

9.0 Economic and community development

This chapter highlights the importance of economic and community development for improving the living standards of Aboriginal and Torres Strait Islander people. Main themes of the chapter are:

- *linkages between economic development and service delivery*
- *changes in thinking that are required to support development*
- *the role of government in development and getting framework conditions right*
- *a number of important issues affecting development that were highlighted in the inquiry's consultation process.*

Key points

- The lack of economic development and opportunity is an underlying driver of community dysfunction and ongoing strong reliance on government support.
- Development is needed to drive the creation and accumulation of wealth within communities, providing employment and reducing welfare dependency and associated problems.
- Discrete communities were artificially established and did not evolve based on local economic opportunities and comparative advantages. However, the potential for development may be greater than current conditions suggest, as many prerequisites for development have long been absent.
- The approach to the relationship between Aboriginal and Torres Strait Islander people and government needs to change. The role of government needs to shift from service provider or 'fixer of problems' to 'enabler'.
- Given the challenges of development, when a policy is designed (including service delivery policies), an important consideration should be that the scope of the policy should support development, or at least not impede it.
- Government should not intervene in communities in a way that displaces or crowds out local investment in, and ownership and control of, commercial activities, including retail stores.
- Economic development and growth of a private sector will provide jobs in communities, but this will take time. More immediately, the Queensland Government can have an influence on local employment through the demand for labour created by its own service delivery activities.

Economic and community development is needed to drive the creation and accumulation of wealth within communities, thereby improving both economic and social outcomes through providing employment and reducing welfare dependency and its associated problems.

This chapter is not intended to be a comprehensive analysis of the current state of local economic conditions affecting communities, their potential for development, or the various ways in which government policies intentionally or unintentionally impact on development. Instead, the chapter examines a number of economic development issues that have been raised as part of this inquiry, in particular:

- adverse incentives created through state-funded provision of services
- how policy choices can unintentionally crowd-out investment and development
- local employment in service provision.

Other issues with strong linkages to development are discussed elsewhere and include:

- land tenure (covered in chapter 11)
- education and training (covered in chapter 14).

The Commission acknowledges that the Queensland Government does not have significant policy levers in a number of important areas influencing the supply of labour, or in linkages between the supply of labour and the demand for labour. The Australian Government controls income tax policies, income support payments and, in the main, the industrial relations system. This gives it a very large degree of control over the problem of the incentives facing Indigenous people to move from welfare dependence, or even temporary income support, to paid employment. Australian Government policy also dominates the market for job placement or matching services and other labour market programs through Job Services Australia (JSA) and the Communities Development Programme (CDP).

The Commission is aware that Australian Government labour market programs have come under heavy criticism for failing Indigenous people (for example, see Forrest 2014).

9.1 Why development is important for service delivery

Aspiration for change

Consultations have revealed a deep desire amongst Aboriginal and Torres Strait Islander people for greater economic opportunity. The lack of opportunity is seen as a fundamental underlying driver of community dysfunction and ongoing reliance on government support. The reliance on government money is seen by many as resulting in a range of perverse incentives which, in turn, discourage enterprise and perpetuate ongoing dependence on services delivered and funded by government.

Economic development reduces the dependence of Aboriginal and Torres Strait Islander people on governments for their livelihood. Greater independence or freedom expands the range of choices available to individuals and their families, including the range and quality of services available.

A lack of economic opportunity is evident in the discrete communities. Cherbourg, a discrete Aboriginal community with a population of around 1,300 people, provides an example. It is located 6 kilometres from Murgon in the South Burnett region of Queensland. Murgon, a town of just over 2,000 people, has a commercial precinct, with a number of cafes, a shopping centre, hardware store, chemist and a range of other businesses providing services to the community. Cherbourg does not have a main street. There are no shops, other than a very small takeaway store, and the only services are those that are government funded.

Quantity and efficiency of service provision

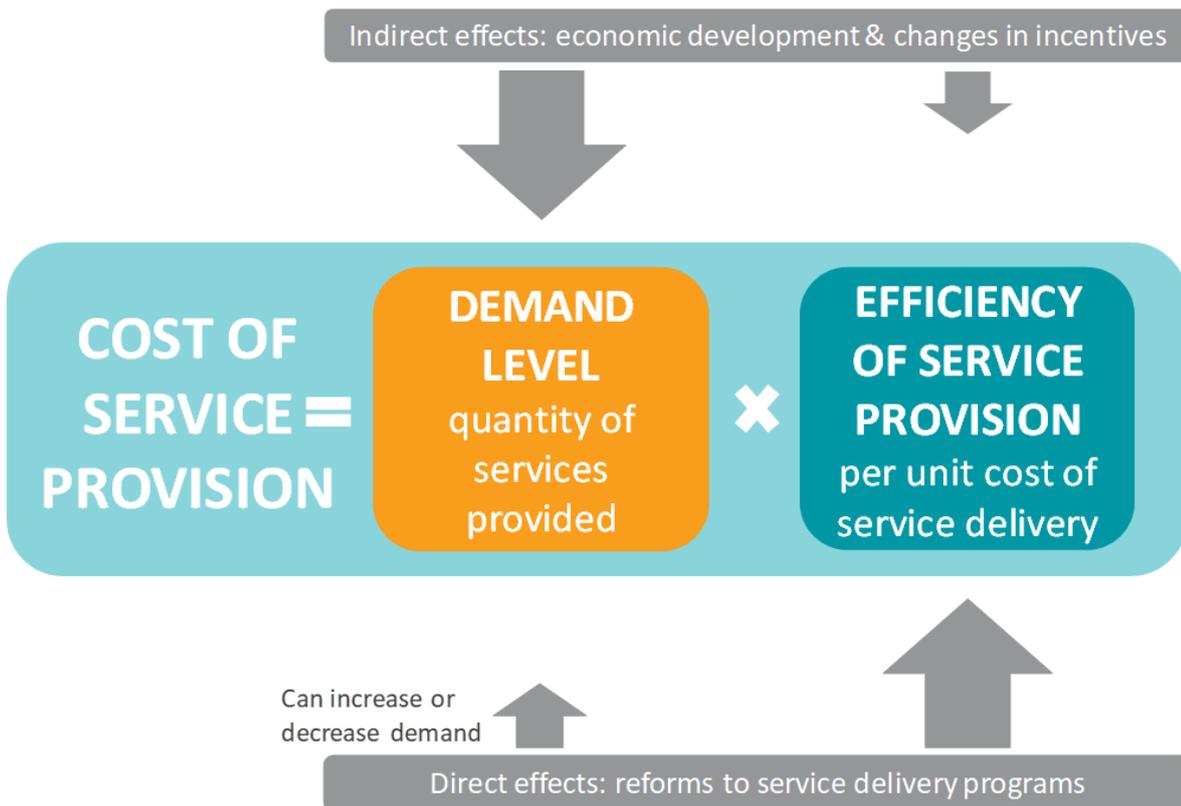
Expenditure on services to discrete and remote communities is a function of the quantity of services and the average cost of providing those services.

