vulnerability.**

I have not seen any convincing evidence that there is a drive from indigenous people to accumulate assets and grow wealth. It would seem that this is a fundamental requirement for an entrepreneur or business person to have.

If Indigenous drivers are not about wealth accumulation what drivers might reduce vulnerability and align Indigenous interests with opportunities that reduce the income gap referred to earlier.

I was interested to note NT Chamber of Commerce comments that in Millingimbi a town of almost 2,500 Indigenous people there are just 3 registered businesses whereas in Tennant Creek a town of 3,000 people there are 140 registered businesses.

#### **2. Finding and Understanding Your Market**

In a book titled the White Mans Burden, William Easterly says' Markets everywhere emerge in an unplanned, spontaneous way, adapting to local traditions and circumstances, and not through reforms designed by outsiders. The free market depends on the bottom up emergence of complex institutions and social norms that are difficult for outsiders to understand, much less change.

In my experience few people understand the remote area systems that shape local ephemeral markets. Recent work by the DK CRC has identified what they call a desert syndrome which helps explain why businesses respond differently to a range of pressures in highly mobile sparsely populated spaces.

In remote communities economy is often driven by short term resource projects – mining, housing, road building etc leading to short term success in aboriginal training and employment outcomes that are rarely sustainable. Small-dispersed markets require different business models to cope with the ephemeral market opportunities.

Most writers acknowledge there is market failure in most areas of remote Australia. This is the challenge for regional economic development. Stabilising opportunity around investments will be critical in the future.

Government will need to use all manner of tax and non-tax measures – as they do in most other jurisdictions – to influence economic outcomes. Under this analysis a focus on jobs or employment will of itself not be sufficient.

There is a case for exercising some caution around the risk involved in planning Indigenous economic development responses around a resource led commodity boom. A more prudent approach would seek to encourage a diverse response to livelihood opportunities that included the services and knowledge sectors of the economy even if they are currently underdeveloped.

### **3. People, Partnerships and Capacity Building**

The greatest constraint on business in remote Australia is capacity and finding people to fill roles in the business. At a time when there are potentially more employment opportunities for Indigenous people we find they are least prepared to access them. This situation will not turn around in the short term.

There has been a significant decline of desert Indigenous peoples participation in VET in recent years, given VET represents the only educational offerings at post compulsory level and the one most geared towards employment outcomes, this suggests ongoing issues for the next generation of young Indigenous peoples in terms of educational attainment and life choices. Policy initiatives in relation to VET are focusing explicitly on increasing participation at Certificate 111 level and above. Evidence to date would suggest that this strategy is having minimal impact for people from remote communities. There has been a steady decline in Indigenous employment in remote areas since 2002 where 32.2% were employed to 2007 where only 26.1% were employed. In the NT alone NCVET statistics reveal a 12.7% drop in participation of Indigenous people in very remote areas between 2006 and 2007.

Recent evidence from the ABS indicates that the labour force participation of remote Indigenous peoples (nationally) has declined from 62.9% in 2002 to 49.2% in 2005. Given the population projections for remote desert Australia these trends are of concern especially in an era of such pronounced skills shortages in trades and other traditional occupations. These trends also reinforce the existing tenuous link between participation in VET and work outcomes.

Despite targeted policies and employer incentives, there has been a declining engagement in mainstream and private sector employment by Indigenous peoples and a steady increase in relative income disparity.

#### **4. Cultural Match – Business Culture and indigenous Culture**

What cultural attributes ultimately support livelihoods outside welfare or, if not totally outside welfare, in a blended or hybrid environment?

Many of the institutions and systems surrounding Indigenous life are collective in nature. Land is generally held in trust, Councils administer on behalf of trusts or individuals, communities are respected (despite them lacking legal status) and kinship systems are all encompassing. Cultural protocols and processes drive operational engagement. There is a pervasive system of exchange and obligation, and decision-making is invariably cumbersome through consultation and extensive dialogue. All these could be argued as culturally appropriate.

On the other hand all the indicators of business and economic success in today's western environment point to innovation, change, flexibility, timeliness, competition and market driven responses.

Further the values that drive the mainstream economy revolve around production, growth, ownership of personal assets, serving self-interest and not society at large etc.

When you look around at the structures that Indigenous people operate within you don't see a lot of market responsiveness on either the Indigenous or the government side of things. In this regard government has as much of a capacity issue as Indigenous people.<sup>6</sup>

There is much talk about consultation. I can look back and identify a number of innovations that Indigenous people have adopted very quickly and used effectively. One of these was the early cassette radio and more recently the mobile phone. I note that in arriving at these solutions electronics manufacturers did not consult with one Indigenous person in designing the product.

