

FVTOC Project 3 – Indigenous business sector growth potential

Cost Benefit Analysis

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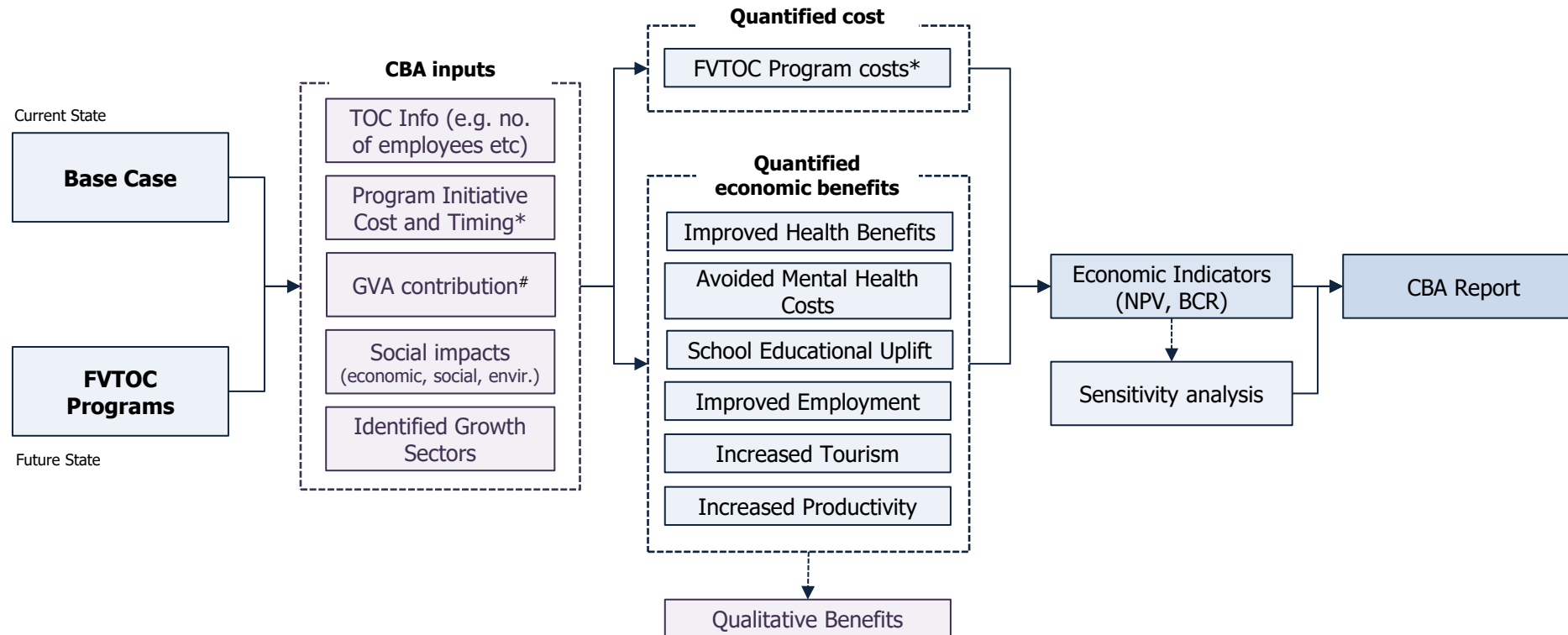
Report Overview

Scope and Alignment

- This report presents the results of a cost benefit analysis (CBA) supporting FVTOC to identify the value and potential impact of Indigenous business sector growth (Project 3)
- The CBA is based on the stakeholder consultation, analysis and research undertaken by various organisations through:
 - Project 1: State of play of the Victorian Aboriginal economy
 - Project 2: Sector specific analysis
 - Project 3: Indigenous business sector growth potential
- Where possible, the CBA uses research and established models that have been tested in previous Government submissions
- Where there are information gaps, assumptions have been made to allow quantification of impacts
- The information from all three projects will be synthesised into an Economic Development Roadmap for Victorian Traditional Owner Corporations (Project 4)
- This CBA is to be read in conjunction with the SGS, Greenshoot Consulting and Value Advisory Partners reports supporting Project 3

Cost Benefit Analysis

Methodology



Aboriginal employment Gross Value Added (GVA) contribution
* provided by the Value Advisory Partners in consultation and collaboration with Greenshoot Consulting and SGS