Successful service delivery reforms directly affect expenditure primarily through raising the efficiency of service provision. For example, reforms might involve services being delivered at lower cost while achieving the same outcomes, or it might involve the same level of expenditures, but services that better achieve their objectives or better meet the needs of Aboriginal and Torres Strait Islander people.

Economic development, on the other hand, has an indirect effect on service provision and mainly influences government expenditures by reducing demand. Access to economic development and employment opportunities are associated with improved well-being, and self-esteem (SCRGSP 2016), which in turn reduce demand for services. At the same time, economic development and wealth creation increases the sustainability of communities and reduces reliance on externally provided funding.

Economic development will also have some influence on the cost of service provision through impacts on the efficiency with which services are provided (Figure 51).

Figure 51 Economic development and service delivery programs



Note: The figure depicts the financial cost to government and taxpayers and not a broader economic concept of costs. A larger arrow indicates the main mechanism through which the cost of service provision is affected.

9.2 Changing the approach

The relationship between people living in communities and governments needs to be reconceptualised. A re-framed relationship will affect how problems are perceived and the role of individuals, families, communities, councils, the Queensland Government and the Australian Government in achieving improvements in standards of living.

Central to this change is a recognition that improved service provision will not solve the underlying problems in communities. Development is central to the long-term objective of reducing social problems.

Improved service provision will not solve the underlying problems

Providing services at lower cost, or providing services which better achieve targeted outcomes, does not address the underlying drivers of service demand.

Without economic development, communities will remain heavily welfare-dependent and continue to live with the negative impacts of dependency. To a significant extent, this outcome depends on the choices of those who live within the communities. However, policies at all levels of government also have a large impact on the future viability and welfare of discrete communities.

Many government policies with the objective of alleviating hardship are in place. Income support payments assist with buying food, paying utility bills, and so on. But these policies change the incentives which influence the choices (where they are available) made by individuals and communities. For example, in terms of self-reliance, taking responsibility for one's actions, investing in one's own capabilities or the capabilities of children, deciding where to live and behaviours which affect the individual, family and community.

Economic development is central to addressing social problems

Economic development is a necessary condition for significantly improved living standards. Without economic development, improvement in social outcomes will remain limited and cultural heritage will be threatened:

Until the Indigenous people of Cape York can largely generate their own incomes they will be dependent on income transfers, where someone else takes all of the rights and responsibilities to make decisions and take actions on behalf of a relatively powerless people. Economic development is therefore closely linked to self-determination... The reason for emphasising the importance of economic development is not that the economy is more important than cultural and social issues. It is that without economic advancement, Indigenous Australians are more likely to lose their heritage and identity. (Pearson 2005a, p. 4)

In a local newsletter, the Mayor of Lockhart River Aboriginal Shire Council wrote:

I think the biggest challenge for us, in Lockhart, is to get children to school.

And the other challenge is, when kids finish school, to get them into a job.

That's probably our two biggest challenges. (LRASC 2016, p. 4)

Significant effort has been expended to provide local Indigenous people with jobs in government-funded services in their communities; but there remains a lack of local economic development and private sector job creation, which is also needed to expand employment opportunities over the longer term.

More wealth creation

Existing policies are overwhelmingly characterised by a focus on distributing resources and the cycle of servicing 'need'. Much of what happens in communities occurs in the 'public sphere'. Significant growth in the private sphere (sector) and the community voluntary sector is needed, in absolute terms and relative to the size of the public sphere.

Remote and discrete communities rely very heavily on funding provided from outside the community for services provided within the community. This makes them dependent on the decisions and preferences of those providing the resources, and primarily means dependence on governments acting as an agent for taxpayers.

Dependence on others—the opposite of empowerment—can be reduced if Aboriginal and Torres Strait Islander people living in remote and discrete communities can have greater opportunities to generate their own wealth.

While the problems in communities have been evident for decades, the weight of policy effort and resources remains directed squarely at (largely passive) service delivery. There are encouraging signs, however. Recent community-led initiatives and some initiatives within governments are putting greater emphasis on economic opportunity and development.

Box 9.1 Draft finding

The development of policy and decision-making processes need to embed a number of changes in approach:

- a recognition that improved service delivery will not significantly reduce the underlying problems
- a greater focus on wealth creation and the pursuit of opportunity
- Indigenous people becoming responsible for their own and their family's welfare
- a shift in the role of government, to more of an enabling role.

9.3 Viability and service delivery costs

This inquiry does not comment on the long-term viability of individual communities. However, the concept of viability and the implications for service provision and resourcing decisions are briefly discussed.

Deliberations regarding community viability raise challenging issues, and involve a wider range of factors than considered below. As discussed in previous chapters, the costs of providing services to remote and discrete communities are high, and may not always work in the long-term interests of these communities.

