



Fostering economic development for Aboriginal people in NSW

A Special Report to Parliament
under s.31 of the
Ombudsman Act 1974

May 2016

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Foreword

In 2014 the NSW Ombudsman was given an important new role to monitor and assess the delivery of designated Aboriginal programs in NSW. The first designated program is OCHRE – *Opportunity, Choice, Healing, Responsibility, Empowerment* – the NSW Government’s plan for Aboriginal affairs.¹

Our review of OCHRE has been led by the Deputy Ombudsman (Aboriginal Programs), which is a new position and the first of its kind in Australia. Our Aboriginal programs function aims to provide greater transparency and accountability for the delivery of services to Aboriginal communities in NSW and for the resulting outcomes. This complements and builds on work the NSW Ombudsman’s office has undertaken for more than a decade.

OCHRE was released by the NSW Government in 2013, largely in response to two Ombudsman reports: a report in 2012 to Parliament on our audit of the *NSW Interagency Plan to tackle child sexual abuse in Aboriginal communities*; and a report in 2011 to Parliament on addressing Aboriginal disadvantage.² Those reports highlighted that the level of disadvantage which exists in many Aboriginal communities in NSW could not be turned around without first seeking to tackle its underlying causes. As well as putting a spotlight on significant child safety concerns, both reports emphasised the need to urgently address the economic marginalisation of Aboriginal people and poor educational outcomes for Aboriginal children.

Through OCHRE, the Government has acknowledged that effective reform in education and employment is central to addressing Aboriginal disadvantage and commits to implementing an Aboriginal economic development framework to drive whole-of-government action. The Aboriginal Economic Prosperity Framework currently being developed by Aboriginal Affairs will be considered by Government shortly and is expected to be released during the next 12 months.

The Aboriginal Economic Prosperity Framework is consistent with the Government’s 30 State Priorities – unveiled in September 2015 – which strongly focus on economic development and growing the State’s economy. In August last year, the NSW Parliament also flagged its strong interest in fostering economic development in Aboriginal communities by tasking the Legislative Council’s Standing Committee on State Development to inquire into the issue.³ The Committee is due to report by the end of September. More recently, the Council of Australian Governments (COAG) resolved to prioritise the creation of a new strategic framework which places Indigenous economic participation at the heart of the national agenda and fundamentally shifts how governments work with Aboriginal people and organisations.⁴

In light of the attention being given to Aboriginal economic development at both a state and federal level, it is timely for us to report our observations from our own research and consultations with Aboriginal leaders and the business community over the last 18 months on this issue. In particular, this report is intended to inform the development of the Aboriginal Economic Prosperity Framework. We set out what we believe are the key elements of the reforms required to achieve tangible success in developing Aboriginal economic capacity in NSW. In doing so, we also revisit a number of the recommendations made in our 2011 report to Parliament which remain relevant.

Our earlier report noted that while increasing job opportunities for Aboriginal people is important, achieving sustainable improvements to Aboriginal economic capacity also requires a focus on wealth creation, and facilitating opportunities for individuals to be supported to turn their lives around. This support might range from equipping people to pay off debts to owning their own home, or to participating in small business enterprises.

We highlighted that despite the multitude of initiatives and programs to increase the economic participation and capacity of Aboriginal people, the effectiveness of these initiatives was limited. This view was recently echoed by Aboriginal leaders in their evidence to the Standing Committee inquiring into economic development in Aboriginal communities.

We also argued that the limited success of government led Aboriginal economic initiatives in NSW was largely due to the absence of an overarching state-wide strategy to build the economic capacity and wealth of Aboriginal people in this state. We recommended that such a plan be developed and that it specifically address the barriers experienced by different locations, organisations and individuals. Finally, we noted that a strategy was one thing; but implementing it successfully was quite another. We cautioned that success in this critical area was unlikely

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1. Details on OCHRE are available on the NSW Department of Education (Aboriginal Affairs) website.
 2. NSW Ombudsman, *Responding to Child Sexual Assault in Aboriginal Communities*, Special report to Parliament, December 2012; and NSW Ombudsman, *Addressing Aboriginal disadvantage: the need to do things differently*, Special report to Parliament, October 2011.
 3. NSW Legislative Council Standing Committee on State Development; *Inquiry into economic development in Aboriginal communities* ('Inquiry into Aboriginal economic development').
 4. Council of Australian Governments (COAG), 2015, *COAG Communique*, 41st meeting, 11 December 2015, Sydney.

to be achieved without a strong entity with the requisite skills, expertise and clout to drive the necessary reforms in partnership with the business community and Aboriginal leaders. This risk remains if the Aboriginal Economic Prosperity Framework is not driven by the right body.

While the private sector is the engine of jobs growth and many other aspects of the economy, the government holds a central role in maintaining the supporting legal system and infrastructure for economic activity, creating the policy settings to encourage investment and production, regulating the activity of the markets, and ensuring that all citizens are equipped to participate successfully.

The role that government needs to play is perhaps best summed up in the recent submission by the NSW Aboriginal Land Council to the Standing Committee inquiry into economic development in Aboriginal communities:

*The role of government must shift from delivering systems predicated on disadvantage, to facilitating the aspirations, priorities and self determination of Aboriginal peoples. Governments must be prepared to move into an innovative space to encourage Aboriginal self-determination, and long-term partnerships with industry with a view to generational outcomes.*⁵

We commend the Government's commitment to reshaping Aboriginal economic development through the development of the Aboriginal Economic Prosperity Framework. However, for the Aboriginal Economic Prosperity Framework to deliver lasting change it will be essential that it continues to evolve and respond to current economic conditions and opportunities. If the strategies contained in the framework connect in a very practical way with the Government's broader focus on growing the economy – such as the \$20 billion investment in services and infrastructure through the *Rebuilding NSW Plan* – then success is far more likely to be realised.

5. NSW Aboriginal Land Council (NSWALC), 2016, submission to the Inquiry into Aboriginal economic development.

Chapter 1. Why reform in the area of Aboriginal economic development is needed

NSW has the largest Aboriginal population in Australia – comprising 31% of the national total – and it is growing rapidly. Fostering economic development for Aboriginal people promises dividends for the broader state economy and is critical to changing the prospects of Aboriginal people now and in the future.

Disappointingly, Aboriginal people in NSW have not enjoyed the same benefits as other citizens from years of strong economic growth in the state. On a range of key economic measures – engagement in post-school education and training; labour force participation; welfare as a primary source of income; household incomes; and home and business ownership – Aboriginal people lag behind non-Indigenous Australians.

The urgent need to improve economic outcomes for Aboriginal people in NSW is clearly illustrated by the following statistics:

- ➔ In 2011, only **44%** of Aboriginal young adults aged 17-24 in NSW were fully engaged in post-school education, training, or employment – compared with 74% of non-Aboriginal young adults.⁶
- ➔ Labour force participation in NSW stands at **54%** for Aboriginal people compared to 65% for non-Aboriginal people.⁷ The unemployment rate for Aboriginal people aged 15 years and over is 15% – almost **three times** that for non-Aboriginal people (5%).⁸
- ➔ A majority (**58%**) of Aboriginal people in NSW aged 18-64 receive government pensions and allowances compared with 21% of non-Aboriginal people.⁹ Almost **50%** of Aboriginal Australians aged 18–64 in NSW who reported a principal source of personal cash income said that government payments were that principal source – more than **three times** the rate for non-Aboriginal people (13%).¹⁰
- ➔ The median income for Aboriginal households in NSW (**\$457 per week**) is **just over half** that of non-Aboriginal households (\$890 per week).¹¹
- ➔ **40%** of Aboriginal households in NSW own their own home, compared to 67% of non-Aboriginal households.¹²

Increasing the economic prosperity of Aboriginal people is critical to improving social outcomes in other areas, including health, education, child protection and community safety. As the Empowered Communities design report notes, economic development is also fundamental to sustaining and renewing Aboriginal cultural and linguistic heritages for future generations.¹³ The broader economy also profits, through tax payable, reduced government expenditure and increased consumption. Deloitte Access Economics modelling estimates that if the gap in employment outcomes was overcome, the result would be an improvement of \$7.4 billion to the NSW economy, including 41,696 jobs created, by 2031.¹⁴

1.1. Limited investment in Aboriginal economic development

Although there has been a significant amount of government expenditure on programs and services for Aboriginal people, the investment in initiatives aimed at delivering economic empowerment has been minimal. The significant imbalance we identified at the time of our 2011 report between state government spending per Aboriginal person on labour and employment services (\$78) compared to public order and safety (\$3,817) in 2008–09¹⁵ still exists. In 2012–13, NSW Government Aboriginal expenditure totalled \$3.8 billion, with the bulk of this expenditure (\$1.559 billion,

6. Latest data available Steering Committee for the Review of Government Service Provision (SCRGSP), 2014, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, table 7A.4.7.

7. Australian Bureau of Statistics (ABS), 2011, Cat. no. 6287, *Labour Force Characteristics of Aboriginal and Torres Strait Islander Australians, Estimates from the Labour Force Survey 2011*, table 1 and table 7.

8. *Ibid.*

9. SCRGSP, 2014, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, table 9A.4.4.

10. *Ibid.*, table 9A.4.1.

11. *Ibid.*, table 4A.9.1.

12. *Ibid.*

13. Empowered Communities is a reform proposal led by Indigenous people in eight regions across Australia that proposes Indigenous leaders take responsibility for Indigenous communities at a local level, rather than decisions being made by people removed from the issues and challenges. See Wunan Foundation Inc., 2015, *Empowered Communities: Empowered Peoples Design Report*.

14. Deloitte Access Economics, 2014, *Economic benefits of closing the gap in Indigenous employment*, Report for Reconciliation Australia.

15. NSW Ombudsman, 2011, *op. cit.* p.48.

or 41%) going towards services and programs relating to 'safe and supportive communities'.¹⁶ Just 6% (\$25 million) went to programs, services and support to allow people to participate in the economy.¹⁷ Of the \$909 million spent in total by the NSW Government on economic participation for all citizens in 2012-13, the Aboriginal share (\$25 million) was less than 3%.¹⁸

Moreover, while total federal and state/territory government expenditure on economic participation per Indigenous Australian increased by 5% (from \$7,539 to \$7,904 per person) between 2008-09 and 2012-13, it decreased by 12% for labour and employment services and increased by 9.5% for social security support.¹⁹

1.2. Weak accountability and disjointed delivery mechanisms

The paucity of evaluations of previous initiatives to improve economic outcomes for Aboriginal people in NSW presents a challenge to policy makers, which we have highlighted repeatedly over many years. Recently, the Productivity Commission has highlighted the limited information available on effective interventions for the Council of Australian Governments (COAG) *Closing the Gap* targets, and called for an increased investment in independent evaluations. We continue to highlight the need for rigorous accountability mechanisms for government-funded services to enable regular monitoring and assessment of progress and the outcomes being achieved.

There is an urgent need for robust data to inform policy development in Aboriginal affairs more broadly, and we are closely watching the work of the new NSW Data Analytics Centre (DAC) in this regard. The DAC has been established within the NSW Department of Finance, Services and Innovation and aims to be a world leader in the application of whole-of-government data analytics and insights to support strategic decision making and improved service delivery.

Our 2011 report also identified the absence of a coordinated, state-wide strategy to improve economic outcomes for Aboriginal people, and a lack of robust governance and accountability mechanisms for driving change, as a major impediment to progress in NSW. (This gap was also noted by the 2012 review of NSW Government Aboriginal employment and economic development programs).²⁰ We recommended the development of an integrated, state-wide strategy to build the economic capacity and wealth of Aboriginal people in NSW, and the establishment of a body with overall responsibility for improving Aboriginal employment outcomes and enhancing Aboriginal economic capacity.

Our 2011 report also noted that despite the level of expenditure of public funds and attention on the issue by state and federal governments (which while comparatively much less than expenditure on other programs areas was still significant), the return on investment had been poor. We argued that this failure was indicative of poorly targeted measures, service planning and design, and weak accountability structures. The result of this approach was inefficiency and waste, as well as a lack of tangible outcomes for Aboriginal communities.²¹

16. Including public order and safety, community support and welfare, and recreation and culture.

17. Including labour and employment services and social security. See SCRGSP, 2014, *2014 Indigenous Expenditure Report*, Productivity Commission.

18. SCRGSP, 2014, *2014 Indigenous Expenditure Report: Factsheet NSW*, Productivity Commission.

19. SCRGSP, 2014, *2014 Indigenous Expenditure Report*, Productivity Commission, p.17.

20. *Ibid.*

21. NSW Ombudsman, 2011, *op. cit.* pp.3-6.

Chapter 2. Building a strong framework for Aboriginal economic development

The commitment under OCHRE to develop an Aboriginal Economic Prosperity Framework (AEPF) is a positive, but as yet untested, step forward.

Notwithstanding the limited evidence about 'what works' and the problems identified with previous approaches, we strongly believe that 'more of the same' will not lead to improved economic development outcomes for Aboriginal people. A change in approach is urgently required – a view supported by key business, non-government organisation (NGO), academic and government representatives.²² The AEPF needs to represent a significant shift in how government fosters economic development for and with Aboriginal people in NSW.

The reform agenda must be driven by a vision of prosperity and independence for Aboriginal people and communities, with Aboriginal people at the centre of decision making. The Darkinjung Local Aboriginal Land Council CEO – and Empowered Communities leader – expresses it this way:

*The object of economic development is to empower and give people the option to live their lives as they wish.*²³

The flipside of the concerning statistics cited in Chapter 1 is that a sizeable proportion of Aboriginal people in NSW have achieved steady employment, higher incomes and home ownership. These people are a valuable resource, and can advise the Government on strategies to assist others to do the same.

2.1. Taking a tiered approach

It will be critical for the reform agenda to not be limited to industry and enterprise. It is important to recognise that economic development also involves providing opportunities which equip individuals to successfully participate in the economy. For example, steps towards financial inclusion which help individuals 'get on their own two feet', pay off fines or personal debt and gain confidence in managing their household budget are as important as initiatives which support Aboriginal businesses to flourish, or encourage regional industry growth. Thinking about economic development in this way means recognising that strategies need to operate at multiple levels:

- ▶ **Individuals** – e.g. building capacity to participate successfully in the economy through financial literacy, entrepreneurship, quality education and training, meaningful jobs and business ownership, home ownership, increased savings, access to credit and sufficient superannuation.
- ▶ **Enterprises** – e.g. enabling the development of relevant business and technical capabilities to start-up and manage commercial or social enterprises, and sustain or grow these over time, including by supporting access to business supports, capital and new markets.
- ▶ **Communities and regions** – e.g. linking regional governance structures such as OCHRE's Local Decision Making (LDM) Regional Alliances with relevant economic planning vehicles (such as the NSW Department of Industry's work under the *Economic Development Strategy for Regional NSW* and the Federal Government initiative, *Regional Development Australia*); and enabling Aboriginal communities to leverage their assets where desired and by informed consent.

While there is no linear trajectory between the above domains, success in one has a positive flow on effect to others. On a practical level, this means that the 'headline' indicators of successful reform in the area of Aboriginal economic development should include improvements in:

- Aboriginal employment and income levels
- Aboriginal home ownership levels
- Aboriginal educational attainment rates
- growth in the number of Aboriginal entrepreneurs and number (and scale) of Aboriginal enterprises
- tangible employment and procurement outcomes from Industry Based Agreements, and
- the number and quality of partnerships between the private sector and Aboriginal organisations.

