



The ISX: Doing Indigenous Economic Development Differently

Gerhardt Pearson

Changing the Way Government Works, Melbourne, 5th October, 2004

Tabitha Kerr's Mossman Image, symbolic of the coming together of two worlds, has come to symbolise the spirit of the Indigenous Stock Exchange. The story of the image is as follows: "Jalbu .. that's language for girl, woman .. both. See us today ... we're new style, modern. We like games, modern dress... go to shops .. go to work. Inside of us tradition is still strong. Jalbu, Jalbu ..we like to dance for Aboriginal people ...traditional dance .. body paint ... traditional dress. People who don't know and don't understand ... they see us and think we're the same. They don't see inside of us ... they don't see that tradition" ..This story and the artwork are copyright and the copy right is owned by the artist Tabitha Kerr. The image is used as a symbol of the ISX by kind permission Tabitha Kerr. For more information on Mossman Art contact Bamanga Bubu Ngadimunku 07-4098-1305

I
On May 19 of this year 37 Indigenous enterprises and organisations assembled in Lord Mc Alpine's old storage shed in Broome and presented business cases for investment live to webcast and videoconference centres in Sydney, Melbourne, Cairns, Cape York Peninsula, Kununurra and to approximately 150 sites across Australia and to two international sites.

* The presentations were managed, coordinated and filmed by Broome's Indigenous owned and managed Goolarri Media Enterprises, note that Goolarri have transformed Lord Mc Alpine's storage facilities into their own television, film, radio and live music production studios.;

* The presentations were webcast by Sydney's Hyro and video conferenced by the Indigenous owned and managed Outback Digital Network to business centres Gilbert & Tobin - Sydney, Rio Tinto - Melbourne and Balkanu – Cairns

* All of the presentations were digitally captured and are now available on the web for ongoing Indigenous business promotion;

* Of the five key organisations involved in the development of the Indigenous Stock Exchange three were Indigenous organisations, with the Indigenous organisations playing the major role in the management and operations of the event;

* The Indigenous owned Outback Digital Network (ODN) were funded to conduct the Broome trading floor across a national network of digital hosts in communities in capital cities and they did so to a very high standard that was applauded by all and has led to increased business for ODN.

What I am describing is a trading floor of the Indigenous Stock Exchange. The ISX is a model for how government, private sector and community can work together. Rather than tell government what to do, I would rather explain how we have been trying to do economic development differently. If government were to take its cue from the ISX, I believe we would make progress for Indigenous Australia that all of us would be proud of.

II

Last year at Oxford University the founder of the famous People's Bank or Grameen Bank of Bangladesh, Muhammad Yunus called on the world to develop a social stock exchange to encourage diverse investments and support for social ventures. When Yunus made his statement the Indigenous Stock Exchange had run two trading floors, the Ngunnawal and Kuku Yalanji Trading Floors. No-one yet knows what a social stock exchange will look like, but certainly we have started to work through what an Indigenous Stock Exchange will look like. In Broome, the Yawuru Trading Floor, added a digital dimension to our work. We knew that to be effective we had to take the talent of Indigenous Australia in remote and regional areas into the financial power houses of our cities. We have had eighteen months of learning by doing.

So what exactly is the Indigenous Stock Exchange? We believe that there are three five year phases of development for our project. The first five years are primarily driven by the demographic of Indigenous Australia. We know that unlike the non-Indigenous population, Australia's Indigenous community is young. In rural and regional areas we know that we have to create as many employment opportunities for young people as we can. In fact in our estimation tens of thousands of new positions have to be created in order for Indigenous Australia just to tread water at current rates of employment. We also know that Indigenous positions within the Aboriginal Services Industry and in the public sector have been growing relatively well, but that Aboriginal people are under-represented in the private sector and small business. So our first five years are about creating a culture of new social business and commercial business development in our communities.

In this phase of the ISX's development we are trying to support new commercial and social business ideas and to gather the best of the private and philanthropic sectors around the development of those ideas. We hold trading floors in Indigenous communities twice a year. So far our trading floors have been Ngunnawal (Canberra), Kuku Yalanji (North Queensland), Yawuru (Broome) and our forthcoming trading floor the Yorta Yorta trading floor is being held at Shepparton on November 19. At these trading floors we present Indigenous business ideas from large to micro, from well developed business developments to brand new ideas. Our presentations are directed at the Australian private sector and investment communities and we seek support and mentoring for those businesses. So far 103 businesses have been presented.