The question of viability may be viewed in terms of various considerations, including the ability of traditional country to provide healing or coping mechanisms for Indigenous peoples (Moran 2009). Viability can also be considered using a simple model which defines viability along two dimensions:

- an acceptable level of wellbeing—which should be set primarily by those living in the communities, but which should also consider reference to the broader population
- an acceptable level of outside support—primarily determined by political decision-making processes in the Queensland Government and Australian Government (Cape York Institute 2005).

The lower the level of required outside support, and the higher the level of wellbeing, the more a community is economically viable.

Where communities are not viable, but populations remain in communities, the cost of service provision will remain high. Where communities are not viable, and populations adjust down to a more sustainable level, service provision costs will decline. An important factor determining whether populations adjust or not, is decisions about the ongoing provision of services, as service provision can provide incentives to remain in communities even when there are no jobs available.

Where communities have the potential to be viable, and this potential is gradually realised, service provision costs driven by the problems of welfare dependence and social dysfunction will decline. On the other hand, as wealth increases in a community, demand for services can also increase—for example, the demand for higher quality education and housing. Even in this case, the financing task for governments can reduce, as economic activity and wealth creation in the communities contribute to government revenues through taxes.

Greater public acceptance of resource transfers to support viability is more likely if:

- there is a clear long-term objective or 'end-game'
- the public could see that progress is being made
- there are clear lines of accountability for the resources consumed in providing services.

9.4 Role for government in economic development

Discrete communities were artificially established and did not evolve based on local economic opportunities and comparative advantages. For improvements in living standards of communities to occur, development needs to be driven from the local level and from individuals and institutions acting outside of government (Box 9.2).

Box 9.2 Community-led development principles

Key conditions required for genuine community-driven development to thrive include the following:

- development being community-driven in order to best meet community (as opposed to government) priorities and in order to be sustained over a period of time longer than government policy and funding cycles
- a whole-of-portfolio approach featuring a holistic suite of integrated projects, as opposed to a fragmented and isolated program-focused approach
- integrated partnerships involving the complementary efforts of multiple, diverse stakeholders at the community level
- systems to support a community-driven approach, in particular, those that address the problems of: the lack of skills or cultural sensitivity of government staff to effectively engage Indigenous communities; inadequate timeframes for community capacity building; funding cycles that do not permit long-term planning; inflexible funding frameworks that curtail community initiative; unreasonably burdensome compliance requirements; reporting frameworks that elevate outputs over capacity-building outcomes; and competitive funding processes that favour large NGOs over community organisations and deter service providers from working collaboratively
- the tension between government expectations and objectives (often framed in terms of managerial considerations of outputs and cost effectiveness) versus community goals and expectations around capacity-building, participation and community control.

Source: Limerick & Sutton 2013, pp. 52–53.

There are some key areas where Queensland Government policy is very important for development, particularly in relation to the broad range of policies that constitute the 'economic framework'. In this space, the Australian Government also has a large role to play.

There is a risk that greater government involvement in development, beyond getting the economic framework right, could be counterproductive. New development policies could easily lead to unintended consequences, impacting negatively on the momentum that appears to be building behind private and community-led development initiatives.

Getting the economic framework right

Institutions and government policies establish the broad economic framework in which people and businesses make choices and act. Getting the economic framework right is necessary to support investment and growth.

Framework institutions and policies have broad-ranging impacts across many people, businesses, industries, communities and regions. Some of the types of institutions and policies usually considered when discussing the economic framework are listed in Box 9.3.

Box 9.3 Economic framework institutions and policies

Economic framework institutions and policies typically include those that:

- establish and protect property rights, such as, an efficient land tenure system (see Chapter 11)
- raise taxes
- influence the rewards from undertaking investments which improve an individual's capabilities
- influence the rewards to businesses from undertaking investments in capital, improvements to production processes and the development of new goods and services
- govern institutions and how economic activity is organised within and externally to the institution
- affect the processes of saving, financial intermediation and linking savings to investment opportunities
- influence the role of competition in providing incentives for improved performance
- support the reallocation of resources between businesses and industries
- influence the creation, diffusion and application of knowledge.

In 2005, the Cape York Institute released a report that set out the conditions needed for development on the Cape (Table 21). At the time, there were major shortfalls in each of the conditions. Consultations indicate that these shortfalls also apply to non-Cape communities. In the intervening 12 years, there has been progress on some prerequisites or framework conditions, such as in relation to land tenure (although more remains to be done). However, consultations indicated that some problems may have become more 'locked-in' (see the discussion concerning NPARIH in Chapter 12).

Table 21 Conditions for development

Prerequisite	2005 status
Incentives for people to benefit from work	Welfare payments dilute incentives to work and study; obligations from family members can result in high effective tax rates; income management issues.
Incentives for people to be educated and healthy	Low levels of health and education infrastructure and service delivery; low returns on education.
Good governance	Governance and capacity issues of community councils; councils involved in many business-related activities.
Access to financial capital to build assets	Banking facilities virtually non-existent.
Good infrastructure	Areas are very remote; access to markets difficult and expensive.
Social capital/order (respect, trust, accountability, enforcement of law)	Law and order issues and social capital deficiencies.
Protection of property (legal protection of individual ownership)	Current communal land structures make individual land use difficult and hard to use as collateral; home ownership virtually non-existent.

Source: Cape York Institute 2005; Pearson 2005b.

Facilitating change

Economic development, or economic and productivity growth, requires change. Doing the same things in the same ways will not result in greater economic participation, services being provided more cost effectively, services better tailored to local needs, or a reduction in the need for some services.

