

Commerce - not charity - will close Indigenous gap

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Indigenous procurement has been a great policy success. But corporate Australia needs to keep up the momentum.

This month there were three announcements by Senator Nigel Scullion signalling big positives for Indigenous people. Did you miss them? Probably. The twittering classes and media (including Indigenous media) are far more likely to be consumed by negative news on Indigenous issues, something we've seen this year in particular. But the positives are there, hiding in plain sight.

The first announcement highlighted two developments: the findings of the The top 500 Aboriginal and Torres Strait Islander corporations 2014-15 report produced by the Registrar of Indigenous Corporations; and the outstanding results of the Indigenous Procurement Policy (IPP), which sets targets for Commonwealth contracts to be awarded to Indigenous owned suppliers.

There's also been a huge increase in Commonwealth contracts awarded to Indigenous-owned businesses thanks to the IPP. In the first 11 months of the IPP the Commonwealth awarded 1070 contracts worth \$229 million in total. This compares to \$6.2 million in 2012-13. A big leap and more than 4 times the IPP target for Year 1.

The IPP is arguably the most effective Indigenous affairs policy enacted by any government in decades. It provides tangible benefits for Indigenous business owners through participation in the real economy; not handouts or sit down money but real income paid for goods and services supplied to government agencies and departments. And it involves no additional cost to government because it had to purchase those goods and services anyway.

The IPP requires certain contracts be set aside for Indigenous-owned businesses. For these contracts departments must first identify if there is an Indigenous-owned business that can perform the contract at value-for-money. If so, they must offer the contract to the Indigenous business first and don't need to go through a tender. The mandatory set aside rules apply to any goods or services supplied in remote areas and all contracts worth between \$80-200,000.

Which brings me to the other two announcements. First, the Commonwealth will invest \$2.1 million to improve Northern Territory roads, therefore generating contracts in remote areas that Indigenous-owned businesses have first dibs on. Second, tourism is up significantly in the Northern Territory. Around 30 per cent of the Territory's population is Indigenous. When an industry grows in the Territory it creates opportunities for Indigenous people, especially when it's tourism. The

Commonwealth has also committed \$629 million for Tourism Australia, which means more contracts Indigenous-owned businesses can bid for. The corporate sector should take notice of these developments.

Most contracts awarded to Indigenous-owned businesses will be to small and medium enterprises. But Indigenous people will also participate in large contracts that the big corporations compete for, because government also requires those suppliers to meet procurement and employment parity targets. If your company supplies to government (or aspires to) then it needs to focus on getting Indigenous-owned businesses in its supply chains and workforce.

The long-term success of the IPP depends on there being enough Indigenous-owned businesses with the skills and experience to perform the contracts on offer and on Indigenous people being able to set up new businesses. There'll be a capability gap to be bridged, particularly in remote and regional areas where Indigenous people haven't fully participated in the real economy for decades. One approach is for established companies to partner with Indigenous businesses to bid for contracts, providing an operational base and skills transfer over time. Both companies benefit and the Indigenous business can learn, mature and grow.

The corporate sector has made great strides in engagement with Indigenous people and large corporations in Australia now have Reconciliation Action Plans. To date, the overwhelming focus of these efforts has been philanthropic or corporate social responsibility initiatives. In other words, charity. Ultimately, however, it's commercial activities, not charity, that will close the gap. If the corporate sector wants to help close the gap - and it does - then it needs to widen its Indigenous focus to include commerce. Only economic development can lift people out of poverty and disadvantage. The good news is economic opportunities are opening up for Indigenous people like never before.