



BENCHMARKING LEADING PRACTICE IN ABORIGINAL BUSINESS PROCUREMENT IN THE EXTRACTIVE RESOURCE SECTOR

A REPORT PREPARED BY CSRM FOR AEMEE UNDER
THE AEMEE AND QGC PARTNERSHIP AGREEMENT

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SMI **CSRM**

Centre for Social
Responsibility in Mining

The Centre for Social Responsibility in Mining (CSRM) is a leading research centre, committed to improving the social performance of the resources industry globally.

We are part of the Sustainable Minerals Institute (SMI) at the University of Queensland, one of Australia's premier universities.

At CSRM, our focus is on the social, economic and political challenges that occur when change is brought about by resource extraction and development. We work with companies, communities and governments in mining regions all over the world to improve social performance and deliver better outcomes for companies and communities.

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ACRONYMS AND ABBREVIATIONS

| | |
|--------------|--|
| AEMEE | Aboriginal Enterprises in Mining, Exploration and Energy |
| CIPS | Chartered Institute of Procurement and Supply |
| CSRM | Centre for Social Responsibility in Mining, part of SMI |
| EPC | Engineering, Procurement and Construction |
| EPCM | Engineering, Procurement and Construction Management |
| IBA | Indigenous Business Australia |
| ICMM | International Council of Mining and Metallurgy |
| IETBD | Indigenous Employment Training and Business Development |
| IFC | International Finance Corporation |
| LNG | Liquefied Natural Gas |
| MCA | Minerals Council of Australia |
| MOU | Memorandum of Understanding |
| NHDS | Northern Haulage and Diesel Services |
| NSW | State of New South Wales, Australia |
| QGC | Queensland Gas Corporation |
| Qld | State of Queensland, Australia |
| QRC | Queensland Resources Council |
| RA | Reconciliation Australia |
| RPA | Regional Partnership Agreement |
| SA | State of South Australia |
| SME | Small to Medium Enterprise |
| SMI | Sustainable Mining Institute, University of Queensland |
| TOs | Traditional owners |
| WA | State of Western Australia |
| WB | World Bank |

INTRODUCTION AND PURPOSE

Investment in extractive resource projects in Australia carries high expectations of stimulating local and regional economic development. With millions of dollars of annual spend on the supply of goods and services there is tremendous potential for local business development.

For Aboriginal people, on whose lands many extractive projects are situated, there is heightened interest in securing business opportunities to access the economic benefits of resource development. Resource projects offer real avenues for Aboriginal people to engage in the commercial economy, especially in remote and regional Australia where there is otherwise limited mainstream economic opportunity.

Over the last decade Aboriginal entrepreneurs have demonstrated the potential of business enterprises to improve the lives and well-being of Aboriginal people. Oil, gas and mining companies too have benefited through local economic stability and competitive pricing gained from engaging and developing skilled, locally competitive Aboriginal businesses. The results, however, have been patchy with good outcomes most often found where extractive companies have explicitly targeted Aboriginal procurement as a business priority.¹

A clear opportunity exists for Aboriginal people to further leverage commercial opportunities arising from resource projects. To achieve greater participation, the standards set by leading mining and petroleum companies need to be adopted routinely across the industry, including emerging and medium sized resource companies. Major engineering and construction (Tier 1) contractors who do much of the actual work at projects and operating sites also have an important role to play.

There exists a wealth of experience and knowledge about the strategies and systems that need to be in place to achieve positive outcomes in Aboriginal procurement. There is also a good level of understanding about the relationships that must be forged. This experience and knowledge, however is held by a small group of specialised practitioners and is not being sufficiently utilised to improve organisation and management systems across the extractive resource sector. Documenting this knowledge and benchmarking leading practice in Aboriginal procurement is an effective way to foster improvement. Adjusting practices and approaches based on what has worked to increase Aboriginal business participation will open opportunities for achieving positive local and regional economic impact from resource development projects.

An overriding motivation for enhancing opportunities for Aboriginal businesses is to advance the socio-economic circumstances and well-being of Aboriginal people through increased economic participation. Resource companies also stand to benefit from increased proficiency in Aboriginal business engagement by satisfying obligations for Aboriginal economic participation in land access agreements and other parts of project approval. Furthermore, the reputational benefit that comes with effective Aboriginal engagement can greatly assist with new project approvals, improve local knowledge and linkages as well as deliver cost benefits from local sourcing.

¹ See 'Getting it Right: Indigenous Enterprise Success in the Resource Sector' a publication of the MCA and Australian Government.

ABOUT THIS REPORT



This report examines leading practice in Aboriginal procurement in the extractive resource sector in Australia. The focus is on Aboriginal business engagement, as distinct to direct employment, by extractive companies and their contractors. That said, recognising that Aboriginal businesses typically demonstrate higher rates of Aboriginal employment than non-Aboriginal businesses, increasing Aboriginal employment is a major underlying motivation for the project.²

The report aims to identify the components that resource companies need to have in place to maximise Aboriginal business participation in their supply chain. This includes the supply of goods and services to mining and oil and gas projects, with particular attention to engagement with primary and subsidiary contractors.

The purpose is to benchmark leading practice in Aboriginal procurement using the insights gained from research on initiatives and approaches that have been applied by various resource companies in their efforts to engage Aboriginal businesses (see Box 1 for a definition of benchmarking).

Based on the factors identified, a framework is proposed to enable evaluation of resource companies' undertakings with respect to Aboriginal procurement. The framework proposed in this report provides a basis for discussion and further development.

The report is designed to complement existing publications on local procurement. In particular it should be read alongside the CSRM *SME Procurement Guide* and publications such as IFC's *Guide to Getting Started in Local Content*.³

BOX 1. BENCHMARKING

Benchmarking is the process of comparing normal business processes and performance to industry best practice.

The process of best practice benchmarking identifies leading companies in an industry sector, or another industry sector where similar processes exist, and compares the results and processes to those of competing businesses. In this way, lower performing businesses learn how 'best practice' companies perform and, more importantly, the business processes they use to make them successful.

² The Aboriginal businesses surveyed for this research report between 40% to 60% Aboriginal employment rate in their businesses.

³ Esteves, A.M., Brereton, D., Samson, D. & Barclay, M.A. 2010. 'Procuring from SMEs in local communities: A good practice guide for the Australian mining, oil and gas sectors'. CSRM Brisbane. IFC 2011. 'A guide for getting started in local procurement: For companies seeking the benefits of linkages with local SMEs'.

WHY AN EVALUATION FRAMEWORK?

The rationale for developing a framework arises from a number of observations:

- **Despite obligations to engage Aboriginal businesses in land access agreements for many extractive projects across Australia, the outcomes have not met Aboriginal expectations.**
- **Often the lack of engagement by resource companies is blamed on the absence of Aboriginal businesses with sufficient capacity to meet complex tender requirements. By the time an interested Aboriginal business has worked to qualify for tenders, the tender is closed and the opportunity is lost.**
- **Many extractive companies claim they maintain processes that support Aboriginal business engagement and yet fall back on a 'best endeavours' defence for lagging performance, often blaming a lack of capacity of Aboriginal groups.**
- **Standard systems and approaches for project sourcing generally fail to support Aboriginal businesses to qualify for work and valuable opportunities are often lost for engaging Aboriginal businesses.**
- **Some industry initiatives are interpreted by Aboriginal people as Public Relations exercises, rather than real attempts to address the complexity of Aboriginal business development.**
- **The absence of a consistent process to assess the capacity of resource companies to deliver on their Aboriginal business engagement commitments hinders progress.**

An evaluation framework will provide a means to assess extractive company performance and facilitate knowledge sharing. A framework would also enable on-going assessment in a third party certification process, fostered by AEMEE, Australia's national Indigenous business network (see Box 2).

In this way the discipline of Aboriginal procurement can continue to be informed by further research. This approach is preferable to producing a one-off publication that is unlikely to engender the continuous improvement needed to escalate Aboriginal business development outcomes.

PROJECT PARTNERS

The report is a result of a project between AEMEE and QGC that aims to maximize Aboriginal procurement by the extractive resource sector (see Box 2 for details of the project partners).

AEMEE and QGC established their partnership based on the shared goal of enhancing Aboriginal economic participation. Through this project AEMEE and QGC seek to better understand, benchmark and promote good practice in Aboriginal business development. The overall objective is to improve Aboriginal engagement by extractive companies and maximise Aboriginal business participation.

The first phase of the project, presented in this report, benchmarks leading practice. Coming as it does ten years after the inaugural AEMEE Conference in 2005, this report serves to celebrate AEMEE's decade of achievement in supporting Aboriginal business development.

The second phase of the project will further develop the component framework as a tool for extractive companies and primary contractors aiming to improve Aboriginal business engagement and maximise opportunities for Aboriginal participation in their supply chains.

BOX 2. PROJECT PARTNERS

AEMEE - THE NATIONAL INDIGENOUS BUSINESS RESOURCES INDUSTRY NETWORK

OUR VISION. To gain true market share for Indigenous Businesses within the mining, energy and exploration sectors

OUR MISSION. Develop and connect Indigenous Businesses with real business opportunities

Aboriginal Enterprises in Mining, Exploration and Energy Ltd (AEMEE) is an incorporated not-for-profit company set up to grow Indigenous businesses in Australia and overseas in mining and allied industries by:

- **Advancing commercial opportunities**
- **Promoting Aboriginal economic development**
- **Strengthening existing and new businesses**
- **Building the capacity of Indigenous business enterprises**
- **Advancing the interests of a growing sector**
- **Assisting to identify potential business opportunities**
- **Creating linkages with Communities, Industry and Government**

AEMEE was established in recognition that Aboriginal people want to engage in the economic and social benefits that result from resource development on their traditional lands. AEMEE acknowledges and supports the notion that Aboriginal people want to be actively involved in the Australian economy and to share in the wealth created by the resources sector.

See AEMEE's website at www.aemee.org.au

QGC - A LEADING LIQUEFIED NATURAL GAS (LNG) PRODUCER IN QUEENSLAND.

QGC Pty Limited is the Australian asset of BG Group plc.

London Stock Exchange-listed BG Group is a world leader in natural gas with a broad portfolio of business interests focussed on exploration and production and liquefied natural gas (LNG). Active in more than 20 countries on five continents, BG Group combines a deep understanding of gas markets with proven track record in finding and commercialising reserves.

In December 2014, QGC's Queensland Curtis LNG (QCLNG) project became the first operation in the world to produce LNG from natural gas sourced from coal seams and is now adding volumes and flexibility to BG's global LNG portfolio.

The start of commercial operations in May 2015 followed more than four years of development and construction on Curtis Island near Gladstone and in the gas fields of the Surat Basin through the QCLNG project.

Within QGC, the focus on sustainable development has involved, developing Indigenous partnerships through eight Indigenous Land Use agreements and multiple Cultural Heritage Management Plans within the project footprint and relationships with 28 Traditional Owner Groups. This includes commitments through a Reconciliation Action Plan launched in 2013 and significant work to develop Indigenous enterprise.

See QGC's website at www.qgc.com



ABORIGINAL BUSINESS PERSPECTIVES

Since the establishment of AEMEE in 2005 its member businesses have gained significant experience engaging with resource companies and projects. During this period a major social performance reconfiguration, particularly in the area of improved local community and Indigenous engagement has been driven by leading mining companies and their representative organisations such as the Minerals Council of Australia (MCA) and the International Council of Mining and Metallurgy (ICMM).