Cost Benefit Analysis

Key Parameters

Item	Assumption	Source
Base year	2024/25	Department of Treasury and Finance (DTF) Economic Evaluation – Technical Guidance (2013)
Appraisal period	40 years	Standard approach for economic appraisals of this nature DTF Economic Evaluation – Technical Guidance (2013)
Discount rate	4% central case, with sensitivity tests for 3% and 7%	Table 7 DTF’s recommended discount rate for provision of goods and services in traditional core service delivery areas of government, such as public health, justice and education. The benefits of these projects can be articulated but are not easily translated to monetary terms. DTF Economic Evaluation – Technical Guidance (2013)

Program Initiatives

- This section summarises the proposed program initiatives that underpin the CBA:
 - Timing for delivery
 - Funding required

FVTOC Program Initiatives

Program	Description
Initiative 1: First Peoples Business Skills and Entrepreneurial Program	Designed to support Victorian TOCs develop and retain the business and entrepreneurial skills that they need to build and grow Indigenous businesses according to their strategies and priorities
Initiative 2: Supporting Excellence in Cultural Governance - Practice and Capability	Offer resources and training for TOC Boards and Business directors that are aligned with cultural values
Initiative 3: Supporting Excellence in strengthening Culture, Identity and Wellbeing	Support TOCs in the protection, development and running of cultural programs for First Peoples
Initiative 4: Business Incubation Service	Establish a TOC business incubation service that is First Peoples controlled. The model may need to be mobile and have a network that is statewide but be available to travel to the regions close to where TOCs are
Initiative 5: Tourism Infrastructure Fund	Aims to invest in and grow the potential of the Indigenous visitor economy and support TOC tourism and cultural businesses. To increase participation and employment in Indigenous Tourism and to grow the Aboriginal economy
Initiative 6: Financial Corporation	Act as a financial institution to support self-determination of TOCs.

Program timing and funding requirement

Program	Start year	No. of Years of funding	Cost of Investment (\$m) per annum
Initiative 1: First Peoples Business Skills and Entrepreneurial Program	2027	4 years	\$6.6
Initiative 2: Supporting Excellence in Cultural Governance - Practice and Capability	2027	8 years	\$0.64
Initiative 3: Supporting Excellence in strengthening Culture, Identity and Wellbeing	2030	8 years	\$5.5
Initiative 4: Business Incubation Service	2030	8 years	\$1.6
Initiative 5: Tourism Infrastructure Fund	2030	8 years	\$10.0
Initiative 6: Financial Corporation	2033	12 years	\$11.0

Direct and Indirect Economic Benefits

Modelling assumptions

- This section outlines the models and assumptions that support the quantification of benefits

Improved Health and Wellbeing

Benefit	Improved Health and Wellbeing Outcomes for First People Population	
Benefit drivers	Providing improved quality of education and increased First Peoples community engagement, resulting in improved health, including mental health and wellbeing of the First People Population and reduced health system burden	
Quantitative - Tangible Indirect benefit	Initiative 1: First Peoples Business Skills and Entrepreneurial Program Initiative 3: Supporting Excellence in strengthening Culture, Identity and Wellbeing	
Calculation	<p>Allied Health Benefit: $\sum (\text{Number of consumers impacted}) * (\text{Disability weight} * \% \text{ reduction in burden of disability due to improved quality of workforce} * (1 - \text{proportion of consumers who would have been treated otherwise})) * \text{Value of Statistical Life Year}$</p> <p>Mental Health Benefit: $\sum (\text{Proportion of First Peoples population impacted}) * \text{Number of reduced MH beds required} * \text{cost per MH bed}$</p>	
Inputs and assumptions	<p>Population of allied health consumers</p> <ul style="list-style-type: none"> Number of allied health First Peoples consumers in each region of TOC catchments <p>Mental Health (MH) system costs</p> <ul style="list-style-type: none"> \$903.56 is the cost per day per acute mental health bed 18.3% of Victorian First Peoples population per annum suffer from MH 5% reduction of First Peoples population in mental health episode 	<p>Benefit start year: 2028/29</p> <p>Reduction in disability burden for allied health consumers</p> <ul style="list-style-type: none"> 0.19 notional disability weight, in line with Acute definitive geriatric medicine 5% reduction in disability burden 98% of consumers who would have been treated within a reasonable time period in the absence of the Project, hence this benefit is limited to 2% of consumers \$239,662 Value of Statistical Life Year (2024)
Sources	<ul style="list-style-type: none"> ABS and profile ID Health Infrastructure NSW (2021), HI CBA Toolkit and VSLY updates Australian Institute of Health and Welfare (2021) 	<ul style="list-style-type: none"> https://www.aihw.gov.au/reports/primary-health-care/medicare-subsidised-health-local-areas-2019/data https://oia.pmc.gov.au/resources/guidance-assessing-impacts/value-statistical-life#:~:text=Based%20on%20international%20and%20Australian,is%20%24235%2C000%20in%202023%20dollars.

