

**What's new?**  
**The 1997 parliamentary Inquiry  
into Indigenous Business**

**W.S. Arthur**

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Mr Bill Arthur is a Research Fellow at the Centre for Aboriginal Economic Policy Research, The Australian National University.

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Professor Jon Altman  
Director, CAEPR  
The Australian National University  
April 1999

## Table of Contents

Summary.....	v
Acknowledgments.....	v
<b>Introduction</b> .....	<b>1</b>
<b>The data</b> .....	<b>1</b>
<b>Industries and indigenous businesses</b> .....	<b>2</b>
<b>The unit of business ownership</b> .....	<b>3</b>
<b>Ownership and success</b> .....	<b>4</b>
<b>Joint ventures</b> .....	<b>4</b>
<b>Social and commercial goals</b> .....	<b>5</b>
<b>Access issues</b> .....	<b>6</b>
Access to capital.....	6
Equity, collateral and traditionally owned land .....	7
Structures to facilitate business .....	7
<b>Summary and possible further research</b> .....	<b>9</b>
<b>Notes</b> .....	<b>10</b>
<b>Appendix A</b> .....	<b>11</b>
<b>References</b> .....	<b>14</b>

### Table

Table 1. Industry of indigenous self-employment from 1996 Census, applications to ATSIIC in 1997–98 and business loans made since the 1970s.....	2
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## Summary

In 1997, the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs commenced an Inquiry into Indigenous Business. However, after a Commonwealth election held late in 1998, the government decided not to continue the Inquiry and its investigations have not been published. This paper summarises some of the evidence given to the Inquiry to see if this increases our understanding of indigenous businesses.

The evidence provides additional information on issues about which we are already aware. For example, there appears to be a continuing desire to clarify social and commercial goals within indigenous businesses. There is also some interest in establishing businesses that are owned by individuals and families rather than just communities, and in the strategy of joint venturing. A number of access issues were also raised during the Inquiry such as the ability to raise capital from inalienable land and some of the limits of the existing government structures.

However, most of the data supplied to the inquiry were from bureaucracies and much of it related to their programs rather than to the enterprises themselves. Very few submissions were from indigenous people in business and the data tell us almost nothing about such issues as their aims, their problems, or the size of their ventures (for example, the number of employees or turnover). Despite the fact that other data indicate the majority of self-employed indigenous people are in major urban centres (capital cities), the Inquiry collected no data from these areas. Also absent were submissions from any of the mainstream banks. Therefore, the majority of the evidence to the Inquiry does not add a great deal to our knowledge about the nature of indigenous businesses nor does it introduce many new issues or insights.

However, evidence to the Inquiry did raise the possibility of increasing access for indigenous people through micro-credit and credit union arrangements and one submission proposed that aspiring business people could be mentored through the facility of business incubators. These proposals may warrant further investigation.

The Inquiry has revealed that other data may be available that has not yet been analysed. For example, the Western Australian Department of Commerce and Industry has indicated that it has records on some 1,000 indigenous businesses. Both this Department and the Aboriginal and the Torres Strait Islander Commission have suggested that some of the business people with whom they have contact may be willing to be interviewed. It would seem worthwhile exploring these new data sources in the future.

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## Introduction

I do not think it is unrealistic to expect that in Western Australia within five years we might see 2,500 jobs created within Aboriginal businesses (Department of Commerce and Trade (Western Australia) (DCTWA) 1998a: 250).

The above prediction for Western Australia is possibly a little ambitious as census data show that nationally only 2,528 indigenous people were either self-employed or were employers in 1996. Nonetheless, businesses have, and can, play an important part in indigenous socioeconomic outcomes. Recent research on indigenous businesses have included the following: Daly (1993, 1995) on the indigenous self-employed; Dana (1996) on indigenous women in business; Arthur (1996) on the role and strategies of the Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC)<sup>1</sup> and on indigenous entrepreneurs; and Herron (1998) on the possibility of replacing the present Commonwealth Government's arrangements for stimulating indigenous businesses with a new authority to be called Indigenous Business Australia (IBA). These pieces of work have provided information on a number of issues: the characteristics of the self-employed and the industries they are likely to be in (Daly 1993, 1995); the role of indigenous entrepreneurs, whether businesses should be owned by families, individuals or communities, the merits of joint venturing and whether social and commercial goals should be more clearly distinguished within businesses (Arthur 1996; Altman 1998; Herron 1998); and the availability of capital for small businesses (Dana 1996).

In 1997, the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs (the Committee) commenced an Inquiry (the Inquiry) into Indigenous Business, the terms of reference of which were as follows:

The Committee shall inquire into and report on the existing opportunities and arrangements for encouraging sound Aboriginal and Torres Strait Islander economic initiatives at the small and medium business level. In particular, the Committee will focus on:

- The success of existing Commonwealth programs that help Aboriginal and Torres Strait Islander people (including those in joint ventures with non indigenous people) to acquire, control and develop sustainable commercial opportunities;
- possible future policy directions and administrative arrangements at the Commonwealth level to encourage indigenous commercial initiatives;
- any barriers to the establishment, acquisition or development of indigenous businesses, or businesses in which indigenous people are joint venture partners; and
- means of raising the profile of indigenous controlled businesses, or businesses in which indigenous people are joint venture partners.

The Committee shall also consider State, Territory, corporate and international examples of good practice in encouraging sound indigenous economic initiatives at the small and medium business level.

The Inquiry received written submissions and held hearings during its investigations and these are listed in Appendix A. However, after a Commonwealth election late in 1998 the government decided to discontinue the Inquiry and its investigations were not published. Rather than lose the information contained in the submissions and hearings this paper looks at these to see if they shed any new light on issues relating to indigenous businesses.

## The data

The Inquiry received 44 written submissions and held 28 hearings. Submissions were from several Commonwealth government departments and from the State governments of Queensland, Northern Territory and Western Australia. The governments of Tasmania and the Australian Capital Territory provided no information. The submissions that provided most hard data were from the Aboriginal and Torres Strait Islander Commission (ATSIC) the Torres Strait Regional Authority (TSRA)<sup>2</sup> and the CDC. However, these data, which are discussed below, referred largely

to the agencies' programs and expenditures and provided little information about indigenous businesses themselves.

