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Department of Premier and Cabinet

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Mr Richard Marles
Chair
House of Representatives Standing Committee on
Aboriginal and Torres Strait Islander Affairs
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Inquiry into the development of Indigenous enterprises

Dear Mr Marles

Please find attached a submission from the NSW Government, which addresses the general terms of reference of the Inquiry into the development of Indigenous enterprises and highlights the NSW Government's commitment to provide opportunities for the development and growth of Aboriginal enterprises in NSW.

Should you require further information in relation to the attached submission please contact Ms Kerrie Bigsworth, NSW Department of Premier and Cabinet, on telephone (02) 9228 4361.

Yours sincerely

Robyn Kruk
Director General

**NSW Government submission
to the House of Representatives Standing Committee on Aboriginal and
Torres Strait Islander Affairs'
Inquiry into Developing Indigenous Enterprises**

1. Background

Across most socio-economic indicators Aboriginal people are disadvantaged when compared to the general NSW population. Aboriginal enterprises can contribute to economic development and opportunity, resulting in better incomes for families and communities and addressing entrenched disadvantage by improving health and wellbeing. Financial security and prosperity also enhances self-esteem which can positively influence family and community interaction and reduce social alienation. Prosperity can also limit contact with the criminal justice system. Furthermore, the development of Aboriginal enterprises in communities provides an opportunity for Aboriginal people to gain a sense of self-determination and allows them to contribute meaningfully to the wider community.

Placing a renewed emphasis on the development of Aboriginal enterprises will lead to many benefits for Aboriginal people, including the creation of jobs for Aboriginal workers. As NSW has the largest Aboriginal population in Australia - 148,178 of the total Aboriginal population of 517,174 (2006 Census) - increasing Aboriginal employment in NSW will make a large inroad into the COAG target of halving the gap in employment outcomes within the decade, which the Department of Employment, Education and Workplace Relations estimates to require between 93,000 and 108,000 new jobs for Aboriginal workers.

At the 2006 Census, there were 363 Aboriginal employers and 1,216 own account Aboriginal workers (i.e. those that work for themselves) identified in NSW. These were augmented by 415 Aboriginal people who were classified as family members working in family businesses. These employers, own account workers and family members represent 4.6% of the Aboriginal labour force. In comparison, employers, own account workers and family members working in family businesses represent 9.8% of the total NSW labour force.

Strategies that involve establishing and supporting Aboriginal businesses are a priority for the NSW Government. Aboriginal economic development is a priority area identified under *Two Ways Together*, the NSW Government's 10 year Aboriginal Affairs Plan (2003-2012), and is confirmed as a priority goal under the *NSW State Plan*.

This NSW Government submission provides a summary of current NSW programs that are relevant to Aboriginal enterprises, demonstrating the NSW Government's commitment to growing and supporting Aboriginal enterprises in NSW, and providing possible models for wider adoption. The submission then addresses in turn the four terms of reference provided by the House Committee.

2. Current NSW Government programs

The NSW Government currently implements a number of programs that teach business skills, support Aboriginal people in their economic development, and forge relationships between Aboriginal people and the private sector. There is an emphasis placed on providing resources to aid the creation of new Aboriginal businesses, whether they be sub-contractors, or small to medium sized enterprises.

Budyari Ngalaya First Peoples' Business Partnerships Program

The Department of State and Regional Development's (DSRD) Budyari Ngalaya First Peoples' Business Partnerships Program links Aboriginal businesses with major corporations and other businesses to provide employment and contractual work for Aboriginal people. Support is provided for business partnerships between Aboriginal people and corporations that seek to employ Aboriginal people, involve Aboriginal firms in Government contracts, or buy products from Aboriginal firms. This program in 2006/07 secured over four million dollars in subcontracting work, creating more than 150 new jobs.

