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Submission No 61

Prepared for the

**STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT
ISLANDER AFFAIRS**

Submission

**Inquiry into community stores in remote Indigenous
communities**

Closing Date 20/2/2009

**Authorised by the Corporation's Board of Directors and
approved by the Chairman of the Board Rev. Dr. Djiniyini
Gondarra OAM**

The Arnhem Land Progress Aboriginal Corporation

ICN7137

Owned by the Yolngu residents of Minjilang, Milingimbi, Ramingining, Galiwin'ku and Gapuwiyak



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Submission to the House of Representatives Standing Committee- Aboriginal and Torres Strait Islander Affairs

Enquiry - Remote Community Stores in Aboriginal and Torres Strait Islander Communities

Executive Summary: The Arnhemland Progress Aboriginal Corporation (ALPA) was established to run community stores for its membership in 1972 while employing and training local staff, its Board of Directors and Chairman being local Aboriginal people.

ALPA:

- has 37 years of remote and very remote retail experience
- is financially independent and has been for 3 decades using little or no government funds
- is one of the largest independent employers of Aboriginal people in Australia with over 300 non-subsidised staff.
- from its inception has been committed to aboriginal training and development, building its own training facility at Galiwin'ku in 1983, and today it is a successful Registered Training Organisation (RTO).
- has 5 of its own stores in member communities and manages 11 others under fee for service management agreements.
- due to its model has stock volumes sufficient to negotiate favourable trading terms, special buys and improved service levels.
- in 1985 implemented its own nutrition policy and self funded freight free fruit and vegetables to drive consumption.
- today has a comprehensive Health and Nutrition Strategy with our own nutritionist and good food staff members in every store, we still deliver fruit and vegetable freight free to our customers.

Terms of Reference 1: Food supply, quality cost and competition issues.

- ALPA was formed to ensure the ongoing supply of food and essentials and to provide local jobs. It was deliberately separated from other community functions.
- Operating surpluses go back into the business to improve store infrastructure, equipment and services.

- Some funds are directed into benevolent activities such as health and nutrition, education and community support.
- ALPA is at the end of a very long supply chain, freight is paid for stock to get to Darwin, and then more freight costs are incurred from Darwin to the community barge landing, and then more still from the barge landing to the community.
- Repairs, maintenance, operating costs and capital improvement are very high in remote areas, adding to the cost of goods.
- The structure has operational supervisors to ensure systems, procedures, range and pricing policy compliance.
- ALPA only employs retailers with proven management experience.
- ALPA spends around \$2,000,000 per annum on maintenance and capital improvements to keep the store infrastructure to a high standard.
- Competition in communities can have the opposite affect to what is desirable, due to small populations the community may end up with two stores under performing where the community can only support one.

Terms of Reference 2: The effectiveness of the Outback Stores model, and other private, public and community store models:

- Corporate models such as Outback Stores, ALPA, and others have standardised systems and procedures that offer a level of expertise, accountability and supervision to safeguard community stores and improve operational standards, range and pricing.
- Outback Stores, ALPA and others offer similar services but different operating models, giving remote communities choice in which model they prefer.
- There are some models run by supplier groups that do not offer the best value as they are there to lock in supply for the benefit of suppliers in the group.
- Independent or stand alone stores struggle to attract experienced retail managers and often lack expertise, operating procedures and accountability making them vulnerable to poor financial performance.

Terms of Reference 3: The impact of these factors on health and economic outcomes of communities:

- Health and economic prosperity are a symbiotic partnership under the ALPA model.
- The performance and retail offering of a community store directly affects the health outcomes in the community.
- ALPA's central goal is to contribute to the social and economic development of its members

- ALPA is one of the largest financially independent employers of aboriginal people in Australia, in many cases this employment offers the only form of non government income and creates more disposable income for families.
- Community stores have capacity to create economic opportunities by outsourcing non core activities.
- There is a desperate need for more trade qualified local people in communities other than local government staff.

ALPA Profile: The Arnhemland Progress Aboriginal Corporation (ALPA) has, since 1972, used a successful retail operation to meet its central goal - the social and economic development of its members. It's Yolŋu (Aboriginal people of North-East Arnhemland) members live or are culturally connected to the Arnhemland communities of Minjilang, Milingimbi, Ramingining, Galiwin'ku and Gapuwiyak where the retail stores are located. Members are represented by a Yolŋu Board of Directors. Rev Dr. Djiniyini Gondarra OAM is the current Chairman of the Board and has served in this position for the past 16 years.

ALPA, as a retailer, is one of the largest financially independent employers of Aboriginal people in Australia. Over the years with prudent use of modest surpluses, ALPA has developed community and vocationally related educational resources and programs, assisted members with small business ventures and implemented health and nutrition policies.

ALPA's success is based on thirty seven years of experience, steady progress and from a commitment to the development of Aboriginal people within the context of their own organisation. ALPA continuously works with government agencies and other service providers to enhance the quality of life and living standards of its members.

ALPA Mission Statement

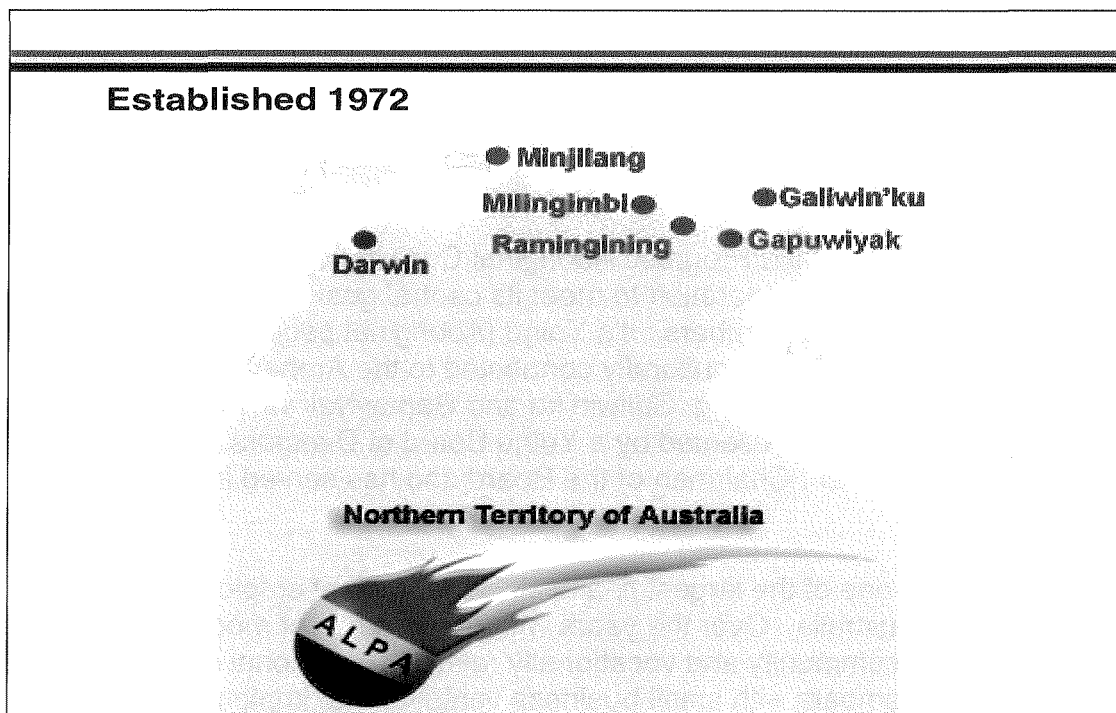
ALPA's mission is to conduct an efficient retail business emphasising customer service, nutrition, staff development, training and education.

ALPA strives to enhance the social and economic development of its members, giving primacy to their cultural heritage, dignity and desire for equality with their fellow Australians.