Hearings were held with some of the government and industry bodies that provided submissions. The Inquiry also gathered information from non-government indigenous organisations, indigenous communities and individuals at hearings in several locations (see Appendix A). However, these locations were all in remote areas such as Nhulunbuy, Torres Strait, and the Kimberley and no information was gathered about indigenous businesses in urban areas. This is despite the fact that it has already been shown that, on a per capita basis, indigenous people who are either self-employed or employers are more likely to be located in capital cities (see ABS/CAEPR 1996: 19, 20). This distribution is reflected to a degree in recent data provided by the New South Wales Department of State and Regional Development (NSWDSRD)<sup>3</sup> which indicate that of 300 indigenous businesses on their records, 85 per cent are located within an arc from Sydney north along the coast—west through New England and the area around Dubbo and Walgett, and that 25 per cent of businesses are in the greater Sydney district alone. Therefore, by taking what appears to have been a remote area focus, the Inquiry failed to collect information from locations where many indigenous businesses are located, namely major urban centres.

A further point regarding the data is that the Inquiry took information from the two premier Commonwealth indigenous agencies: ATSI and the TSRA and it conducted several hearings in Torres Strait. However, indigenous people in Torres Strait (6,064 persons) are only around two per cent of the total national indigenous population of 352,970. Therefore it can be argued the Inquiry's procedure has tended to over-represent the views of indigenous people in Torres Strait and this may be reflected in this paper.

## Industries and indigenous businesses

ATSI provided data to the Inquiry about the business loans that have been made from the 1970s including an estimate of industries within which these businesses would be located, loan applications made over 1997–98 and a brief description of the type of business involved.

**Table 1. Industry of indigenous self-employment from 1996 Census, applications to ATSI in 1997–98 and business loans made since the 1970s**

Industry	ATSI loan		
	Census <sup>a</sup> 1996 Per cent	applications <sup>b</sup> 1997–98 Per cent	Loans made 1970s–1998 Per cent
Agriculture/forest/fishing	10	18	18
Mining	1	2	0.2
Manufacturing	5	7	7
Electricity, gas, water	0.2	0.1	0
Construction	13	9	22
Wholesale	3	3	2
Retail trade	12	15	22
Accommodation, cafes, restaurants	3	7	0
Transport and storage	4	6	8
Communication services	1	0.5	0
Finance and insurance	0.3	0	0
Property and business	8	7	18
Govt. admin. and defence	5	0	0
Education	3	0.8	0
Health and community services	8	1	0
Cultural, recreation, personal	3	16	4
Personal services	5	4	0
Non classifiable	3	3	0.5
Not stated	13	0.8	0
Total	100	100	100

Number	2528	583	1457
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Notes: a. Refers to those who identified as employers or self-employed.  
 b. From the Commonwealth indigenous agencies including ATSIC but excluding the CDC.

Sources: 1996 Census; ATSIC (1998a: 197, 1998d); supplementary data provided by DCTWA.

These data are compared in Table 1 with data from the Australian Bureau of Statistics' (ABS) 1996 Census of the indigenous self-employed and employers and their industry of employment. The industry distributions from the three sources are similar and indicate that significant proportions of indigenous businesses are concentrated within three industry areas: agriculture, construction, and the retail sector. However there are two anomalies in Table 1: in the 'property and business' and the 'culture and personal services' industries, a higher proportion of people either apply for or receive loans, than actually operate businesses. These anomalies may be due to difficulties in accurately allocating the ATSIC data to the appropriate ABS industry. However, given that the 'culture and personal services' industry may be one in which indigenous people could enjoy a competitive advantage (Stanley 1983), the differences here may warrant further investigation.<sup>4</sup>

Data provided to the Inquiry by the TSRA show that 71 per cent of all of its loans were to people wishing to establish or develop businesses in the fishing industry. This indicates the predominance and importance of this industry in the region and the relative ease with which people can access it (see below and Arthur 1990a; 1991).<sup>5</sup> The TSRA data also indicate that, as elsewhere in Australia, a significant proportion of indigenous people in Torres Strait (12 per cent) appear interested in establishing businesses in the retail sector (TSRA 1998b: 135).

## The unit of business ownership

An issue highlighted by earlier research is whether policies should seek to stimulate businesses depending on whether they are owned and run by families, individuals, communities, or are joint ventures between indigenous and non-indigenous operators. The evidence to the Inquiry provided some information on this issue. The Western Australian Government and the TSRA indicated that the majority of their clients were indigenous families or individuals interested in establishing small businesses (DCTWA 1998a: 250; TSRA 1998b: 135). An ATSIC Commissioner suggested to the Inquiry that these businesses have a better chance of success than do those that are community-owned. He argued that people involved in community-owned businesses may feel that they have little to lose or gain financially from the business's success or failure, whereas individuals are more likely to strive to make their own business a success because they know that they will reap the rewards for themselves and they will be held responsible for any failure (ATSIC 1998b: 51). In addition, the Commissioner suggested that communities may not present an environment that is conducive to operating a commercial business because communities are subject to social and internal conflicts (ATSIC 1998b: 52). On the other hand, it was noted that communities could draw on forms of support for their businesses that may not be so easily available to individuals and families. For example, they may utilise the Community Development Employment Projects (CDEP) scheme to subsidise the labour needs of their enterprises (TSRA 1998b: 133; see Smith 1994; 1995; 1996 for examples of this).<sup>6</sup> Further, community land is also often held collectively and, as noted below, this can make it difficult for businesses on that land to be owned by individuals. Given that discrete indigenous communities are mostly located in remote areas, both ATSIC and the CDC proposed to the Inquiry that an emphasis might be given to individual and family businesses in cities and to community-owned enterprises in remote areas (ATSIC 1998c: 6; CDC 1998a: 35).

The Inquiry was provided with evidence of other forms of individual business. The Arnhem Land Progress Association (ALPA),<sup>7</sup> which runs a number of community-based stores across the Northern Territory, described a particular type of small business there. ALPA noted that the aspiring business person might purchase a refrigerator, a freezer or a microwave oven, purchase goods from ALPA's own store, and set up a small takeaway outlet on the veranda of their house.

