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The House of Representatives Standing Committee
Aboriginal and Torres Strait Islander Affairs

Inquiry into community Stores into remote Indigenous Communities

In support of this submission I would like to qualify my suitability to make comment in the hope that some of my observations may be of interest to the Committee.

Whilst working in remote Indigenous Communities for a relatively short period; I began in 2003 and have had experience in some 5 communities managing stores run by both private enterprise and Government;

I am able to offer comment on the Terms Of Reference

* food supply, quality, cost and competition issues.

I. Food supply:

There are several issues involved in the constant supply of fresh nutritious food, with long code dates:-

- A. Transport - there are three main forms of transport or a combination of two or more that are available at reasonable cost; rail, road and sea. Then there is air transport which becomes the only method at certain times of the year.

Many communities use road transport during the "dry season" and sea during the "wet season", however there are communities that are so isolated by the "wet" that air transport is the only option.

Unfortunately the supply of fresh produce becomes affected by the time delay with the various methods of transport and proximity to the supply centre - produce such as milk, fruit and vegetables and fresh bread are affected due to the tyranny of distance and transport.

Transport becomes a major issue when discussing cost and quality.

- B. Quality Assurance- the question of food quality relates to the time in transportation, methods of transportation and storage facilities at the final destination. Air transport provides the most rapid delivery method however this is also subject to the elements which will have an effect on quality. As many of the communities only have limited landing capacity for transport aircraft the transportation of "chiller" produce (dairy produce, fruit and vegetables, eggs, small goods etc) and "freezer" items (frozen meat both beef and chicken, seafood etc), however

there is the problem of the break in the “cold chain”, where the produce is subject to a change in temperature that has an effect not only faster deterioration of chill produce but the potentially more serious problem of bacterial growth as the effect caused by the time

between removal from the freezer and the return to the correct environment increases with distance. Whilst every effort is made to ensure the correct storage methods and temperatures at either end of the transport procedure there is the element that the produce is susceptible to the elements whilst outside the optimum temperatures.

Sea transport provides the facilities for bulk transport at a cheaper rate than air, generally the transportation of chiller and frozen produce is more secure than air, however the transport from the docking area to the storage facilities can cause severe temperature fluctuation which has a detrimental effect.

Most communities do not attempt to transport other than chill and Limited amounts of freezer by air due to cost, however the transport of “dry” (canned, bottled and packet foods) and “variety” (clothing, electrical, mattresses etc.) are usually transported via sea.

There is the problem of loading the dry and variety on sea transport and the placement of the pallets. Too often the dry pallets whilst being “double” wrapped are transported as “deck” cargo and subject to the elements - severe heat due to the necessity of secure wrapping, has the effect of overheating the produce causing the inevitable product damage and premature aging. Rough seas and cyclone activity cause different problems that eventually results in product loss and unless the docking area is in a protected environment often the vessel is unable to discharge cargo

Obviously the cost associated with sea transport will vary according to the negotiation skills of the consignee which is also effected by the frequency of requirement

Road transport has the possibility of providing the most acceptable method of supply in terms of cost effectiveness and efficiency (virtually door to door); unfortunately the roads that are used are generally poorly serviced and cause major damage to the transport vehicle and the produce.

Given that the road is serviced to some degree, the produce is delivered in a timely manner and provides the recipient with

possibility of reducing the loss time in the break in the cold chain Produce remains in either a frozen or chill environment until there are staff available to “process” the pallets. More often than not the frozen and chill produce is stored in containers built to transport produce not for long period storage.

There is the added problem that many remote stores do not have modern methods of unloading, which undoubtedly is due to cost and perceived need, and whilst loads are palletized the manual unloading of the pallets causes a severe break in the cold chain. Warehousing is also a major concern in the majority of communities. Whilst merchandise is received in variable condition, deterioration begins almost immediately; the life of produce is determined at manufacture, subtract from this the deterioration due to transportation then further reduce the life of the product due to warehousing conditions (no air-conditioning and subject to the high temperatures experienced), and basically the produce has an unaffected life of about 25% for the same product in the larger supermarket in towns or cities.