The need for growth in the private and community spheres, relative to the public sphere, involves a deepening of the ecosystem of institutions in communities—private businesses and community organisations. It involves changes in the allocation of resources and an increase in wealth-generating activity. However, there are impediments to change and development:

- The role of local councils—consultations raised concerns about the broad scope of council activities and councils' influence over development in communities (for example, through the DOGIT arrangements and through involvement in commercial enterprises). The way in which programs are delivered and the financial flows involving councils, combined with the financial pressures councils are under, can provide incentives to make choices that may not be consistent with the long-term needs of development (Chapter 13).
- Regulation and access to resources—new industries are needed in and around communities for communities to be sustainable. However, regulations can impede development, or make the costs of development so prohibitive that opportunities are never realised. For example, for agriculture to develop on the Cape, there needs to be a willingness to permit clearing and create new water licences. In the case of CYP's attempt to build a timber industry, while there is a good potential supply of logs from Indigenous land on Cape York for the next 50 years, this supply is very vulnerable to regulatory change (for example, new environmental regulations).

Support for the pursuit of opportunity

Development requires a mindset which seeks out opportunity. To identify and pursue opportunities requires individual initiative and belief in one's ability to succeed.

Nurturing a culture which pursues opportunities also encompasses opportunities to improve local living conditions in other ways apart from economic development, such as through a healthier culture of voluntary participation in communities.

Both capabilities and incentives matter for the pursuit of opportunity and they are often interrelated. The 'system' needs to be more highly incentivised to make the changes required to improve living conditions in the longer term. This can happen by increasing the returns or rewards to:

- investments in human capital, such as education and training
- changes that improve service provision
- institutions supportive of economic development, for example, by better aligning financial incentives with the requirements of development
- business investment, including through reducing the risk of investment (for example, reducing sovereign risk in communities associated with uncertainty of tenure)
- economic participation, for example, the decision to supply labour and transition from dependence on income support payments to employment
- changes in personal behaviours.

A greater share of resources directed through government policies needs to assist individuals to move towards greater self-reliance by promoting economic growth at the local level. Stronger local economies over the longer term will provide the revenue base for service provision so that communities will be less dependent on external grants.

Progress in Indigenous business development

Achieving economic development and wealth creation means the ongoing development of an Indigenous private sector. Specifically, it means getting to the point where more people in remote and discrete communities are engaged in private enterprise as owners or employees, and are engaged in voluntary activities in their communities. It means a smaller proportion of activity in communities is part of the process of external grants, public administration and service delivery.

There is significant potential for Indigenous business development and it appears that positive momentum is being built, with strong growth in the number of Indigenous businesses (Hunter 2013). A House of Representatives inquiry into Indigenous business development found support for a growing Indigenous business sector:

Whether as individuals or community based enterprises, Indigenous people are increasingly seeking business opportunities. Some of this pressure may come from demographic shifts. Indigenous people are a young and growing population—more than 60 per cent are under the age of 25 years. They have a future focus on raising families, education, housing and jobs. Indigenous business mentors also report an entrepreneurial attitude among young Indigenous people: explaining that they have 'very little fear about going out and taking risk. (House of Representatives 2008, p. 11)

A recent article in *The Deal Magazine*, included in a special issue, 'The new agenda: celebrating Indigenous success', stated:

It's boom time for Indigenous business, as positive procurement policies and growing corporate involvement encourage a new generation to engage with commerce. (Fitzpatrick 2017, p. 11)

The magazine issue included many stories of successful Indigenous enterprises and provided a strong sense that Indigenous people and communities are not waiting around any longer for governments to fix the problems for them, but are seeing the future as being determined by their own efforts, for example:

Just one of a range of community development programs run to strict business governance models through the Alice Springs-based Central Land Council, WETT has directed \$18 million over the past decade into training, boarding school placement, student excursion and other educational activities that leverage resources ownership into community gains ... WETT founder Barbara Napangardi Martin, from Yuendumu, likens the approach to holding a protective umbrella over Indigenous policy-making, "It's a metaphor where government ideas are like the rain, and all those ideas are changing all the time, but with the umbrella we can keep our good ideas underneath, so the government can't ruin them". (Fitzpatrick 2017, p. 12)

However, national trends may not be a good indicator of what is happening in Queensland's remote and discrete communities:

Most Indigenous entrepreneurs or self-employed business people are in the south-east corner of Australia, where Indigenous education outcomes are better and where there is greater demand for goods and services ... Interestingly, the most successful Indigenous businesses, from a financial perspective at least, tend to be those that operate outside of Indigenous communities. (Hudson 2016b, pp. 4–5)

Challenges for Indigenous business development

The creation and survival of an Indigenous business involves many challenges. Some are common to any business, and some are more specific to an Indigenous business. Stanley (2002) explores issues that impact the success of Indigenous business, including some which relate to culture:

- Most communities have ultimate goals for their businesses which are not the maximisation of profit. These typically include employment and training, autonomy, cultural maintenance and development, and caring for their land.
- The Indigenous style of decision-making is non-authoritarian and consensus-based and this results in business decisions being made slowly.

There are alternative perspectives on what is 'traditional' Indigenous culture and whether it is compatible with the requirements of a modern market economy:

[The anthropologist, Stanner,] said the Dreaming and the market are mutually exclusive – in his eyes we were the people who would crumble at the touch of the modern world, would lose our culture and our identity if we engaged with the market. Well, none of us here today believe that. We are proof that we can walk in the Dreaming and walk in the market. We have to tell a story of success, to embrace success, to move beyond the darkness of our history even while not forgetting the struggle of those who continue to languish. (Stan Grant as quoted by Fitzpatrick 2017, p. 11)

Tensions between traditional values and social arrangements and participation in the mainstream economy can include:

- tensions between immediate sharing and individual accumulation within Aboriginal cultures
- loyalty to kin versus impartiality to all (arguably, this is not a unique feature of Indigenous communities or businesses)

- individual autonomy and the authoritarian practices of the school and workplace
- individual advancement and remaining at one with the community
- exploiting land and living with it (Pearson 2005b, pp. 8–9).