They compete with ALPA by operating after normal store hours (ALPA 1998: 149). This is similar to the type of small trader activity noted in the Outer Islands of Torres Strait where people may buy some small-goods from their island store and resell these from their homes at a few cents over the store's normal price. Like the people in the Northern Territory, these individual 'petty traders' also make a niche for themselves by opening in the evenings and at week-ends (Arthur 1990a: 33, 1991, 1992; Scott 1990: 393).<sup>8</sup>

## **Ownership and success**

Whether policy should focus on individual, family or community-owned businesses might be influenced by which are the most successful, however there is no commonly accepted measure of success in indigenous business in Australia. The evidence to the Inquiry suggests that ATSIC and the TSRA view success in terms of whether borrowers repay their loans, which is much the same as the approach taken by mainstream banks (ATSIC 1998b: 56).<sup>9</sup>

The commercial fishing industry appears to afford a niche for successful individual small businesses.<sup>10</sup> For example, one Torres Strait Islander with a commercial pilot's license has leased a small plane to transport live crayfish to Cairns for export and has already successfully serviced two loans from the TSRA (Taika 1998: 2). The TSRA cites other examples of operators in the fishing industry who have been able to pay off their loans (TSRA 1998a: 2). Indeed, the TSRA stated that of 60 loans provided to people in two years only two were defaulted on. This reflects similar earlier findings which showed that in Torres Strait 98 per cent of individual indigenous business loans from the local bank were repaid successfully (Arthur 1990a: 137). This could suggest that individual businesses might be more successful than community businesses. However, Torres Strait is probably a unique situation for indigenous small business. Sections of the commercial fishing industry are relatively easy to access at a small scale, and high profits can be realised (Arthur 1991). For example, one fisher giving evidence to the Inquiry noted that a good cray fisher could earn \$4,000 per day (Bowie 1998). However, these earnings seem extremely high and may not take into account climatic and seasonal variations (see Arthur 1990a). Other than the above, the Inquiry revealed little which would allow us to compare the success or merits of individual, family or community-owned businesses, although ATSIC data suggest that communities are able to make loan repayments at a slightly higher rate than individuals (87 versus 77 per cent).<sup>11</sup>

## **Joint ventures**

In recent years some attention has been given to the merits of joint indigenous/non-indigenous business ventures (see O'Faircheallaigh 1995; Arthur 1996; Herron 1998). Generally, such joint ventures are between companies and community groups or incorporated organisations and are large projects; the CDC, whose major strategy is joint venturing, deals with loans of \$0.5 million upwards (CDC 1998a: 36; DCTWA 1998a: 250). Much of the evidence to the Inquiry relating to joint venturing came from large mining companies. For example, the Henry Walker Group indicated they are, or have been, involved in four joint ventures with indigenous groups (Henry Walker 1998). Another mining company, Rio Tinto, indicated that joint venturing was their favoured strategy and that their mines have stimulated between 28 and 35 indigenous enterprises (though not necessarily joint ventures and sometimes with CDEP assistance) with varying degrees of success (Rio Tinto 1998a, 1998b: 196). However, although the Inquiry revealed some interest in joint ventures, especially from these larger companies, too little detail was provided to make any assessment of the success or merits of the strategy.

Evidence to the Inquiry also revealed that some indigenous people are interested in joint venturing with non-indigenous operators. For example, the Marngarr Community in the Northern Territory stated its wish to form a fishing joint venture with a Taiwanese company (Marngarr Community 1998: 2) and the TSRA plans to establish joint ventures for the construction of

infrastructure on the Outer Islands of Torres Strait (TSRA 1998a: 4, 1998b: 136).<sup>12</sup> The Inquiry met with the indigenous directors of a joint venture formed in 1989 to purchase and operate a hotel, caravan park and supermarket complex in Fitzroy Crossing, Western Australia. This project was established under a loan of \$1 million from the then Aboriginal Development Commission and the Inquiry was told that

this venture would have to be one of the most successful to have been set up through the Aboriginal Development Commission ... every monthly payment on the loan, including the loan for the supermarket, has been made on time (Leedal Pty Ltd 1998: 8).

As part of the project, the local adult education centre trained workers for the hotel and the supermarket (Leedal Pty Ltd 1998). However, the success rate for local employment in the venture was described as very low. Young people were reluctant to work in the supermarket where they could be observed by non-indigenous customers, and in some cases they preferred to return to work in their own community stores after their training (Leedal Pty Ltd 1998). This reflects an earlier observation that some people are reluctant to work in jobs in the tourist industry which might involve face-to-face contact with non-indigenous people (see Altman 1988). Indigenous employees in the Fitzroy Crossing hotel faced the complicating factor that as they were its 'half-owners' there was the strong possibility of them being distracted by patrons who were their relatives (Leedal 1998).<sup>13</sup>

## **Social and commercial goals**

In response to questions from the Committee, the Indigenous Land Corporation (ILC)<sup>14</sup> the CDC and ALPA all indicated that they experience problems when social and commercial goals are mixed within the indigenous businesses that they have dealings with and that, although both are important, they should be more clearly separated.<sup>15</sup> For example the ILC stated:

We say that we need to separate out the social, cultural and environmental side of the ILC from the commercial side ... But what has to be remembered is that you have a block where people live and their social and cultural needs have to be addressed along with the commercial (ILC 1998: 215).

The ILC proposes to make this separation by establishing a purely 'commercial arm' within its structure (ILC 1998: 211). Similarly the CDC stated:

The Commonwealth's commercially orientated programs for indigenous people should be administered by the one organisation to enable more effective and efficient program delivery ... these programs should be separated from socially oriented programs as much as possible so that program objectives are not confused and program outcomes consequently placed in jeopardy (CDC 1998a: 31).

However, the CDC confirmed that although its primary aim was the commercial viability of any businesses, it was also conscious of furthering social goals, such as generating employment (CDC 1998a: 38, 1998b: 102). For instance, when asked by the Committee if it saw its mission as maximising employment opportunities and careers for indigenous people, the chair of the CDC responded:

That is the understanding. But the previous board had other policies and I think their policy was that they were more into wealth creation than job creation (CDC 1998a: 35).

On the other hand, it was acknowledged this social goal would be tempered by the overall aim to act commercially (CDC 1998b: 109, 112). The CDC also referred to the fact that a significant aspect of its operations are its Community Service Obligations (CSOs) which involve mentoring new businesses. These CSOs are considered important by the CDC but are arguably a developmental or social element of its operations (Arthur 1996). Therefore, although the CDC advocates separating social and commercial goals, it actually pursues both.