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<sup>6</sup> E.g. see Marshall, G. R. (2008) ['Nesting, subsidiarity, and community-based environmental governance beyond the local level.' *International Journal of the Commons* 2, 75-97] for similar issues in the context of regional natural resource management in Australia.

I wonder to what extent we actually hinder the movement of Indigenous people into business by imposing cultural and protocol stereotypes on them.

### **Future Opportunities for Indigenous Business**

Indigenous business opportunities would be enhanced if Indigenous people were able to refocus Government attention from disadvantage and deficit and argue the case for why the nation needs to invest in Indigenous people, their heritage and culture.

For me it is the nature of the settlements, the services they deliver and the social functions they provide that holds the key to future business opportunities for Indigenous people. The settlements shape the experience and generate the livelihood opportunities. Settlements are in part complex systems that package forces of change and they also package the opportunities for business enterprises.

We are now entering an era where an investment in livelihood opportunity will be the main driver of Indigenous decision-making. This will necessarily bring an increased focus on settlements and regional development though I do not believe it warrants the blinkered close 'em down and move 'em out approach that seems implicit in current policy thinking around small communities.

The issue for you as business people seeking opportunities is how can you build a business with confidence if there is no clarity around the big picture framework of Indigenous development across the outback. Without certainty around settlement pattern, access to settlements and markets, predictability around mobile populations and workforce and sufficient amenity and services to address a shortage of specialist expertise available in regional areas, then business investment is high risk and relatively unattractive.

Moving to a livelihood base (as opposed to a homeland and cultural attachment rationale) requires Government to initially intervene and adopt a greater control over futures so that both Government and the people do not just become victims of circumstances at the whim of markets or radical policy reform.

A careful and realistic assessment of prospects of peripheral places and their people worldwide indicates there are few ways that Governments can positively influence the way the global economy touches down in these peripheral places. In such situations we need a more sophisticated approach than merely attempting to pick winners. Within this approach there is a significant role for Government agencies such as Regional Development Australia.

International experience suggests there are at least three layers in a regional development framework. It is not a case of one or another rather all require attention at the same time. New business opportunities arise within each one.

1. The first involves recognition that ongoing public transfers will be required to predominantly underpin local 'economies' in a large proportion of peripheral places. This will be unavoidable if Australia does not want to depopulate the outback. There are likely to be two types of transfer.

a) One will target better allocative and productive efficiency in the way public resources support quality of life with dignity. These will bring with them questions of supply/demand, subsidiarity, scale and scope etc. It is not hard to turn the purported disadvantage of outstations into a significant investment proposition for people who hold attachment to country and culture.

b) The second kind of 'public transfer' reflects state engagement in regional development, spatial growth, public works, industry-for-import-substitution-regional-development approaches in which the state actively engages through tax and non-tax measures to influence market outcomes to favour certain areas/territories and people. Unlike past social interventions this is an intervention targeting political economy.

2. The second layer of a regional framework will create secondary economies. Where the global economy touches down in or near remote/peripheral places (mines, pastoral, art, tourism, and labour remittance situations) it creates secondary economic opportunity. Eg, as civil works contractors for mines, etc. There will be new opportunities in 'capturing' and exploiting these opportunities.

3. The third layer of the framework involves a less popular capturing of economic (resource) rents and royalties. This reflects global experience in creating endowment funds and regional governing bodies to manage revenue sources, (mostly rents and royalties) and investment strategies, in order to pursue objects set out in a charter. Opportunities from this level of activity will flow from the leveraging of other funding by providing local balance to external market forces.

Clearly there is an opportunity for Government to take decisions that provide leadership and certainty and direction for business development across that part of the nation where markets are weakest and people most marginalised.

## **Conclusion**

I have questioned the concept of Indigenous business suggesting it is really about doing business in marginal or peripheral places.

I have suggested that without Indigenous people in the business of wealth creation and accumulation the current investments in health and housing are unlikely to be sustained.

I have signalled a shift to livelihood opportunity being the principal driver of decisions around place (not culture and land or equity as has been the case in the past) and to that end a clear understanding of settlements across the outback is critical to business confidence and success.

I have suggested that regional development should be conceived as economic development in marginal or peripheral places and that Government should be contemplating a layered concurrent approach to guide investment and foster business opportunities across the outback.

Four foundational activities would re-vitalise outback Australia, the role of Indigenous peoples within it, and the business opportunities that would flow from a proactive investment approach:

- A focus on enabling economic livelihoods across the region.
- Declaration of an agreed outback settlement plan that guarantees security, safety and services in the national interest, providing an investment strategy for the next 50 years.
- New approaches to re-invigorating capital investment in outback Australia.
- Effective governance of the outback as a common region or zone rather than a collection of state and territory backyards reflecting national neglect.