

# ABORIGINAL ECONOMIC PARTICIPATION PROCUREMENT REVIEW

October 2018

Prepared for  
the Don Dunstan Foundation

Governor's Leadership Foundation Program 2018  
Community Action Project Report

Aboriginal Economic Participation  
Procurement Review

For the Don Dunstan Foundation

October 2018

GLF Project team

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# Forward

The Don Dunstan Foundation would like to acknowledge that all research and opinions within the report are that of the GLF project team, undertaken as a research project with current public information which is considered reliable. The Don Dunstan Foundation understand that the learnings and recommendations of the report may have changed since it's completion in October 2019.



## **Acknowledgement of Country**

We acknowledge and respect the traditional lands of all Aboriginal people, we respect all Elders past, present & future. We ask all people that walk, work & live on traditional Aboriginal lands, to be respectful of culture & traditions and work together as one to better Aboriginal Health.

We would like to thank all the people who gave us their time and provided information to assist us to successfully complete this report for the Don Dunstan Foundation. The support received from Cathie King and David Pearson from the Don Dunstan Foundation was greatly appreciated, all those we interviewed, Community Centres SA and the Governors Leadership Foundation Program thank you for supporting this project from the beginning.

A special thank you to the Premier of South Australia, The Honourable Steven Marshall MP for generously taking the time to meet and discuss this project with us. We hope that this report will assist in increasing Aboriginal Economic participation for our great state.

# Contents

Contents .....	4
Executive summary .....	6
Background .....	8
Project team.....	9
Initial review of relevant research .....	10
Why is Aboriginal economic participation so important? .....	10
Why increase procurement from Aboriginal businesses? .....	10
Lessons learnt from Government procurement policies in Canada and Australia .....	11
History of Mining Procurement Practices in Australia and Canada .....	14
Lessons from Australia .....	15
Procurement in the Defence Industry .....	15
Objectives of the Community Action Project .....	17
Key Stakeholders.....	19
Stakeholder Analysis .....	19
Project Assumptions .....	20
Approach.....	21
Project Scoping .....	21
Selection of Case Studies .....	21
Interviews.....	22
Analysis .....	23
Meetings with the Don Dunstan Foundation .....	23
Limitations.....	23
Outcomes to Date .....	24
Case Study 1 – Government.....	24
Department for Environment and Water - South East Flows Project.....	24
Procurement Process – Government.....	24
Background Information .....	25
Cultural Heritage Program .....	25
Project Procurement.....	26
Case Study Summary of Findings .....	26
Case Study 2 – Mining Industry.....	28

Private sector: OZ Minerals – Procurement through Stakeholder Engagement .....	28
Background Information .....	28
Aboriginal Engagement.....	29
Case Study Summary of Findings .....	31
Case Study 3 – Defence Sector .....	32
Defence in South Australia – Intract Australia - Aboriginal contractors – a different perspective .....	32
Background Information .....	32
Procurement Process – Defence.....	33
Procurement Process – Intract View.....	33
Aboriginal Workforce .....	34
Case Study Summary of Findings .....	35
Expert Interviews .....	36
Department for Premier and Cabinet Chief Procurement Officer – Justin Sara .....	36
Office of the Industry Advocate for Aboriginal Businesses SA – research conducted on the organisation .....	37
Premier of South Australia and Office of the Industry Advocate for Aboriginal Businesses SA – Ian Nightingale .....	38
Honours Student University of South Australia – Caitlin Gardner.....	40
Clyde Rigney, Business Development Manager, Zancott Knight Facilities Management.....	41
Next Steps and Key Findings .....	43
Recommendations for the Don Dunstan Foundation.....	46
Risks .....	47
Appendices.....	49
Appendix 1 - Stakeholder Analysis.....	49
Appendix 2 – Interview record.....	52
Appendix 3 – Sample Interview Questions .....	53
Appendix 4 - Office of the Industry Advocate for Aboriginal Businesses SA .....	54

## Executive summary

An integral part of the Governors Leadership Foundation Program (GLF) is to assist an organisation through a Community Action Project. Our 2018 project team chose to support the Don Dunstan Foundation to build on recommendations made from a 2017 report to increase Aboriginal participation in the South Australian economy.

This report prepared by a previous GLF project team highlighted three key areas within the current South Australian landscape that may impact on Aboriginal economic participation: supporting Aboriginal entrepreneurs; increasing Aboriginal employment; and procuring from Aboriginal businesses.

The 2018 team agreed to focus their project on reviewing procurement processes in order to discover barriers, bias and or assumptions regarding Aboriginal Businesses procuring for tenders within South Australia across public and private sectors. Consultation with the Don Dunstan Foundation lead to the objective to “Increase the economic participation of Aboriginal people in South Australia through the review of procurement tender processes across government and private organisations.”

Utilising the expertise and networks within the project team we were able to investigate and critically evaluate three distinct industries via case studies: Government, Mining and Defence. These three sectors together hold significant economic opportunities across the state in terms of employment and procurement. In addition, these sectors play a role in land management of areas of significance to Aboriginal custodians and traditional owners.

Having identified a clear vision for investigation and a desire to have a big impact and provide the Don Dunstan Foundation with some tangible recommendations the team then identified assumptions, undertook interviews, interpreted the results and provided recommendations as shown below.

The challenges for the project team comprised limited procurement data, information of products and services being procured from Aboriginal businesses as well as identifying the significant support services that are available that lacked market presence. Our own lack of knowledge and understanding of Aboriginal businesses and procurement processes across State Government and private industry.

A combination of the findings from the case studies and the interviews resulted in the following recommendations being identified:

1. Targets and feedback mechanisms for outcomes

Set government and private sector targets which are financial and activity-based with results regularly reported.

2. Collection of data

Collect and report on data relating to procurement from Aboriginal businesses to assess progress towards achieving the objective.

3. Broaden definition of Aboriginal business

Expand the criteria to qualify as an Aboriginal business to include a business that permanently employs a minimum percentage of Aboriginal people is likely to lead to increased employment opportunities and reduce unintended consequences of the ownership target.

Expand the criteria to encourage tenderers to subcontract work to Aboriginal businesses to assist the capacity building process of Aboriginal businesses.

4. Advocate for a liaison officer to represent Aboriginal businesses

Appoint a liaison officer to assist Aboriginal businesses identify tender opportunities, match capabilities with contracts and assist with the process.

The officer will also facilitate relationship building between business owners and Government Departments.

5. Leader's Forum for Government, Industry and Aboriginal business owners

Facilitate a round table discussion to raise awareness, network and share strategies to achieve the objective.



## Background

In 2017 participants of the Governors Leadership Foundation Program (GLF) worked with the Don Dunstan Foundation to identify a number of recommendations to increase Aboriginal economic participation. Building on this work, the aim of the 2018 Community Action Project group is to identify ways to increase the economic participation of Aboriginal people in South Australia through increasing procurement from Aboriginal businesses.

The Don Dunstan Foundation is a charitable trust that works with its University partners, The University of Adelaide and The Flinders University of South Australia, to gain a deeper understanding of social justice issues and to share these understandings with the greater community to influence change.

### Don Dunstan Foundation Values

- Cultural Diversity
- The freedom of individuals to control their lives
- The just distribution of global wealth
- Democratic and inclusive forms of governance
- Respect for fundamental human rights
- Respect for Indigenous people and protection of their rights



The 2018 GLF project team supporting the Don Dunstan Foundation to achieve this aim:



#### Project team

<b>Rebecca Adams</b>	(Finance Manager, Chalk Hill Viticulture)
<b>Michelle Donnelly</b>	(Program Manager, Design & Delivery Leadership Programs, Department for Education)
<b>Stella Kondylas</b>	(Manager Conservation, Sustainability and Wildlife Management, Department for Environment and Water)
<b>Heather Jensen</b>	(Director, Carrington Financial Services SA Pty Ltd)
<b>Andrew Perry</b>	(Business Development Manager South East Asia and Australia, Surveillance, FLIR Systems Inc)
<b>Luke Sandery</b>	(General Manager Prominent Hill, OZ Minerals Ltd)

# Initial review of relevant research

## Why is Aboriginal economic participation so important?

There are numerous measures highlighting the gap between Indigenous and non-indigenous Australians including life expectancy, employment opportunities and many more alarming statistics<sup>1</sup>. Not only does this result in inequality in Australia, there is also an economic cost to the Australian economy that the disadvantage faced by Indigenous Australians creates<sup>2</sup>.

The economic benefit of closing the gap is estimated to be a 1.15% increase to Australia's economy<sup>2</sup>. Additionally, there are moral motivations and rights of Australia's First Peoples as set out by International law to consider<sup>1</sup>.

## Why increase procurement from Aboriginal businesses?

The premise behind increasing the economic participation of Aboriginal people in South Australia is that there is currently a gap in opportunities and employment available in comparison to non-indigenous Australians. There is a multitude of research to support this including KPMG's report on igniting the Indigenous community, which presents alarming statistics of only 46% of working age Aboriginal people currently in work<sup>3</sup>. Closing this gap will have far reaching benefits for Aboriginal and Torres Strait Islander communities, the Australian economy as a whole<sup>2</sup> and achieve a participatory approach to reducing the gap by increasing the economic footprint of Aboriginal businesses<sup>4</sup>.

Whilst there are many valid strategies to begin to address this issue, procuring goods and services from Aboriginal businesses is the focus of this project. It has been suggested that Indigenous businesses provide superior employment results for Indigenous workers<sup>5</sup>.

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<sup>1</sup> Australian Human Rights Commission (2014) *Face the Facts*. Available at: <https://www.humanrights.gov.au/education/face-facts> [Accessed 10th December 2018].

<sup>2</sup> Deloitte (2014). *Economic benefits of closing the gap in Indigenous employment outcomes*. Available at: <https://www2.deloitte.com/au/en/pages/economics/articles/economic-benefits-closing-gap-in-indigenous-employment-outcomes.html> [Accessed 8 September 2018].

<sup>3</sup> KPMG (2016). *Igniting the Indigenous Economy*. Available at: <https://home.kpmg.com/au/en/home/insights/2016/10/igniting-indigenous-economy.html> [Accessed 20 June 2018].

<sup>4</sup> Jacobs, C. (2017). *Risky business: the problems of Indigenous business policy*. Available at: <https://www.cis.org.au/app/uploads/2017/11/rr35-e.pdf> [Accessed 20 June 2018].

<sup>5</sup> Hunter, B. (2015). Whose business is it to employ Indigenous workers?. *The Economic and Labour Relations Review*, 26(4) pp. 631-651.

Additionally, findings by Supply Nation suggest Indigenous businesses employ a higher proportion of Indigenous employees compared to non-Indigenous businesses<sup>6</sup>.

### Lessons learnt from Government procurement policies in Canada and Australia

In both Canada and North America variations on the Indigenous Procurement Policy have been in place for many years with the same purpose, to improve economic outcomes for their Indigenous people through opportunities created through Federal procurement processes<sup>7</sup>.

In Canada, each federal department or agency that purchases in excess of \$1 million worth of goods, services, and construction annually has agreed to establish performance objectives related to the Public Sector Accounting Board (PSAB). However, the 2007 PSAB review noted that there were no institutionalised consequences for departments that failed to set aside contracts, or that failed to achieve their targets.

Based on data from 1996 to 2006, a review of the PSAB in 2007 found that the participation of Aboriginal firms in Canadian federal government procurement processes had improved in relation to three key measures:

- in 1996, the percentage of contracts awarded to Aboriginal firms was less than one per cent, but by 2003 the percentage had increased to four per cent, and had remained at that level to 2006;
- in 1996 and 1997, the proportion of contracting dollars to Aboriginal firms was negligible, but in 2006 the proportion was five per cent; and
- from a high of 72 per cent in 1998, the share of PSAB set aside contracts in awards to Aboriginal firms had declined to six per cent in 2006, suggesting that set asides had become less important in supporting the activity of Aboriginal businesses in federal contracting<sup>8</sup>.

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<sup>6</sup> Supply Nation (2015). *The Sleeping Giant*. Available at: <https://supplynation.org.au/wp-content/uploads/2018/08/Sleeping-Giant-Report.pdf> [Accessed 24 July 2018].

<sup>7</sup> Government of Canada (2014). *Procurement Strategy for Aboriginal Business - Booklet*. Available at: <https://www.aadnc-aandc.gc.ca/eng/1354798736570/1354798836012>, [Accessed: 8 October 2018].

<sup>8</sup> Hamilton, P. (2015). *Procurement strategy for Indigenous business: The Canadian experience, and lessons for Australia*. Available at: [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2015/March/Canada\\_Procurement\\_Strategy\\_for\\_Aboriginal\\_Business](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2015/March/Canada_Procurement_Strategy_for_Aboriginal_Business) [Accessed 8<sup>th</sup> October].

Both Canada and Australia have implemented an exemption for government procurement officers to award contracts to Indigenous businesses without a tender process up to the value of \$80,000<sup>9</sup> and \$220,000<sup>10</sup>.

A current Commonwealth strategy to increase incentives for government organisations to engage with Aboriginal businesses is the Indigenous Procurement Policy (IPP)<sup>11</sup>. Positive correlation between Aboriginal businesses and employment of Aboriginal people indicate achieving the targets of the Indigenous Procurement Policy are likely to have a positive impact on Aboriginal & Torres Strait Islander economic participation<sup>12</sup>.