Through a range of policy and discussion documents the industry has formulated a robust business case for building local community support for projects. Securing the 'social licence' needed to operate is based on positive engagement that delivers local and regional benefits. Good practice is advocated by the industry through a range of quality guidance and advisory material produced by industry and multilateral lending agencies. A notable limitation of this growing list of documentary resources is the absence of Indigenous stakeholder perspectives on how they would like to see the industry perform.

AEMEE wishes to address this deficiency by bringing an Aboriginal business perspective to the issue of Aboriginal procurement and in so doing promote strategic long-term outcomes for Aboriginal businesses in Australia. This has been made possible through funding by QGC under the partnership agreement with AEMEE.

METHODOLOGY

The aim of this report is to draw together the lessons from the range of initiatives deployed by various resource companies engaging Aboriginal businesses in their supply chain. As mentioned above, there exists a wealth of experience and knowledge about the strategies and systems that need to be in place, and understanding the relationships that must be forged, to achieve good outcomes in Aboriginal procurement in Australia.

This knowledge and experience is held by company professionals and practitioners working in this field, and the Aboriginal businessmen and businesswomen who know what has worked for them. The methodology applied was designed to capture the experience of some these people.

PARTICIPANT INTERVIEWS

A significant part of the research was to collect insights from some of the experienced practitioners through a series of targeted, semi-structured interviews. In summary, a total of 18 interviews were conducted with 24 participants from 24 different organisations. All interviews were face-to-face, except one that was conducted by phone.

Further details of the interviews and the participants are provided in the Appendix A. Appendix A also contains a brief description of the key features that distinguish the extractive resources sector in each of the Australian states targeted. These provide context to participant selection and also provide context to the broad operating environment of the sector.

TABLE 1: Summary of interviews conducted

| STATE | ABORIGINAL BUSINESSES | RESOURCE COMPANIES | GOV'T/ RPA | TOTAL |
|--------------------|-----------------------|--------------------|------------|---------------------|
| Queensland | 5 | 4 | 1 | 10 |
| Northern Territory | 4 | 0 | 0 | 4 |
| Western Australia | 3 | 3 | 0 | 6 |
| South Australia | 3 | 0 | 1 | 4 |
| Total | 15 | 7 | 2 | 24 |
| | | 6 Mining 1 gas | | 6 Female 18 Male |

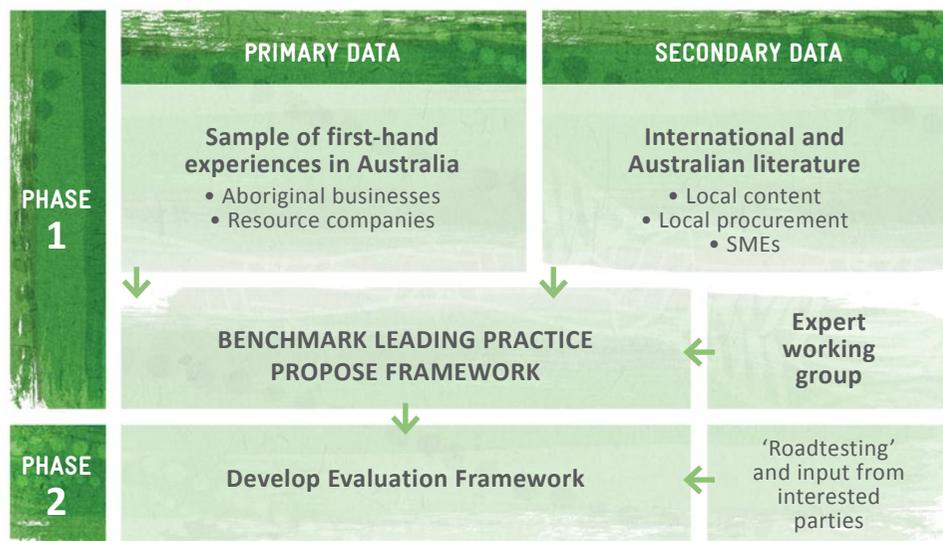
EXISTING LITERATURE

The research also drew on a review of literature related to Aboriginal enterprise development and local procurement. A set of key references that provide guidance and advice on maximising local content were identified, listed in Appendix C.

Insights provided through participant interviews were coupled with the lessons obtained from the literature review, in particular the local business procurement approaches of large-scale and global resource companies. Relevant material and insights were also found in literature describing small or medium-sized enterprise (SME) development, and in literature that examines increasing local content in supply chains generally.

Much of the material concerned local content in the context of global extractive companies undertaking large-scale projects in developing countries. While there are many parallels and overlapping issues in achieving benefits through access to supply chains, the emphasis in this report is on features that distinguish Aboriginal business participation from local participation.

FIGURE 1. Overview of project methodology



DATA SYNTHESIS

Primary data from the participant interviews were synthesised with the secondary data obtained from the review of literature on Aboriginal business development and key literature on local content and local procurement. The synthesis sought to identify the factors that contributed to positive outcomes in Aboriginal business participation.

The initial findings were referred to a working group made up of experts in the field of social performance, and local and Aboriginal business development. The expert working group provided feedback and input into the research and the development of an appropriate framework to consider Aboriginal procurement. The framework lays the foundation for a tool to evaluate resource companies' performance in Aboriginal procurement.

The broad approach to the research is represented in Figure 1. Further details of project methodology and governance are provided in the Appendix A and B.

BROAD FINDINGS FROM INTERVIEWS

BOX 3. INTERVIEW THEMES

Aboriginal business perspective

- Difficulty accessing supply chain
- Tough business environment
- Small steps have long term gains
- Joint ventures can be good and bad
- Want the opportunity to perform
- Aboriginal capacity not recognised
- Lack of transparency of sourcing processes

Resource company perspective

- Importance of commercial competitiveness of Aboriginal businesses
- Cost and risk sensitivity
- Supporting businesses in a competitive environment
- Cyclical nature of commodities
- Internal cross cultural capacities
- Need for management systems for Aboriginal procurement
- Importance of corporate champions and internal recognition

ABORIGINAL BUSINESS PERSPECTIVES

The interviews with the Aboriginal participants highlighted the significant challenges in successfully accessing opportunities and operating a business servicing extractive resource companies.

DIFFICULTY ACCESSING SUPPLY CHAIN

Aboriginal businesses, especially new businesses, face significant difficulties in securing work, either through winning tenders or obtaining work through purchase orders. For small and emerging businesses the costs associated with obtaining pre-qualification for tenders is a significant burden with no guarantee of work. In one instance, a small landscaping business spent many months and thousands of dollars to pre-qualify, but was not subsequently invited to tender for even small jobs well within its capability. Other positive examples cited included where a resource company offered company personnel to assist the Aboriginal business develop the necessary policies and procedures to pre-qualify. The assistance provided to reach health and safety standards, in particular, proved to be very helpful.

TOUGH BUSINESS ENVIRONMENT

The businesses that have gained work were generally found to operate on very tight profit margins. In one case, the Aboriginal business accepted a contract that meant it barely broke-even in order to win an initial contract. By successfully working the contract, the Aboriginal business demonstrated that it was capable of performing and so gained the confidence of the resource company. Much of the owners' personal savings were consumed during the contract period and the viability of the business was at risk until a further contract was won, based on the reputation achieved.

Managing cash flow is difficult. In some cases, payment terms involve three to six month waiting periods for payment following invoice submission. Access to bank overdrafts was a solution that was suggested, however, the nature of the contracts make it difficult to get overdrafts. Overall it is a very tough business environment.

THE IMPORTANT THING IS YOU HAVE TO BUILD RELATIONSHIPS WITH PEOPLE WHO ARE NOT USED TO HAVING RELATIONSHIPS WITH ABORIGINAL BUSINESSES; AND THAT TAKES TIME. YOU NEED THE RESOURCE COMPANY TO HAVE THE INDIGENOUS BUSINESS ENGAGEMENT FRAMEWORKS IN PLACE, THEN YOU NEED GOOD RELATIONS WITH PROCUREMENT, PROJECT MANAGERS, IN FACT, ALL LEVELS OF THE COMPANY.

KATRINA SAVO, SAVO CONTRACTING

SMALL STEPS HAVE LONG-TERM GAINS

A petroleum company constructing major processing facilities and a port using a global engineering procurement and construction contractor wanted to see greater Aboriginal engagement in the construction phase. The Engineering Procurement and Construction contract had not explicitly addressed social performance nor expectations for maximising local Aboriginal employment. The petroleum company personnel worked with the contractor, in particular their human resources department, to markedly increase numbers of Aboriginal employees, including from the local native title group.

An Aboriginal husband and wife were employed as cleaners during the construction phase. On completion, the operation of the facility was handed over to a production management firm under an operating contract. This firm, in pursuing Aboriginal business development outcomes, assisted the same couple to establish a business and provide office-cleaning services to the operating facility. The couple had established a good reputation and were known by the company personnel through their work in the construction phase. The experience gained during construction, including safety protocols, intimate knowledge of the site and the standards expected, gave them a commercial advantage to win the cleaning sub-contract.

JOINT VENTURES CAN BE GOOD AND BAD

Entering into unincorporated joint ventures is an important mechanism for Aboriginal businesses to bridge real or perceived capacity gaps, including accessing capital and equipment. The final outcomes of joint ventures, however, have varied. One Aboriginal business achieved long-term success due to its joint venture arrangement and is now celebrating 20 years of successful operation. Other Aboriginal businesses complained that the joint venture left them as a silent partner with limited or no participation in project management. In an example of the latter, costs attributed to the joint venture were entirely controlled by the non-Aboriginal partner, which managed the joint venture. During inspection of the accounts for the project, the Aboriginal partner discovered costs clearly related to other contracts being attributed to their joint venture. The losses suffered under the joint venture left a long standing Aboriginal business bankrupt as it could not sustain the losses, unlike the joint venture partner which was a large enterprise operating multiple contracts.



WANT THE OPPORTUNITY TO PERFORM

Aboriginal businessmen and women spoke passionately of wanting to be given the opportunity to perform. They emphasised strongly that Aboriginal groups want to be part of the big contracts and not just the 'rats and mice' work. To this end all jobs big and small should be tendered out to the Aboriginal business market, with tender criteria that gives weight to Aboriginal owned and operated businesses.

In many cases it was felt that resource company personnel made unilateral judgements about the capacity of an Aboriginal business to fulfil a particular contract, and overlooked possible strategic responses Aboriginal businesses may take to meet contract demands. For instance, a number of Aboriginal businesses were discussing combining their resources to take on a pending civil contract at a mine. This would have increased the amount and type of machinery and other resources available to undertake the work. The opportunity to devise a suitable consortium could not be pursued because the Aboriginal businesses were not invited to tender.

A procurement department may not engage an Aboriginal business because it is not aware of the capacity and resources available to an Aboriginal business, particularly if these are not visible to the resource company. One Aboriginal business found that when it relocated tip trucks and other equipment from a location away from the mining operation to its yard near the mine, the mining company became interested in discussing potential work.

ABORIGINAL CAPACITY NOT RECOGNISED

Although lack of capacity was frequently cited as a barrier for resource companies to engage Aboriginal businesses, the interviews revealed an impressive cohort of capable and experienced Aboriginal business people.

Aboriginal interviewees often reported that they felt subjected to negative stereotypes and that the extent of their experience and expertise was not readily recognised. The experience of negative stereotyping was exacerbated in the case of Aboriginal women starting businesses and trying to enter the resource sector supply chain.