While there are challenges, development is needed for the overall welfare of discrete communities, including maintenance and protection of culture. Communities with much social dysfunction are unlikely to be communities with a thriving culture.

Failure as part of a process of learning

When an Indigenous business fails, it is important that a development or learning perspective is adopted if some form of policy response is being considered.

Business failure is part of a process of learning for both Indigenous and non-Indigenous businesses. An example is the recent closure of the Hope Vale banana farm, pending re-organisation (Box 9.4). The experience has provided lessons that informed other enterprise efforts on the Cape, such as, Cape York Timber.

Cape York Timber, established in 2013, produces high-quality Australian hardwood while providing Indigenous employment and training. Cape York Timber harvests on Indigenous properties and is a profitable 100 per cent Indigenous-owned business. Cape York Timber is trying to build an industry (or rebuild one that used to exist).

Learning from the banana farm experience, Cape York Timber has an explicit commercial objective with the intention of being a viable business in competitive timber markets. External management expertise was brought in from the Victorian timber industry with the longer-term objective of transferring knowledge and skills to local Indigenous management.

Box 9.4 The Hope Vale banana farm

The Hope Vale banana farm was a 80 hectare banana plantation established on already cleared land. The project was initiated through the Hope Vale Aboriginal Shire Council and Dole Australia Pty Ltd with support from both the Australian and Queensland governments. The first stage of the farm was completed in 2012. Training and industry qualifications were also made available through CDEP to locals to construct the 302 mega-litre irrigation dam that supports the banana farm.

The farm has ceased trading and is insolvent pending re-organisation. Consultations indicated that some barriers to the successful operation of the farm were:

- conflicting commercial and non-commercial objectives, for example, whether the farm was meant to be a commercial enterprise or a training farm where training expenditure was more than could be justified for the commercial operation of the farm
 - if a commercial enterprise, insufficient plantation scale to sell in open, competitive markets
 - if a training farm, no appropriate external funding sources to subsidise (pay for) non-commercial activities
- management by 'committee' with too many players involved
- lack of management expertise.

In 2014, the plantation was hit by cyclone Ita which destroyed nearly 90 per cent of its crops. A report for Jawun stated:

Production and income never recovered and the farm has not turned over a profit since, with most effort spent on cleaning and maintenance. A relatively inexperienced management and the modest skills of the local workforce made recovery, already a huge task, even harder. Then in March 2016 the farm's industry partner and 25% shareholder Dole Australia (local subsidiary of global fruit and vegetable giant Dole Food Company), closed all Australian operations and discontinued its operational involvement at the farm. This ended an arrangement whereby Dole Australia provided operational expertise to the farm and purchased all fruit produced at an agreed price through an offtake agreement. (Jawun 2016, p. 1)

The same expectations apply to Indigenous employees here as to employees at a commercial enterprise; investments in training are made based on the same requirements as those that hold in any successful timber enterprise.

The need for a more commercial footing appears to be what is planned for a restructured banana farm:

Cape York Enterprises, with possible support from Jawun secondees, will oversee future restructuring of the farm. This includes winding up the existing legal entity, overseeing its transfer back to Hope Vale Foundation, designing and implementing a strong operational model, and securing additional funding. A farming contractor will be engaged for a 'clean up' process, experienced management will be appointed, and a skilled local labour force will be developed over time. Negotiations are planned with an industry partner regarding a marketing agreement and provision of consultancy service. (Jawun 2016, p. 2)

Displacing and crowding out investment opportunities

Government policies can accidentally displace or crowd-out investment opportunities, including opportunities to invest in, own and operate businesses in communities. When this occurs, a valuable opportunity to learn and build capabilities is foregone. Given that few economic opportunities currently exist in many communities, it is important that government does not displace those that do exist, and allows for new opportunities to be captured.

This has not always been the case—government ownership of retail stores provides a case study to illustrate issues of displacement and crowding-out.

The Queensland Government, through the statutory body Community Enterprise Queensland (CEQ), owns some retail stores in discrete and remote communities. CEQ's stated aims are to provide communities where they operate with a 'range of food, drinks and household items essential for a healthy life, at a fair price' (DATSIP 2016).

Government ownership of retail stores in communities is rationalised on the basis that there is too great a risk that, without government involvement, the store will fail, and the community's food supplies will suffer. Partly, this perception is related to the commercial difficulties with owning a operating a store in remote communities:

- The remoteness of communities means goods need to be transported long distances, with unreliable infrastructure, resulting in high freight costs.
- The small size of most communities means that scale economies are not achieved, for example, in transport costs or store operations, and it may be difficult to recruit staff.

- Climatic conditions, combined with long transport distances, can affect the quality of food delivered, particularly perishable goods.
- Reliable refrigeration can be a problem in remote communities where there are regular power outages, problems with back-up diesel sources, and/or where communities are reliant on outside mechanics to fix refrigerators and freezers (ABC News 2015; House of Representatives 2009; Hudson 2010).

Partly, however, government ownership is also justified on the basis that there is a 'a need to improve the health of Indigenous people in remote Australia by addressing nutrition-related health problems [and] unreliable food supplies'.¹⁸ In a 2009 inquiry into remote Aboriginal and Torres Strait community stores, a House of Representatives report stated:

It is the Government's role to ensure that Aboriginal and Torres Strait Islander people along with non-Indigenous Australians living in remote areas of Australia have access to a secure food supply and services that are adequate to support their health and well-being. (House of Representatives 2009, p. 1)

The objective of improving health outcomes is an important issue (discussed in Chapter 16). However, it is not clear that government must own stores to support improvements in health in communities or to ensure security of food supplies. Consideration needs to be given to whether there are:

- any adverse impacts from government ownership; and/or
- other ways of achieving the same outcomes.

The key risk is that Government ownership and control diminishes local-level responsibility and can impede the development of a culture of individual/community action and enterprise.