A study by Jacobs<sup>13</sup> acknowledges former government policies create perverse incentives and Indigenous people remain stuck in passive welfare economies. Promoting Indigenous owned businesses is a more participatory way to reduce economic exclusion and initial findings show improvement, however issues remain.

Federal IPP requires 3% of all federal procurement contracts be awarded to Indigenous businesses. But this measure is based on contract number rather than actual spend. This measure was brought forward to 2016-2017 rather than by 2020. The increase in Indigenous businesses is shown below:

Table 1: Comparison of pre and post IPP results<sup>14</sup>

	Pre-IPP	Post IPP Announcement (2015)
Self Employed	6% Indigenous, 17% non-indigenous (2006)	6.6% Indigenous, 15-17% non-indigenous (2016)
Number of businesses	1845 (2001), 8900 (2011)	12,000-16,000 (2016)
Supply Nation listed suppliers	276 (2014)	1306 (2017)
Commonwealth Government procurement from Indigenous	\$6 million (2012-13)	\$500 million (2017)
Percentage of contracts		2.9% (2016)
Percentage of actual spend		0.94% (2016)
Average contract value		\$121,800 (2016-2017)

<sup>9</sup> Government of Canada (2014). *Procurement Strategy for Aboriginal Business - Booklet*. Available at: <https://www.aadnc-aandc.gc.ca/eng/1354798736570/1354798836012>, [Accessed: 8 October 2018].

<sup>10</sup> Burton, R., Tomkinson, E. (2015). *The Sleeping Giant*. Available at: <https://supplynation.org.au/wp-content/uploads/2018/08/Sleeping-Giant-Report.pdf> [Accessed 24 July 2018].

<sup>11</sup> Department of Prime Minister & Cabinet (2015). *Commonwealth Indigenous Procurement Policy*. Available at: <https://www.pmc.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>. [Accessed 20 June 2018].

<sup>12</sup> Hunter, B. (2015). Whose business is it to employ Indigenous workers?. *The Economic and Labour Relations Review*, 26(4) pp. 631-651.

<sup>13</sup> Jacobs, C. (2017). *Risky business: the problems of Indigenous business policy*. Available at: <https://www.cis.org.au/app/uploads/2017/11/rr35-e.pdf> [Accessed 20 June 2018].

<sup>14</sup> Jacobs, C. (2017). *Risky business: the problems of Indigenous business policy*. Available at: <https://www.cis.org.au/app/uploads/2017/11/rr35-e.pdf> [Accessed 20 June 2018].

Suggestions from this research include:

- Slowing the target in order to reduce pressure and avoid unintended consequences such as business ownership without effective control
- Encourage positive behaviour by including weighting toward businesses that are not only owned but employ or sub-contract Aboriginal people
- Greater data capture and availability of this data to foster transparency and clarity around the use of the IPP policy
- Introduce tiers so companies that reach certain capacity become ineligible for preferential consideration in order to reduce reliance on government spend
- Review provision/access to finance by Aboriginal businesses particularly small and emerging
- Provide support that will foster less reliance on government grants via bank lending that will integrate businesses into mainstream finance arrangements.
- Be aware cultural expectations that may impede business development and for the Indigenous business to balance these with responsibility of running a business.

The report also discussed State and Territory Indigenous Procurement Policies in place:

Table 2: Summary of government commitments<sup>14</sup>

	<b>Jurisdiction</b>	<b>Key Commitments to Indigenous business</b>
Indigenous Procurement Policy (2015)	Commonwealth	3% of Commonwealth contracts to Indigenous business by 2016-17 (revised from 2020). Mandatory set asides for contracts valued between \$80,000 - \$200,000. Set asides for remote contracts.
Aboriginal Business Procurement Policy (2014)	SA	Procurement targets for purchases up to \$220,000. The establishment of preferred Aboriginal business and enterprise tender lists by State Government agencies.
Aboriginal Business Connect (2016)	SA	Online partnership with Supply Nation encouraging increased procurement by the private sector.
QLD Indigenous Procurement Policy (2017)	QLD	Growing Indigenous small business and entrepreneurship. Set aside for certain Government contracts to be awarded to Indigenous businesses. 3% of addressable spend by 2022.
Indigenous Business Development Program (2017)	NT	Grants to start or expand a business. Between \$1,000-\$30,000. One on one support from a small business champion.

Other unintended consequences have also been highlighted in research including appointing ownership to a person who identifies as an Aboriginal or Torres Strait Islander who does not have any formal control of the business, this is referred to as “black cladding”<sup>15</sup>. Additionally, targets focused on quantity of contracts rather than value, for example the measurement of IPP for 2015-16 resulted in 2.9% contracts but this equated to 0.94% spend<sup>16</sup>.

To identify and assess the engagement of Aboriginal businesses, the definition must be considered. A commonly used definition of an Aboriginal business revolves around ownership of the business. Aboriginal Business Connect requires 50% ownership for registration, whereas 51% ownership and control enable a business to be a certified supplier with them<sup>17</sup>.

This ownership requirement of the definition is consistent with Canada’s PSAB, however there is an additional element to the Canadian criteria where one third of the employees who identify as Aboriginal for a business that has six or more full time staff can meet the definition as well<sup>18</sup>.

### History of Mining Procurement Practices in Australia and Canada

A great deal of work has been directed towards creating best practices for mining companies to increase local procurement. A coalition out of the University of Queensland in Australia and the International Finance Corporation created two key toolkits in 2010<sup>19</sup> and 2011<sup>20</sup> respectively that worked to codify best practices in local procurement in the most comprehensive manner to date. Importantly, both of these toolkits incorporate guidance and case studies from Canada and Australia involving companies that purchase from Aboriginal suppliers. These, along with a number of leading efforts by a handful of mine sites around the world – such as Newmont in Ghana, BHP Billiton in Chile and, Rio Tinto in Mongolia - have

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<sup>15</sup> Jacobs, C. (2017). *Risky business: the problems of Indigenous business policy*. Available at: <https://www.cis.org.au/app/uploads/2017/11/rr35-e.pdf> [Accessed 20 June 2018].

<sup>16</sup> Jacobs, C. (2017). *Risky business: the problems of Indigenous business policy*. Available at: <https://www.cis.org.au/app/uploads/2017/11/rr35-e.pdf> [Accessed 20 June 2018].

<sup>17</sup> Aboriginal Business Connect (2018). *Registration and Certification*. Available at: <http://www.aboriginalbusinessconnect.com.au/registration-and-certification> [Accessed 8 September 2018].

<sup>18</sup> Hamilton, P. (2015). *Procurement strategy for Indigenous business: The Canadian experience, and lessons for Australia*. Available at: [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2015/March/Canada\\_Procurement\\_Strategy\\_for\\_Aboriginal\\_Business](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2015/March/Canada_Procurement_Strategy_for_Aboriginal_Business) [Accessed 8<sup>th</sup> October 2018].

<sup>19</sup> Esteves, A.M., Brereton, D., Samson, D. and Barclay, M.A. (2010). *Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors*. Available at: <https://www.csr.uq.edu.au/publications/procuring-from-smes-in-local-communities> [Accessed 8<sup>th</sup> October 2018].

<sup>20</sup> Barnes, R., Harvey, B. and Kemp, D. 2015. *Benchmarking Leading Practice in Aboriginal Business Procurement in the Extractive Resource Sector*. Available at: <https://www.csr.uq.edu.au/publications/benchmarking-leading-practice-in-aboriginal-business-procurement-in-the-extractive-resurce-sector>. [Accessed 8<sup>th</sup> October 2018].



contributed to the development of industry best practices. In Canada those best practices have been developed but are not yet standard operating procedure across the industry.

In Canada, Aboriginal procurement and spend across Canadian mining operations exists within the context of voluntary initiatives put forward by organisations like the Mining Association of Canada (MAC)'s Toward Sustainable Mining (TSM) Protocol. The protocol has four performance indicators related to consultation and engagement and includes grievance mechanisms to support companies who engage with Aboriginal groups. While there are no legal requirements to engage Aboriginal communities in business development opportunities, the TSM Protocol has operating principles that encourage corporate policies to guide Aboriginal business development, and many companies choose to publish their annual Aboriginal spend as part of their social reporting. In line with current existing federal and provincial legal requirements, these protocols and principles encourage companies to engage with Aboriginal communities and businesses. Despite this, there is little clear guidance and in most cases, mining companies are tasked with coordinating and navigating their relationships with Aboriginal businesses on their own<sup>21</sup>

### Lessons from Australia

Canadian mining companies, government officials and other stakeholders are looking to Australia for guidance and ideas to increase procurement from Aboriginal businesses. Sharing similar geographical challenges and sparse populations, as well as a similar average standard of living across non-Aboriginal populations, Australia has been moving along this path over the last two decades.

An example of capacity building by an Australian mining company is the Fortescue Metals Group Ltd case study explored by Forrest<sup>22</sup>. The company set a target to award contracts to businesses worth \$1.1 million in December 2011 and held the company's managers accountable to achieve those targets. This approach was largely successful with Fortescue reporting meeting its target by July 2013.

### Procurement in the Defence Industry

Defence won a Supplier Diversity Award from Supply Nation, which encourages large organisations to buy from the suppliers it certifies as having either 50% or 51% Indigenous

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<sup>21</sup> Darychuk, A., Travers, K. (2016). *Partnerships in Procurement Understanding Aboriginal business engagement in the Canadian mining industry*. Available at: <https://www.ccab.com/wp-content/uploads/2016/11/Partnerships-in-Procurement-FullReport.pdf>. [Accessed 8<sup>th</sup> October 2018].

<sup>22</sup> Forrest, A. (2014). *Creating Parity*. Available at: <https://www.pmc.gov.au/sites/default/files/publications/Forrest-Review.pdf> [Accessed 8 September 2018].



ownership, at the organisation's recent Connect 17 conference. The gong recognises the department as "government member of the year" on Supply Nation's list of big buyers<sup>23</sup>.

"Defence has played a key role in supporting the government's Indigenous Procurement Policy – both through our senior leadership engagement with the program, and as the department with the highest level of Indigenous procurement contracts" Kim Gillis, deputy secretary said.

For the 2015/16 financial year Defence awarded 285 contracts to Indigenous businesses worth over \$141 million. Overall, \$407m worth of contracts went to 708 suppliers via the policy in the past 18 months. This has been through direct contracts or as part of the supply chain of some of Australia's biggest companies.

Supply Nation CEO Laura Berry told the conference: "Indigenous businesses are far more likely to employ other Indigenous people – despite Indigenous people only making up 3% of the population. On Supply Nation's directory, Indigenous Business Direct, Indigenous employment averages 40%."

Research into how the targets are calculated show that all is not what it seems. The dollar value target allows portfolios to convert actual procurement spend into a numerical representation of contracts<sup>24</sup>. This value is based on the average of all Commonwealth contracts under \$1 million over the past three financial years. The figure was set at \$91,931 for the IPP's first year in 2015–16.

Under the system, a portfolio may divide the actual expenditure of a large contract by the average figure, recording each multiple as an individual contract. For example: In January 2016 the Department of Defence signed a contract with a joint venture between Badge Constructions and National Aboriginal Construction Partners. The contract was worth \$11,996,900. Hypothetically, if the dollar value provision is applied to this single contract via the equation it would represent 130.5 contracts under the IPP.

Portfolios may use the dollar value conversion to meet the entirety of their IPP target, or a combination of actual contracts and dollar value conversions. For example, the Department of Defence had a 2015–16 target of 70 contracts. It could theoretically enter into 50 actual contracts and sign one contract to the value of \$1,838,620 (20 x \$91,931) and use the dollar value system to convert this into 20 contracts<sup>25</sup>.

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<sup>23</sup> Easton, S. (2017). *Defence recognised for Indigenous procurement leadership*. Available at: <https://www.themandarin.com.au/79069-defence-recognised-indigenous-procurement-leadership/> [Accessed 8<sup>th</sup> October 2018].

<sup>24</sup> Department of Prime Minister & Cabinet (2015). *Commonwealth Indigenous Procurement Policy*. Available at: <https://www.pmc.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp> [Accessed 8<sup>th</sup> October 2018].

<sup>25</sup> Jacobs, C. (2017). *Risky business: the problems of Indigenous business policy*. Available at: <https://www.cis.org.au/app/uploads/2017/11/rr35-e.pdf> [Accessed 20 June 2018].

# Objectives of the Community Action Project

Initial consultation with the Don Dunstan Foundation resulted in agreement to focus on what outcomes could be achieved by building on the work of the 2017 GLF team. Given the skills and business networks of the 2018 team, it was concluded that a procurement focus across government and industry was likely to result in more significant outcomes.

The 2017 report provided a roadmap of the services and organisations involved in the procurement of Aboriginal business (see figure 1 below). The 2018 project team quickly realised this was a much larger task than first thought mainly due to the complexity of the issue and the lack of data available.