The ALPA also indicated to the Inquiry that their aim is not simply to maximise profits but also to pursue social goals. To this end ALPA carries out cross-subsidisation by, for example, increasing the price of cigarettes to subsidise the cost of importing vegetables. The ALPA also

spends some of its business income on community projects such as community airstrips, youth grants, education grants, and grants for traditional ceremonies (ALPA 1998: 138–142).<sup>16</sup>

At one stage of the Inquiry the Committee's Chair noted 'The balance between social and economic is a very important part of this whole issue' (see APLA 1998: 142). The above comments suggest that those operating in the field feel similarly, and that commercial goals should not be pursued at the expense of the social goals, or vice versa, but that there should be some accommodation between the two. However, this does not go to the point of the matter which is to clarify and quantify each goal in every case. As one indigenous organisation remarked to the Inquiry: 'Social benefits should be regarded as a valid performance indicator' (Daiwul Gidja Cultural Centre 1998: 14). A social goal such as creating employment, or improving a community airstrip, is potentially a commercial cost and as such it needs to be accounted for. Therefore, what is required is not the rejection of one goal for another but a system that clarifies and accounts for all goals whether they are commercial or social (see Arthur 1996: 16).

## **Access issues**

The Inquiry's terms of reference instruct the Committee to investigate any barriers to establishing indigenous businesses. These barriers are considered here as access issues and cover a number of areas.

### **Access to capital**

A primary function of the Commonwealth Government's business programs (currently from ATSIC, the TSRA and the CDC) is to provide loans or grants to people who want to establish a new business, purchase an existing business or enter a joint venture; that is to say, they are largely to provide access to business capital.<sup>17</sup> Information provided by ATSIC to the Inquiry show that since the 1970s, ATSIC and its predecessors, the Department of Aboriginal Affairs and the Aboriginal Development Commission have, through a variety of programs, approved almost 1,500 business loans. These have had a median size of \$32,000 and a total value of around \$80 million (ATSIC 1998a: 196).<sup>18</sup> Of these 1,500 loans, some 73 per cent have been completed or are being paid off and 27 per cent are inactive or have been written off (ATSIC 1998a: 196).

A principal complaint to the Inquiry was that ATSIC is slow to respond to applications to its business programs (Karrayili Adult Education Centre 1998: 2; Miwatj Regional Council 1998: 2; Tasmanian Regional Council 1998; Tia Tucker Association 1998: 29; Tiwi Land Council 1998). In response, ATSIC indicated that it may take between two and six months to approve loans (ATSIC 1998a: 61) while the TSRA stated that it takes six weeks (TSRA 1998a: 3). The TSRA's shorter approval period may be due to the fact that a large percentage of its applications are for small loans for ventures in commercial fishing and, as has been noted above, these are fairly secure. Also, the TSRA has a comparatively small area and population to service and it actively solicits its clients.<sup>19</sup> One reason ATSIC gave for taking several months to approve loans was that applicants do not always provide adequate information in the initial stages. Despite the delays, ATSIC approves 80 per cent of the loan applications it receives (ATSIC 1998a: 55).

At hearings, the Committee expressed an interest in the possible advantages of people accessing smaller amounts of capital through micro-credit arrangements and referred to the Grameen Bank as a model (ATSIC 1998b: 9).<sup>20</sup> The Committee received one submission from the Foundation for Development Corporation which proposed an evaluation of the concept of micro-credit and another submission which described a proposal to set up a 'First Nations' indigenous credit union within the already established Credit Union Foundation of Australia (CUFA). The principle was that CUFA should initially act as an incubator, or mentor, for First Nations and the two bodies would separate when First Nations' assets reached \$20 million (Victorian Aboriginal Committee for Credit Union Development (VAC) 1998a, 1998b: 91). The Inquiry was also told of an indigenous credit union that was already operating: the Traditional Credit Union was formed by ALPA in 1995 in the Northern Territory, with assistance from ATSIC. The Union now has five

branches whose members represent between 50 and 90 per cent of the indigenous population at each branch location (ALPA 1998: 138). Loans are limited to a maximum of \$5,000 and to this date all loans have been repaid successfully (ALPA 1998: 145). Interestingly, the assets appear to be organised and controlled on a clan basis (ALPA 1998: 145). This, and the fact that loans are in the order of \$5,000, may make this system similar to that operating within the Grameen Bank where loans are small by Australian standards and are monitored by a peer group (see McDonnell 1999). However, any application of the Grameen model, especially as it originated in Asia, would have to take account of such factors as the minimum income provided by the Australian welfare system and the willingness of Australian indigenous people to operate under peer pressure and control (ATSIC 1998b: 12).

The foregoing comments apply principally to indigenous-specific systems for accessing capital. The Inquiry received no data that would indicate how many indigenous people attempted to access mainstream banks or other lending institutions and their levels of success, though in 1998 it was revealed that some indigenous people find it hard to access mainstream lending institutions and banks and appear to be locked into accessing business capital only from ATSIC (Arthur 1998a). This would seem a suitable area for further research. On the other hand, some alternative sources of funds were revealed by the Inquiry. For example, indigenous people in Western Australia who want a business loan or grant can apply to the State Lotteries Commission which has an annual fund of \$3 million (DCTWA 1998b: 327).<sup>21</sup>

### **Equity, collateral and traditionally owned land**

Forms of land tenure can influence access to business (Altman 1995). This is particularly the case when the land is held collectively and/or is inalienable. For instance, the Inquiry heard that it is difficult for an individual, a family, or a non-indigenous person to access land on which to establish a business when the land is owned or under the control of either a community or a group of traditional owners (CDC 1998a: 35). ALPA notes that this has made it impossible for individuals or outsiders to own community stores in the Northern Territory as these are normally located on land held under traditional land tenure (ALPA 1998: 146). Similarly, the CDC has found that collective land ownership has meant that joint ventures with non-indigenous companies have had to be with indigenous communities or organisations rather than with individuals or families (CDC 1998a: 36).

