

NATIVE TITLE POLICY PAPER 5

Distribution of wealth and growth of PBCs by size

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FINDINGS

1

Size distribution

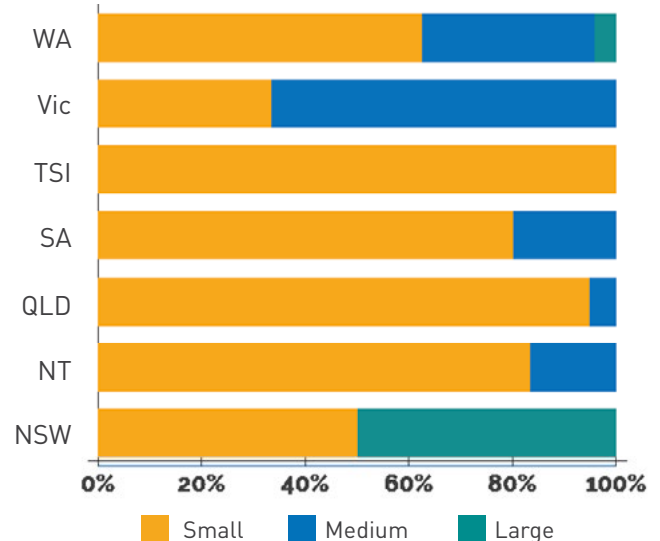
Corporation size distribution has changed with most states experiencing growth in the percentage of large and medium PBCs

Nationally, from 2010-11 to 2015-16, the number of small PBCs increased **85%** (from 62 to 115), medium PBCs **154%** (from 13 to 33) and large PBCs **250%** (from two to seven).¹ As the number of PBCs has increased the distribution of small, medium and large PBCs by state has changed, demonstrating varying financial growth and loss within each region.

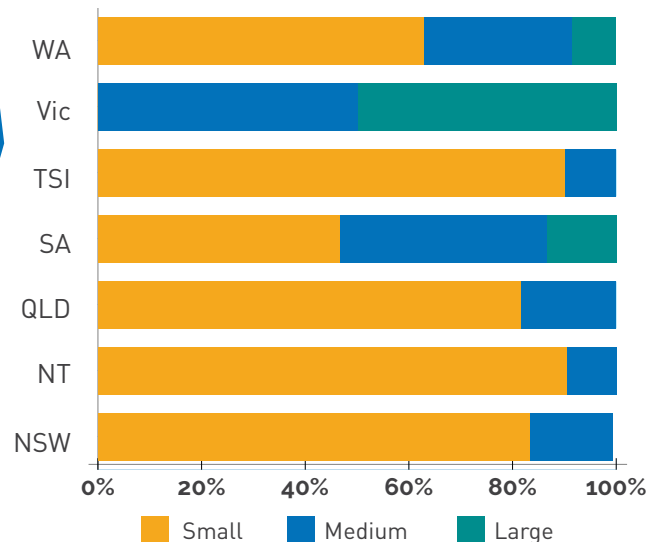
The graphs demonstrate the size distribution by region between 2010-11 and 2015-16 and growth and decrease of organisational capability. For example, in 2010-11 the New South Wales PBC sector was made up of one large and one small PBC, representing **50%** and **1.6%** of the national large and small PBCs respectively. By 2015-16 a reduction in large PBCs and an increase in smaller PBCs saw the New South Wales sector containing **3%** (1) of the national total of Medium PBCs and **4%** (5) of small PBCs.

The graphs show a trend toward increased corporation size in Victoria; the addition of one new medium PBC as well as the one small and one of the medium PBCs growing into large corporations bringing the state to a 50-50 mix of large and medium corporations. Queensland, South Australia, Western Australia and the Torres Strait Islands all experienced growth in the percentage of medium and large PBCs. The Northern Territory tended towards smaller PBCs, experiencing a measurable decline from 2010-11.