C. Cost -

The cost of produce in remote communities is determined by the purchasing power exercised by the management of the Company or Department and ultimately the location of the store. Some organizations elect to balance the cost of goods across all the stores. Efficient Companies calculate the transport cost per item; add the cost of transport to the purchase price and have a preset GP (gross profit) percentage according to product grouping. By using this model the ability to reduce the cost of transport and the subsequent sale price of food groups however satisfactory gross profit percentages are required to :-

- * cover the cost of maintenance
- * cover the payroll of the staff
- * provide for store enhancement
- * cover the operating costs - power, fuel, water and fuel
- * depreciation, product wastage (out of code, theft, damage etc)

In some of the more progressive Companies there is additional cost built into the G.P. for

- * community benefit
- * staff bonuses
- * encouragement for the community to embrace “their” store

The question of cost is an emotive issue, people living in remote areas inevitably compare the cost of an item in the remote store to that of the same item in a store in a regional centre - many times

the statement is heard (mostly by introduced inhabitants of remote communities) this item sells for \$xyz in Coles in where ever. It is totally unrealistic to expect prices in remote areas will ever be able to be the same as prices in main stream areas. I recently had a discussion with a community member that informed me it would be cheaper for them to travel to the nearest regional centre and buy a loaf of bread than pay the price being asked in the community store - after explaining that the cost of the loaf of bread involved ;-

- * initial purchase

- * transport

- * all additional costs - local labor provision of jobs for the community

- * profit to ensure the store was able to maintain the service to the people of the community

It was mutually decided that the cost of the loaf of bread was cheaper at the store than driving into the regional centre to purchase the same item The end result of having purchase power is the maintenance of price stability - minimum price fluctuations and the lowest possible sale price with the requirements of the need for an acceptable G.P. (gross profit)

There is only one Company, to my knowledge, that subsidizes the transport cost of fresh fruit and vegetables which provides an additional incentive to improve the dietary habits of the remote communities where they operate.

D. Competition : some communities have severe competitive issues, two or more stores in small communities not being able to have sustainable low prices soon causes the stores to reduce their expenditure on store development, the ability to respond to maintenance needs and to be able to attract experienced retailers to operate the retail outlet with more stores being part of a buying group and exercising the correct retailing practices, competition can be a healthy issue.

Competition ensures there is no complacency, however there is always the emotional issue - how dare they sell that item at that highly inflated value when they purchased those goods from the store. The need to concentrate on the “core” business should be the main consideration not the fact that there is competition.

The issue of employment is one consideration that will ensure there is a “loyalty” between the community and the store, by bestowing pride and “ownership” with the staff - being proud that the store caters for all the community, has the freshest possible produce, is clean and staffed by local people who have had their pride restored, will negate competition as all too often the store or shop operating in opposition is staffed by persons other than locals

By ensuring the store provides for the needs of the community and by being considerate of the customers, community members will elect to patronize "their" store. By being able to constantly update the premises, to provide incentive for revenue being available to assist with further education for students, the provision of equipment for sporting bodies or special projects the community wishes to undertake to maintain and replace obsolete equipment and provide the education needs of the staff to fully understand the need for the best possible retail practices to assist the community are methods by which the influence of opposition or competition is diminished.

2. The Effectiveness of the various models and organizations in the community store operation

A. Outback Stores : the principal of having a mixture of retail management should be beneficial for the communities involved in the operation of remote retail stores. unfortunately the methodology seems to have flaws in that the direction of the retail stores is diluted as is the ownership; does the store belong to the community once the Outback Stores management assumes control ?

In fact the operation and guidelines for operation should add to the efficiency of the community store, however from reports in the industry (the people managing stores) there is a large turnover of management personnel. This is probably caused by the culture shock of being placed within an isolated community (Some more isolated than people imagine - not only in location, with no close support) and not having a basic understanding of the local culture, the language and the methods required to "change" the work methods of the local staff.