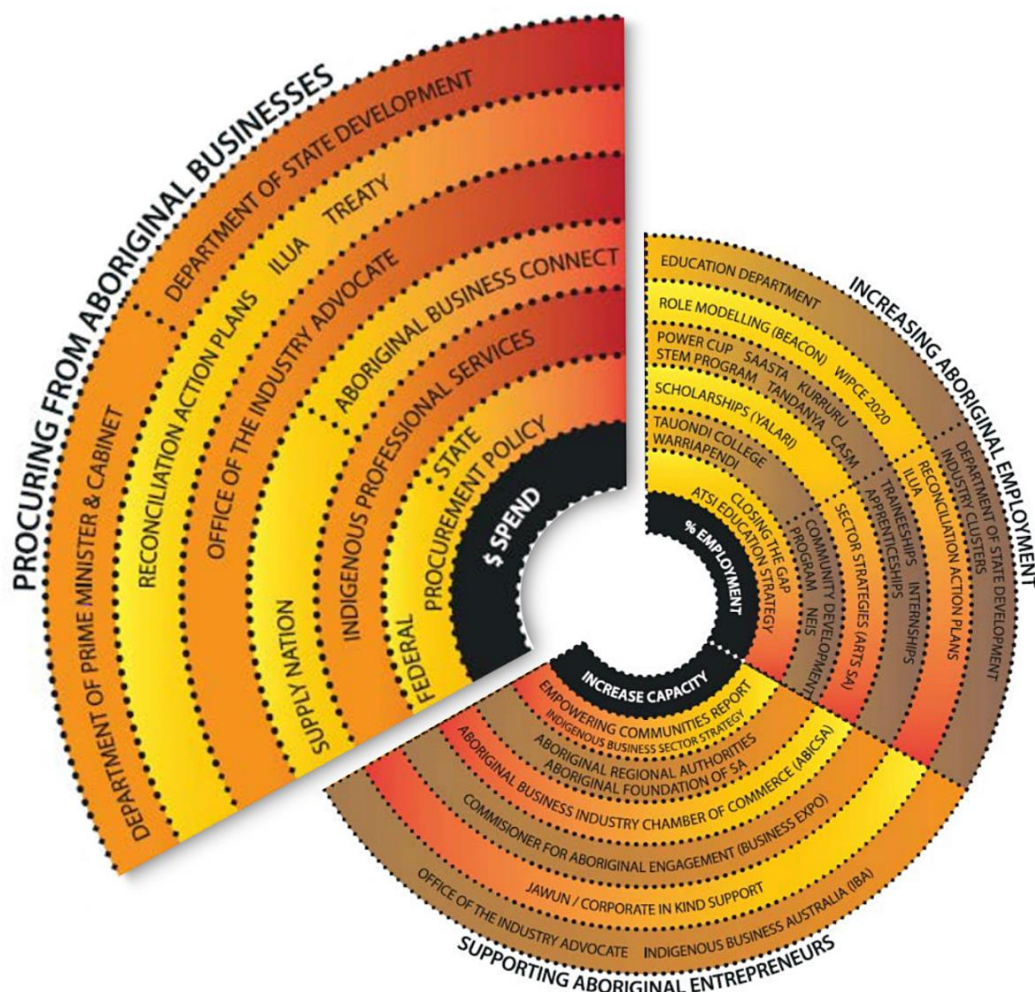


Figure 1: Infographic of the current landscape of Aboriginal economic participation with a focus on procurement<sup>26</sup>

<sup>26</sup> Brierly, L., Croall, H., Power, J., Rowberry, S., Kumar, S., Doussa, J. (2017), Increasing Aboriginal Participation in the South Australian Economy. Available at: [https://www.dunstan.org.au/docs/Increasing\\_Aboriginal\\_Participation\\_in\\_the\\_SA\\_Economy\\_Final\\_Report.pdf](https://www.dunstan.org.au/docs/Increasing_Aboriginal_Participation_in_the_SA_Economy_Final_Report.pdf) [Accessed 7<sup>th</sup> March 2018].

Based on the relevant research and consultation with the Don Dunstan Foundation, the following objective was identified:

*“Increase the economic participation of Aboriginal and Torres Strait Islander people in South Australia through the review of procurement tender processes across government and private organisations.”*

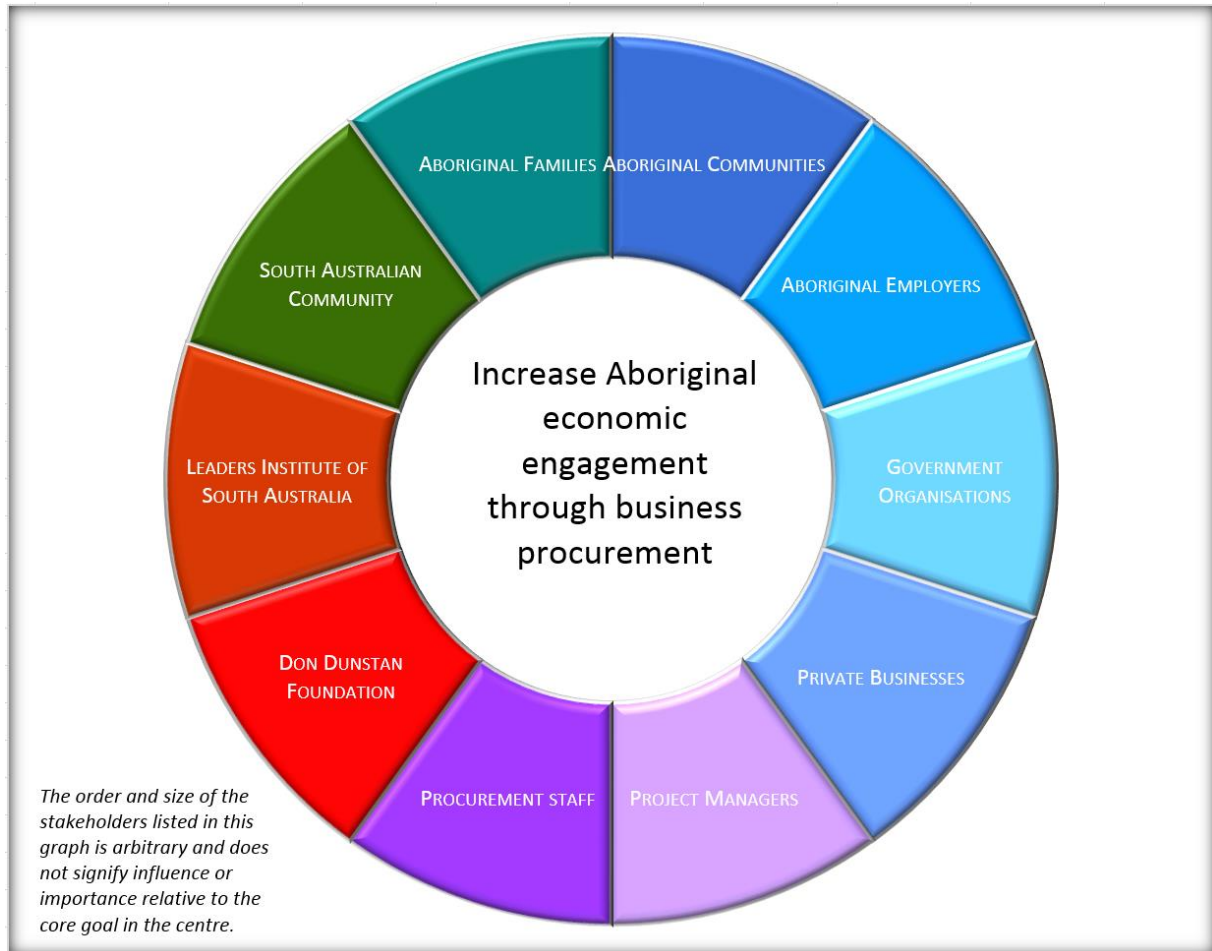
Most prominent in the project team’s thoughts was the need to be considerate and absolutely correct in details to ensure respectful discussions, reflections and assumptions. The team agreed that this aspect of our management of the program was of the highest importance. Thus, a secondary objective was identified to guide the process towards achieving the primary objective:

*“To ensure that Aboriginal people involved with our Community Action Project and those who may be affected be given every opportunity to have their voice heard and respected, with the aim of achieving a balanced and true account of the procurement processes in South Australia.”*

# Key Stakeholders

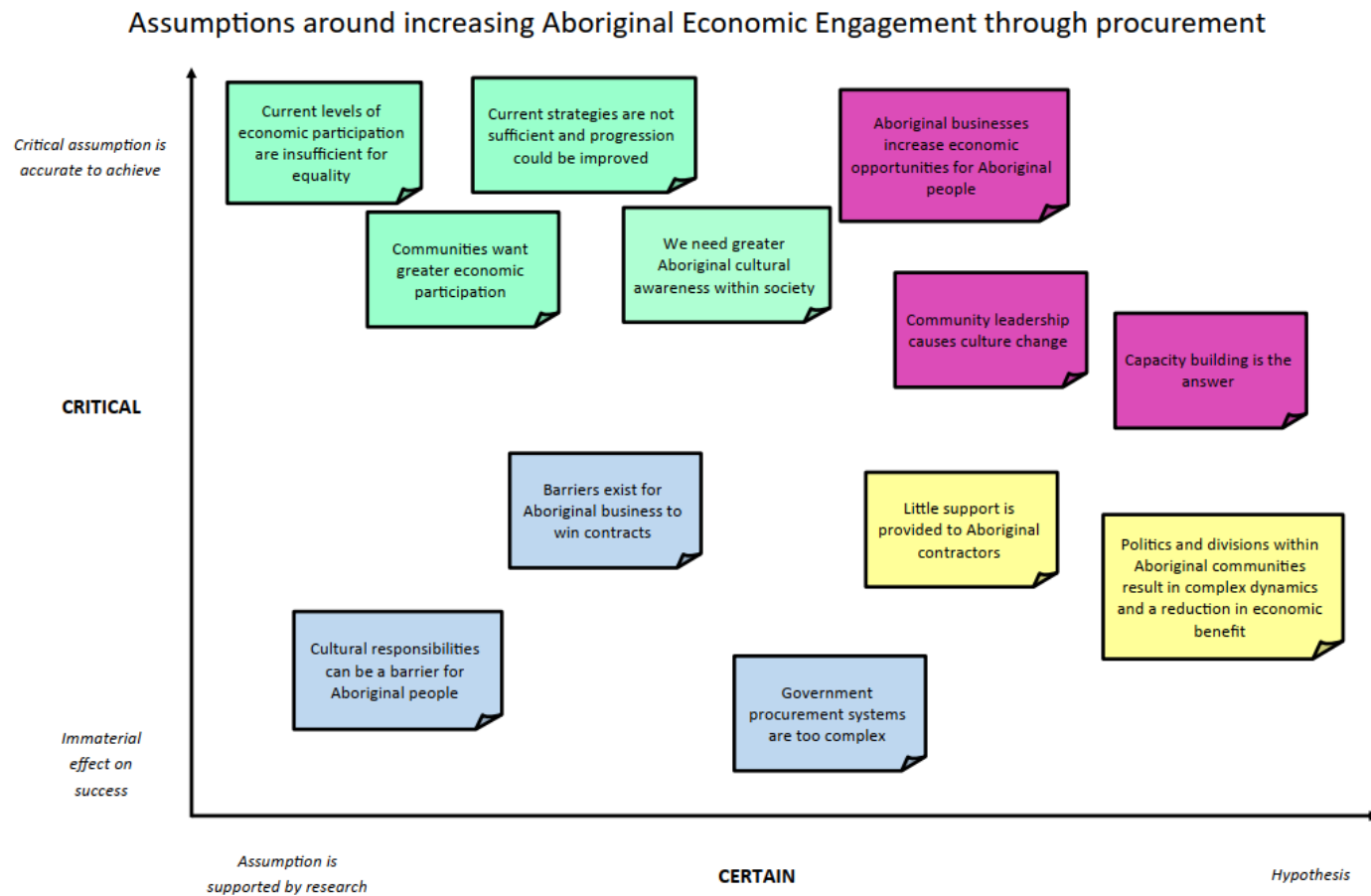
## Stakeholder Analysis

Key stakeholders were identified and their interests analysed to guide the project as outlined below and in Appendix 1:



# Project Assumptions

A number of project assumptions were identified at the commencement of our project. These have been identified below considering how underlying assumptions may impact achieving the stated objective.



# Approach

## Project Scoping

The 2017 GLF Report provided a strong foundation or road map to identify key issues and themes preventing Aboriginal economic participation in South Australia. This report included information on government agency support, industry drivers, support initiatives and policies and reports. Key contacts were also provided in this report.

The Report identified a broad range of activities being undertaken to support Aboriginal economic participation across government departments, government funded service industries, large corporations and Aboriginal businesses. It identified that while Federal and State procurement policies have been an enormous catalyst for increased Aboriginal participation in the economy, there is little data to measure results and there are still a number of procurement related issues resulting in low economic results.

Some of the challenges identified<sup>27</sup>:

1. Inherent racism (low expectations of Indigenous businesses)
2. Lack of government employee commitment to procurement policies
3. Loss of intent in procurement policy implementation (e.g. “Black Cladding” and lucrative cottage industries not achieving intended outcomes)
4. Lack of transparency of spending under both state and federal policies
5. Lack of capable Indigenous organisations to tender
6. Government tender processes are too complex or unclear
7. Lack of feedback on tender submissions to enable improvement
8. Lack of meet the buyer opportunities for SA businesses (Supply Nation expo is cost prohibitive for small businesses)
9. Supply Nation is more focused on the Eastern states, SA opportunities target large infrastructure projects and there is limited accessibility for small business
10. Misuse of RAP by corporations to gain access to work/government funding rather than improving outcomes for Indigenous people.

In addition to this report, a number of relevant research papers and publications were identified. These provided further information relating to the procurement of Aboriginal businesses.