DSRD provides several other programs and services to Aboriginal businesses. These include:

- *Business Review.* The Aboriginal Business Review Program assesses the current situation of an Aboriginal enterprise and focuses on identifying steps to build the enterprise.
- *Aboriginal Business Growth.* This program supports Aboriginal businesses to grow by providing one-on-one business support to implement business development activities that will grow their business.
- *Aboriginal Business Link.* This program supports Aboriginal business owners to develop new markets through participating in industry trade shows, industry marketing and promotional opportunities. In 2007, this program supported four Aboriginal businesses to undertake international market visits that led to sales of around \$325,000.
- *Aboriginal Youth Business Program.* The Aboriginal Youth Business program works towards encouraging an entrepreneurial culture in Aboriginal youth. Groups of Aboriginal youth running a small enterprise or interested in developing a business idea are provided with support to move to the next stage in the business life cycle. This support is provided by a Departmental approved business consultant.
- *Aboriginal Business Service.* This service is run in partnership between the Redfern Waterloo Authority and DSRD, to encourage and cultivate businesses. This service has assisted over 70 potential or existing enterprises over the past 2 years.

Aboriginal Participation in Construction Guidelines

The Aboriginal Participation in Construction Guidelines first came into place in January 2001. Updated and simplified guidelines came into effect from January 2007. These Guidelines were introduced to expand Aboriginal people's access to, and participation in, NSW Government-funded construction and related activities.

The Guidelines apply to all government construction projects and activities involving demolition, building, landscaping, maintenance, civil engineering, mining and heavy engineering. The Guidelines are incorporated in the NSW Government Procurement Policy available on the NSW Treasury website and apply to all government departments, statutory authorities, trusts and other Government entities with the exception of State Owned corporations.

The Guidelines also support the role of the construction industry to enhance Aboriginal employment. Agencies are to apply the Guidelines to:

- determine which projects are priorities for Aboriginal participation;
- categorise such projects according to the extent to which Aboriginal people will benefit from the completed project;
- include in tender documents specifications for both contractors and subcontractors regarding Aboriginal participation;
- include Aboriginal participation as a criterion for assessing the merit of tender proposals; and
- monitor and collect data on actual participation.

The Department of Aboriginal Affairs, through the \$240 million Aboriginal Communities Development Program, has utilised these guidelines to support 15 Aboriginal building companies since 2001 in the construction of Aboriginal housing and infrastructure. Under the NSW Government State Plan Priority F1: *Strengthening Aboriginal Communities*, the Guidelines will be used to tender for 15 construction projects over the next year which will include mandatory Aboriginal participation as a tender requirement.

Office of Fair Trading programs

The Office of Fair Trading, within the Department of Commerce, is involved in a number of programs and strategies that are directed towards Aboriginal businesses. Fair Trading Aboriginal Customer Services officers conduct regular education sessions to the Aboriginal community on "Starting a Business" and "Good Business Matters". They also conduct Aboriginal "Good Business Practice" luncheons in Sydney and Dubbo for existing Aboriginal businesses. Aboriginal businesses and those looking at starting a business are encouraged to seek support through the not-for-profit Business Enterprise Centres.

The Office of Fair Trading is the lead agency working with WorkCover and the Australian Taxation Office to co-ordinate and conduct an Aboriginal Builders

Educational Program that provides information to young Aboriginal apprentices on becoming fully licensed and gives information relating to starting their own business. The Program provides existing businesses with up to date information on their rights and responsibilities as a business operator.

Office of Industrial Relations assistance

The Aboriginal and Torres Strait Islander Workplace Services Unit within the NSW Office of Industrial Relations (OIR), assists Aboriginal people and Torres Strait Islanders in NSW to understand their rights and responsibilities as employees, managers and employers. In particular, the Unit advises Aboriginal people and Torres Strait Islanders on the laws relating to:

- pay rates
- employment conditions, leave entitlements and work practices
- issues covering recruitment and termination of employment
- payslips and employment records.

The Unit also assists Aboriginal people and Torres Strait Islanders in NSW to obtain information on all OIR services, and employment issues such as occupational health and safety, workers compensation and superannuation matters. This Unit provides significant support to small and medium sized Aboriginal businesses, in particular to sub-contractors.