Structure

As an Aboriginal Corporation under the Federal CATSI Act, ALPA defines its own powers, membership eligibility, organisation, voting rights and meeting requirements. As of the 7th November 2008, ALPA transferred from the Arnhem Land Progress Association (ALPA) under the NT Associations Act to the Arnhem Land Progress Aboriginal Corporation (ALPA) under the Corporations Aboriginal and Torres Strait Islander Act (CATSI). Each member community has two representatives on the Board of Directors. This comprises a community representative, and a senior traditional landowner. ALPA's General Manager is responsible to the Board for the efficient and effective administration and the day to day operations of the organisation. The structure is designed to maximise informed member participation.

This is an ongoing organisational challenge given the diversity and dynamics of community social alignments, for example, our largest community comprises 21 clans whose clan estates in the main are not in this community, therefore the community is an artificial social construct and therefore conflicts with accepted cultural practices. (Refer Attachment 1)



Map: ALPA Stores – Member Communities

Retail and Workplace Training

In the early 1980s ALPA built its own training school at Galiwin'ku and developed its own retail training courses. Since early in ALPA's history it has been committed to standardising operations procedures so that relevant and effective training could be delivered in a culturally appropriate manner and environment.

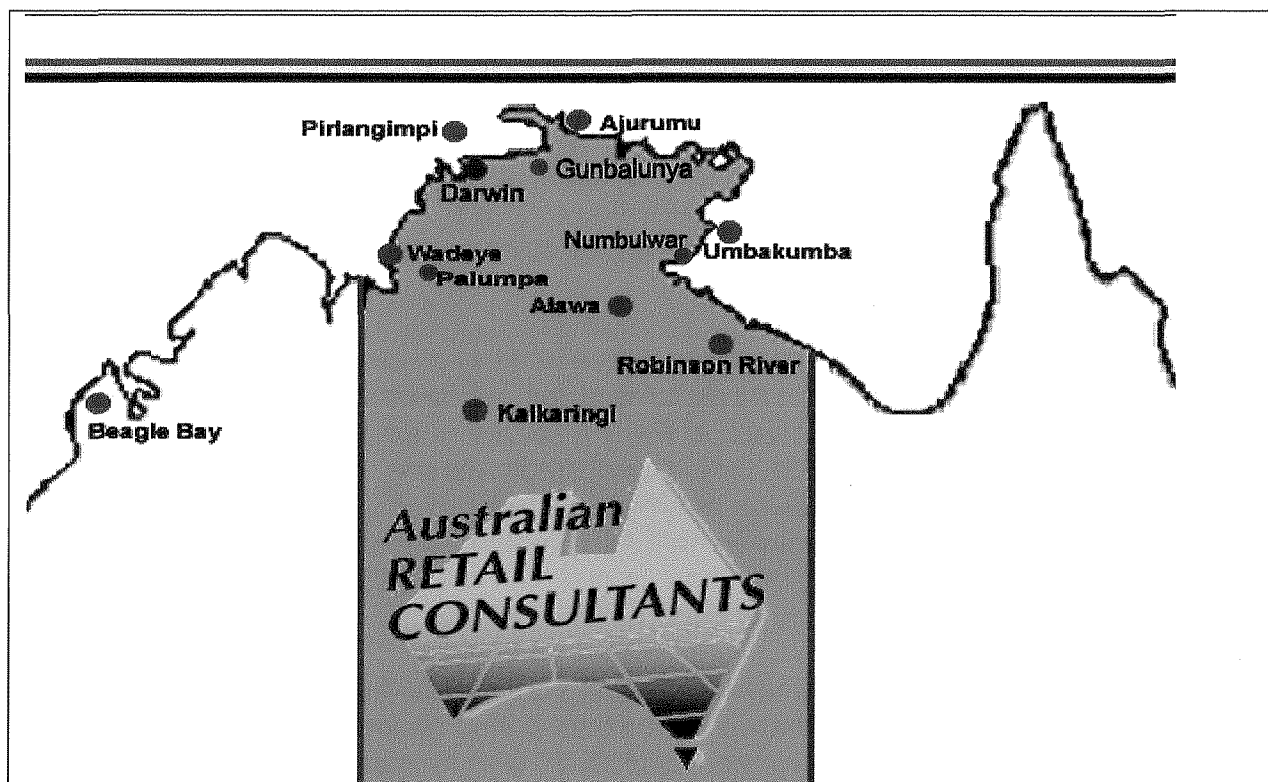
Since then the focus has changed. There is no longer a need to train large numbers of Yolju staff in basic retailing skills off the job; these skills are now in plentiful supply in-house at each store. Retailing was one of the first training packages to be accredited and the potential and flexibility of these learning resources meant that ALPA was an early believer in these educational resources. We were quick to embrace competency based training on the job becoming an RTO so we could offer our Yolju staff nationally accredited qualifications.

Currently ALPA delivers Certificates 2 and 3 in Retail Operations to store workers in a range of communities. Key units from Certificate 4 in Assessment and Workplace Training are delivered to both retail workers and other indigenous organisations and communities. The delivery and related content has been customised to meet the diverse and cross-cultural needs of these clients. Our current focus is to have all training and assessment conducted in the participants' first language.

Australian Retail Consultants

In the early 1980s, ALPA was approached by another community for assistance in managing their store. The store was in financial difficulty and the community lacked the retail expertise to keep the store financially viable. The community however, still

wanted to retain ownership and have real input into the store. This was the beginning of ALPA's consultancy service, Australian Retail Consultants, which currently manages twelve enterprises owned by other community organisations. All are profitable and viable commercial enterprises with an emphasis on local employment and training, nutrition, and range with the best possible prices. Surpluses are reinvested back into the business to improve services or used for community benefit. Many of these businesses are long-term clients happy to be part of a successful group and be out of the *boom/bust* cycle in which so many community stores become trapped.



Map: Consultancy Stores- Stores under management agreements- fee for service.

Enterprises

ALPA initiated a family enterprise scheme more than fifteen years ago. The aim was to provide start up loans, training and ongoing monitoring for Aboriginal-owned and operated family businesses. A range of enterprises commenced including a courier service, small after hours snack and drink providers, pool tables and homeland centre shops. The homeland shops contributed significantly to the quality of life - having a regular supply of food on hand reduced air charter transport costs in one locality by more than eighty thousand dollars a year. As a consequence the population stabilised and school attendance rates rose significantly.

Presently ALPA still provides support and training to enterprises which overall have become smaller, often to meet the shorter-term objectives of the owning family. The retail staff at each location now provides most of the support for enterprises that purchase stock through their local ALPA store at discount rates. ALPA is aware of where its expertise lies and while we can provide strong mentoring and support for small retail and/or food service ventures, we cannot be all things to all people that ask for our assistance. We can and do however, act as a conduit for networking, putting small business aspirants in touch with others that can assist them develop their enterprises.

Board of Directors and Members

At each Board of Directors meeting which is held in turn in one of the five communities where the ALPA members live, ALPA employs an interpreter to assist in the explanation of financial matters, matters of organisational structure, legal requirements and issues relating to governance. The approach is empowering and uses relevant language and concepts from traditional Aboriginal economic and legal parallels. The Board interpreter is there as a linguistic bridge for better understanding for both the Directors and Non Indigenous Managers.

The store committee is a second tier of structure to the ALPA Board of Directors. Their role is to support the usually non-indigenous store managers, Yolŋu supervisors and store workers in resolving local issues that arise in relation to the store. They are also responsible for the managing community specific Benefit accounts that are part of ALPA's benevolent programs. The distribution of these Funds raises important issues of governance and the need to comply with the rules of the Corporation.