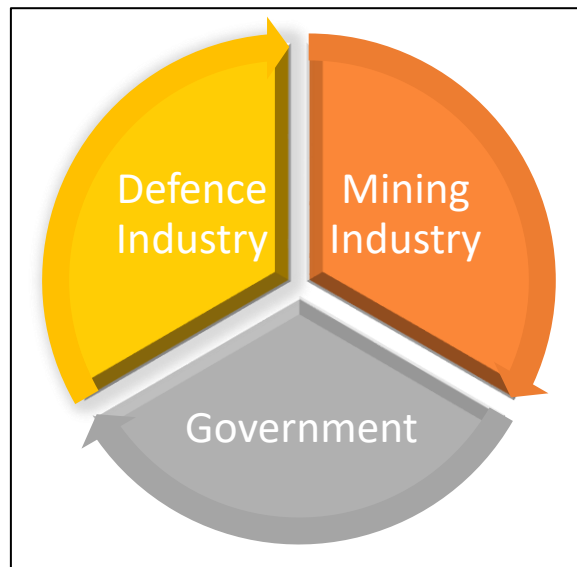
## Selection of Case Studies

The project scope was narrowed to investigating the obstacles to economic participation of Aboriginal people through procurement processes across three industries. Utilising the expertise and networks within the project team we were able to critically evaluate three

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<sup>27</sup> Brierly, L., Croall, H., Power, Jayne., Rowberry, S., Kumar, S., Doussa, J. (2017). Increasing Aboriginal Participation in the South Australian Economy. Available at: [https://www.dunstan.org.au/docs/Increasing\\_Aboriginal\\_Participation\\_in\\_the\\_SA\\_Economy\\_Final\\_Report.pdf](https://www.dunstan.org.au/docs/Increasing_Aboriginal_Participation_in_the_SA_Economy_Final_Report.pdf) [Accessed 7<sup>th</sup> March 2018].

distinct case studies within Mining, Government and Defence. These three sectors together hold significant economic opportunities across the state in terms of employment and procurement.



### Interviews

A total of 15 interviews were conducted using a semi-structured interview method, as detailed in Appendix 2. This approach allowed us to expand on issues relevant to the interviewee's expertise, leading to more interesting insights. Using an informal approach, we were better able to engage respondents in conversation and facilitate interaction. In addition, interviews provided more flexibility to explore key themes.

Interviewees were chosen for their experience, knowledge and position in relation to Aboriginal procurement and the three selected case studies. A list of key contacts was developed using the 1) 2017 GLF Report, 2) networks and contacts of group members and 3) recommendations made by the Don Dunstan Foundation.

Through our research we established basic profiles for each interviewee, to help identify areas of expertise and to tailor our focus questions prior to each interview. A list of interviewees, their positions and the organisations they represent have been identified in Appendix 2. Interviewees can be subdivided into three main types, although there was some overlap between expertise areas in some cases:

1. Project staff involved in managing procurement within their organisation
2. Aboriginal individuals and business owners and support organisations
3. Industry leaders in the area of Aboriginal economic participation.

The interview questions were designed around our original project objectives, the key challenges identified during our research and the 2017 GLF Report. A sample of some of the interview questions can be seen in Appendix 3. Interviews were undertaken in an informal way to ensure informants felt relaxed about providing information. A 'snowballing' effect was used



to identify other key people and organisations. As the interviews progressed our knowledge grew and this allowed for more specific questions and ideas to progress.

### Analysis

In our analysis we compared the experiences and opinions of local experts and project managers against a more broad and general body of knowledge about Aboriginal economic participation. Qualitative analysis was most suitable as the interview process undertaken was iterative. An analysis of interviews was undertaken by identifying key themes that occur in the data that help support or counter the challenges identified. Key themes and linkages between interviews were also used to help identify the recommendations in this report.

### Meetings with the Don Dunstan Foundation

The project teams' initial discussion with the client Don Dunstan Foundation Cathie King took place on the 12 April 2018. Regular meetings with Cathie King from the Don Dunstan Foundation allowed us to ensure the project was meeting the needs of the organisation, allowed us to narrow the scope and focus on achievable outcomes, maintained group momentum and allowed for discussion of key findings as we went along. Cathie was also instrumental in linking us with research and key contacts, particularly our meeting with the Premier. These kinds of opportunities are essential to the Don Dunstan Foundation as an organisation of influence.

### Limitations

Due to the time constraints involved in delivering our Community Action Project, we were unable to talk to, contact or interview all stakeholders involved. We were reliant on the availability and willingness of those we approached to be interviewed, which meant not all stakeholders could participate. One way we tried to address this limitation was by ensuring we had access to the interview notes captured by last year's project participants, allowing us to incorporate broader perspectives than our interview list. We were also conscious not to double up on those stakeholders who had already provided input. The team recognises that due to these limitations future work will be required to broaden the engagement of stakeholders, particularly Aboriginal people and businesses. Obtaining further case studies across these and other sectors could provide additional insights and perspectives.



# Outcomes to Date

This section of the report details the three case studies across Mining, Government and Defence; provides a summary of interviews undertaken which included three distinct groupings of people and our key findings from each of these.

## Case Study 1 – Government

### Department for Environment and Water - South East Flows Project

This case study explores the procurement process used by the Department for Environment and Water in contracting a \$60 million construction project to achieve Aboriginal engagement and employment outcomes.

### Procurement Process – Government

The South Australian Government has developed the Aboriginal Economic Participation Strategy with an aim to increase opportunities for Aboriginal jobs, business and economic participation. It focuses on three distinct areas: 1) leveraging opportunities for Aboriginal employment and business enterprise from government procurement; 2) building the capability of the Aboriginal business sector to compete for government and private sector tenders; 3) and creating increased opportunities for Aboriginal employment.

Government spending practices provide the single greatest opportunity to leverage opportunities for Aboriginal jobs and business. The first component of the Strategy focuses on increasing the number and diversity of Aboriginal businesses successfully winning government procurement contracts either directly or indirectly.

As part of this strategy, a number of government policies were developed to cut red tape and provide a boost for South Australian Aboriginal owned businesses. These policies identify that:

- Agencies can procure directly from businesses listed on South Australia's online Aboriginal business register (Aboriginal Business Connect) up to the value of \$220,000.
- For tenders greater than \$220,000, the Industry Participation weighting of tenders can be lifted so Aboriginal businesses, and businesses with high Aboriginal employment or subcontracting, are more likely to win tender contracts.

The Policy also provides a focus on ensuring a capable supply of Aboriginal businesses with capacity to access procurement opportunities through a range of supports. This builds on the premise that there is a strong correlation between Aboriginal business ownership, the employment of Aboriginal staff by those businesses, and a range of other economic outcomes when Aboriginal businesses win procurement contracts.

A dedicated Aboriginal Business Industry Participation Consultant in the Office of the Industry Advocate works with agencies to identify suitable procurement opportunities. These advocates

also work to raise the capacity and capability of Aboriginal businesses to quote and tender for procurement contracts.

To support this work, Aboriginal Business Connect, an online register of South Australian Aboriginal businesses was developed. Aboriginal Business Connect interfaces with Supply Nation's national Indigenous Business Direct database, providing businesses with access to the benefits of both state and national procurement opportunities.

### Background Information

The South East Flows Restoration Project (the Project) is a \$60 million investment made by the South Australian and Australian Governments to restore the health of the Coorong. In the past freshwater flowed into the Coorong from the South East region but drainage works over the last 150 years has disrupted this natural flow. Reduced freshwater inflows have raised salinity levels to a very high salt concentration, making it too salty to support important species to survive.

The Project involves constructing a new 93.4 kilometre channel to drain freshwater from the South East directly into the Coorong South Lagoon. The Project aims to restore the health of the Coorong and will also restore local wetlands along the flow path, where landholder approval is granted. The project has been guided by environmental, engineering, hydrology and community knowledge.

The Department for Environment and Water is delivering the Project. Through the course of the project the Department has engaged local landholders, traditional owners, the South Eastern Water Conservation and Drainage Board, the South East Natural Resources Management Board and the Limestone Coast Local Government Association.

### Cultural Heritage Program

Water plays an important role in the culture and identity of Aboriginal communities and this must be taken into consideration when making decisions about managing our water resources. The project's cultural heritage program aims to protect and manage the unique relationship traditional owners have with the lands and waters of the Coorong and South East regions.

The South East Aboriginal Focus Group and the Ngarrindjeri Regional Authority are engaged in the Project to support decision making by providing cultural advice and support in the fields of aquatic ecology, water resource management, design, planning and construction. A cultural heritage survey was conducted as part of the design process to identify the occurrence of Aboriginal cultural heritage sites (sites, objects or burials) along and adjacent to the proposed construction works.

Monthly working group meetings held with traditional owners assisted with key project decisions. This includes selecting appropriate locations and design for fish passage infrastructure, identification of cultural wetland restoration opportunities and sharing cultural knowledge with landholders and construction crews. Cultural knowledge will inform

long-term operation principles of the flowpath and facilitate cultural outcomes for the project.

### Project Procurement

The Department of Planning, Transport and Infrastructure oversaw the contract management for construction on behalf of the Department for Environment and Water (a requirement for these types of projects). The tender process for construction works on the Project was conducted in two stages:

- Stage 1: Registration of Interest (May – July 2016) - identified suitably qualified contractors to proceed to a shortlisting.
- Stage 2: Request for Tender (Oct – Nov 2016) - identified a preferred contractor from shortlisted companies.

State policy requires tenderers and contractors for building and civil works (up to \$100 million) to allocate 15% of labour hours to the employment and/or up-skilling of target groups (including Aboriginal people). This policy also requires government agencies to monitor contractor performance against these targets; and assist contractors if non-compliance becomes evident.

As part of the procurement process, one key Aboriginal contact was nominated to represent both of the traditional owner groups engaged with the project. This contact person fielded questions from contractors and provided input into the contractor selection process. This involved up-skilling and training this representative in government procurement systems and was the first time that this was achieved.

The construction contract was awarded to Leed Engineering and Construction Pty Ltd on 1 March 2017 and construction commenced on 14 March 2017. Within the contract, this company is required to provide information on the number of hours worked on-site by workers from the target groups at quarterly intervals throughout the contract and on completion of the contract.

The project is due to be completed in 2018. It is unclear at this stage what percentage of Aboriginal people have been employed as contractors in the construction, however direct employment via monitoring and cultural surveys has been achieved.

### Case Study Summary of Findings

From the interviews conducted, key findings included:

1. **Early engagement** with Aboriginal communities prior to the commencement of the project assisted with the establishment of shared outcomes. Two traditional owner groups provided input into the design of the project. Improving the health of the Coorong was important to both DEW and traditional owner groups and through this project sites of cultural significance (wetlands) were also restored (cultural outcomes).

2. **Realistic Timeframes.** This project commenced engagement with traditional owners in 2012. Due to its scale and nature, there was a long lead in time for planning and consultation, allowing clear expectations to be set from the outset and the establishment of trust between the Department and the two traditional groups.
3. **Adaptability** in the approach allowed for the redirection of the flow path to ensure sites of cultural significance were not impacted by the construction of this channel and areas that were once important cultural wetlands could be restored. In addition, participation in government procurement processes by an Aboriginal representative was an innovative way of communities being genuinely engaged.
4. **Focusing on the Right Outcomes.** The Department has a strong Reconciliation Action Plan and staff commitment to Aboriginal engagement. This ensured that Aboriginal participation and employment outcomes were a key focus for DEW staff.
5. **Relationship Building.** Not only were strong relationships built between Department staff and traditional owner groups but also with local landholders along the channel path. These relationships are contributing to reconciliation outcomes with traditional owners gaining access to cultural sites on private land.
6. **Follow Through.** The same levels of Aboriginal engagement may not be achievable in projects with less time and resources. The scale of the contract, the build in time and healthy engagement budget contributed to the success of this project. These are not always available, so perhaps these groups will have high expectations on the Department in the future that may not be able to be met.
7. **Measuring Success and Transparency of Results.** There is a clear requirement for reporting on employment outcomes for Aboriginal people by the successful contractor, including quarterly reporting. These figures were not available to our group and it is unclear if these had been obtained or reported to DPTI who are responsible for managing the contract.
8. **Subcontracts to Aboriginal businesses.** The contract set out targets for employing specific groups of people but does not provide guidance on how utilising an Aboriginal business for subcontract work should be weighted.

## Case Study 2 – Mining Industry

### Private sector: OZ Minerals – Procurement through Stakeholder Engagement

This case study examines how OZ Minerals has established ongoing relationships with traditional owners to achieve greater employment and engagement outcomes.

#### Background Information

OZ Minerals is a copper-focused international company based in South Australia. Listed on the Australian Securities Exchange (ASX100). OZ Minerals has a growth strategy that is focused on creating value for all stakeholders. They own and operate the copper-gold-silver mine at Prominent Hill and are developing one of Australia's largest copper-gold resources at Carrapateena.

OZ Minerals was formed in 2008 by the merger of two Australian mining businesses - Oxiana and Zinifex and is Australia's third largest copper producer.

The Carrapateena operation is located in South Australia on the eastern margin of the Gawler Craton. One of Australia's largest undeveloped copper deposits, the project will be a 4.25 Mtpa underground operation, with an estimated mine life of 20 years. Infrastructure on site will include an accommodation village, airstrip, processing plant and tailings storage facility.

Construction of Carrapateena is underway and commissioning is scheduled for Q4 2019 after which the project will ramp up to steady state production. There are two main phases to construction:

- Phase one Q3 2017 – Q1 2018: construction commences on the accommodation village and airstrip, and development of the dual access decline continues.
- Phase two Q2 2018 – Q4 2019: phase two includes construction of above ground infrastructure, processing plant, tailings storage facility, western access road, power line and installation of the underground materials handling system.