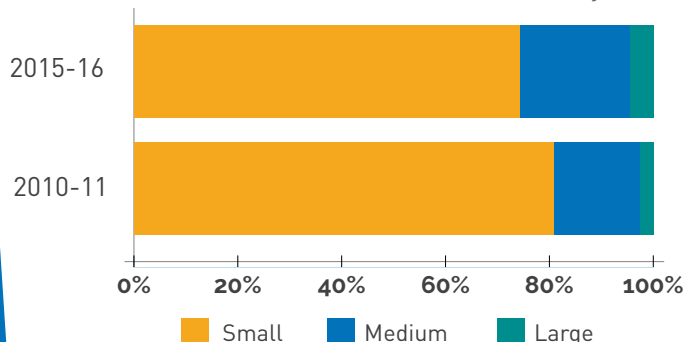
Distribution of PBC size in 2010-11



Distribution of PBC size in 2015-16



Distribution of PBC size nationally



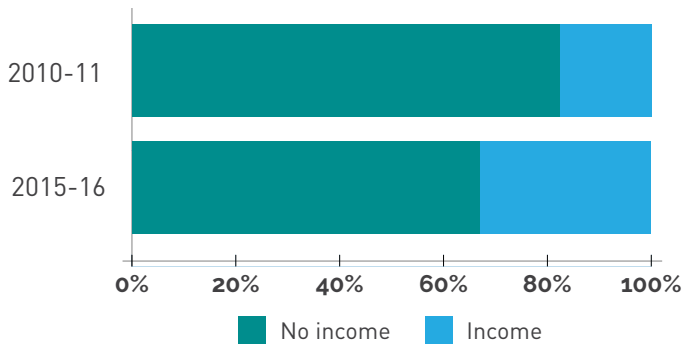
2

Small PBCs

Small PBCs have experienced some growth demonstrated by an increase of reported income

Although the majority of regions experienced growth in the number of larger PBCs, small corporations still dominate the sector. Despite an **8%** decrease in the relative percentage,² small PBCs constitute **74%** (115 PBCs) of the sector with only **33%** (38) of small PBCs reporting an income. This is, however, a noticeable improvement from the 2010-11 reporting period where only **18%** (11) of small PBCs reported an income.

Percentage of small PBCs reporting income



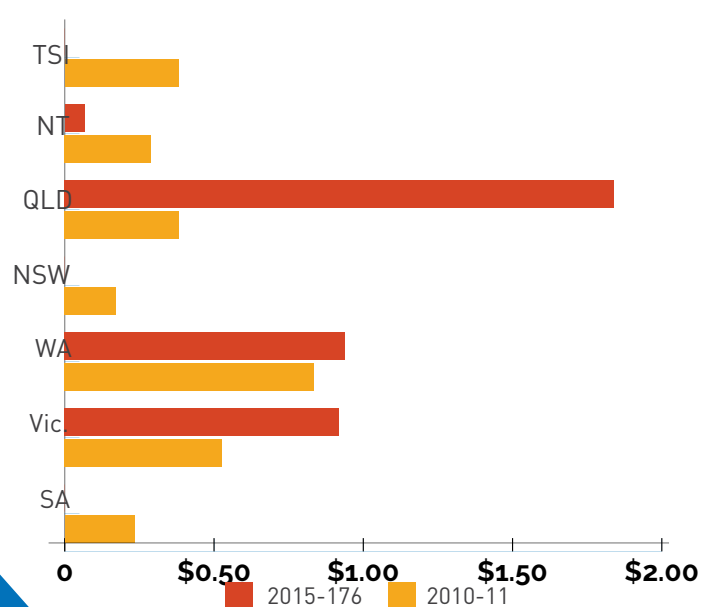
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Medium PBCs

Medium PBCs have grown in number, but the average medium PBC has less income and assets than in 2010-11

Between 2010-11 and 2015-16, the number of medium PBCs increased from 13 to 33, representing a **154%** increase. This resulted in a **28%** increase in the relative percentage of medium PBCs. Despite the growth in both the number and percentage of medium PBCs, the median values of income and assets for medium PBCs both decreased, by **150%** and **1%** respectively. The graph below shows the median income for medium PBCs in 2010-11 and 2015-16.³

Median income of Medium PBCs in 2010-11 and 2015-16



4

Large PBCs

Large PBCs hold most of the national income and equity, but have the highest rate of misreporting

Large PBCs dominate the financial landscape of the PBC sector. Between 2010-11 and 2015-16, the number of large PBCs increased from two to seven, representing a **250%** increase. ORIC's classification system requires a large Indigenous corporation to have at least two of the following in a financial year:

Consolidated gross operating income of \$5 million or more

Consolidated gross assets valued at \$2.5 million or more

More than 24 employees

ORICs definitions of consolidated gross operating income and consolidated gross assets are:

Consolidated gross assets:

the total value of things owned by the corporation and any entities it controls.