Member Wellbeing

It is an inescapable fact that conventional measures of a healthy and purposeful lifestyle paint less than satisfactory pictures of remote community residents including those people in ALPA communities. ALPA is a source of employment and has been financially viable since inception. Operational surpluses are used to upgrade store infrastructure and services with the remainder funding ALPA's Benevolent programs. Landowner rents and Community Benefit Accounts are one of the few sources of independent income, enabling members to maintain culture, begin new initiatives, or assist young people in educational opportunities.

In 1985 ALPA introduced a Nutrition Policy and an internal freight subsidy on fresh fruit and vegetables as a health initiative. Since then consumption of these items have steadily increased. ALPA has worked collectively with Menzies School of Health Research and Territory Health Services on health education and nutrition issues. Jointly with key suppliers new products have been developed and promoted with a health focus including the development of a new bread product with increased fibre, folate and iron supplements.

In 1995 ALPA initiated and largely financed the establishment of the Traditional Credit Union in response to community member concerns at the lack of any banking facilities. An intense two-year community education program preceded the establishment. Once open, regular banking facilities changed the buying patterns from feast & famine cycles to families being able to budget and buy food on a daily basis, which is better suited to homes where there are limited storage and refrigeration facilities. Overall food purchases increased.

Health and Nutrition Strategy

In October 2004, the ALPA Board of Directors held a Strategic Planning seminar. The Directors resolved that ALPA's short, medium and long term priority is:

To significantly increase ALPA's contribution to the improvement of health and nutrition in Arnhemland communities, specifically targeting diabetes, kidney disease, heart disease, aged care and children's health.

Major objectives of the strategy:

- Improve health & nutrition of the elderly and children
- Assist in prevention and management of diabetes, heart disease and kidney disease
- Action to break down dependency
- Develop a range of Yolngu traditional foods
- Create non-subsidised employment

These objectives have been addressed through the focus areas of:

- Increasing fruit and vegetable sales
- Increasing healthy takeaway sales
- General store nutrition (range and education)
- Community partnerships

Focus areas are achieved by the ALPA nutritionist working with ALPA management and staff, appointing and working with an Aboriginal staff member known as the Good Food person (appointed to each member and some consultancy stores), partnerships with agencies both external and internal to the communities with similar agendas, community residents and ALPA Board of Directors and suppliers of goods to the ALPA stores.

Expected outcomes of the strategy are:

- Improved health for women of child bearing age,
- reduction in number of infants born at a low birth weight,
- improved rates of exclusive breastfeeding for young infants,
- reduction in number of young children who are underweight, wasted, stunted or anaemic and overall improvement in child health,
- reduction of number of children and adults who are overweight or obese,
- reduction of chronic disease in adults including diabetes, hypertension, cardiovascular disease and renal disease, and
- an improved sense of community well-being associated with a healthier population.

Investing for the future: ALPA recently finished construction of a new warehouse facility in Darwin. This project signifies a solid business partnership between one of Australia's largest financially independent Indigenous organisations (ALPA) and the third largest Wholesaler/Retailers in the country (Metcash). The new warehouse will be the largest of its type in the Northern Territory, equipped with the latest technology and an extensive range of products to meet the growing needs of the Top End including remote communities. The warehouse will allow Independent Grocers to build on their already established and growing local and export market. ALPA who purpose built the complex, for Independent Grocers (Metcash) wholesale operations, will own it with Independent Grocers leasing it.

This investment is an important step in diversifying ALPA's income stream and ensuring financial security for the future. The Board has ensured that as ALPA realise a net income from this investment it is directed to our benevolent activities, specifically subsidising freight on an increasing range of food and essentials in our community stores. The Board believes reducing the cost of food and essentials is the best way to

ensure more of our members receive the benefit of successful ALPA operations and get more products for less cost in the store.

Addressing the Terms of Reference:

Terms of Reference 1; Food supply, quality, cost & competition issues.

Food Supply: The foundation of ALPA was to ensure ongoing reliable availability of food and essentials as a basic right. ALPA has managed to do this for over 37 years with little or no government funding. ALPA was incorporated separately to other community entities in the early 1970s, to focus on providing the best quality retail offering, while employing & training aboriginal people within the context of their own organisation. This is an essential component of ALPA's success and longevity, where so many other Aboriginal entities have ceased to exist over the last 3 decades. ALPA remains focused on stores, range, employment and training and does not bleed funds from the corporation for other community needs. The majority of net income is allocated to improving store infrastructure and services besides some small community benevolent programs, our largest by far being our comprehensive Health and Nutrition program.

One of the greatest benefits for communities whose store is part of the ALPA group is the benefit of our strong supply network largely due to our stock volumes. Because ALPA's group turnover annually is now in excess of \$70 million dollars, and that we have a reputation as good reliable payers, suppliers are enthusiastic to deal with us.

This ensures our stores are well supplied and receive high levels of service where small independent stores, which are deemed by suppliers as high risk, often find it difficult to find suppliers and when they do can find themselves paying a premium in their wholesale pricing. It is a fact that many small stores find themselves dealing with the smaller wholesalers that are significantly more expensive to buy from than tier one counterparts because they may have "burned" larger suppliers by not paying their accounts or they are deemed high risk. Unfortunately this can also leave them open to being taken advantage of by unethical suppliers, further making viable store operations difficult.

ALPA has for many years operated under a "preferred supplier" policy. This means that we source the best value for money and service levels and trade with those suppliers that have given us favourable trading terms. Our managers place the orders but the corporation decides who they buy from. We sometimes have more than one supplier for a commodity group to ensure quality and value.

The advantages are:

- Concentrated volumes delivering better pricing, rebates, promotional deals and service levels
- Our managers focus on in-store retailing rather than chasing supply
- Managers cannot be enticed or corrupted by unscrupulous suppliers
- Less suppliers means lower administration costs.

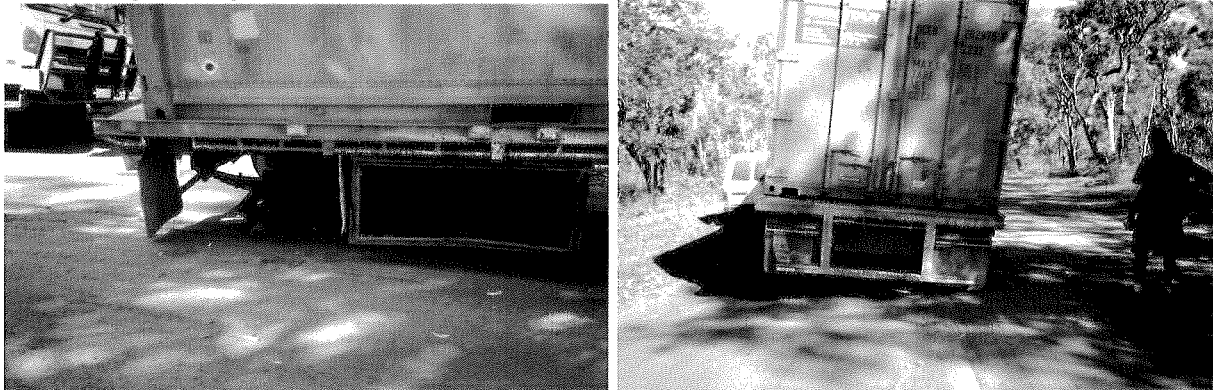
Our preferred suppliers know that we regularly monitor pricing and service levels; if they are becoming expensive or service levels drop we may source a new preferred supplier.

Once again we stress that when dealing with wholesalers the language they listen to most is “volumes”. How much product can a business turn over for them!

With all of the above it is important to note that stores, in remote and very remote Australia, **are at the end of a very long supply line**. Most stock comes from the eastern seaboard to Alice Springs or Darwin and there is significant cost to this point, but that is not the end of the journey. The stock is then loaded onto a barge or truck to begin the trip to the community, often on poor or washed out roads or on rough seas. In the case of Barge transport we then need to transport the stock from the barge landing to the community which in some cases is over 20km on very poor dirt roads. Some stores face the financial burden of owning truck and dog trailers to facilitate this transport.



