

April 2018

The contribution of the Indigenous business sector to Australia's economy



Disclaimer

This Report has been prepared by PwC's Indigenous Consulting (PIC) and PricewaterhouseCoopers Consulting (Australia) Pty Ltd (PwC).

The information, statements, statistics, material and commentary (together the "Information") used in this Report have been prepared by PIC and PwC from publicly available material. The information may change without notice and PIC and PwC is not in any way liable for the accuracy of any information used or relied upon by a third party.

Furthermore, the contents of this report have not been independently validated or verified by either PIC or PwC, and as such the contents of this Report does not in any way constitute an audit or assurance of any of the information contained herein.

PIC and PwC disclaims all liability and responsibility (including arising from its negligence) to any other parties for any loss, damage, cost or expense incurred or arising out of any person using or relying upon the information.

Executive summary

About the project

There are many Indigenous businesses across Australia that have overcome the systemic challenges associated with the legacy of colonisation to thrive in the current economic environment. In fact, despite being subjected to discriminatory policies designed to exclude Indigenous people from economic participation (eg the ‘stolen wages’),¹ the Indigenous business sector has experienced significant growth in recent years.² However, no research has been undertaken to quantify its impact in Australia. We want to address this gap, but also to point the way forward for the further development of the Indigenous business sector.

The aims of this project were:

- to estimate the contribution (in GDP terms) of the Indigenous business sector to the Australian economy. Our estimate recognises not only the profit generated for the Indigenous owner, but the value of the business as an employer, as it includes the ‘value add’ of all employees (both Indigenous and non-Indigenous)
- to outline some key next steps for the further development of Indigenous businesses in Australia.

PwC’s Indigenous Consulting (PIC) and PricewaterhouseCoopers Australia (PwC) are deeply committed to the growth and development of the Indigenous business sector, and have undertaken this project on a pro bono basis as part of PwC’s Reconciliation Action Plan.

The Indigenous business sector in Australia

In the contemporary era, the development of a robust and sustainable ‘Indigenous economy’ is essential for realising self-determining futures, facilitating sustainable and independent communities, and closing the gap. In line with the principle of self-determination, more Indigenous people than ever are seeking to achieve economic independence by contributing to the economy through the establishment of Indigenous businesses. Evidence suggests that the recent growth in the Indigenous business sector has been influenced by a range of factors, including:

- Indigenous people seeking alternatives to traditional employment opportunities in order to provide for their families and communities
- developing local businesses to deliver needed services within their local communities
- increased access to government-funded programs that promote Indigenous economic development (eg Indigenous Business Australia and government procurement policies)
- the emergence of community-based mechanisms that promote Indigenous business development such as Supply Nation, Indigenous Chambers of Commerce, and the Global Corporate Network of Australia.³

Another factor contributing to the growth of the sector is that Indigenous businesses have a competitive advantage over non-Indigenous businesses in a number of current and emerging industries.⁴ For Indigenous businesses, the

1 The ‘stolen wages’ era has had an immensely negative impact on the current socioeconomic status of Australia’s Indigenous population. Not only were a significant proportion of Indigenous workers severely underpaid during much of the twentieth century, but cumulatively there has been a spill-over effect for subsequent generations of Indigenous people who have not benefited from access to the intergenerational wealth reserves that they should be entitled to.

2 Burton, R. & Tomkinson, E. (2015), *The Sleeping Giant: A Social Return on Investment Report on Supply Nation Certified Suppliers*, Supply Nation, Sydney. As cited by S Hudson, *Awakening the ‘Sleeping Giant’: The Hidden Potential of Indigenous Businesses*, Policy, Vol 32, No 1, Autumn 2016, p 3. At: <https://www.cis.org.au/app/uploads/2016/04/32-1-hudson-sara1.pdf> (accessed 4 May 2017).

3 M F Rola-Rubzen, ‘The Anatomy of the Australian Entrepreneur: Understanding micro, small and medium business entrepreneurs in Australia’, Ninti One Limited, 2011, p 36. At: http://www.nintione.com.au/resource/NintiOneReport_AnatomyoftheAustralianEntrepreneur.pdf (accessed 30 July 2017).

4 For instance, key business activities in which Indigenous businesses possess a competitive advantage include cultural products (ie arts and recreation), agriculture, tourism and land and water management, as well as within emerging domestic and export markets for bush foods and bush medicines.

Executive summary

intrinsic knowledge contained within their unique cultures, and the immense opportunity associated with the use of Indigenous-owned and controlled lands, can be leveraged to contribute to commercial success.⁵

Indigenous businesses are more likely than non-Indigenous businesses to employ Indigenous workers and successful Indigenous businesses can create a ‘multiplier effect’ that in itself can foster further economic development and wealth creation. Specifically, it can lead to a greater culture of employment and social contribution within Indigenous communities, and foster an environment which supports further innovation and opportunity by inspiring the next generation of Indigenous business owners.

The number of Indigenous businesses

The absence of a universal definition for an Indigenous business means that it is not possible to compile a comprehensive list of Indigenous businesses in Australia. Rather, we are reliant on proxies to estimate the number of Indigenous businesses. Given the data limitations, this report has taken a conservative approach to quantifying the number of Indigenous businesses in Australia. Specifically, this report considers three categories of Indigenous businesses:

1 *Self-employed individuals (no employees)*

Indigenous Australians who are self-employed and do not have any employees. Businesses with a single owner may include many different corporate structures.

2 *Enterprises (with employees)*

Businesses with employees under any corporate structure, for profit and not for profit.

Due to the uncertainty in the data surrounding the number of Indigenous enterprises with employees, our estimate analysis in this category is presented as a range. The range represents a *conservative scenario* (which uses a low but confirmed count of enterprises) and a *high scenario* (which assumes the highest possible number of businesses based on self-reported Indigenous owner-managers, disregarding the likelihood of multiple owners).

3 *Trusts*

Any trust established with the purpose of benefiting the Indigenous community, usually through the management and distribution of funds from Native Title or Indigenous Land Use Agreements. Businesses set up under an economic arm of a trust (as their own separate entity) were included in the ‘enterprises’ category rather than here.

Based on the above categorisation, a conservative estimate of the number of Indigenous businesses used for the purpose of this report is provided in Table 1.

Table 1: Conservative⁶ estimate of Indigenous businesses used for this report (2016)

Type of business	Estimated number of Indigenous businesses
Self-employed individuals	7,200
Enterprises	1,000 to 4,300*
Trusts	400
Total	8,600 to 11,900

Source: PwC analysis using ABS 2016 Census and information from Indigenous Business Direct, ORIC reports and trust legislation and annual reports. Estimates are rounded to the nearest 100.

* Enterprises estimates are presented as a range to reflect the uncertainty of the data in this area.

5 House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, ‘Open for Business: Developing Indigenous enterprises in Australia’, *Parliament of the Commonwealth of Australia*, 2008, p 20. At: http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=atsia/indigenousenterprises/report.htm (accessed 22 May 2017).

6 Due to data limitations, this report has taken a conservative approach to quantifying the number of Indigenous businesses. The number of businesses included in our analysis is in the same order of magnitude, but on the lower end of the scale of other estimates of the number of Indigenous businesses. For example, a recent Department of Prime Minister and Cabinet consultation paper estimates there are between 8,000-16,000 Indigenous-owned businesses, and an analysis of the 2011 Census that is adjusted to take into account Indigenous under-enumeration estimates Indigenous self-employment at 12,500. To keep the focus on businesses, the estimate in this report is lower as to not double count entities that have multiple Indigenous owners (which a count of individuals can do).

Estimating the contribution of the Indigenous business sector to Australia's economy

Figure 1 shows our estimate of the economic contribution of the three Indigenous business categories (self-employed individuals, enterprises and trusts). Together, these Indigenous businesses added between \$2.2 billion and \$6.6 billion to the Australian economy in 2016. This represents 0.1 per cent to 0.4 per cent of the nation's gross domestic product (GDP).

Figure 1: PwC estimate of the economic contribution of Indigenous businesses (real 2016 terms)



Source: PwC analysis using ABS 2016 Census, ABS (April 2017) *Detailed Labour Force*, cat no 6291.0.55.001 and cat no 6291.0.55.003, ABS (2016) *State Accounts 2016-17*, cat no 5220.0 and information from the Indigenous Business Directory, ORIC website and trust legislation and annual reports

Given the strengths of the Indigenous business sector and the growing Indigenous population, the magnitude of this contribution is expected to grow. However, compared to a similar analysis in New Zealand,⁷ the contribution of Indigenous businesses would need to triple (from the high scenario) to be comparable to the contribution of Māori businesses to the New Zealand economy (when taking relative populations in to account).

In addition to this economic contribution, Indigenous businesses can provide a significant social contribution to Australian society. Indigenous businesses are more likely to employ Indigenous people which in turn reduces the employment gap, welfare dependency, and the reliance on subsidies such as housing assistance. Indigenous businesses also provide training opportunities and use other Indigenous businesses within their supply chain and invest back into their communities. However, there is not currently a consistent framework to provide an accurate assessment of the social value created by the Indigenous business sector.

7 Te Puni Kōkiri, Ministry of Māori Development, "Te Ōhanga Māori 2013" At <http://www.tpk.govt.nz/documents/download/609/tpk-maorieconomyreport-2013.pdf>.

Supporting the continued growth of the Indigenous business sector

In order to support the continued growth of the Indigenous business sector, governments and the private sector have both an enabling and facilitating role to play. A range of recommendations, outlined below, can be implemented to foster the conditions for Indigenous businesses to thrive and be sustainable.

Recommendation 1:

All governments should establish and implement an Indigenous business strategy, including the specification of Indigenous procurement targets

Currently, there is no coordinated approach across Australia to drive the development of the Indigenous business sector. In order to build the demand for, and supply of, Indigenous businesses in each jurisdiction in a consistent and coordinated manner, all Australian governments should develop and implement an Indigenous business strategy. This would represent a formal commitment to cultivating and building on the existing growth of the Indigenous businesses. These strategies could support and stimulate the existing Indigenous businesses operating within each jurisdiction, foster the creation of new Indigenous businesses and incentivise the public and private sector organisations to do the same.

One avenue for such strategies is the specification of Indigenous procurement targets for all contracts awarded by state governments. Procurement targets of this nature can incentivise Indigenous business growth by signalling upcoming procurement opportunities (ie short, medium and long-term), and also encourage increased engagement between Indigenous and non-Indigenous businesses (ie via the establishment of joint-ventures).

The Australian Government is taking a significant step with its commitment to the Indigenous Business Sector Strategy (IBSS), which is currently in development. Likewise, the Victorian Government committed \$6.63 million in 2017 to support the implementation of *Tharamba Bugheen: Victorian Aboriginal Business Strategy 2017-2021*. The strategy focusses on:

- improving the accessibility of business support for Indigenous businesses in Victoria
- improving the visibility and networks of Indigenous businesses in Victoria
- strengthening the entrepreneurial culture and business experience of Indigenous Victorians.

Recommendation 2:

Help legitimate Indigenous businesses capitalise on larger opportunities with government and the private sector by instituting measures to mitigate 'black cladding'

Despite the significant appetite from both the public and private sectors to purchase goods and services from Indigenous businesses, most Indigenous businesses tend to be awarded small scale and/or short-term contracts often due to the perception that they do not have the scale or capabilities to take on other opportunities. If Indigenous businesses are to thrive and be sustainable, it is critical that they too can capitalise on large and long-term contracts.

A common approach adopted by Indigenous businesses to access large and/or long-term procurement opportunities is to enter into joint ventures with other organisations. Joint ventures have the advantage of:

- enabling Indigenous businesses to bid competitively for contracts that they may not have secured on their own
- building longer term and commercially viable partnerships between Indigenous businesses and other organisations.⁸

However, some joint ventures have been scrutinised for resulting in token partnerships, with limited commercial viability and limited capacity for self-determination.⁹ Evidence provided to the Standing Committee on Aboriginal and Torres Strait Islander Affairs highlighted so called 'black cladding'. This is the practice of larger corporations

8 Supply Nation (2015), Supplier Diversity How- Issue 8, "Joint Venture Partnerships," http://www.supplynation.org.au/media/1122/supplier_diversity_how_issue_eight_2.pdf (accessed: 22 May 2017).

9 Standing Committee on Aboriginal and Torres Strait Islander Affairs (2007) *Indigenous Australians at Work: Successful initiatives in Indigenous employment*

Executive summary

entering into disingenuous partnership with Indigenous businesses and over-representing the involvement and control Indigenous businesses have in order to appear more attractive in tender selection processes.

In order to protect Indigenous businesses, regulatory mechanisms need to be developed by policy makers. Specifically, policy makers should focus effort on developing certification processes for joint ventures to ensure that Indigenous businesses perform the work and realise the economic benefits of doing so. Where they do not, there should be significant sanctions for non-compliance and in some cases potentially action on fraud. Additionally, government tender panels should be supported to preference commercially viable joint venture partnerships and mitigate the risk of 'black cladding'.

Recommendation 3:

Strengthen the profile of the Indigenous business sector

Although there is a significant appetite from the public and private sectors to engage Indigenous businesses, a commonly cited barrier by prospective purchasers is a lack of awareness of the Indigenous businesses who can provide the goods or services they are seeking. Accordingly, there is a need to improve the visibility and networks of Indigenous businesses in Australia and strengthen the profile of the sector.

This could be done by proactively marketing the Indigenous business industry to help build the brand of Indigenous businesses. A range of industries in Australia are already actively promoted by the Australian Government to encourage domestic and international participation (eg Tourism Australia). Promotion of this nature for the Indigenous business industry would provide essential support and could help drive success through active marketing campaigns on a domestic and international scale.

This could also be supported by the use of a digital platform creating a marketplace for Indigenous businesses and suppliers (eg VendorPanel Marketplace).

Recommendation 4:

Build the supply of Indigenous businesses in Australia

Although the Indigenous business sector is experiencing significant growth, there is further scope to build the supply of Indigenous businesses. This can be done in two ways.

Firstly, despite the existence of a range of organisations and programs that provide support services for the start-up phase of the business lifecycle, there are significant gaps in start-up support services for Indigenous businesses. For instance, most incubators, accelerators and other start-up support services do not provide Indigenous-specific supports. Likewise, most are concentrated in the technology industry with few tailored to the industries where Indigenous businesses have a competitive advantage. These services are also underrepresented in regional and remote Australia.

Options to rectify this deficiency in start-up support services could include the:

- development of an Indigenous specific start-up hubs, including one which has a hub and spoke model to facilitate access to remote and regional businesses
- identification of industry partners with existing hubs to take satellite programs out to regional and remote communities
- consideration of Indigenous-specific incubators that focus on broader range of industries in addition to technology (eg maximising opportunities stemming from the National Disability Insurance Scheme).

Secondly, there is significant scope to build the supply of large Indigenous businesses in Australia (ie those that employ more than 200 employees). Analysis of the Indigenous business sector has shown that Indigenous businesses tend to be small and medium-sized enterprises (ie employ less than 200 employees) that are often awarded short-term and lower value contracts. Given the significant appetite from public and private sector organisations to engage the Indigenous business sector, there is an opportunity for existing Indigenous businesses to be supported to ultimately deliver large, long-term contracts.

Executive summary

For example, Tier 1 companies could build genuine partnerships with the Indigenous businesses operating within their respective industries to provide ongoing supply chain procurement opportunities. Through such partnerships, Indigenous businesses would have the opportunity to deliver a variety of contracts over time enabling them to build the necessary experience, expertise and scale to eventually deliver larger contracts. There is immense potential for this approach to be adopted in Australia's booming infrastructure industry whereby Indigenous businesses could be embedded as suppliers of choice across the lifecycles of major infrastructure projects.

Recommendation 5:

Improve data collection and measurement relating to the Indigenous business sector

In light of current data limitations, the results in this report should be viewed as the first step in measuring the economic contribution of Indigenous businesses. In order to provide a more precise measurement of the size and value of the Indigenous business sector, it is necessary to improve data collection processes. At minimum, this should include the establishment of a consistent definition of what constitutes an Indigenous business and the exploration of approaches to paint a more detailed picture of the number of Indigenous businesses in Australia.