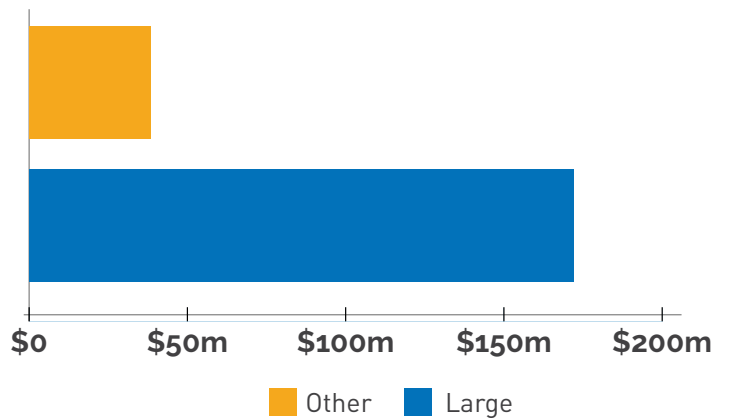
Consolidated gross operating income:

the total value of the money made by the corporation and any entities it controls.



In 2015-16, the seven large PBCs held **77%** of the national total sector assets, resulting in equity equivalent to **82%** of the national total.

2015-16 Equity distribution comparison



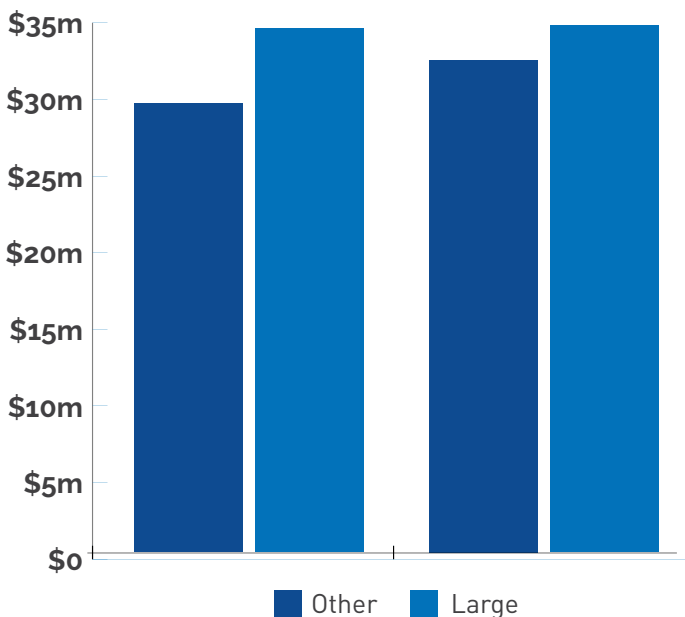
In 2015-16, the combined income for the seven large PBCs was over \$34 million, **0.5%** higher than the total combined income of the remaining 148 medium and small PBCs.

The graph below illustrates that the seven large PBCs account for approximately **50%** and **52%** of national income and expenditure for 2015-16 respectively. Despite the uneven distribution of income resulting in seven PBCs producing over half of the income and expenditure, the level of disparity is more clearly shown when looking at equity distribution.