Pictures: Barge arriving at Lake Evella, Arnhemland, and damaged refrigerated stock from a rough voyage



Picture: Damage to Ramingining store refrigeration container/dog trailer due to poor road conditions

The images above showing damage to the store dog trailer at Ramingining in East Arnhemland happened some 15 kms from the community. The community mechanic was “too busy” to assist us in this emergency. We therefore had to get a mobile mechanical team to immediately drive out to the site from Darwin, an 800km round trip, most of it on dirt roads (Cost \$7000), to make temporary repairs so we could get the trailer back to the barge landing. The whole unit was then taken to Darwin by Barge for proper repairs (the cost including barge freight \$30,000). We then had to hire another trailer to service the store in the interim. All ALPA vehicles are regularly maintained but remote community roads are not often maintained and are generally of poor standard therefore taking a shocking toll on road plant and equipment.

Quality: Contact with the secretariat confirmed that this term is fairly ambiguous and should encompass any quality issue, so we will deal with quality in regard to product, infrastructure and service

Quality of Product: Our stores, due to an extensive supply and logistics network that is carefully monitored for performance, do not have large ongoing problems with the quality of stock received in stores. In fact no more than any other retailer in a regional centre.

From time to time where we have a quality issue we do not accept the goods. *The predominant ongoing problem affecting the quality of product is directly linked to packaging and transportation.* If we receive damaged stock generally the pallets have not been stacked or prepared for transport properly. The other predominant issue is through damage in transit due to rough seas, poor road infrastructure or breakdowns associated with the plant and equipment of the transport company.

Our quality of fresh product is often comparable in quality and price to that of Darwin due to high competition for our business and our ongoing strategy implemented in the early 1980s to subsidise the freight on fruit and vegetables to drive consumption. It is worth noting that not more than 10 years ago we had to fly "highly perishable" fruit and vegetables out to communities by plane, this was 10 times the cost of barge freight. Today in our stores no fruit and vegetables are flown to communities, all are by barge or road. This is possible because our suppliers are experienced at judging at what point in maturity should a product be sent to remote stores, most times they get it right, sometimes they don't but we reject product not ready for sale or past its prime. The only other times we have product issues is when we have operational issues in the store, this is where our operational supervision of store management and staff is there to support the store to improve performance. We would contend that this is an operation fact regardless of the retailer or where they operate.

Most stores in the group only stock frozen meat and poultry, we do not in most cases have a butcher in the community, nor meat room facilities in-store. Shelf life on fresh product has always been a barrier to us selling fresh product in our stores. We have trialled cryovaced fresh meat but with little success as the dull colour and unfamiliar smell put customers off purchasing the product. Despite this we have an affordable and continuous supply of good quality meat available in our stores. It is more expensive than the same quality in Darwin because we are generally paying between 62c & \$1.17 per kilogram in freight from Darwin to the store. One of our goals is to generate other income to be able to offer freight free meat and poultry in our stores as we do for fruit and vegetables.



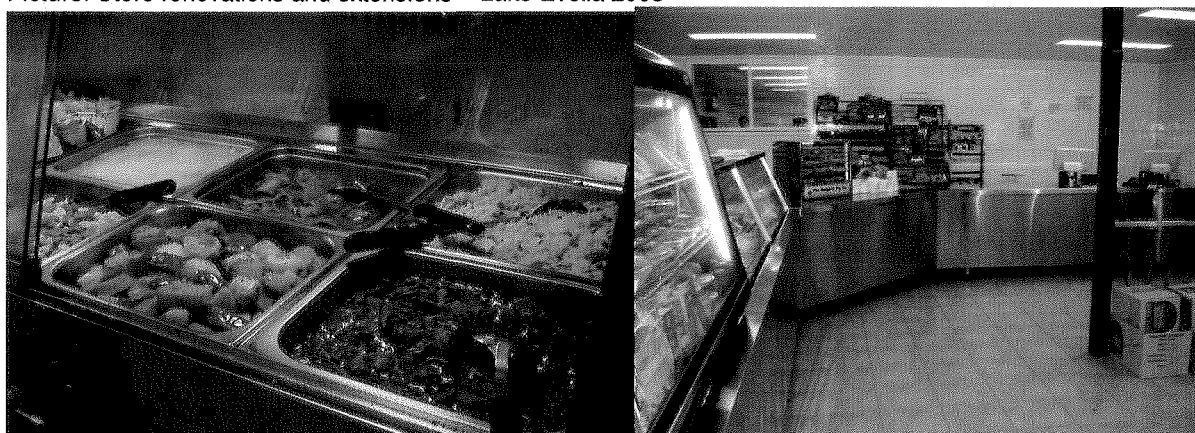
Photos: Milingimbi Takeaway refrigerated display & Lake Evella Fruit and Vegetable display nutrition week 2008

Quality of Store Infrastructure: ALPA spends on average \$1,500,000 to \$2,000,000 each year on maintenance, new equipment, refrigeration, takeaway upgrades, store renovations & extensions on its 5 member stores. In fact this is the largest allocation of

operational surpluses year on year. We believe we must offer our customers the best possible retail service we can and that by doing this it is a positive way to meet our mission, support our members and create real jobs. Our Board believes that we must continue to invest back in our stores to better serve the communities and have a positive impact on Health and Wellbeing.



Picture: Store renovations and extensions – Lake Evella 2008



Picture: Healthy takeaway options and new takeaway Lake Evella 2008

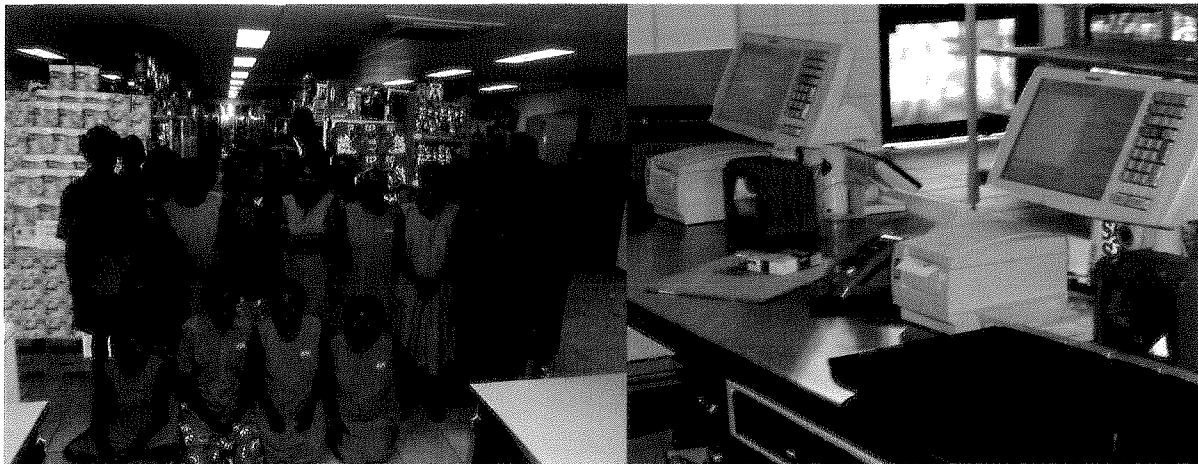
Quality of Service: ALPA only employs retailers with proven management experience, all other staff in our stores are local aboriginal people. Aboriginal employment is provided on a non-subsidised basis nor are they CDEP, staff are employed by the stores at above award conditions. We pride ourselves on providing the highest standard of retail offering and service and delivering this in a culturally appropriate manner while employing and training local people. We are a Registered Training Organisation and all staff are encouraged to go through formal retail training in certificate 1& 2. Supervisors are encouraged to complete certificate 3 and some have commenced certificate 4. We believe we must at all times have a comprehensive range of grocery, chiller, freezer, fresh produce, general merchandise, clothing and takeaway products.