One potential approach is the establishment of an Indigenous business identifier (eg Indigenous Business Number (IBN) to create a comprehensive register of Indigenous businesses. The IBN, which could be issued to an Indigenous business upon registration, acts as an identifier which, regardless of which networks or business registers an Indigenous business is a member of, enables Indigenous businesses to be tracked across the sector and across the life of the business. The IBN could also allow measurement of Indigenous employees and be linked to tender sites to increase equitable access and transparency to opportunity delivery.¹⁰

Once data improvement mechanisms are adopted, the analysis in this report can be replicated on a regular basis to determine changes to the economic contribution of the Indigenous business sector in Australia. Ideally, this would include production¹¹, income¹² and expenditure¹³ measures of the Indigenous business sector so that comparisons can be drawn with the Māori economy. Additionally, as outlined in Section 3.2.4, a rigorous social and economic impact analysis needs to be undertaken to quantify the social contribution of Australia's Indigenous business sector.

¹⁰ L Harris, Indigenous Business Owner, Document provided by email, 31 October 2017.

¹¹ The total value added produced by Indigenous businesses in a given year.

¹² The total of income (wages and profits) earned by Indigenous Australians and its contribution to GDP income in a given year.

¹³ The total expenditure of Indigenous households and its contribution to GDP expenditure in a given year.



Contents

Executive summary	i
1 About the project	1
2 The Indigenous business sector	4
3 Estimating the contribution of the Indigenous business sector to Australia's economy	13
4 Supporting the continued growth of the Indigenous business sector	21
Appendices	25
Appendix A Glossary & definitions	26
Appendix B Detailed methodology	28
Appendix C Examples of Indigenous businesses	38

1 About the project

1.1 The unrealised potential of the Indigenous business sector

The significant contributions of Aboriginal and Torres Strait Islander people (referred to as ‘Indigenous’ peoples) to the wealth of the nation have largely been missing most accounts of Australia’s economic history.¹⁴ Where Indigenous Australians have been mentioned, most accounts portray negative stereotypes by privileging topics like frontier violence, sheep and cattle stealing and differences in concepts of property.¹⁵

Despite this characterisation, in recent years there has been an increased academic spotlight on the ways in which Indigenous Australians not only participated in the colonial and post-colonial economy, but were fundamental to the success of a variety of Australia’s primary industries.¹⁶ For example, the pastoral industry in northern Australia, ‘could not have survived’ without the thousands of skilled Indigenous workers employed between the 1880s and the 1960s.¹⁷

In the contemporary era, the development of a robust and sustainable ‘Indigenous economy’ is essential for realising self-determining futures, facilitating sustainable and independent communities, and closing the gap. In line with the principle of self-determination, more Indigenous people than ever are seeking to achieve economic independence by contributing to the economy through the establishment of Indigenous businesses.

There are many Indigenous businesses across Australia that have overcome the systemic challenges¹⁸ associated with the legacy of colonisation to thrive in the current economic environment. In fact, despite being subjected to discriminatory policies designed to exclude Indigenous people from economic participation (eg the ‘stolen wages’), the Indigenous business sector has experienced significant growth in recent years.¹⁹ Evidence suggests that the recent growth in the Indigenous business sector has been influenced by a range of factors, including:

- Indigenous people seeking alternatives to traditional employment opportunities in order to provide for their families and communities
- developing local businesses to deliver needed services within their local communities
- increased access to government-funded programs that promote Indigenous economic development (eg Indigenous Business Australia and government procurement policies)
- the emergence of community-based mechanisms that promote Indigenous business development such as Supply Nation, Indigenous Chambers of Commerce, and the Global Corporate Network of Australia.²⁰

The other factor contributing to the growth of the sector is that Indigenous businesses have a competitive advantage over non-Indigenous businesses in a number of current and emerging industries.²¹ For Indigenous businesses, the intrinsic knowledge contained within their unique cultures, and the immense opportunity

14 Keen, I. (2010), *Indigenous Participation in Australian Economies: Historical and anthropological perspectives*, Canberra: The Australian National University Press, p 1.

15 Ibid.

16 For example, the Agriculture, Fishing, Mining and the Meat & Livestock industries.

17 Anthony, T. (2013), Indigenous Stolen Wages: Historical exploitation and contemporary injustice, *Precedent*, Issue 118, September/October 2013, p 43-46.

18 Systemic challenges include discrimination, lower rates of intergenerational wealth transfer, limited access to business networks and legal advice, lower levels of education attainment, access to finance, etc.

19 Burton, R. & Tomkinson, E. (2015), *The Sleeping Giant: A Social Return on Investment Report on Supply Nation Certified Suppliers*, Supply Nation, Sydney. As cited by S Hudson, *Awakening the ‘Sleeping Giant’: The Hidden Potential of Indigenous Businesses*, Policy, Vol 32, No 1, Autumn 2016, p 3. At: <https://www.cis.org.au/app/uploads/2016/04/32-1-hudson-sara1.pdf> (accessed 4 May 2017).

20 M F Rola-Rubzen, ‘The Anatomy of the Australian Entrepreneur: Understanding micro, small and medium business entrepreneurs in Australia’, Ninti One Limited, 2011, p 36. At: http://www.nintione.com.au/resource/NintiOneReport_AnatomyoftheAustralianEntrepreneur.pdf (accessed 30 July 2017).

21 For instance, key business activities in which Indigenous businesses possess a competitive advantage include cultural products (ie arts and recreation), agriculture, tourism and land and water management, as well as within emerging domestic and export markets for bush foods and bush medicines.

About the project

associated with the use of Indigenous-owned and controlled lands, can be leveraged to contribute to commercial success.²²

1.2 Project overview

Despite the recent growth of the Indigenous business sector, no research has been undertaken to quantify its impact in Australia. We want to address this gap, but also to point the way forward for the further development of the Indigenous business sector.

The aims of this project were:

- to estimate the contribution (in GDP terms) of the Indigenous business sector to the Australian economy. Our estimate recognises not only the profit generated for the Indigenous owner, but the value of the business as an employer, as it includes the 'value add' of all employees (both Indigenous and non-Indigenous)
- to outline some key next steps for the further development of Indigenous businesses in Australia.

This analysis has been informed by:

- a quantitative assessment of the current level of the Indigenous business sector (discussed further below)
- a review of publically available information
- previous work examining the Indigenous business sector with consideration given to how recent initiatives have influenced a rapidly changing business environment.

PwC's Indigenous Consulting (PIC) and PricewaterhouseCoopers Australia (PwC) are deeply committed to the growth and development of the Indigenous business sector, and have undertaken this report on a pro bono basis as part of PwC's Reconciliation Action Plan.


1.3 Methodology

This report estimated the 'value added' to the Australian economy by Indigenous businesses. That is, the contribution to GDP of these businesses. The quantitative assessment recognises not only the profit generated for the owner, but the value of the business as an employer as it includes the value add of all employees (both Indigenous and non-Indigenous employees).

The following steps were undertaken to estimate the 'value added' to the Australian economy by Indigenous businesses (a detailed methodology and sources are set out in Appendix B):

- 1 The number of Indigenous business was estimated using Census data, Indigenous Business Direct data and Indigenous trust specific reports across:
 - three categories (ie Indigenous self-employed individuals, Indigenous owned enterprises and Indigenous trusts)
 - eighteen industries (as defined at the division level in Australian and New Zealand Statistical Classification (ANZSIC).
- 2 The number of employees for each of those business was then estimated using Australian Bureau of Statistics (ABS) Labour Force data, Indigenous Business Direct data, Office of the Registrar of Indigenous Corporations (ORIC) data and Indigenous trust specific reports.

²² House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, 'Open for Business: Developing Indigenous enterprises in Australia', *Parliament of the Commonwealth of Australia*, 2008, p 20. At: http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=atsia/indigenousenterprises/report.htm (accessed 22 May 2017).



About the project

- 3 The 'value add' (measured in terms of compensation of employees and gross operating surplus) of each of those employees was then estimated using ABS National Accounts data.

Given data constraints, the analysis in this report is high level. Nevertheless, it is valuable in addressing the current gap in the literature. The limitations of the analysis contained within this report include:

- As discussed further in Section 2.1.2, estimating the number of Indigenous businesses is imperfect as there are many disparate data sets, none of which capture the whole sector but each of which has overlap with another
- 2016 Census data forms a core part of the estimate which is limiting as it is recognised to historically under represent Indigenous Australians
- Nation-wide (or industry-wide) economic data (from ABS National Accounts or Labour Force data sets) had to be relied upon in absence of Indigenous-specific data.

We have aimed to address some of these limitations by presenting our estimate in a range where there is the most uncertainty, which is the number of Indigenous owned enterprises.

- The conservative scenario uses the number of enterprises on a single register of businesses with 50 per cent Indigenous ownership. This scenario is likely to understate the economic contribution of the sector but measures the component that we can most confidently attribute to majority owned Indigenous business.
- The high scenario uses data on all Indigenous owner-managers, assuming they own a single business (with no business partners), noting this may represent less than 50 per cent Indigenous ownership or may double count businesses with multiple Indigenous owners. This scenario should be seen as an upper bound to what component of the economy may reasonably be attributed to Indigenous business activity.

In light of these limitations, this analysis should be viewed as the first step in measuring the economic contribution of Indigenous businesses and should be replicated as more complete and reliable data emerges, to measure the progress of the sector.

2 The Indigenous business sector

In order to determine the contribution of Indigenous businesses to the national economy, it is essential to understand the composition of the sector. The following section outlines the key features of the Indigenous business demographic giving consideration to population and the number and location of Indigenous businesses.

2.1 Profiling the Indigenous business sector

2.1.1 The Indigenous population

As illustrated in Table 2, according to the ABS Census, 648,936 Australians identified as 'Indigenous' in 2016 comprising approximately 2.8 per cent of the total population. Of those that identified as Indigenous in 2016, 91 per cent were of Aboriginal origin, 5 per cent were of Torres Strait Islander origin, and 4 per cent reported being of both Aboriginal and Torres Strait Islander origin.

While the Northern Territory has Australia's highest proportion of Indigenous people (25.4 per cent of the NT population), New South Wales is home to the highest number, with 216,181 people of Indigenous origin. Since the last Census in 2011, the Indigenous population has grown significantly, increasing by almost 19 per cent.

Although the majority of the Indigenous population is based in urban locations (particularly across the eastern seaboard), areas of Australia outside the major capital cities with the largest Indigenous populations are located in the Northern Territory (NT), as well as north eastern Western Australia (WA) and the northern reaches of Queensland (QLD). There are also a number of communities spread throughout southern QLD and NSW with relatively significant Indigenous populations.

Table 2: State and territory Indigenous population (2016 Census)

State/Territory	Non-Indigenous	Indigenous	Total population	Indigenous population as a proportion of total population
NSW	7,264,053	216,181	7,480,230	2.9%
VIC	5,878,838	47,786	5,926,624	0.8%
QLD	4,516,707	186,482	4,703,192	4.0%
SA	1,642,474	34,184	1,676,653	2.0%
WA	2,398,433	75,984	2,474,414	3.1%
TAS	486,387	23,579	509,961	4.6%
NT	170,586	58,238	228,838	25.4%
ACT	390,890	6,500	397,393	1.6%
Total	22,748,365	648,936	23,397,301	2.8%

Source: ABS 2016 Census

The Census revealed the Indigenous population had a median age 23 years in 2016. This is substantially younger than the median age for non-Indigenous Australians, who had a median age of 38 years in 2016.

There have been increases in income levels within the Indigenous population since the 2011 Census, with median weekly household income increasing from \$991 to \$1,203.

2.1.2 The number of Indigenous businesses in Australia

In June 2016, the ABS reported a total of 2,171,544 actively trading businesses in the Australian market, of which 96 per cent were small businesses.²³ Although there is a significant evidence base documenting the size, scale and impact of Australian businesses, the available data on Indigenous businesses in Australia is limited.

The collection of data that identifies Indigenous businesses is imperfect due to the lack of a universal definition of what constitutes an Indigenous business. There is significant debate in the literature as to the definition that should be adopted. The 'trend' in recent years has been to define Indigenous businesses as those with at least 50 per cent Indigenous ownership (eg the definition used by the Government of Victoria). However, many argue that an Indigenous business should be majority owned (ie 51 per cent or more) by Indigenous people, if not 100 per cent Indigenous owned.²⁴

Whilst this majority rationale could prevent some claims by non-legitimate Indigenous businesses, it is also likely to exclude many very suitable businesses.²⁵ As noted by Hudson, a 51 per cent definition '...can mean that a husband and wife business, where one partner is Indigenous and the other is not, is not eligible for assistance through programs that use a majority equity definition.'²⁶

However, the majority definition is not adopted by all bodies. Opinion differs on what constitutes an Indigenous business, with some expanding the definition to include businesses with less than 50 per cent Indigenous ownership.²⁷ For example, the Pilbara Aboriginal Contractors Association recognises Indigenous businesses in the Pilbara region as those with 25 per cent ownership and a mandate to pursue employment for local communities.²⁸

The percentage of ownership is also only one dimension. There are also issues to consider in terms of the level of Indigenous control, management and staffing. However, there are significant data limitations in relation to these dimensions.

The absence of a universal definition for an Indigenous business means that it is not possible to compile a comprehensive list of Indigenous businesses in Australia. Rather, we are reliant on proxies to estimate the number of Indigenous businesses.

Estimating the size of the Indigenous business sector – an imperfect science

Perhaps the easiest way to estimate the number of Indigenous businesses in Australia is to utilise Census data relating to the number of 'owner-managers'. The ABS defines an 'owner-manager' as a person who operates his/her own enterprise, with or without employees, whether or not the business is of limited liability. Based on this classification, ABS Census data suggests that there were 11,538 Indigenous business owner-managers in Australia in 2016 (see Table 3), rising from 8,891 in 2011.²⁹

23 Commonwealth of Australia, Budget 2015, Growing Jobs and Small Business, Commonwealth of Australia 2015, p 2. At: http://www.budget.gov.au/2015-16/content/glossy/sml_bus/download/Growing_Jobs_and_Small_Business.pdf (accessed 29 July 2017).

24 D Foley, 'Jus Sanguinis: The Root of Contention in Determining what is an Australian Aboriginal Business', *Indigenous Law Bulletin*, Volume 8, Issue 8, p. 25. At: <http://www.austlii.edu.au/au/journals/IndigLawB/2013/39.pdf> (accessed 29 September 2016).

25 Ibid

26 S Hudson, 'Awakening the 'Sleeping Giant': The hidden potential of Indigenous businesses', *Policy*, Volume 32, Issue 1, 2016, p. 4. At: <https://www.cis.org.au/app/uploads/2016/04/32-1-hudson-sara1.pdf> (accessed 1 October 2016).

27 D Foley, 'Jus Sanguinis: The Root of Contention in Determining what is an Australian Aboriginal Business', *Indigenous Law Bulletin*, Volume 8, Issue 8, p. 25. At: <http://www.austlii.edu.au/au/journals/IndigLawB/2013/39.pdf> (accessed 29 September 2016); B Hunter, 'Recent Growth in Indigenous Self-Employed and Entrepreneurs', *CAEPR Working Paper No. 91/2013*, 2013, p. 3. At: <http://caepr.anu.edu.au/sites/default/files/Publications/WP/WP91%20Hunter%20self%20employment.pdf> (accessed 29 September 2016).

28 D Foley, 'Jus Sanguinis: The Root of Contention in Determining what is an Australian Aboriginal Business', *Indigenous Law Bulletin*, Volume 8, Issue 8, p. 26. At: <http://www.austlii.edu.au/au/journals/IndigLawB/2013/39.pdf> (accessed 29 September 2016).

29 Given the under-reporting by Aboriginal people, some studies have used adjusted Census data to take into account Aboriginal under-enumeration. In one study comparing trends in Aboriginal self-employment the number of Aboriginal businesses increased nearly three-fold in the decade 1991-2001. The estimated number of self-employed Aboriginal people was 4,600 in 1991 and 12,500 in 2011.

Table 3: Indigenous owner-managers count by place of work (2016 Census)

State/Territory	Indigenous owner-managers (count)
NSW	4,527
VIC	1,307
QLD	3,176
SA	479
WA	938
TAS	640
NT	353
ACT	170
Total	11,592*

Source: ABS 2016 Census

* Totals include owner-managers with no place of work identified

An analysis of this data shows that the top industries occupied by Indigenous owner-managers (by count) across Australia in 2016 were:

- 1 Construction (n=3,006)
- 2 Other Services (n=1,162)
- 3 Administrative and Support Services (n=994)
- 4 Professional, Scientific and Technical Services (n=832).

Although it provides an indication of the range of Indigenous entrepreneurs in Australia, owner-manager data is an imperfect proxy for the number of Indigenous businesses as it does not reveal anything about the ownership structure of each business (ie the proportion of the business that is Indigenous owned, whether majority or otherwise). Specifically, the owner-manager classification may:

- overstate the number of Indigenous businesses in Australia by ‘double counting’ individuals who co-own a business with an Indigenous business partner
- understate the number of Indigenous businesses in Australia by undercounting Indigenous people who own multiple businesses.