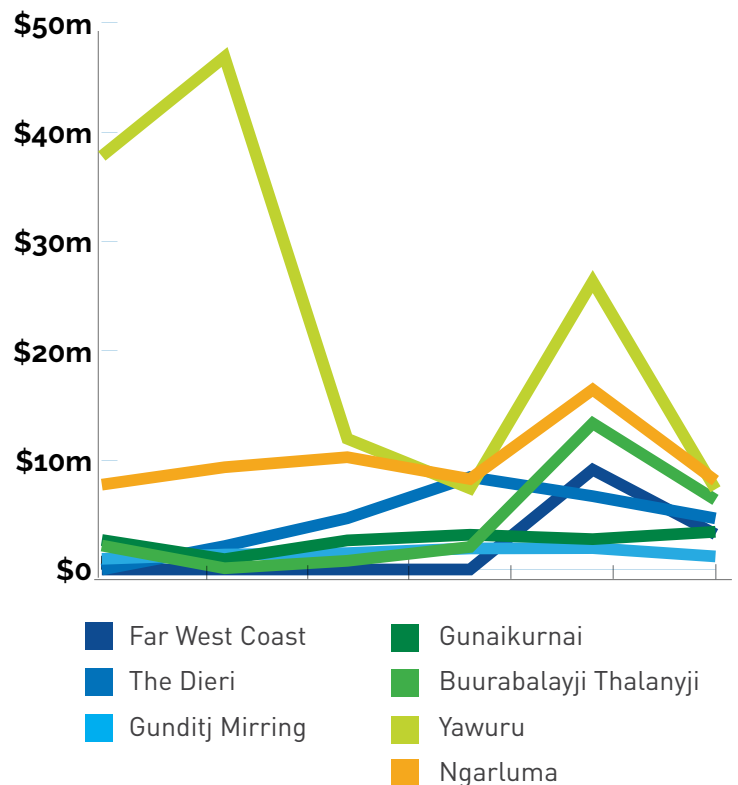
The graph below demonstrates the income growth trends of the seven large PBCs from 2010-11 to 2015-16. It can be seen that there are periods of substantial growth and loss, suggesting some volatility in the sector.

During this analysis, the seven self-reported large PBCs were further examined and it was determined that four of the seven large PBCs were misclassified, and should have been reported as medium sized corporations.⁴ The high percentage of misreporting amongst well-resourced corporations suggests an issue with the ORIC classification and reporting system.

2015-16 Expenditure and Income comparison



2015-16 Expenditure and Income comparison



About the PBC comparative data series

The PBC comparative data series has been developed to share findings from the Native Title Research Unit's (NTRU) analysis of publicly available data submitted to the Office of the Registrar of Indigenous Corporations (ORIC) on the financial growth and development of PBCs from the financial year 2010-11 to 2015-16. The findings in this series are based on research conducted within the broader NTRU 2017 PBC Capability Project; a project that aims to develop a long-term national picture of the patterns, trends and changes across the PBC sector.

Financial growth is only one indicator of PBC capacity and must be considered against other factors, including governance, relationships and support. The research does, however, indicate a national picture of PBC economic values and growth over the past five years.

The financial data is self-reported from PBCs to ORIC within their annual general and financial reporting. The research was calculated in terms of net totals and growth rates in the areas of income, assets, equity and staff.⁵

CONTACT

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1 PBC size is determined using ORIC's classification system which uses consolidated gross operating income, consolidated gross assets and employees to separate Indigenous Corporations into three subsections or sizes that determine the reporting requirements of the organisation. The consolidated gross income and asset figures are defined as the total value of things owned by the corporation and any entities it controls. The size listed on a corporations general report is calculated by the corporation **and** not by ORIC. During data collation it was noted that a number of corporations have incorrectly reported their size. This is most notable among large PBCs, with ORIC listing three of the four large as medium, and upon applying the ORIC guidelines during data analysis it was determined that only three of the large PBCs were correctly identified as such.

2 In this context relative number refers to a method of comparing the percentage of small, medium and large PBCs in 2010-11 and 2015-16. This method uses the growth rate formula $(\frac{[Current Value - Past Value]}{Past Value})$ to compare the changing growth in each size relative to the increased total number of PBCs.

3 It is important to note two things in this comparison: Firstly that there were no medium PBCs in NSW or the Torres Strait Islands during the 2010-11 financial year, and secondly that only 21% (seven) of the PBCs compared are included in both data sets. The remaining six PBCs in the 2010-11 data were reported as either small (3) or large (3) PBCs in 2015-16.

4 In 2015-16 seven PBCs were reported as large, however; three of these were listed as medium by ORIC, and, after further analysis of the financial

reports for 2015-16 and by using ORIC's size classification guide four of the seven large PBCs should actually be classified as medium.

5 While ORIC relies on totals and mean averages when assessing PBC income, assets and equity, it is more typical to apply a median calculation, which is statistically less susceptible to extreme values. The mean is another term for average and takes the total of all of the numbers in the dataset together and divides them by the number of entries. The median is the mid-point in the dataset; representing the most typical value.

Additionally, while ORIC relies on the consolidated gross operating income to determine PBC size, this research uses the reported total income, which excludes the self-reported grants income. This approach limits the artificial inflation of income due to grants being reported on in both the grants and income sections of the ORIC reporting.