School Educational Uplift

Benefit	Increase primary/secondary student understanding of First People Knowledge and Cultural awareness	
Benefit drivers	Increased TOC activity and engagement with primary and secondary students. Improve cultural awareness and understanding of First Peoples Knowledge.	
Quantitative - Tangible Indirect benefit	Initiative 3: Supporting Excellence in strengthening Culture, Identity and Wellbeing Initiative 4: Business Incubation Service Initiative 5: Tourism Infrastructure Fund	
Calculation	Σ (Increased number of sessions per annum * number of students * WTP value)	
Inputs and assumptions	<ul style="list-style-type: none"> Based on 'willingness to pay' (WTP) consumer surplus model Number of students per school engaged with TOC educational sessions 	<ul style="list-style-type: none"> Benefit start year: 2029/30 5 additional sessions per week each have 150 students (i.e. entire grade) for 40 weeks Indicative WTP value of \$12.00 per student based on the midpoint between the 2 and 6 hour priced sessions
Sources	<ul style="list-style-type: none"> https://www.wurundjeri.com.au/wurundjeri-indigenous-cultural-education-sessionicat-master-form/ 	

Improved Employment

Benefit	Improved employment across the state	
Benefit drivers	Based on high First Peoples unemployment with socio-economic disadvantages. An increase in education levels will have a positive effect on employment. The benefit is the difference in the minimum wage and the job seeker allowance, for a proportion of First Peoples population.	
Quantitative - Tangible Direct benefit	Initiative 1: First Peoples Business Skills and Entrepreneurial Program Initiative 4: Business Incubation Service Initiative 5: Tourism Infrastructure Fund	
Calculation	Σ (Total First People population unemployed) * (minimum wage – job seeker allowance) * (percentage assumed to have gained employment)	
Inputs and assumptions	Population <ul style="list-style-type: none"> The number of First Peoples population unemployed in 2024 (#3,186) <ul style="list-style-type: none"> Unemployment rate of 6.1% Working population 62% of First Peoples population of 83,890 Benefit start year: 2028/29 	Income <ul style="list-style-type: none"> Minimum annual wage \$47,621.60 (national minimum wage is \$24.10 per hour or \$915.80 per 38 hour week (before tax) Job seeker allowance \$778.00 (single, no children) Benefit limited to a moderate 1% assumed to achieve gainful employment and avoid unemployment benefits through initiatives, allowing for other influences and factors
Sources	<ul style="list-style-type: none"> Census, Australian Bureau of Statistic (ABS) Fairwork Ombudsman as at 1 Jul 2024 Commonwealth Government Job Seeker Allowance as at September 2024 	<ul style="list-style-type: none"> https://www.fairwork.gov.au/tools-and-resources/fact-sheets/minimum-workplace-entitlements/minimum-wages#current-national-minimum-wage https://www.servicesaustralia.gov.au/how-much-jobseeker-payment-you-can-get?context=51411 https://www.abs.gov.au/census/find-census-data/quickstats/2021/IQS2

Increased Tourism

Benefit	Increase number of tourists to the regions and overnight stays from interstate or international visitors	
Benefit drivers	Improved customer experience and options for First Peoples culture and activities	
Quantitative - Tangible Direct benefit	<ul style="list-style-type: none"> Initiative 1: First Peoples Business Skills and Entrepreneurial Program Initiative 3: Supporting Excellence in strengthening Culture, Identity and Wellbeing 	<ul style="list-style-type: none"> Initiative 4: Business Incubation Service Initiative 5: Tourism Infrastructure Fund Initiative 6: Financial Corporation
Calculation	<ul style="list-style-type: none"> Σ (Total visitor numbers) * (average visitor spend) * (increased percentage proportion attributable to program) 	
Inputs and assumptions	<ul style="list-style-type: none"> Average domestic visitor spend of \$153 per day visit Average domestic visitor spend of \$795 overnight visit Average international visitor spend of \$3,248 overnight visit 	<ul style="list-style-type: none"> Benefit start year: 2028/29 Percentage proportion of 10% of total additional visitor spend is attributable to FVTOC Program
Sources	<ul style="list-style-type: none"> Tourism Australia Tourism Victoria 	<ul style="list-style-type: none"> https://www.tourism.australia.com/en https://tourism.vic.gov.au/