22. NSW Department of Education (Aboriginal Affairs), 2015, *Report from the Roundtable on Aboriginal Economic Development*, 23 September 2015, p.2.

23. Darkinjung Local Aboriginal Land Council (LALC), 2016, submission to the Inquiry into Aboriginal economic development.

2.2. Integrating Aboriginal economic development policy with mainstream policies and related governance

It is also critical that state and federal governments ensure that policy for Aboriginal economic development is integrated with policies for mainstream economic development; this requires more than cross-referencing policy statements or aligning objectives in documents. Aboriginal economic development must be operationally embedded in the everyday goals and work of the agencies vested with economic development responsibilities, and supported by clear measures of performance.

There is a pressing need to improve coordination between existing efforts, particularly government initiatives, to strengthen Aboriginal economic development.

In our 2011 report to Parliament we noted that, despite good intentions and work done by individual agencies, the overall approach by government in this area was disjointed and poorly targeted. This continues to be an issue, amplified by the growing number of non-government players and initiatives in the economic development space. A desktop review that we commissioned to help inform our monitoring of economic development identified a multitude of disconnected current plans and initiatives. These have the potential to create a collective impact if effectively coordinated but risk a fragmented approach if this does not occur. As the Local Decision Making Regional Chairpersons Group has noted:

There are an abundance of plans and agreements already developed targeting economic development in Aboriginal communities and for the most part these plans generate little in the way of concrete outcomes for Aboriginal people...Due to the sheer number of plans that exist, their differing focuses, owners etc it is virtually impossible for Aboriginal community to understand who is targeting what and how to leverage off various plans to achieve outcomes.²⁴

Ideally, the AEPF should build on what is already in place – where promising or proven, whether Aboriginal-specific or not – and bring various government efforts (and related indicators) into alignment.

2.2.1. Current policy settings for improving Aboriginal economic outcomes

OCHRE is now the 'umbrella policy' for NSW initiatives aimed at building Aboriginal economic capacity. It also has a strong focus on related areas including education, language and culture, Aboriginal participation in the design and delivery of services, and strengthening governance and accountability.

Through Aboriginal Affairs, the Department of Education is responsible for coordinating the implementation of OCHRE. A cross-government program control group drives implementation and includes representatives from the Department of Education and other agencies delivering OCHRE initiatives. The Secretaries Board – a forum made up of the Secretaries of every NSW Government department – has ultimate oversight over the implementation of OCHRE and receives six monthly reports on its progress from project managers.

In addition to the Aboriginal Economic Prosperity Framework (AEPF), OCHRE includes five other key initiatives: Local Decision Making; Connected Communities; Opportunity Hubs to highlight career options and assist Aboriginal students to transition from school to further study, training or jobs; Aboriginal Language and Culture Nests; and Industry Based Agreements between the Government and industry peak bodies to increase Aboriginal employment and business opportunities. As well, a new cross-government function referred to as 'solution brokerage' enables the head of Aboriginal Affairs to bring together NSW Government agencies to work with non-government organisations to resolve identified issues.²⁵

There are also a number of other NSW Government policies and measures that directly support the economic objectives of OCHRE, including: the NSW Public Service Commission's *Aboriginal Employment Strategy*; NSW Government procurement policies which aim to increase the government spend with Aboriginal owned businesses; reforms to the *Aboriginal Land Rights Act 1983* (NSW); and a strategic partnership between the NSW Government and the NSW Indigenous Chamber of Commerce (NSWICC).

These policies and measures sit within the broader context of the 30 State Priorities which include a strong focus on state-wide economic development, through:

- a **strong budget and economy** by creating 150,000 new jobs by 2019; making it easier to start a business, encouraging business investment, boosting apprenticeships, accelerating major project assessment, maintaining the state's credit rating, and ensuring the government's expenditure growth is less than revenue growth

24. Local Decision Making Regional Chairpersons Group (LDMRC), 2016, submission to the Inquiry into Aboriginal economic development.

25. NSW Department of Premier and Cabinet, 2015, *Memorandum M2015-02 Solution Brokerage*.

- **building infrastructure** to improve road travel reliability and increase housing supply
- **protecting the vulnerable** including by increasing the number of households successfully transitioning out of social housing; and
- **better services** which, among other things double the number of Aboriginal people in senior leadership roles in the public service; improved Aboriginal and broader education outcomes; better government digital services; and improved customer satisfaction with government services.²⁶

As we noted at the outset of this report, it will be essential that in a very practical way, the AEPF is closely aligned with these broader state priorities and strategies to realise them; and that the objectives of other Aboriginal and mainstream economic policies/strategies are well integrated with the AEPF's governance structure.

2.3. Adopting place-based principles

The economic reform agenda also needs to sit alongside strategies for tackling child protection, family violence and other social problems facing many high-need communities. In response to our 2012 report on Aboriginal child sexual abuse, the NSW Government has committed to developing and implementing place-based service delivery reforms, and has launched a number of initiatives to better identify and meet local need. The *Service Delivery Reform Initiative* led by the Department of Premier and Cabinet, which dovetails with the local government reforms, recognises that things need to be done differently. For example, the *Far West Initiative* (FWI) aims to develop a new whole-of-government model for service delivery and governance in Far West NSW. While a range of options are still being explored, the FWI recognises the importance of identifying and mobilising local economic development potential to address entrenched disadvantage in many towns in rural and remote NSW.

Aboriginal representatives and government leaders across Australia have increasingly been advocating for place-based approaches to service delivery and economic development. For instance, the Empowered Communities agenda recognises the primacy of the local nature of peoples and places, and recommends national and regional institutions support an enabling framework for place-based development agendas.²⁷ Similarly, the recent COAG agreement to develop a new strategic framework for Indigenous economic participation promises to drive genuine cooperation between the different levels of government and with Indigenous leaders, and to support an increased focus on place-based solutions.²⁸

In the context of Aboriginal economic development, a place-based approach might include:

- ➔ Identifying – with Aboriginal communities – the unique potential, capacities and assets, as well as constraints and risks, they and their physical location hold. This requires government, non-government and private sector partners to foster respectful relationships and deeper understanding of individual communities.
- ➔ Whole-of-community or regional planning²⁹ between relevant government agencies (at the local, state and federal level³⁰), Aboriginal representative bodies such as LDM Regional Alliances, Aboriginal Community Working Parties and Local Aboriginal Land Councils, industry leaders and educational institutions to scope future growth industries and regions, forecast potential skills and supply shortages and prepare Aboriginal stakeholders to exploit these.³¹

26. NSW Government, 2015, *NSW: Making It Happen - State Priorities*.

27. Wunan Foundation Inc., 2015, *op. cit.* and see also *Just Reinvest NSW*, 2016, submission to the Inquiry into Aboriginal economic development.

28. COAG, 2015, *op. cit.*

29. Taking account of the drivers of regional economic development – for example, see Urbis, 2014, *Enabling Prosperity: Success factors for Indigenous economic development*, prepared for Westpac, pp.14-17.

30. We noted in our 2011 report on addressing Aboriginal disadvantage that – although not Indigenous-specific – the Federal Government's Regional Development Australia (RDA) is an important player in relation to building economic capacity, as it aims to 'bring together all levels of government to enhance the growth and development of Australia's regions' and consists of a network of regional committees, including representatives of community, business and local government which are expected to 'promote economic and employment growth and contribute to business development and investment attraction.' RDA committees develop and lead the implementation of regional plans. Although these would be a logical platform on which to build place-based economic development planning for Aboriginal communities, we are not aware of this occurring to date.

31. For example, Darkinjung LALC advises that one government initiative which has facilitated its drive for economic independence is the creation of an interagency taskforce chaired by the Department of Premier and Cabinet, with representatives from the Department of Planning, the Office of Environment and Heritage, the Department of Trade and Investment and local government authorities. This taskforce has provided Darkinjung with the opportunity to have roundtable discussions with key government representatives on its development proposals. Together with other Hunter and Central Coast LALCs, Darkinjung proposes that the Government continue and extend this model further. See Darkinjung LALC, 2015, submission to the Inquiry into Aboriginal economic development.

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- ➔ Exploring other ways in which local economies can be grown so that Aboriginal people are central actors – for example, by fostering local Aboriginal businesses to provide the goods and services consumed by their community.³²

The Government has a unique opportunity to adopt this approach in practice – and in doing so, reshape Aboriginal affairs from top-down government interventions to partnerships that respond to local priorities and enable Aboriginal prosperity.

2.4. Strong entity to drive reform

The success of the AEPF will depend heavily on ensuring the right body is driving its implementation, in partnership with Aboriginal leaders. In our 2011 report on addressing Aboriginal disadvantage we observed that:

Developing an overall economic capacity strategy is one thing; making sure that it is implemented is another. In our view, for any strategy of this kind to be successful, it needs to be driven by a body with the necessary skills, expertise and clout for it to be able to deliver outcomes through solid partnerships with Aboriginal leaders and private sector agents.

Five years on, we remain of the same view. Such a body may be an existing government agency or a newly dedicated board (the Victorian Aboriginal Economic Development Board and the Canadian National Aboriginal Economic Development Board are examples of the latter).

Whichever entity is tasked with driving the AEPF, it is essential that this is achieved through collaboration with relevant partners, including the OCHRE LDM Regional Alliances, the NSW Indigenous Chamber of Commerce, the NSW Aboriginal Land Council, Supply Nation, the Australian Industry Group, the Business Council of Australia, the Jobs NSW Fund Board, Industry Based Agreement peak bodies, federal and local governments, and relevant non-government service providers.

2.5. Key elements of an Aboriginal Economic Prosperity Framework

Our reviews of policies in the area of Aboriginal affairs over many years and our consultations with key stakeholders has shown that in order to deliver on stated commitments, the AEPF will need to:

- ➔ Articulate a clear vision of what it aims to achieve over the short, medium and longer term.
- ➔ Take a tiered approach to ensure focus on individuals, enterprises and communities.
- ➔ Build in flexibility – adjustments should be made where circumstances change, problems are identified along the way and/or new information comes to light about better approaches.
- ➔ Be an integral part of broader regional and state-wide economic development efforts and facilitate place-based approaches to building local economies.
- ➔ Have sufficient reach and authority to ensure that legal and policy developments in other portfolios consider the potential impact on Aboriginal economic outcomes, similar to regulatory or environmental impact statements.
- ➔ Ascribe clear responsibilities to relevant agencies and positions which are in turn linked to individual performance contracts.
- ➔ Be underpinned by robust governance arrangements which:
 - coordinate existing and future efforts to strengthen Aboriginal economic prosperity by the government, private and non-government sectors
 - empower individuals with sufficient authority to lead the necessary reforms, and
 - be supported by regular and open reporting on progress which is informed by a genuine dialogue with Aboriginal leadership on what meaningful indicators of performance should look like

32. As we noted in our 2011 report on addressing Aboriginal disadvantage, in many of the Aboriginal communities in remote and rural NSW that we have visited, we have seen low levels of Aboriginal involvement with local businesses. Our consultations with Aboriginal communities elsewhere have revealed that NSW is some way behind other states and territories in establishing Aboriginal-owned local businesses such as grocery stores, motels and fuel stations. There appears to be no current strategy for identifying and facilitating these types of opportunities across this state, and the necessary associated business and technical skill capacity building.

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- ➔ Be driven by a strong entity, in partnership with Aboriginal leadership and the private and non-government sectors, to deliver the promised reforms.

Finally in our view, in order for the AEPF to effect tangible improvements, there is an urgent need to tackle the long-standing barriers which have so far inhibited success in this area. At the same time, there are considerable opportunities to enhance Aboriginal economic development, which the AEPF needs to harness.

In the following chapters we highlight key barriers which, if reduced, should make a real difference to Aboriginal participation in the economy; and existing opportunities which we believe could be further leveraged.

Chapter 3. Addressing the key barriers to Aboriginal people successfully participating in the economy

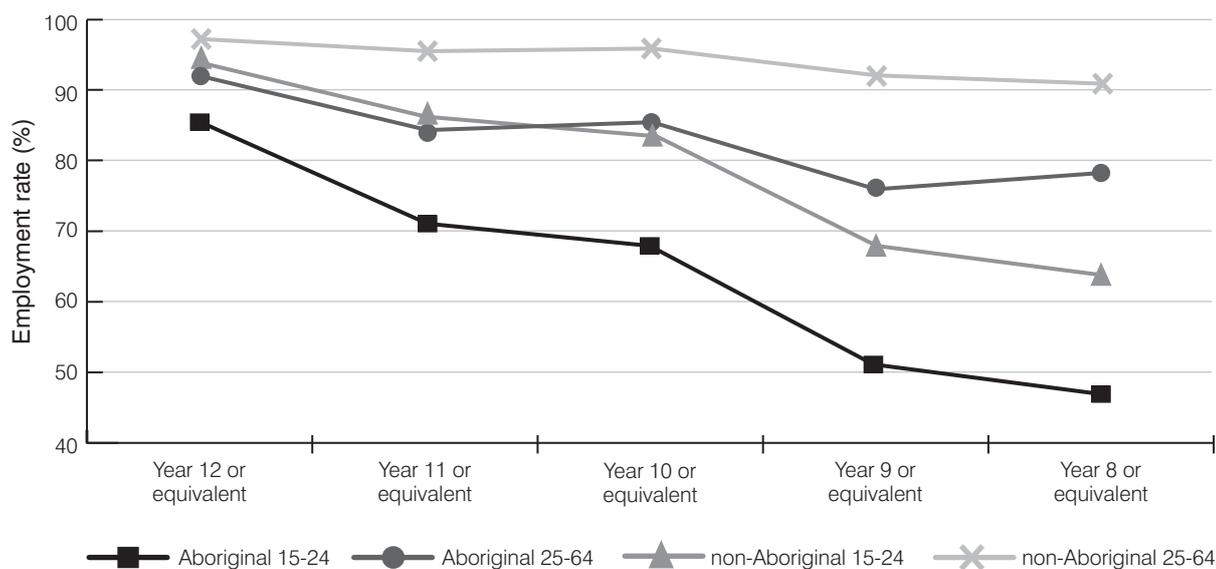
It is critical that the AEPF includes strategies which seek to tackle the most significant obstacles impeding Aboriginal economic development, such as:

- poor educational attainment
- incarceration
- financial exclusion
- lower rates of employment and income, and
- lower rates of home ownership.

3.1. Improving educational outcomes and transitioning to post-school options

In Australia, education is a critical enabler of employment for Aboriginal people. Modelling by PricewaterhouseCoopers shows that Indigenous employment prospects improve greatly as educational attainment increases, as illustrated in Figure 1 below.

Figure 1. Relationship between educational attainment and employment rates³³



Other research shows that, nationally, Indigenous Australians with university degrees have employment outcomes largely on par with their non-Indigenous counterparts.³⁴ Further, educational attainment is also correlated with increased earnings: for each additional year of education, income is estimated to rise by an average of 10%.³⁵

33. Source: PricewaterhouseCoopers, n.d., *Aboriginal Affairs NSW – preliminary analysis of lifetime pathways*, Report commissioned by Aboriginal Affairs, unpublished. Cited in The Allen Consulting Group, 2012, *NSW Government Employment and Economic Development Programs for Aboriginal People: Review of programs and broader considerations*, Report to the Minister for Aboriginal Affairs, the Hon. Victor Dominello MP, p.83.

34. Karmel, T, Misko, J, Blomber, D, Bednarz, A and Atkinson, G, 2014, *Improving labour market outcomes through education and training*, Issues paper no.9 produced for the Closing the Gap Clearinghouse, Australian Institute of Health and Welfare (AIHW) and Australian Institute of Family Studies (AIFS).