Additionally, the owner-manager classification may not accurately capture the diverse structural arrangements of Indigenous businesses (see Table 4).

Table 4: The different Indigenous business structures

Business type	Description
Sole traders (ie self-employed individuals)	<ul style="list-style-type: none"> Often a proxy for Indigenous entrepreneurship, a sole trader is a person who operates a business in a personal capacity and is the individual legally responsible for all aspects of the business³⁰ Usually self-employed, without any employees Often in the construction sector, including tradespeople
Partnership/Joint venture (unincorporated)³¹	<ul style="list-style-type: none"> Is usually characterised by two or more individuals or organisations carrying on business together³² These arrangements could be formalised in a written agreement Each jurisdiction has relevant legislation governing Partnerships
Corporation registered on ORIC under the Corporations (Aboriginal and Torres Strait Islander) Act 2006	<ul style="list-style-type: none"> Some Indigenous businesses could be corporations that are owned and controlled by Indigenous people under the CATSI Act and registered with the Office of the Registrar of Indigenous Corporations (ORIC) Includes registered native title prescribed bodies corporate (who must be incorporated under CATSI Act) and the majority of Indigenous organisations who receive funding under the Federal governments Indigenous Advancement Strategy
Corporation registered on ASIC under the Corporations Act 2001	<ul style="list-style-type: none"> Entities incorporated under the Corporations Act including a Pty Limited, or Limited liability company³³
Co-operatives	<ul style="list-style-type: none"> Co-operatives are often characterised as a democratic organisation, owned and controlled by its members for a common benefit³⁴ Incorporated under the Co-operatives National Law Application Act 2013 and various State based legislation Traditionally the vehicle of choice for farming cooperatives, housing cooperatives, and credit unions
Associations	<ul style="list-style-type: none"> Each state and territory provides a mechanism to register an incorporated association Usually relates to clubs or community groups, operating on a not-for-profit basis
Trusts	<ul style="list-style-type: none"> A trust is an obligation imposed on the trustee to hold property or assets (such as business assets) for the benefit of others, known as beneficiaries³⁵ In the Indigenous context, specific trust structures could apply, including trusts established under state and territory land rights legislation (usually not registered or incorporated) and native title trusts (incorporated under CATSI)

Note: Other forms of community based, cultural or social enterprises including those operating for purpose (including those registered on ACNC) have not been included in this analysis.

³⁰ Definition of Sole Trader: Australian Government, 'Sole Trader'. At: <https://www.business.gov.au/info/plan-and-start/start-your-business/business-structure/business-structures-and-types/sole-trader> (accessed 4 October 2016).

³¹ Limited liability incorporated partnerships are excluded from this analysis.

³² Definition of Partnership: Australian Government, 'Partnership'. At: <https://www.business.gov.au/Info/Plan-and-Start/Start-your-business/Business-structure/Business-structures-and-types/Partnership> (accessed 30 May 2017).

³³ Australian Securities and Investments Commission, 'Laws we administer', 2016. At: <http://asic.gov.au/about-asic/what-we-do/laws-we-administer/> (accessed 30 May 2017).

Calculating the number of Indigenous businesses in Australia for this report

Given these limitations, this report has taken a conservative approach to quantifying the number of Indigenous businesses in Australia. Specifically, this report considers three categories of Indigenous businesses:

- 1 Self-employed individuals
- 2 Enterprises (with employees)
- 3 Trusts.

These categories were chosen for two reasons. Firstly, they aligned with a public methodology for measuring the economic contribution of Māori businesses.³⁶ This enabled us to leverage an already established methodology and provides a point of comparison. Secondly, it fits with the availability of data as it allows us to separate the area with the most uncertainty (enterprises with employees) while more accurately estimating the other two areas.

Details of each of these categories are provided below (including how they were estimated for this report, with further detail provided in Appendix B). Some examples of Indigenous businesses within each category are provided in Appendix C.

Self-employed individuals

Self-employed individuals are defined as Indigenous Australians who are self-employed and do not have any employees. Businesses within this category can include any corporate structure with a single owner. A business of this nature, Indigenous or otherwise, is a common first step in entrepreneurship, with businesses then evolving into larger enterprises with the capacity to foster wider business and community growth.

Estimation of the number of businesses in this category is based on the 2016 Census data of owner-managers without employees. Businesses in this category have a single 'owner', as they are individuals, so using the Census data here does not have the double counting issues explored below in regards to the high scenario for enterprises. More details of calculation methodology are in Appendix B.

Enterprises

Enterprises are defined as any corporate structure with employees, whether for profit or not-for-profit. The value of enterprises to the economy and community is significant, with social and economic benefits stemming from employment opportunities for Indigenous and non-Indigenous Australians.

There is incomplete information available on this category of Indigenous businesses, primarily stemming from varying business ownership structures and multiple overlapping but incomplete data sources. For this reason, two scenarios have been used to estimate the number of Indigenous enterprises:

- 1 a *conservative scenario* that considers a single register of Indigenous businesses with 50 per cent Indigenous ownership, noting that this eliminates all possibility of double counting but also excludes businesses that did not opt in to this particular register
- 2 a *high scenario* that takes into account all Indigenous owner-managers assuming they own or manage a single business (with no business partners), noting this may represent less than 50 per cent Indigenous ownership or may double count businesses with multiple Indigenous owners.

34 Consumer Affairs Victoria, 'What is a co-operative?', 2016. At: <https://www.consumer.vic.gov.au/businesses/registered-businesses/co-operatives/what-is-a-co-operative> (accessed 30 May 2017).

35 Australian Government, 'Trust'. At: <https://www.business.gov.au/Info/Plan-and-Start/Start-your-business/Business-structure/Business-structures-and-types/Trust> (accessed 30 May 2017).

36 Te Puni Kōkiri, Ministry of Māori Development, 'Te Ōhanga Māori 2013' At <http://www.tpk.govt.nz/documents/download/609/tpk-maorieconomyreport-2013.pdf>.

The Indigenous business sector

Details of how the number of enterprises were calculated under the conservative scenario (using Indigenous Business Direct data) and the high scenario (using Census owner-manager data) are in Appendix B.

Trusts

Indigenous trusts for the purposes of this report are defined as any trust established with the purpose of benefiting the Indigenous community, usually through the management and distribution of funds from Native Title or land use agreements. As illustrated in the case studies in Appendix C, trusts may have different structures, including discretionary and charitable trusts, and may be set up under a variety of legislative instruments. Any business set up under an economic arm of a trust (as their own separate entity) would be included in the enterprises category (if majority owned), not within the trusts component.

Information on these trusts is generally publically available and therefore the number of trusts was able to be obtained from research and did not have to be estimated (unlike individuals and enterprises). Any trust with public information was included in our analysis (as outlined in Appendix B).

Based on the above categorisation, a conservative estimate of the number of Indigenous businesses used for the purpose of this report is provided in Table 5.

Table 5: Conservative estimate of Indigenous businesses used for this report³⁷

Type of business	Estimated number of Indigenous businesses (in 2016)
Self-employed individuals	7,200
Enterprises	1,000 to 4,300*
Trusts	400
Total	8,600 to 11,500

Source: PwC analysis using ABS 2016 Census and information from Indigenous Business Direct, ORIC reports and trust legislation and annual reports. Estimates are rounded to the nearest 100.

* Enterprises estimates are presented as a range to reflect the uncertainty of the data in this area. See Appendix B for further details.

³⁷ Due to data limitations, this report has taken a conservative approach to quantifying the number of Indigenous businesses. The number of businesses included in our analysis is in the same order of magnitude, but on the lower end of the scale of other estimates of the number of Indigenous businesses. For example, a recent Department of Prime Minister and Cabinet consultation paper estimates there are between 8,000-16,000 Indigenous-owned businesses, and an analysis of the 2011 Census that is adjusted to take into account Indigenous under-enumeration estimates Indigenous self-employment at 12,500. To keep the focus on businesses, the estimate in this report is lower as to not double count entities that have multiple Indigenous owners (which a count of individuals can do).

2.1.3 The characteristics of the Indigenous business sector

What motivates Indigenous people to go into business?

For Indigenous people across the country, the motivations for going into business are different from non-Indigenous entrepreneurs due to linkages to a self-determination agenda. As illustrated in Table 6, research shows that Indigenous entrepreneurs place a greater focus on the community and family benefits associated with starting a business and tend to have more altruistic motivations.

Table 6: Comparison of the non-Indigenous and Indigenous specific motivations (by rank) for starting a business³⁸

Reason	Non-Indigenous entrepreneurs	Indigenous entrepreneurs
To improve my income	1	4
To become my own boss	2	
To improve my lifestyle	3	3
To become wealthy	4	
To create employment for myself or my family members	5	2
To contribute to my community by increasing employment opportunities		2
To contribute to my community by providing a needed service		1

In addition to being more likely than non-Indigenous businesses to employ Indigenous workers, the creation of successful Indigenous businesses can create a ‘multiplier effect’ that in itself can foster further economic development and wealth creation. Specifically, it can lead to a greater culture of employment and social contribution within Indigenous communities, and foster an environment which supports further innovation and opportunity by inspiring the next generation of Indigenous business owners.

A sector in growth

As illustrated in Table 7, the growth of the Indigenous business sector has been significant with census data indicating that the number of Indigenous owner-managers more than tripled between 1991 and 2016.

Table 7: Estimated number of Indigenous owner-managers (national)³⁹

Year	Count of Indigenous owner-managers
1991	3,281
2001	6,065
2006	6,756
2011	8,891
2016	11,592

Note: 1996 data has been omitted on the basis that the statistics from that year were affected by ‘non-responder bias’

³⁸ M F Rola-Rubzen, (2011), ‘The Anatomy of the Australian Entrepreneur: Understanding micro, small and medium business entrepreneurs in Australia’, Ninti One Limited, 2011, p 36. At: http://www.nintione.com.au/resource/NintiOneReport_AnatomyoftheAustralianEntrepreneur.pdf (accessed 22 May 2017).

³⁹ Australian Bureau of Statistics, 2101.0 - Census of Population and Housing: Australia's Aboriginal and Torres Strait Islander Population, 1991, ‘Population Distribution and Structure’. At: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/2101.01991?OpenDocument> (accessed 5 October 2016) and ABS 2016 Census

The Indigenous business sector

The growth in Indigenous business numbers can be partially explained by the ‘multiplier effect’. For example, a study by Morrison et al (2014) found that of the 324 Indigenous entrepreneurs engaged in the study, nine out of ten acted as community role models.⁴⁰

Indigenous businesses often have a competitive advantage

Indigenous businesses have a competitive advantage over non-Indigenous businesses in a number of current and emerging industries. For Indigenous businesses, the intrinsic knowledge contained within their unique cultures can be leveraged to contribute to commercial success. For instance, key business activities in which Indigenous businesses possess a competitive advantage include cultural products (ie arts and recreation), agriculture, tourism and land and water management, as well as within emerging domestic and export markets for bush foods and bush medicines.⁴¹

The potential to capitalise on land-based opportunities

Indigenous people have ownership or control over between 20 and 40 per cent of the Australian land mass, most of which is regional or remote. There is, therefore, immense opportunity for the use of Indigenous owned and controlled lands for business development.

As noted in the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs 2008 report:

‘...areas of competitive advantage are land or location based, such as land and resource management opportunities, the tourism sector, and a range of service opportunities around the mining sector.’⁴²

Indigenous businesses and entrepreneurs in northern Australia have a particular advantage, with the Australian Government’s recent push for the development of the region.⁴³

2.2 The expanding market for Indigenous businesses

In order to support the growth of the Indigenous business sector, over the past decade we have witnessed a significant commitment from all levels of government and many of Australia’s largest corporations towards Indigenous community development, engagement and inclusion.

2.2.1 Public sector demand

Governments have both an enabling and facilitating role to play in the context of creating the conditions for Indigenous businesses to thrive and to be sustainable. Perhaps the most notable way that governments stimulate the Indigenous business sector is through the adoption of formal procurement strategies to facilitate and encourage greater Indigenous business uptake of government contracts.

In 2015, the Australian Government launched the Indigenous Procurement Policy (IPP) which specifies a target number of contracts to be awarded to Indigenous businesses by each Australian Government department. In 2016-17, more than \$285 million worth of contracts were awarded to 723 Indigenous businesses in Australia. This compares favourably to 2012-13, when only \$6.2 million worth of contracts was issued by the Australian Government to the Indigenous business sector.⁴⁴

40 M Morrison et al, (2014), ‘Determining the factors influencing the success of private and community-owned Indigenous businesses across remote, regional and urban Australia’, p 13, ARC & IBA, December 2014. At: https://www.csu.edu.au/_data/assets/pdf_file/0015/1311504/Final-Report-to-IBA-and-ARC-Linkage-LP110100698-Morrison,-Collins,-Basu-and-Krivokapic-191214_Executive-Summary-Only.pdf (accessed: 22 May 2017).

41 House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, ‘Open for Business: Developing Indigenous enterprises in Australia’, *Parliament of the Commonwealth of Australia*, 2008, p 20. At: http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=atsia/indigenouenterprises/report.htm (accessed 22 May 2017).

42 Ibid.

43 Australian Government, (2015), ‘White Paper on Developing Northern Australia’. At: http://industry.gov.au/ONA/WhitePaper/Documents/northern_australia_white_paper.pdf (accessed 22 May 2017).

44 Australian Government, (2018), ‘Indigenous Procurement Policy’, At: <https://www.pmc.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp> (accessed 3 April 2018).

The Indigenous business sector

In a similar vein to the IPP, several state governments have adopted Indigenous procurement targets to stimulate the Indigenous business sector. Relevant jurisdictions include South Australia, Western Australia, Queensland and Victoria. The benefits of procurement targets, typically in the form of a number of contracts awarded or percentage of total contract spend, are twofold:

- 1 they encourage the engagement between Indigenous and non-Indigenous businesses in order to meet contract parameters, thereby supporting business co-creation, evolution and learning (ie the establishment of joint ventures)
- 2 they incentivise Indigenous business growth by signalling upcoming (ie short, medium and long-term) procurement opportunities.

The development of procurement policies of this nature is in accordance with initiatives to stimulate minority-owned businesses in Canada, South Africa and the United States.

2.2.2 Private sector demand

Although demand for Indigenous business services and products has typically been driven by the public sector, in recent years there has been a significant growth in the commitment to Indigenous businesses and communities from the private sector. The private sector can support the Indigenous business sector through a range of avenues, including:

- the promotion of ethical business practices and corporate social responsibility
- providing financial investment mechanisms and mentoring
- facilitating access to networks, contracts and markets
- establishing partnerships and joint ventures with Indigenous businesses.

Many of Australia's largest corporations (both domestic and foreign-owned) have made commitments towards Indigenous community development, inclusion and engagement. In fact, the Business Council of Australia has reported that the number of Australian businesses seeking to develop and implement Indigenous employment strategies has grown dramatically since 2009.⁴⁵ This finding is reiterated by Reconciliation Australia who report that the number of companies with endorsed Reconciliation Action Plans (RAPs) has increased more than threefold since 2011.⁴⁶

However, research and quantitative analysis in this space is limited. Accordingly, it is difficult to determine the degree to which the broad economic scope of the Australian private sector is being utilised to support and engage Indigenous businesses.

In order to contribute to this gap in the literature, PIC has conducted primary research which shows that there is a significant appetite from the private sector to increase the current level of engagement with Indigenous businesses. Although PIC identified a number of examples of corporate entities adopting innovative approaches to diversify their supply chains, generally the current level of Indigenous procurement is inconsistent across industries and, in most cases, relatively low. However, future prospects are positive with many large corporate leaders exploring and committing to ambitious Indigenous procurement targets.

⁴⁵ Business Council of Australia, (2014), 'Indigenous Engagement Survey Report'.

⁴⁶ Reconciliation Australia, (2016), '2015 RAP Impact Measurement Report'.

3 *Estimating the contribution of the Indigenous business sector to Australia's economy*

This section examines the value of Indigenous businesses in Australia. It provides an estimate of the contribution (in GDP terms) of the Indigenous business sector to the Australian economy and acknowledges that Indigenous businesses also make valuable social contributions to society.

3.1 *Economic contribution*

The economic contribution (in GDP terms) of the Indigenous business sector was calculated in three separate components:

- 1 self-employed individuals (with no employees)
- 2 enterprises (with employees)
- 3 trusts.