Community Technology Centres

The Department of Commerce has established Community Technology Centres (CTCs) in 83 small rural communities throughout NSW, which are community-owned and operated technology hubs. CTCs offer IT equipment needed for everyday use, and facilities are open to all members of the local community. The CTC@NSW Network also delivers a range of services including tourism training, videoconferencing broadcasts, digital photographic competitions for youth, seniors' activities, small business workshops and programs for Aboriginal groups. This type of initiative expands economic opportunity in communities by providing opportunity for new and existing businesses, particularly in areas where there is little economic opportunity.

Co-management of parks and reserves

The Department of Environment and Climate Change has developed co-management arrangements to engage Aboriginal people in park management. These arrangements provide training, employment and business development opportunities associated with park management. There are currently 15 park co-management arrangements in NSW.

NSW Catchment Management Authority programs

There are a variety of different programs provided by each Catchment Management Authority (CMA) that facilitate Aboriginal enterprises. These include:

- *Indigenous Land Managers Project* – This Lower Murray Darling CMA project received funding from the National Landcare Program to train Aboriginal land managers in Sustainable Grazing Management, farm business management, eco-tourism and networking. Over 12 businesses participated in this program.
- *Aboriginal Communities Program* – Namoi CMA's program provides training in governance, project management and development as well as training in Aboriginal Cultural Site Identification and Conservation. The program also focuses on maintaining engagements and relationships with community groups and industry sectors to maximise economic development opportunities.
- *Aboriginal Green Teams* – The Northern Rivers CMA sets up teams to become a training conduit for Aboriginal people and eventually an independent enterprise to undertake Natural Resource Management activities such as revegetation works, species replacement and weed control.

Vocational Education and Training Infrastructure for Indigenous People Skills Centre Program

This Department of Education and Training program supports the establishment or development of facilities that will increase the availability of vocational education and training for Indigenous people. Capital funding is provided by the Commonwealth Department of Education, Employment and Workplace Relations to communities and training providers as a part of the Commonwealth Infrastructure Program.

Since 2001, 14 Indigenous Skills Centres have been established in NSW. Of these, 10 have been established by Indigenous enterprises or communities at a cost of over \$3 million. The centres are located in rural areas and regional centres of NSW.

3. Term of Reference 1: How developing Aboriginal enterprises could be made more effective.

Through its experiences with the Aboriginal community, the NSW Government has identified some areas where program direction and delivery could be improved, as well as areas where strategies could be developed, in order to facilitate the best possible result for Aboriginal enterprises.

Efficient and productive Aboriginal businesses contribute economically and socially to the wider community. Similarly, when an Aboriginal business fails it has an impact on the wider Aboriginal community. Too many Aboriginal enterprises lack basic business knowledge and financial skills, or have poor strategic management, contributing to business failure.

One particular issue is Aboriginal enterprises employing a financial professional to undertake financial management when the business is created, and then facing significant problems when that one professional leaves the business. This reinforces the need for financial literacy in Aboriginal enterprises. It is important that Aboriginal businesses are assessed for their likelihood of success and adequately supported by governments at various levels to ensure that they become independently sustainable. A stronger focus on business and financial training, supported by mentoring, may assist in building sustainable Aboriginal enterprises. Such training could be required of recipients of grants or loans to reduce the risk of business failure.

Another issue for Aboriginal enterprises is not having access to, or being aware, of government contracting opportunities. Experience in tendering for and securing government contracts may help Aboriginal enterprises to become more effective in both government and wider markets. As discussed above, NSW already has Aboriginal Participation in Construction Guidelines. However, there may be opportunities for further Commonwealth and State involvement in promoting existing training and employment programs to contractors. In addition, there may be opportunities for Commonwealth agencies to consider Aboriginal employment targets in contracting arrangements for construction and goods and services. A particular example of this is environmental services, where the Commonwealth Government has the opportunity to structure contracts that enable and facilitate Aboriginal business development. This could be through aggregating or disaggregating tenders to appropriate scales, as well as using multi-year funding to allow normal business planning and recruitment practices to take place. Government procurement of construction, goods and services is an area where government can directly influence the creation of a large number of jobs and enterprises.