35. Goss P and Sonnemann J, 2016, *Widening gaps: What NAPLAN tells us about student progress*, Grattan Institute, p.33.

3.1.1. Secondary education

While over 80% of Aboriginal students in NSW performed at or above minimum national standards in National Assessment Program – Literacy and Numeracy (NAPLAN) for literacy and numeracy in 2014,³⁶ non-Aboriginal students out-performed Aboriginal students in reading and numeracy in each tested year group³⁷ and recent research suggests that the national minimum standard is too low to effectively identify the students who require additional support.³⁸ While the proportion of NSW Aboriginal students staying at public high school to Year 12 increased to 51% in 2014, this remains well below the rate for non-Aboriginal students (78%).³⁹ And the state-wide attendance rate of 90% for Aboriginal students in primary schools and 79% for Aboriginal students in secondary schools is lower than the corresponding rates for non-Aboriginal students (94% for primary and 90% for secondary school students).⁴⁰ Aboriginal attendance in secondary schools is below COAG's benchmark of 90% attendance for Aboriginal students.⁴¹

Furthermore, as we highlighted in our 2012 report about responding to child sexual abuse in Aboriginal communities, the average state-wide attendance rate for Aboriginal students is significantly higher than the attendance rate for Aboriginal students within each region, and can therefore conceal the true extent of non-attendance at school by Aboriginal children. At the time of our report, we found that the attendance rate for Aboriginal students was poorest in two regions (Western NSW and New England) with the highest Aboriginal enrolment rate – 32% of Aboriginal students enrolled in schools within the 12 communities we examined had missed 30 days or more of school in 2011 and of these, 17% had missed 100 days or more, which is half a school year.⁴²

Our analysis of NAPLAN results suggest that educational disadvantage is strongly correlated to location, with Aboriginal students in remote and very remote areas less likely to achieve minimum standards in literacy and numeracy than students living in regional or urban settings. For example, almost 40% of Year 9 Aboriginal students in remote areas of NSW failed to meet the national minimum standard for reading in 2015.⁴³ Given research has identified a close link between levels of achievement in Year 9 NAPLAN tests and the likelihood of being engaged in work or study after school, these results have significant implications for the capacity of students in these areas to transition from school to further education, training or employment.⁴⁴

3.1.2. Tertiary education

Overall, Aboriginal students do not do as well as their non-Aboriginal peers in transitioning from school to further study, training or employment. In 2011, only 44% of Aboriginal young adults aged 17-24 in NSW were fully engaged in post-school education, training, or employment – compared with 74% of non-Aboriginal young adults.⁴⁵ This same year, 39% of Aboriginal people aged 20-64 in NSW had a post-school qualification, compared with 61% of non-Aboriginal peers. Of these, 8% had a university degree or above, compared with 28% of their non-Aboriginal counterparts.⁴⁶

Although a higher proportion of Aboriginal Australians participate in vocational education and training (VET) than non-Aboriginal Australians,⁴⁷ they are more likely to be enrolled in courses leading to lower level qualifications (Certificates I and II).⁴⁸ Encouragingly, the latest available data suggests a positive trend in NSW which should be supported, with Aboriginal students enrolled in Certificate III and above qualifications at TAFE increasing by 37% between 2010 and 2014.⁴⁹ We also note that eligible Aboriginal students can be offered additional support and fee exemptions for VET study under the government's Smart and Skilled reforms of the NSW vocational education and training system which took effect in 2015.

36. NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report 2015*, p.7.

37. Gotsis, T (NSW Parliamentary Research Service), 2015, *NSW School Education: NAPLAN, Measurement and Performance*, Briefing Paper No 12/2015, p.19.

38. Goss P and Sonnemann J, *op. cit.*

39. NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report 2015*, p.15.

40. NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report, Data Appendix*, p.8.

41. In 2014, COAG added a new Closing the Gap target: to close the gap between Indigenous and non-Indigenous school attendance within five years.

42. NSW Ombudsman, 2012, *op. cit.* pp.253-256.

43. A further 38% of this cohort achieved at the minimum standard (the second lowest of six NAPLAN bands for assessment of Year 9 students) and only 22% of students achieved beyond the minimum level.

44. Goss P and Sonnemann J, *op. cit.* p.34.

45. SCRGSP, 2014, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, Table 7A.4.7.

46. NSW Department of Education (Aboriginal Affairs), 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.14.

47. Karmel, T, Misko, J, Blomber, D, Bednarz, A and Atkinson, G, 2014, *op.cit.*

48. Biddle, N, Brennan, C and Yap, M, 2014, *Effectiveness of traineeships and apprenticeships for the Aboriginal and Torres Strait Islander population*, Resource sheet no.31, produced for the Closing the Gap Clearinghouse, AIHW and AIFS.

49. NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report 2015*, p.17.

3.1.3. Strengthening existing strategies directed at Aboriginal educational outcomes

For several years we have been highlighting in our reports to Parliament the critical importance of improving educational outcomes for Aboriginal students. Pleasingly, a number of our recommendations have been accepted. The Department of Education's flagship initiative in this area is Connected Communities, which aims to build genuine partnerships between schools and their local Aboriginal communities, and gives executive principals unprecedented authority to tailor education responses to the needs of those communities.⁵⁰

Through our oversight of OCHRE we are closely monitoring Connected Communities, as well as the Opportunity Hubs initiative which seek to provide clear pathways and encouragement for young Aboriginal people to stay at school and transition into employment, training or further education. Our early observations about both initiatives are detailed in our *Annual Report 2014-2015*⁵¹ and – with respect to the former – were recently echoed in the interim report on the evaluation of Connected Communities by the Centre for Education Statistics and Evaluation.⁵² We also note that the proposed Aboriginal Centre for Excellence in Western Sydney is intended to deliver programs and services that support Aboriginal young people make the transition from school into further education and training.

Consolidating and further strengthening strategies to improve educational attainment – and transitions to post-school options – for Aboriginal people is critical to achieving the economic outcomes expected under the AEPF.⁵³

3.1.4. Supporting school to work transition

We are particularly keen to see that Connected Communities schools provide a pathway to VET and other tertiary education options.⁵⁴ We are also looking to Opportunity Hubs to demonstrate how all schools – not just those linked with a Hub – can develop and maintain clear routes to training and jobs for Aboriginal students via careers advisors and partnerships with local training providers, chambers of commerce, funded employment services, educational institutions and employers. More broadly, we are keen to see good support being provided to students during the critical school-to-tertiary study/work transition phase, and associated monitoring.

Even more critically, stronger partnerships and collaborative planning between Training Services NSW, the VET sector, industry and Aboriginal representatives – such as Local Decision Making (LDM) Regional Alliances and Local Aboriginal Land Councils – are required to ensure training is targeted to areas of future need and results in Aboriginal graduates being competitive for meaningful jobs. We understand that Training Services NSW already regularly reviews the focus of apprenticeships and traineeships, in consultation with industry peak bodies, to align them to areas of future demand. One of the two initial pilot projects of the Data Analytics Centre (DAC) focuses on VET and employment outcomes. The project seeks to use data to better understand the outcomes from VET training and to target future investment to meet the needs of business and improve employment outcomes more broadly.⁵⁵ We have encouraged the DAC to explore how its work can make best use of relevant data to improve the planning and delivery of government services to Aboriginal communities, and will consider the outcomes from the VET project in this light.

Given the clear correlation between higher educational attainment and increased employment prospects, identifying ways to further encourage and support Aboriginal VET students to progress to higher qualifications must also be a strong focus of the AEPF. We note the 2016 federal budget measure *Indigenous Student Success in Higher Education*, developed between the Federal Government and universities, intends to give universities greater capacity to design their scholarships, tutorial support and other assistance for Aboriginal and Torres Strait Islander students. Under a new flexible outcomes-based funding model, universities will be responsible for increasing Aboriginal and Torres Strait Islander enrolments and supporting students to progress and complete university awards.⁵⁶ Close collaboration between the state and federal governments to ensure a clear pathway between secondary education, VET and university enrolment should enhance the effectiveness of this measure.

50. Other positive developments include new funding models to better support Aboriginal students and the development of a Wellbeing Framework for Schools as outlined in NSW Department of Education and Communities, 2014, *Aboriginal Students in NSW Public Schools Annual Report 2014*.

51. See NSW Ombudsman, 2015, *Annual Report 2014-2015*, p.110.

52. NSW Department of Education, 2016, *Connected Communities Strategy – Interim Evaluation Report*, September 2015.

53. A 2012 review of NSW Government Aboriginal employment and economic development programs found the number of programs focussing on education and training (the 'supply' side) was low in comparison to those directed at creating employment opportunities (the 'demand' side). See The Allen Consulting Group, 2011, *op.cit.* p.73.

54. Current initiatives which connect school students to VET options include TAFE delivered vocational education and training (TVET), School-based Apprenticeships and Traineeships, and Try a Trade.

55. NSW Government, n.d., NSW ICT Strategy, 'Data Analytics Centre: Priority Projects 2015' www.finance.nsw.gov.au/ict/nsw-data-analytics-centre/priority-projects-2015.

56. Department of the Prime Minister and Cabinet, 2016, '2016 Budget backs university success for Aboriginal and Torres Strait Islander people' media release 5 May 2016, www.indigenous.gov.au/news-and-media/announcements/2016-budget-backs-university-success-aboriginal-and-torres-strait.

The following case study illustrates what is possible when successful collaborative planning occurs between Aboriginal representatives, the VET sector, universities and industry to closely align training with future jobs.

Case Study: Designing a training and education pathway for Aboriginal health workers

Following targeted consultations with Aboriginal Medical Services in early 2015, Aboriginal Learning Circle-TAFE North Coast identified an opportunity to develop a qualification that would allow an Aboriginal health worker to potentially be recognised under the National Registration and Accreditation Scheme administered by the Australian Health Practitioner Regulatory Agency. This would assist them to generate Medicare revenue – thereby contributing to the health worker’s nationally-recognised qualifications, market value and the employer’s income base.⁵⁷ This led to the design of a flexible Certificate IV program for Aboriginal Health Workers offered at Port Macquarie, delivered from the Shared Health Resource Education Centre in collaboration with the University of Newcastle and the University of NSW (where medical students also participate in training). The course is linked to some related Certificate III courses and a new TVET Certificate II course for Aboriginal Health Workers which can be undertaken while students are still at school, and count towards their Higher School Certificate. Further planning is underway at the Aboriginal Learning Circle-TAFE North Coast to partner with a university to enable students to progress to a degree qualification if desired. In this way, Aboriginal Learning Circle-TAFE North Coast aims to provide a pathway for Aboriginal students wishing to work in the health sector – a growth industry – from school to university.⁵⁸

Targeting education and training to critical roles also has an important impact on the service system. For example, our 2012 audit of the implementation of the *NSW Interagency Plan to Tackle Child Sexual Assault in Aboriginal Communities* showed that an increase in the number of designated Aboriginal child sexual assault counselling positions facilitated significantly more Aboriginal children receiving counselling from sexual assault services in the relevant districts.⁵⁹

3.2. Reducing the ongoing impact of incarceration on economic outcomes

The significant over-representation of Aboriginal people in the prison system is a particularly insidious barrier to economic enfranchisement. As at 30 June 2014, Aboriginal people comprised 24% of the NSW adult prisoner population, with an age-standardised imprisonment rate 11 times that of the non-Aboriginal population.⁶⁰ Aboriginal young people are even more highly represented in the state’s juvenile detention, with young Aboriginal people consistently comprising around 50% of the average number of young people in custody over the five years prior to 2014.⁶¹ These increasing incarceration trends are expected to continue without significant action to interrupt and reduce them.

For obvious reasons, imprisonment has a negative impact on an individual’s employment and financial inclusion prospects. It is also expensive for the Government: between \$87,000⁶² and \$95,000⁶³ per adult per annum and approximately \$237,000 per young person per annum, on some estimates.

Contributing factors to the high rate of imprisonment of Aboriginal people include unemployment; financial stress; welfare dependency; alcohol and substance misuse and abuse; removal from family; intergenerational offending; residence in crime prone areas;⁶⁴ over-representation in convictions for unauthorised and unlicensed driving

57. McGregor H, 2016, Evidence to the Inquiry into Aboriginal economic development at hearing held on 26 February 2016 in Sydney, *Report of Proceedings*, uncorrected proof transcript, p.18.

58. *Ibid.*

59. NSW Ombudsman, 2012, *op. cit.* p.2.

60. ABS 2014, Cat. no. 4517.0 *Prisoners in Australia 2014*, table 13 and table 17.

61. NSW Department of Justice, 2014, ‘Young people in custody’ www.juvenile.justice.nsw.gov.au/Pages/Juvenile%20Justice/aboutdjj/statistics_custody.aspx

62. SCRGSP, 2015, *Report on Government Services 2015, vol. C, Justice, Productivity Commission*, table 8A.7.

63. Just Reinvest NSW, 2016, submission to the Inquiry into Aboriginal economic development.

64. ABS, 2009, Cat. no. 4714.0, National Aboriginal and Torres Strait Islander Social Survey, 2008.

offences;⁶⁵ and the disproportionate impact of fines.^{66, 67} Research identifies that there is a significant degree of concentration of disadvantage in NSW and that, for the most disadvantaged communities in NSW, interaction with the criminal justice system is a dominant feature.⁶⁸

There is a clear need to both address the multiple factors that contribute to the over-representation of Aboriginal people in custody; and ensure that Aboriginal people who are incarcerated have access to pre- and post-release services and facilities that will better equip them for successful reintegration into the community and economy.

3.2.1. Work and Development Orders

The need for community-based justice interventions which provide diversionary options for driving-related matters, and initiatives which reduce the impact of fines and licence disqualifications on Aboriginal people is well documented.⁶⁹ There is significant support for such interventions within communities and among frontline service providers. Effective programs are particularly needed in remote communities (with limited transport alternatives), areas of high unemployment and high rates of incarceration due to unpaid fines.

The *Work and Development Orders* (WDO) scheme, administered by State Debt Recovery, is one example of a diversionary program. The WDO scheme allows eligible people to repay their fine debt through unpaid work, educational courses, counselling, health treatment, drug or alcohol treatment and mentoring.⁷⁰ It has the capacity to not only reduce the burden of fines on Aboriginal people, but also to improve their economic capacity through developing their employability and providing them with work experience and vocational skills. However, the WDO scheme does not reinstate driver licences for disqualified drivers, meaning that many offenders in remote Aboriginal communities may remain at a disadvantage in accessing employment even after repaying fines or serving sentences. One possible remedy which could be considered is a distinct provisional license for people unable to drive due to unpaid fines or minor traffic infringements, issued to enable them to secure a job.⁷¹

3.2.2. Addressing limitations with existing initiatives to equip inmates for work pre- and post-release

In NSW the initiatives that seek to provide adult inmates with the necessary skills to gain employment upon release were, until recently, employment with Corrective Service Industries,⁷² courses offered by the Adult Education and Vocational Training Institute,⁷³ and short courses run by TAFE NSW. Last financial year, around a third of inmates in NSW participated in education programs and the participation rate of Aboriginal people was roughly in line with the Aboriginal proportion of the prison population.⁷⁴ National justice data suggests that in 2013-14, NSW had the second highest rate of fit and eligible prisoners in paid employment (80%), after Victoria (88%).⁷⁵ However, the state's position relative to other jurisdictions is lower with respect to the rate of prisoners engaged in education and training: 35% (compared to 83% in the ACT and 59% in South Australia).⁷⁶ And as the former Inspector of Custodial Services reported in 2015, demand for education and work programs still outstrips supply. The Inspector recommended that

65. NSW Legislative Assembly Law and Safety Committee, 2013, *Driver Licence Disqualification Reform*, Report 3/55, November 2013. This Inquiry report confirmed the over-representation of Aboriginal people among convictions for this offence.