The ongoing relationship and engagement with the traditional owners, pastoralists and local communities is important and OZ Minerals has focused on creating partnerships based on mutual respect, understanding and trust.

A Native Title Mining Agreement is in place with the Kokatha Aboriginal Corporation and is underpinned by a 'Partnering Agreement'. This agreement, also known as 'Nganampa palyanku kanyintjaku', (translated 'keeping the future good for all of us') acknowledges that today, tomorrow and in the years ahead, the project will be a partnership with the Kokatha People.

Where possible, OZ Minerals is prioritising sustainable local procurement and local employment. OZ Minerals is focused on opportunities for South Australians with particular attention on the Upper Spencer Gulf and Outback Communities.

In support of this, OZ Minerals has partnered with the Industry Capability Network where businesses can register their interest in working on the Project and any associated contract

packages. There is one standard pre-qualification form for the whole project and all work packages open for tender are posted on the portal.

### Aboriginal Engagement

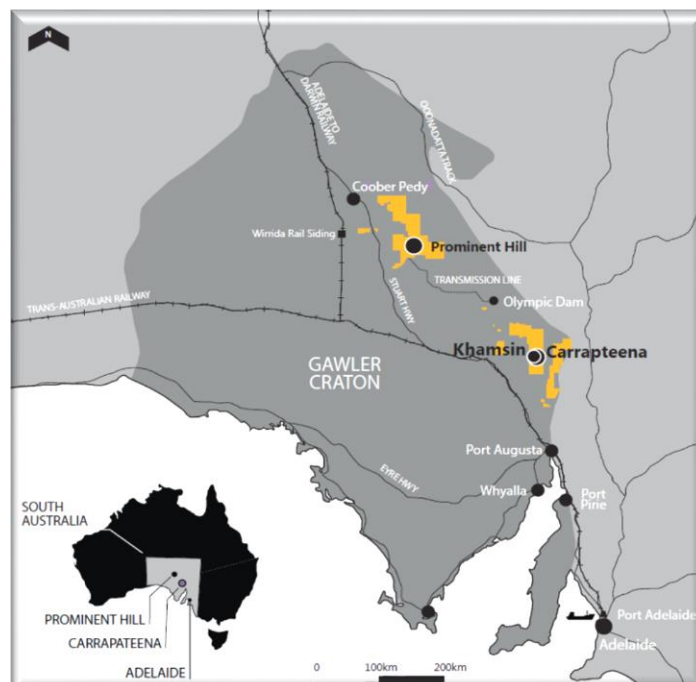
Several interviews were conducted with OZ Minerals' personnel to understand the mechanisms driving the engagement of Aboriginal groups in their operations in South and West Australia. Interviews and discussions were also undertaken with representatives of the traditional owner groups that OZ Minerals have associations. These discussions were focussed around what has worked well, what could have been improved, what have been the most effective methods of engagement and how these may be replicated in other situations.

OZ Minerals CEO and MD, Andrew Cole discussed the importance of *intent* above all else. He communicated the desire of the organisation to redefine how organisations engage with traditional owners.

Some mining companies view traditional owners and communities as a threat, however Andrew argues that in his viewpoint they should not be kept at arm's length. If the lens is changed and suddenly these groups are seen as opportunities, people are much more likely to be involved and seek out the benefits through stakeholder engagement.

Throughout the ongoing development of the Carrapateena mine there has been a large focus on the ongoing relationships with the traditional owners, pastoralists and local communities.

As an example, the steps towards signing a Native Title Mining Agreement for Carrapateena consisted of multiple meetings to gain an understanding of each other's concerns and motivators. Many meetings were conducted between the groups and a lot of time was spent talking and gaining understanding, well before contracts were discussed.



An interview with OZ Minerals Group Manager Social Performance Geoff Deans was also conducted. Geoff confirmed that for key stakeholders there needs to be the ongoing relationship built on the needs of the business to outlast changes in the cyclical nature of the industry and personnel changes.

It is also critical to provide support for these stakeholders and to develop their capacity for mutual benefit.

A large proponent of the work in developing Carrapateena is undertaken through contracts and rigorous flow down provisions were written into many of the large packages of work.

Kokotha Aboriginal Corporation Chairman Chris Larkin spoke about the requirement for genuine relationships between organisations and Aboriginal corporations to underpin all business activities. He also outlined the false premise of transferring experienced Indigenous employees between operations, when the real challenge lies in 'getting someone without a license off the couch' and into meaningful employment and used the analogy of 'shifting the herd, rather than growing it'.

Chris also mentioned that the use of entry level positions such as cleaners and kitchen hands as a stepping stone into capability and confidence building within the industry was instrumental in achieving what is likely the highest proportion of underground Indigenous workforce in Australia.

Chris believes that a comprehensive, co-planned strategy that is developed and executed by people who are connected and have their boots on the ground, partnered with investment in the leadership of the people will have the most impact on Indigenous employment participation. He also believes that the more financial Aboriginal corporations have a moral duty to assist and build capability amongst those groups with less business aptitude.

Dean Leibelt, Business Development Manager for Antakirinja Matu-Yankunytjatjara Aboriginal Corporation (AMYAC) spoke similarly about the requirement for 'boots on the ground' interactions and especially effective from the early days of any opportunity. For groups without sufficient business capability, these skills should be brought in until the point where they are self-sufficient.

Dean specified the requirement for discussions to be held with the right people, in the right levels of the company and when dealing with sub-contractors the benefit of having the principal to act as the facilitator in these discussions to ensure the intent is not lost.

Both Chris and Dean spoke warily of entering into joint ventures, especially as being the junior partner of these can often be detrimental to the Aboriginal corporations. They were also both aligned on the benefit of 'carving off' parcels of work to be entirely managed by the corporations and the business capability that was developed through this process. Two of AMYAC Board members also echoed this sentiment, stating that this was the single most effective action in terms of developing capability in their corporation and believe this was the turning point for them

### Case Study Summary of Findings

- 1) **Intent** – It starts with intent and recognition that there is an opportunity to do something different and better. This needs to be driven from the top and throughout all levels of the business. The need for a change of mindset from Indigenous engagement in business as a threat to an opportunity to excel.
- 2) **Need** – It must be based on a genuine need. Otherwise it will not survive during changes in management, industry or policy.
- 3) **Develop Capacity** – A commitment to work with groups to develop their capabilities to deliver the required services and not rely on traditional procurement processes.
- 4) **Quality Contact** - the right people dealing with the right people in the right way, in the right place with the right frameworks.
- 5) **Procedural Fairness** – Develop an agreed process, preferably co-designed, to ensure shared value and mutual obligations.
- 6) **Distributional fairness** – Ensure the right people are responsible, accountable, consulted and informed throughout the process.
- 7) **Review** – Ensure processes are in place to manage performance throughout the organisation.
- 8) **Engage with Corporations** – Aboriginal corporations have a large reach and specific relationships could be developed with these with wide ranging impact.
- 9) **Develop Capability Early** – The early awarding of smaller contracts to develop the business acumen of the corporations. This develops internal capability and enables the business/corporation to expand to areas and contracts outside of the mining operation.



## Case Study 3 – Defence Sector

### Defence in South Australia – Intract Australia - Aboriginal contractors – a different perspective

This case study provides an insight into an Aboriginal owned, managed and controlled business delivering construction and maintenance contracts.

#### Background Information

Defence in South Australia is a large employer with over 100,000 employees and contracts out many activities, including base security, base upgrades, and base maintenance. Some Aboriginal employers have been successful in winning small and large subcontracts.

One of these companies, Intract Australia (Intract) was keen to talk to us about their experiences with the procurement processes they have undertaken. The General Manager SA, John Briggs, was our point of contact and a site meeting was coordinated. The aim of the meeting was to understand from the contractor's perspective how the various procurement opportunities work for an Aboriginal employer.



Mr John Briggs is a proud Yorta Yorta man from Cummrugunja, located on the Murray River border region between Victoria and New South Wales. John has an extensive work history, including work in the mining sector. It was during this time that John recognised a growing need for a company to be formed to help Aboriginal people gain work. An interesting piece of trivia is the fact that John's Uncle was Sir Douglas Ralph Nicholls KVC OBE and Governor of South Australia from 1 December 1976 to 30 April 1977.

John saw an opportunity, following the Federal Government's renewed focus on Aboriginal involvement in the economy to establish what became Intract. This opportunity, coupled with the Council of Australian Government's efforts to Close the Gap on the Indigenous Disadvantage (launched in 2008) and the strengthening of the Indigenous Opportunities Policy in 2011 has provided Intract with some success. With a business partner, and with support from McMahon Services (McMahon), John's vision was brought in to being in 2010. This vision was for Intract to provide meaningful, long-term skills and employment for Aboriginal people.

Intract is a 51% Aboriginal owned, managed and controlled enterprise delivering civil construction, building construction and building maintenance projects for clients across

Australia. Intract are recognised as a Certified Supplier for Supply Nation, Australia's first Aboriginal supplier diversity council.

The company is one of the largest employers of Aboriginal people in Australia with over 60 full-time employees. Employees include project managers, engineers, site supervisors, plant operators, tradespeople, labourers and administrators. 85% of all Intract's full-time employees are Aboriginal people, many from regional and remote Aboriginal communities.

John and his partner, Michael Rotumah, run the company. They have healthy discussions with their Board, but their focus remains on engaging and training Aboriginal people to undertake the work Intract wins contracts to complete. The Intract Board provides John and Michael the necessary freedom to run the company quite separate to the McMahon's parent.

### Procurement Process – Defence

Defence's procurement process for the type of work Intract is interested in is managed by the Estate and Infrastructure Group. This group manages all Defence's properties and bases across the region. Their budget is more than \$3 billion and they control 3 million hectares of land, more than 300 managed properties and over 25,000 buildings within South Australia.

This Defence Group usually contracts with large infrastructure companies to undertake work on and around the facilities Defence owns and/or manages. Companies like JLL or Aurecon. Defence usually tries to package large pieces of work as this proves more cost effective for both Defence and Industry. Small to medium enterprises like Intract would generally then sub-contract to those larger companies.

### Procurement Process – Intract View

John highlighted that the work with Defence was ad hoc and not long-term. As a result, Intract's partnership with McMahon's was vital. This allowed Intract to second their staff to McMahon projects in order to keep their workforce continually employed where possible. John felt any other SME would struggle in this environment due the sporadic nature of the work.

Intract also undertook other Federal Government work, mostly via the (IPP). This too was inconsistent work. But, over time John has developed relationships with larger employers that now means he is not reliant on work flowing from the IPP. John also felt Defence was easy to work with as they communicated well and worked with their supply chain, not just the head contractor.

To prosper without the McMahon link, Intract needs Government contracts to be more consistently let and/or longer-term pieces of work. Intract does not like to undertake labour hire. They wish to employ resources for the long term and offer them rewarding work as well as provide training as necessary.

John believes the current processes allow “black cladders” to operate freely in the sectors Intract works.<sup>28</sup> Many black cladding companies are shell companies that then sub-contract work to others. The result is no real increase in Aboriginals in the workforce. But the metrics will show money and opportunities flowing to an Aboriginal company.

John went on to say that his experiences at a State and Territory Government level were mixed. Intract has been very successful in The Northern Territory. There the Government has defined targets for government procurement from Aboriginal companies. The various Government Departments have targets to reach, which are enforced and reported against. Management is held accountable to these targets and key performance indicators.

Intract further said that their success with the South Australian Government was poor. While a large employer, and based in the state, they had only won one job worth about \$150,000 in eight years. John felt applying for contracts for less than \$220,000 was not a strategy for a successful business. They need larger, longer-term, contracts to be able to employ and train people. Ideally five-year contracts should be focused on and the types of work to be contracted considered more closely to match the abilities of the Aboriginal companies in the state.

### Aboriginal Workforce

John advised that employing an Aboriginal workforce was not easy and that it helped that he is part of and understands the Aboriginal culture.

Aboriginal workers often have suffered poorly in their years before coming to John. This stems from how the Aboriginal nation has been dealt with by the rest of the Australian population. When it comes to Defence-related work, often the contracts require a security clearance for all workers. Aboriginal employees can be disadvantaged by this. John told us of one worker who had a bad adolescence, resulting in jail time, and another that had a criminal record. This then made it impossible for the workers to get a security clearance. This restriction was considered harsh given the worker had been rehabilitated. There needs to be some relaxation of security clearance rules for those in this situation.

We discussed what was working well. John advised he felt Aboriginal youth were completing high school in greater numbers. The issue now was getting children into primary school and holding parents accountable for children remaining at school.

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<sup>28</sup> The term “black cladders” (or “black cladding”) was given to us by John in our interview. The term is also used in various research papers previously referred to. It is used to describe a company that creates a business structure where the shareholding percentage is technically enough to qualify as an Aboriginal business for preferential contracting purposes – but there is little to no involvement from Aboriginal people. The business is then usually run by a non-Aboriginal partner / shareholder.