The economic contribution of each of these components is presented below. A detailed methodology of how they were each calculated is provided in.

3.1.1 *Economic contribution of Indigenous self-employed individuals*

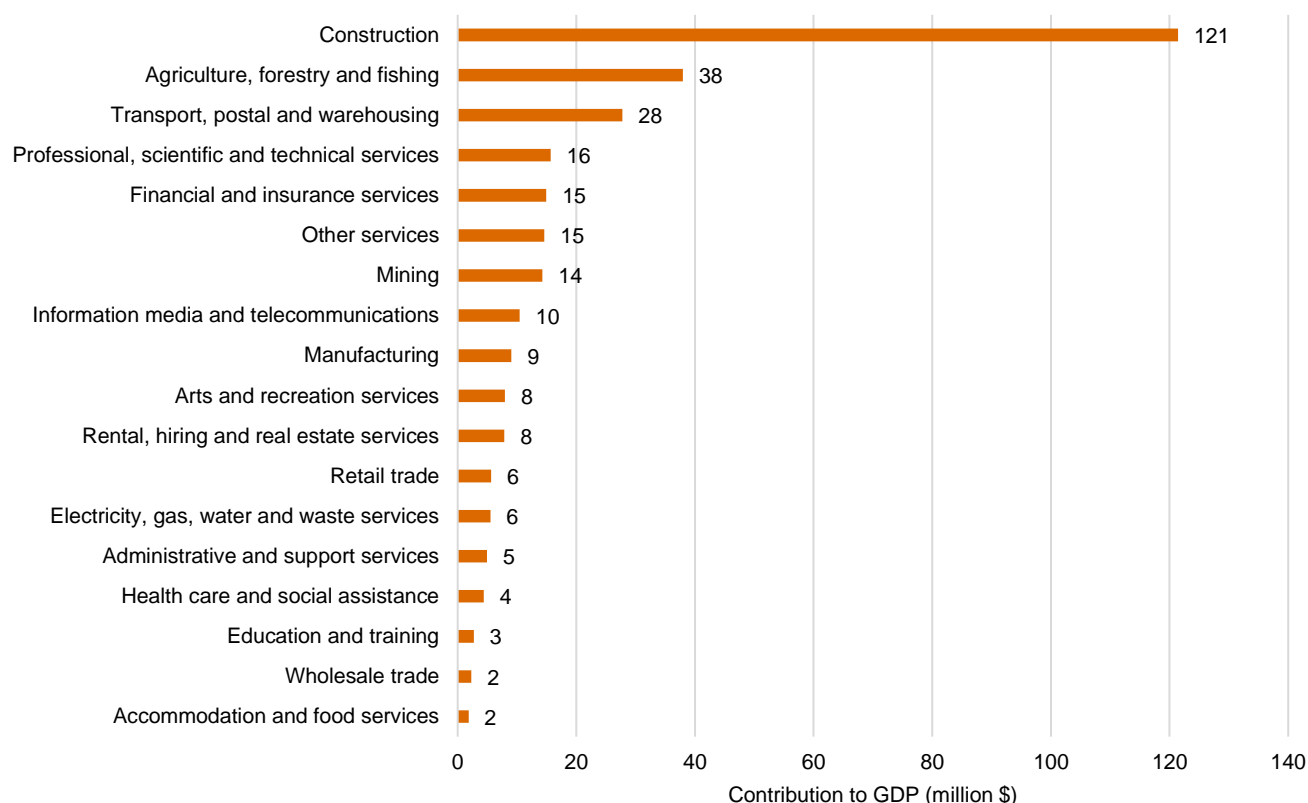
For the purposes of this report, Indigenous self-employed status refers to those individuals who identify as self-employed Indigenous Australians with no employees (ie sole traders). Sole trading such as this can be considered the first step in Indigenous entrepreneurship, creating the businesses that will evolve into enterprises (ie with employees) and foster wider Indigenous business growth. Research conducted in 2006 estimated that the annual turnover for an Indigenous entrepreneur or self-employed person was between \$20,000 and \$600,000. This varies depending on the motivations of the business owner, the industry they are operating within, and the business goals set by the business owner.⁴⁷

Our estimate of the economic contribution by industry of Indigenous self-employed individuals to the broader Australian economy is presented in Figure 4. We estimate Indigenous self-employed individuals contribute a total of \$309 million to Australia's GDP (in real 2016 terms).⁴⁸

⁴⁷ D Foley, *Indigenous Australian Entrepreneurs: Not all Community Organisations, Not all in the Outback*, Centre for Aboriginal Economic Policy Research, Australian National University, Discussion Paper No. 279/2006, March 2006, p 12. At: http://caepr.anu.edu.au/sites/default/files/Publications/DP/2006_DP279.pdf (accessed 10 August 2017).

⁴⁸ PwC analysis using ABS 2016 Census, ABS (April 2017) *Detailed Labour Force*, cat no 6291.0.55.001 and cat no 6291.0.55.003 and ABS (2016) *State Accounts 2015-16*, cat no 52220.0.

Figure 2: PwC estimate of economic value of Indigenous self-employed individuals (real 2016 terms)



Source: PwC analysis using ABS 2016 Census, ABS (2017) Detailed Labour Force, cat no 6291.0.55.001 and cat no 6291.0.55.003 and ABS (2016) State Accounts 2015-16, cat no 52220.0

These results are displayed by the Australian and New Zealand Standard Industrial Classification (ANZSIC) definitions of industries, which is set as the main good or service a particular business provides. For example, a company that provides construction services to the mining industry is classified as part of the construction industry, or a clothing manufacturer that is mostly sold by other retailers but has a minor distribution of their own goods is classified as part of the manufacturing industry.

The results in Figure 4 show that the largest industry for Indigenous sole operators is construction, with 39 per cent. In terms of contribution to GDP, agriculture, forestry and fishing, as well as transport, postal and warehousing are also major contributors.

3.1.2 Economic contribution of Indigenous enterprises

Enterprises are defined as any corporate structure with employees, whether for profit or not-for-profit (excluding trusts). As with Indigenous self-employed individuals, the value of this sub-set of Indigenous business has many different facets.

Quantitatively, there is the value of the income to the Indigenous owners (usually what is examined when looking at Indigenous business ownership), but that is only one component of the contribution of Indigenous enterprises to the Australian economy. These Indigenous enterprises also act as employers for other Indigenous Australians, at a much higher degree than average (of the Indigenous enterprises examined in our quantitative analysis conservative scenario, their employment is 43 per cent Indigenous).⁴⁹ Indigenous enterprises also create

49 Similarly, R Burton and E Tomkinson, *The Sleeping Giant – A Social Return on Investment Report on Supply Nation Certified Suppliers*, Supply Nation p 5 and p 8. At: http://www.supplynation.org.au/media/1195/the_sleeping_giant_web.pdf (accessed 31 July 2017) found that Indigenous businesses employ more than 30 times the proportion of Indigenous people than other businesses which would imply that other businesses' employment is only approximately 1.5 per cent Indigenous.

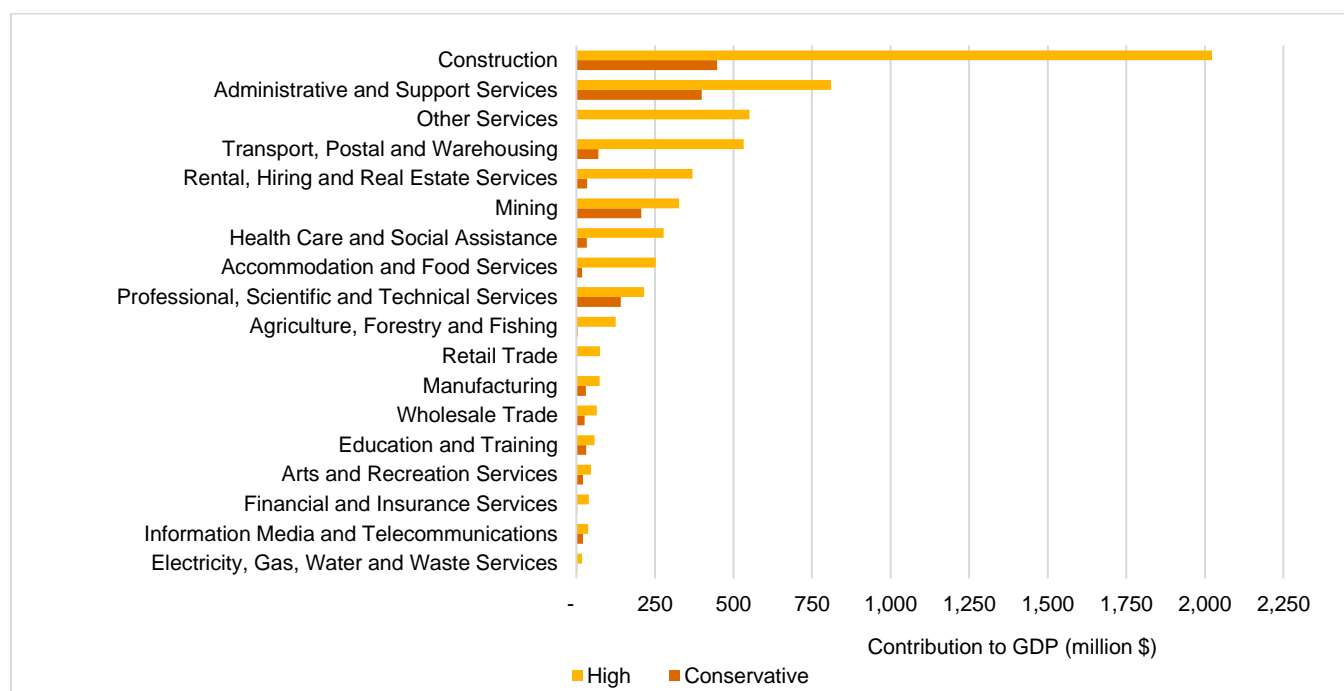
Estimating the contribution of the Indigenous business sector to Australia's economy

employment for non-Indigenous Australians, which also adds to the economic value of these enterprises in our calculations.

Due to the uncertainty in the data surrounding the number of Indigenous enterprises with employees (which is significantly greater in this component as compared to individuals or trusts), our estimate of economic contribution has been presented as a range. This range represents a conservative scenario (which uses a low but confirmed count of enterprises) and a high scenario (which assumes the highest possible number of businesses based on self-reported Indigenous owner-managers, disregarding the likelihood of multiple owners).

In total, we estimate that Indigenous enterprises contribute between \$1.5 billion and \$5.9 billion to Australia's GDP.⁵⁰ The breakdown of this contribution by industry is shown in Figure 3.

Figure 3: PwC estimate of economic value of Indigenous enterprises, conservative and high scenarios (real 2016 terms)



Source: PwC analysis using data from Indigenous Business Direct, ABS (2016) *State Accounts 2015-16*, cat no 52220.0 and ABS (April 2017) *Detailed Labour Force*, cat no 6291.0.55.003

Due to the difference in data sources used for the two scenarios (detailed in Appendix B) the industry distribution shown in Figure 3 is not the same for both scenarios. However, construction and administrative and support services are the first and second largest industries for Indigenous enterprises under both scenarios. Together these two industries represent 57 per cent of the total economic contribution of Indigenous enterprises in the conservative scenario and 48 per cent in the high scenario. This consistency in the two industries across both scenarios (and therefore across data sets) indicates that this is a reliable representation of where Indigenous enterprises are contributing most to the economy.

The relative importance of mining and professional, scientific and technical services in the conservative scenario as compared to the high scenario is likely to be representative of one of two things. It could be that these sorts of Indigenous enterprises are more likely to opt in to business registers such as the one used for the count of enterprises in the conservative scenario. It may be that the benefits of being on such a register are more pronounced in those two industries (ie access to government or private sector procurement policies is most important for enterprises offering mining or professional services). Conversely, it could be that these businesses are likely to be larger and have more employees than average and therefore are more important in the

⁵⁰ PwC analysis using Indigenous Business Direct data, ABS (2016) *State Accounts 2015-16*, cat no 52220.0 and ABS (April 2017) *Detailed Labour Force*, cat no 6291.0.55.003.

conservative scenario that is calculated using known employment data, rather than the high scenario that is calculated using proxy industry average data (see Appendix B for more information).

It should be noted that this industry distribution is also slightly different than just a count of owner-managers from the Census (as presented in Section 2.1.2). This is because of estimate of economic contribution also incorporates the relative differences in number of employees across industries, as well as the level of value add of those employees, in addition to just a count of businesses.

3.1.3 Economic contribution of Indigenous trusts

The economic and social potential from Indigenous trusts is predominantly accrued as a result of management of the Indigenous estate. Estimates suggest that the Indigenous estate comprises significant assets covering approximately 20 per cent of the Australian land mass (over one million square kilometres of land),⁵¹ with some studies suggesting a figure as high as 40 per cent.⁵²

Trusts are a unique form of Indigenous business that are owned by members of a local Aboriginal or Torres Strait Islander descent group, who are recognised as having social, economic, and spiritual affiliation to and responsibility for lands and waters; and who are the identified traditional owner party over lands which may be the subject of an agreement. Details on the specific trusts included in our analysis and the legislative and policy context surrounding them is included in Appendix B.

Our estimate of the economic contribution of Indigenous trusts is based on of the direct employment of these trusts. It does not include businesses set up or supported by these trusts (which would be included in enterprises incorporated through either ASIC or ORIC), which would be included in our Indigenous enterprises estimate. Our analysis in Table 8 shows the contribution to GDP from these Indigenous trusts is \$406 million. Almost all of this economic value comes from the trusts in a few key jurisdictions – Northern Territory, New South Wales and Queensland, as well as the federal Registered Native Title Body Corporate (RNTBCs).

Table 8: PwC estimate of the economic value of Indigenous trusts (real 2016 terms)

Jurisdiction	% of employment	Contribution to GDP (million \$)
Federal	9%	35
NSW	8%	31
VIC	<1%	<1
QLD	4%	15
WA	<1%	<1
SA	1%	3
TAS	<1%	<1
NT	78%	318
ACT	1%	3
Total	100%	406

Source: PwC analysis using data from Indigenous Business Direct, ABS (2016) *State Accounts 2015-16, cat no 52220.0* and ABS (April 2017) *Detailed Labour Force, cat no 6291.0.55.003*

⁵¹ J C Altman, G.J. Buchanan and L. Larsen, 'The Environmental Significance of the Indigenous Estate: Natural Resource Management as Economic Development in Remote Australia', CAEPR Discussion Paper No 286/2007, p 14. See also Centre for Aboriginal and Economic Policy Research, 'Indigenous Estate', Australian National University, College of Arts and Social Sciences, updated 28 September 2016. At: <http://caepr.anu.edu.au/Subjects/Indigenous-Estate> (accessed 31 July 2017).

⁵² AIATSIS, 'Unlocking the potential of the Indigenous Estate', 2016. At: <http://aiatsis.gov.au/publications/presentations/unlocking-potential-indigenous-estate> (accessed 31 July 2017).

Our estimate of the economic contribution of Indigenous trusts does not include the asset base of these trusts. This is because the asset base itself is not necessarily generating any economic activity and can be difficult to value given specific guidelines (which can vary across jurisdictions).⁵³ Similarly, the income of these trusts may not necessarily be indicative of the economic activity generated by these trusts (as the activity of trusts is generally on distributing and managing this income, rather than generating income).

Although the asset and income base of these trusts is not directly included in the quantitative economic value, it is useful information to note (although it is not available for all trusts). The combined incomes of the federally organised RNTBCs was \$78 million in 2015-16 and their combined assets were \$252 million.⁵⁴ This excludes most of the State and Territory based trusts (approximately 400 trusts are examined quantitatively here of which only 166 were federal RNTBCs).

3.1.4 Total economic contribution of the Indigenous business sector

The analysis in this report made an initial step in determining the economic contribution of Indigenous businesses. As shown in Figure 4, our economic analysis estimates that self-employed Indigenous individuals contribute \$309 million to GDP, Indigenous enterprises contribute between \$1,494 and \$5,899 million to GDP (reflecting the uncertainty of data in this area), and Indigenous trusts contribute \$406 million to GDP.