Traditionally owned land is normally inalienable. One consequence of this is that it cannot be mortgaged, or used in any similar way, as security for business loans (CDC 1998b). For instance, a small-businessman in Torres Strait indicated to the Inquiry that he was unable to use community-owned land to raise capital for his cray fishing business (Taika 1998: 2). Also, outside companies are unlikely to enter into joint ventures on this type of land as they are unable to realise their share of the venture on the market at a later date (Altman 1995).

### **Structures to facilitate business**

The Commonwealth Government has several structures in place which aim to assist indigenous people to enter business and to access land. The principal of these are ATSIC, the TSRA, the CDC and the ILC.<sup>22</sup> Other elements of the process include business 'agents' contracted by ATSIC in each State whose functions include processing and assessing loan applications and helping to prepare business plans. These business 'agents' tend to be in either the private sector or in mainstream government departments. For example, until recently, the role of business 'agent' in Western Australia was performed by the State's Department of Commerce and Trade and in some other States 'agents' are private accounting companies (ATSIC 1998e: 353). Therefore, the system has several elements and crosses several sectors: indigenous-public, mainstream-public and the private sector. State bodies have also developed their own structures to increase indigenous access. For example, the Northern Territory Government has set up a Focus Group for Economic Development (Northern Territory Government 1998) and the Western Australian Government has established an Aboriginal Economic Development Council of

indigenous people. One feature of the Council in Western Australia is that it is a policy body but not a funding body (DCTWA 1998b: 321). This may allow it to be more objective than, for example, ATSIC's regional councils which can be required to balance funding issues with local politics.

As noted at the beginning of this paper, one Commonwealth Government plan is to hive-off the business or commercial sections of some of its agencies to form one new body called the IBA (see Herron 1998). The logic behind this appears to be rationalisation and simplification, and a desire to establish a body with a more purely commercial ethos. The Inquiry process elicited some qualified support for this idea (see ATSIC 1998a: 60; CDC 1998a: 32, 1998c). However, later in 1998 and independent of the Inquiry, ATSIC produced its own response to the proposed IBA which did not support establishing a new body but suggested instead that access for indigenous people could be improved through its own restructuring. A key feature of this restructuring would be increased articulation between the indigenous and the private financial sectors (ATSIC 1998f).<sup>23</sup> While the ILC was not opposed to the concept of the IBA, it did not itself wish to be included in such a body, indicating that it would prefer to establish its own arm to deal with the commercial development of its land acquisitions (ILC 1998: 212). The TSRA suggested that since gaining some relative local autonomy from ATSIC in 1994 they have been able to modify the standard ATSIC programs to suit their maritime environment and so increase their commitment to economic development (TSRA 1998a: 2, 1998b: 132, 134).<sup>24</sup> Consequently, the TSRA feel that they would be unwilling to be part of any new body if this meant losing their newly gained autonomy (TSRA 1998a: 2). Possibly this view is also influenced by the fact that an inquiry carried out by the Commonwealth Parliament in 1996–97, was quite supportive of further autonomy for Torres Strait Islanders (see Commonwealth of Australia 1997).

Like the TSRA, the CDC also qualified its support for the IBA. But in this case the qualification reflected a concern about whether such a business or development agency should have a public or private persona. For example, the CDC believes that it is hindered from operating in a similar way to commercial organisations in the private sector by the fact that it is a public statutory body staffed by public servants; it feels therefore that any new body and its staff should be outside the public service (CDC 1998a: 33, 1998c). To an extent, this is an approach followed by the Western Australian Department of Commerce and Trade who ensure that applications for loans and any forms of business assessment are carried out by agents in the private sector, not by public servants (DCTWA 1998a: 258).<sup>25</sup> Similarly, this Department suggests that a body like the IBA should be the responsibility of a relevant mainstream agency such as the Department of Industry Science and Tourism rather than be set up as a purely indigenous agency. No doubt DCTWA takes this approach because it is itself a mainstream agency which houses the Office of Aboriginal Economic Development reflecting the Western Australian Government's tendency towards mainstreaming and its belief that access is improved when all citizens are treated in the same way (DCTWA 1998a: 245).

However, research has suggested that access to mainstream services may be affected by some misconceptions about the relationship between indigenous-specific and mainstream policies and programs (Arthur 1998a). For example, some Torres Strait Islanders on the Australian mainland surveyed in 1997 indicated that they think ATSIC is the appropriate and primary provider of programs and services for them, and so they do not attempt to access any mainstream programs or services.<sup>26</sup> In other cases, when they *do* approach ATSIC they claim it is unable to provide them with information about alternative programs or service providers, say, in mainstream departments. On the other hand, mainstream service providers may reject Islander applicants. For example, Islanders who have approached banks for loans say they have been referred back to ATSIC as their appropriate lending body (Arthur 1998a). There is however, also evidence of a more positive relationship between the public and private sectors and between the indigenous and the mainstream sectors. Evidence to the Inquiry from Western Australia suggested that some indigenous people in their 40s and 50s, choose to move out of employment in the public sector and to apply the skills they have gained there to operate private businesses (DCTWA 1998a: 253). A similar relationship can be seen between the public sector and the non-government sector. For instance, indigenous people may utilise the skills they gain in the public

service to work in indigenous non-government organisations (DCTWA 1998a: 251). Although these organisations are not strictly commercial businesses, they often have a commercial arm and function like a hybrid of non-government organisations and not-for-profit businesses (Altman et al. 1998; Arthur 1998b).

These observations remind us that one reason that some indigenous people establish businesses may be because they are reluctant to interact at a one-to-one or face-to-face level with non-indigenous people, and that having their own business can allow them to work with people with similar cultural values and outlook (Altman 1988). Examples of this have been noted in the cattle industry where indigenous people may favour doing work for non-indigenous stations as a team of contractors (Arthur 1990b: 138). In these cases, it is only the contract boss who need interact with the non-indigenous station owner. However, all parties can benefit from such arrangements. For example, when discussing indigenous employment with the Inquiry, the mining company Nabalco stated:

It is a question of cultural background. If their cultural ethic requires them to participate in ceremonies, it is very difficult for us to make allowances for that in this plant. That is why we see the Yirrkala Business Enterprise (YBE) as our means of employing Aboriginal people, because YBE has a better capacity to handle the cultural side of the requirements. We give YBE a specific job and they do it within that specific job framework. They can be quite flexible in their employment. We do not have the capacity to be so flexible (Nabalco 1998: 4).