By choosing to own retail stores, government monopolises the retail market (for example, it is usually the only grocer in town, given the size of the market). It directly displaces the business that would otherwise provide the same product categories. This means that it directly displaces what could otherwise be an Indigenous-run business (either a local Indigenous business or an Indigenous business operating across communities).

Government ownership can crowd out investments in other markets, or crowd out investments which have not yet occurred:

[T]he goal should be to try and normalise these communities, not add to their dependence on government... Although the Outback Stores initiative may be useful in addressing poor management practices and reducing uneconomic cultural practices, it has also resulted in some unfortunate and unintended consequences.

The \$77 million of government funding that has gone into Outback Stores has created an unequal playing field and made it harder for independent community stores to keep operating. Government involvement and subsidies to Outback Stores will make it less economically attractive for communities to run their own stores or to explore alternative methods of obtaining fresh fruit and vegetables, such as growing it themselves. (Hudson 2010, p. 1)

Government-owned stores may use their position of monopolist in one market to expand their product range into other product markets, driving existing local businesses out of business. For example, stakeholders raised concerns that the CEQ store in one community might expand into the provision of prepared fast food and drive out of business the locally owned fish and chip shop.

¹⁸ See <http://outbackstores.com.au/about/background/>.

Whether concerns about displacement and crowding-out are perceived or actual, comparably sized 'mainstream' communities have a much healthier retail sector and have an active business community. While only one of a range of determinants of the problem, government ownership of stores contributes to a stagnant business culture in remote and discrete communities.

A secondary concern commonly cited with government owned entities, is that they tend to be expensive (usually due to inefficiency) and do not have incentives to meet the wants of consumers. These concerns were reflected by stakeholders, with concerns about food costs and quality. As noted by the Legislative Assembly in 2005:

There is considerable disquiet in the [Palm Island] community regarding government ownership of the retail store and private ownership by organisations from the mainland of other services provided to the community such as the air, ferry and barge services. This is seen to reduce employment opportunities, take profits which otherwise would be invested back into the community and, in the case of the retail store, unnecessarily increase the cost of living. (Legislative Assembly of Queensland 2005, p. 8)

To achieve a reliable supply of quality food, there are a range of alternative policies to ownership and control, including licensing regimes, contracting-in external management expertise and subsidy policies. Where a government wishes to subsidise the provision of a particular good or service, the government can provide an explicit subsidy appropriated through budget processes.

A network of stores offers some advantages compared to small, independent local stores (for example, backoffice scale economies, buying power and external expertise in the management of retail stores). However, it is not government ownership that delivers these benefits as they are available under any ownership/governance structure. Alternative models capable of capturing the benefit of a network of stores, while not damaging the development of an Indigenous business culture and individual capabilities, include:

- cooperative arrangements¹⁹
- communities contracting in retail store management expertise, or backbone support, from other Indigenous organisations, such as, ALPA (Box 9.5) or Outback Stores.

This conception of the 'role' of government displays the problem whereby government assumes responsibility for something that should be an individual, local or market responsibility. In contrast, if the role of government is envisioned as enabling change, then the policies which follow will often be quite different.

Once responsibility is viewed as residing with the individual and the community, then it becomes clear that, for improvements in standards of living to occur over time, Indigenous people must be capable. Capabilities are only built through a process of learning, which takes time and usually involves failure.

Under an enabling role, the consideration of the merits of a policy would give greater weight to the risk of unintended consequences associated with government intervention reducing the capabilities of Aboriginal and Torres Strait Islander people.

So, in considering a policy response to the problems of the reliable provision of quality food and linkages to poor health outcomes, and assuming the local community wants some form of policy response, government could choose policy instruments that address the problems, but do not contribute to or perpetuate other, often underlying, problems.

¹⁹ See <http://www.coopdevelopment.org.au/communityenterprises.html>

Calls for government to remove itself from the ownership and management of retail stores in communities are neither new or solely from communities. For example, recommendation 12 of the Legislative Assembly of Queensland Palm Island Select Committee Report in 2005 stated, 'The Minister for Aboriginal and Torres Strait Islander Policy should pursue transferring ownership and management of the Palm Island retail store from Government to an entity capable of demonstrating appropriate capacity, pricing policies, product selection, local employment policies and profit investment'.

Working with communities, the Queensland Government should develop an exit strategy from the ownership and control of retail stores.

Box 9.5 Retail stores in remote Indigenous communities— alternative approaches

Arnhem Land Progress Aboriginal Corporation (ALPA)

ALPA is an Indigenous corporation providing retail, employment and community services across the Northern Territory (NT), Cape York and the Torres Strait. It has 27 stores with 8 stores located in Far North Queensland operating as Island & Cape Retail Enterprises Store Committees. The stores are operated as 'member' stores or 'consulting' stores where ALPA has been brought in to assist a local community.

The committee's role is to support the store managers, Yolŋu supervisors and store workers in resolving local issues that arise in relation to the store. The Committee is also a conduit for feedback from the community in regards to store matters such as range or trading hours.

The store committee is responsible for managing the Molu Rrupiya Gungayunamirr (Special purpose money for the people) or Community Benefit Funds allocated to their community by the Board of Directors based on store performance. The use of these funds raises important issues of governance and the need to comply with taxation laws and the rules of the Corporation, including the Store Committee Guidelines.

ALPA has worked with a number of indigenous suppliers to supply clothing products for stores; for example, Queensland businesses KLT Culture and Bundarra have been used.

ALPA's retail consulting arm 'Australian Retail Consultants' provides retail services (for example, helps stores improve their management, provides relief management, and on-the-job training), finance and accounting services, and shop-fitting services.

In July 2015, ALPA was instrumental in handing back a local store to the traditional owners at Gunbalanya (Oenpelli) community. The store had been owned by the West Arnhem Shire since 2008. ALPA previously operated the store for the Shire and also helped to establish the Adjumarllarl Aboriginal Corporation representing the local traditional owners in 2012. With ALPA's relationship with the West Arnhem Shire and the Adjumarllarl Aboriginal corporation, ALPA was able to work with both parties to ensure the best outcome for the store and the local traditional owners.

