OPINION

MICK Dodson has argued that the Indigenous Land Corporations should be set up to allow Aboriginal traditional owners to take over the management of Ayers Rock Resort to provide them with economic development opportunities. This is a good idea in theory, but the reality is that many traditional owners lack the capacity for self-management.

The legacy of failed education policies in the NT is appalling levels of literacy and numeracy in remote areas. The latest Closing the Gap Report highlights the lack of progress in NT indigenous education, with more than 90 per cent of students in indigenous schools failing to meet National Minimum Standards.

Simply handing over the management of Ayers Rock Resort to traditional owners without a concurrent investment in developing the human capital of the communities is setting them up for failure. Particularly when it is a facility mired in such financial difficulty as the Ayers Rock Resort.

The $37 million purchase of the resort by the ILC was controversial. The McGrath-Nicol inquiry found the former board failed to undertake due diligence and purchased the resort for at least $50 million more than it was worth.

Currently, the ILC is at risk of defaulting on its $255 million loans and the Federal Government is considering borrowing money to refinance the debt to prevent the ILC having to take out a commercial loan. While there are exceptions, the mismanagement and failure of indigenous corporations is an all too common scenario.

While some of this can be attributed to a lack of capacity – particularly in remote areas where many board members are lucky to have completed Year 9 – the issue is broader than just insufficient education. Indigenous corporations and organisations have not always been held to the same standards of accountability as non-indigenous businesses.

In Australia, most organisations are required to register with the Australian Securities and Investments Commission (ASIC) and provide annual reports. But indigenous organisations can choose to register with the Office of the Registrar of Indigenous Corporations (ORIC) instead of ASIC. Until recently, less than half of the corporations registered with ORIC were providing annual reports on time, or at all.

Although there has been improvement in this regard – the ORIC is now fining corporations who fail to comply with reporting requirements – some of the legacy of this lack of accountability remains.

To improve the governance of indigenous corporations, it is important to look at those operating successfully and identify the factors that have contributed to their success.

Latest ORIC reports show the top 500 indigenous corporations are gradually becoming more self-reliant. In 2012-13 the majority of income of the top 20 indigenous corporations came from self-generated sources rather than government funding. In 2011-12, 83.1 per cent of the income of the top five indigenous corporations came from self-generated sources.

More research is needed to determine why these corporations are achieving success while others are not. However, what we do know is that corporations are more likely to be successful when there are specific goals and incentives for doing a good job. Strong leadership is also important, as is having good governance structure and financial management arrangements – for instance, keeping community politics separate from businesses.

Divesting the Ayers Rock Resort to Aboriginal traditional owners, without ensuring the factors needed for success are present, would be like giving a teenager the keys to a car without teaching them how to drive.

SARA HUDSON: Investment in indigenous capacity must come before handover of Ayers Rock Resort