Figure 4: PwC estimate of economic value of Indigenous businesses, by type (real 2016 terms)



Source: PwC analysis using ABS 2016 Census, ABS (April 2017) *Detailed Labour Force*, cat no 6291.0.55.001 and cat no 6291.0.55.003, ABS (2016) *State Accounts 2016-17*, cat no 5220.0 and information from the Indigenous Business Directory, ORIC website and trust legislation and annual reports

53 PwC analysis using ABS (April 2017) *Detailed Labour Force*, cat no 6291.0.55.001, ABS (2016) *State Accounts 2016-17*, cat no 5220.0 and information from the ORIC website, trust legislation and annual reports.

54 Office of the Registrar of Indigenous Corporations (2017) 'The Top 500 Aboriginal and Torres Strait Islander Corporations 2015-16'. This is noting that of the 156 RNTBCs operating in 2015-16, 54 had nil income and 17 were exempt or did not report. At the time of the drafting of this report (2017) there are now 166 RNTBCs.

Estimating the contribution of the Indigenous business sector to Australia's economy

Our analysis shows that, together, these three types of Indigenous businesses make up between 0.1 per cent and 0.4 per cent of the total Australian economy. Although this is a significant contribution in dollar terms, it is compared to the proportion of the total population that is Indigenous, which was 2.8 per cent in 2016.⁵⁵

Another useful comparator is the report measuring the contribution of Māori businesses to the New Zealand economy (on which the methodology used in this report was partly based on). That report showed that Māori businesses contribute approximate 5.6 per cent of New Zealand GDP⁵⁶ while the Māori population was 15 per cent of the total population.⁵⁷ Although both that report and our analysis in this report show opportunities for growth, the contribution of Indigenous businesses would need to almost triple (in the high scenario) to be comparable to the Māori example in reference to total population size.

3.1.5 Other measures of quantitative value of the Indigenous business sector

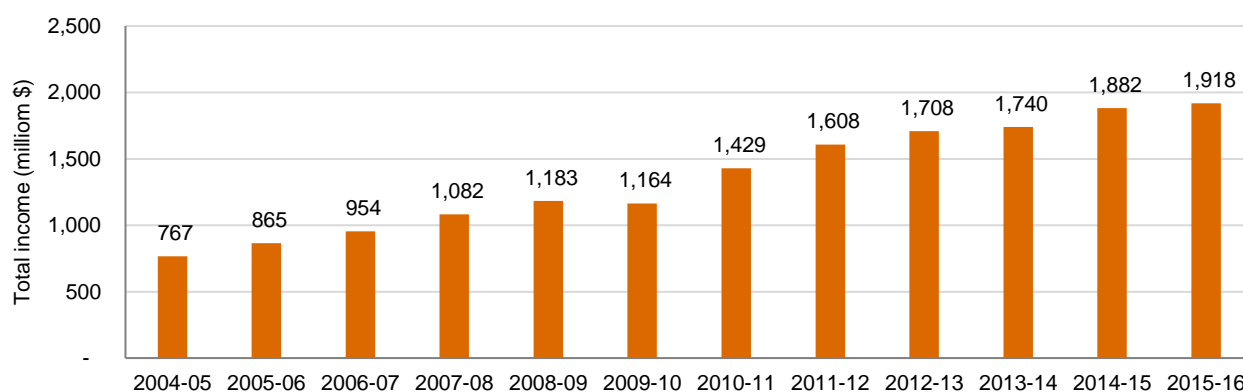
The analysis in the previous sections aims to help address the data gap in measuring the value of the Indigenous business sector, by providing a snapshot in time contribution to GDP. However, other measures can also help the magnitude and importance of the sector.

One measure is the existing asset base and income of the largest Indigenous corporations in Australia, which has been measured consistently by ORIC for over a decade. This can provide a useful snapshot of the potential of this developing sector. However, it must be acknowledged that this only refers to Indigenous corporations registered on ORIC and excludes a range of other businesses.

The combined asset value of the largest 500 Indigenous corporations reported by ORIC increased by 8.1 per cent from 2014-15 to 2015-16, with the top 500 Indigenous corporations holding a combined value of \$2.404 billion in assets in 2015-16.⁵⁸ This demonstrates that enterprises on this register (as a proxy for the sector) are growing and are engaging in activities that are producing economic output.

Figure 5 illustrates the income of these top 500 corporations over time. It shows that the combined income of the top 500 Indigenous corporations in 2015-16 was \$1.92 billion.⁵⁹ This was an increase of 1.9 per cent from \$1.88 billion in 2014-15.⁶⁰ With the exception of a small decrease in 2009-10, it demonstrates that the income generated by Indigenous corporations has steadily increased over the measurement period. This represents almost 9 per cent compound annual growth, notably larger than nominal compound annual GDP growth over the same period.⁶¹

Figure 5: Top 500 Indigenous corporations' income 2004-16



Source: ORIC, *The top 500 Indigenous corporations*, various years

55 ABS 2016 Census

56 Te Puni Kōkiri, Ministry of Māori Development, "Te Ōhanga Māori 2013" At <http://www.tpk.govt.nz/documents/download/609/tpk-maorieconomyreport-2013.pdf>.

57 Statistics New Zealand (2015) *How is our Maori population changing*

58 Office of the Registrar of Indigenous Corporations (2017) 'The Top 500 Aboriginal and Torres Strait Islander Corporations 2015-16'.

59 Ibid

60 Ibid

61 ABS (2017) 'Australian National Accounts: National Income, Expenditure and Product', cat no. 5206.0

An earlier study in 2013, *Recent Growth in Indigenous Self-Employed and Entrepreneurs*, looked at the income generated by the self-employed Indigenous sector and found it was \$591 million in 2011.⁶² That report looked at Census data of Indigenous Australians who reported as being self-employed, which would include those with and without employees. Therefore, this analysis is most analogous to the combination of our self-employed individual and enterprise components. Our estimate of the contribution to GDP of these two components together in the conservative scenario is \$1,734 million (\$241 million for individuals and \$1,494 million for enterprises).

Although there are a number of methodological differences between that study and this report, the most significant is the shift in focus between looking at individuals (in the 2013 report) to the focus population being businesses in this report. Looking at the business as a whole (rather than just the owner) enables the analysis to include the important contribution these Indigenous owners make in employing others (both Indigenous and non-Indigenous). Our larger estimate acknowledges that Indigenous businesses contribute to the economy in job creation.

3.2 Social contribution

In addition to the economic contribution, Indigenous businesses can provide a significant social contribution to Australian society. A number of studies have sought to build an evidence base documenting these benefits. A snapshot of some of the key findings stemming from this research is provided in the section that follows.

3.2.1 Self-employed individuals

Longitudinal research⁶³ undertaken in 2006 on successful self-employed Indigenous entrepreneurs based in urban centres found that Indigenous entrepreneurs:

- provided for their families, both in terms of immediate income and purchase of goods
- supported their dependents to attain secondary and tertiary education qualifications
- reinvested asset generation into their businesses to provide increased business and family stability
- saw the business as an opportunity to employ their own children and to gain financial and management skills.⁶⁴

3.2.2 Enterprises

Similarly to self-employed individuals, a recent analysis conducted by Supply Nation on the social value created by a sample of Indigenous businesses found that many Indigenous business owners 'use their business as vehicle to drive change for their family and wider community' and 'build resilience and pride in their communities'.⁶⁵ The social return on investment (SROI) assessment in that report identified the following benefits associated with Indigenous business:

- for every dollar of revenue, Indigenous businesses create \$4.41 of economic and social value
- Indigenous businesses employ more than 30 times the proportion of Indigenous people than other businesses
- Indigenous businesses provide training to their staff
- owners of Indigenous businesses reinvest revenue in their communities
- small Indigenous businesses have higher SROI ratios than larger businesses
- businesses working directly in Indigenous cultural industries have higher SROI ratios than businesses working in mainstream industries

62 B Hunter, 'Recent Growth in Indigenous Self-Employed and Entrepreneurs', *CAEPR Working Paper No. 91/2013*, 2013, p 3. At: <http://caepr.anu.edu.au/sites/default/files/Publications/WP/WP91%20Hunter%20self%20employment.pdf> (accessed 3 May 2017).

63 The research sample included 50 Indigenous business owners located in urban centres, covering a broad range of industries including: agriculture, auto, building, cultural, hospitality, publishing, service (IT, graphic art, employment consultant), tourism, and miscellaneous.

64 A M Fordham, R G Schwab, *Summarising: Foley (2006), Indigenous Australian Entrepreneurs: Not all Community Organisations, Not all in the Outback*, Centre for Aboriginal Economic Policy Research, Australian National University, Research Summaries, Reference No. 45, pp 1-2. At: http://caepr.anu.edu.au/sites/default/files/ckk_misc_documents/2010/06/refo45.pdf (accessed 8 August 2017).

65 R Burton and E Tomkinson, *The Sleeping Giant – A Social Return on Investment Report on Supply Nation Certified Suppliers*, Supply Nation p 5 and p 8. At: http://www.supplynation.org.au/media/1195/the_sleeping_giant_web.pdf (accessed 31 July 2017).

Estimating the contribution of the Indigenous business sector to Australia's economy

- Indigenous owned businesses strengthen their Indigenous employees' connection to culture
- Indigenous business owners that were part of the stolen generation use their businesses to create a place of belonging and healing
- Indigenous businesses are a 'safe place' for families
- Indigenous owners, employees and communities are proud of Indigenous businesses.⁶⁶

These findings are consistent with input provided by Indigenous business owners during interviews conducted by PIC. The participating Indigenous businesses indicated a willingness to accommodate Indigenous employees with complex personal needs and cultural responsibilities, due to their own lived experience and cultural understanding of both the historical and contemporary issues that affect Indigenous people.⁶⁷

3.2.3 Trusts

Due to the commercial-in-confidence nature of land use agreements, and the complexity of valuing lands, territories and waters within the Indigenous estate, it is difficult to measure the value and contribution that is derived through Indigenous trusts and their associated entities. However, research suggests that similar to Indigenous enterprises discussed above, trusts also provide a vehicle to drive change for Indigenous communities.

As many trusts are established off a recognition of traditional ownership, Indigenous trusts and their economic arms not only build resilience and pride within traditional owner family groups, but they also:

- reinstate cultural authority and responsibility
- help to heal divisions created through forced removal and relocation policies
- require the re-establishment of cultural governance and collective decision making processes that benefit families and communities.

Through a growing Indigenous estate, Indigenous trusts provide a platform through which to provide employment for trust beneficiaries, leverage contracting and procurement opportunities for Traditional Owner businesses and fund education scholarships for their youth. This allows investment in community development opportunities that promote stability and an improved quality of life now and for future generations. They also have access to and can promote and leverage a range of culturally-based industries that provide unique opportunities and a competitive advantage.

3.2.4 The need to develop a framework to measure the social contribution of Indigenous businesses

As outlined above, there are several sources documenting some of the social benefits associated with Indigenous businesses. However, there is not currently a consistent framework to provide an accurate assessment of the social value created by the Indigenous business sector. There are many possible approaches to measure this.

One possible approach to estimate the social value created by the Indigenous business sector could be the use of a Social Return on Investment (SROI) framework. Such a framework estimates the social returns generated across a range of categories or social factors resulting from Indigenous business ownership.

A potential SROI framework was proposed by Burton & Tomkinson (2015) in *The Sleeping Giant – A Social Return on Investment Report on Supply Nation Certified Suppliers*. This study investigated the social value created by five Indigenous businesses on the Supply Nation Register. It concluded that 'for every dollar of revenue they generate, in addition to goods and services, [Supply Nation] Certified Suppliers create an average \$3.41 social value'.⁶⁸

Whilst this is an interesting study, the results may not reflect the social contribution of the Indigenous business sector in its entirety. In order to generate a statistically significant and more reliable estimate, such a study would need to be replicated encompassing a larger sample of Indigenous businesses across all industries.

66 Ibid

67 Interviews conducted with Indigenous business owners, January 2017.

68 R Burton and E Tomkinson, (2015), *The Sleeping Giant – A Social Return on Investment Report on Supply Nation Certified Suppliers*, Supply Nation p 7. At: http://www.supplynation.org.au/media/1195/the_sleeping_giant_web.pdf (accessed 31 July 2017).

4 *Supporting the continued growth of the Indigenous business sector*

Despite a history of coercion and economic exclusion, the Indigenous business sector is strong and thriving. This report has shown that Indigenous businesses contribute between \$2.2 billion and \$6.6 billion to the Australian economy. Specifically:

- self-employed Indigenous individuals contribute \$309 million to GDP
- Indigenous enterprises contribute between \$1,494 and \$5,899 million to GDP (reflecting the uncertainty of data in this area)
- Indigenous trusts contribute \$406 million to GDP.

Together, these three types of Indigenous businesses make up between 0.1 per cent and 0.4 per cent of the Australian economy.

Given the strengths of the Indigenous business sector and the growing Indigenous population, the magnitude of this contribution is expected to grow. However, the contribution of Indigenous businesses would need to triple (in the high scenario) to be comparable to the contribution of Māori businesses to the New Zealand economy (see Section 3.1.4).

In order to support the continued growth of the Indigenous business sector, governments and the private sector have both an enabling and facilitating role to play. As outlined below, a range of recommendations can be implemented to foster the conditions for Indigenous businesses to thrive and to be sustainable.

Recommendation 1:

All governments should establish and implement an Indigenous business strategy, including the specification of Indigenous procurement targets

Currently, there is no coordinated approach across Australia to drive the development of the Indigenous business sector. In order to build the demand for and supply of Indigenous businesses in each jurisdiction in a consistent and coordinated manner, all state and territory governments should develop and implement an Indigenous business strategy.

Given the growth of the Indigenous business sector across Australia, it is necessary for all state and territory governments to make a formal commitment to cultivating the growth of the Indigenous businesses operating within their remit. For example, supporting and stimulating the existing Indigenous businesses operating within each jurisdiction, fostering the creation of new Indigenous businesses and adopting measures to incentivise the public and private sector organisations to do the same.

One avenue to do the latter is the specification of Indigenous procurement targets for all contracts awarded by state governments. Procurement targets of this nature can incentivise Indigenous business growth by signalling upcoming procurement opportunities (ie short, medium and long-term), and also encourage increased engagement between Indigenous and non-Indigenous businesses (ie via the establishment of joint-ventures).

The Australian Government is taking a significant step with its commitment to the Indigenous Business Sector Strategy (IBSS), which is currently in development. Likewise, in 2017 the Victorian Government committed \$6.63 million to support the implementation of *Tharamba Bugheen: Victorian Aboriginal Business Strategy 2017-2021*. This strategy focusses on:

- improving the accessibility of business support for Indigenous businesses in Victoria

Supporting the continued growth of the Indigenous business sector

- improving the visibility and networks of Indigenous businesses in Victoria
- strengthening the entrepreneurial culture and business experience of Indigenous Victorians.

Recommendation 2:

Help legitimate Indigenous businesses capitalise on larger opportunities with government and the private sector by instituting measures to mitigate ‘black cladding’

Despite the significant appetite from both the public and private sectors to purchase goods and services from Indigenous businesses, most Indigenous businesses tend to be awarded small-scale and/or short-term contracts often due to the perception that they do not have the scale or capabilities to do so. If Indigenous businesses are to thrive and be sustainable, it is critical that they too can capitalise on large and long-term contracts.

A common approach adopted by Indigenous businesses to access large and/or long-term procurement opportunities is to enter into joint ventures with other organisations. In short, joint ventures have the advantage of:

- enabling Indigenous businesses to bid competitively for contracts that they may not have secured on their own
- building longer term and commercially viable partnerships between Indigenous businesses and other organisations.⁶⁹

However, some joint venture partnerships have been scrutinised for resulting in token partnerships, with limited commercial viability and limited capacity for self-determination.⁷⁰ Evidence provided to the Standing Committee on Aboriginal and Torres Strait Islander Affairs highlighted the practice of, so called, ‘black cladding’, where larger corporations enter into disingenuous partnership with Indigenous businesses and over-represent the involvement and control Indigenous businesses have in order to appear more attractive in tender selection processes.

In order to protect Indigenous businesses, regulatory mechanisms need to be developed by policy makers. Specifically, policy makers should focus effort on developing certification processes for joint ventures to ensure that Indigenous businesses perform the work and realise the economic benefits of doing so. Where they do not, there should be significant sanctions for non-compliance and in some cases potentially action on fraud. Additionally, government tender panels should be supported to preference commercially viable joint venture partnerships and mitigate the risk of ‘black cladding’.

Recommendation 3:

Strengthen the profile of the Indigenous business sector

Although there is a significant appetite from the public and private sectors to engage Indigenous businesses, a commonly cited barrier by prospective purchasers is a lack of awareness of the Indigenous businesses who can provide the goods or services they are seeking. Accordingly, there is a need to improve the visibility and networks of Indigenous businesses in Australia and strengthen the profile of the sector.