ALPA also operates Australian Retail Technology which provides the backbone supporting delivery of our technical retail operations across our network (including shop fit-outs, POS (Point of Sale) system installations, back office and Time Target systems, CCTV installations, ROS4U online shopping kiosks and fibre optic cable installation, plus Helpdesk support across over 50 sites in the NT, Queensland and South Australia).

Source: ALPA 2016.

9.5 Employment

Overview of employment policies

A range of Queensland Government policies impact on the supply-side of labour markets, such as the following priorities under the Moving Ahead strategy:

- Build a more skilled and diverse workforce: actions to improve training and upskilling are intended to assist with increasing workforce participation, improve productivity and create opportunities for growth.
- Focus on youth and plan for success: actions in recognition of the need to prioritise the improvement of economic participation outcomes for young Aboriginal and Torres Strait Islander Queenslanders.
- Overcome barriers and realise opportunities to completion: actions to target barriers to economic participation, and support individuals to ensure they gain the maximum benefit from available opportunities (Box 9.6).

Box 9.6 'Moving Ahead' strategy and other initiatives

'Moving Ahead'

Moving Ahead is the new whole-of-government strategy to improve economic participation outcomes for Aboriginal and Torres Strait Islander Queenslanders. Moving Ahead includes 27 actions to drive specific improvements in economic participation outcomes.

Moving Ahead Priority 1. Build a more skilled and diverse workforce

Support Queenslanders who are underutilised or underemployed in the labour market, as well as building the skills of young people, Aboriginal people and Torres Strait Islander people, people with disability, mature-age job seekers, women re-entering the workforce, and people from culturally and linguistically diverse backgrounds, and assist into work through a suite of targeted skills and training programs delivered through the Skilling Queenslanders for Work initiative.

Provide funding to 2017–18 to support the Indigenous Vocational Education Training (VET) Partnerships to enable funding for projects to assist Aboriginal people and Torres Strait Islander people, that require support, to train for a real employment outcome, which is linked to local industry need and identified skills gaps.

Moving Ahead Priority 2. Focus on youth and plan for success

Improve student transitions to further education, training and employment, through the Youth Employment Program to engage with Year 12 students; provide assistance and support in the year after Year 12 including provision of job readiness training, and pre- and post-employment support; and engage with local businesses and community organisations to identify/link candidates with real jobs.

Continue implementation of the Solid Pathways Program to improve the tertiary pathways, aspirations and outcomes for high-performing Aboriginal and Torres Strait Islander students, and provide academic extension activities. Assist Aboriginal and Torres Strait Islander students to develop the skills and knowledge for jobs of the future, through support of the Digital Careers Program.

Moving Ahead Priority 5. Overcome barriers and realise opportunities to completion

Increase the economic opportunities available to Aboriginal and Torres Strait Islander communities through the resolution of land administration matters and strengthened coordination of capital works projects to increase local skill development, improve local economic opportunities and resolve land legacy issues (Department of Aboriginal and Torres Strait Islander Partnerships).

Support Indigenous communities to deliver learning to drive programs through the ongoing delivery of the Indigenous Driver Licensing Program (Department of Transport and Main Roads).

Continue to manage the Employment and Education Housing Program to remove housing as a barrier to employment (Department of Housing and Public Works).

Other Queensland Government programs

Other Queensland Government programs include:

- The Youth Employment Program (YEP): YEP is an employment support program for young Aboriginal and Torres Strait Islander people who are finishing high school and looking for work or considering further education. Aboriginal and Torres Strait Islander people with a Certificate III or higher, who are not supported by a job agency, can also be supported through YEP. DATSIP staff help youth with choice of career; link to job vacancies; connect to culturally capable services; with pre-employment support such preparing resumes and for job interviews; support for any life challenges that make it difficult to find work; and access training opportunities.
- Skilling Queenslanders for Work (SQW): provides training, skills development and paid traineeship opportunities. Since 2015, 10 projects worth \$962,200 to 199 Indigenous people have been funded.
- SQW First Start: the program provides funding to Indigenous councils for traineeships. The program has awarded \$625,000 to councils to employ 50 young people or disadvantaged jobseekers into a 12-month traineeship.
- Economic Development Queensland (EDQ) regional liveability strategies: EDQ has been working with the Palm Island and Yarrabah communities on a range of projects intended to generate employment opportunities, economic and community development, and enhance liveability in the communities.

Sources: Queensland Government sub. 27; DATSIP 2016; DATSIP n.d.

Increasing local participation in service delivery

The poor employment outcomes in most communities is partly a result of the lack of economic development reducing the demand for labour, combined with populations not moving to where jobs are available. Economic development and growth of a private sector will provide jobs in communities, but this will take time.

Financial incentives to work are weak and this leads to available jobs going unfilled. Consultations during this inquiry provided a number of examples where well paying advertised jobs received no applicants. However, the scale of this problem is unclear, and it is highly influenced by Australian Government policy.²⁰

²⁰ Gray & Hunter 2016 argue that evidence shows that the number of jobs are increasing in remote areas, and that Indigenous Australians have been shown to take up work opportunities when they become available.

More immediately, the Queensland Government can have an influence on local employment through the demand for labour created by its own service delivery activities. Where government directly delivers services in communities, it has the ability to influence the number of jobs filled by local Indigenous people through agency employment policies. Where government purchases the delivery of services, it can influence local employment through contract conditions.

Increasing Indigenous employment in the services delivered in communities was part of the National Partnership Agreement on Indigenous Economic Participation (Box 9.7). As this is still an important issue for communities, the agreement either did not achieve its objectives, or it made progress, but there is more to be done.²¹

Box 9.7 National Partnership Agreement on Indigenous Economic Participation

The National Partnership Agreement on Indigenous Economic Participation expired on 30 June 2013.