## **Summary and possible further research**

As explained at the outset, the 1997 Commonwealth parliamentary Inquiry into Indigenous Business was terminated before it was completed and this paper is an attempt to summarise some of the evidence given to the Inquiry to see if this increases our understanding of indigenous businesses. The evidence provides additional information on issues about which we are already aware. For example, there appears to be a continuing desire to clarify social and commercial goals within indigenous businesses. There is also some interest in establishing businesses that are owned by individuals and families rather than just communities, and in the strategy of joint venturing. A number of access issues were also raised during the Inquiry such as the ability to raise capital from inalienable land and some of the limits of the existing government structures.

However, most of the data supplied to the Inquiry were from bureaucracies and much of it related to their programs rather than to the enterprises themselves. Very few submissions were from indigenous people in business and the data tell us almost nothing about such issues as their aims, their problems, or the size of their ventures (the number of employees or turnover). Despite the fact that other data indicate that the majority of self-employed indigenous people are in major urban centres (capital cities), the Inquiry collected no data from these areas. Also absent from the Inquiry were submissions from any of the mainstream banks. Therefore, the majority of the evidence to the Inquiry does not add a great deal to our knowledge about the nature of indigenous businesses nor does it introduce many new issues or insights. However, evidence to the Inquiry did raise the possibility of increasing access for indigenous people through micro-credit and credit union arrangements and one submission proposed that aspiring business people could be mentored through the facility of business incubators (Canberra Business Centres 1998a, 1998b, 1998c: 238). These proposals may warrant further investigation (see McDonnell 1999).

The Inquiry has revealed that other data may be available that have not yet been analysed. For example, the DCTWA has indicated that it has records on some 1,000 indigenous businesses. Both this Department and ATSIIC have suggested that some of the business people with whom they have contact may be willing to be interviewed (ATSIIC 1998c: 26). If we acknowledge that better information about indigenous businesses will lead to more appropriate and effective policies, it would seem worthwhile exploring these new data sources in the future.

## Notes

1. The CDC is a statutory body established under the *Aboriginal and Torres Strait Islander Commission Act 1989*. The CDC encourages indigenous people into medium- and large-scale businesses, principally through the strategy of joint ventures (see Arthur 1996).
2. The TSRA is a statutory body established under the *Aboriginal and Torres Strait Islander Commission Amendment Act 1993*. The Authority was created to increase regional autonomy and its enabling legislation gives it similar powers to those of ATSIC itself.
3. The Department defines an indigenous business as one which has 50 per cent or more indigenous ownership, is self-sustainable or is planning to this end and is operating 20 or more hours per week (NSWDSRD 1998: 4).
4. A further caveat is the relatively high proportion of not stated in the census data.
5. At its hearing, the TSRA told the Inquiry that 95 per cent of the requests for funding that they receive are for commercial fishing ventures (TSRA 1998a: 3).
6. In the CDEP scheme, indigenous people engage in work, usually for their community, in return for their welfare unemployment entitlements.
7. ALPA is a non-government organisation whose major function is operating community stores.
8. In other cases, the community store may have an effective monopoly in a community, which may deter individual or family entrepreneurs. For example, a Queensland Government trading company, the Island Board of Industry Service, effectively competes with indigenous storekeepers in Torres Strait (Arthur 1990a; CDC 1998a: 36).
9. ATSIC noted 16 businesses that it considered successful, and the former Department of Employment, Education, Training and Youth Affairs (DEETYA) noted 35 (ATSIC 1998a: 201ff; DEETYA 1998: 38, 39). Neither agency gave any indication of how success was defined, and too little information was provided to suggest the factors that had led to success.
10. In Torres Strait, fishing loans represent 25 per cent of the total economic development budget of the TSRA. The average loan to the fishing industry is \$10,000 (TSRA 1998b) which is approximately the amount required to purchase the gear to engage in commercial (cray) fishing (see Arthur 1990a, 1991).
11. Other ATSIC data provided to the Inquiry suggest that individuals are more likely to be applying for loans to establish businesses in the agriculture and building industries, while communities are more likely to be entering manufacturing (ATSIC 1998d: 256).
12. The TSRA has already helped establish a joint venture between two islands to process frozen cray fish (TSRA 1998b: 136). The Tiwi Land Council also stated in its submission that it is attempting to establish a joint venture but too few details were provided to say what form this might take (Tiwi Land Council 1998).
13. ALPA suggested that indigenous check-out workers in community stores come under similar pressures from community customers (ALPA 1998: 147).
14. The ILC is a statutory body established under the *Land Fund and Indigenous Land Corporation (ATSIC Amendment) Act 1995* to assist indigenous people acquire and manage land.
15. For a fuller discussion of this issue see Arthur (1996), Altman (1998), Herron (1998), and Pritchard (1998).
16. ALPA gave examples of two such projects, which involved an expenditure of \$62,000 on community airstrips (ALPA 1998: 142).
17. For further details of ATSIC loans and programs see McDonnell (1999).
18. This does not represent the total Commonwealth expenditure on indigenous businesses in this period, as it does not include business grants. Grant data for the same period was not provided to the Inquiry.

19. The TSRA has approached 75 per cent of all of its loan recipients (TSRA 1998b: 137).
20. This model is more fully discussed in McDonnell (1999).
21. Indigenous resource agencies in Western Australia commonly apply to the Lotteries Commission for funds (Arthur 1998b).
22. This refers to the business sections of these agencies. ATSIC, TSRA and ILC also perform other functions. State and Territory governments also have strategies for indigenous economic development but little hard data were given to the Inquiry about these.
23. The overall features of ATSIC's proposal are:
  - (a) ATSIC tendering and negotiating with financial institutions for the delivery of its business and, possibly housing loan programs.
  - (b) ATSIC and other indigenous bodies tendering collectively for investment management services, including through the establishment of an indigenous investment fund in which indigenous and non-indigenous bodies could invest.
  - (c) ATSIC and other indigenous bodies tendering for general banking services (ATSIC 1998f: 4).
24. An increase from \$12,150 per annum to around \$2 million per annum (TSRA 1998a: 2, 1998b: 132, 134).
25. An additional assessment strategy adopted by Western Australia is to focus on the purchase of existing business as these have proven financial histories and records (DCTWA 1998a: 256).
26. It must be added that Torres Strait Islanders are also aware of other reasons for accessing ATSIC, such as its concessional loans and grants.