66. Our 2009 review of the use of Criminal Infringement Notices found that they are used inconsistently and with greater negative impact on Aboriginal people. See NSW Ombudsman, 2009, *Review of the impact of Criminal Infringement Notices on Aboriginal communities*, p.vi.

67. Where sanctions are imposed on Aboriginal people for defaulting on fines, this reduces their capacity to access employment in particular when driver licence sanctions (such as licence disqualifications) are used. As well as this, driver licence sanctions resulting from unpaid fines can result in more serious offences being committed, with this secondary offending contributing to the over representation of Aboriginal people in custody. See *ibid*, p.12-13 and Levitan 2013, *NSW Legal Assistance Forum Report to the Driver Licence Disqualification Reform Inquiry*, p.10.

68. Vinson T, et al, 2015, *Dropping off the edge 2015: Persistent communal disadvantage in Australia*, Jesuit Social Services/Catholic Social Services Australia, cited in Just Reinvest NSW, 2016, submission to the Inquiry into Aboriginal economic development.

69. For example, see Levitan 2013, *NSW Legal Assistance Forum Report to the Driver Licence Disqualification Reform Inquiry* and Forrest A, 2014, *Creating Parity – the Forrest Review*, recommendation 15.

70. NSW Office of State Revenue, State Debt Recovery, 2015, 'Work and Development Order' factsheet, www.sdro.nsw.gov.au.

71. Forrest A, 2014, *Creating Parity – the Forrest Review*, recommendation 15.

72. A Government Business Enterprise with the NSW Department of Justice.

73. A Registered Training Organisation with the NSW Department of Justice.

74. NSW Department of Justice, 2015, *Annual Report 2014-2015*, p.56.

75. SCRGSP, 2015, *Report on Government Services 2015, vol. C, Justice*, Productivity Commission, table 8A.20.

76. *Ibid*, table 8A.21.

places in these programs in custody be increased. As Aboriginal prisoners tend to have a shorter average sentence length than non-Aboriginal prisoners – one in five Indigenous prisoners serve sentences of less than 12 months⁷⁷ – there is also a need to ensure that short sentences do not exclude offenders from pre-release programs.⁷⁸

We note the recent announcement by the NSW Minister for Corrections that the delivery of education and training courses for inmates will be outsourced to specialist training organisations after a review found the current system was not sufficiently focused on job skills. The reform is expected to more than double the number of inmates completing literacy and numeracy courses, and increase the number of vocational education and training activities by 20 per cent, while courses should be refocused on those that help offenders secure employment after they leave prison.⁷⁹

Provision of post-release programs in NSW is primarily delivered by NGOs funded through the NSW Government's *Funded Partnerships Initiative* (FPI). While connecting participants with employment services is one of a number of functions of existing FPI programs, few appear targeted to employment and fewer still to addressing the additional barriers that Aboriginal prisoners face in obtaining post-release employment. Initiatives such as the Aboriginal Legal Service's former *Throughcare* program are no longer funded⁸⁰ and there currently do not appear to be other programs to replace its focus on Aboriginal inmates.

For young offenders, the *Juvenile Justice Joint Support Program* provides funding for community groups and includes an 'Employment Placement and Support' service type which provides assistance in obtaining and retaining paid employment with assistance provided for 26 weeks.⁸¹ However, only one of the organisations contracted to deliver services under the Joint Support Program from 2013 to 2016 provides this service type, and it is only available in the Sydney Metropolitan region.⁸² This is a clear limitation.

We welcome COAG's recent agreement to better address barriers to employment for Indigenous inmates on release, and to support them as they transition from incarceration to employment,⁸³ as well as the federal government's commitment to lead the development of a 'prison to work' blueprint to reduce recidivism and long-term unemployment.⁸⁴ It will be critical that this commitment is reflected in the AEPF.

Given the high proportion of inmates who are Aboriginal, identifying and remedying service gaps in the area of pre- and post-release support for Aboriginal inmates is, in our view, a priority. Education, training and work experience opportunities should be widely available to inmates to improve their knowledge, skills and employability on release, and post-release support should ideally include connecting former inmates with real jobs or further education opportunities.

For example, while we are not aware of any independent evaluation of the longer term outcomes, the *Sentenced to a Job* program in the Northern Territory is an interesting model. It enables prisoners in the lowest security classifications to work in local jobs outside the prison setting. They earn an award wage, but contribute five per cent of their salaries to support victims of crime, cover their board in gaol, and pay taxes. The prisoners keep a small amount of money from their salary per week while the rest is held in a trust for them to access once they are released. On release, the program participants should have ongoing employment, qualifications and/or job ready skills, and savings.⁸⁵ There does not appear to be a comparable initiative in NSW. It would appear worthwhile closely tracking the outcomes of the *Sentenced to a Job* program and if positive, consider implementing a similar approach in NSW.

77. NSW Bureau of Crime Statistics and Research, 2015, *Does going to prison reduce the risk of further offending?*

78. Graffam J and Shinkfield A, 2012, *Strategies to enhance employment of Indigenous ex-offenders after release from correctional institutions*, p.6.

79. The Hon. David Elliot MP, 2016, 'Improvements to inmate education and training' media release 10 May 2016. The Minister also announced that Intensive Learning Centres would be continued at a number of Correctional Centres.

80. Aboriginal Legal Services NSW/ACT, 2014, 'ALS loses funding for frontline program despite Government assurances', media release 16 June 2014, www.alsnswact.org.au/media_releases/33.

81. NSW Department of Justice, 2015, 'Joint Support Program service types 2013-2016', www.juvenile.justice.nsw.gov.au/Pages/Juvenile%20Justice/community_funding/joint_support_program_service_types.aspx

82. NSW Department of Justice, 2014, 'Joint Support Program organisations', www.juvenile.justice.nsw.gov.au/Pages/Juvenile%20Justice/community_funding/joint_support_program_organisations.aspx.

83. COAG, 2016, *COAG Communique*, 42nd meeting 1 April 2016, Canberra, p.3.

84. The Hon. Malcolm Turnbull MP (Prime Minister), 2016, *Speech to Parliament on the 2016 Closing the Gap Report*.

85. Erickson S, 2014, 'Sentenced to a job scheme', *Alternative Law Journal*, (2014) 39(1) AltLJ 140.

3.3. Eliminating pockets of financial exclusion and building financial literacy

Financial exclusion – characterised by lack of access to appropriate and affordable financial services and products – and financial stress are more pronounced for Aboriginal people than other Australians. The affordability of banking services, limited financial literacy, poor or no credit history, and negative experiences with mainstream institutions are all factors that may be at play.⁸⁶ The interaction between these factors is also an issue. For example, unmanageable personal debt may reflect poor financial literacy and affect an individual's credit rating as well as their ability to accumulate savings.

Nationally, 43% of the Aboriginal adult population was considered severely or totally financially excluded in 2012, compared with 18% of the Australian adult population.⁸⁷ Studies on financial literacy in Indigenous communities indicate that poor education and lack of job opportunities contribute to poor money management skills among Indigenous people,^{88, 89} who in turn have a higher reliance on family and friends in times of financial hardship.⁹⁰ Living in an urban environment and/or being employed does not necessarily preclude traditional or customary ways of thinking about or managing money.⁹¹

Addressing financial exclusion requires broadening the choices for financial services (including superannuation) and products for Aboriginal consumers. It also requires identifying where and why pockets of financial exclusion occur, and exploring how government can help bring the banking sector to the table to deliver financial services to both individuals and particular communities. Ensuring access to financial literacy programs is also important, and could be facilitated through other relevant government programs. Achieving this would involve, at a minimum, a partnership between Aboriginal representatives, all levels of government, the Australian Bankers' Association, the Customer Owned Banking Association, the First Nations Foundation, the Indigenous Superannuation Working Group and financial inclusion service providers.⁹²

3.4. Fostering employment opportunities in the public and private sectors

Both nationally and in NSW,⁹³ Aboriginal people are around half as likely to be employed as non-Aboriginal people. The median income for Aboriginal households in NSW is also lower than other households, and government payments are more likely to be the principal source of personal cash income for Aboriginal people. Factors identified as effective in improving Aboriginal employment outcomes include: macro-economic growth;⁹⁴ increasing skill levels via formal education and training, mentoring;⁹⁵ 'work-ready' programs; targeted labour market programs; and explicit Aboriginal employment goals for government programs that deliver goods or services.⁹⁶

In addition to a range of federal government programs,⁹⁷ key state government programs in place to support Aboriginal job seekers are the *New Careers for Aboriginal People* (NCAP), which aims to identify, create and support opportunities for sustainable education, training or employment; and the *Way Ahead for Aboriginal People* program which provides mentoring services for Aboriginal apprentices and trainees needing extra support in the workplace. Both are administered by Training Services NSW. We welcome the recent focus given by Training Services NSW to

86. Reconciliation Australia, 2007, *Banking for the future: a background paper on financial literacy and financial services for Indigenous Australians*.

87. Connolly C, Georgouras M and Hems L, 2012, *Measuring Financial Exclusion in Australia*, Centre for Social Impact.

88. Daly A and Preece C, 2009, *An investigation of financial literacy in six Indigenous communities*, Australian National University.

89. Netbalance, 2013, *Social Return on Investment forecast of the Indigenous Money Mentor Program*, National Australia Bank Report.

90. Gerrans P, Clark-Murphy M and Truscott K, 2009, *Financial Literacy and Superannuation Awareness of Indigenous Australians: Pilot Study Results*, Australian Journal of Social Issues, Vol 44, Issue 4, p.417.

91. *Ibid.*

92. Such as Many Rivers Microfinance, Good Shepherd Microfinance and National Australia Bank Indigenous Money Mentors.

93. NSW Department of Education (Aboriginal Affairs), 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.9.

94. Gray M & Hunter B, *Changes in Indigenous Labour Force Status: Establishing Employment as a Social Norm?* CAEPR Topical Issue No.7/2011, Australian National University.

95. Hawke, P, 2015, *Towards increasing young Aboriginal and Torres Strait Islander people's experiences of work through employment services focused mentoring: an urban case study*.

96. Gray M, Hunter B and Lohar S, 2012, Increasing Indigenous employment rates, Issues paper no.3, for the Closing the Gap Clearinghouse, AIHW and AIFS

97. For example: Jobactive; Jobs, Land and Economy Programme (JLEP); New Enterprise Incentive Scheme; Employment Parity Initiative; Community Development Programme; and Vocational Training and Employment Centres (VTECs).

the programs' practical outcomes and potential to strengthen linkages to OCHRE and broader job growth initiatives. Strategies to support Aboriginal job seekers need to take account of the evidence on what works, as well as credible forecasts of the likely future industries of employment.^{98, 99}

3.4.1. Public sector employment

Our 2012 report on responding to Aboriginal child sexual assault recommended that the Public Service Commission develop a whole of government workforce strategy for Aboriginal people. Following our report, the *Public Service Commission released its NSW Public Sector Aboriginal Employment Strategy 2014-17 (AES)* in 2014. The AES recognises that, as the largest single employer in Australia, with workforces based in both urban and regional locations across the state,¹⁰⁰ the NSW Government has a significant role to play in increasing Aboriginal employment. OCHRE specifically commits to increasing both the number of Aboriginal public sector employees and their representation in decision making roles. The Premier's Priorities¹⁰¹ also include doubling the number of Aboriginal people in senior leadership roles in the public sector by 2025.

The NSW Public Service Commission (PSC) is responsible for driving the AES and sector-wide initiatives, which include a new centrally-funded Aboriginal Employment and Development Program (AEDP). Pleasingly, in developing the AEDP, the PSC plans to learn from and leverage off existing programs such as the Indigenous Police Recruiting Our Way Delivery (IPROWD).

Case Study: IPROWD - NSW Police Force

IPROWD is a unique partnership between the NSW Police Force (Police), TAFE NSW, NSW Aboriginal Housing Office, Charles Sturt University, NSW Aboriginal Education Consultative Group and the Federal Government. It delivers a customised training program to assist Aboriginal people to gain entry to the NSW Police Academy at Goulburn. Originally established in the Western region, the program was rolled out across the state in 2010. It utilises strong community partnerships to assist students with accommodation and support needs, and includes a significant mentoring component, with participants supported from the time they start the program until their confirmation as a Constable. The support and mentoring is a strong contributor to the program's success.

Since 2008, approximately 700 Aboriginal people have participated in IPROWD in Casino, Dubbo, Macquarie Fields, Campbelltown, Maitland, Mount Druitt, Broken Hill, Nowra, Orange, Redfern, Wagga Wagga and Tamworth. The program was delivered for the first time at Lismore in 2016. As at May 2016, 80 participants had joined Police as either sworn or unsworn officers, with a further 15 due to Attest before December 2016 and another 50 in the recruitment process.

Building on the success of the program to date, TAFE NSW has recently launched the "Miimi-djuul"¹⁰² IPROWD School Program, which involves targeting Year 10 students for entry into a two-year TVET Certificate III. The course is currently delivered at Dubbo, and will be considered for further rollout across NSW in 2017.

As we noted in our 2011 report, while it is hoped that a significant proportion of IPROWD participants will go on to employment with Police, those who do not are well placed to take up job opportunities in other government agencies as a result of the skills developed through their involvement in the program.

98. Modelling by Deloitte Access Economics identified opportunities to increase Indigenous employment in sectors with relatively low Indigenous representation and relatively high employment growth prospects such as financial services, business services and retail trade. See Deloitte Access Economics, 2014, *Economic benefits of closing the gap in Indigenous employment*, Report for Reconciliation Australia, pp.19-26.

99. Many of which align with current main industries of employment for Aboriginal people, including: health care and social assistance, education and training, and construction. See ABS, 2013, Cat. no. 4102.0, *Australian Social Trends, Nov 2013: Aboriginal and Torres Strait Islander Peoples' Labour Force Outcomes*.

100. NSW Public Service Commission, 2015, *Workforce Profile Report 2015*, p.29.

101. See 2.2.1

102. Gamillaroi word for sister-little.

Following evaluation of the AEDP pilot, consideration should be given to targeting high need locations with high rates of unemployment and/or strong demand for government services – particularly health, community services and education – but a shortage of staff to deliver them. It will be important to ensure that this consideration takes place in the context of the broader service delivery reforms being led by DPC as well as other OCHRE initiatives, particularly Local Decision Making and Opportunity Hubs. We understand that Aboriginal Affairs is working with the PSC to identify ways that its ‘solution brokerage’ function can support the implementation of the AES.

As one of the primary levers for the Government to improve its Aboriginal employment outcomes, the commitments in the AES, and the outcomes it achieves, need to be reflected in the AEPF and results tracked closely. We are keen to see that the PSC is meeting its commitments to consult with Aboriginal people in implementing the strategy; identifying early where agencies are lagging and need support; and facilitating the sharing of lessons and best practice from high-performing agencies and proven initiatives.¹⁰³ Depending on progress made, specific agency-level targets may be warranted using a similar approach to the Commonwealth *Aboriginal and Torres Strait Islander Employment Strategy*.¹⁰⁴ Given existing links between the public sector and funded service providers, opportunities for career pathways and capability development between these sectors could also be examined.