In one example, two local Aboriginal men with 16 years and 18 years respectively working on the neighbouring mining operation resigned and established a civil contracting business offering services to the mine. The mining company expressed doubts over the individuals' capacity to run the business despite their years of experience.

LACK OF TRANSPARENCY OF SOURCING PROCESSES

Overly complex processes for tendering or even achieving pre-qualification were consistently commented on by Aboriginal businesses. These were found to be complicated, onerous and costly. Sometimes there was confusion over the process, for instance a call for expressions of interest was actually the resource company 'testing the market' or looking for lower contract bids.

A disconnect was noted between the engagement experienced with the Indigenous relations staff of resource companies and that of the procurement department. Some Aboriginal participants believe some companies tend to use the odd Aboriginal contractor to 'tick the black box'. Their performance with Aboriginal procurement is over-stated to look good and the reported outcomes do not match the reality on the ground.

RESOURCE COMPANY PERSPECTIVES

IMPORTANCE OF COMMERCIAL COMPETITIVENESS OF ABORIGINAL BUSINESSES

Resource companies highlighted that local and community businesses must be able to operate in a commercially competitive way and this is a critical element for their economic sustainability. Effectively achieving this usually required considerable investment and time and was achieved through the resource company working constructively with prospective Aboriginal suppliers. This includes help with business development, such as appropriate management systems, health and safety standards and procedures, and assistance with technical advice. Efforts such as this are sometimes negated by instability and change in native title group leadership and composition. Added complexities arise where native title groups initiate commercial activities through business loans or business start-up grants, and these do not lead to sustainable business development in unsubsidised form.

COST AND RISK SENSITIVITY

Resource companies were found to be highly sensitive to any form of risk. The procurement processes tends to favour known suppliers with previous experience and an excellent track record. Exceptionally high standards for health and safety management systems are demanded from all contractors, which creates a significant hurdle for new businesses seeking to enter the resource sector supply chain.

SUPPORTING BUSINESSES IN A COMPETITIVE ENVIRONMENT

Resource companies generally have heightened concerns about the capacity of Aboriginal companies to perform successfully. The prospect of assisting Aboriginal businesses is sometimes felt to compete with guiding values about equity and fairness in the procurement process.

There is an inherent tension between the principles of reducing cost, maximising productivity and maintaining high health and safety standards with social responsibility objectives. These tensions typically play out internally in a resource company, mostly between the procurement department and the department responsible for social performance.

The companies that adequately address this tension have systems and processes in place that give formal weighting to Aboriginal content in the procurement selection procedure. In successful corporations there is also usually an employee whose specific responsibility it is to pursue opportunities for Aboriginal businesses to work for the extractive company. They were either situated in the social performance department or the procurement department with a specific role to scan forthcoming supply demand and develop appropriate sourcing strategies as well as supplier selection. The positive outcomes cited often involved multiple sourcing strategies, such as utilising site-based purchase orders.

CYCLICAL NATURE OF COMMODITIES

A fundamental issue identified was the cyclical nature of the extractive sector, exemplified by high activity and demand during construction followed by a steep falling-off as the project moves into operation. A similar phenomenon is observed when an operation is expanded and then reverts to steady state operations. These increases in demand usually relate to increasing commodity prices spurring high demand. High-level demand for Aboriginal businesses has occurred during construction or expansion, largely due to the overall sourcing demands rather than strategic initiatives to increase Aboriginal business participation.

Lower commodity prices were acknowledged as impacting on the sustainability of Aboriginal businesses engaged at peak times. Some resource companies highlighted their long-term strategic objectives for nurturing Aboriginal businesses and have schemes to assist in business development. One problem with this approach is that the commodity cycle may have moved on by the time business capacity is developed. Surviving a downturn requires ability and agility to respond to scalable demand in an operational setting.

INTERNAL CROSS-CULTURAL CAPACITY

A significant challenge for resource companies is to create an internal culture that values engaging Aboriginal businesses. Visible leadership in this area promotes Aboriginal business engagement because company personnel then feel endorsed to develop and push initiatives that support Aboriginal business. Skills such as cross-cultural competencies were identified as important.

NEED FOR MANAGEMENT SYSTEMS FOR ABORIGINAL PROCUREMENT

Appropriate systems were said to be important, with socio-economic objectives included in sourcing processes. Project time frames are usually tight and by the time local businesses have built up their capability to meet tender standards, particularly management systems for health and safety, the economic opportunities have passed.

An important deficiency identified is that community, local and/or Aboriginal economic development objectives are not considered in project planning. Associated management systems, therefore, do not provide measures for performance. Resource companies tend to give priority to what is measured in performance assessments, especially where these are linked to employee or management bonuses.

Companies that demonstrated successful outcomes in Aboriginal procurement, tend to have targets for Aboriginal business participation.

IMPORTANCE OF CORPORATE CHAMPIONS AND INTERNAL RECOGNITION

Every extractive company with good practice employs personnel who exhibit enthusiasm, influence and drive to apply innovative solutions for effective engagement with Aboriginal businesses. These 'corporate champions' are able to encourage innovation in other company personnel who can contribute to Aboriginal procurement within their area of responsibility. Most company personnel working in Aboriginal business engagement indicated that they appreciated the positive recognition through business awards or internal company awards of personnel who have 'gone the extra mile'.

For instance, an Indigenous engagement professional in one corporation worked actively with the procurement department to engage Aboriginal businesses into the supply chain. Initially the attitude of the procurement department was negative because the targets for Aboriginal business procurement were an additional burden in an already onerous task of meeting project management demand for goods and services during an expansion phase. After months working with Aboriginal businesses and assisting with the establishment of appropriate joint ventures for specific contracts, there were successful outcomes and Aboriginal business procurement targets were exceeded. At the procurement department's own volition, it nominated to compete for a professional award for socially responsible procurement from a global procurement and supply association. Several procurement personnel attended the national awards night and enthusiastically accepted the award on winning.

ITS ABOUT DRIVING THE CULTURE.
YOUR POLICIES, MEASURES AND
PERFORMANCE ASSESSMENTS CAN
DRIVE THE CULTURE AND PEOPLE
ACCEPT THAT THIS IS POLICY, SO
LONG AS EVERYONE SEES THE
BEHAVIOUR MATCHING THE POLICY
AND YOU CAN GET ALIGNMENT
ACROSS THE BUSINESS. IF YOU TAKE
AN INDIVIDUAL OUT OF THE SYSTEM
IT WON'T MAKE MUCH DIFFERENCE.

JO-ANNE SCARINI, RIOTINTO



DIFFERENTIATING ABORIGINAL PROCUREMENT

A close examination of issues surrounding Aboriginal business procurement reveals a set of differentiating factors compared to conventional local content sourcing. Recognising and acknowledging the unique factors affecting Aboriginal procurement is a prerequisite for the design of innovative and effective strategies that result in tangible business outcomes.

Understanding the imperative for positive outcomes is crucial for success. While the approaches and methods for incorporating Aboriginal businesses will resemble those associated with local content initiatives, differentiating Aboriginal participation remains critical. For successful implementation, extractive companies need to devote sufficient resources and expertise to implementation.

Figure 3 provides a schematic representation that situates Aboriginal business engagement in an overlapping area between broader Aboriginal Engagement and Local Content.

ADDRESSING ABORIGINAL SOCIO-ECONOMIC DISADVANTAGE

A foundational proposition is that there is shared value in addressing the social and economic disadvantage that Aboriginal people generally experience. Developing countries similarly seek to spread the benefit from large-scale mining and petroleum developments through broad-based local content policies. A major difference, however, is that local people are frequently incorporated socially and culturally into the predominant society. Indigenous people in settler states on the other hand tend to be marginalised from wider society. The unique position of Indigenous people in the modern economy arises from a history of dispossession and economic marginalisation that occurred as settlers progressively occupied land across Australia.

FIGURE 2. Relationship between Aboriginal engagement and local content



When measured as a distinct group in society, Aboriginal people rate poorly in terms of social indicators for health, education and employment. These factors are interdependent and contribute to leave Aboriginal peoples with generally lower socio-economic status, lower levels of vocational experience and shorter life expectancy.

Addressing these statistics is a major priority of federal and state governments in Australia. The government policy to 'Close the Gap' is the foundational platform for all government initiatives and enjoys bi-partisan support. Increased employment and engagement with the mainstream economy is part of the multi-faceted approach to addressing Aboriginal disadvantage.

Aboriginal businesses seek to create wealth and opportunities for healthy life choices for their families and communities as preference to welfare. Moreover, increased economic activity associated with extractive resource development can expand the social and economic options for Aboriginal people to become long-term contributors to, and drivers of, regional and community development.

NEGATIVE STEREOTYPES AND CULTURAL DIFFERENCE

Discrimination toward Aboriginal people remains in some quarters of Australian society as an additional barrier to Aboriginal businesses. Australia is a relative young nation and negative attitudes towards Aboriginal people persist based on outmoded views expounded on the settler frontier. It seems racist attitudes enabled colonisers to not only justify dispossession of native lands but also to exclude Indigenous people from participating in the mainstream economy, except where Aboriginal labour could be used for little or no remuneration.

Australia has mostly shed this unfortunate history, however poor attitudes can still surface in some people who have had minimal contact with Indigenous people and possess no views other than those based on negative stereotypes. Negative perceptions place a significant burden on building relationships that are required to make any contract or business transaction work. This can affect the level of trust toward Aboriginal people and confidence in what they can achieve.

For example, paternalistic attitudes hinder Aboriginal businesses where resource company personnel make unilateral judgements about whether an Aboriginal company is capable of doing a particular contract. This makes it difficult to gain experience in making decisions, developing systems to manage risk and learning from trial and error.

Issues of cultural difference are an added burden that Aboriginal businesses must manage in what is already a highly competitive and challenging business environment. Different priorities and the importance of cultural obligations toward families and related groups can play out in ways that reinforce negative stereotypes.

For instance, in mainstream Australia personal identity is defined in terms of things like a person's educational qualifications, work experience and career objectives. Employment is a defining element and is fundamental to not only economic but social participation. In contrast, for Aboriginal people identity is rooted in family and ancestry. In remote Australia, Aboriginal people identify with the language groups they belong to and the land they are responsible for looking after. Primacy of family responsibilities plays a defining role in Aboriginal Australia, as does the obligation to look after country.

Attending funerals and associated mourning activities, for example, might supersede other commitments resulting in missing appointments or work absences. This can be interpreted as unsatisfactory performance or flagrant disregard to wider social norms.

Building Aboriginal business capability therefore involves confronting in positive ways the legacies of the settler state on Aboriginal people. The confidence Aboriginal people need to participate in the wider economy needs to be nurtured. The drive and motivation of Aboriginal entrepreneurs in navigating conflicting Indigenous and industrial world views needs to be recognised and promoted.

Advancing Aboriginal business options requires addressing the myths associated with Aboriginal history such as unreliability, poor quality of work, lack of technical and financial capacity, which are founded on negative Aboriginal stereotypes.

IT'S LIKE SAFETY, IF YOU WANT A STRONG SAFETY CULTURE YOU HAVE TO STAND STRONG FOR IT. YOU CAN'T BE WISHY-WASHY ABOUT IT AND SAY 'OH WELL... IF I DON'T SEE THAT [UNSAFE PRACTICE] THEN GO AHEAD WITH IT'. SAME WITH ABORIGINAL ENGAGEMENT, YOU GOT TO BE STRONG ABOUT IT. THERE NEEDS TO BE STRONG LEADERSHIP IN RESOURCE COMPANIES TO SAY 'THIS IS OUR STANCE ON THIS AND THIS HOW WE FEEL', AND REALLY PROMOTE IT AS AN IMPORTANT PART OF RUNNING THE BUSINESS.