ALPA has for many years used a standardised stock control system that sets a minimum range across all commodity groups. This is a minimum range with managers encouraged to try new lines and other products to enhance the individual store range. Our stock controls are the cornerstone to ensuring a continual comprehensive range offering while minimising overstocks and out of stocks. Our goal is always “the right stock, in the right quantity at the right place at the right time”, this is how we drive standards to meet customer needs.

ALPA has a strong support structure (see attached corporate structure) to support stores. We are no different to any other retailer in Australia in that we have operational issues from time to time. We currently have in the structure 3 Operations Managers who are there to support stores and supervise range, standards and operations. Our Operations Managers generally are the ones that identify any operational issues and are there to assist the store in improving or receiving training to work through any staff deficiencies.

Our Point of sale is of the same standard of any independent retailer in Australia, offering a fast efficient and auditable product. We are innovative with technology, last year developing the ALPA **FOODcard**. This is a smart card system designed to assist Aboriginal people to budget and protect money for food so it lasts over the entire pay cycle. (Please refer to Attachment 2).

We sometimes have challenges with staff attendance and forced closures due to cultural events, but this is the culturally rich & diverse environment we work in and we must work to succeed under any given circumstances.



Photos: Team Lake Evella & Point of Sale equipment used in the stores.

Cost: We will deal with this issue in two ways, firstly the cost we buy for and then factors determining the price we sell goods to our customers.

Cost we buy for: We have already mentioned the “Preferred Supplier” policy and how that gives us the volumes to negotiate better terms with suppliers, also mentioned are that so far as manufacturers and wholesalers are concerned their primary interest is around volumes. How much product will you move for us? This in turn gives them leverage to get better deals from their suppliers. With this in mind we cannot buy from our wholesalers at the same price as Coles and Woolworths because we are never going to achieve anywhere near their volumes. To make this point I would point out that the entire turnover of all the Stores in our group per year is little more than one large Coles or Woolworths Supermarket, yet we are 16 stores.

We do however go out to tender for product when required and we constantly monitor what we are being charged for goods and services to get the best deal we can.

It is also worthy to note we buy from local wholesalers and for them there is a cost in having, maintaining and staffing warehousing in the more remote smaller regional cities in Australia. These are other reasons why our buying price is higher. Larger chains bring stock up from much larger warehouses in the southern states. However problems

with supply can arise in the wet season when roads can be washed out. In addition to the additional aforementioned costs all capital cities in Australia receive free freight from the manufacturers. Although Darwin is acknowledged as the Capital of the Northern Territory it is not acknowledged as such by many major suppliers, so Darwin is charged freight for all stock delivered to it. Another cost burden that must be passed on to consumers.

Cost to our Customers: The prices our customers pay are fair and reasonable and according to most of the NT Government Market Basket Surveys we are comparable to small independent supermarkets in Darwin. This does not mean however they are cheap when compared to the major supermarket chains.

As explained our base cost is higher but in line with our volumes, there is then a freight charge from the eastern seaboard to Darwin and then the cost of freight from Darwin to the community. We have set out some examples below based on the 2007/2008 financial year.

Table 1.

Break Down of Sales to Gross Profit			
ALPA Corporation Stores only			
	\$	% total sales	Comment
Store Sales/Income	\$25,774,506	100.00%	Five ALPA stores only
Freight	\$1,749,283	6.79%	Freight from Darwin to community only
Purchases	\$15,161,931	58.83%	Food and non food purchases
Cost of Goods Sold	\$16,933,192	65.70%	Net purchases including all freight
Gross Profit	\$8,841,314	34.30%	Prior to store operating costs etc

To give some specific examples of actual barge freight charges our coastal stores are paying between \$94-\$307 per cubic metre for dry goods and between 62c - \$1.17 per kilogram for freezer and chiller stock. This is only to transfer stock from Darwin to the barge landing, we then need to transport it to the community. There are generally no freight services to facilitate this in communities which often necessitate the cost burden of a truck and fork lift for the store. Our target band for gross profits is between 33%-36%, this can be achieved by controlling theft, good investment buying and effective merchandise mix.

We then need to consider the considerable costs to operate a retail business in a remote community. Absolutely everything we do costs more, in most cases there are limited services in the community, there maybe a mechanic, a plumber, a carpenter or electrician in the community working for the Shire but not always. Where they do have these trades available they are often reluctant to take on work at the store, if they do the Shire charge out rate is generally around \$120 per hour which is about 40-50% higher than Darwin costs.

If we do not have trades in the community, then we must charter them to the community on a small plane or if we are really lucky they may be able to drive a vehicle out. A charter to Arnhemland in a single engine aircraft is approximately \$2000 plus waiting time. Tradesmen start charging you their labour rate from the time they get to the airport and stop when they arrive back. If they drive they charge \$1 per kilometre plus their hourly rate, both ways.

Trades that we don't have in communities are computer technicians, takeaway technicians and refrigeration mechanics, they also need to be flown out or again they will drive if possible. Our repairs and maintenance costs are very high. In addition everything we do in regard to capital improvement is also much higher than urban centres, the same costs apply as previously mentioned for maintenance just on a bigger scale. In short we cannot maintain or improve our stores unless we generate the funds to do it.

Employment costs including payroll tax, recruitment and on-costs account for 60% of our total store costs. We budget a percentage of sales for all staff excluding managers, this is 8% for store staff and 12% of sales for Takeaway staff as they work weekends and evenings and attract penalty rates. Managers are generally employed as couples on salary commensurate to experience and performance. It costs ALPA on between \$20,000 to \$30,000 to recruit and relocate managers for our stores.

Table 2.

Break Down of Store Operational Costs			
ALPA Corporation Stores only			
	\$	% total sales	Comment
Total Store Costs	\$6,358,848	100.00%	Five ALPA stores Only
Employment Costs	\$3,939,146	61.95%	Including On-costs & staff replacement
Power	\$300,923	4.73%	
Landowners Rent	\$298,710	4.70%	Paid to Traditional Owners through the NLC
Repairs/maintenance	\$368,496	5.80%	Over 46% is refrigeration R&M
Depreciation	\$525,082	8.26%	
Vehicle Costs	\$66,212	1.04%	Excluding trucks and forklifts
Financial Costs	\$158,372	2.49%	EFTPOS fees/ bank charges/damage goods
Other misc costs	\$701,907	11.04%	Phone/insurance/audit/IT
Indirect Costs	\$344,415		The cost of running ALPA corporate
			this is not a direct store cost and
			includes Board/ Accounting/training/admin/ HR & supervision costs

Our operational surplus is generally around 10% of sales, this allows ALPA to be financially independent, to self fund capital work and to finance our benevolent programs to support members. Our target band for surpluses is between 8% & 12% and this can be achieved by good control of expenses and write-offs.

Table 3.

Store Operational Surplus			
ALPA Corporation Stores only 2007/2008			
	\$	% total sales	Comment
Net Surplus from Stores	\$2,453,776	9.52%	Our target band is between 8-12%

It should be noted that private operators look for a much higher return from their businesses, they do this by having significantly higher prices, sometimes as much as 50% more, and rarely do they invest back into the business for infrastructure or equipment to improve the store of services.

The same can be said for small independents previously run by councils, although their prices are generally cheaper than private operators but little is invested back into the business as councils divert store funds for other council activities.

Competition: As previously mentioned competitors in the communities where ALPA run stores are often much more expensive with poor infrastructure and equipment. We can only surmise that they want to net as much income from the community through their business as possible.