Additionally, as a significant employer of local people across the state, including in rural and remote regions, local government clearly has a major role to play in increasing the employment of Aboriginal people. There is scope for the goals, approaches and lessons from the AES to be extended beyond the state public sector to build the capacity of local government in this area. In this regard, the current local government reforms – led by the Department of Premier and Cabinet and the Office of Local Government in response to the 2014 report by the Independent Local Government Review Panel – provides an excellent opportunity to revisit the role that councils can play in the area of economic development, in the context of the current and recent amalgamations.

3.4.2. Private sector employment

The majority (approximately 75%) of Aboriginal people who participate in the NSW workforce are employed by the private sector.¹⁰⁵ Globally, the World Bank estimates that nine of every ten jobs in both emerging and developed economies are created by the private sector.¹⁰⁶ This highlights the need for the NSW Government to encourage and partner with the private sector to further strengthen their commitment to Aboriginal employment. These efforts should not be divorced from broader job growth initiatives in the state. The \$190 million *Jobs for NSW Fund*, overseen by the newly established Jobs for NSW Board¹⁰⁷ is a key vehicle for Government to stimulate business and grow 150,000 jobs by 2019.¹⁰⁸

At present, it is not evident whether creating jobs that will increase employment opportunities for Aboriginal people is a specific focus for the Board. In our view, consideration should be given to how this may be encouraged, such as through its membership, terms of reference or grant guidelines. Clearly, it will be critical for the entity driving the AEPF to be closely tied to the work of the Jobs for NSW Board, and ensure joint planning and coordinated activity where relevant.

Other state government initiatives – including payroll tax rebates, incentives encouraging non-payroll tax paying businesses to recruit, infrastructure investment and targeted scholarships¹⁰⁹ – could also be reviewed to see whether more can be done to improve Aboriginal employment outcomes through these mainstream mechanisms.

There is also scope for the state government to further influence the private sector by raising awareness among, and increasing the capacity of, industry representative bodies and their members to target Aboriginal candidates for available jobs, including through the Industry Based Agreements (IBAs) initiative under OCHRE. Three IBAs are currently in operation¹¹⁰ and the first cohort of 16 Aboriginal apprentices and trainees were engaged with the support of the Master Builders Association of NSW under the MBA IBA.¹¹¹ We believe there is merit in extending IBAs to other industries and we commend the efforts of Aboriginal Affairs in taking this forward.

103. For example, the experiences of the Victorian Department of Justice, and current research commissioned by the Australian Public Service Commission on why Indigenous people leave the federal public service.

104. Australian Public Service Commission, 2015, *Commonwealth Aboriginal and Torres Strait Islander Employment Strategy*.

105. According to the 2011 Census, almost 10,000 Aboriginal people in NSW were employed in the government sector, while over 36,000 were employed in the private sector: ABS, 2011, Cat. no. 2002.0, *Census of Population and Housing - Aboriginal and Torres Strait Islander Peoples (Indigenous) Profile (NSW)*.

106. World Bank, 2013, *Addressing the jobs challenge in G20 countries - an overview of recent labour market trends and policies*, Washington DC.

107. Comprising five private sector representatives and the Secretaries of the NSW Departments of Industry and Premier and Cabinet.

108. NSW Government, 2016, ‘State Priorities’, www.nsw.gov.au/making-it-happen.

109. *Ibid.*

110. One with the NSW Minerals Council, one with the Master Builders Association of NSW and one with the Civil Contractors Federation of NSW.

111. NSW Department of Education (Aboriginal Affairs), 2015, *OCHRE: Two Years On*, p.8.

However, the capacity of IBAs to deliver tangible employment and business outcomes for individuals and enterprises could be strengthened by setting these outcomes as specific targets; and improving practical linkages between IBAs and other measures (such as government procurement policies, Opportunity Hubs, the *Jobs for NSW Fund* and Board, and Industry Action Plans developed by the NSW Government under the broader *NSW Economic Development Framework*). For example, we understand that the Campbelltown Opportunity Hub and Civil Contractors' Federation (CCF) are in the formative stages of developing a pilot project under the CCF IBA, which is focused on encouraging more Aboriginal students to start a career in civil construction and help meet the demand for labour generated by the significant government infrastructure agenda.

Further, IBAs could take a stronger regional focus and seek to implement the commitments in specific regional areas in partnership with the LDM Regional Alliances.¹¹² We welcome recent advice that the next round of activities under the Minerals IBA will include closer links with Opportunity Hubs and building regional engagement,¹¹³ which reflects our feedback to the NSW Minerals Council in early 2015.

Additionally, IBAs need not be limited to specific industries – for example, developing an IBA with the Business Council of Australia (or targeted to the members of the BCA's Indigenous Engagement Taskforce) would reach some of Australia's largest companies across a range of sectors. Finally, existing industry and employer partners could become involved in promoting IBAs to potential partners in other sectors and building their capacity to enter into agreements.

3.5. Creating pathways to home ownership – helping individuals to raise capital

Home ownership is a significant vehicle for financial stability, economic activity and intergenerational wealth. It also presents an opportunity for those that wish to enter into small business or other private enterprise activity by leveraging the equity in their home.

Compared to approximately 70% of non-Aboriginal households, only around 40% of Aboriginal households in NSW own their own home.¹¹⁴

The Commonwealth Senate Economics References Committee recently concluded that worsening housing affordability is reflected in declining home ownership rates more generally.¹¹⁵ Against this background, Aboriginal people face additional barriers to owning their own homes including higher rates of unemployment, low individual and household incomes, lack of family savings or capital, low awareness of the steps necessary to secure and maintain a loan, and complicated land tenure under native title and statutory land rights regimes.¹¹⁶ As these factors are inter-related and overlap with financial exclusion and low employment and income, positive outcomes are more likely to be achieved when strategies are well integrated.

Indigenous Business Australia (IBA) – the national provider of the *Indigenous Home Ownership Program* (IHOP) – has identified 'first home owner grants' and stamp duty concessions as two particularly important strategies for increasing Indigenous home ownership.¹¹⁷ Although we note that the Senate Committee was not persuaded of the merits of first home owner grants, either generally or as targeted to Indigenous people specifically, there may be merit in examining the effectiveness of these and other approaches in the NSW context, including the benefits of supplementing the financial products accessible to Aboriginal applicants in this state. In doing so, it would be useful to consider initiatives operating in other jurisdictions, such as:

- ➔ Specific finance to Aboriginal borrowers with low deposit rates and/or reduced charges for mortgage insurance, account keeping fees or fees for voluntary repayments (e.g. *Nunga Home Loans* in South Australia).
- ➔ Financial assistance for the property purchase price or the loan for the buyer's portion (e.g. *Western Australia Aboriginal Home Ownership Scheme*).
- ➔ Shared ownership which enables approved applicants to buy a share of the home's value and pay rent on the remaining share (e.g. *Help to Buy: Shared Ownership* in England which is open to low income, first home buyer, people with long-term disabilities and older people applicants).¹¹⁸

112. See LDMRC, 2016, submission to the Inquiry into Aboriginal economic development.

113. NSW Government, 2016, submission to the Inquiry into Aboriginal economic development.

114. SCRGSP, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, table 4A.9.1; and NSW Department of Education (Aboriginal Affairs), 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.10.

115. Commonwealth Senate Economics References Committee, 2015, *Out of reach? The Australian housing affordability challenge*.

116. Australian National Audit Office (ANAO), 2011, *Home Ownership on Indigenous Land Program*, Audit Report No.23, p.35.

117. Indigenous Business Australia, 2015, *Report to Home Ownership Inquiry: Aboriginal and Torres Strait Islander home ownership*.

118. Her Majesty's Government, 2016, 'Shared Ownership', www.helptobuy.gov.uk/other-housing-options/shared-ownership/

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- ➔ The IBA IHOP that aims to provide affordable home loans to Indigenous people who do not qualify for bank finance, with set interest rates, deposit requirements and other support arrangements. We note that a recent Australian National Audit Office review of the program identified issues with the IHOP reaching low income applicants and those who cannot access commercial finance, which the IBA has agreed to address.^{119, 120}

Nationally, Indigenous households are six times as likely as other Australian households to live in social housing, and this trend is increasing.¹²¹ Social housing has the potential to facilitate increasing Aboriginal home ownership in NSW through strategies such as 'sweat equity' schemes, 'rent-to-buy' programs and capacity support for tenants to apply for and maintain a home loan.

We welcome the Government's objective, articulated in the new 10 year strategy *Future Directions for Social Housing in NSW*, which seeks to use social housing as a vehicle for breaking disadvantage and supporting residents' aspirations. It commits to testing locally-based approaches in collaboration with the private sector, not-for-profit sector, and other tiers of government. This will include, among other things, strategies to improve education and employment support to residents and create more pathways out of social housing, including via incentives for residents to transition to the private market where possible. Maintenance contractors will also be required to provide employment and engagement opportunities for tenants.¹²²

Given the proportion of Aboriginal residents living in social housing, looking for innovative ways to create clear pathways from social housing to home ownership for Aboriginal residents should be a focus of this strategy and be reflected in the AEPF.

The Murdi Paaki Accord¹²³ negotiated between the Murdi Paaki Regional Assembly (MPRA) and the NSW Government under the OCHRE LDM initiative, identifies affordable and appropriate housing as one of five priority areas. The Accord recognises the potential of social housing to foster home ownership and commits both parties to improving pathways to home ownership in MPRA communities; engaging the MPRA in the roll-out of new social housing; and improving social housing management arrangements to, among other things, explore incentive schemes for tenants.¹²⁴ Such strategies may be considered by other Regional Alliances in negotiating their Accords. Again, linking Accord objectives with the broader social housing policy objectives and embedding this in the AEPF will be critical.

119. ANAO, 2015, *Indigenous Home Ownership Program: Indigenous Business Australia*, ANAO Report No. 11 2015-16, Performance Audit.

120. The IBA approved 187 new home loans in NSW in 2013-14, including providing loans and other support to Indigenous tenants renting in remote locations in NSW under the *NSW Remote Aboriginal Home Ownership Scheme* (NRAHOS) funded by the NSW Department of Family and Community Services – see IBA, 2014, *Annual Report 2013-14*, pp.62-63.

121. Commonwealth Senate Economics References Committee, *op.cit.*, p.183.

122. NSW Department of Family and Community Services, 2015, *Future Directions for Social Housing in NSW*, p.4.

123. Murdi Paaki Regional Assembly and the NSW Government, 2015, *Murdi Paaki Local Decision Making Accord*, aboriginalaffairs.nsw.gov.au/wp-content/uploads/2013/07/Murdi-Paaki-Accord-2.pdf.

124. *Ibid*, p.12.

Chapter 4. Harnessing existing opportunities

As well as targeting current barriers to successfully engaging Aboriginal people in the economy, the AEPF needs to leverage the considerable opportunities currently available. In this chapter we highlight five significant areas of opportunity that could be harnessed via the AEPF, these are:

- ➔ existing mainstream economic development efforts
- ➔ the Assets and comparative advantages of Aboriginal communities
- ➔ the appetite for collaboration and partnerships within the private sector
- ➔ a solid Aboriginal business sector, and
- ➔ government procurement.

4.1. Leveraging mainstream economic development initiatives

An important objective of the AEPF should also be ensuring that mainstream (as well as Aboriginal-specific) economic development strategies actually reach and benefit Aboriginal people. In our 2011 report to Parliament, we observed that the apparent lack of integration between Aboriginal and mainstream economic development policy and related structures was a possible reason for the continued marginalisation of Aboriginal people in the economy. In this regard, we welcome recent advice that the Department of Industry is working with Aboriginal Affairs to develop the AEPF and the commitment by Aboriginal Affairs to align the framework with the 30 State Priorities.¹²⁵

On a practical level, it will also be critical for the objectives and strategies contained in the *NSW Economic Development Strategy* to be embedded within the AEPF, as far as relevant, to further leverage the benefits of mainstream initiatives for Aboriginal people.

In pursuing this objective, the Department of Industry should be guided by Aboriginal Affairs and relevant Aboriginal representatives on tailoring mainstream initiatives to make them more attractive to Aboriginal stakeholders. Aboriginal Affairs also has an important role in brokering cross-government solutions to identified impediments to progress in this area.

The economic policy mandate, funding, expertise and influence of the Department of Industry should be utilised by the entity tasked with driving the AEPF to deliver its objectives. For this to occur, it will be important for the objectives of the Framework to be embedded in the goals and everyday work of the Department.

4.2. Recognising the assets and comparative advantages of Aboriginal communities

The AEPF should take full advantage of the individual achievements, strengths and assets within Aboriginal leadership and individual communities, and provide the necessary support to help sustain and create new opportunities. Such support might include ensuring Aboriginal people and communities have access to quality legal and business advice, as well as guidance on setting up sound governance structures.

Through our work we have identified the key assets and comparative advantages of Aboriginal communities as including:

- ➔ **Being a predominantly young population** – with potentially greater familiarity with digital technologies, at an earlier stage in their working life, and with more flexibility to take employment and entrepreneurial risks.
- ➔ **Residing overwhelmingly in urban and regional centres** – where existing economic opportunities are concentrated and significant future economic growth is expected. As we observed in our 2011 report to Parliament, support to grow local businesses and job mobility is vital for Aboriginal communities in remote areas with a limited economic base.¹²⁶ The value of supporting sustainable livelihoods on country where these options are constrained warrants further exploration.¹²⁷ Further discussion of the opportunities

125. See 2.2.1

126. NSW Ombudsman, 2011, *op. cit.* chapter 6.

127. Pew Charitable Trusts and Synergies Economic Consulting, 2015, *Working for Our Country: A review of the economic and social benefits of Indigenous land and sea management*, pp.22-28.

associated with Aboriginal land (see 4.2.1). Regional and remote communities may also be well positioned to exploit new market opportunities emerging from the global shift to a lower-carbon economy, such as through carbon-offsetting,¹²⁸ and solar and wind power generation; and new technologies such as 3D printing.¹²⁹

- **Accumulating funds through grants, native title settlements, royalties and commercial activities** – which present opportunities for investment.¹³⁰
- **Holding significant social capital** – the networks, shared norms, values and understandings that facilitate cooperation which may provide a ready basis for social enterprises and the emerging ‘collaborative consumption’ or ‘trust economy’ that trades access rather than ownership rights, using online platforms.¹³¹
- **Maintaining the world’s oldest living culture** – which may be leveraged, where desired, through commercial opportunities in art, food and cultural tourism¹³² (noting that the protection of collective and individual intellectual property is central to such endeavours).
- **Being partners to, and beneficiaries of, corporate social responsibility commitments** such as Reconciliation Action Plans (RAPs) and the *United Nations Global Compact*.¹³³

4.2.1. Utilising Aboriginal land for generating economic activity

Land holdings and ownership or management rights under the *Aboriginal Land Rights Act 1983* (NSW) (ALRA) and *Native Title Act 1993* (Cth) (NTA) – including to minerals and water resources in some cases – constitute one of the most potentially significant assets available to Aboriginal communities for wealth creation.¹³⁴

The NSW Aboriginal Land Council (NSWALC) and NTS Corp are the respective state representative bodies for claimants and owners in NSW under these regimes, underpinned by a network of Local Aboriginal Land Councils (LALCs)¹³⁵ and Registered Native Title Bodies Corporate (RNTBCs). All have a key role to play in creating economic opportunities. In addition, the national Indigenous Land Corporation (ILC) has a legislative mandate to acquire land and help manage existing Indigenous-held land to provide economic, environmental, social and cultural benefits to Aboriginal and Torres Strait Islander people across Australia.¹³⁶ The ILC has invested over \$160 million in acquiring land and providing support to land management projects in NSW.¹³⁷ We note existing partnership arrangements are in place between these representative bodies.