DEREK FLUCKER, RBY



ABORIGINAL LAND RIGHTS

The recognition of Aboriginal peoples' rights and interests in land has come lately in Australian legislative development. Certain states in Australia, such as New South Wales and South Australia, and Commonwealth legislation in the Northern Territory convey statutory Aboriginal land rights. In 1993, the Native Title Act was proclaimed in response to the *Mabo* decision by the High Court of Australia.⁴ The decision quashed the legal fiction that Australia was an empty continent at the time of British colonisation, and 'native title' as an economic enabler was established.

Large areas of remote Australia are subject to this legislation. In these areas, access to and use of land by others, such as mining or petroleum companies, occurs under terms and conditions provided for in the relevant legislation. Agreements are now a common mechanism to formalise relations between the Aboriginal landowning groups and extractive companies. In other areas of Australia, where land rights and interests are not so clearly defined, Aboriginal people are able to negotiate a positive relationship with resource projects based on land claims. Some extractive companies have elected to enter agreements that benefit local Aboriginal people affected by resource developments even though they are not legally required to do so.

Opportunities for Aboriginal businesses to become part of a company's supply chain is commonly offered as one component of a set of benefits negotiated under land access agreements. Other aspects negotiated in land access agreements include Aboriginal employment, community development, Aboriginal liaison, and other benefits to traditional owners that constitute a benefits package based on Aboriginal participation and engagement. Aboriginal consent to access to land for exploration and extraction of resources is provided on condition of receiving the negotiated benefits. Viewed in this way, Aboriginal business participation can be seen as a contractual obligation linked to the underlying approvals for a project, preferable to direct payments that amount to welfare.

REMOTENESS

Aboriginal businesses face barriers not necessarily experienced by other small businesses, especially if they are located in regional or remote Australia. The history of Aboriginal communities, particularly those operated as closed communities, makes access and interaction more complex. These communities located in remote situations were either government-run or missionary sponsored. One consequence is that there is a lack of business role models to encourage Aboriginal entrepreneurs. Another issue in such environments is that Aboriginal businesses that may exist are not readily identifiable in the wider world.

Remoteness also adds burdens such as access to accounting services or professional business advice. Aboriginal businesses may have individual capacity and good knowledge of technical work requirements, but have limited business capacity and experience. In these circumstances financing and loans are difficult to obtain.

⁴ New South Wales Aboriginal Land Rights Act; Anangu Pitjantjatjara Land Rights Act; Aboriginal Land Rights (NT) Act 1976.

FOUNDATIONS FOR AN EVALUATION FRAMEWORK

In developing the framework it is recognised that the extractive industry has particular characteristics that need to be understood in order for it to be applicable and constructive:

- **The industry is overwhelmingly cost sensitive and extremely risk adverse. The size of investments is usually extremely large and returns are geared over the long-term. Project revenues are linked to fluctuations in the global commodity markets, meaning controls over costs take on heightened sensitivity, especially in downturns in commodity demand.**
- **Capital investments are typically undertaken to take advantage of upturns in the commodity price cycle, adding time pressure to the completion of construction or expansion projects.**
- **A paramount concern of industry is the health and safety of its employees and contractors.**
- **Increasingly, resource companies espouse commitments to 'corporate social responsibility' as well as having legislative and contractual obligations to deliver local and regional benefits.**

In an extractive company, it is the primary responsibility of the contracting and procurement division to balance the company's priorities for safety, cost, and productivity when it comes to sourcing technical demand. With projects being undertaken at large scale with tight time frames, the contract and procurement department has a heavy responsibility to achieve the best value for money and highest safety standards. With resource constraints and achieving efficiencies in mind, extractive companies tend to prefer a single demand manager dealing with a one large contractor (which sub-contracts to others and manages them). This is preferable because multiple smaller contracts places increased time requirements on the demand manager, necessitating additional staff and overhead costs.

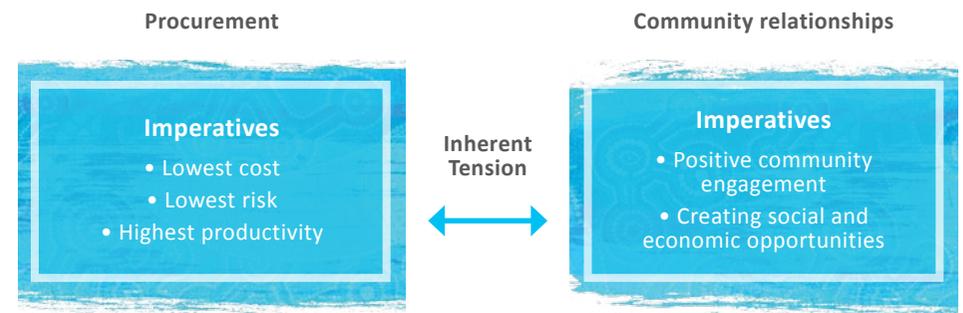
On the other hand, outcomes that enhance the company's community relations and that create long-term local or regional benefit are a central concern of staff with responsibility for maintaining the company's social licence to operate, typically the social performance or community relations department.

When it comes to sourcing goods and services, a fundamental tension emerges between achieving the best value and safety versus meeting obligations to

providing economic opportunities to local communities and Aboriginal groups. Achieving the latter requires additional time and effort that the contracting and procurement department will naturally resist given existing work pressures.

These tensions are typically played out internally between divisions of the resource company responsible for contracting/procurement and community relations/social performance represented diagrammatically in Figure 4.

FIGURE 3. Fundamental tension existing within resource companies



A central tenet in developing an Aboriginal procurement evaluation framework is that it is necessary to reduce the apparently conflicting corporate goals. This requires internalising the issue in terms of benefit to the bottom line of the company, in other words, recognising that generating local benefit is good for business. It is also critical that internal rationalisation occurs alongside deference to competent and productive external engagement.

EVALUATION MODEL

While recognising commercial business realities and the nature of extractive resource development the evaluation framework proposed here provides a structure for developing a common understanding between resource company personnel with differing roles inside the company. In addition it seeks to engender productive external engagement with Aboriginal groups seeking access to business opportunities.

The four components, which are explained in the sections below, are:

- **Promoting and enabling a positive internal environment.**
- **Innovative and targeted sourcing strategies.**
- **Management system for Aboriginal procurement.**
- **Competent external engagement.**

Framed in this way, the internal and external environments are considered in conjunction with ‘hard’ factors, such as management systems, and ‘soft’ factors like drive, intent, recognition and reward.



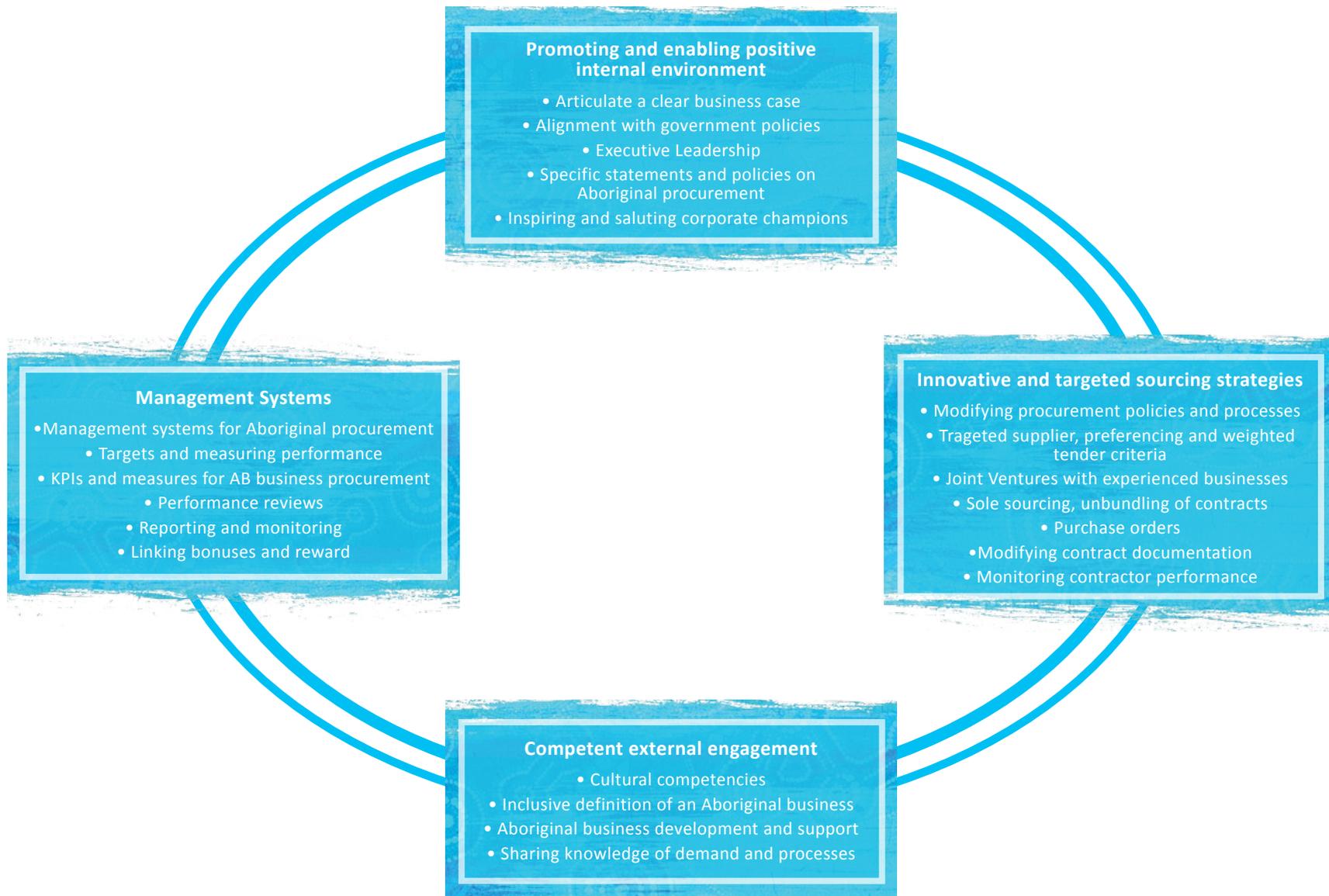
INCLUDING TIER 1 CONTRACTORS

Increasing the breadth and scope of opportunities for Aboriginal businesses to participate is also an important aspect of the framework being developed. Importantly, the drive to increase Aboriginal business participation needs to be pushed through to Tier one contractors and their sub-contractors as these companies are responsible for much of the ‘real’ activity at extractive projects, particularly during construction of new projects or expansion of existing operations.

The knowledge, skills and methods for successful engagement with Aboriginal businesses are not necessarily part of an engineering contractor’s area of expertise. Their focus is on technical design and fabrication by the safest and most efficient means. The way engineering procurement contracts are structured between a resource company and their Tier one contractors, however, means the bulk of the business opportunities often lie with the primary contractor and its sub-contractors.