Increased Productivity

Benefit	Higher economic output through increased productivity	
Benefit drivers	Improved quality of TOC skills and capability allows for improved performance in the workplace, resulting in increased productivity and reductions in First Peoples unemployment	
Quantitative - Tangible Direct benefit	All initiatives	
Calculation	Industry sector growth: Matrix approach based on priority sectors, potential growth and contribution from Aboriginal employment (refer to table in slide 14)	
Inputs and assumptions	<ul style="list-style-type: none"> Annualised estimated industry sector five-year compound growth rate from 2024 to 2028, Gross Value Added (GVA) IBIS World Forecast for aligned industries (per annum growth rate applied) Limited to 50% proportion of the annualised growth rates attributable to FVTOC Program, allowing for other factors 	<ul style="list-style-type: none"> Benefit start year: 2028/29 Aboriginal employment GVA contribution per person \$88,000 Total 880 TOC Employees as at 2024, with an assumed 2% growth aligned to the First Peoples population growth rate
Sources	<ul style="list-style-type: none"> TOC Employee numbers FVTOC Projects 1 and 2 – State of play of the Victorian Aboriginal economy and Sector Analysis by Deloitte, March 2024 FVTOC Project 3 – Indigenous Business Sector Growth Potential Report by Greenshoot, September 2024 	<ul style="list-style-type: none"> Methods for Estimating the Market Value of Indigenous Knowledge, Intellectual Property Australia, Final Report, November 2019 Mohnen, P. & Hall, H. (2013), Innovation and Productivity: An Update

Priority Sectors

Annualised growth rate applied to productivity benefit

#	Sector	Growth rate
1	Health and Social Sciences	3.4%
2	Caring for Country	3.1%
3	Cultural Education/Training	3.1%
4	Construction	2.2%
5	First Nations Tourism	2.7%
6	Clean Energy	2.1%
7	School Education	2.6%
8	Native Medicine and Food Systems	2.6%
9	Indigenous Consulting	2.4%
10	Public Administration	2.2%
11	Aquaculture	1.3%
12	Arts and Performance	3.3%
13	Cultural Heritage Management	1.7%



Source: FVTOC Projects 1 and 2 – State of play of the Victorian Aboriginal economy and Sector ,

Cost Benefit Analysis Results

Summary Results

CBA Summary Results

<i>CBA Results \$m over 40 years</i>	Total (\$m)	Discounted at 4%
Program Costs (\$m)		
Initiative 1: First Peoples Business Skills and Entrepreneurial Program	26.40	23.04
Initiative 2: Supporting Excellence in Cultural Governance - Practice and Capability	5.12	4.14
Initiative 3: Supporting Excellence in strengthening Culture, Identity and Wellbeing	44.00	31.65
Initiative 4: Business Incubation Service	12.80	9.21
Initiative 5: Tourism Infrastructure Fund	80.00	57.55
Initiative 6: Financial Corporation	132.00	78.45
Total Cost	300.32	204.04
Program Economic Benefits (\$m)		
Health Benefit	232.26	96.16
Mental Health	42.17	17.46
Educational Uplift	12.71	5.61
Improved Employment	36.22	16.38
Increased Tourism	101.77	46.05
Increased Productivity	729.82	287.57
Total Benefits	1,154.96	469.24
	NPV	265.19
	BCR	2.30

CBA Analysis

Snapshot of results

- The CBA results indicate that:
 - An investment of almost \$300 million in the sector delivers over \$1 billion in benefits over 40 years
 - In discounted terms, the BCR of 2.3:1 reflects that the benefits are more than double the investment needed for these programs
 - A net present value of over \$250 million (discounted at 4%) confirms that investment in these programs to support First Peoples to become self-determining is a strong proposition for government and First Peoples



Over \$270m in health benefits



Over \$100m in increased tourism



Over \$700m in increased productivity



Over \$10m in educational uplift value



Over \$30m in employment benefits

Sensitivity Analysis

Scenario	BCR	NPV \$m
Central Case	2.30	265.19
CBA Discount rate 3%	2.58	353.38
CBA Discount rate 7%	1.72	112.45
Operating Cost +20%	1.92	224.38
Operating Costs -20%	2.87	306.00
Health Benefit +20%	2.39	284.42
Health Benefit -20%	2.21	245.96
Mental Health +20%	2.32	268.68
Mental Health -20%	2.28	261.70
School Educational Uplift +20%	2.31	266.31
School Educational Uplift -20%	2.29	264.07
Improved Employment +20%	2.32	268.47
Improved Employment -20%	2.28	261.92
Increased Tourism +20%	2.34	274.40
Increased Tourism -20%	2.25	255.98
Increased Productivity +20%	2.58	322.71
Increased Productivity -20%	2.02	207.68

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