The unexpected aspect of the current phase of our work is the extra-ordinary learning experience that comes from presenting a business idea to the best of Australian business. We don't expect businesses to be instantly funded and supported just because people present their ideas on the trading floor. The learning is for all of us that investments can only come when organisations and people are investment ready. The trading floor experience has pressured us and pressured Indigenous communities and people to really work hard to get their businesses to a state of investment readiness. Its a good pressure and its completely unlike the tradition of low expectations that has come from government grants and welfare payments in our communities. We have high expectations in our trading floor and there are equally high standards to attain.

The second phase of our work will emerge from the network of businesses and support organisations that emerge in regional and remote areas of the country. When we conduct trading floors we seek to support the existing Indigenous leadership, Indigenous business development organisations and Indigenous owned and managed financial institutions. Our hope is that as we develop the trading floors we will also develop an independent network of ongoing institutions that will continue to work together to foster Indigenous businesses. In this second phase, we will develop a permanent trading floor for the development of Indigenous business and the nominations and way in which those ideas emerge will be supported by those regional Indigenous organisations and communities.

The third phase of our work is to have a fully fledged stock exchange in which private investors can come to make profitable investments in the best of Indigenous Australian business. It will be Indigenous Australian business conducted according to Indigenous Australian custom, tradition and law. Of course that does not preclude us from listing companies on the conventional stock exchange, but we believe that the future resources and prosperity of this country will depend greatly on us, Indigenous Australians, and we will not shy away from the creation and development of our own institutions where this is of benefit to us.

II

The Indigenous Stock Exchange is behind in our schedule. Our goal is to create 1000 new, sustainable and strong Indigenous business enterprises by 2008. So far out of the 103 Indigenous enterprises that have presented their cases in the three trading floors we have organised over the past eighteen months, we can really only

say that funding has been available for about 25 initiatives. Only a handful have reached start up phase as a result of our work.

On this track record we will never reach our goal. But it is our belief that at least in part the slow start is a good thing. Many of the organisations and people who have presented their businesses have learned a great deal. In many cases, after going through the process of presenting a case, the whole orientation of the business idea has been changed. In many other cases, people have needed to change their proposals and to modify their ideas. We think this is good. Running a business is not a matter of simply applying for a grant or support. The process of starting up a business has to be slow and steady. We expect that many organisations and people may have to present their cases for investment at a number of trading floors and in far greater detail to investors. As these things are done, we believe the momentum will grow.

Major anchor multi-million dollar enterprises like Pajinka Wilderness Lodge, Cape York Cashews, and the BBN Mossman Gorge project may take some years to develop. **So we need more work and priority support from government to ensure these big enterprises, that are so vital to the Indigenous economy and society, reach start up in a more rapid fashion.** I would like to pay special tribute to companies like the Boston Consulting Group, Westpac, the Body Shop, Gilbert and Tobin and others for the support they are providing to help Indigenous communities develop anchor industry proposals for regional and remote areas that need to create ongoing employment. But we need more corporate supporters and more investors that are on ground floor of what will be a strong investment in Australia's future.

It is harder to understand why smaller enterprises are not finding investors and mentors. At our last major trading floor two enterprises: Goolarri's Knowledge Centre and the National Indigenous Pastoral Association's cattle franchising project were funded by the Brotherhood of St Laurence's innovation fund. The Brotherhood's innovation fund is about turning ideas into business plans and a start up strategy. For the two that were funded a dozen others could easily be funded. **Why is there not more of this innovation funding in the Indigenous community from government? Why is it that we have to rely on a relatively small philanthropic organisation in Melbourne to support new innovative ideas from Indigenous Australia? Government is sometimes too timid to support ideas but why are not more philanthropic funds that claim to want to make a difference for**

Indigenous Australia putting funds to support Indigenous people with ideas for start up businesses and projects?

I hope that you may be able to help us find answers to these questions.

Commercial financing, not just for start up Indigenous businesses, but for Indigenous businesses wanting to expand their operations or build assets is also a major problem. This was highlighted at the Yawuru Trading Floor. You have probably seen pictures of the famous Geijki Gorge at Fitzroy Crossing. Darnku tours takes thousands of visitors there each year and the work of Bill Aitken and his family simply grows exponentially. Bill's presentation was simply to gain a commercial loan from a bank that would allow him to buy a house and land that would be an ongoing asset for his children. Being in a remote area exacerbates the normal problems of having to run a fast growing business and Bill and his family still have no commercial loan, even though, by any measure they should be gold plated bank customers.