The wider business community can also contribute to delivering positive economic outcomes for Aboriginal people. Some companies have discovered a great potential in Aboriginal workers and sub-contractors as well as a market for their products and services. Connecting Aboriginal enterprises with the wider business community and business associations will support Aboriginal economic development within the wider business community and allow Aboriginal enterprises to assess how their business compares with industry standards. Whilst there are several NSW initiatives that focus on this, the development of a Commonwealth strategy that prioritises fostering relationships between Aboriginal enterprises and the wider business community would be highly

beneficial. The minority business council concept discussed below would be one way to address this.

4. Term of Reference 2: Areas of Indigenous commercial advantage and strength.

In addition to those areas where Aboriginal businesses are currently already highly competitive in NSW, there are two primary areas where Aboriginal people have an advantage and strength which should be encouraged and developed into successful enterprises.

The first of these is the environmental or green industries. These emerging sectors have the potential to provide opportunities for Aboriginal landowners and Aboriginal people to receive ongoing funding to manage land for biodiversity and conservation, while improving their capacity to create employment.

In some areas there is an opportunity to work with Aboriginal land holders and Aboriginal people to develop a sustainable economic base through investigating BioBanking and Carbon Trading. Once land is deemed suitable for such a use, Aboriginal people can undertake accredited training including business and legal skills to manage such projects. There are already some Aboriginal businesses being established and undertaking environmental and remediation work. An example of how this might work in practice is that an Aboriginal land owner would enter into a formal biobanking agreement and receive a yearly payment to conserve and manage the site. In addition Biodiversity credits would be given to land that has a range of native plants and animals. The land owner could on-sell the biodiversity credits to generate an income. An example of this is demonstrated by *LandAlive*, a DECC Aboriginal Land Management for Biodiversity project which provides an opportunity for Aboriginal landowners to receive ongoing funding to manage land for biodiversity conservation through BioBanking.

The Commonwealth Caring for Country program provides an opportunity for Aboriginal enterprises to become involved with natural resources management, which funds natural resource management projects. However, the funding criteria for this program must be flexible to allow for a diversity of circumstances, particularly with regard to NSW, which has numerous small scale, fragmented Aboriginal landholdings compared to most other states and territories. Flexible program rules will further contribute to the development of Aboriginal businesses that specialise in land management.

Similarly, the development of business opportunities on Native Title land through Native Title Corporations demonstrates an area where Aboriginal people have a significant commercial advantage. These Corporations must be supported and assisted to become effective and independent organisations, capable of representing their Native Title claim group and adopting sustainable business

opportunities. There may be potential for further State and Commonwealth involvement in providing such support.

The second area where Aboriginal people have a commercial advantage and potential strength is tourism. In addition to the direct economic benefits of tourism, the industry presents Aboriginal people with the opportunity to promote an appreciation of their rich culture amongst domestic and international tourists. It is important, however, to ensure that the development of the Aboriginal tourism industry does not negatively impact on Aboriginal culture or the environmental interests of Aboriginal people.

5. Term of Reference 3: Adapting the US minority business/development council model to the Australian context.

The US minority business council model demonstrates an effective way that businesses can be assisted and supported in competing for business and contracts. In particular, this model provides an opportunity for the wider business community to access the services of minority-owned businesses.

The aim of an Australian Indigenous minority supplier council (AIMSC) would be to help selected Aboriginal businesses sell to major private sector businesses and government departments. Aboriginal firms would be required to pass an accreditation process before being accepted for support from the Council. A distinct advantage of the minority business council model is that it provides a wide range of services targeted to the minority business, which would make the process of setting up and running an Aboriginal enterprise much more streamlined and reduce confusion about programs and services offered.

These services could be beneficial in the Australian Indigenous context, as in NSW it has been found through experience with working with the community that there is a shortage of Aboriginal firms with business skills and capacity to effectively contract and win government and corporate business. Consequently, the minority business model could be useful to facilitate the development of Aboriginal enterprises in Australia, especially new, rural and remote Aboriginal businesses.