The National Partnership Agreement on Indigenous Economic Participation supported the target set by the Council of Australian Governments to halve the gap in employment outcomes between Aboriginal and Torres Strait Islander peoples and non-Aboriginal and Torres Strait Islander peoples within 10 years. The agreement aimed to:

- create properly paid, sustainable jobs in government service delivery
- strengthen government procurement policies to maximise Aboriginal and Torres Strait Islander employment
- incorporate Indigenous workforce strategies into major Council of Australian Governments reforms
- increase public-sector Aboriginal and Torres Strait Islander employment and career development.

Source: COAG 2008.

There is significant concern in communities about the role of external NGOs in delivering contracted services. Much of this concern appears directed towards Australian Government policy, for example, Job Services Australia providers and changes from CDEP to CDP. These changes are argued to have had the opposite effect of supporting the development of capable community organisations.²² While external NGOs also provide local employment, they may provide less local employment than community-based organisations. The criteria used to evaluate supply bids and award contracts may undervalue the longer-term benefits of local community organisations' participation in service delivery, and the better employment outcomes that would be achieved.

Agencies should seek to provide or commission services as cost-effectively as possible within a longer-term framework of achieving value for money. Agencies will often face a choice between contracting outside labour to provide a service within a community versus hiring a community resident.

²¹ ANAO 2011 assessed the Australian Government's performance under the National Jobs Creation Package and the NT Jobs Package which aimed to create around 2000 sustainable jobs across Australia in employment areas previously subsidised through CDEP activities. The report found that a significant number of jobs had been created with the majority of jobs created through funding arrangements with small, non-government, Indigenous community organisations.

²² For critiques of CDP see Jordan & Fowlkes 2016. For evaluations and critiques of the former CDEP see Hudson 2008, Dockery & Milsom 2007, and Hughes & Hughes 2011. DEEWR 2012 undertook an evaluation of Job Services Australia in servicing Indigenous job-seekers.

Communities expressed concerns about fly-in, fly-out or drive-in, drive-out employment displacing local community employment. It is not clear how much progress agencies have made in ensuring that local employment is hired where possible. However, this needs to be balanced against the reality that many communities, because of their small population bases, do not have the level of demand required for people with specialist skills to live locally. Bringing these skills to the community provides a valuable service.

That said, reliance on outside labour appears to be greater than can be justified by the need for specialist skills; labour could be available locally with improved investment in training.

Consultations for this inquiry raised concerns about the ratcheting-up of labour market standards or credentials and the effect this can have on the incentives for continued participation in employment, and/or re-entry to the labour force.

Stakeholders also expressed concerns about the impact on local employment of government programs delivered to specific timeframes and to meet specific targets (for example, Closing the Gap targets). The imperative to deliver a project or services to meet a tight timeframe can alter the costs and benefits of hiring local labour versus contracting in labour. Contracted-in labour often involves existing relationships between providers and agencies and known capabilities, whereas hiring local labour might involve investments to build capabilities either through formal training or on-the-job training. Apart from the extra funding that may be necessary to support investments in local capabilities, the choice to use local labour might introduce additional risk to the project as a result of both cost and timing considerations.

To rebalance the equation more in favour of the employment of local labour in delivering projects and services, government should ensure that the process of establishing targets and timeframes accommodates the needs of local Indigenous people to participate fully. This may include, for example, adjustments to funding to support investments in skills development, and longer delivery timeframes. The contracting reforms discussed by the Productivity Commission (PC 2017a) and proposed in Chapter 8 will also support improved local employment outcomes.

Improved transparency in contracting would assist both communities and agencies. For example, publishing service delivery contract details to show the proportion of labour costs spent on fly-in, fly-out and drive-in, drive-out labour would improve information on the scale of the issue. Improved transparency might help identify project or service delivery issues that would lead to improved local employment outcomes if they were addressed.

9.6 Conclusion

Getting the economic framework right requires changes in policy. But, major expenditure programs to support economic development are unlikely to be effective (excluding consideration of economic (physical) infrastructure), and may be counterproductive.

Active policies to support development run the same types of risk as has been realised in government service provision. The provision of services, including those to alleviate hardship, resulted in unintended consequences by creating conditions that led to a permanent and growing 'need' for further service delivery. Top-down active development policies may have similar unintentional impacts.

Progress appears to be happening outside government, led by private and community initiatives. Assisting or enabling those private and community initiatives should be the focus of policy, along with establishing some basic prerequisite conditions for development.

The proposed new institutional arrangements have a useful mechanism for guiding any efforts to promote development in the Community Plans.

Seeking further views

The inquiry has looked at several development issues that are not discussed in the body of the report. These issues include:

- business formation and enterprise structures in relation to tax
- Prescribed Body Corporates (PBCs) and their role in development
- access to finance and mechanisms to accumulate wealth in communities.

These tend to be issues where Australian Government policy is active. The Commission is seeking further input from stakeholders on the role of Queensland Government in relation to the issues:

- are there Queensland Government policies that impact on these issues? If so, how?
- are the impacts supportive of, or impede development?
- if they impede development, what could be done about it?

Further input is also sought on:

- the challenge of increasing local employment in government service provision, in particular, practical proposals to both open up more positions to locals and assist locals in being ready for the opportunities
- impediments to change in communities and the relationship to government policy and service delivery design.

Draft recommendation 7

To enable economic and community development, the Queensland Government should:

- remove impediments to Indigenous community private sector activity, including divesting itself of assets that have the potential to displace or crowd out individual or local initiative and investment opportunities, such as retail stores
- review and report on agency progress to increase Indigenous employment in service delivery to communities. This should include a review of training needs and barriers to employment resulting from increasing credentials and standards
- make the growth of an Indigenous private sector in and around communities an explicit objective of policy and central to designing economic development policies and service delivery programs.