Micro-business are the most promising and the most frustrating area of Indigenous economic development. On May 19 25 micro businesses presented. We succeeded in identifying up to 50k of private investor funding to support these micro businesses. However as with previous trading floors the problem in funding micro-businesses lies in two areas: a) micro-businesses have to be investment ready and be able to demonstrate they are investment ready and b) we need to have a micro-business loan process that is secure. This is the subject of a major work that we are trying to complete on Cape York. We also know that organisations like the Bendigo Bank, the ANZ bank, the Brotherhood of St Laurence, Opportunity International are helping us to develop some solutions. If we can find a way of solving these two dual problems I have no doubt that the ISX will succeed in achieving its goal of creating 1000 strong and sustainable businesses by 2008.

Micro businesses, often run by women in our communities, bring tremendous potential to all in our Indigenous family. Even small investments are like little acorns from which big trees grow.

One of the great achievements of the ISX has been to identify that micro business are such an important area for Indigenous business development and more energy needs to be devoted to supporting this area. The ISX process has created a very important and unexpected boost to this area of Indigenous economic development.

I want to say a few words now about why the ISX itself is different and what government can learn from it. Each of the trading floors has to be self funding. In other words, if there are no backers there is no trading floor. The Yawuru Trading Floor presented a significant challenge in this regard. The cost of webcast and video conferencing meant that the budget increased by a factor of 4. The financial sponsors for the Yawuru Trading Floor included the Brotherhood of St Laurence, Rio Tinto, Kimberley Development Council, Balkanu, the WA State Government and DOT-ARs. The ongoing commitment of Rio Tinto and Brotherhood of St Laurence has already resulted in significant funding for the next trading floor which will be held in Shepparton on Nov 19. As this indicates we believe that it is important for everything we do to be accountable in its own right.

The principle behind every trading floor though is that there must be more money going into Indigenous businesses than it costs to run each trading floor. We do not want to fund another wasteful bureaucracy. This creates an incentive for costs to be kept as low as possible and for more funding to go to Indigenous businesses than to the running costs of the ISX. The majority of the actual funding for the running of the Yawuru Trading Floor went to support Indigenous organisations and their personell. In addition the hosting of the ISX at Goolarri Media meant that significant infrastructure and expertise were left with the host Indigenous organisation. The Outback Digital Network who hosted the video conferencing and organised the webcasting won major approval from a number of significant private and public sector players for their skills in bringing the ISX trading floor to the venues in such a professional manner. This principle of using the ISX trading floor to showcase Indigenous organisations and business is one that the ISX will continue to adhere to.

This principle of providing a low cost, direct means of linking capital with indigenous business with all of the investment going into the businesses not the people behind, or the structure of, the events has been tested at two different levels now. The Kuku Yalanji trading floor cut back costs to a bare minimum. We ran that trading floor which showcased 36 businesses for less than twenty thousand dollars. It shows what you can do with a relatively small sum of money. The Yawuru Trading Floor which cost 80 thousand dollars to run has demonstrated that significant funding can still be sought and, providing the funding goes to Indigenous organisations responsible for the management of the events and providing key infrastructure, the principle of ensuring the majority of funding goes to Indigenous businesses and people can still be sustained.

It is a pity that more government programs do not adopt a similar philosophy. The feeling generated by the Yawuru Trading Floor was one of special enthusiasm and positive energy combined with a renewed commitment to support the many excellent businesses and business ideas that were presented. It was particularly pleasing to be welcomed so warmly by the grass roots community and to feel the special bond emerge between community members, elders and visitors to the community. Our people knew that, every dollar involved in the hosting of the event, was going to support our own organisations and the development of our own people.

III

The ISX faces many challenges to achieve our goals. In the report back from the Kuku Yalanji trading floor we wrote: "It is very clear that we must encourage investors to participate on the trading floor alongside indigenous business men and women and we must also create the opportunity for financiers to question business proposals in detail. The forthcoming and developing relationship with the Outback Digital Network may allow this to occur and we will be developing a closed question and answer session in which Brisbane, Melbourne, Sydney financiers will be able to talk online in closed session with each company or business representative of a business that is floated on the trading floor." We have achieved this challenge with the hosting of the Yawuru Trading Floor. We now broadcast to the desks of the financiers in our financial districts. But it is clear that much more must be done to bring significant private sector investors to support Indigenous businesses. This is not something government can do. We have to do it ourselves and that is why it is so important for our leaders to ensure that the people on Collins St and Park St and George St understand that we need them to make available investment capital for our futures and furthermore business in Australia needs to understand that national prosperity will only develop if Indigenous Australia's prosperity develops at a much faster pace than ever before.