One avenue to do this is to proactively market the Indigenous business industry to help build the brand of Indigenous businesses. A range of industries in Australia are actively promoted by the Australian Government to encourage domestic and international participation (eg Tourism Australia). Promotion of this nature for the Indigenous business industry would provide essential support and could help drive success through active marketing campaigns on a domestic and international scale.

This could also be supported by the use of a digital platform creating a marketplace for Indigenous businesses and suppliers (eg VendorPanel Marketplace).

69 Supply Nation (2015), Supplier Diversity How- Issue 8, “Joint Venture Partnerships,” http://www.supplynation.org.au/media/1122/supplier_diversity_how_issue_eight_2.pdf (accessed: 22 May 2017).

70 Standing Committee on Aboriginal and Torres Strait Islander Affairs (2007) *Indigenous Australians at Work: Successful initiatives in Indigenous employment*

Recommendation 4:

Build the supply of Indigenous businesses in Australia through the establishment of incubators and accelerators targeting Indigenous entrepreneurs

Although the Indigenous business sector is experiencing significant growth, there is further scope to build the supply of Indigenous businesses. This can be done in two ways.

Firstly, despite the existence of a range of organisations and programs that provide support services for the start-up phase of the business lifecycle, there are significant gaps in start-up support services for Indigenous businesses. For instance, most incubators, accelerators and other start-up support services do not provide Indigenous-specific supports. Likewise, most are concentrated in the technology industry with few tailored to the industries where Indigenous businesses have a competitive advantage. These services are also underrepresented in regional and remote Australia.

Options to rectify this deficiency in start-up support services could include the:

- development of an Indigenous specific start-up hubs, including one which has a hub and spoke model to facilitate access to remote and regional businesses
- identification of industry partners with existing hubs to take satellite programs out to regional and remote communities
- consideration of Indigenous-specific incubators that focus on broader range of industries in addition to technology (eg maximising opportunities stemming from the National Disability Insurance Scheme).

Secondly, there is significant scope to build the supply of large Indigenous businesses in Australia (ie those that employ more than 200 employees). Analysis of the Indigenous business sector has shown that Indigenous businesses tend to be small and medium-sized enterprises (ie employ less than 200 employees) that are often awarded short-term and lower value contracts. Given the significant appetite from public and private sector organisations to engage the Indigenous business sector, there is an opportunity for existing Indigenous businesses to be supported to ultimately deliver large, long-term contracts.

For example, Tier 1 companies could build genuine partnerships with the Indigenous businesses operating within their respective industries to provide ongoing supply chain procurement opportunities. Through such partnerships, Indigenous businesses would have the opportunity to deliver a variety of contracts over time enabling them to build the necessary experience, expertise and scale to eventually deliver larger contracts. There is immense potential for this approach to be adopted in Australia's booming infrastructure industry whereby Indigenous businesses could be embedded as suppliers of choice across the lifecycles of major infrastructure projects.


Recommendation 5:

Improve data collection and measurement relating to the Indigenous business sector

In light of the limitations of this report (see Section 1.3), the results should be viewed as the first step in measuring the economic contribution of Indigenous businesses and should be replicated as more complete and reliable data emerges, to measure the progress of the sector.

In order to provide a more precise measurement of the size and value of the Indigenous business sector, it is necessary to improve data collection processes. At minimum, this should include the establishment of a consistent definition of what constitutes an Indigenous business and the exploration of approaches to paint a more detailed picture of the number of Indigenous businesses in Australia.

One approach is the establishment of an Indigenous business identifier (eg Indigenous Business Number (IBN) to create a comprehensive register of Indigenous businesses. The IBN, which could be issued to an Indigenous business upon registration, acts as an identifier which, regardless of which networks or business registers an Indigenous business is a member of, enables Indigenous businesses to be tracked across the sector and across the



Supporting the continued growth of the Indigenous business sector

life of the business. The IBN could also allow measurement of Indigenous employees and be linked to tender sites to increase equitable access and transparency to opportunity delivery.⁷¹

Once data improvement mechanisms are adopted, the analysis in this report can be replicated on a regular basis to determine changes to the economic contribution of the Indigenous business sector in Australia. Ideally, this would include production⁷², income⁷³ and expenditure⁷⁴ measures of the Indigenous business sector so that comparisons can be drawn with the Māori economy. Additionally, as outlined in Section 3.2.4, a rigorous social and economic impact analysis needs to be undertaken to quantify the social contribution of Australia's Indigenous business sector.

⁷¹ L Harris, Indigenous Business Owner, Document provided by email, 31 October 2017.

⁷² The total value added produced by Indigenous businesses in a given year.

⁷³ The total of income (wages and profits) earned by Indigenous Australians and its contribution to GDP income in a given year.

⁷⁴ The total expenditure of Indigenous households and its contribution to GDP expenditure in a given year.



Appendices

Appendix A Glossary & definitions	26
Appendix B Detailed methodology	28
Appendix C Examples of Indigenous businesses	38

Appendix A Glossary & definitions

Table 9: Abbreviations

Abbreviations and acronyms	Definition
ABS	Australian Bureau of Statistics
ANZSIC	Australia and New Zealand Statistical Industry Classification
ASIC	Australian Securities and Investment Commission
CATSI Act	Corporations (Aboriginal and Torres Strait Islander) Act 2006
GDP	Gross Domestic Product
GVA	Gross Value Added
IBA	Indigenous Business Australia
IBD	Indigenous Business Direct
IBN	Indigenous Business Number
IBSS	Indigenous Business Sector Strategy
ILUA	Indigenous Land Use Agreement
IPP	Indigenous Procurement Policy
ORIC	Office of the Registrar of Indigenous Corporations
RAP	Reconciliation Action Plan
RNTBC	Registered Native Title Body Corporate
PIC	PwC's Indigenous Consulting
PwC	PricewaterhouseCoopers Consulting (Australia) Pty Ltd
SROI	Social return on investment

Table 10: Glossary of terms

Terms	Definition and use
Indigenous Business	<p>There is no one accepted definition of an Indigenous business. For the purposes of this report we have defined this to include:</p> <ul style="list-style-type: none"> • Self-employed Indigenous Australians with no employees operating as sole traders ('self-employed individuals') • Corporate entities (with employees) with at least 50 per cent Indigenous ownership ('enterprises') • Trusts set up with the purpose of benefiting the Indigenous community, usually by the management and distribution of funds from Native Title agreements ('trusts').
Indigenous Business Direct	Register of Indigenous businesses with Supply Nation.
Indigenous Land Use Agreements	Once Indigenous land rights are recognised and confirmed through a native title determination, native title holders also have the capacity to enter into agreements with non-Indigenous and other Indigenous stakeholders who have an interest in their lands and territories. This is done through Indigenous Land Use Agreements which are voluntarily negotiated but binding agreements that can be about native title or other matters. These agreements often contain commitments to supporting business development and contracting outcomes.
Indigenous or Aboriginal and Torres Strait Islander	Both terms are used interchangeably throughout the report to acknowledge that groups prefer to be referred to differently, and to recognise the different cultural groupings between Aboriginal peoples and Torres Strait Islanders. Note also that the term Indigenous relates to an international reference to first peoples globally.
Indigenous Procurement Policy	Established 1 July 2015, the IPP was created by the Australian Government to stimulate Indigenous entrepreneurship and business development, providing Indigenous Australians with more opportunities to participate in the economy. Similar policies exist in a number of other jurisdictions.
Native Title	Provides for the common law recognition of rights and interests to lands and territories belonging to Aboriginal and Torres Strait Islander peoples in Australia.
Supply Nation	Established in 2009 to connect Australian businesses and government with Indigenous businesses across the country. To enable these connections Supply Nation maintains a register of Indigenous businesses called Indigenous Business Direct.

Appendix B Detailed methodology

This appendix sets out the detailed methodology for the completion of this project, including the theories and methodologies applied to qualitative and quantitative research and analysis, and the calculation of economic contribution of Indigenous businesses contained within the report.

Project approach

For this project, PIC and PwC have taken a three-stage approach to conducting research that considers data from different sources:

- 1 quantitative – what we can measure
- 2 qualitative – what we can observe
- 3 experiential – what we can do.

The figure below demonstrates how these different sources of data interact.

Figure 6: The research approach for this project, blending quantitative, qualitative and experiential data



Data sources and assumptions

The following table provides an overview of the data sources that have informed this analysis, and any assumptions or risk that should be taken into consideration.

Data Source	Information Provided	Assumptions/Risks
Quantitative data and analysis		
Australian Bureau of Statistics (ABS), 2016 <i>Census</i>	Number and type of self-employed Indigenous Australians	Indigenous Australians who identify as owner-managers of businesses (indicating that they are self-employed) in the 2016 <i>Census</i> are used as the basis for the 'self-employed individual' component of the quantitative analysis. It is also used to inform the high scenario for enterprises. Including this total amount of owner-managers (as in the high scenario) could be regarded as an upper bound on the count of Indigenous business as it does not account for businesses having multiplier owners and it does not have any consideration for majority Indigenous ownership.
Indigenous Business Direct Data	Number and type of Indigenous businesses nationally registered with Supply Nation on Indigenous Business Direct	<p>This data is used as the basis for the 'enterprise' component of the quantitative analysis for the conservative scenario. As the industries within this data do not directly align to the National Accounts data used, assumptions as to which Australian and New Zealand Statistical Classification (ANZSIC) industry each business falls into had to be made.</p> <p>The available data on Indigenous businesses in Australia is limited due to the lack of a universal definition of Indigenous business and the use of a limiting identifier, 'self-employed'. This is further complicated by the different structural arrangements that characterise Indigenous businesses.</p> <p>It is also recognised that not all Indigenous businesses are members of Supply Nation so this is not a complete data set and analysis will form indicative estimates only. However, this data set is preferred to the ABS, ORIC or ASIC data below for the following reasons:</p> <ul style="list-style-type: none"> • It has limited capacity for over counting (and can be cleaned from double counting as there are specific business details included) and therefore will underpin a more robust and conservative estimate. • It has industry details that is vital in performing total quantitative analysis. <p>However, because of the recognised deficiencies in this data set, it is only used for the conservative scenario.</p> <p>This data set will also be used to inform the quantitative analysis of the 'trusts' component, as it includes some information on trusts and trust related entities. This will be used to inform assumptions as it is expected to only cover a limited set of trusts.</p>
Office of the Registrar of Indigenous Corporations (ORIC)	Number and type of Indigenous businesses nationally incorporated with ORIC	<p>Not all Indigenous businesses are incorporated through ORIC so this data will only be used to inform assumptions, not as the basis of any calculation.</p> <p>The ORIC database was used for additional financial information including employment for the trusts component.</p>
Australian Securities and Investment Commission (ASIC)	Number and type of Indigenous businesses nationally incorporated with ASIC	Not all Indigenous businesses are incorporated through ASIC so this data will only be used to inform assumptions, not as the basis of any calculation.

Data Source	Information Provided	Assumptions/Risks
ABS State Accounts (cat. no. 5220.0) and Detailed Labour Force (cat. no. 6291.0.55.003)	Total factor income (split by compensation of employees and gross operating surplus) by ANZSIC industry and total employment by ANZSIC industry	This macroeconomic data informs the quantitative analysis that takes total employment for each of the components and translates them to a contribution to GDP figure.
Trusts legislation (federal and state based)	Number and coverage of trusts	This was used as the basis for the trusts component, supplemented with financial detail from ORIC, annual reports and other government reports.
Qualitative data and analysis		
Research Reports	Social and economic benefits provided by Indigenous businesses	Measuring success is complex and not based just on profit. Success for Indigenous businesses also includes the social benefits that community accrue as a result of Indigenous businesses – such as culturally appropriate access to locally based services and increased local employment opportunities.
Experiential data and analysis		
Case Studies	Practical examples of different types of Indigenous businesses, current value and potential for growth	Information has been sourced from publically available information and has not been verified through stakeholder consultation or engagement.

Economic analysis

The estimated economic contribution of the three components of Indigenous businesses (self employed individuals, enterprises and trusts) uses a 'value added' approach through measuring the income generated by firms and employees. Adding the income components provides us with the total factor income generated by Indigenous businesses. Examining the income components of Indigenous businesses is an accepted method particularly because there is robust industry specific macroeconomic data provided by the ABS.

The specific approach undertaken in estimating the economic contribution of each of the subsets of Indigenous business is detailed in the sections below.

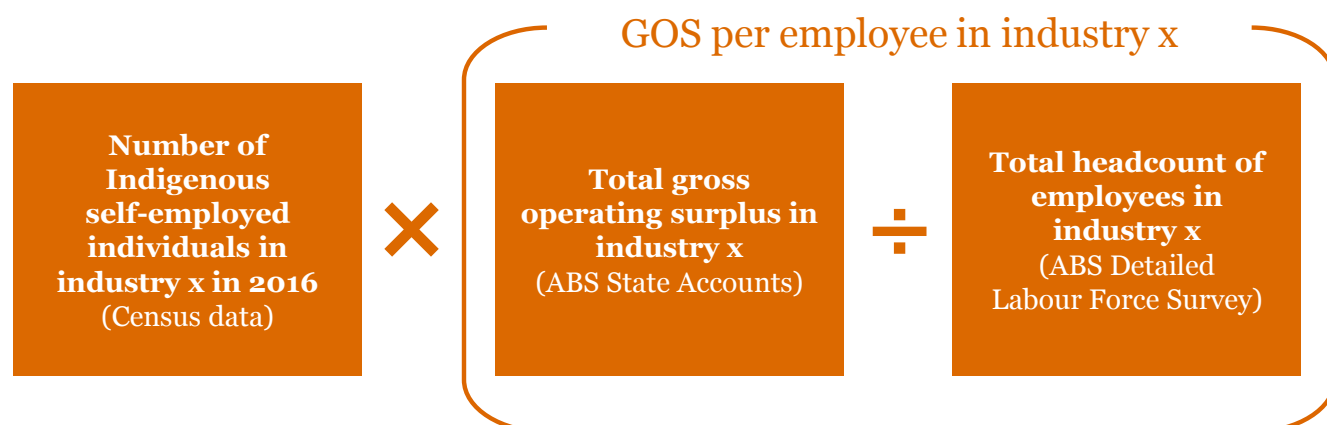
Self-employed individuals

Estimating the economic contribution of Indigenous self-employed uses a base of owner managers from the 2016 Census data set. To examine just self-employed individuals, only owner-managers who identified in the Census as having no employees were included here.

The number of self-employed individuals was then used in our estimate of economic value added. For this type of business, the compensation of employees' (COE) component is not relevant, as there are no employees. Therefore, the methodology, as show in Figure 7, includes only gross operating surplus (GOS) as the value added generated by a self-employed individual.

The economic value added by self-employed Indigenous individuals in by each of the eighteen ANZSIC industries was calculated as shown in Figure 7. These eighteen industries were then added together to provide an estimate of the total economic contribution of all Indigenous self-employed individuals.

Figure 7: Methodology for calculating the economic value of Indigenous self-employed individuals in industry x⁷⁵



The key data sets used to estimate the economic contribution of Indigenous self-employed individuals are outlined as follows:

- ABS Census 2016 – this provides the base for the number of Indigenous individuals reported as owning their own business, but with no employees
- ABS State Accounts (cat. no. 5220.0) – this provides macroeconomic data on gross operating surplus by industry
- ABS Detailed Labour Force (cat. no. 6291.0.55.003) – this provides employment by industry, so the State Accounts data can be examined on a per employee basis.