Adherence to good practice means the resource company works constructively with its contractors to maximise Aboriginal participation in a project. The aim of building a framework is to allow mining companies, petroleum companies and their contractors to access the body of knowledge and experience that has developed in the field and to understand what good practice entails and how to implement it for successful outcomes.

FIGURE 4: Framework for evaluating leading practice



IF YOU WANT AFFECT CHANGE, YOU CAN'T JUST GO IN AND SAY 'HERE IS A POLICY, EVERYONE DO IT'. I KNOW I NEED TO BUILD A MINDSET WITHIN CONTRACTING AND PROCUREMENT THAT THEY RECOGNISE ME AS A VALUE-ADD. IF I LEFT, I LEAVE THE LEGACY THAT IT IS NOT ABOUT ME, BUT IT IS THE FUNCTION THAT IS IMPORTANT.

BRAD MAHER, QGC

COMPONENT 1. PROMOTING AND ENABLING A POSITIVE INTERNAL ENVIRONMENT

This component considers a resource company's ability to comprehend and reconcile its sometimes competing business priorities. It seeks ways to achieve alignment of business purpose and a well-defined business case to support it. It is imperative that the business case is reflected in company policies and procedures that facilitate strong and formal links between relevant departments, and are then supported by the encouragement and recognition of excellence in the area of Aboriginal procurement.

ARTICULATE A CLEAR BUSINESS CASE

The need to align a company's rationale for socially responsible initiatives with core business objectives is increasingly recognised as vital for driving new operational norms and innovation in the extractive sector. Historically, most corporations expressed their core business imperatives in terms of increasing shareholder value, but for extractive companies to secure replacement resources a key business imperative these days must be to leave a lasting positive legacy, not a liability.

In this way, developing and articulating a robust business case for maximising Aboriginal procurement is critical to achieving positive outcomes. Successful resource companies in remote and rural Australia clearly identify the risk management and business growth opportunity offered by good outcomes in Aboriginal procurement. This is mostly clearly evident in companies that have contractual obligations in land access agreements and want to establish a good reputation to enhance further project approval processes.

5 References to the guides mentioned, see Appendix C for web links: Barclay, M.A., Parmenter, J. & Barnes, R. 2014. 'Guide to Good Practices in Indigenous Employment, Training & Enterprise Development'. Report to BG Group, CSRSM Brisbane. Esteves, A.M., Brereton, D., Samson, D. & Barclay, M.A. 2010. 'Procuring from SMEs in local communities: A good practice guide for the Australian mining, oil and gas sectors'. CSRSM Brisbane. IFC 2011. 'A guide for getting started in local procurement: For companies seeking the benefits of linkages with local SMEs'.

The commercial benefit to companies from local procurement are well outlined in the IFC's 'Guide to Getting Started in Local Procurement', CSR's 'SME Good Practice Guide' and the 'BG Guide to IETBD'⁵. Broadly these posit four main reasons for pursuing local content:

- **to mitigate risk to company operations, in particular social risk;**
- **to meet government regulations and/or obligations in project approvals and agreements;**
- **to provide benefits to the local community by creating sustainable business opportunities; and**
- **to reap economic rewards from sourcing locally.**

The IFC identifies seven key business drivers for local procurement which include government regulations, competitive advantage, social licence to operate and a number of potential efficiencies and cost saving drivers that relate to buying locally rather than sourcing internationally. In developed economies like Australia with higher cost structures, the cost advantage in buying locally is less likely to be a key business driver. Furthermore, as discussed above, local procurement is more likely to be seen as presenting higher risk compared to sourcing from international contracting firms with proven track records and extensive experience.

With respect to Indigenous employment training and business development CSR's 'BG Guide to IETBD' presents a valuable synthesis of the key business drivers to four key areas, see table 2.

Significant advantages flow to extractive companies from their delivering long term benefits to those affected by their operations, and in particular in remote and rural Australia from successful engagement with Aboriginal businesses. Some of the commercial benefits available to extractive companies include:

- **Meeting contractual obligations in land access agreements with local traditional owners that are intended to offer Aboriginal employment and business opportunities.**
- **Stable contractor presence, source of local knowledge and linkages to local communities, which deliver positive outcomes contributing to corporate social responsibility objectives.**
- **Addressing Aboriginal disadvantage and improving the social and economic condition of Aboriginal communities enhances societal stability, resulting in greater local capacity and makes further economic engagement more efficient.**
- **Gaining a positive reputation that will precede a company's application for further land for exploration and development. A good reputation is likely to facilitate agreement making and enable access to further land or project expansions locally as well as enhance access in other jurisdictions nationally and internationally.**

**TABLE 2: Key business drivers for local procurement
(from CSRM BG Guide to IETBD)**

| KEY BUSINESS DRIVER | DESCRIPTION |
|---------------------------|--|
| Government regulations | Comply with legislation, agreements, contracts and/or expectations. Satisfy competitive bidding terms for contested resource blocks. Leverage government funding for training programs. |
| Social license to operate | <p>Build local support through activities that will secure broad-based local support in government tendering processes.</p> <p>Addresses local expectations for benefit based on equality of opportunity rather than philanthropy or other forms of welfare.</p> <p>SME development will mitigate risks associated with expectations for direct employment, when such opportunities may be limited.</p> <p>Improves ease of operations (through avoiding blockades, time consuming and costly complaints).</p> <p>Deliver self-sustaining intergenerational benefits to Indigenous peoples, beyond compensation, avoiding re-emerging dependency and demanding activism.</p> |
| Competitive advantage | <p>Demonstrates company's ability to deliver economic development through its incorporation of local businesses in the supply chain.</p> <p>Leads to access to new concessions or clients and increased likelihood of winning new government concessions as a result of government contracts.</p> <p>Catalyse a broader based economic cluster that will generate local competitive service and supply, lowering costs over time.</p> |
| Regional Development | <p>Build alliances that influence governments to deliver state sponsored local education and training programs and civic infrastructure.</p> <p>Strengthen local capability with cross over into improved local government functionality.</p> |

ALIGNMENT WITH GOVERNMENT POLICIES

Aboriginal business engagement aligns with various government policies in Australia. An increasing emphasis of government in relation to addressing Aboriginal disadvantage is a shift from interventions through social programs to policies that promote increased 'real' economic participation. The Australian Government for instance released its policy on Aboriginal procurement in July 2015 which sets targets for itself for the supply of goods and services from Aboriginal businesses (see Box 4).

Furthermore, the regulatory setting in most of Australia for resource development requires environment and social impact management plans. In terms of addressing social impacts, in most jurisdictions there is an explicit expectation that there will be benefits in terms of local business opportunity for Aboriginal businesses. In Queensland, social impact management and/or action plans are required for some major projects, addressing themes such as Indigenous participation, employment and local economic development.

The IFC 'Performance Standard 7: Indigenous People' is relevant where projects receive finance from the IFC.⁶

⁶ IFC Sustainability Framework see www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework

BOX 4. AUSTRALIAN GOVERNMENT INDIGENOUS PROCUREMENT POLICY

In 2015 the Australian Commonwealth Government introduced an Indigenous Procurement Policy that aims to build relations between the wider Australian public and Aboriginal and Torres Strait Islander people and enhance Indigenous economic development and employment. The policy has a target of 3% of contracts to be awarded to Indigenous businesses by 2020. Some contracts will be mandatory while some will be set aside for the communities and minimum Indigenous participation targets will be set for certain deals. No contract will be given to a business unless it can demonstrate value for money, but the target will put pressure on government departments to seek out large and small Indigenous owned companies that can provide goods and services for the government.

The guidelines will apply from 1 July 2015 to government organisations that have to comply with Commonwealth Procurement Rules see:

<http://www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/>.

Its success will be measured by an increase in Indigenous businesses contracting with the government, and the number and value of contracts awarded. The target will begin at 0.5 per cent of contracts in 2015-16, rising to 3% by 2019-20. Over 256 contracts will need to be awarded across the government. Departments can choose to use a dollar target or a volume target. To reach the goal, the businesses can include direct contracts, sub-contracts relating to goods and services, and direct contracts with joint ventures that are at least 25% Indigenous owned.

The government said the 3% target is a minimum and entities should consider publicly committing to a higher figure. Three percent correlates to the proportion of Indigenous people in Australia's population.

EXECUTIVE LEADERSHIP

Resource companies that demonstrate leading practice in Aboriginal procurement exhibit strong executive leadership, with the leaders promoting and backing initiatives that result in greater Aboriginal business engagement. Leadership has a clear understanding of the issues and a genuine commitment to and appreciation of the rationale for maximising Aboriginal procurement. These are usually expressed in high-level statements from the executive leadership, which translate into corporate policies and procedure guidance.

EXPLICIT STATEMENTS AND POLICIES ON ABORIGINAL PROCUREMENT

The business case for positive Aboriginal engagement needs to be explicitly expressed by high-level statements from the executive level, including the Chief Executive Officer. Mechanisms also need to be in place to push the intent of the statements through to the operational level. Without operational managers embracing the intent of the statements, there will be little impact.

For leading practice, the statements and intent need to be translated into explicit company procedures for maximising Aboriginal procurement, which are monitored and measured. Adherence to corporate policies is required at operating sites where procedures need to be in place that reflect the explicit intent and commitment to positive engagement with Aboriginal businesses.

High-level company policies provide mandate and guidance to personnel involved in procurement at the operational level. Some leading Australian companies have adopted Reconciliation Action Plans that are endorsed by Reconciliation Australia under a program that aims to recognise and respect Aboriginal people. Companies commit to specific initiatives, actions and targets, including increasing Aboriginal employment or assisting Aboriginal businesses access the supply chain (see Box 5).

BOX 5. RECONCILIATION ACTION PLANS (RAPs)

Reconciliation Australia describes RAPs as business plans that document what corporations will do within their sphere of influence to contribute to reconciliation in Australia. RAPs are intended to:

- **build strong relationships and enhance respect between Aboriginal and Torres Islander peoples and other Australians;**
- **build on the organisation's aspirations for equality and sustainability; and**
- **turn good intentions into real actions.**

The RAP framework is based on three key areas, relationships, respect and opportunities. RAPs set out proposed actions, responsible personnel, timelines and deliverables under each of the key areas. Integral to RAPs is tracking progress of implementation and reporting see RA website at www.reconciliation.org.au/home/reconciliation-action-plans.

Strategic objectives need to be incorporated into the company's procurement policies. The IFC 'Guide for Getting Started on Local Procurement' offers advice on how to write a local procurement policy.⁷

The Aboriginal procurement policy developed by the NSW Aboriginal Affairs Department provides a useful example of a preferential procurement policy (see Box 6).

YOU ALSO NEED TO GET THE COMMUNITY ON-SIDE BECAUSE THE COMMUNITY, BOTH ABORIGINAL AND NON-ABORIGINAL HAVE A BIG ROLE. WITH THE GAS INDUSTRY IT'S NOT LIKE A MINE CLOSED-OFF FROM THE REST OF THE WORLD, YOU ARE PART OF THE COMMUNITY. WHERE EVER WE WORK YOU HAVE TO MAKE SURE YOUR PRESENCE IN THE COMMUNITY IS POSITIVE AND YOU GET PEOPLE ON-SIDE. A LOT WORK GOES INTO THAT.

DEREK FLUCKER, RBY

⁷ IFC 2011. 'A guide for getting started in local procurement: For companies seeking the benefits of linkages with local SMEs'.