## Appendix A

### Written submissions to the Inquiry and associated hearings

1. Dr Brian Noad, Sydney, New South Wales.
2. Ngaanyatjarra Council, Alice Springs, Northern Territory.
3. Southern Cross University, Lismore, New South Wales.
4. Dreamtime Cultural Centre, Rockhampton, Queensland.
5. Department of Families, Youth and Community Care, Queensland.
6. Minister for Housing, Aboriginal Affairs, and Water Resources, Western Australia.
7. Murray Island Community Council, Torres Strait, Queensland.
8. Tia Tucker Association, Ceduna, South Australia.
9. Mr Darren Miller, Yarrabah, Queensland.
10. The Foundation for Development Corporation Ltd, Brisbane, Queensland.
11. Bidgerdii Aboriginal and Torres Strait Islanders Corporation Community Health Service Central Queensland Region, Rockhampton, Queensland.
12. Innovative Financial Management, Darwin, Northern Territory.
13. Ms Pat Buchanan, Kununurra, Western Australia.
14. Mr Steve Bowditch, Sydney, New South Wales.
15. Confidential (supplementary submission).
16. Aboriginal and Torres Strait Islander Commercial Development Corporation, Australian Capital Territory [*Hearings 11 March and 1 April 1998*].
17. Indigenous Land Corporation [*Hearing 27 May 1998*].
18. Confidential.
19. Aboriginal and Torres Strait Islander Commission, Tasmanian State Office, Hobart, Tasmania.

20. Torres Strait Regional Authority, Torres Strait, Queensland [*Hearing 19 May 1998*].
21. Northern Territory Government, Darwin, Northern Territory.
22. Australia Council, Sydney, New South Wales.
23. Henry Walker Group Ltd, Adelaide, South Australia.
24. Aboriginal and Torres Strait Islander Commission, Australian Capital Territory [*Hearings 11 and 25 March 1998*].
25. Industry Science and Tourism, Australian Capital Territory.
26. Rio Tinto Ltd. [*Hearing 13 May 1998*].
27. Department of Premier and Cabinet, Brisbane, Queensland (not sighted).
28. Department of Premier and Cabinet, Brisbane, Queensland (supplementary submission).
29. Aboriginal and Torres Strait Islander Commission, Australian Capital Territory (supplementary submission).
30. Confidential.
31. Victorian Aboriginal Committee for Credit Union Development, Credit Care Project, Advantage Credit Union, Perth, Western Australia [*Hearing 25 March 1998*].
32. Canberra Business Centres, Australian Capital Territory [*Hearing 27 May 1998*].
33. Australian Chamber of Commerce and Industry, Australian Capital Territory [*Hearing 13 May 1998*].
34. Department of Primary Industries and Energy, Australian Capital Territory.
35. Department of Commerce and Trade, Government of Western Australia, Perth, Western Australia [*Hearing 3 June 1998*].
36. Department of Employment, Education, Training and Youth Affairs, Australian Capital Territory.
37. Aboriginal and Torres Strait Islander Development Commission, Australian Capital Territory (supplementary submission).
38. Confidential (supplementary submission).
39. Aboriginal and Torres Strait Islander Commission, Australian Capital Territory (supplementary submission).
40. Mr Jim Stuart.
41. Department of Employment, Education, Training and Youth Affairs, Australian Capital Territory (supplementary submission) [*Hearings 1 and 8 April 1998*].
42. The Tiwi Land Council, Winnellie, Northern Territory.
43. Australian Chamber of Commerce and Industry, Australian Capital Territory (supplementary submission).
44. Canberra Business Centres, Australian Capital Territory (supplementary submissions).
45. Mr Barry Louvel, Broome, Western Australia.
46. Indigenous Land Corporation.
47. Indigenous Land Corporation (not sighted).
48. South Australian Government (not sighted).

#### **Hearings held without receiving written submissions**

1. Marngarr Community, Nhulunbuy, Northern Territory, 21 April 1998.
2. Miwatj Regional Council, Nhulunbuy, Northern Territory, 21 April 1998.
3. Nabalco, Nhulunbuy, Northern Territory, 22 April 1998.
4. Yirrkala Business Enterprises, Nhulunbuy, Northern Territory, 22 April 1998.
5. Yirrkala Dhanbul Council, Nhulunbuy, Northern Territory, 22 April 1998.
6. Arnhem Land Progress Association, Darwin, Northern Territory, 23 April 1998.
7. Innovative Financial Management, Darwin, Northern Territory, 23 April 1998.
8. Sylvatech, Darwin, Northern Territory, 23 April 1998.

9. Karrayili Adult Education Centre, Fitzroy Crossing, Western Australia, 5 May 1998.
10. Leedal Pty Ltd, Fitzroy Crossing, Western Australia, 5 May 1998.
11. Argyle Diamond Mine, Argyle, Western Australia, 5 May 1998.
12. Daiwul Gidja Cultural Centre, Turkey Creek, Western Australia, 5 May 1998.
13. Daniel Takai, Torres Strait, Queensland, 19 May 1998.
14. William Bowie, Torres Strait, Queensland, 20 May 1998.
15. Kubin Island Council, Torres Strait, Queensland, 20 May 1998.

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- 159/1998** *Labour market incentives among indigenous Australians: the cost of job loss versus the gains from employment*, B. Hunter and A.E. Daly.
- 160/1998** *The determinants of indigenous educational outcomes*, B. Hunter and R.G. Schwab.
- 161/1998** *Educational 'failure' and educational 'success' in an Aboriginal community*, R.G. Schwab.
- 162/1998** *The supply of alcohol in remote Aboriginal communities: potential policy directions from Cape York*, D.F. Martin.