ALRA land has been shown to have significant potential for wealth creation, where desired and prudent.¹³⁸ As we noted in our 2011 report, NSWALC is the largest membership based Aboriginal organisation in Australia, with a statutory objective to improve, protect and foster the best interests of Aboriginal people within NSW.¹³⁹ It administers a statutory investment fund¹⁴⁰ established under the ALRA as compensation for land lost by Aboriginal people, the

128. See for example: Indigenous Land Corporation, 2016, submission to the Inquiry into Aboriginal economic development.

129. Terzon E, 2015, ‘Plastic Fantastic: Indigenous community taking to 3D printing to turn plastic waste into phone cases and sunglasses to boost school attendance’, *ABC News*, posted 6 November 2015, www.abc.net.au/news/2015-11-06/plastic-fantastic-indigenous-community-recycling-plastic-waste/6918498.

130. In this regard we note the recent launch of Indigenous-designed and -led principles for investment to guide the management of such assets. See Indigenous Business Australia, 2015, *Indigenous Investment Principles*.

131. See for example Indigenous Digital Excellence, an initiative which seeks to convert Indigenous innovation into socio-economic wellbeing for the community; Botsman R and Rogers R, 2010, *What’s mine is yours*; Botsman R and Keen A, 2015, ‘Can the sharing economy provide good jobs?’, *The Wall Street Journal*; and Reidy C, 2014, ‘The sharing economy spooking big business’, *The Conversation*, theconversation.com/the-sharing-economy-spooking-big-business-19541.

132. See for example Destination NSW, 2013, *Aboriginal Tourism Action Plan 2013-2016*.

133. For example, the 2014 Business Council of Australia (BCA) biennial Indigenous Engagement Survey of its members found that: over 15,000 Indigenous Australians were working at BCA companies; \$1.7 billion was spent with Indigenous enterprises and joint ventures; and \$72 million was contributed to Indigenous education initiatives. See Business Council of Australia, 2014, *BCA 2014 Indigenous Engagement Survey Report*.

134. See, for example, the *United Nations Declaration on the Rights of Indigenous Peoples, Article 32 and Law Society of NSW*, 2016, submission to the Inquiry into Aboriginal economic development.

135. The Aboriginal Land Rights Network is one of the largest private land holders across NSW, and individual LALCs may be significant land owners in their region. See submissions to the Inquiry into Aboriginal economic development made by NSWALC and Darkinjung LALC.

136. *Aboriginal and Torres Strait Islander Act 2005* (Cth), s.191B.

137. Indigenous Land Corporation, 2016, submission to the Inquiry into Aboriginal economic development.

138. See for example Deloitte Access Economics, 2013, *Economic development strategy research for NSW Aboriginal Land Council*.

139. *Aboriginal Land Rights Act 1983* (NSW), s.105.

140. From 1 January 1984 to 31 December 1998, the Act provided for the payment of an amount equal to 7.5% of land tax on non-residential land to the NSWALC. During this period, half of the funds were available for land acquisition and administration. The remainder was deposited into a statutory account to build a capital fund to provide ongoing funding in the future. All government contributions to the Fund ceased at the end of this period. Since then, NSWALC and the land council network have been self sufficient.

value of which stood at \$667 million as at 30 June 2015.¹⁴¹ In 2014, NSWALC drew down \$16 million from the fund to give effect to its new economic development policy until 2019.¹⁴² The economic development fund supports efforts to facilitate increased Aboriginal employment, and gives LALCs an opportunity to develop business models and seek low-interest loans to create businesses.¹⁴³ LALCs seek to deploy their land for a range of economic uses, including residential subdivision, commercial development, motels and conferencing facilities, commercial leasing activities, and the disposal of land and sale of homes to LALC members.^{144, 145} Further, in 2014 NSWALC and the Indigenous Energy Group incorporated a joint venture company ('Paradigm Resources') to pursue commercial opportunities in the resources sector.¹⁴⁶

As the native title system matures, the means by which native title rights can support economic development is also increasingly in focus.¹⁴⁷ Nationally, both the Australian Human Rights Commission and COAG examined this objective in 2015¹⁴⁸ and the federal government allocated \$20 million to support native title holders to engage more effectively with investors and governments seeking to use native title land.¹⁴⁹ At the state level, NTSCorp observes that native title 'is a crucial pillar that has been underestimated and underutilised in supporting economic development in Aboriginal communities in NSW to date' and outlines a number of ways in which these property and associated procedural rights can enable economic outcomes for native title holders.¹⁵⁰

Removing obstacles to leveraging Aboriginal land for economic benefit

The significant potential of Aboriginal land emerged as a strong theme in the evidence to the current NSW Parliamentary Committee inquiry into economic development in Aboriginal communities.

We observe that three major constraints on Aboriginal owners using their ALRA land to accrue economic benefit were identified in a number of submissions¹⁵¹ to the Inquiry:

- ongoing extended delays in determining and transferring successfully claimed land
- inappropriate zoning, and
- the deteriorated state of the land and infrastructure of former reserves and missions transferred from Crown to LALC control.

We note that a number of relevant stakeholders – including NSWALC, NTSCorp, the LDM Regional Chairpersons' Group, some LALCs and the Law Society of NSW – consider further reforms to the state planning system are needed to enable ALRA land to be used as economic assets. Aboriginal Affairs, through its solution broker role under OCHRE, has identified the need to address long-standing planning and zoning issues affecting former reserves or missions transferred to LALCs. The new *Community Land and Infrastructure Project* (CLIP) is being jointly progressed by Aboriginal Affairs and the Department of Planning to resolve these matters, and will extend to investigating options for improving the economic potential of former Crown lands granted to LALCs.¹⁵²

The Standing Committee's concurrent inquiries into Aboriginal economic development and regional planning processes in NSW canvass the breadth of these issues and potential solutions and will be relevant in considering further responses. We understand the Committee will release an interim report on its inquiry into Aboriginal economic development in July 2016. This will be a valuable resource for the ongoing implementation of the AEPF.¹⁵³

141. NSW Aboriginal Land Council, 2015, *Annual Report 2014-15*, p.64.

142. NSW Aboriginal Land Council, 2014, *Economic Development Policy*.

143. Ah-See R, 2016, Evidence to the Inquiry into Aboriginal economic development at hearing held on 26 February 2016 in Sydney, *Report of Proceedings*, uncorrected proof transcript, p.20.

144. NSWALC, 2014, *2013-14 Annual Report*, p.13.

145. Darkinjung LALC, 2015, submission to the Inquiry into Aboriginal economic development.

146. Paradigm Resources Pty Limited, 2016, submission to the Inquiry into Aboriginal economic development.

147. For example, the High Court of Australia – in *Akiba v Commonwealth* (2013) 250 CLR 209 – recognised that a native title right to access and take resources could be exercised for any purpose – commercial or non-commercial. The Australian Law Reform Commission (ALRC) has recommended subsequent statutory clarification through amending ss.223(2) of the NTA to include an express right to trade along with the other native title rights described there. See ALRC, 2015, *Connection to Country: Review of the Native Title Act 1993* (Cth), chapter 8. There are also other mechanisms – such as 'future act' procedural rights and Indigenous Land Use Agreements under the NTA – which may be leveraged for economic benefit by native title claimants and holders.

148. Australian Human Rights Commission, 2015, *Social Justice and Native Title Report 2015*, chapter 3.

149. Department of the Prime Minister and Cabinet, 2015, 'Increased support for native title corporations', media release 22 June 2015, www.dpmc.gov.au/news-centre/domestic-policy/increased-support-native-title-corporations

150. NTSCorp Limited, 2016, submission to the Inquiry into Aboriginal economic development.

151. See for example the submissions to the Inquiry into Aboriginal economic development made by: NSWALC, NTSCorp, Office of the Registrar of the Aboriginal Land Rights Act, Law Society of NSW, Local Decision Making Regional Chairpersons Group, Darkinjung LALC and Mr Owen Trembath.

152. NSW Government, 2016, submission to the Inquiry into Aboriginal economic development.

153. NSW Legislative Council Standing Committee on State Development; *Inquiry into economic development in Aboriginal communities*.

In December 2015, the NSW Government and other jurisdictions agreed to implement – with relevant Indigenous representative bodies – the recommendations of COAG’s report on an investigation into Indigenous land administration and use. The investigation considered how native title and statutory land rights regimes could better enable traditional owners to readily attract private sector investment and finance to develop their own land with new industries and businesses.¹⁵⁴ The recommendations include actions directed at: improving the effectiveness of land claims processes; supporting the ability of Indigenous landowners to raise capital for investment; improving the processes for doing business on Indigenous land; improving land administration processes (including ensuring land use regulations do not unreasonably restrict development on Indigenous land); and building the capacity of Indigenous land holding and representative bodies to facilitate economic development.¹⁵⁵

In light of this and other reforms currently underway that have the potential to address these constraints – including the CLIP, recent ALRA amendments, and the NSW Crown Lands Review – it will be critical for Aboriginal Affairs to ensure that Aboriginal economic development is a key objective pursued through each process, and that the commitments and outcomes of the reforms are reflected in the AEPF. The entity charged with driving the AEPF will need to play close attention to the work which unfolds through these other reforms. Fundamentally, rights to, and benefits from, Aboriginal land need to be maximised through these various reform processes.

4.3. Facilitating collaboration and partnerships

Improved economic outcomes for Aboriginal people cannot be realised by government alone. While Aboriginal stakeholders must take a leadership role in identifying assets that can be leveraged and shaping how this occurs; the private sector can provide commercial expertise, jobs and capital investment and the non-government sector can offer support in the form of facilitating social enterprises and capacity building.

Collaboration and partnerships between these different stakeholders are essential in changing the status quo and the AEPF should explicitly recognise that the NSW Government could play a pivotal role in facilitating these partnerships. Experience drawn from such collaborations formed under mainstream economic development strategies – such as the *Sydney Manufacturing Industry Agglomeration Project*¹⁵⁶ and the *Communities Plus* program¹⁵⁷ – could inform targeted collaborations with Aboriginal stakeholders and the private sector on Aboriginal economic development.¹⁵⁸ Our own experience of facilitating collaborative partnerships has produced some positive results. For example, in relation to economic development outcomes, we have recently:

- ➔ Assisted Westpac Bank and the Murdi Paaki Regional Assembly (MPRA) Regional Alliance to reach a working partnership strategy under the MPRA LDM Accord. This is the first private sector agreement struck by MPRA and will enable it to secure support from Westpac such as mentoring, financial governance training and ongoing practical support for Alliance members; direct access to the Many Rivers Microfinance team for enterprise development opportunities; financial literacy training for residents; and practical advice and support on home ownership for individuals and families. This partnership has significant potential to build the capacity of the Alliance and its member communities to take advantage of the economic development opportunities flowing from the Accord priorities.¹⁵⁹
- ➔ Introduced the NSW Indigenous Chamber of Commerce to the federal Export Finance and Investment Corporation to broaden the access of Aboriginal businesses to loans for export markets.

154. COAG Senior Officers Working Group, 2015, *Investigation into Indigenous Land Administration and Use*, Report to the Council of Australian Governments.

155. *Ibid.*

156. Whereby the NSW Department of Premier and Cabinet (DPC) brought together the three levels of government and industry to support manufacturing and employment growth in the south and south-west of Sydney. DPC reports that it has identified current challenges the industry faces and opportunities for government and industry to support future growth, with nine priority actions agreed for implementation by both government and industry. See NSW Department of Premier and Cabinet, *Annual Report 2014-15*, p.26.

157. *Communities Plus* will be an ongoing program that seeks non-government and private sector partnerships to redevelop Land and Housing Corporation sites throughout metropolitan Sydney and regional NSW. See NSW Department of Family and Community Services, 2015, *Future Directions for Social Housing in NSW*, p.8.

158. For example, Darkinjung LALC suggests there is value in government facilitating partnerships between LALCs and the Property Council, Urban Development Institute of Australia, banks, major developers, local business forums and similar stakeholders. See their submission to the Inquiry into Aboriginal economic development.

159. The MPRA Accord economic development priorities include identifying business and employment opportunities; a regional tourism strategy; and engaging emerging industries in the region. See MPRA and the NSW Government, 2015, *op. cit.*

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- ➔ Brought together the Energy and Water Ombudsman NSW, NSWALC, NSW Aboriginal Housing Office and Good Shepherd Microfinance to consider ways to better assist Aboriginal households to reduce and manage energy costs, which can lead to substantial debts if left unaddressed.

We welcome the approach taken by Aboriginal Affairs to broaden input into the draft AEPF by convening a roundtable in late 2015 with representatives from industry, Aboriginal business and other representatives, government, academia and non-government sectors. In recognition that no single sector can effect change, there was broad agreement by participants that one of the five pillars underpinning the framework should be establishing enduring, mutually beneficial partnerships.¹⁶⁰ Once the broad direction of the AEPF is settled, it will be critical that this goodwill translates into concrete commitments, and to measure the tangible outcomes that result.

4.3.1. Regional partnerships and Aboriginal leadership

The OCHRE Local Decision Making (LDM) initiative is one significant vehicle for pursuing effective collaborations and partnerships. The initiative seeks to empower Aboriginal regional governance bodies (Regional Alliances) to make informed decisions about funding and service delivery for the local communities they represent. The model aims to progressively delegate powers to Regional Alliances through agreements with the NSW Government (accords) as capacity is proven and once pre-determined conditions are met.

The Murdi Paaki Accord, the first to be struck, builds on many years of partnership between the MPRA and successive governments at different levels. The Accord nominates economic development – including by identifying business and employment opportunities; a regional tourism strategy; and engaging emerging industries in the region – as one of its priorities.¹⁶¹ The LDM Regional Chairs forum notes that:

“Preliminary discussions being undertaken by regional alliances under LDM indicate that while economic development and participation priorities will be different in each location, economic development will be a consistent priority for the majority of alliances as they commence the accord negotiation process.”¹⁶²

It will be crucial that the NSW Government continues to work with Regional Alliances and other Aboriginal representative bodies to secure better economic development outcomes.¹⁶³ Industry Based Agreements (IBAs), another OCHRE initiative, provide a further vehicle for the Government to forge economic development partnerships.

The NSW Indigenous Chamber of Commerce (NSWICC) is another key partner for government on Aboriginal economic development, with a dedicated Memorandum of Understanding (MOU) outlining its role as a conduit between Aboriginal businesses and government.¹⁶⁴ We understand the NSW Minerals Council contracted NSWICC to help deliver on its commitments under the Minerals IBA, through facilitating connections between mining companies and Aboriginal businesses.¹⁶⁵ The capacity of the NSWICC to assist the government in fostering other partnerships involving Aboriginal enterprises should be further explored.

Whatever form they take, collaborative undertakings in the area of economic development should involve genuine participation of Aboriginal people in the design, implementation and evaluation; building the capacity of both Aboriginal and non-Aboriginal parties to participate equally and meaningfully; ensuring equal access to accurate and timely information; and, importantly, adequate resourcing. For too long, government and other parties have assumed that Aboriginal representatives will readily volunteer their time and expertise for free when comparative parties command sitting and consultation fees.