Experience over the years often shows that private operators come and go and are not long term players. They will come in make their money or if they don't and find it too hard they pack up and leave. It is also common in almost every case that they contribute little to the community financially and provide no employment and training to local Indigenous people. In the past they have operated outside normal agreements with Landowners such as Land Council negotiated and sanctioned "Land Use Agreements". Often they pay "hand money" in the form of undeclared payments of cash to the precious few that may or may not be the valid traditional owners of that area.

While as an Aboriginal Corporation we are disappointed in this form of business in communities when they go into competition with one of our stores we find the best way to deal with it is in operating our store to the best possible standards and service. Often they survive by operating outside normal hours, late into the night, Sundays and Public Holidays. Some of our stores operate in a limited capacity into the evening, on Sundays and Public Holidays. We currently have competition in 3 communities where we operate stores.

The most important factor to consider in remote communities in regard to competition is population. While most people in living in mainstream society expect to have multiple choices of where to shop in the case of remote communities *most do not have the population to support more than one retail store*. Any store must have a level of sales income to meet the bare minimum in regard to fixed overhead costs. They must be able to maintain and replace infrastructure as needed. Communities must be able to generate the required spend or have the critical mass of services within the community to support a population to generate the required spend.

If competition is without due consideration to population, it is possible to have 2 stores in the community both struggling to survive, both having to cut back on costs and raise prices to just to keep the doors open. In this circumstance the concept of competition to drive down prices and improve service is flawed as it has the opposite affect. ALPA has one community presently under management where this very issue is happening today. Please see the following case study.

CASE STUDY 1- Two Stores in one community that does not have the population to support both.

Community X is an inland community of approx 450 people.

Community X exists under the circumstances described to this day.

CASE STUDY 1- Continued

ALPA was first contacted by Community X in 1999, by a young couple who were in a capacity of managing the community's affairs. They asked if ALPA could travel to the community and do an assessment on it. Further conversations revealed a very poor range with little or no fruit and vegetables. An example of lettuce selling for \$15 was given with customers travelling to another community or chartering food in as it was cheaper than shopping in their store was given. The store operator was uncooperative and would not listen to the community.

ALPA's Board has a clear policy that we can only go to a community when invited, we are not allowed to "cold sell" or make the initial approaches to communities. During the discussion around this I asked if the store manager would allow us access into the store even if we were invited in by the community. The young couple were unsure and revealed the store had been privately leased 2 years before. They said that the operator had presented the Traditional Owners with a lease and they had signed it not knowing what to do and worried they would not have a store if they did not. They received no independent legal advice as they did not know they could and how to find it.

At this point we advised them that we could not access the store as the operator had a private lease and that they should seek legal advice to see if they could have the lease rescinded. We offered any help we could.

The Community sought legal advice and approximately 4 years later contacted us again to say they had won in court and the lease had been rescinded and the private operator would have to leave. The store would revert to a community store and they wanted ALPA to run it. While they were fighting the court case the community, with the assistance of the council CEO opened a small community shop with about 100 lines in the range in an old shed so the local people could afford to shop in their community.

The community feared that the private operator would go quickly, before we were ready, so gave him permission to stay for 3 months. That was all the time the private operator needed to set up a cash payment system with some of the Traditional Owners in the community. ALPA would ask to operate the small community store in the transition phase and when the private operator's time was up, they would move the operation into the community store.

This however did not occur, the traditional owners and some others of a senior position liked the non taxable cash they were being paid and the private operators 3 months turned to 6 months then a year and they are still there to this day.

ALPA has run the much cheaper store to this day in the old shed. The private operator survives trading at night and "book up" holding debit and basics cards as security. ALPA has managed to put aside a small surplus as a deposit to build a new store but those influential people on the private operator's pay roll are stopping progress by blocking the allocation of a suitable site in the community.

Both stores are struggling to operate effectively with very poor store infrastructure and equipment.

Over the last 3 decades ALPA has been asked to assume management of stores that are often insolvent to close to it, mostly without the impact of another store in competition. Many of these stores struggle to survive on their own without another store in the community. *Operating costs are so high to run remote and very remote stores that it only takes a poor or unscrupulous manager or committee to put it in danger of not having the funds to operate at all.*

Terms of Reference 2: The effectiveness of the Outback Stores model, and other private, public and community store models:

Outback Stores Model: The Outback stores model is different to that of ALPA's but its origins come from our model following a visit in 2006 from then Minister for Indigenous Affairs the Hon Mal Brough MLA. The Minister visited our store at Galiwin'ku and was so impressed with the range, pricing, operational standards and store infrastructure he asked how we could deliver this when so many other stores could not.

His Senior Policy Advisor for Indigenous Affairs, Mr. Russell Patterson took our General Manager aside and stated that the Government was concerned about the poor quality of store operations in so many communities that he was going to ask Coles and Woolworths to help with a solution and were ALPA interested in participating in some way. We of course agreed.

The working party to develop Outback Stores included representatives from Coles, Woolworths and Indigenous Business Australia. Extensive consultations were held between the working party and ALPA on our model. The Outback Stores Model was loosely based on the ALPA model as it had a proven track record over an extended period of time.

The Outback Store's model is very different today from the ALPA model. In many ways it serves a different demographic and is focused on being a national provider of retail services, where ALPA concentrates on the top end of Australia. Outback Stores is also modelled to manage many more stores than ALPA which also necessitates a different management and organizational structure as it should be.

ALPA and Outback Stores have a good relationship, communicate regularly and will shortly sign a memorandum of understanding. While it is true we are sometimes asked to present our models to the same community in regards to managing a store, we see this as healthy because the community is able to look at two successful and solid business models with similar goals, *to provide sustainable, quality retail stores to positively impact on community health and wellbeing.*

We believe Models such as ALPA and Outback stores provide the best possible chance at delivering a sustainable and good quality retail offering due to the retail experience in addition to a functional and accountable organizational structure. Other business models operating community stores with accountability structures of various sizes include IBIS and DATSIP in Queensland

Other private, public and community store models: In this area we would identify the following categories for consideration:

→ Those stores run by private operators

- Those stores run by Community Councils/Shires
- Those stores run by Aboriginal Incorporated Entities
- Those stores run by suppliers or groups of suppliers

We have touched on some of the issues already, in particular private operators. We believe that community stores have a difficult time surviving and thriving and should put most income back into the business to improve the store infrastructure and services with goals of delivering reliable affordable and good quality retail stores that have a positive impact on community health and wellbeing. This is not often the case with these models.

Store groups run by suppliers or groups of suppliers are not necessarily run to offer a reliable, sustainable and quality store, but more often they are run so the suppliers can lock in their own supply into those stores excluding all other ensuring healthy margins, which does not always offer good value to the customer. These suppliers are often not used by other store groups for varying reasons including poor trading terms and service. It is sometimes difficult for communities to identify a group purporting to have the experience of running stores that is in fact run by a consortium of suppliers.

While there are some stand alone stores owned by community councils/Shires or community entities that deliver a great retail service in their community, in our experience they are the few and not the many.

Unfortunately many stand alone stores run by community entities or shires do not often have the depth of retail experience or the accounting resources to adequately offer a reliable store operation. They have no choice but to employ store managers and outsource accounting. There can be many problems with outsourcing.

Stores can often become stuck in the boom & bust cycle simply because managers employed to run them are either, inexperienced, incompetent or dishonest. At the same time sometimes the governing body of the store, recruit and employ competent and honest managers that do an excellent job and the store does well while they are there, hence the boom and bust cycle. The problem exists that often the community entity does not have the skill base to monitor and review financial and operational performance of the store and this can lead to little or no accountability. At times the owning entity can see the store is not performing but again does not have the skills to take corrective action or the resources to employ someone that does.