## Case Study Summary of Findings

As a result of our discussions with Intract the following could be considered:

- 1) **Government targets** - State and Federal Governments establish targets for contracting Aboriginal employers and hold Government Departments accountable for achieving the set targets.
- 2) **Commitment to Reconciliation Action Plans** - Government Departments should consult their RAP and actually follow the RAP.
- 3) **Simplification of process** - Tendering processes need to be simplified. Some requirements need to be relaxed to ensure Aboriginal companies can respond to the tender and undertake the work and be sustainable.
- 4) **Definitions and a focus on employment** - Modify the definition of Aboriginal companies used by agencies like Supplier Nation to avoid “Black Cladders” winning work. In addition “black cladders” should be identified and disqualified from operating. The outcome needs to be increasing Aboriginal employment, not contracting Aboriginal owned companies.
- 5) **Modify tender opportunities** - Small contracts are not enough for companies to survive. Aboriginal companies need larger contracts and longer-term contracts. But not too large or risky, otherwise the same Aboriginal companies can no longer tender.
- 6) **Joint ventures and sub-contracts** - Relationships like those Intract has with McMahons are essential to get started and to increase capabilities over time. But eventually Aboriginal companies need to have their own independence.
- 7) **Improve communication** - Government Department procurement teams should meet with, communicate with and refocus procurement opportunities such that Aboriginal companies are better able to tender and compete. Consider awarding longer-term sustainable contracts to Aboriginal companies.
- 8) **Learning from others** - Liaise with Defence to see how they do business with Aboriginal employers either directly or indirectly.

## Expert Interviews

This section provides a brief summary of other key interviews undertaken that in addition to the case studies helped shape our recommendations.

Interviews are listed in the chronological order in which they were conducted in the process of gathering information and perspectives on the issue.

### Department for Premier and Cabinet Chief Procurement Officer – Justin Sara

An interview with the Department for Premier and Cabinet Chief Procurement Officer Justin Sara provided insight into the lack of data available.

This was confirmed by the Office of the Industry Advocate for Aboriginal Businesses in South Australia. The interview also provided vital information regarding the introduction of targets through the SA Industry Participation Policy launched in August 2017. Justin indicated that his department's target was likely to be set at 0.5%.

Various barriers for Aboriginal businesses in applying for government contracts identified included:

- the tender process and the skills required to write an application (including language skills)
- geographical separation where some Aboriginal populations reside and where Department of Premier and Cabinet requires goods and services
- difficulty finding Aboriginal businesses that provide the types of goods and services required (not found to be resolved by Supply Nation)
- financial viability test in tender process may present a challenge for small or emerging businesses

Justin suggested that evaluating government spend with Aboriginal business solely on the contract value might be restrictive on opportunities that are available to engage with Aboriginal businesses. For example, a large contract might have a portion of the work subcontracted out to an Aboriginal business and this should be encouraged.

Additional measures which could count towards the target included:

- work subcontracted to Aboriginal business by head contract
- goods sourced directly or indirectly from an Aboriginal business
- include value of Aboriginal employees engaged by contractor
- broadening the definition of an Aboriginal business.

## Office of the Industry Advocate for Aboriginal Businesses SA – research conducted on the organisation

The following discusses the community action project team's understanding of the role of the Industry Advocate's office in Advocating for Aboriginal Businesses in South Australia:

One of the roles of the Industry Advocate is to advocate for Aboriginal Businesses in South Australia. Various initiatives have been conducted by the organisation in the past 12 months including but not limited to; a major presence at the Indigenous Business Trade Fair (Friday 27 July 2018), a tender ready checklist linking resources and support for Aboriginal businesses, an online register for Aboriginal businesses and one on one support for all Aboriginal Businesses.

The Industry Advocate supports potential and current Aboriginal businesses within South Australia in engaging with State Government Organisations and tendering for contracts.

Businesses that employ a high number of Aboriginal people and those who engage Aboriginal businesses through procurement processes and therefore assist with Aboriginal economic participation may be eligible to be members of the Department of Industry and Skills (DIS), Governor's Aboriginal Employment Industry Cluster Initiative. The South Australian and Federal Indigenous Procurement Policies do not recognise these businesses as Aboriginal. They are not covered by the policies as they are not owned and/or controlled by Aboriginal people therefore they do not provide a direct mechanism for empowerment of First Australians.

Some issues faced by the Industry Advocate in supporting Aboriginal businesses are identifying businesses purporting to be Aboriginal businesses that are not, the collection of data on procurement and tender outcomes has not been collected as a data requirement was not identified which is why data is extremely difficult to collect from historical procurement processes.

Ensuring there is uniformity of data collection is currently being reviewed and improvements have been made to ensure the process captures all of the procurement spend with Aboriginal businesses without adding onerous reporting structures. Discussions have been held with the Department of Premier and Cabinet, Office of the Industry Advocate and the Heads of Procurement.

## Premier of South Australia and Office of the Industry Advocate for Aboriginal Businesses SA – Ian Nightingale

The recent change in government has resulted in the Premier also becoming the Minister for Aboriginal Affairs and Reconciliation. The Premier believes that this will provide a greater focus and lead to more Aboriginal economic outcomes under the Department Premier and Cabinet.

The South Australian Government is preparing a state-wide Aboriginal Affairs Action Plan. The Premier has requested each Department identify practical actions that will help Aboriginal economic participation and job creation over the next two years. His engagement with Aboriginal communities to date has identified that there are various plans and aspirations that have been set over time, and what the Aboriginal community are after is action.

The Premier believes an action plan should be set where all points are achievable in the next two years to encourage immediate action. Short-term positive results are required to counteract the lack of results in numerous “Closing the Gap” reports. Additionally, that the focus should be on what interests are aligned between State Government and Indigenous communities.

Targeted consultation will be undertaken on the draft plan and will include maximising opportunities for Aboriginal employment and procurement. This years GLF Don Dunstan Foundation project may help to inform the plan.

The Premier indicated he was in favour of target setting because it has worked at the Federal level. He has discussed Federal experience and the results achieved with Nigel Scallion the Minister for Indigenous Affairs. He stated that he believes that ‘You get what you measure’. Not just targets but a system to measure. He would like to see reports on these measures to come to his desk.

Ian Nightingale identified that if you get the policy settings right there would be results. The Office of the Industry Advocate was set up in 2013 to help individuals/organisations navigate the Departments and to help improve systems/process. Two key policies were merged together, the Aboriginal Business Procurement Policy and the Industry Participation Policy resulting in incentives for industry.

In terms of government procurement, Ian suggested measuring areas like:

- 1) how many times an agency approaches an Aboriginal business for opportunities that are valued under \$220k;
- 2) how many Aboriginal businesses are invited to quote for work; and
- 3) what were the outcomes of this.

The new policies have worked on large civil projects such as the Northern Connector that utilised Aboriginal businesses like Zancott Recruitment. The gap that has been identified is for remote and regional areas. If there are reporting targets for Chief Executive’s there is likely to be an increased drive for change. The statistics at the Federal level show this. Ensuring there

is system support for this like Basware (finance system) tracking. When we indicated that we have had issues accessing data, Ian indicated that he is happy to provide to us.

Before the end of the year the Premier would like to meet with the Senior Management Committee (CE's of Departments) with Ian to discuss a report card on this topic. There is an opportunity to reset and he believes that capacity building and jobs should be the key focus. It is easy to provide funding and grants but he doesn't believe that this provides a sustainable economic model. 'We have to try something different'. He will also consult with the Aboriginal Advisory Council.

The meeting with the Senior Management Committee would discuss Aboriginal procurement: where we are (report), what the framework is, target setting, how to track performance and the federal level experience. The Premier believes we need to focus on practical solutions and capacity building.



## Honours Student University of South Australia – Caitlin Gardner

Caitlin has completed her degree with The University of Sydney and recently moved to South Australia completing her Honours with The University of SA. An abstract she provided on her thesis is below:

*“My project will explore the use of Reconciliation Action Plans (RAPs) as an organisational mechanism to implement an Indigenous preferential procurement policy, where preferential procurement is the privileged consideration of a minority owned business in the award of procurement contracts. This research will examine why corporate organisations have chosen to adopt a preferential procurement policy, and what they expect from engaging Indigenous businesses in their supply chain. This will be supplemented by exploring buyer-supplier relationships from both the corporate buyer and Indigenous supplier perspectives.”*

Caitlin posed the question whether supporting Aboriginal businesses resulted in Aboriginal employment. She referred to a link between Indigenous businesses employing a higher proportion of Indigenous people in certain sectors but that procurement is focused on increasing small business.

Most people believe that increasing small businesses increases employment. However Caitlin suggested this was up and down in terms of the evidence. Small business have a life cycle that ebbs and flows and is usually defined as less than 20 staff compared to big business with less than 100 staff. A suggestion to maximise return on investment to improve employment is to focus on larger businesses as they can provide long term employment. Big businesses can offer long-term traineeships, not just short term. They can sustain employment.

The definition of an Aboriginal business can vary with but 50% ownership by an Aboriginal person satisfies most government departments and their requirements. Supply Nation’s definition requires greater than 50% ownership by an Aboriginal person/persons to be certified as an Aboriginal business. There appears to be no quota around employment to define an Aboriginal business. Caitlin referred to Warren Mundine as an advocate for this to provide more options for businesses to secure access to Indigenous procurement policies.

Additional barriers to Aboriginal businesses include: racism – whether overt or not and attitudes towards capacity which can lead to micromanagement. There is mandated consideration to procure from an Aboriginal business but another consideration is value for money and in a competitive market this may mean some Aboriginal businesses miss out as they have additional costs that need to be considered when employing Aboriginal people. In some instance the terms of payment can result in delays, so businesses may require credit facilities or capital in place which can be a challenge.

Large contracts under joint venture arrangements can build capacity and may be a more viable option for some Aboriginal business owners. However most contracts offered are very small which can present as a challenge.

### Clyde Rigney, Business Development Manager, Zancott Knight Facilities Management

Clyde Rigney is a proud Aboriginal man from the Ngarrindjeri Nation who currently works with Zancott Knight, an organisation that is 51% owned by Aboriginal people and is certified by Supply Nation. They are based in Adelaide and Clyde supports Aboriginal business development through partnerships. His extensive experience has been in senior management and executive roles.

Clyde believes that over the past 20 years there has been an understanding in his community of being provided opportunities in the form of programs in which you work and receive an income, but there has not been a program to change the mind set to one of commercialisation or entrepreneurship.

Hence, how can an Aboriginal develop a business without the skills or knowledge of how to start in this space, hold assets to back the business, develop commercial acumen and even if they hold these skills, who will finance the business. Aboriginal people do not have wealth behind them in the form of a home as the law only changed about 30 years ago such that they could purchase a home.

Clyde spoke of some Aboriginal businesses that have managed to become established with assistance. For example, an idea to grow native plants using infrastructure that was no longer being used was discussed with three potential Aboriginal groups. It was identified that they would not be scalable, couldn't guarantee restaurant quality as the market is quite fickle and prone to change and not able to guarantee the supply. However, there was potential to grow Australian flowers.

He advised that two of the groups opted out as they were not able to be financially viable, but the third, the Ngopamuldi Aboriginal Corporation took up the opportunity and have just signed a 20 year contract with the Australian Flower Investment Co who is a major exporter. They now employ 50 staff and the business is 100% owned by the local corporation.

This positive story is why Clyde believes there are more opportunities like this, such as a group who wish to partner with a community who would achieve a 10% return under a cockle fishing licence. They tried to get funding to expand their business but the question was asked of them how this would improve the overall community. He thinks a more commercial attitude is now required and opportunities to train and partner with businesses that will promote and provide training for Aboriginal people is necessary.

We discussed the new Industry Participation Policy. Clyde believes it will take time for Aboriginal businesses to scale up to the levels to take advantage of the opportunities provided by this policy before they can do this on their own. Due to this, collaboration through joint ventures are favoured.

### Parry Agius - Managing Director of Linking Futures

Parry Agius is the Managing Director of Linking Futures. Parry specialises in supporting Indigenous and non-indigenous communities, groups and enterprises to do business together; this includes promoting Aboriginal entrepreneurship in commerce, reconciliation action plans, providing cultural safety training, strategic and policy advice. Parry provides great leadership in Landcare and natural resource management.

Parry has an outstanding reputation and network of contacts across private industry, government and community organisations. He currently holds the positions of Senior Associate, D4G design for growth; Member Council, National Landcare Network Board; Senior Aboriginal Cultural Mentor, Nunkuwarrin Yunti of South Australia; Presiding Member, Alinytjara Wilurara Natural Resources Management Board; Native Title Commissioner, Environment Resources Development Court of South Australia; Dispute Resolution Practitioner, Federal Court of Australia and Community Relations Officer, Community Centres South Australia.

Parry is keen to see Aboriginal procurement and employment targets established with strong supporting policies across government. He believes that it is also important to measure progress against these to ensure the success of policies can be measured. Even if government departments start at a low percentage, at least there is a baseline measure. He indicated that with 17 government departments in the state, the impact could be significant.

Crucially he believes that procurement teams and project managers within government agencies are critical to Aboriginal businesses being awarded contracts and being invited to tender. If there are any barriers or blockages in this area (particularly attitudes), it could be very difficult to achieve targets. He believes that it is important to recognise that Reconciliation Action Plans (RAP) are separate from procurement policy but that RAP's can assist to create change.

Parry is supportive of the Senior Management Team and the Premier in playing a leadership role in helping drive the policy and outcomes in this area. He indicated that it would be important to measure the results of government policy in terms of how many Aboriginal businesses have been successful and unsuccessful and what percentage of spend goes towards Aboriginal businesses.

## Next Steps and Key Findings

A common thread observed throughout interviews and the case studies is the need for authentic engagement and for the leaders of organisations to be culturally aware and set the expectation for those values to be displayed throughout all levels of the organisation. Genuine commitment, communication with and early engagement with Aboriginal communities and businesses have all lead to successes within each of the case studies.