160. NSW Department of Education (Aboriginal Affairs), 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*.

161. Murdi Paaki Regional Assembly and the NSW Government, 2015, *op. cit.* p.9.

162. LDMRC, 2016, submission to the Inquiry into Aboriginal economic development.

163. Effective self-determination has been established as a fundamental factor in successful economic performance for American Indian Native nations in the USA. See Cornell, S and Kalt, JP, 2015, 'About Us: The Harvard Project on American Indian Development', hpaied.org/about/overview-and-related-reports.

164. NSW Government and NSW Indigenous Chamber of Commerce, 2014, *Memorandum of Understanding*.

165. NSW Minerals Council, 2016, submission to the Inquiry into Aboriginal economic development.

4.4. Supporting the entrepreneurial capacity of Aboriginal people and organisations

Indigenous businesses already contribute significantly to the Australian economy – with combined income estimated at over \$1.74 billion in 2013-14 for registered corporations alone, excluding sole traders and small business.¹⁶⁶ Further, social return on investment analysis commissioned by Supply Nation suggests that Aboriginal owned businesses: create \$4.41 of economic and social value for every dollar of revenue generated; employ more than 30 times the proportion of Aboriginal people than other businesses;¹⁶⁷ and reinvest revenue in their communities.¹⁶⁸

Recent research involving 120 Aboriginal business leaders found that, on average, their businesses had annual revenue of \$2.7 million and employed about 23 workers, of which around 60% were Aboriginal.¹⁶⁹ The success factors for Indigenous businesses identified in literature from Australia, Canada, New Zealand and the USA include: an authorising environment (government policies and internal good governance); access to infrastructure and capital; sufficient human capital (knowledge and capacity) and social networks; and culture as a resource and asset to leverage, as well as a motivating factor for social enterprises.¹⁷⁰

Over the last 20 years, the number of Aboriginal-owned businesses in Australia has tripled from approximately 4,600 in 1991 to 12,500 in 2011 – most are concentrated in the south east corner of Australia where education outcomes are better, there is higher population density and greater demand for goods and services.¹⁷¹ This is in contrast to the distribution of overall business ownership in Australia which is higher in regional Australia than metropolitan areas.¹⁷² In NSW, approximately 8% of employed Aboriginal people were owner-managers of enterprises or contributing family workers (self-employed), compared to 17% of the non-Aboriginal workforce.¹⁷³ Public listings on state government directories suggest that there are between 200 and 600 Aboriginal-owned businesses in NSW¹⁷⁴ with directory listings suggesting that most are in the arts/cultural sector, followed by the education and training sector, and the construction sector.

4.4.1. Addressing capacity constraints experienced by Aboriginal businesses

The growth of the Aboriginal business sector is all the more remarkable given it is generally accepted that Aboriginal entrepreneurs and businesses have more limited access to financial and human capital than non-Aboriginal counterparts, with most being first generation business owners without significant assets (such as equity in a home) to leverage.^{175, 176} As Darkinjung Local Aboriginal Land Council notes:

"In many Aboriginal communities there are people entering into small business for the first time. Whereas many non-Aboriginal businesses' practices have been passed down from one generation to the next, by reducing risk over time and transferring skills, knowledge, experience and goodwill. For an Aboriginal the first step in many cases is fraught with considerable risk, both personally and financially."¹⁷⁷

Participants at the 2015 roundtable on Aboriginal economic development convened by Aboriginal Affairs highlighted as one potential pillar for the AEPF the need to build, grow, maintain and resource the capacity and capability of the Aboriginal business sector.¹⁷⁸ This was echoed by many of the submissions to the Inquiry on economic development inquiry in Aboriginal communities.¹⁷⁹ Aboriginal entrepreneurs, business leaders and enterprises are important role

166. Office of the Registrar of Indigenous Corporations, 2015, *The Top 500 Aboriginal and Torres Strait Islander corporations 2013-14*.

167. The Forrest Review asserted that Indigenous majority-owned businesses are about 100 times more likely to employ First Australians than other businesses. See Forrest A, 2014, *op.cit.*, p.47.

168. Burton R and Tomkinson E, 2015, *The Sleeping Giant: A Social Return on Investment Report on Supply Nation Certified Suppliers*.

169. Longitudinal research by Dr Michelle Evans and Dr Ian Williamson, discussed in Long C, 2015, 'Loaded: the Indigenous businesses competing in the open market', *Sydney Morning Herald*, 3 November 2015.

170. Urbis, *Enabling Prosperity: Success factors for Indigenous economic development*, prepared for Westpac, p.23.

171. Hunter B, 2013, *Recent Growth in Indigenous Self-Employed and Entrepreneurs*, Centre for Aboriginal Economic Policy Research, CAEPR Working Paper No.91/2013, Australian National University.

172. Regional Australia Institute, 2014, cited in Urbis, *Enabling Prosperity: Success factors for Indigenous economic development*, prepared for Westpac, p.20.

173. NSW Department of Education (Aboriginal Affairs), 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.11.

174. NSW Indigenous Chamber of Commerce, 2015, 'NSW Aboriginal Business Portal' (website), nswicc.com.au/directory/ and NSW Department of Industry, 2015, 'Aboriginal business directory' (website), www.industry.nsw.gov.au/buy-from-nsw/suppliers-in-nsw/aboriginal-business-directory.

175. Foley D, 2006, *Indigenous Australian Entrepreneurs: Not Community and Not in the Outback*, Centre for Aboriginal Economic Policy Research, CAEPR Discussion Paper DP 279/2006, the Australian National University.

176. Cape York Partnerships, 2014, *Tribal Wealth: An inclusive prosperity agenda*, G20 Cairns, p.13.

177. Darkinjung LALC, 2015, submission to the Inquiry into Aboriginal economic development.

178. NSW Department of Education (Aboriginal Affairs), 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*, pp.2-3.

179. See for example submissions to the Inquiry into Aboriginal economic development. made by: NSWALC, ILC, Law Society of NSW, and KC Consultancy.

models for Aboriginal people and communities and their success is evidence that achieving financial independence is possible for others. This group of stakeholders are also well placed to advise government on the key impediments to Aboriginal people starting and maintaining businesses in NSW. Industry experts with practical experience could also be better linked to Aboriginal entrepreneurs and businesses.

Addressing barriers to accessing finance

Access to finance is one well-documented barrier for Aboriginal enterprises.¹⁸⁰ Whereas non-Aboriginal small business operators may fail, regroup and try again,¹⁸¹ the capacity for Aboriginal enterprises to recover and try again is more limited where equity is constrained or credit ratings are poor. Most existing options are restricted in one way or another:

- Commercial loans must adhere to specific criteria under national banking regulations, which can be difficult for Aboriginal applicants – lacking equity in property or other forms of security – to meet.
- Indigenous Business Australia (IBA) business loans in NSW/ACT comprise approximately 25% of the total loans portfolio and total \$17.4 million in value.¹⁸² However, some Aboriginal stakeholders consider IBA loan application processes to be onerous and unresponsive to commercial timeframes.¹⁸³ In this regard, we note that recent reviews identified some issues with the targeting and delivery of IBA support (which IBA has committed to address).^{184, 185}
- Although the NSW Indigenous Chamber of Commerce (NSWICC) is starting to work with microfinance providers and commercial lenders to try to minimise barriers to Aboriginal businesses accessing finance, this work is still in the early stages, and the ability of the NSWICC to provide such services on a broad scale is impacted by its current resources.¹⁸⁶
- An Indigenous Social Enterprise fund pilot established between Social Ventures Australia, IBA and Reconciliation Australia to provide investment packages and business support to Indigenous social enterprises found that there is a strong appetite in the market for social enterprise funding combined with capacity building, however the pilot ceased in 2015.¹⁸⁷

Accordingly, there would appear to be scope for government to broaden the options available to Aboriginal entrepreneurs and enterprises to access capital through exploring innovative approaches.¹⁸⁸ Overall, access to capital should enable Aboriginal communities, enterprises and entrepreneurs to explore the feasibility of business ideas, seed start-ups, and grow existing businesses.¹⁸⁹

Building business and technical skills

While Aboriginal communities have deep community, cultural and traditional skills, there is also considerable scope to strengthen technical competencies. Research involving 324 Indigenous entrepreneurs and small-medium enterprises across Australia found that business success – as measured by growth, number of employees, sales revenue and longevity – depends crucially on the adoption of sound business practices and receiving business support. The researchers identified variation in the sophistication of business practices, which in part reflected the differences in support for Indigenous businesses across location.¹⁹⁰

180. See for example Urbis, 2014, *Enabling Prosperity: Success Factors for Indigenous Economic Development*, prepared for Westpac; Commonwealth House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, 2008, *Open for Business: Developing Indigenous enterprises in Australia*; and Morrison M, Collins J, Basu PK, Krivokapic-Skoko B, 2014, *Determining the factors influencing the success of private and community-owned Indigenous businesses across remote, regional and urban Australia*.

181. ABS, 2015, Cat. no. 8165.0 *Counts of Australian Businesses, including Entries and Exits*, June 2010 to June 2014.

182. IBA's total loan portfolio was 335 loans as at 30 June 2014, with a 'face value' of \$67 million. 84 of these loans (worth \$17.4 million) are to businesses in NSW/ACT.

183. For example: submissions to the Inquiry into Aboriginal economic development made by Wonnarua Nation Aboriginal Corporation, the Local Decision Making Regional Chairpersons' Group, Professor Dennis Foley (the University of Newcastle), KC Consultancy Services, and the Office of the Registrar of the Aboriginal Land Rights Act.

184. ANAO, 2015, *op. cit.*

185. Ernst & Young, 2014, *Review of the Indigenous Land Corporation and Indigenous Business Australia*.

186. Barwick D, 2016, Evidence to the Inquiry into Aboriginal economic development at hearing held on 26 February 2016 in Sydney, *Report of Proceedings, uncorrected proof transcript*, p.42.

187. Balachandran I, Armstrong L, Turnbull, G, 2016, *Do's and don'ts of investing in Indigenous social enterprises*, Social Ventures Australia.

188. Such as by: bolstering the NSWICC's efforts in partnership with financial institutions; partial guarantees to reduce risks and incentivise venture capital investment; fostering joint ventures; investment funds; social benefit bonds and other mechanisms used in mainstream economic development efforts.

189. NSW Department of Education (Aboriginal Affairs), 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*, p.3.

190. Morrison M, Collins J, Basu PK, Krivokapic-Skoko B, 2014, *Determining the factors influencing the success of private and community-owned Indigenous businesses across remote, regional and urban Australia*.

Increasingly, it is recognised that capacity building approaches are more effective when founded on established relationships – such as by mentoring, coaching, seconding staff or forming institutional partnerships – rather than delivered as one-off training courses or short term interventions. Peer-to-peer support between more experienced and new Aboriginal entrepreneurs or enterprises and intensive, tailored services are ideal.¹⁹¹ Whatever the format, ensuring that both parties are competent in cross-cultural communication and knowledge sharing is a key feature of effective capacity building which we have promoted in a number of our reports to Parliament.¹⁹²

Existing NSW government supports for Aboriginal businesses

The primary NSW Government initiative to support Aboriginal enterprise development currently in place is the long-running Aboriginal Enterprise Development Officer (AEDO) grants program administered by Training Services NSW within the Department of Industry.¹⁹³ The program funds non-profit, community based sponsor organisations to recruit Aboriginal staff as Aboriginal Business Advisors (ABAs). ABAs work with Aboriginal people who are considering setting up their own business or expanding their current business. ABAs are also expected to work with schools and Opportunity Hubs to develop small business enterprise development pathways for Aboriginal students.¹⁹⁴

Other key supports available to Aboriginal entrepreneurs and enterprises in NSW include:

- relevant wrap-around services provided by the NSWICC – such as linking nascent and established businesses, facilitating mentoring, market research, legal assistance, feasibility studies and incubation¹⁹⁵
- support for LALC-owned enterprises provided by NSWALC under its economic development policy
- assistance from Aboriginal Affairs regional offices in liaising with relevant government agencies on economic development projects, where relevant,¹⁹⁶ and
- Federal Government initiatives such the New Enterprise Incentive Scheme which provides individualised help to job seekers wanting to become self-employed business owners.¹⁹⁷

We are also aware that the Aboriginal Learning Circle has recently begun working with Aboriginal Affairs to identify the capacity building needs common across Aboriginal organisations and businesses, in order to design relevant training – for example, in project management, tender and submission writing, and understanding procurement processes.

Overcoming problems with existing capacity building options

The 2012 review of the then state government Aboriginal employment and economic development programs, including the AEDO, identified considerable overlaps in the activities and geographic distribution of these programs, as well as insufficient monitoring of outcomes and a lack of holistic or sustained support.¹⁹⁸ It will be important that the development of the AEPF has regard to the review findings, and that consideration is given to how the AEDO and associated programs can be better integrated and strengthened to support the desired outcomes of the framework. For example, the Office of the NSW Small Business Commissioner, through the *Small Biz Connect* program, has dedicated supports to help people move into small businesses but, without ‘warm’ referrals from the AEDO or the NSWICC, these may not be utilised by Aboriginal entrepreneurs or enterprises.¹⁹⁹

An interesting model to emerge in Victoria is the new government agency, LaunchVic, established in late 2015. LaunchVic is mandated to work in partnership with entrepreneurs, industry, business, the community and educational institutions to strengthen that state’s entrepreneurial and start-up ‘ecosystem’. With access to the Victorian Government’s \$60 million start-up fund, the activities of LaunchVic include improving start-up access to capital,

191. Morrison et al, *ibid*.

192. See for example NSW Ombudsman, 2010, *Improving service delivery to Aboriginal people with a disability*, Special report to Parliament, September 2010; and NSW Ombudsman, 2010, *Inquiry into service provision to the Bourke and Brewarrina communities*, Special report to Parliament, December 2010.

193. NSW Training Services NSW, 2015, *The Aboriginal Enterprise Development Officer (AEDO) Program: 2015-16 Program Guidelines*.

194. *Ibid*, p.7.

195. The Law Society of NSW is developing an Indigenous Enterprise Legal Assistance Scheme (IELAS) in partnership with the NSWICC and pursuant to commitments made under the Law Society’s Reconciliation Action Plan. See Law Society of NSW, 2016, submission to the Inquiry into Aboriginal economic development.

196. Such as working with Destination NSW to form the NSW Aboriginal Tour Operators Council (NATOC); working with the Department of Transport and others to identify and develop opportunities for local Aboriginal workers and businesses associated with the Pacific Highway upgrades on the far north coast; and leading an interagency effort to support the Eden Local Aboriginal Land Council on the Bundian Way project. See NSW Government, 2016, submission to the Inquiry into Aboriginal economic development.

197. Australian Government Department of Employment, 2016, ‘Self-employment – New Enterprise Incentive Scheme (NEIS)’, www.employment.gov.au/self-employment-new-enterprise-incentive-scheme-neis

198. The Allen Consulting Group, 2011, *op.cit.* p.72.

199. NSW Small Business Commissioner, 2014-15, ‘Small Biz Connect’, www.smallbusiness.nsw.gov.au/supporting-business/small-biz-connect-advisory-program

expanding the capacity of accelerators and infrastructure, entrepreneur mentoring, assisting entrepreneurs to navigate the system, marketing Victorian start-ups, and advocating around relevant federal legislation and regulation.²⁰⁰ This appears to be a good example of how government can facilitate access to both funding and capacity building support.