BOX 6. NSW ABORIGINAL AFFAIRS PREFERENTIAL PROCUREMENT POLICY

Key statements of the policy include that:

- **The NSW Aboriginal Affairs Department will procure its requirements wherever possible from recognised Aboriginal businesses and suppliers**
- **It will purchase goods and services from recognised Aboriginal businesses, taking into account the wider benefits to the Aboriginal community consistent with the Department's objective of identifying socially responsible procurement solutions**
- **In identified sectors, Aboriginal Affairs will initiate demonstration projects in partnership with Aboriginal suppliers to increase the procurement of goods and services supplied by Aboriginal businesses in that sector**
- **Where no recognised Aboriginal suppliers are identified or are not selected the Department will take into account**
 - the Aboriginal employment policies and practices of suppliers;
 - any joint venture arrangements between the company and Aboriginal suppliers;
 - benefits to the wider Aboriginal community from the procurement spend;
 - any contracting arrangements that would be offered by the supplier to Aboriginal businesses or result in the employment of Aboriginal workers; and
 - the Aboriginal employment policies and practices of suppliers may be taken into account when assessing tenders.
- **Joint ventures between Aboriginal and non-Aboriginal businesses will be encouraged through tender specifications of contracts managed by Aboriginal Affairs.**
- **Develop communication pathways between Aboriginal communities and the agency to ensure Aboriginal community awareness of potential procurement related business opportunities.**
- **Aboriginal Affairs will work proactively with peak organisations including Supply Nation and the NSW Indigenous Chamber of Commerce to identify recognised Aboriginal businesses and provide information about procurement opportunities for Aboriginal businesses.**
- **Aboriginal Affairs will collect available data on the agency's spending through recognised Aboriginal businesses to enable reporting and policy review.**

INSPIRING AND SALUTING CORPORATE CHAMPIONS

The research revealed that there are certain people within a corporation that invigorate and drive change and positive initiatives that create opportunities for Aboriginal businesses. The role of ‘corporate champions’ in the field of Aboriginal engagement is not always adequately recognised or sufficiently rewarded. While it is easy to simply say that a company employs corporate champions, it is vital to actually encourage such behaviour through a supportive corporate environment that invites innovation and encourages employees to ‘go the extra mile’ in pursuit of positive outcomes.

Awards and recognition turn out to be remarkably successful in motivating employees who want to be part of something ‘bigger than just themselves’. They can be internal awards given by the company to employees that have excelled in Aboriginal engagement or Aboriginal business development, or nominations for external awards. Instituting awards also gives recognition to the respective Aboriginal groups and serves to further enhance the positive relationships required for successful Aboriginal business procurement.

A range of external awards exist that extractive resource companies could nominate for, including:⁸

- **QRC Indigenous Awards Best Company Initiative Award**
- **CIPS Procurement Professional Award for best example of socially responsible procurement**
- **Supply Nation’s Supplier Diversity Awards**

Implementing internal awards or participating in external awards such as those above, is a key driver for encouraging supply chain managers and technical end users to support Aboriginal business participation in company supply portfolios.

⁸ See QRC www.qrc.org.au; CIPS www.cips.org; and Supply Nation www.supplynation.org.au.

COMPONENT 2. INNOVATIVE AND TARGETED SOURCING STRATEGIES

Generally procurement management is guided by a set of principles that emphasise transparency, value for money, open and effective competition, fair dealing, accountability and due process. With these principles in mind, resource companies end up designing relatively complex and prescriptive procurement processes. One reason for implementing a highly prescribed procurement system is to minimise discretion in a central business process that minimises variation, potential corruption and critical risks to business operations.

In the tender selection processes, factors such as familiarity and knowledge of the tenderer, level of experience, proven performance, and understanding the nature of supply and backward linkages come to the fore. While these systems and approaches suit large, high value contracts, they tend to work against new and untried businesses and in particular they deter Aboriginal businesses from gaining work.

MODIFYING PROCUREMENT POLICIES AND PROCESSES

To foster Aboriginal procurement less emphasis on a prescriptive process is required, without surrendering fairness, equity, transparency, competitiveness and cost effectiveness. In light of the objectives contained in a preferential procurement policy, the procurement management system needs to place equal emphasis and accountability on increased outcomes for Aboriginal business participation.

Many of the policy options and implementation methodologies found in the local procurement literature describe ways of modifying conventional procurement processes to ensure local supplier accessibility to company supply chains. Similarly, a range of modified options can be adopted to encourage Aboriginal participation in project procurement. These options can be considered individually or in combination depending on the business context and the operating environment.

In order to address the barriers to Aboriginal businesses the resource company needs to institute sourcing strategies that are used by resource companies actively working to increase local procurement. In leading practice, these approaches need to be applied across the supply chain and stipulated in EPCM and EPC contracts.

TARGETED SUPPLIER, PREFERENCING AND WEIGHTED TENDER CRITERIA

In mainstream service and supply, assuming satisfaction of technical requirements, contracts are typically awarded on the basis of lowest price. Where broader objectives, such as long-term sustainable supply, are being pursued it is necessary to implement a targeted procurement policy that provides explicit and transparent advancement of certain groups of people, such as women and minorities, or categories of businesses. For example, preferencing particular companies or groups, generally local firms, in the award of tenders is by far the most common means of implementing local content policies. In some jurisdictions socio-economic objectives are mandated, for example the Broad Based Black Economic Empowerment policy in the Republic of South Africa is a very prescriptive legislative requirement dictating supplier content.⁹

In Australia, where the technical requirements of a contract are beyond the scale or scope of existing Aboriginal businesses, preferencing can be included in tenders by including requirements for Aboriginal business participation, similar to the way tenderers are obliged to meet minimum health, safety and environmental standards. For example, the scope for a Tier 1 or 2 tender may ask for a strategy for engaging Aboriginal sub-contractors or suppliers in the project works or to commit to pre-established targets for sourcing from Aboriginal contractors or suppliers. Preferencing for Aboriginal contractors and suppliers could also include a set percentage of the project price.

Where the tenders require the use of Aboriginal businesses combined with a targeted Aboriginal supplier support and development program, there can be a price impact which carries the risk of reducing the price competitiveness and risks impacting negatively on the time, cost and quality aspects of a contract. It is essential to establish clear, quantified requirements for what the tenderer must deliver on Aboriginal participation and require all tenderers to achieve the same level of performance. These may be applied consistently across strategically identified areas of demand where potential for Aboriginal involvement exists.

For example, a leading LNG gas producer in Australia requires tenderers to submit an Indigenous Participation Plan on designated contracts, which are then evaluated by the Indigenous Business Development Manager. By introducing selection rating criteria for Aboriginal engagement the company signals that a

competitive advantage exists for contractors that demonstrate proficiency with Aboriginal participation.

In this way bidders compete on the basis of their effectiveness to meet Aboriginal engagement objectives in project works, which stimulates the formation of the necessary networks and relationships with Aboriginal businesses and promotes innovation.

Contractors that develop proficiency in Aboriginal business engagement will benefit from increased competitiveness in securing contracts from other resource companies.



9. Construction Industry Development Board, 2004. 'Best Practice Guideline #B2: Methods and procedures for implementing preferential procurement policies'. Pretoria.

JOINT VENTURES WITH EXPERIENCED BUSINESS

A long-standing approach used to address barriers for Aboriginal businesses is to encourage them to joint venture with well-established mainstream contractors. Use of a well-executed joint venture approach has been successful in providing openings for Aboriginal business to participate in the supply chain. The Aboriginal businesses gain experience in the tender process, implementing non-technical requirements such as health and safety management systems, gaining technical experience, gaining recognition and establishing a positive reputation.

Success depends on the joint venture being a genuine partnership with active Aboriginal participation in joint venture governance and operational management, with the Aboriginal business' personnel and assets employed directly on the project. Resource companies can stipulate in tenders the desired percentages of Aboriginal participation, remembering that joint venture structures may have price implications as project revenues have to be shared. Justification for pricing impact has to be accounted for through the resource company meeting other strategic objectives. Any cost impact on the non-Aboriginal partner has to be rationalised, recognising that winning the tender is dependent on the participation of the Aboriginal joint venture partner.

SOLE SOURCING, UNBUNDLING OF CONTRACTS

To overcome the challenge of scale for Aboriginal business entrants, leading resource companies have 'unbundled' large contracts and designated a number of smaller packages for both construction and operational contracts that target the existing skills and capability of the local businesses. This is an effective way for Aboriginal businesses to gain operational experience in the resource sector. Breaking off chunks of large contracts allows Aboriginal businesses to build capacity step by step and progress to larger contracts. There are of course resource implications for extractive companies to manage unbundled contracts. There are likely to be additional requirements for internal resources, which have to be justified in terms of the broader business case and preferencing policies.

PURCHASE ORDERS

Another effective sourcing option used by leading resource companies is to allow demand managers to use purchase orders. Purchase orders are usually available to operational site management for works of smaller scale or lower business risk, such as in non-production areas. Purchase order systems offer greater flexibility than highly prescriptive procurement systems and give demand managers an opportunity to work with locally based Aboriginal businesses. Allowing local Aboriginal businesses easier access to basic contracts can be one of the most effective mechanisms for developing the skills and capacities of these businesses.

MODIFYING CONTRACT DOCUMENTATION

Any simplification of procurement procedures makes the supply chain more accessible to Aboriginal businesses. Depending on the technical requirements of the tender, simplifying the tender procedures is an effective way to encourage Aboriginal businesses. Smaller Aboriginal businesses have fewer resources, so any initiative that makes the tenders process easier and less costly has a larger beneficial impact. One example is allowing longer deadlines for responding to tenders. Such measures need to be coupled with engagement initiatives such as assistance for potential suppliers in how to tender.

MONITORING CONTRACTOR PERFORMANCE

Critical to good practice in Aboriginal procurement is effective monitoring and enforcement of Aboriginal engagement by Tier 1 and 2 contractors, and the monitoring of joint venture arrangements for active Aboriginal participation.

In leading practice, such performance is monitored and performance is incentivised by rewarding contractors that have successful Aboriginal business procurement outcomes with further contracts. Conversely, poor performance needs to be addressed by explicitly identifying it and requiring the contractor to rectify the situation.

COMPONENT 3. MANAGEMENT SYSTEM FOR ABORIGINAL PROCUREMENT

Procurement management systems need to be configured to a publically declared Aboriginal business development policy, and performance measured against specific quantifiable targets. This authorises and encourages the procurement team to work collaboratively with the team responsible for Aboriginal engagement and social performance. The research for this report indicates that when this occurs effectively in a resource company, innovative and creative outcomes can be achieved, providing significant opportunities for Aboriginal businesses to access the supply chain.

MANAGEMENT SYSTEMS FOR ABORIGINAL PROCUREMENT

Leading practice requires management systems that link socioeconomic and regional development objectives to the procurement processes. For instance, when competitive tenders are called the management system should prompt a review of opportunities for Aboriginal engagement. The company personnel responsible for Aboriginal engagement need to actively participate in the tender selection process. These personnel should assist in designing preferencing schedules or make recommendations for identified Aboriginal businesses to perform the work.

Importantly, effective management systems require setting key performance indicators, relevant data gathering, reporting on targets and systematic review. Leading practice in Aboriginal procurement should link employee and departmental bonuses to achieving well-defined targets.

TARGETS AND MEASURING PERFORMANCE

Measurements that link socioeconomic and business results are vital to unlocking the capacity of companies to contribute to addressing socioeconomic disadvantage and societal stability. Effective measurement enables a company to generate verifiable data and assess progress. Insights obtained from reviewing performance measures enable strategies to be reviewed and refined to improve desired outcomes.