B. Community Based Models : the most successful model for the community store in Australia is that of the Arnhemland Progress Association (ALPA). The organization is owned and operated by several of the remote indigenous communities located in East Arnhemland. At present five community stores are owned and operated by ALPA with eleven or twelve other stores being managed by their subsidiary Company (Australian Retail Consultants).

Over time the organization has purchased investment opportunities that will add to the benefits and viability into the future. As previously mentioned the Board of Directors are elected members from the five remaining original formation communities, operates on it's own capital - no Government funding other than large capital works projects in which case repayable loans are negotiated, has strict operating procedures that ensure profits are returned to the member communities, management appointees are

made to ensure there is a concerted effort to ensure all staff are trained and receive recognition for their efforts in the form of qualification and, based upon store performance, quarterly bonuses.

ALPA has had a self funded nutrition policy in operation for some years. The nutrition policy encourages the communities to choose healthier option foods not only from the retail area but their fresh food (takeaway) sales area. This policy applies to all the community stores under the management arm of ALPA - Australian Retail Consultants and is one that should be adopted by all remote community retail stores

C. Government Controlled Stores - unfortunately store being managed or owned by Government Departments are usually managed by remote control. There is little or no incentive to further the retail experience for the community, profits from trading are rarely returned to the community and are not able to react to the needs and requirements of the community due to government regulation or a bureaucrat who either has never had retail experience or believes the historical governance of community stores dictated that a government store knew what was best for the community and provided the basic needs - flour, sugar, tea and milk powder . I would also suggest that beauracatic administration is more concerned with the number of employees than supplying good governance and subsequent needs of the community. Usually government stores are controlled from a capital city by staff that do not understand the elements of retail and the requirements of remote communities. Generally there is little or no understanding or desire to understand the issues of the indigenous staff and the people of the community, succinctly the issues of the community and therefore the performance of the retail store have no effect on the KPI's needed by the Government to measure the performance of the section or the officers in charge.

Issues such as language, literacy and numeracy and relationships within the community are not either understood or attempts made to comprehend. All too often comments such as :-

“they don't have the capacity to work”

“ they just vanish without explanation”

“ they aren't reliable”

“you can't trust them”

Are reason enough to know that the persons making these statements should never be involved in remote communities and definitely not controlling staff in the stores, and making suggestions as to the type of persons required to manage stores.

General comments :- From my experience working in remote community stores the best models for the operation of the stores come from a partnership between private enterprise and the remote communities. Private enterprise operates on a profit orientated basis, together with a partnership with the remote communities will ensure the community benefits not only by being able to better service the community but also being able to respond to better retailing operations.

The place for Governments is to provide a regulatory service, a development - funding authority, and support to ensure the cheapest transport facilities are available

All communities have an issue with warehousing - if the community store was able to have sufficient warehousing facilities - drive in coolrooms and freezer areas, airconditioned facilities for the storage of dry goods sufficient areas for the storage of clothing. These are areas that Governments should concentrate on improving.

All operators of remote community store should be "licenced" or approved which would be based on food range, stock levels nutritional values of food from the kitchen, cleanliness, staff history, financial reporting (supplier), audit trails etc.

Conclusion:-

Whilst there are many different theories on the "correct" methods for the management of remote retail stores and there are exceptions there are two successful models that could be applied to ensure the remote community stores provide the best available service -the ALPA model - owned and controlled by indigenous members who have the responsible attitude of having the best available people employed to manage the operation and also requiring that there is every opportunity provided for the people of the communities to have employment and receive formal training in Retail Management, have a recognized nutritional policy - a first for remote communities, and arrange for the manufacture of foods modified for the benefit of the Aboriginal Community - low salt - high iron foods.

I would like to thank the Committee for the opportunity to provide comment which I

hope is of some value