Based on the information collected from each of the three case studies, the experts interviewed and a review of literature the following key findings have been formulated to continue progression towards increasing Aboriginal economic participation. It is important to note that this report provides an important foundation and that broader stakeholder engagement would help to further shape these findings.

### 1) Targets and feedback mechanisms for outcomes

#### a. State government targets

The setting of federal government targets has resulted in an increase in government spending going towards Aboriginal businesses. At least four other states in Australia have set targets of between 1-3% with NSW and Western Australia setting a 3% increase in government spending by 2021. The previous Labour government in South Australia explored target setting for government departments to drive spending with Aboriginal businesses and encourage growth. With the change in government there is an opportunity to help shape and influence the new governments strategy towards Aboriginal procurement and target setting.

It is recommended that Aboriginal procurement targets be set based on value of spend across government departments in South Australia and progression towards those targets are measured and communicated. Feedback mechanisms place accountability on people who can influence change. To encourage buy in of all staff and involve a wider range of people for diversity of ideas, summarised results should be available to entire departments. Importantly, by sharing results this can encourage people to continue to work for desired outcomes by celebrating progression towards achieving the targets. There is a significant opportunity for the Premier, the Senior Management Committee and the South Australian Aboriginal Advisory Council to provide strong leadership in this area.

#### b. Private sector targets

There are an increasing number of businesses adopting Reconciliation Action Plans, which provides an organisation with a framework to contribute to reconciliation and improve the cultural awareness of the organisation.

Complementing a Reconciliation Action Plan with targets for procurement from Aboriginal businesses, has the capacity to focus organisations to create greater cultural appreciation and awareness amongst staff, help shape and influence the culture of an organisation, remove

some of the barriers to Aboriginal procurement and increase spend with Aboriginal businesses. Additionally, results of targets and actions should be reported back to staff within the organisation to encourage accountability and progression.

c. Activity based targets and reporting

To enable analysis of where policies are succeeding and where challenges lie, it is recommended that data collected is not limited to the financial value of contracts. Such measurements could include:

- Number of quotes received from Aboriginal businesses
- New Aboriginal businesses approached
- % Aboriginal employment within businesses.

By including activity targets in addition to financial targets there is an opportunity to both reduce unintended consequences of targets and encourage progression past achieving the minimum financial target set.

## 2) Collection of data

Whilst targets are important, it is essential to measure and report on progress against targets that are set. To date there has been difficulty obtaining data on Aboriginal procurement at both the State and Federal levels. Whilst some state Departments have identified current levels of spending towards Aboriginal businesses, the systems and processes do not support the easy collection and collation of this data.

It would be advantageous in working towards the objective for data collection and reporting to be simplified for government departments.

Businesses in the private sector who subscribe to a Reconciliation Action Plan should also build into their systems the ability to collect data on business engagements with Aboriginal businesses.

## 3) Broaden scope of targets from ownership

a. Employment

Whilst Aboriginal ownership can result in a culturally aware workplace and increased percentage of Aboriginal employment, this is not the only avenue that should be addressed to increase Aboriginal economic engagement. Requiring a minimum percentage of Aboriginal employees to qualify as an Aboriginal business in addition to the ownership criteria, may address unintended consequences of the ownership target.

Additionally, this highlights the target's intent to increase employment opportunities for Aboriginal people as a consequence of increasing business opportunities. An important flow on effect is the collection of employment data which can be used to raise awareness.

b. Subcontracted work

A barrier for Aboriginal businesses to win, or even to apply for, tenders can be access to sufficient resources. Capacity building a business through joint ventures with other organisations or subcontracting to perform a portion of a contract can be an important avenue.

Based on this principle, measuring sub contracts and partnerships with Aboriginal business should be data that is collected and included in targets.

#### **4) Advocate for a liaison officer to represent groups of Aboriginal businesses**

A state funded advocate appointed to engage with Aboriginal businesses in navigating the procurement processes would provide numerous benefits including:

- Their understanding of the tender process would reduce red tape encountered by these businesses;
- As the officer would understand each business' capacity and only identify and assist with tenders that match current capabilities, the risk to the engaging organisation would be reduced;
- As the officer is not involved in operations, they are able to look forward for future opportunities while the business is completing its contract. Thus, helping to smooth the workload and ensure continuation of contracts; and
- Government is required to be seen to be fair and not favouring one business over another in the tendering process. If all business owners meeting the above definition are invited to a workshop/business meeting with the liaison officer and each department with the view to educate and create relationships between business and government this would alleviate any perceived bias and gain greater understanding of the issues.

#### **5) Leader's Forum for Government, Industry and Aboriginal business owners**

We recommend a round table discussion between influential organisations such as the Don Dunstan Foundation, State Government, the Office of the Industry Advocate, industry leaders in Aboriginal engagement and Aboriginal business owners to discuss opportunities to partner and raise awareness in this area. There may be an opportunity for these organisations to establish a formal partnership, action plan or agreement.

# Recommendations for the Don Dunstan Foundation

## 1) Working in Partnership

The Don Dunstan Foundation and the Office of the Industry Advocate both share a common goal to improve Aboriginal economic participation in South Australia. Both organisations play a critical role in advocacy and influence with the ability to have significant impact on this agenda and have limited resources. By working together on common goals and objectives these two organisations could have a significant impact on this agenda. We recommend that the Don Dunstan Foundation meet with Ian Nightingale, The Industry Advocate to discuss the opportunity to partner to raise awareness in this area. There may be an opportunity to develop a Memorandum of Understanding to support this partnership.

## 2) Influence across government

As indicated above the setting of government procurement targets at the Federal level has resulted in significant growth in Aboriginal businesses benefiting from government spending. The Don Dunstan Foundation has always played a valuable role in influencing and helping to shape government policies and agendas. We recommend that the Don Dunstan Foundation meet with the Premier to discuss opportunities to provide input into the Aboriginal Affairs Action Plan and the setting of state-wide government procurement targets based on a growth approach to these. Further discussions regarding actions plans and targets should also involve the South Australian Aboriginal Advisory Council.

## 3) Creating networks and dialogue for change

The Don Dunstan Foundation is well placed to facilitate and host a Leader's Forum or roundtable discussion that brings government, industry and Aboriginal businesses together to discuss opportunities to help improve Aboriginal procurement opportunities. In Victoria the Victorian Aboriginal Economic Board hosted an Aboriginal procurement series to discuss and promote the growth of Aboriginal businesses. In addition to the above, an event or series of events that build on the recent Noel Pearson Don Dunstan Dialogue that aims to exchange knowledge, make connections and collaborate on Aboriginal procurement opportunities could be considered.

# Risks

As with all activities, any approach taken comes with inherent risks. For our report we have taken the Australian/New Zealand Standard ISO 31000: 2018 to manage the risks we have identified while developing this report.

Therefore, our identified risks are defined as the effect of uncertainty on objectives.

The following table provides the definitions we used to determine the likelihood of a risk occurring and then the consequence should that risk occur. The combination of these two measures will result in a “level” of risk. This level of risk aids management decision making in order to address a risk.

Number	Name	Description	Likelihood	Consequence	Risk	Mitigating Activity
1	State Government Targets	There is a risk that Aboriginal employment will not increase if the Government does not apply a reasonable target	Likely	Critical	Extreme	Government should apply a reasonable target to its procurement activities to engage Aboriginal companies to win work, resulting in an increase in Aboriginal employment.
2	Measuring Outcomes	There is a risk that if outcomes are not measured appropriately that KPIs will not be achieved	Possible	Moderate	High	Government should ensure they measure the right KPIs to ensure the outcomes they are after are achieved.
3	Flexibility in Approach	There is a risk that Aboriginal employment KPIs will not be met if Government Agencies are not able to apply flexible approaches to account for the different Aboriginal employers	Possible	Moderate	High	Government Agencies should have flexibility to engage Aboriginal companies, both small and large, to ensure packages of work are appropriately sized and are of sufficient duration to encourage an increase in Aboriginal employment
4	Data	There is a risk that if the right data isn't collected and shared, that Aboriginal employment KPIs will not be measured appropriately and therefore KPIs not met	Likely	Major	Extreme	Government should ensure they gather the right data in the right format to allow KPIs to be accurately measured.
5	KPIs	There is a risk that KPIs will not be met unless failure to meet KPIs is not penalised	Likely	Critical	Extreme	Government should ensure management teams are penalised if they do not meet agreed to KPIs. If management teams continually exceed KPIs, then they should be rewarded.
6	Aboriginal Companies	There is a risk that Aboriginal companies can be structured such that they meet the definition of an Aboriginal company to win work, but Aboriginal employment does not increase	Almost Certain	Critical	Extreme	Government should ensure that Aboriginal companies are investigated and audited to ensure they are maximising Aboriginal employment by growing the employee numbers, not by highlighting ownership of greater than 50% of the company by an Aboriginal.
7	Don Dunstan Foundation	There is a risk that the Don Dunstan Foundation will lose influence with Government regarding Aboriginal Issues if they do not action the Report Recommendations	Possible	Critical	Extreme	The Don Dunstan Foundation should engage with stakeholders as appropriate to execute the Report recommendations

Once we determine the level of risk, we can determine what actions should be taken to reduce the risk to a lower, more acceptable level. The following Table provides the guidance we decided to approach to address our risk levels.



Risk Management Action	
Risk Level	Response
<b>Extreme</b>	Immediate action required to reduce risk to acceptable level. Senior management to monitor the risk and mitigation activity often to ensure risk is reduced to acceptable level
<b>High</b>	A Mitigation Plan will be developed with the aim to reduce risks to as low as practical. The effectiveness of the risk mitigation strategies will be periodically monitored
<b>Medium</b>	A Mitigation Plan shall be developed. Control strategies implemented and periodically monitored
<b>Low</b>	Manage by routine processes and procedures and monitor periodically

We then identified the risks from our report. These risks were drawn from our recommendations. We subjectively assessed the likelihood and consequence based on the tables above and the overall risk was calculated. Based on the risk level, we recommended a mitigating approach to reduce the likelihood and/or consequence of that risk. This then results in a small list of activities Government and private companies can focus on to ensure Aboriginal employment is increased.

		likelihood				
		The event may occur only in exceptional circumstances	Not expected, but the event may occur at some stage	The event could occur at some stage	The event will probably occur in most circumstances	The event is expected to occur, or has occurred and is continuing to impact
		Rare	Unlikely	Possible	Likely	Almost Certain
Aboriginal employment is not increased	<b>Critical</b>				<b>Extreme</b>	
Aboriginal employment increases but only by a small percentage	<b>Major</b>			<b>High</b>		
Aboriginal employment increases but by at least 20%	<b>Moderate</b>		<b>Medium</b>			
Aboriginal employment increases but by at least 30%	<b>Minor</b>	<b>Low</b>				
Aboriginal employment increases but by at least 50%	<b>Insignificant</b>					

# Appendices

## Appendix 1 - Stakeholder Analysis

The stakeholders listed in this table all have a part to play in the core goal and their order is arbitrary and does not signify influence or importance.

Stakeholder	Interest in Aboriginal Economic Engagement
Aboriginal Families	<p>Due to restrictions the Australian government imposed on Aboriginal people, the transfer of land between generations and intergenerational wealth was suppressed. It is generally accepted that intergenerational wealth creates more opportunities for a young person including access to a higher level of education.</p> <p>An increase in Aboriginal economic engagement, may assist in building intergenerational wealth and opportunities.</p> <p>Improving Aboriginal economic engagement of an individual person will have a flow on effect to their family and assist in intergenerational wealth creation.</p>
Aboriginal Communities	<p>The history of British settlement and the Australian government policies imposed on Aboriginal communities has resulted in economic disadvantage for Aboriginal people.</p> <p>Whilst increasing economic engagement doesn't change historical events, it is a step towards closing the gap.</p> <p>Involvement in the economy facilitates input into the wider community and an increased opportunity to influence activities occurring on traditional lands.</p> <p>Self-determination, recognition, acceptance.</p>
South Australian Community	<p>The South Australian community recognises the importance of improving the economic participation of Aboriginal people to the health and well-being of Aboriginal communities.</p> <p>A significant economic gap exists between Aboriginal and non-Aboriginal people in Australia. Society recognises that there is a high reliance on social welfare.</p> <p>Furthermore, investment in Aboriginal economic engagement has been found to have a significant payback in the form of a reduction in social welfare payments. A saving in funding by addressing these issues could then be used to support other closing the gap challenges.</p>

Aboriginal Employers	<p>An increase in economic opportunities is likely to result in capacity building of people within the business and allow for business expansion.</p> <p>Business growth provides resources for Aboriginal Employers to enhance the positive social impact they make. This impact could include; setting an example for non-indigenous businesses on creating culturally diverse workplaces, increased employment of Aboriginal employees and assisting other Aboriginal businesses.</p>
Government Organisations	<p>Federal government:</p> <p>Aims to increase Aboriginal economic engagement through policy such as the Indigenous Procurement Policy (IPP).</p> <p>Is held accountable for meeting targets of IPP through the Slice of Pie website which tracks Commonwealth contracts awarded to Aboriginal businesses.</p> <p>State government:</p> <p>Industry Participation policy targets engagement of Aboriginal business participation through exemptions and increased weighting of procurement for Aboriginal businesses.</p>
Don Dunstan Foundation	<p>The strategic plan for 2016-2020 for the Don Dunstan foundation identifies “Initiating and coordinating the development of an Aboriginal economic blueprint” as an area of need in its priorities.</p> <p>Facilitating an increase in Aboriginal economic engagement demonstrates commitment to the strategic plan and adhering to the ideals and legacy of the late Premier Don Dunstan.</p>
Leaders Institute of South Australia	<p>In providing avenues for potential and established leaders to develop their skills, the Leaders Institute of South Australia encourages positive social impact of its participants.</p> <p>Participation in increasing Aboriginal economic engagement in South Australia demonstrates value of training provided by Leaders Institute.</p>
Private Business	<p>Private sector businesses are increasingly committing to Reconciliation Action Plans as a response to society pressures to make positive social impacts and have a focus beyond financial profits.</p> <p>South Australia’s ageing population creates demand from businesses to access new sources of employment.</p>