The NSW Department of State and Regional Development have agreed to host an event for a delegation from the United States Minority Supplier Development Council in September 2008. This will provide an opportunity to learn more about the United States Minority Supplier Development Council model, identify any initiatives which could be adapted for NSW, and share experience under the Budyari Ngalaya program.

Whilst the development of a national strategy that would provide opportunities to Aboriginal people is strongly supported, the introduction of an AIMSC would need to be

linked with existing and newly formed strategies in order to address the many barriers limiting Aboriginal access to business opportunities. In light of these issues, there would be a need for greater coordination of business development, employment and training programs across all levels of Government to better link Aboriginal people and enterprises to the new opportunities that may be generated through the establishment of an Australian minority business council.

6. Term of Reference 4: Should incentives be provided to encourage successful businesses to sub contract, do business with or mentor new Indigenous enterprises?

The use of incentives provides an opportunity to encourage businesses to engage with Aboriginal enterprises. However, it could be argued that incentives are not necessarily required to facilitate this interaction, as there are significant advantages to working with Aboriginal business, particularly in areas of Aboriginal commercial strength or advantage. The NSW Government does not provide financial incentives to encourage businesses to sub-contract to Aboriginal businesses, and does not consider this has hindered the willingness of the private sector to provide sub-contracting opportunities to Aboriginal firms. In NSW's experience, it has been difficult to meet the demand from the private sector seeking to provide sub-contract work to Aboriginal firms. Despite this, incentives based on training or mentoring, or providing cultural support may be useful in the development of these business relationships.

Although NSW does not provide financial incentives to encourage contracting with Aboriginal businesses, wage subsidies are important in assisting enterprise in Aboriginal communities. Under NSW's Aboriginal Communities Development Program, wage subsidies provided a temporary subsidy to compensate for low skill and productivity levels at the commencement of training and employment. These subsidies are reduced as skills and productivity increase. A review of wage subsidies would be useful in assessing whether long term or one-off subsidies are more effective, and measuring the success subsidies have had in the employment of Aboriginal people.

NSW has found that mentoring support has been an integral component of the business and financial training packages that are needed to build sustainable Aboriginal enterprises. DSRD delivers a range of mentoring programs, including an Aboriginal business mentoring program. Business mentoring has been successful for not only for mentees, but also for mentors, because these programs provide an opportunity for volunteer mentors to gain access to business skills training, to network, and to address forums and conferences.

7. Summary

The NSW Government currently provides a large number of programs and services that aim to facilitate Aboriginal enterprises. These include programs which aim to develop linkages between Aboriginal business and the private sector, Government requirements that aim to support the Aboriginal construction industry, and services which aim to support the development of the business and its owners.

However, across all governments, a stronger focus on business and financial training, supported by mentoring, may assist in better building sustainable Aboriginal enterprises. Such training could be required of recipients of grants or loans to reduce the risk of business failure.

Government procurement of construction, goods and services is an area where government can directly influence the creation of a large number of jobs and enterprises. In particular, there may be opportunities for Commonwealth agencies to consider Aboriginal employment targets in contracting arrangements for construction and goods and services, especially in environmental services.

Aboriginal people have a particular advantage and strength in “green” industries and in tourism. These areas provide important opportunities for the development of successful Aboriginal enterprises.

The development of the minority business council model in Australia may provide an opportunity to better coordinate access to programs and services for the Aboriginal business community across the country and to allow for a more efficient provision of services. The primary function of this model would be the formation of linkages between large corporate entities and small to medium minority businesses, which could help expand on existing NSW initiatives such as Budyari Ngalaya First Peoples’ Business Partnerships Program.

However, given the shortage of Aboriginal enterprises with the capacity to effectively contract for, and win, government and business contracts, it is essential that focused training and development opportunities are made available to Aboriginal communities, particularly financial and business literacy and training, as outlined above. In combination with a business council, this would have the potential to increase the number of self-sufficient and viable Aboriginal enterprises, and to maximise participation and interaction of Aboriginal enterprises both with their communities as well as with government and the private sector.