It is also worth highlighting that although the NSWICC is the peak body for Aboriginal businesses in the state, and expected to act as a conduit between the sector and the Government under a dedicated MOU, there are no clear referral pathways or other mechanisms for collaboration between the NSWICC and existing Aboriginal business support programs. This should be addressed and the existing capacity building efforts of the NSWICC reinforced. As the NSWICC chairperson states:

*We have been really successful to a point in getting some clear policies in place that create opportunity for procurement. What we have not been good at is getting any resourcing into the capacity-building space...So we have a situation where a handful of Indigenous businesses will do quite well out of the policies that are being implemented. The majority of businesses do not do very well at all because we are not putting resourcing into that space.*²⁰¹

We have also encouraged the NSWICC to connect with federal government agencies which support small and medium enterprises to access finances for export contracts to grow their reach to global markets. The NSW Supply Chain Accelerator Program, and other 'mainstream' business supports, also appear to be underutilised by Aboriginal businesses.

In finalising the AEPF, feedback should be sought from stakeholders about the capital, capacity building and other supports needed by potential and existing Aboriginal entrepreneurs and enterprises in NSW, and the means by which these are best accessed.

Finally, we have observed that information about available business supports could be better promoted to Aboriginal stakeholders and potential purchasers of Aboriginal goods and services, and rationalised to reduce duplication and gaps. For example, there are currently two online NSW Government funded Aboriginal business directories – one hosted by the Department of Industry²⁰² and the other auspiced by the NSWICC.²⁰³ The NSWICC and other stakeholders have called for the creation of a 'one-stop-shop' for resources and assistance (such as an 'enterprise assistance centre' with a single access point and wrap around services; or clearinghouse).²⁰⁴

4.5. Using government procurement processes to incentivise the government/private sector to engage Aboriginal enterprises

Directing part of the government's spend on goods and services to Aboriginal enterprises, and encouraging other suppliers to employ Aboriginal staff, is a significant lever for directly influencing Aboriginal economic outcomes.

Nationally, Supply Nation, the Business Council of Australia and the Prime Minister's Indigenous Advisory Council have all observed that government procurement is a useful vehicle to incentivise business to act on commitments for Aboriginal economic development. The Forrest Review of Indigenous Jobs and Training noted that the United States and Canada have effectively employed this strategy for decades.²⁰⁵ Pleasingly, in April 2016, COAG resolved to support Indigenous procurement policies.²⁰⁶

The NSW Government *Procurement Policy Framework* governs the purchasing of goods and services by public sector agencies in this state.²⁰⁷ The framework refers to the NSW Procurement Board's *Direction 2013-14: Scope for government agencies to support Aboriginal businesses*.²⁰⁸ The direction allows agencies to purchase goods and services valued up to \$150,000 from a recognised Aboriginal business provided the supplier's rates are reasonable and consistent with normal market rates, and the agency obtains at least one written quotation.

200. LaunchVic, 2016, 'What we do' launchvic.org

201. Barwick D, 2016, Evidence to the Inquiry into Aboriginal economic development at hearing held on 26 February 2016 in Sydney, *Report of Proceedings*, uncorrected proof transcript, p.46.

202. NSW Department of Industry, 2015, 'Aboriginal business directory' www.industry.nsw.gov.au/buy-from-nsw/suppliers-in-nsw/aboriginal-business-directory

203. NSW Indigenous Chamber of Commerce, 2015, 'NSW Aboriginal Business Portal' nswicc.com.au/directory/

204. NSW Department of Education (Aboriginal Affairs), 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*, p.3. See also the submissions made to the Inquiry into Aboriginal economic development by the Law Society of NSW, LDMRC and Paradigm Resources Pty Ltd.

205. Forrest A, 2014, *op.cit.*, chapter 7.

206. COAG, 2016, *COAG Communique*, 42nd meeting 1 April 2016, Canberra.

207. NSW Government, 2015, *NSW Procurement Policy Framework for NSW Government Agencies*, Issued by the Procurement Board, July 2015, version 4.

208. NSW Procurement Board, 2013, 'Direction 2013-04' www.procurepoint.nsw.gov.au/direction-2013-04

The *Procurement Policy Framework* also includes the Aboriginal Participation in Construction (APIC) policy which applies to certain government construction projects and recommends that a percentage of the total estimated value of the contract be directed to Aboriginal participation (through jobs, supplier engagement or contribution to a nominated foundation supporting education and employment).²⁰⁹ Individual agencies are responsible for setting the targeted project spend on each project, in line with their policy goals. Compliance with the policy will become mandatory on 1 July 2016.

Since OCHRE was launched in April 2013, the NSW Government estimates that \$58 million of the \$22 billion (0.2 per cent) total expenditure on procurement that is able to be tracked, was directly spent on Aboriginal businesses.

4.5.1. Aboriginal Participation in Construction (APIC) policy

In 2014 we provided feedback to the Office of Finance and Services on a draft of the APIC policy, suggesting, among other things:

- giving consideration to making it mandatory, when calculating the targeted project spend, to assess the suitability of local Aboriginal businesses/companies as potential contractors and, if unsuccessful, to report on the reasons why;
- including in the target spend, some form of capacity building with Aboriginal businesses to help grow the economic capability of certain communities;
- that the targeted project spend be increased when the project is taking place in a location where the Aboriginal community is the predominant beneficiary; and
- extending the scope of the APIC policy to asset and facility management with separate target spend calculations.

We understand our feedback helped to shape the final version of the current APIC policy and will be considered in the development of any future equivalent policies for other areas of state government expenditure.

Earlier this year, we started meeting with the key agencies already implementing the APIC policy – such as Roads and Maritime Services NSW, Health Infrastructure NSW, and the Department of Education – to understand how the policy is working in practice, and to highlight locations where stronger engagement with Aboriginal leaders and communities would enhance APIC implementation. The following case study illustrates how collaboration between the relevant agency and local community in applying APIC to a public works project led to very positive results.

South Coast Correctional Centre

NSW Public Works applied the APIC to the construction of the South Coast Correctional Centre. The model for Aboriginal participation was led by the community, and overseen by an Aboriginal Consultative Committee (ACCC) comprising representatives from the local Aboriginal community, unions, government agencies and the contractor. The targets for Aboriginal employment on site were set high – at least 6% of the workforce to be Aboriginal with at least 10 Aboriginal apprentices and trainees – but were supported by early and ongoing training and mentoring for all prospective employees. In practice, the targets were exceeded:

- over 10% of the total on-site workforce was from the local Aboriginal community,
- a total of 97 local Aboriginal people worked on the project for extensive periods of time,
- 24 apprenticeships were offered and taken up, and
- all of the Aboriginal workers who worked on site were offered permanent employment with their respective employers.

The ACCC transitioned to play an ongoing role with Corrective Services NSW regarding future job opportunities and inmate welfare. Unprecedented results were then achieved with respect to Aboriginal employment at the Centre: over 20% of new custodial officer positions were awarded to local Aboriginal applicants. The model was subsequently applied to the Cessnock Correctional Centre redevelopment project.²¹⁰

209. NSW Government ProcurePoint, 2015, 'Policy framework for construction' www.procurepoint.nsw.gov.au/policy-and-reform/nsw-procurement-reform/construction/policy-framework-construction

210. NSW Public Works, 2015, 'Premier's Award for NSW Public Works' www.publicworks.nsw.gov.au/updates/premiers-award-nsw-public-works.

Effective links with other government business and employment supports – such as the *Way Ahead for Aboriginal People* program which provides mentoring services for Aboriginal apprentices and trainees, and business supports (see 4.4.1) – will be important to sustain the outcomes sought through the APIC.

It will also be essential to ensure that the APIC and similar policies are practically linked with other OCHRE initiatives, including Local Decision Making, Industry Based Agreements and Opportunity Hubs. In this regard, we note that the Murdi Paaki Local Decision Making Accord commits the Department of Premier and Cabinet to developing a strategy for the Murdi Paaki region that identifies and increases the proportion of government spend going to local businesses under the current procurement framework.²¹¹ Consideration should be given to similar commitments in future Accords.

The APIC also has obvious application to mainstream economic development strategies, particularly the \$20 billion *Rebuilding NSW* package and the \$22 billion social and affordable housing construction program.

4.5.2. Building on the APIC policy

We welcome advice from the Department of Finance, Services and Innovation that work is already underway to identify other categories of government expenditure which could be subject to a procurement policy like the APIC. Consideration could also be given to creating a consolidated policy on Aboriginal procurement applying across all types of state government expenditure, as has been done at the federal level.

A single consolidated policy could be expected to support the growth and diversification of the Aboriginal business sector, if done in concert with relevant business supports and cooperation with representatives of the sector. For example, in the first six months of operation of the new federal Indigenous procurement policy which has applied across portfolios since 1 July 2015, the Federal Government's spend with Indigenous-businesses increased six-fold compared with the previous financial year. In the first six months, it estimates that 116 contracts were awarded to Indigenous businesses valued at around \$36 million and that there has been a rapid expansion in Indigenous business capability, including through joint venture and partnership arrangements with non-Indigenous businesses²¹². The success of the federal scheme strongly suggests there is merit in exploring whether key features could be adopted in the *NSW Procurement Policy Framework* and reflected in the AEPF. Key features include:

- ➔ setting targets by number rather than the value of contracts to spread opportunities across a broader range of businesses
- ➔ a whole-of-government target supported by individual targets for each government portfolio, with progress published annually, and
- ➔ a requirement that agencies first check with Supply Nation to see if an Indigenous business can provide the goods or services on a value-for-money basis for all procurements valued between \$80,000 and \$200,000, as well as minimum Indigenous employment and supplier use requirements for specified contracts valued at \$7.5 million and above.

Additionally, the NSW Government could forecast and publish a pipeline of contracts or works so that enterprises and individuals can bid for projects staggered over time, enabling the experience gained on one project to be drawn upon when bidding for, winning and delivering later opportunities. The NSWICC, Supply Nation and industry peak bodies could also be supported to facilitate the provision of business development skills and mentoring by experienced Aboriginal enterprises to emerging businesses. Industry Based Agreements are a logical platform to support this.

The successes and failings from different sectors and other jurisdictions should inform new policies as they are rolled out. Similarly, the lessons learned from the government's practical experience in Aboriginal procurement should be shared with the private sector to encourage and equip other businesses to engage Aboriginal suppliers.²¹³

211. Murdi Paaki Regional Assembly and the NSW Government, 2015, *op.cit.*, p.24.

212. Department of the Prime Minister and Cabinet, 2016, submission to the Inquiry into Aboriginal economic development.

213. For example, although the Minerals Council of Australia indicates that the minerals sector supports Indigenous business procurement policies and Indigenous employment strategies, research by the Aboriginal Enterprises in Mining, Exploration and Energy Limited (AEMEE), gas company QGC and the Centre for Social Responsibility in Mining found that efforts to raise Indigenous employment throughout the mining boom had been patchy, in part because of a lack of guidelines. See Minerals Council of Australia, 2016, *Communique Indigenous Economic Development*; and Barnes R, Harvey B and Kemp D, 2015, *Benchmarking leading practice in Aboriginal business procurement in the extractive resources sector*, A report prepared by CSR for AEMEE under the AEMEE and QGC Partnership Agreement, Centre for Social Responsibility in Mining.

Chapter 5. Recommendations

The Aboriginal Economic Prosperity Framework is being developed by the Department of Education (Aboriginal Affairs) for adoption by the NSW Government. The Framework will provide an important platform for addressing disadvantage in Aboriginal communities and for promoting economic independence. The NSW Ombudsman therefore recommends:

1. **That the Department of Education (Aboriginal Affairs) takes account of the observations made in this report, and includes the following features in the Aboriginal Economic Prosperity Framework:**
 - a. A clear vision of what it aims to achieve over the short, medium and longer term.
 - b. A tiered approach to ensure focus on individuals, enterprises and communities.
 - c. Consideration of available evidence about promising or proven initiatives in NSW and elsewhere.
 - d. Means by which to address existing barriers contributing to economic marginalisation of Aboriginal people/enterprises, including through:
 - i. improving educational outcomes and transitioning to post-school options
 - ii. reducing the ongoing impact of incarceration on economic outcomes
 - iii. eliminating pockets of financial exclusion and building financial literacy
 - iv. fostering employment opportunities in the public and private sectors
 - v. creating pathways to home ownership – helping individuals to raise capital.
 - e. Means by which the significant Government investment in growing the NSW economy and other existing opportunities can be harnessed, including by:
 - i. leveraging mainstream economic development initiatives
 - ii. embedding the framework within broader regional and state-wide economic development efforts and facilitating place-based approaches to building local economies
 - iii. recognising the assets and comparative advantages of Aboriginal communities
 - iv. facilitating collaboration and partnerships
 - v. supporting the entrepreneurial capacity of Aboriginal people and organisations
 - vi. using government procurement processes to incentivise the government/private sector to engage Aboriginal enterprises.
 - f. Flexibility – so that adjustments can be made where problems are identified along the way and/or new information comes to light about better approaches.
 - g. Sufficient reach and authority to ensure that legal and policy developments in other portfolios consider the potential impact on Aboriginal economic outcomes, similar to regulatory or environmental impact statements.
 - h. Clear responsibilities ascribed to relevant agencies and positions which are in turn linked to individual performance contracts.
 - i. Robust governance arrangements which:
 - i. coordinate existing and future efforts to strengthen Aboriginal economic prosperity by the government, private and non-government sectors
 - ii. empower individuals with sufficient authority to lead the necessary reforms, and
 - iii. are supported by regular and open reporting on progress, informed by a genuine dialogue with Aboriginal leadership on what meaningful indicators of performance should look like.

-
2. **That the NSW Government establish or identify an existing entity with the requisite skills, expertise and clout to drive the implementation of the Aboriginal Economic Prosperity Framework, and related reforms in partnership with Aboriginal leadership and the private and non-government sectors, and task that entity with delivering the promised reforms.**

 3. **That the Department of Education (Aboriginal Affairs) ensures that the commitments made in relevant state and federal government policies and initiatives, are embedded within the Aboriginal Economic Prosperity Framework and related governance mechanisms including, but not limited to, the following:**
 - *NSW Making it Happen - State Priorities*
 - *Rebuilding NSW*
 - *NSW Economic Development Strategy*
 - *Jobs for NSW*
 - *NSW Public Sector Aboriginal Employment Strategy 2014-2017*
 - *Land-related reforms – COAG Investigation into Indigenous land use and administration; the Community Land and Infrastructure Project, the NSW Crown Lands Review, and the ongoing implementation of the Aboriginal Land Rights Act 1983 reforms*
 - *Aboriginal Enterprise Development Officer Program*
 - *Aboriginal Participation in Construction policy (and future procurement policies)*
 - *Future Directions for Social Housing in NSW.*

 4. **That, in relation to Industry Based Agreements (IBAs), the Department of Education (Aboriginal Affairs) considers the following:**
 - a. committing to an ongoing program of identifying additional industries/entities to facilitate new partnerships
 - b. setting specific Aboriginal employment and business procurement outcomes as targets in new and renewed IBAs
 - c. ensuring IBAs are closely aligned with the objectives of relevant Local Decision Making (LDM) Regional Alliance Accords
 - d. ensuring that in practice, IBAs are linked to other relevant economic development initiatives such as Opportunity Hubs, Government procurement policies, the Jobs for NSW Fund, and Industry Action Plans.

 5. **That the Department of Education (Aboriginal Affairs) provides a copy of this report to relevant agencies to inform its consultation process with them in developing the Aboriginal Economic Prosperity Framework.**

 6. **Within three months of this report, that the Department of Education (Aboriginal Affairs) provides this office with advice on its response to recommendations 1 to 5.**

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