	Furthermore, constant change and a dynamic landscape requires creative solutions which can be incubated by employing diversity within the workforce.
Procurement Staff	<p>Procurement staff in government:</p> <p>The Indigenous Procurement Policy as well as state government targets have been set to guide procurement staff to increase contracts awarded to Aboriginal Businesses. Procurement staff are interested in ensuring that procurement policies and procedures of transparency and competitive value are followed and this doesn't always assist with the adaptive approach required for the engagement of Aboriginal contractors.</p> <p>To meet these targets, procurement staff must source Aboriginal businesses that have the resources and capacity to fill contracts. Thus, an increase in Aboriginal economic engagement is likely to increase the size and number of Aboriginal businesses applying for contracts, in turn assisting to achieving targets.</p> <p>Procurement staff in private:</p> <p>Whilst the private sector doesn't have targets imposed on it, many businesses have Reconciliation Action Plans that encourage procurement staff to be aware of the potential of engaging Aboriginal businesses as suppliers.</p>
Project Managers	<p>Project managers interests lie in achieving project milestones and outcomes within timeframes and budget. The success of many projects relies on achieving positive community engagement to achieve a social license to operate. In many cases this includes Aboriginal community relationships.</p> <p>Achieving Aboriginal economic outcomes may also help achieve RAP, diversity and inclusion and procurement targets.</p>

## Appendix 2 – Interview record

The interview record below is presented in chronological order.

Name	Organisation	Position
<b>Experts in their field</b>		
Justin Sara	Department for Premier and Cabinet	Chief Procurement Officer
Ian Nightingale	Office of the Industry Advocate for Aboriginal Businesses SA	Industry Advocate
Sue Panagaris	Office of the Industry Advocate for Aboriginal Businesses SA	Industry Participation Consultant
The Hon Steven Marshall MP	Government of South Australia	Premier
Caitlin Gardner	University of South Australia	Honours Student
Clyde Rigney	Zancott Knight Facilities Management	Business Development Manager
Parry Agius	Linking Futures/ Alinytjara Wilurara NRM Board	Managing Director / Presiding Member
<b>Case Study 1</b>		
Brett Pendelberry	Department for Environment and Water	Project Manager for the SE Flows Project
Lachlan Sutherland	Department for Environment and Water	Manager Aboriginal Engagement and Reconciliation
Bob Furner	South Australian and Northern Territory Governments	Former project manager for the SE Flows Project
Mary-Anne Healey	Department for Environment and Water	Regional Director, Natural Resources Alinytjara Wilurara
<b>Case Study 2</b>		
Andrew Cole	OZ Minerals	Managing Director and Chief Executive Officer
Geoff Deans	OZ Minerals	Group Manager Social Performance
Dean Leibelt (and Board Members)	Antakirinja Matu-Yankunytjatjara Nominees	Business Development Manager
Chris Larkin	Kokotha Aboriginal Corporation	Chairman
<b>Case Study 3</b>		
John Briggs	Intract Australia	General Manager Southern Region

### Appendix 3 – Sample Interview Questions

1. Tell us about your involvement with Aboriginal employment and contracting.
2. Can you briefly describe the project you worked on?
3. In what ways were Aboriginal people engaged with the project, either through consultation or employment.
4. How was the procurement process managed?
5. What has been achieved in terms of Aboriginal engagement and employment?
6. Was there assistance provided by the Department to increase Aboriginal participation with this project?
7. What led to the success of Aboriginal engagement in this project?
8. Were there areas we could improve in terms of Aboriginal participation or any unintended consequences?
9. What are the barriers to increasing Aboriginal procurement? How could the process be streamlined or improved?
10. Does the Department provide feedback to Aboriginal businesses regarding the procurement process? Or any other support?
11. Are there Department Aboriginal procurement targets set? Is there data available on Aboriginal procurement?
12. Does your organisation have a Reconciliation Action Plan?
13. Did you undertake cultural awareness training and was this helpful?
14. Is there anything further you'd like to add that we didn't get a chance to cover in terms of how we might achieve an increase in Aboriginal economic activity?

## Appendix 4 - Office of the Industry Advocate for Aboriginal Businesses SA

The benefit of genuine Economic Participation to Aboriginal South Australians resulting from Commonwealth, State and Local Government expenditure can be critical element to self-determination. Aboriginal businesses are 100 times more likely to employ Aboriginal people, so the growth of the Aboriginal Business Sector is integral to increasing Aboriginal employment and in particular apprenticeship and traineeships.

In 2016 the South Australian Industry Advocate assumed responsibility for the Aboriginal Economic Participation Initiative in South Australia. In August of the following year, the South Australian Industry Participation Policy (SAIPP) was revised to incorporate the Government's Aboriginal Economic Participation objectives into a single comprehensive framework.

This meant Aboriginal Economic Participation was now part of the mainstream government procurement policy.

The SAIPP also establishes a structure by which obligations are placed upon recipients of concessions and other support from the Government with private sector projects to provide opportunities for local businesses and employment.

The Industry Advocate is a Statutory Authority and the Industry Advocate Act 2017 gives the Advocate power to investigate contract non-compliance and provides Legislative power to issue Directions to rectify non-compliance.

This extends to commitments made during the tender process with regard to the promised engagement of an Aboriginal workforce and/ or Aboriginal businesses in the supply chain of State Government funded strategic projects.

The Aboriginal Economic Participation component of the SAIPP has the potential to further reduce red tape for Agencies and increase their procurement spend with Aboriginal businesses in South Australia. Notably, the procedural guidelines for this policy outline the requirements on Responsible Government Agencies (RGA) to seek to expand the economic opportunities for South Australia when applying the Policy, and that government agencies are encouraged to go further than the minimum requirements.

The SAIPP also specifically identifies in subsection 4.5 Aboriginal Economic Participation through Procurement with a focus on developing whole of Government procurement practices. This includes opportunities for RGAs to procure directly from an eligible Aboriginal business for contracts up to \$220,000 provided it is a value-for-money quote.

Since April 2016, a dedicated Industry Advocate Consultant – Aboriginal Business has delivered on the objectives of the Aboriginal Economic Participation Initiative and assisted the growth and diversification of the Aboriginal Business Sector. The role is to provide an interface between Aboriginal businesses, State Government and industry and encompasses working relationships with:

- Approximately 80 Aboriginal owned businesses in SA to raise their capacity, capability and profile with a view to winning State Government contracts with the long-term goal of these business increasing their Aboriginal workforce;
- State Government Agencies to assist them to meet their Aboriginal Procurement Targets;

- Primary Contractors to align suitable Aboriginal businesses to nominated work packages in State funded projects in SA;
- State Government contract managers across projects with an Industry Participation Plan to ensure proponents meet their contractual obligations with regard to engagement with Aboriginal businesses in their supply chain; and
- Federal counterparts in an as needs basis to assist with delivery of initiatives; and
- Facilitating Joint Ventures between Aboriginal business and culturally appropriate capacity partners. Increasing Aboriginal employment opportunities is a primary objective of these arrangements.

Since April 2016 the Office of the Industry Advocate has worked with State Government Agencies to identify further opportunities within their forward procurement plans for Aboriginal Enterprise participation and align the buying requirements to suitable Aboriginal businesses. During this time the percentage spend on goods and services with Aboriginal businesses as a percentage of total spend reported in Basware has increased from 0.17% in June 2015 to 0.34% in June 2018. While the SAIPP has proven successful there is still more that can be done by government to increase Aboriginal economic participation through procurement.

On 30 November 2016 the Chief Executives Group on Aboriginal Affairs (CEGAA) agreed to assist the economic participation of Aboriginal people in South Australia by identifying and providing procurement opportunities within their RGAs. This would be driven by the setting of Aboriginal Procurement targets as a percentage of each Agency's total procurement.

It was proposed by the Industry Advocate that in addition to Aboriginal procurement spend, RGAs would be asked to provide the following:

- The number of times SA Aboriginal businesses were invited to quote
- The number of contracts awarded to Aboriginal businesses in SA
- The number of times increased weighting has been used for an Economic Contribution Test (ECT) or an Industry Participation Plan to provide greater opportunity for Aboriginal owned and operated businesses.

Requesting this additional information from the RGAs would allow OIA to measure the effectiveness of the SAIPP with regard to Aboriginal economic participation. By establishing meaningful targets and reporting against these targets to the Office of the Industry Advocate (OIA) will be able to determine whether there has been a genuine increase in the number and diversity of Aboriginal owned and operated businesses winning Government work.

While increased spend is a measure of Aboriginal economic participation, it does not provide the complete picture or encourage the Agencies to utilise the Aboriginal Economic Participation Policy to its maximum benefit to Aboriginal businesses.

Resources are available to assist Government and Industry procurement staff to source Aboriginal businesses to meet their supply chain requirements. One of these is Aboriginal Business Connect ([www.aboriginalbusinessconnect.com.au](http://www.aboriginalbusinessconnect.com.au)), a State government owned / Supply Nation administered online business directory. This portal provides the names, industry sector and contact details for Aboriginal businesses with an office and workforce in this State.



Supply Nation has a detailed auditing process in place for Registered and Certified Suppliers to ensure the continuing ownership of the business by verified Aboriginal owners. Supply Nation (formerly Australian Indigenous Minority Supplier Council) is a non-profit organisation that aims to grow the Aboriginal business sector through the promotion of suppliers in Australia and the host organisation of Aboriginal Business Connect. Supply Nation certifies Indigenous businesses as being genuinely Indigenous by establishing that they owned, managed and controlled by Indigenous people (Indigenous businesses are Registered with Supply Nation first, which requires 50% minimum Indigenous ownership. Eligible businesses can then elect to be certified, which requires 51% ownership, management and control by Indigenous people. In South Australia presently of the over 90 business listed, 9 businesses have been Certified and the remainder are Registered.

Once an Indigenous business is certified it is able to use the Supply Nation certification logo on its marketing material, access the corporate and government Member database, and get discounted rates to Supply Nation events and workshops. Supply Nation has certified 345 Indigenous businesses, covering nearly every industry sector. Supply Nation is part funded by the Federal Government and partly by an annual membership fee to its corporate, government, and non-profit members.

Any feedback that indicates suspicion of the Indigenous status of a company registered on Aboriginal Business Connect will be thoroughly investigated by Supply Nation. Where it is concluded that false information has been provided, the business will be removed from the site.

If Supply Nation finds that a business should not be registered, the business will be immediately de-registered. In cases where there may have been fraudulent activity leading to registration, legal proceedings, or referrals to the police in relation to suspected criminal offences, may also be considered.

Below is a list of other business supports for Aboriginal people currently delivered by the State and Federal Government along with Industry:

**The Industry Advocate** database which allows Aboriginal businesses to receive industry news and event notification that assist in winning procurement opportunities with the South Australian government through subscription to the newsletter <http://bit.ly/OIA-MailingList>

**Indigenous Business Trade Fair** (hosted Friday 27 July 2018 in Adelaide)- this Federally funded event provided an opportunity for 450 attendees to meet over 60 Indigenous businesses supplying goods and services in a broad range of sectors, including building, business, catering, cleaning, education and training, facilities management, legal services, logistics, promotional event management, human resources, security and travel.

**South Australian Product** register designed to connect architects, quantity surveyors, and builders access to information about locally manufactured and supplied products and where appropriate incorporate; local products into design specifications. This is a free online tool you can register to identify products manufactured and supplied from within South Australia <https://industryadvocate.sa.gov.au/sa-product-register>

**SA Tenders** is a State Government site that lists tender opportunities across major agencies and some local government agencies, businesses can register for email alerts that notify of

tenders as they are released, this is a daily service ensuring businesses will never miss the most current information <https://www.tenders.sa.gov.au/tenders/index.doc>.

**Indigenous Business Australia** (IBA) provide a number of free workshops including Tender Preparation Tax and Marketing. These full day workshops delivered in Adelaide provide business development knowledge to assist local Aboriginal businesses. <http://www.iba.gov.au>.

**The Industry Capability Network** (ICN) an online portal that allows agency procurement staff and contractors of large infrastructure projects to search for suitable sub-contractors. Registration is free <https://gateway.icn.org.au>

The South Australian government also provide support through **Business SA** where small businesses, approximately 143000 in SA can receive information and advice on starting a business, running a business, grants and support, protecting your business and winning work with Government <https://business.sa.gov.au/>

**Many Rivers** - is a not for profit microenterprise development organisation that exists to help Indigenous and other Australians to establish and develop small businesses by providing business and relevant fiscal support.

*The information above was provided to members of the Governor's Leadership Program by Ian Nightingale, the Industry Advocate and Sue Panagaris, Industry Advocate Consultant-Aboriginal Business.*