The research for this report reveals that setting clearly defined, quantitative targets for Aboriginal procurement is central to leading practice.

In order to evaluate programs and progress against targets established in preferential procurement policies, it is necessary to gather and capture relevant data. Where primary and secondary contractors are used, there should be a

system to collect data from these contractors and provide periodic (e.g. monthly or quarterly) internal reporting on progress toward achieving specified targets to management.

A widely used metric is the 'percentage of procurement spend' on Aboriginal businesses. Where major investment projects are executed through EPC or EPCM contractors, their spend on Aboriginal procurement must be included. The resource company management system must include obtaining primary contractors' Aboriginal business metrics. The system should require the contractor to submit these statistics as part of their periodic site reports or contractor reports.

The resource company should provide proforma templates for data capture to be completed by contractors in periodic contract reports and completion reports, including:

- **Percentage of invoiced expenditure that went to Aboriginal businesses;**
- **Total amount of annual expenditure that went to Aboriginal businesses;**
- **Number of Aboriginal businesses engaged in the company's supply chain;**
- **Comparison with previous reporting period, percentage increase/decrease in Aboriginal businesses and number of businesses; and**
- **Number of Aboriginal businesses supported to access the supply chain.**

Public reporting on overall outcomes is also an important aspect of the management system as it allows objectives to be monitored and evaluated externally.

COMPONENT 4. COMPETENT EXTERNAL ENGAGEMENT

CULTURAL COMPETENCIES

For a resource company or Tier one contractor to effectively operate in the field of Aboriginal procurement the company needs to have knowledge and appreciation of the Aboriginal social and cultural setting. Based on such understanding, responsible personnel can form positive professional relationships with Aboriginal groups that have business aspirations. Cultural competency needs to be recognised as a category of professional competency that the resource company or Tier one contractor requires in its professional skill set. Typically the social performance division of the company will have a high level of these 'cultural competencies', however they also need to be developed in other relevant parts of the company for effective Aboriginal business engagement. The social and economic drivers for increased Aboriginal economic participation should be well understood by:

- **senior management and operational management;**
- **technical demand managers; and**
- **personnel engaged in the contracting and procurement processes.**

A common method resources companies use to develop cultural competencies is offering Aboriginal cross-cultural training to relevant personnel. Cross-cultural training should be delivered by local Aboriginal businesses, which in turn contributes Aboriginal business spend.

Courses or training in the cultural and economic aspects of working with Aboriginal people in Australia should be tailored to the appropriate level for particular departments in an extractive company. Such training is only the start of making a company culturally competent. This will only happen if the principles of effective cross-cultural engagement is reflected in organisational policies and adopted in the practices of the company.

Specific courses and training are available at some Australian institutions for employees whose role is focussed in this area and where superior knowledge and cultural competencies are demanded, such as social performance personnel.

INCLUSIVE DEFINITION OF AN ABORIGINAL BUSINESS

It is entirely valid for extractive companies to work primarily with local traditional owner or native title groups to pursue business opportunities available from resource projects. This is particularly the case where operations are permitted or consented under land access agreements with traditional owners. With many operations situated in remote and regional Australia, it is not surprising that the level of capacity required by resource companies in terms of technical knowledge, skills and management standards are not often easily found amongst traditional owners or even within the local Aboriginal communities. Another difficulty found at some project locations is that the traditional owners may live in towns or communities located a long way away from site. Providing local benefit in these situations can be complicated where commitments in agreements are framed around giving opportunities to traditional owners.

Limiting the scan for potential Aboriginal businesses to the immediate traditional owner group or local community can mean failure to identify any suitable Aboriginal businesses capable of taking up commercial opportunities. This can lead to the resource company citing lack of capacity in existing Aboriginal businesses as a reason for little or no Aboriginal economic participation.

Widening the scan of existing and potential Aboriginal businesses beyond the locality of the mine opens up opportunities for increased Aboriginal participation. Utilising regionally based or sub-national Aboriginal businesses particularly where they work with local communities and traditional owner groups, is an effective way to reach Aboriginal groups that have limited capacity. Aboriginal businesses generally have higher rates of Aboriginal employees. The research conducted for this report found Aboriginal employment in these businesses is between 40% and 60%. Furthermore, the nature of an Aboriginal business is more supportive of Aboriginal employees who may have limited work experience or come from a regional or remote community.

With the establishment of Aboriginal business networks both nationally, such as AEMEE and Supply Nation, and state based networks such as the Northern Territory Indigenous Business Network, the linkages to competent regionally based or sub-national Aboriginal businesses can be readily accessed.

One of the functions of Supply Nation is to certify that a business would qualify as an Aboriginal business under the Australian Government's Aboriginal procurement policy. For Supply Nation certification, Indigenous ownership has to be greater than 51% as well as being Indigenous managed and controlled.

Businesses which are 50% Indigenous owned, say in a husband and wife team where only one partner is Indigenous, can be incorporated on their register of Indigenous businesses but not certified. The precision around ownership is necessary for proper implementation of the Commonwealth government's target for 3% of government procurement sourced from Aboriginal businesses by 2020.

In the resource sector, application of such a rigid definition risks eliminating valid Aboriginal businesses or creating additional barriers to developing Aboriginal businesses. Using a set of more flexible, locally relevant definitions is recommended. The focus of these definitions is to identify realistic and appropriate levels of active Aboriginal participation, including ownership, management, employment and a business' level of community engagement.

For these reasons, good practice in this field countenances a range of Aboriginal business configurations that may include non-Aboriginal partnerships or joint ventures as well as non-traditional owner businesses that may be based regionally or even in other states. Utilising a broader definition of qualifying Aboriginal businesses aims to allow these businesses to interact with local Aboriginal groups or traditional owners so that experience can be gained and business capacity is enhanced.

More flexible definitions of what businesses qualify as Aboriginal businesses allows resource companies and Tier one contractors to increase their scope for engagement and avoid the 'no Aboriginal business and no capacity' excuse for lagging performance.

The focus should be on the extent of Aboriginal participation in a business and its contribution to enhancing Aboriginal people's economic and social condition. This includes consideration of linkages to local communities and traditional owner groups through community benefits or community development initiatives. This approach shifts the emphasis from arbitrary measures of percentage Aboriginal ownership toward the extent a business facilitates Aboriginal participation and capacity building, and its propensity for positive socio-economic and community impact.

This approach also acknowledges that shared ownership reduces the risk for joint venture partners and the extractive company. Partnerships also provide a strong basis for expansion of Aboriginal ownership and growth, particularly through enhanced access to finance.

FIGURE 5. Broadening the scan for capable Aboriginal businesses



I WORK ON THE BASIS OF INTERNAL PARTNERSHIPS. YOU HAVE MANAGEMENT SYSTEMS THAT TELLS YOU THE STEPS BUT THE CRAFT IS TO KNOW HOW TO IMPLEMENT IT. ITS ALL ABOUT BEHAVIOUR, I FIND PEOPLE I CAN WORK WITH IN PARTNERSHIP. WHEN WE PROCURED RBY, I DIDN'T SAY LOOK AT WHAT I DID, IT WAS PROMOTED AS WHAT WELL ENGINEERING DID OR LOOK AT WHAT CONTRACTING AND PROCUREMENT DID, WE ALL MUST OWN WHAT WE ARE DOING.

BRAD MAHER, QGC.

ABORIGINAL BUSINESS DEVELOPMENT AND SUPPORT

Resource companies should devote personnel and resources to support or enhance the capability of existing Aboriginal businesses and undertake Aboriginal business incubation to take advantage of known demand. Supplier development is generally a long-term process that involves multiple stakeholders. In good practice examples, some leading resource companies sponsor Aboriginal businesses to work with small business development firms. These firms can assist prospective Aboriginal businesses to meet pre-qualification and adopt the management systems expected by resource companies, including assistance with setting up accounting processes.

Indigenous Business Australia has addressed business capacity building in its pre-qualification tool kit.¹⁰

SHARING KNOWLEDGE OF DEMAND AND PROCESSES

Aboriginal businesses need to be kept informed of forthcoming project developments and insights into type and specification of works that may become available. Aboriginal groups need sufficient time to mobilise resources to be ready for any tenders or expressions of interest.

The extractive company needs to form appropriate networks with relevant Aboriginal groups and businesses, maintained through active engagement and relationship building. Through these networks information on the companies sourcing procedures and knowledge of criteria for selection of tenders can be disseminated.

Communicating a forward demand map allows potential Aboriginal businesses to target work that they have the existing capacity for, or to make investments to build the necessary capability. Dedicated tender preparation training or hosting tender workshops with Aboriginal groups will assist with increasing understanding of the process and the company's standards and requirements.

¹⁰ IBA 2015. 'Indigenous Business Prequalification Toolkit'. Australian Government. Canberra.

SUMMARY AND NEXT STEPS

This report is Phase 1 of the project between AEMEE and QGC that aims to establish an evaluation framework to assist resource companies maximise to Aboriginal procurement in their supply chain. Through primary research and secondary sources, leading practice in Aboriginal procurement in Australia has been identified. By benchmarking this leading practice, the report identifies the critical factors contributing to successful outcomes in Aboriginal business engagement.

A framework is proposed based on the identified success factors, which lays a foundation for an evaluation tool. A four component framework is proposed. These components recognise the need to address broadly internal and external factors accompanied by soft factors (drive and intent) and hard (strategies, procedures, and systems). The four components are:

- **Promoting and enabling a positive internal environment**
- **Innovative and targeted sourcing strategies**
- **Management systems for Aboriginal procurement**
- **Competent external engagement**

This report will be used as a basis for further discussion and input by interested parties. These include resource chambers, peak industry bodies, and relevant government agencies and departments. The project partners will refine the framework based on the comments received.

Phase 2 will entail determining the components and the factors that are necessary to have in place for resource companies to maximise Aboriginal businesses in their supply chain. An evaluation tool will be developed that can be used to help resource companies identify specific implementation issues.

Road testing the tool will be an important part of developing an evaluation framework that works constructively to improve Aboriginal business engagement in the resource sector. Through these initiatives it is envisaged there will be many successful and sustainable Aboriginal businesses participating in the commercial economy.

THERE NEEDS TO BE RECIPROcity
IN THE RELATIONSHIP. NONE OF
OUR INDIGENOUS BUSINESSES GOT
A FREE RIDE. CERTAINLY THEY
HAD THE DOOR OPENED BUT NONE
GOT A FREE RIDE. THEY NEEDED
TO PERFORM AND WE HAD AN
OBLIGATION TO SUPPORT THEM TO
SUPPORT THEMSELVES.

JO-ANNE SCARINI, RIOTINTO

APPENDIX A: METHODOLOGY

PROJECT INTERVIEWS

As mentioned in the body of the report many of the impediments to Aboriginal business participation are understood by a small group of specialised practitioners who have gained first-hand experience and knowledge of what works and doesn't work in terms of improving outcomes. The research for this project sought to gather the experiences and advice of some of the individuals with relevant experience. The method used was semi-structured interviews with key informants to garner the participants' personal and professional experiences with respect to Aboriginal procurement. The interviewees included Aboriginal businesses that have worked with extractive companies as well as extractive company personnel responsible either for social performance or contracting and procurement.