- 163/1998** *Indigenous land use agreements: the opportunities, challenges and policy implications of the amended Native Title Act*, D.E. Smith.
- 164/1998** *The relative labour force status of indigenous people 1986–96: a cohort analysis*, B. Hunter and M.C. Gray.
- 165/1998** *Homelands and resource agencies since the Blanchard Report: a review of the literature and an annotated bibliography*, R. Davis and W.S. Arthur.
- 166/1998** *Parentage and indigenous population change*, A. Gray.
- 167/1998** *New and emerging challenges for Native Title Representative Bodies*, J.D. Finlayson.
- 168/1998** *Financial aspects of Aboriginal land rights in the Northern Territory*, J.C. Altman and D.P. Pollack.
- 169/1998** *The indigenous Land Corporation: a new approach to land acquisition?* J.C. Altman and D.P. Pollack.
- 170/1998** *A critical survey of indigenous education outcomes, 1986–1996*, M. Gray, B. Hunter and R.G. Schwab.
- 171/1998** *Indigenous participation in health sciences education: recent trends in the higher education sector*, R.G. Schwab and I. Anderson.
- 172/1998** *The relative economic status of indigenous people in Queensland, 1991 and 1996*, J. Taylor.
- 173/1998** *The relative economic status of indigenous people in New South Wales, 1991 and 1996*, J. Taylor.
- 174/1998** *The relative economic status of indigenous people in Victoria, 1991 and 1996*, J. Taylor.
- 175/1999** *The relative economic status of indigenous people in the Australian Capital Territory, 1991 and 1996*, J. Taylor.
- 176/1999** *Indigenous self-employment: miracle cure or risky business?* B.H. Hunter.
- 177/1999** *What's new? The parliamentary Inquiry into Indigenous Business*, W.S. Arthur.
- 178/1999** *The Grameen Bank micro-credit model: lessons for Australian indigenous economic policy*, S. McDonnell.

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- <sup>1</sup> The CDC is a statutory body established under the *Aboriginal and Torres Strait Islander Commission Act 1989*. The CDC encourages indigenous people into medium and large-scale businesses, principally through the strategy of joint ventures (see Arthur 1996).
- <sup>2</sup> The TSRA is a statutory body established under the *Aboriginal and Torres Strait Islander Commission Amendment Act 1993*. The Authority was created to increase regional autonomy and its enabling legislation gives it similar powers to those of ATSIC itself.
- <sup>3</sup> The Department defines an indigenous business as one which has 50 per cent or more indigenous ownership; is self-sustainable or is planning to this end and is operating 20 or more hours per week (NSWDSRD 1998: 4).
- <sup>4</sup> A further caveat is the relatively high proportion of not stated in the census data.
- <sup>5</sup> At its hearing, the TSRA told the Inquiry that 95 per cent of the requests for funding that they receive are for commercial fishing ventures (TSRA 1998a: 3).
- <sup>6</sup> In the CDEP scheme, indigenous people engage in work, usually for their community, in return for their welfare unemployment entitlements.
- <sup>7</sup> ALPA is a non-government organisation whose major function is operating community stores.
- <sup>8</sup> In other cases, the community store may have an effective monopoly in a community, which may deter individual or family entrepreneurs. For example, a Queensland Government trading company, the Island Board of Industry Service, effectively competes with indigenous storekeepers (Arthur 1990a; CDC 1998a: 36).
- <sup>9</sup> ATSIC noted 16 businesses that it considered successful, and the former Department of Employment, Education, Training and Youth Affairs (DEETYA) noted 35 (ATSIC 1998a: 201ff; DEETYA 1998: 38, 39). Neither agency gave any indication of how success was defined, and too little information was provided to suggest the factors that had led to success.
- <sup>10</sup> In Torres Strait, fishing loans represent 25 per cent of the total economic development budget of the TSRA. The average loan to the fishing industry is \$10,000 (TSRA 1998b) which is approximately the amount required to purchase the gear to engage in commercial (cray) fishing (see Arthur 1990a; 1991).
- <sup>11</sup> Other ATSIC data provided to the Inquiry suggest that individuals are more likely to be applying for loans to establish businesses in the agriculture and building industries, and communities are more likely to be entering manufacturing (ATSIC 1998d: 256).
- <sup>12</sup> The TSRA has already helped establish a joint venture between two islands to process frozen cray fish (TSRA 1998b: 136). The Tiwi Land Council also stated in its submission that it is attempting to establish a joint venture but too few details were provided to say what form this might take (Tiwi Land Council 1998).
- <sup>13</sup> ALPA suggested that indigenous check-out workers in community stores come under similar pressures from community customers (ALPA 1998: 147).
- <sup>14</sup> The ILC is a statutory body established under the *Land Fund and Indigenous Land Corporation (ATSIC Amendment) Act 1995* to assist indigenous people acquire and manage land.
- <sup>15</sup> For a fuller discussion of this issue see Arthur (1996); Herron (1998); Altman (1998); Pritchard (1998).
- <sup>16</sup> ALPA gave examples of two such projects, which totalled an expenditure of \$62,000 on community airstrips (ALPA 1998: 142).
- <sup>17</sup> For further details of ATSIC loans and programs see McDonnell (1999).
- <sup>18</sup> This does not represent the total Commonwealth expenditure on indigenous businesses in this period, as it does not include business grants. Grant data for the same period was not provided to the Inquiry.
- <sup>19</sup> The TSRA has approached 75 per cent of all of its loan recipients (TSRA 1998b: 137).
- <sup>20</sup> This model is more fully discussed in McDonnell (1999).
- <sup>21</sup> Indigenous resource agencies in Western Australia commonly apply to the Lotteries Commission for funds (Arthur 1998b).
- <sup>22</sup> This refers to the business sections of these agencies. ATSIC, TSRA and ILC also perform other functions. State and Territory governments also have strategies for indigenous economic development but little hard data were given to the Inquiry about these.
- <sup>23</sup> The overall features of ATSIC's proposal are:

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- a) ATSIC tendering and negotiating with financial institutions for the delivery of its business and, possibly housing loan programs.
- b) ATSIC and other indigenous bodies tendering collectively for investment management services, including through the establishment of an indigenous investment fund in which indigenous and non-indigenous bodies could invest.
- c) ATSIC and other indigenous bodies tendering for general banking services (ATSIC 1998f: 4).
- <sup>24</sup>From \$12,150 per annum to around \$2 million per annum (TSRA 1998a:2; 1998b: 132, 134).
- <sup>25</sup> An additional assessment strategy adopted by Western Australia is to focus on the purchase of existing business as these have proven financial histories and records (DCTWA 1998a: 256).
- <sup>26</sup> It must be added that Torres Strait Islanders are also aware of other reasons for accessing ATSIC, such as its concessional loans and grants.