Even when these stores have good and competent managers, often their tenure is short as there is no management back up for them. They may not have an assistant manager or if they are a couple the stores may not be able to afford to employ someone so they can take leave. The managers get tired and run down and often resign to have a break. Most stores groups have a pool of relief managers for this reason.

Terms of Reference 3: The impact of these factors on the health and economic outcomes of communities

Health and economic prosperity are a symbiotic partnership under the ALPA model, with successful store operations feeding back into the communities, improving health outcomes of local residents. The performance and retail offering of a community store

directly affects the health outcomes in the community. If the store is closed, too expensive because of financial problems or poor management, or simply does not stock healthy items, then these factors prevent customers from buying nutritional foods.

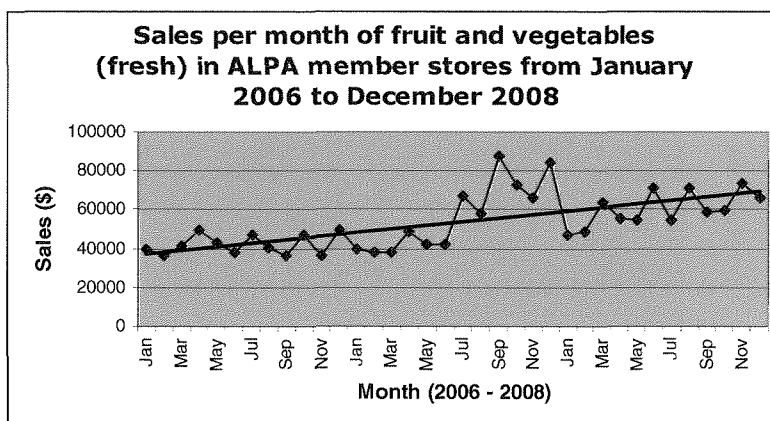
The ALPA health and nutrition strategy has worked to include a range that is plentiful in all commodity groups that have been proven to have a beneficial effect on the health of community residents. Product categories such as fruit and vegetables, prepared foods/ takeaways, drinks and general store nutrition have been focal areas of this strategy. In addition the economic growth seen through the running of an effective retail business that employs Indigenous staff and feeds back to the communities through benevolent activities.

Fruit and Vegetables

The ALPA health and nutrition strategy was initiated in the early 80's with a 100% freight subsidy on fruit and vegetables initiated soon after, a policy that still exists today. However a revised strategy was launched in 2005 with a much wider focus as well as fruit and vegetables and actively implemented through organisational policy and management support. The health and nutrition strategy enforces a minimum core range of product in stores for such areas as fruit and vegetables. It also plays a role in external education of community residents on making "healthy" food choices, in addition to forming partnerships with organisations with goals closely aligned to the strategy.

ALPA's focus on increasing fruit and vegetable sales has been stimulated by the reportedly low consumption of these food groups in Indigenous communities. In 2004-5 the reported consumption of fruit in remote indigenous communities showed 42% of people consuming the recommended daily intake of fruit, with 20% reporting no daily fruit consumption. Ten percent of people surveyed reported eating their recommended daily intake of vegetables, with 15% reporting no daily consumption of vegetables². There has been evidence in a previously unpublished study of a particular community that there was a fruit and vegetable intake one-third that of wider Australia, similar to that reported two decades earlier. There is overwhelming evidence to prove that a diet high in fruits and vegetables can help prevent diseases such as coronary heart disease, type 2 diabetes, stroke, some major cancers and possibly hypertension⁴.

Table 1:



There is evidence to suggest affordability and sales have increased substantially over the last three years (see Table 1). Store sales demonstrate how an effective health and nutrition strategy can influence the sales of fruit and vegetables with member stores showing rises of approximately \$31,000 in a three year period, from a starting point of approximately \$38,000 (85% increase). ALPA conducts regular price reviews on store based lines and in particular fruit and vegetables, typically ALPA have been 10% cheaper on a standard range of fruit and vegetable lines compared with mainstream retailers in the Darwin area. The 2008 “market basket survey” demonstrates a similar figure with the whole ALPA group in the Northern Territory on average were 10% cheaper than the Darwin district average.

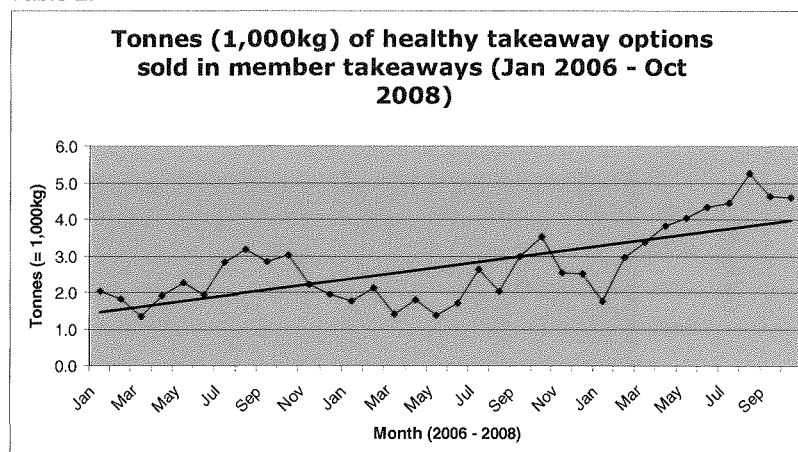
Affordability has been accompanied by availability with a recommended range containing 60 distinct lines of fruit and vegetables, promotions of fruit and vegetables and improved store infrastructure. Range can also be verified through the “market basket survey” 2008 with on average four varieties of fresh fruit and vegetables more than the Darwin district area average.

Healthy Takeaways

Takeaways include a large number of fruit and vegetable based options, for the previously mentioned reasons (see “Fruits and Vegetables”). Lean protein and low salt meal solutions have also been introduced to assist with high prevalence of heart disease, diabetes, kidney disease, anaemia and certain diet related cancers. Takeaways will also stock ample amounts of water (retail) in addition to (free usage) in-store water bubblers. Takeaways use no deep fryers and have a minimum 50% of range allocation to “healthy takeaway options” a policy ALPA has had since early 2006.

Healthy takeaway options are healthy hot meals (as per strategy), corn cobs, boiled eggs, sandwiches and salads (as per strategy), baked sweet potato (Arnhem Land stores) and fruit pieces sold through takeaway. Table 2 shows the increases in healthy takeaway sales over the last three years (from Jan 06 to Oct 08). With an average rise from 1.5 to 4 tonnes over this time sold through member takeaways, or an increase of 270%.

Table 2:



Economic Development:

As previously stated ALPA is one of the largest financially independent employers of Indigenous people in Australia with over 300 Indigenous staff working across the group. Local employment means more disposable income than other available options such as social security payments, so in addition to the economic development of the community there is more money to spend on nutrient rich foods. ALPA's central goal is to contribute to the social and economic development of its members. ALPA offers real jobs that are non-subsidised and staff members receive nationally accredited training in retail certificates.

As a financially independent organisation all profits after capital development, maintenance and wages, go into various benevolent sectors which include small business mentoring, education fund, funeral fund, medical escort, credit advisory program and the health and nutrition strategy. The majority of these benevolent activities are focused on economic assistance or development.

In addition stores have the capacity to create opportunities in the outsourcing of non core activities such as gardening, rubbish removal, mechanical repairs and local freight needs. The stores also need other trade services such as painters, electricians, plumbers, carpenters and refrigeration mechanics. These are often employed by local government but not interested in work other than shire work. There is great opportunity to train local people in these trades that would benefit the community by creating local enterprise and lower maintenance costs than flying tradesmen in from regional centres. Poor literacy and numeracy levels and a lack of vocational training opportunities are a barrier to this.