At the end of the Kuku Yalanji trading floor we noted that: "We must also create a series of options and pathways for financiers to support indigenous enterprises. ... one idea which emerged during the day was to create a trust fund for small indigenous businesses that allowed indigenous economic organizations or business hubs to ensure that businesses were ready and able to move forward with investments with no delay.. The idea would be for investors to transfer funds for nominated businesses into the trust on the day of the trading floor (with conditions of implementation if required) and for a nominated business hub, indigenous economic development group or mentor to ensure that the funds were properly invested and

any conditions of implementation were met. The trust would protect the financier and also ensure that the businesses would not have to wait for unduly long periods to put their investments to work. If no satisfactory progress was made the funds would be transferred back to the financier."

As I have indicated the presentation of 25 micro-businesses in Broome made it particularly acutely felt to the organisers of the ISX that we must make progress in developing this idea and providing ready micro loans on the day of the trading floor to business ready enterprises.

Having said this another comment from the Kuku Yalanji trading floor remains valid: "The other important aspect of the trading floor to emerge was the growing understanding that business funds are not instant grants or unconditional handouts. The discipline of registering on the trading floor, writing up a proposal for the internet, making a business plan available for potential investors and supporters, taking questions on the viability and planning for the business were good things in themselves. If the trading floor proposal did not succeed at first, then the message is, rewrite, rethink and try again on the next trading floor; or reconsider the business idea and move in a different direction. Successful people in business and life do not usually succeed at the very first try. Sometimes the skills learnt from trying are an important foundation for ultimate success." In order to facilitate the professionalism of presentations to the trading floor, we are very grateful to Rio Tinto for providing business coaching and presentation skills to people registering for forthcoming Indigenous trading floors. We are also delighted to be now working in partnership with Barbara Gabogrecan's Micro-Navigator process for micro businesses and we are encouraging Indigenous business men and women to go through Barbara's process so that their business readiness is very well documented in a way that banks and investors can see it is independently audited and verified.

IV

I want to invite you to come to the next Indigenous Stock Exchange trading floor which is occurring in your neighbourhood on November 19. The Yorta Yorta Trading Floor will have a focus on sporting and environmental enterprise. As the Yawuru Trading Floor was inspired by the brilliance of Goolarri Media Enterprises, the Yorta Yorta trading floor is inspired by the Rumbalara Football and Netball Club where the trading floor will be held.

Rumbalara is "more than just a sporting club". It directly promotes job creation. It provides health and recreation programs. It facilitates education for young people looking for a pathway through life. It links the young and the old. It teaches people how to work in a team. It is a strong symbol of the deep good and sporting excellence of the Yorta Yorta people.

As is our custom the Nov 19 trading floor is named in honour of the Yorta Yorta people who occupy a unique stretch of territory located in what is now known as the Murray - Goulburn region. The traditional lifestyle of the Yorta Yorta people was based on hunting, fishing and collecting food. Perhaps it because of this that the renowned sporting ability and environmental awareness of the people emerged. Being river people, most of their time was occupied by fishing, as the majority of food was provided from the network of rivers, lagoons, creeks and lakes which were and are still regarded as the life source of the Yorta Yorta people. The annual floods that occur in this region are regarded by Yorta Yorta people as necessary for the replenishment of food sources and the survival of the forest.

As Wayne Atkinson has written: "The links of the Yorta Yorta people with the tribal land which was the basis of their cultural identity and existence are unbroken since time immemorial. The integrity of the Yorta Yorta lifestyle and culture speaks for itself, and the most outstanding aspect is that whatever the difficulties may have been, they survived most admirably."

One of the things that we are already finding as we organise the Yorta Yorta trading floor at Shepparton is that a regional town has a different economy and set of possibilities than remote communities. But some things are the same. It is exciting for us to find a person like Sharon Doyle who is looking for investment in a women's fitness centre in suburban Melbourne. Sharon has really done her homework. She has been working on her project for two years. She is a fine example for many other strong and young Indigenous women wanting to move into business. We know that by helping Sharon we are not just helping her to develop her own business. When Sharon succeeds other young women like her will succeed and we also know that if Sharon is successful commercially she will use that opportunity to create other possibilities for people back in her home community. This is what the ISX is all about. These are the new discoveries we make at every trading floor.

I hope that you will make an effort to come and support the Yorta Yorta trading floor of the ISX. Our principal is no committees, you join our fraternity by doing. So we hope that those of you in government will think about how you can directly help us create 1000 strong and sustainable Indigenous businesses and enterprises by 2008 and that you will accept our call to support positive action for Indigenous people in the Goulburn Valley and around the country.

Thank you.

*** Gerhardt Pearson is Chair of the Indigenous Stock Exchange and CEO of Balkanu - Cape York Development Corporation**