Enterprises

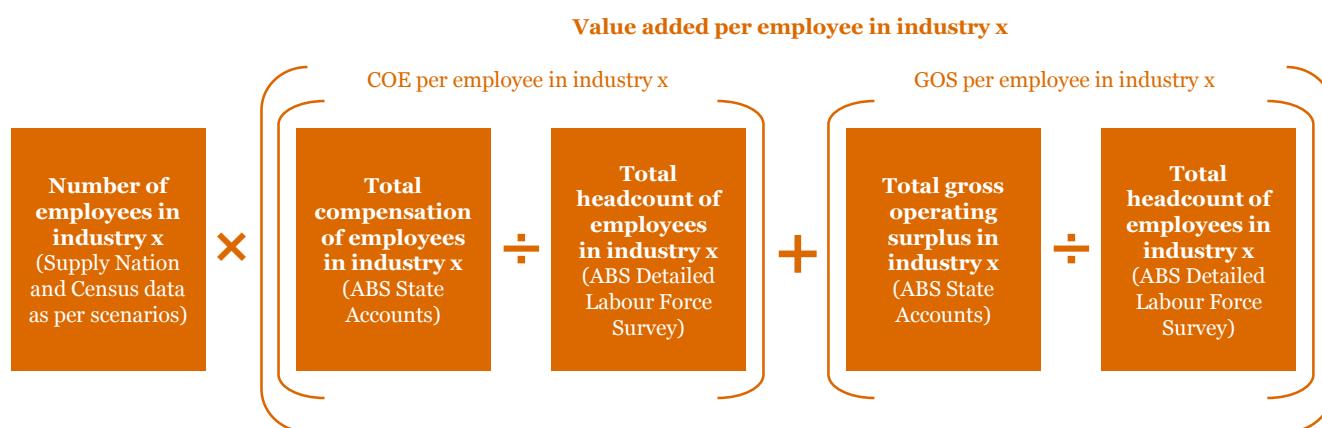
The estimate of the economic contribution of Indigenous enterprises examines the value added of these businesses to the economy. This category of Indigenous business is where there is the most uncertainty and has the least complete data set. For this reason at to reflect this uncertainty, the value added of Indigenous enterprises has been examined under two scenarios:

- 1 Conservative scenario – this includes only businesses which are independently confirmed to be 50 per cent Indigenous owned, in a single data set. The most comprehensive data set of this nature is that which is contained in the Indigenous Business Direct. The Indigenous Business Direct is a known subset of all Indigenous businesses and so this single data source of enterprises (and associated base of employees) is relied upon for analysis of a conservative scenario.
- 2 High scenario – this takes the full base of Indigenous owner-managers with employees from the Census and assumes they all own or manage a single business. This is likely to overstate the number of Indigenous enterprises as it disregards that most businesses may have multiple owners. As there is no consideration of multiple owners, it also does not include any consideration that these Indigenous owner-managers may have a stake in a business that is less than 50 per cent Indigenous owned. Therefore, this is presented as a potential upper bound scenario. This count of business is adapted to count employees for the high scenario using average number of employees from the fuller data set used in the conservative scenario.

The value added of Indigenous enterprises in each of the eighteen ANZSIC industries was estimated for each scenario using ABS and Indigenous Business Direct data as shown in Figure 8. These eighteen industries were then added together to estimate the total economic contribution of all Indigenous enterprises.

⁷⁵ PwC developed methodology.

Figure 8: Methodology for calculating the economic value of Indigenous enterprises in industry x⁷⁶



The key data sets used to estimate the economic contribution of Indigenous enterprises are outlined as follows

- ABS State Accounts (cat. no. 5220.0) – this provides macroeconomic data on each of compensation of employees and gross operating surplus
- ABS Detailed Labour Force (cat. no. 6291.0.55.003) – this provides employment by industry, so the State Accounts data can be examined on a per employee basis
- ABS Census 2016 – this provides the base for the number of Indigenous owner-managers of Indigenous enterprises for the high scenario
- Indigenous Business Direct data – this provides the number of employees and type of Indigenous businesses that employs these individuals and are nationally registered with Supply Nation on the publically available Indigenous Business Register for the conservative scenario. As the industries within this data do not directly align to the ABS data used, assumptions as to ANZSIC industry each business falls into had to be made. The average number of employees per business from this data was also used for the high scenario.

Trusts

The estimate of the economic contribution of Indigenous trusts has been conducted in a similar way to that present above for Indigenous enterprises. This approach required an understanding of the instruments that created these trusts which would then enable research in to reporting mechanisms to understand the employment base for all Indigenous trusts.

⁷⁶ PwC developed methodology.

The legislative and policy context that land rights and native title trusts is outlined in Table 11 below.

Table 11: Legislative context to Indigenous Trusts

Jurisdiction	Legislation	Capability
Federal	<i>Native Title Act 1993 (Cth)</i>	Registered Native Title Bodies Corporate (RNTBCs) (also referred to as Prescribed Bodies Corporate (PBCs) – responsible for managing native title on behalf of traditional owners across Australia. As at 16 February 2017, there were 164 RNTBCs. ⁷⁷ Some RNTBCs will establish economic arms in order to generate business outcomes from their native title rights and interests.
New South Wales	<i>Aboriginal Land Rights Act 1983 (NSW)</i>	<p>The NSW ALRA provides land rights for Aboriginal persons in NSW. It provides for representative Aboriginal Land Councils and it vests land in and provides for land acquisition and management in, by and for Councils. It allows Aboriginal people to claim Crown land that is not needed for any essential purpose; and it set up a network of local land councils and a state land council, the NSW Aboriginal Land Council (NSWALC). The system received a percentage of state land tax for 15 years that has allowed it to now be self-funding.</p> <p>A Register of Aboriginal Owners is established and maintained under the NSW ALRA.</p>
Victoria	<i>Aboriginal Lands Act 1970 (Vic)</i>	<p>Aboriginal Lands Act 1970, was the first Act to recognise Aboriginal people's entitlement to land in Victoria, and Australia. The deeds for the reserve land at Lake Tyers and Framlingham were transferred to their communities under Trusts.⁷⁸</p> <p>For example, in 1971, 4,000 acres of Lake Tyers Reserve was handed over to the Lake Tyers Aboriginal Trust which was made up of the Reserve residents.⁷⁹</p> <p>At the time of writing, a review of the <i>Aboriginal Lands Act 1970</i> was underway to improve governance and enable greater self-determination for Lake Tyers and Framlingham communities.</p>
	<i>Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987 (Cth)</i>	<i>The Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987 (Cth)</i> vests the Condah lands (other than minerals) to the Kerrup-Jmara Elders Aboriginal Corporation (now held by Gunditj Mirring Traditional Owners Aboriginal Corporation RNTBC); and the Framlingham Forest (other than minerals) to the Kirrae Whurrong Aboriginal Corporation. The Act outlines access, management, use and transfer requirements for both areas. This Act also enables the land holding Aboriginal Corporations to make by-laws that promote economic enterprise and establishes the Aboriginal Advancement Account. ⁸⁰
Queensland	<i>Aboriginal Land Act 1991 (ALA)</i>	<p>Existing land trusts have the option of establishing a corporation and transferring all land and assets to the corporation. A land trust can:</p> <ul style="list-style-type: none"> • acquire, hold or dispose of property

⁷⁷ Australian Institute of Aboriginal and Torres Strait Islander Studies, 'Native Title Corporations', at <http://nativetitle.org.au/profiles.html> (accessed 18 May 2017).

⁷⁸ State Library of Victoria, 'Aboriginal people and the law', at: <http://guides.slv.vic.gov.au/law/acts> (accessed 5 June 2017).

⁷⁹ Lake Tyers Aborigina Trust, 'The Trust', at: http://laketyersaboriginaltrust.com.au/index.php?option=com_content&view=article&id=16&Itemid=2 (accessed 5 June 2017).

⁸⁰ Australian Government, *Federal Register of Legislation, Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987*, Registered 24 October 2016. At: <https://www.legislation.gov.au/Details/C2016C00958> (accessed 5 June 2017).

Jurisdiction	Legislation	Capability
	<i>Torres Strait Islander Land Act 1991</i> (TSILA)	<ul style="list-style-type: none"> borrow, receive and spend money sue and be sued in its corporate name employ staff and engage consultants. <p>As at 1 January 2013, there were 81 entities holding Aboriginal and Torres Strait Islander land under the ALA and the TSILA – 72 Land Trusts, 8 CATSI incorporated organisations, and 1 Local Shire Council.⁸¹</p>
South Australia	<i>Aboriginal Lands Trust Act 2013</i>	The Aboriginal Lands Trust (ALT) was originally established in accordance with the <i>Aboriginal Lands Trust Act 1966</i> to hold, in trust, titles of existing Aboriginal reserves on behalf of all Aboriginal people in South Australia (SA); as well as lands that have been transferred to, or purchased by the Trust. The SA Government provides land rights administration funding to the ALT. Amendments to the Act, which commenced in 2014 (<i>Aboriginal Lands Trust Act 2013</i>), enable the Trust to operate as an independent and professional land holding body. The Trust may use its funds for the development and improvement of ALT lands and the purchase of further land; as well as to provide assistance to Aboriginal groups. ⁸²
	<i>Anangu Pitjantjatjara Yankunytjatjara Land Rights Act 1981</i>	The SA Government granted title over more than 103,000 square kilometres in the far northwest of South Australia to the Anangu Pitjantjatjara Yankunytjatjara (APY). APY hold lands on behalf of all Pitjantjatjara, Yankunytjatjara and Ngaanyatjarra peoples. ⁸³
	<i>Maralinga Tjarutja Land Rights Act 1984</i>	The <i>Maralinga Tjarutja Land Rights Act 1984</i> provides for the vesting of title to Maralinga lands in the traditional owners of those lands. Maralinga Tjarutja acts as the body corporate to protect the interests of the traditional owners relevant to the management, use and control of the lands and territories. ⁸⁴ They also provide a range of services to the community including a powerhouse, health service, airstrip, and store.
Western Australia	<i>Aboriginal Affairs Planning Authority Act 1972</i> (AAPA Act)	The Aboriginal Lands Trust (ALT) is a statutory body established by the AAPA Act. The ALT administers lands previously held by the Native Welfare Department and other State Government agencies and lands registered in the name of the Aboriginal Affairs Planning Authority (now known as the Department of Aboriginal Affairs), 'for the use and benefit of Aboriginal inhabitants'. The ALT has responsibility for approximately 24 million hectares or 10 per cent of the State land mass across different tenures including reserves, leases and freehold properties. ⁸⁵ The ALT operates under a series of policies and guidelines that cover issues such as burials on ALT land, commercial opportunities, transfer of land, land use and development and leasing

81 Queensland Government, Department of Natural Resources and Mines, *Entities holding Aboriginal and Torres Strait Islander land under the Aboriginal Land Act 1991 and the Torres Strait Islander Land Act 1991 as at 1 January 2013*, Map 6, Brisbane, 1 January 2013. At: https://www.dnrm.qld.gov.au/data/assets/pdf_file/0003/108723/land-trusts-map.pdf (accessed 17 May 2017).

82 Government of South Australia, Department of State Development, 'Aboriginal Lands Trust', at: <http://statedevelopment.sa.gov.au/aboriginal-affairs/aboriginal-affairs-and-reconciliation/initiatives/aboriginal-lands-trust> (accessed 5 June 2017).

83 Anangu Pitjantjatjara Yankunytjatjara, at <http://www.anangu.com.au/about-us.html> (accessed 5 June 2017).

84 Government of South Australia, Attorney-General's Department, *Maralinga Tjarutja Land Rights Act 1984*, at: <https://www.legislation.sa.gov.au/LZ/C/A/MARALINGA%20TJARUTJA%20LAND%20RIGHTS%20ACT%201984/CURRENT/1984.3.UN.PDF> (accessed 5 June 2017).

85 Government of Western Australia, Department of Aboriginal Affairs, 'Aboriginal Lands Trust', at: <https://www.daa.wa.gov.au/about-the-department/boards/aboriginal-lands-trust/> (accessed 17 May 2017).

Jurisdiction	Legislation	Capability
		charges associated with the administration of the ALT estate. ⁸⁶ During 2015-16 the WA Government engaged at least nine Aboriginal businesses or corporations to provide services against more than 20 contracts relevant to managing the ALT estate. ⁸⁷
Tasmania	<i>Aboriginal Lands Act 1995</i>	The <i>Aboriginal Lands Act 1995</i> vested 12 areas in the ownership of a land council in trust for Aboriginal people; it provides for the establishment of the Aboriginal Land Council of Tasmania (ALCT), and the return of lands to the Tasmanian Aboriginal community. ⁸⁸
Northern Territory	<i>Aboriginal Land Rights (Northern Territory) Act 1976</i> (Cth)	Land Trusts in the Northern Territory are statutory bodies under the Aboriginal Land Rights (Northern Territory) Act 1976 (Cth) (ALRA). Land Trusts hold the title to land handed back to the traditional Aboriginal owners under one of the mechanisms outlined in the ALRA. A Land Trust exercises certain functions in relation to the land held by it as set out in the ALRA, but cannot exercise those functions except in accordance with a direction given to it by the Land Council for the area in which that land is situated. ⁸⁹ Approximately 47 per cent of land in the Northern Territory is Aboriginal freehold under the ALRA.
Australian Capital Territory	<i>Aboriginal Land Grant (Jervis Bay Territory) Act 1986</i> (Cth)	<i>Aboriginal Land Grant (Jervis Bay Territory) Act 1986</i> (Cth) vested land in the Jervis Bay area in the Wreck Bay Aboriginal Community Council.

The number of employees was constructed from a variety of sources and were reliant on the jurisdiction in question. The data utilised for this analysis are as follows:

- Federal – For 167 current federal Registered Native Title Body Corporates (RNTBCs), the number of employees was taken from 2016 general reports submitted to ORIC for each entity. Where no general report was available, the average employment of those that are published was used. This average was sense checked against that reported in the ORIC Top 500 report for 2014-15. As the most comprehensive data set that aligned with that ORIC Top 500 report, this average employment (just under two employees per trust) was used for state based trusts where no other information was available.
- New South Wales – The *NSW Aboriginal Land Council Annual Report 2015-16* provided the employment for the ALC, as well as the administration funding of the 120 LALC (Local Aboriginal Land Councils) from which employment was estimated using an average wage.
- Victoria – No specific information was found publically available, so the average employment per RNTBC was applied on the three trusts set up under the legislation (excluding the one that were already included in the federal RNTBCs).
- Queensland – The set of 83 relevant trusts was taken from Queensland Department of Natural Resources and Mines information. In absence of public employment data, the average employment per RNTBC was assumed for each trust (excluding 11 that were already included in the federal RNTBCs).
- South Australia – An ORIC general report for 2016 was available for only one of the three trusts created by the legislation so the other two were assumed to have the average employment.

86 Government of Western Australia, Department of Aboriginal Affairs, 'Aboriginal Lands Trust', at: <https://www.daa.wa.gov.au/about-the-department/boards/aboriginal-lands-trust/facts-at-a-glance/> (accessed 5 June 2017).

87 Government of Western Australia, Department of Aboriginal Affairs, *2015-16 Annual Report*, p 39. At: <https://www.daa.wa.gov.au/globalassets/pdf-files/daa-publications/daa-annual-report-2015-2016.pdf> (accessed 5 June 2017).

88 Tasmanian Government, Department of Premier and Cabinet, 'Legislation', at: http://www.dpac.tas.gov.au/divisions/csr/oaa/government_acts (accessed 5 June 2017).

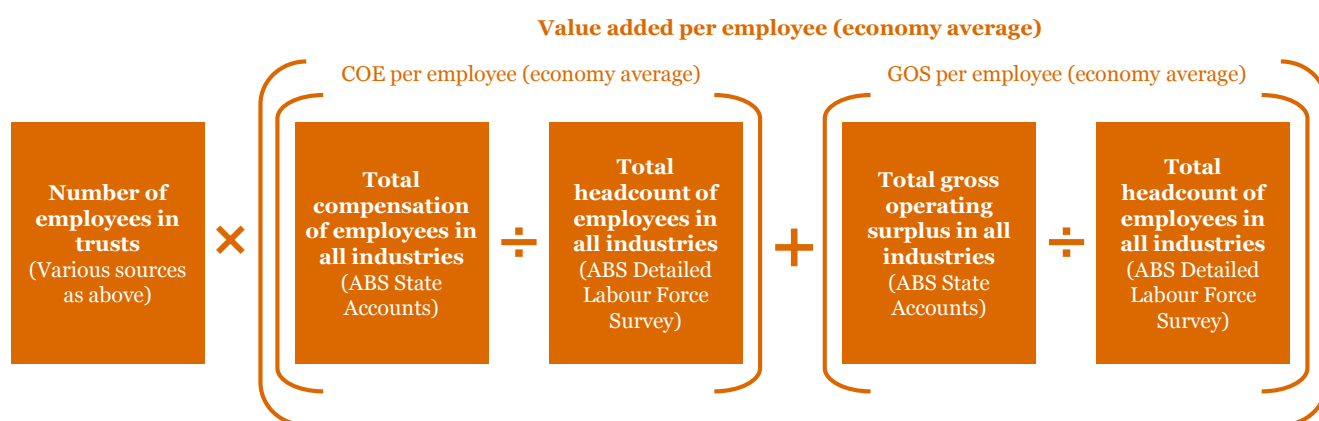
89 Agreements, treaties and negotiated settlement project (ATNS), 'Aboriginal Land Trust (Northern Territory)', at: <http://www.atns.net.au/subcategory.asp?subcategoryID=138> (accessed 5 June 2017).