PARTICIPANT RECRUITMENT

Aboriginal businesses were identified from AEMEE's membership and networks, with a special attention to include AEMEE board members. The selection of participants from the resource sector was targeted at those companies that engage AEMEE member businesses. The aim was that the interviews with an Aboriginal business would be complimented by interviews with representatives of the respective resource company with which that Aboriginal business was engaged. In this way the differing perspectives could be gleaned from people operating from either side of the procurement interface. This was not achieved in all instances, however, where this occurred valuable insights were obtained which highlighted differing priorities and experiences from opposing perspectives.

Although AEMEE is a national organisation and the project was intended to be applicable nationally, the research team was cognisant of the strong representation from Queensland in terms of project governance. This was a result of QGC, which funded the project, being Queensland-based as was the research team and each of the AEMEE board members on the steering committee. While this facilitated efficiencies with project governance, such as regular communication and steering group meetings, it also meant special attention was given to design the research to be inclusive of AEMEE membership across Australia.

Emphasis was therefore given to recruit interview participants across the different states of Australia where significant extractive resource development occurs alongside established Aboriginal interests. The recruitment process was cognisant that each state has different factors related to the nature of the extractive resource sector. This was to ensure the project captured the particular experiences of Aboriginal businesses operating under the different jurisdictions to provide a national perspective.

The sample selection was not intended to be a comprehensive representation across the resource sector in Australia as this was beyond the scale and scope of the project. Limitations were experienced with accessing all prospective participants because of their unavailability or conflicting commitments during the narrow timeframe in which the interviews had to be conducted to meet project deadlines.

The primary data also draws from the Primary Researcher participating in the QRC Qld Government Memorandum of Understanding to Increase Indigenous Participation in the Queensland Resources Sector Best Practice Forum on Procuring from Indigenous Businesses (see Box 10 for details of the MOU). The Forum was held in Brisbane on 28 April 2015. It was attended by a range of Aboriginal entrepreneurs and Queensland-based mining companies, including coal mining companies.

The primary data therefore does not purport to capture all experiences across the whole resource sector in Australia. Rather it gathers selected fine-grained insights of the experiences and lessons from a limited number of qualified persons who are integrally involved in promoting and pursuing increased Aboriginal business participation in the extractives supply chain. There was a heavy weighting toward the mining sector compared to the petroleum sector. This in part represents where the emphasis of Aboriginal business engagement has been over the last decade or so. A reasonable balance was achieved through the deep insights provided by the project partner QGC, a major gas exporter, whose Indigenous business development personnel have led this sector's achievement as recognised by the QGC being awarded the 2014 QRC 'Best Company Indigenous Initiative Award'.

The second phase of this project provides the opportunity to compliment Phase 1 findings with further interviews with participants from other parts of the resource sector particularly other petroleum companies, and major (Tier one) engineering and construction contractors.

TABLE 3: List of people and companies participating in interviews

| INT | ORGANISATION | PERSON | STATE | TYPE | GENDER | COMMENTS |
|-----|----------------------------------|--------------------------|-------|------------|--------|---|
| 1 | Cross Cultural Consultants | Jason Elsegood | NT | AB | M | Cross cultural consultancy |
| | Rusca Bros Mining | John Taylor | NT | AB | M | Civil contractor and labour hire |
| | HSS Concrete & Practical Safety | Roy Jansen | NT | AB | M | Civil supplier and safety gear |
| | Bunuwal Fuel/Investments | Tony Chafer | NT | AB | M | TO group in JV with Cambridge Gulf Oil |
| 2 | Savo Contracting | Katrina Savo | QLD | AB | F | Emerging civil contractor AEMEE Board, Project steering committee |
| | Emmet Contracting | Patsy Hudson | QLD | AB | F | Small business starting up |
| 3 | Western Cape RPA | Liz Logan | QLD | GOV | F | RPA with MCA |
| 4 | Rio Tinto Alcan | Warren Seem | QLD | EXT | M | Procurement Manager |
| | | Brad Welsh | QLD | EXT | M | Community Relations |
| 5 | Rio Tinto | Jo-Ann Scarini | QLD | EXT | F | Previous GM at Weipa |
| 6 | Northern Haulage Diesel Services | Darrin Savo | QLD | AB | M | Emerging civil contractor |
| | | Craig Savo | QLD | AB | M | Emerging civil contractor |
| 7 | RBY Projects | Derek Flucker | QLD | AB | M | AEMEE Board, Project steering committee |
| 8 | QGC | Brad Maher | QLD | EXT | M | Project steering committee |
| 9 | Carey Mining | Daniel Tucker | WA | AB | M | Longstanding civil contractor |
| 10 | GLH Contracting | Neville Stewart | WA | AB | M | Longstanding civil contractor AEMEE Board |
| 11 | RTIO | Bernadette Harris | WA | EXT | F | Global miner |

| INT | ORGANISATION | PERSON | STATE | TYPE | GENDER | COMMENTS |
|---------------|--------------------------------|--------------------------|-------|------------|--------|-----------------------------|
| 12 | Bloodwood Tree | Bob Neville | WA | AB | M | AB support organisation |
| 13 | Fortescue Metals | Heath Nelson | WA | EXT | M | Mid-tier Australian miner |
| 14 | BHP Billiton | Emma White | WA | EXT | F | Global miner |
| 15 | Intract Indigenous Contractors | John Briggs | SA | AB | M | AEEME Board |
| 16 | Klynton Wanganeen Consulting | Klynton Wanganeen | SA | AB | M | Aboriginal leader |
| 17 | Print Junction | Leon Torzen | SA | AB | M | Family-run printing company |
| 18 | SA dept | Jason Downs | SA | GOV | M | SA Department of Mines |
| 18 Int | 22 Organisations | 24 Participants | | | | |

NT = Northern Territory

AB = Aboriginal business

M = Male

SA = South Australia

EXT = Extractive resource company

F = Female

QLD = Queensland

RPA = Regional Partnership Agreement

BOX 7. OVERVIEW OF AUSTRALIAN RESOURCES SECTOR

Mineral production in **Western Australia** is dominated by iron ore and gold. China's significant economic growth over the preceding decade has largely driven expansion of existing iron ore projects by global miners such as Rio Tinto Iron Ore and BHP Billiton and supported the emergence of significant new iron ore producers such as Fortescue Metal Group and more recently Roy Hill. Most of these projects lay in remote areas of Western Australia in particular the Pilbara region in the north-west. Nearly all of the newer projects being developed occur under native title agreements with Aboriginal traditional owners. Western Australia also hosts massive off-shore conventional gas developments, for example on the north-west shelf. Significant on-shore investments include the construction of gas liquefaction plants and ports for exporting LNG. Some of the more recent developments involve agreements with native title groups. Western Australia is also home to world class gold mines located in the historic gold mining region centred on Kalgoorlie.

Queensland is dominated by well-established coal operations particularly in the Bowen Basin, as well as hosting the significant base metal province in the north-west of the state. The mines in this province such as Mt Isa Mines have operated since the 1930s and neighbouring operations have been developed before Aboriginal native title rights were recognised. The North West Queensland initiative is a combined initiative of the Queensland Resource Council and Queensland Government to address the lack of Aboriginal engagement in the region. A major bauxite mine has operated in Cape York at Weipa since the 1960s and is expanding into new areas under an Indigenous Land Use Agreement

signed with local traditional owners. A significant feature of Queensland is the more recent development of a large scale unconventional gas sector for export of liquefied natural gas, with the first LNG being exported in early 2015. These projects recover natural gas captured in coal seams deep in the sedimentary basins through fracking and multiple wells. Three major consortiums are constructing upstream and downstream facilities with the port of Gladstone home to major processing and shipping facility developments.

In terms of output **South Australia** mineral industry is dominated by the world class deposit at BHP Billiton's Olympic Dam, which was developed in the 1980s before native title rights were recognised. Significant oil and gas production occurs in the Cooper Basin in the north-east of the state, with South Australia home to Santos, one of Australia's leading petroleum companies. More recent base metal projects such as Prominent Hill are also located in remote areas of South Australia.

The **Northern Territory** hosts a variety of long standing world class operations including commodities such as bauxite, manganese, uranium, base metals and gold, operated by major global mining corporations. At the time of writing, significant infrastructure development is occurring in the capital city of Darwin where INPEX is constructing processing and shipping facilities for the export liquefied natural gas piped from off-shore gas fields in the Arafua Sea.

APPENDIX B: RESEARCH TEAM AND PROJECT GOVERNANCE

RESEARCH TEAM

Research was conducted by researchers from the Centre of Social Responsibility in Mining which is part of the Sustainable Mining Institute located at the University of Queensland in Brisbane.

Interviews were conducted by the primary researcher with preliminary findings synthesised for presentation to the Expert Working Group convened to validate and provide advice prior to the drafting of this report.

BOX 8. CSRM PROJECT RESEARCH TEAM

Rodger Barnes, Primary Researcher

Bruce Harvet, Expert Advisor

Deanna Kemp, Project Leader

www.csrn.uq.edu.au

REPORT CITATION

Barnes, R., Harvey, B. and Kemp, D. 2015. 'Benchmarking Leading Practice in Aboriginal Business Procurement in the Extractive Resource Sector'. A report prepared by CSRM for AEMEE under the AEMEE and QGC Partnership Agreement. CSRM Brisbane.

PROJECT GOVERNANCE

STEERING COMMITTEE

A steering committee was established to oversee the project and to have input into the design and conduct of the research. The steering committee included the AEMEE Chair and two other board members and QGC personnel with management responsibility for social performance as well as Indigenous business development. The steering committee had a crucial role in the recruitment of participants for the interviews and providing valuable insights into the Aboriginal procurement.

BOX 9. PROJECT STEERING COMMITTEE

AEMEE

Derek Flucker, Managing Director RBY Projects, AEMEE Chair

Katrina Savo, Managing Director Savo Contracting, AEMEE Board

Brendan Bishop, Managing Director Alarm Guys, AEMEE Board

Sally McMartin, AEMEE Executive Director

QGC

Brad Maher, QGC Indigenous Participation Manager

Jane Roberts, QGC Social Investment Manager

EXPERT WORKING GROUP

The Expert Working Group consisted of the Project Steering Committee, the CSRSM Research Team and a representative from the Queensland Resource Council and Queensland Government MOU:

Mel Sutton, QRC and Queensland Government MOU Partnership Co-Facilitator

A Working Group meeting was held at the University of Queensland on 17 June 2015 to review progress of the project, including results of the interviews and analysis. Report style, tone and tenor were reviewed and valuable contributions were made to progress the report.

BOX 10. QRC AND QLD GOV'T MOU TO INCREASE INDIGENOUS PARTICIPATION

In 2007 the Queensland Government and QRC entered a MOU to commit 'to work in partnership with each other and with Indigenous stakeholders to create sustainable economic development and employment opportunities that will contribute to building strong and sustainable Indigenous families and communities in Queensland.'

On 2 June 2015 the Qld Government renewed its commitment under the MOU with funding for a further year matched by the QRC see www.qrc.org.au.

The overriding objective of the MOU is to jointly address structural impediments to Indigenous participation and build the Indigenous capacity in the following areas:

- **Education and Training (Including work readiness);**
- **Employment in the Resource Sector; and**
- **Business Development.**



APPENDIX C: LIST OF RELEVANT RESOURCES

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This is the 10 year anniversary of AEMEE. AEMEE held its inaugural meeting in Alice Springs in November 2005 and all delegates received this hat on this special event. We wish to acknowledge Brett Mackie and Rio Tinto for the photo.