Detailed methodology

- Western Australia – Information on employment was sourced from the Western Australian Department of Planning, Lands and Heritage website information on their Aboriginal Lands Trust.
- Tasmania – No public employment information was available on the Aboriginal Land Council of Tasmania so assumed average employment.
- Northern Territory – Of the identified 15 trusts, employment information was available in ORIC General Reports 2016 for seven and average employment was assumed for the remaining eight.
- Australian Capital Territory – Employment information was sourced from the *Wreck Bay Aboriginal Community Council Annual Report 2015-16*.

These sources of employment were then added together and used as the based for the value added calculation in Figure 9. This methodology is the same as that employed to Indigenous enterprises, however, we have estimated the economic contribution of Indigenous trust using economy wide averages due to the lack of available specific industry information for trusts.

Figure 9: Methodology for calculating the economic value of Indigenous trusts⁹⁰



The key data sets that went in to the calculation outlined in Figure 9 (additional to the specific employment data sets discussed above) are:

- ABS State Accounts (cat. no. 5220.0) – this provides macroeconomic data on each of compensation of employees and gross operating surplus
- ABS Detailed Labour Force (cat. no. 6291.0.55.003) – this provides employment by industry, so the State Accounts data can be examined on a per employee basis.

Māori example methodology

The economic analysis in this report and the detailed methodology above was based, in part, on the case study of the *Māori Economic Report 2013*, which provides a framework for modelling and measuring the contribution of Māori business to the New Zealand economy.⁹¹ It details asset evaluation through geographic location, industry sector, and productivity of asset base comparisons between earlier references and commentary. It is therefore helpful to understand the methodology of that report, as well as the results as a comparator to the analysis in this report.

The methodology of the *Māori Economic Report 2013* applies a broad definition of the Māori economy, ensuring that all entities and enterprises that self-identify as being part of the Māori economy are included. Economic calculations that inform this analysis include:

⁹⁰ PwC developed methodology.

⁹¹ Te Puni Kōkiri, Ministry of Māori Development, “Te Ōhanga Māori 2013” At <http://www.tpk.govt.nz/documents/download/609/tpk-maorieconomyreport-2013.pdf> (accessed 20 July 2017).

Detailed methodology

- an updated calculation of the 2013 contribution to New Zealand GDP from Māori economy enterprises
- an updated SAM (Social Accounting Matrix) to depict the 2013 income and expenditure flows within the Māori economy and between the Māori economy and the wider New Zealand economy
- an update of the asset base of Māori economy enterprises
- an expansion of this information base on the asset base to a broad regional breakdown.

The project also provided economic modelling that considered a number of future scenarios based on the 2060 impacts of jobs and GDP.

The report relied on a number of data sources that are compiled, analysed, and supplemented through modelling, including:

- Censuses, 2006 and 2013
- Annual Enterprise Survey, 2012
- Consumer Price and Capital Goods Price Indices, various dates
- Business Demography Statistics, 2013
- Household Sector Income and Outlay Accounts, 2013
- National Accounts, 2013 and previous
- Inter-industry Transactions, 2007.

The report used three measures are used to estimate the Māori economy GDP for 2013:

- *Production measure* – the total of the value added produced by Māori organisations – Māori enterprises in 2013 produced approximately 5.6 per cent of the total value added of New Zealand enterprises. This is equivalent to about NZ\$11 billion in value added, compared to total New Zealand production GDP of NZ\$195 billion.
- *Income measure* – the total of income (wages and profits) earned by Māori individuals – Māori economy contribution to GDP income in 2013 was 8.1 per cent of New Zealand's income measure of GDP. This total is an estimated NZ\$15 billion, compared to total New Zealand GDP by income of NZ\$185 billion.
- *Expenditure measure* – the total of spending of Māori households – Māori economy contribution to GDP expenditure in 2013 was 10.9 percent of New Zealand's expenditure measure of GDP. This totals an estimated NZ\$18 billion, compared to total New Zealand expenditure GDP of NZ\$165 billion.

An asset based calculation was also conducted and estimated the Māori asset base to be NZ\$42.5 billion, broken down to: businesses of Māori employers of NZ\$23.4 billion; businesses of self-employed Māori of NZ\$6.6 billion; and Māori trusts, incorporations and other collectively-owned enterprises of NZ\$12.5 billion.

The analysis of Indigenous business presented in this report is analogous to the production measure finding in the *Māori Economic Report*.

Appendix C Examples of Indigenous businesses

Self-employed individuals

Case study: Ingeous Studios

Ingeous studios is a 100 per cent owned Indigenous business operated by a self-employed Indigenous entrepreneur, based in Cairns, North Queensland. As a self-employed individual (business) Ingeous studios has only one staff member.

Ingeous studios is an Indigenous design and digital media creative media agency, and has been operating for more than 20 years. This business is based on a philosophy of staying humble and sharing knowledge, building products that make a difference in people's lives and giving back to community; demonstrated through a business model which provides for a targeted amount of income to be achieved annually, and a target of between 15 per cent to 20 per cent pro-bono contributions to Indigenous communities.⁹² Ingeous studios is also actively contributing to digital innovation, learning, collaboration and start-ups to build useful solutions for Indigenous Australians, migrants, refugees and people with disabilities not just in Australia but around the world.⁹³

Ingeous studios have completed contracts for a range of clients in the public and private sector, including for other Aboriginal Community Controlled Organisations, Non-Government Organisations, and Government.

On average, Ingeous studios earns between \$180,000 to \$200,000 annually.

Enterprises

Barpa Pty Ltd

'Barpa Pty Ltd (Barpa ⁹⁴) was established in 2014 as a joint venture corporation owned by the Federation of Victorian Traditional Owners Corporations Ltd (the Federation – which comprises eight Victorian Aboriginal native title or Traditional Owner rights entities) and Cockram Corporation Pty Ltd (Cockram – a multinational construction company started in Melbourne in 1861⁹⁵).

Barpa is a multidisciplinary construction services business that aims to provide Indigenous solutions to the Australian Construction Industry and Government sectors through Head Contract, Design & Construct and Managing Contractor services. Barpa services cover a range of areas including, capital works, estate works, science and technology, high security, regional and remote, and national and multi-site projects; and have worked across a range of sectors including Government, Health, Education, Commercial & Retail, Infrastructure, and Residential.

A small business with nine employees (44 per cent Indigenous employment) Barpa is majority Indigenous-owned. The Federation holds 51 per cent shareholding through Federation Enterprises Pty Ltd (a wholly owned Federation subsidiary); and Cockram holds the remaining 49 per cent. There are six directors of the Barpa Board; three from each entity. Barpa's management team also includes two Cockram employees, who are Barpa's Associate Director and Operations Manager.

Identified success factors for Barpa include strong Indigenous governance, networks that expand customer reach and the Indigenous supply chain, and a strong land and heritage foundation. Having access to cashflow

⁹² Ingeous Studios, at: <http://ingeousstudios.com/> (accessed 20 October 2017).

⁹³ D:Hive, at: <http://www.dhive.net.au/about> (accessed 20 October 2017).

⁹⁴ 'Barpa' is a Dja Wurrung word meaning "to build". BARPA, Barpa Company Profile, 2016. At: <https://nswicc.com.au/uploads/public/56e/of6/8cb/56e0f68cbf964202991168.pdf> (accessed 20 July 2017).

⁹⁵ Cockram, 2016. At: <http://www.cockram.com/company-profile/> (accessed 31 July 2017).

Examples of Indigenous businesses

during startup and establishment, and breaking stereotypes about the capacity of Indigenous businesses were identified challenges for Barpa.

Barpa has secured 15 contracts through the Australian Government Indigenous Procurement Policy (IPP) and the Indigenous Business Exemption No.17 to the Commonwealth Procurement Rules (CPR)⁹⁶. As at July 2017, AusTender had listed 48 government contracts awarded to Barpa between April 2014 and June 2017⁹⁷. These contracts are predominantly with the Department of Defence, but also with the Department of Finance and the Australian Nuclear Science and Technology Organisation. The total value of Government secured contracts exceeds \$42m.

Fields Group Pty Ltd (Medium Business – employs >20 people, but <200 people)

Fields Group Pty Ltd (Fields Group), a professional security services company, was established in 2012 by Shane Fields, a Gamilaroi man from Tamworth. Fields is the Managing Director and sole shareholder of the business; and as such the business is 100 per cent Indigenous owned.

Fields Group employ 70 employees as part of the team at Fields Group, of which 20 per cent are Indigenous; a target of 35 per cent Indigenous employment is the aim.⁹⁸

Indigenous ownership, strong vision and partnerships, and engagement with other Indigenous suppliers are identified success factors relevant to this business; while complying with government security clearance standards and financial limitations at start-up which impacted the businesses capacity to acquire an insurance bank guarantee, where identified challenges.

In October 2015, the Fields Group won a \$9.2 million three year contract with the Department of Foreign Affairs and Trade (DFAT) to provide domestic security services. This contract was a ‘game-changer’ for the three year old company, allowing them the opportunity to develop infrastructure that would have normally been out of their reach as well as the ability to now compete in the market against other larger companies.⁹⁹

Trusts

Gelganyem Investments Pty Ltd trading as Goorng Jimbila Contracting (GJC)

About Gelganyem Trust¹⁰⁰

Gelganyem Trust was established in 2005 as a charitable trust responsible for managing the Sustainability Fund which holds in trust, and manages the distribution of the benefits derived from the Argyle Participation Agreement (an ILUA between Miriuwung and Gija Traditional Owners and Rio Tinto) on behalf of the traditional owners.

Gelganyem Investments Pty Ltd¹⁰¹

Registered in August 2008, Gelganyem Investments Pty Ltd, trading as Goorng Jimbila Contracting (GJC) was established by the Miriuwung and Gija Traditional Owners as the main commercial vehicle enabling investment in business opportunities and creating a stronger wealth base.

The role of Gelganyem Investments is to manage the commercial interests of traditional owners, invest in established businesses, develop new businesses and acquire commercial assets that generate returns for the benefit of Miriuwung and Gija Traditional Owners as well as the wider Aboriginal community who live in the region.

96 Australian Government ‘Department of the Prime Minister and Cabinet’, ‘Barpa thriving under the Indigenous Procurement Policy’ 20 April 2016. At: <https://www.dpmc.gov.au/news-centre/indigenous-affairs/barpa-thriving-under-indigenous-procurement-policy> (accessed 31 July 2017).

97 Australian Government ‘AusTender’, ‘Contract Notice List’, 2014. At: <https://www.tenders.gov.au/?event=public.advancedsearch.CNSONRedirect&type=cnSearchEvent&keyword=&KeywordTypeSearch=AllWord&CNID=&dateType=Start+Date&dateStart=07-Apr-2014&dateEnd=&supplierName=Barpa&supplierABN=&valueFrom=&valueTo=&ATMID=&AgencyRefId=&consultancy> (accessed 31 July 2017).

98 L Feng, ‘NITV’, ‘Indigenous security company wins \$9m DFAT contract’, 19 October 2015. At: <http://www.sbs.com.au/nitv/article/2015/10/19/indigenous-security-company-wins-9m-dfat-contract> (accessed 31 July 2017).

99 Ibid

100 Gelganyem Trust, ‘Our Organisation’, at: <http://www.gelganyem.com.au/index.php/gelganyem/our-organisation-gelganyem.html> (accessed 20 July 2017).

101 Gelganyem Trust, ‘Gelganyem Investments’ and ‘Our Business’, at <http://www.gelganyem.com.au/index.php/gelganyem/our-organisation-gelganyem.html> (accessed 20 July 2017).

Examples of Indigenous businesses

Gelganyem Investments and Doorn-djil Yoordaning Mining and Construction Pty Ltd established a joint venture (JV) in 2010 with skilled operators to deliver various services at the Argyle Diamond Mine. In 2011/12, total sales for Gelganyem Investments amounted to \$4.133m.

Gooring Jimbila Contracting¹⁰²

After three years of operation Gelganyem Investments had built the capacity and skill base to deliver services independent of the JV partner. In 2013, Gelganyem Investments separated from the JV and established GJC as a stand-alone contractor. They have since become a preferred supplier to Argyle Diamonds Ltd.

GJC secured a five year contract valued at approximately \$12.5m to provide Infrastructure Maintenance Services (Civil Works and Dry and Wet Waste Management) to Argyle Diamonds.

GJC enables the generation of profits, all of which are directed to the Gelganyem Trust. GJC is 99 per cent Aboriginal staffed, and is currently exceeding its local/Indigenous employment targets.

NSW Aboriginal Land Council¹⁰³

The NSW Aboriginal Land Council (NSWALC) was originally established in 1977, as an organisation to lobby for Aboriginal Land Rights in NSW. In response to a Parliamentary Select Committee upon Aborigines established in 1978, which was focused on understanding the causes of Indigenous socio-economic disadvantage, and land rights, the NSW Government enacted the *Aboriginal Land Rights Act* (ALRA) which included a three tiered system of elected Aboriginal Land Councils to 'maximise decision making at the local and regional levels'. The NSWALC, constituted as a statutory corporation under the ALRA, provided the third tier at the state level, which was responsible for allocating funds to the local Aboriginal land councils (LALCs) for land acquisition and administrative costs. Under the legislation NSWALC and the Land Council system received 7.5 percent of the state land tax revenue collected each year for 15 years (1984 – 1998) as compensation for lands lost; and lands already held in trust for Aboriginal people were transferred to the LALCs.

Since 1998, NSWALC has been financially independent, funding the Land Council system through the interest generated through the investment fund; and a strong investment strategy.

NSWALC now has 121 member LALCs who manage and hold lands in trust for Aboriginal people living in NSW. They have the capacity to sell lands, something that is unique in Indigenous land management and trust arrangements nationally. NSWALC provides a range of community programs including a funeral fund, and more recently the provision of Early Stage Investment loans, capped at \$500,000 per business idea for LALCs and their business related entities.

As at May 2009, the estimated total value of the land granted under the NSW ALRA was approximately \$2,157 billion.¹⁰⁴

Total funds received as a result of the land tax amounted to \$537 million. Of this amount half of the funds were made available for land acquisition and administration; while the other half was deposited into a statutory account to build a capital fund, providing the basis of ongoing funding into the future. Under the ALRA NSWALC is required to maintain a balance of \$485 million in their 'NSWALC Account', being the Statutory Investment Fund.¹⁰⁵ As at 30 June 2016, the total net asset value was \$644 million (inclusive of rental properties and other financial investments).¹⁰⁶

102 Gooring Jimbila Contracting, Overview, at: <https://www.iseekplant.com.au/members/gooring-jimbila-contracting> (accessed 20 July 2017).

103 New South Wales Land Council, 'About', at: <http://www.alc.org.au/about-nswalc/our-history.aspx> (accessed 31 July 2017).

104 Office of the Registrar, *Aboriginal Land Rights Act 1983* (NSW), 'Land Rights in New South Wales', at: <http://www.oralra.nsw.gov.au/landrights.html> (accessed 30 July 2017).

105 NSW Auditor General, *NSW Auditor-General's Report to Parliament*, Volume Eleven 2012, New South Wales Land Council, p 62. At: https://www.audit.nsw.gov.au/ArticleDocuments/259/06_Volume_Eleven_2012_New_South_Wales_Aboriginal_Land_Council.pdf.aspx?Embed=Y (accessed 31 July 2017).

106 New South Wales Aboriginal Land Council, *2015-2016 New South Wales Land Council Annual Report*, 28 October 2016, p 131. At: <http://www.alc.org.au/media/121107/nswalc%20annual%20report%202015-2016.pdf> (accessed 31 July 2017).

Our team



Jodie Sizer

Co-CEO

PwC's Indigenous Consulting



James van Smeerdijk

Partner

PwC Australia



Gavin Brown

Co-CEO

PwC's Indigenous Consulting



Jessica Yu

Director

PwC Australia



Katie Kiss

Senior Manager

PwC's Indigenous Consulting



Nicola Neilsen

Manager

PwC Australia



Shivaan Bardolia

Manager

PwC's Indigenous Consulting



Sinead McKenna

Senior Associate

PwC Australia

www.pwc.com.au/pic

© 2018 PricewaterhouseCoopers. All rights reserved.

PwC refers to the Australia member firm, and may sometimes refer to the PwC network.

Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Liability limited by a scheme approved under Professional Standards Legislation.

At PwC Australia our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.au.

WL 127059933