Conclusion:

ALPA is an Aboriginal Corporation with 37 years of successful remote retailing experience while employing and training Aboriginal people within the context of their own organization. ALPA has a progressive Aboriginal Board of Directors, representing members from each of our member communities. ALPA has learned from its collective mistakes over three decades and emerged stronger with improved experience and wisdom. ALPA has had a nutrition policy to contribute positively to community well being since the early 1980s and has subsidized the freight on fruit and vegetables since the mid 1980s.

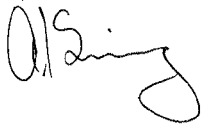
Our Structure promotes efficiency, knowledge, experience and accountability. But that said we are not perfect and there is always something to learn and room for improvement. ALPA is a financially independent corporation working on sound commercial principles to deliver important social and economic outcomes.

We work in harsh, unique and culturally diverse locations and have survived where many other organization have not mainly due to our ability to adapt mainstream commercial principles into commercial principles that work in the cross-cultural environment we are in.

We invite members of the Standing Committee to visit one or more of our stores to see our store operations first hand. We would also like to show the members the support

office in Darwin. If required we will make key staff available to offer more detail or answer questions at a later date.

The development of this submission was authorised by the Board of Directors at a meeting on the 10th of December 2008.



Alastair King
General Manager
17/2/2009



REV Dr. Djiniyini Gondarra OAM
Chairman, Board of Directors

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Unity through Enterprise

The Arnhem Land Progress Aboriginal Corporation

Owned by the Yolngu residents of Minjilang, Milingimbi, Ramingining, Galiwin'ku and Gapuwiyak

ALPA FOODcard Information Sheet

What is the ALPA FOODcard?

The idea of the ALPA FOODcard is to assist families to provide food through out the whole pay cycle. It has been designed primarily as a family budgeting tool.

Customers may choose to have money paid into the FOODcard on pay days and any other time then spend that money over the remainder of the pay cycle or period on a selected range of food and household essentials.

The FOODcard assists family providers' to protect money they wish to put aside for food from pressures for other non essential expenditure. The cash registers are programmed to block spending on non essentials from the FOODcard. Items eligible for purchase from the card will have clearly identified shelf labels. Cash refunds for money paid into the card are not available.

In mid September 2007 the ALPA store at Galiwin'ku will commence trialing the ALPA FOODcard. Once the trial is complete the remaining ALPA stores will then offer the FOODcard facility.

Where did the idea come from?

The ALPA FOODcard idea evolved from community consultations at Gapuwiyak in 2004 regarding a Shared Responsibility Agreement to support ALPA's Health & Nutrition Strategy. Participants explained that for the Health & Nutrition policy to work there needed to be a way to avoid the "humbag" that takes money away from families eating healthy regular meals. The underlying principle outlined by the ALPA Board of Directors is to resolve this issue and for each customer to make their own choice about how much money they wish to allocate to the card.

Who can have a FOODcard?

Any ALPA customer: people, families, homeland centres, council or school organisations. As well as a family budgeting tool the ALPA FOODcard:

- Is a convenient and timesaving replacement to using purchase orders for morning tea and cleaning products while adhering to allocated budgets.
- ALPA FOODcard simplifies administrative requirements for CDEP lunches, meals on wheels and dividend distributions for ceremonies.
- Allows food to be included as part of Fringe Benefits.
- Allows a collective and secure method of food purchases for homeland residents.

Getting started

There is a \$5 fully refundable deposit on each card issued. There is no restriction on how many cards an individual or organisation can hold.

The conditions for use of the ALPA FOODcard will be explained to each card holder in English or Yolngu matha. The card holder will be given a copy of the Product Disclosure Statement and will be required to sign in acceptance of the Terms and Conditions related to the ALPA FOODcard. There are no identification requirements.

Making a deposit

Money can be paid onto a card by:

- paying cash or EFTPOS at the store
- through Centrelink payments
- direct debits from bank accounts
- payroll deductions from participating organisations

Using the ALPA FOODcard

Once money has been transferred to the card there is no delay in making purchases. The balance on the card is displayed and the balance reduces as each item is rung up on the register. The card cannot be overdrawn. Items blocked by the register for purchase from the ALPA FOODcard can then be paid using cash or EFTPOS by the customer. Service fees will not be passed onto customers. ALPA will cover service fee cost's.

Security

The ALPA FOODcard has a signature panel on the reverse that customers may choose to sign. This can be left blank if the holder wishes for other family members to do their shopping. A password facility is available with the card as additional security but a signature is required from the person making both deposits and purchases. Transaction histories are also available. Up to 4 digital photos can be stored in the FOODcard allowing for the primary holder to nominate family members to assist with shopping if they choose to. The photos will come up on the register screen and the operator will select which person is using the card, this will then be logged on a journal as audit trail as to who spent the money when. Card holders are encouraged to store their card in a safe place.

Lost ALPA FOODcard

Lost cards can be replaced. A block is placed on lost cards which can then be reissued within 2 days. A copy of a recent deposit slip (with signature) is required when reporting a card lost. The residual balance on those cards inactive for more than 12 months defaults to a benevolent fund.

Who decides what can be purchased?

Extensive community consultation has included most grocery food items and baby requirement in line with ALPA's healthy choice policy. Excluded items include soft drinks, cigarettes, tobacco and toys. Categories will be refined during the trial period.

Changes Due to the Federal Intervention:

The voluntary nature of the card changed when the Federal Government introduced the Northern Territory Emergency Response (Also known as Federal Intervention). Part of the intervention was the ability for the government to quarantine half a welfare recipient funds to buy food and essential products excluding Tobacco, Alcohol, Pornography and Gambling (Also known as Income Management).

This was the start of major changes being made to ALPA's FOODcard.

After extensive discussion it was recognised that FOODcard was to not only to continue to be used for it's original intent but would be the perfect instrument to host income management, but it would now be necessary to add greater security to the card.

Listed below are the new key points that are now available with FOODcard.

1. Security of the FOODcard was paramount so it was necessary for us to get information about the FOODcard Holder, this was necessary due to the large number of customers in any

community and to ensure money paid to ALPA from Centrelink went to the right FOODcard Holder.

2. The FOODcard now has the Primary card holder photo embedded into the chip. This was necessary not only for cultural reasons because a person's photo could not be displayed on the outside of the card but also allows in the future the ability for the FOODcard to have portability between communities. The photo is also displayed on the POS when the operators insert the card into the card reader during a sale. The POS also displays the customers balance. This card balance is updated each time it is used to purchase goods and when receiving Income Management Payments and this card balance is stored on the chip on the card.
3. The New FOODcard also made it possible for the Primary Card holder to authorise family members to use the card on their behalf. This is done by the Primary card holder having photos of authorised members allocated to their card (these photos are held on the stores local area network) so when the card was used at the POS not only did the Primary Card Holder photo be displayed on the POS but also their family members that are able to use the card. The most important reason for FOODcard to use Photo ID was that other forms have been tried and have proved unsuccessful. (Signature, Pin Numbers, Finger Print ID)
4. The FOODcard Kiosk (touchscreen) which has been installed at all stores was now a key to the customers being able to receive their Income Management Payments. (The kiosk works by updating customers FOODcard with the payments which have been submitted to ALPA from Centrelink). The customer on their payment day goes to the store and inserts their FOODcard into the Kiosk, the FOODcard is checked for any waiting payments and if so informs the customer on the screen that a payment has been received, the customers then selects the balance button on the screen and the customer new balance is displayed. The FOODcard Kiosk can be used at any time by customers to check their balance of their FOODcard without being charged any fees). Later this year the FOODcard Kiosk will also be able to be used as a Price Checker for any products that customers wish to check a price on.
5. The installation of the Kiosk also made it necessary for a each store to have a permanent connection to ALPA head office in Darwin this was done by the installation of Satellite Communications this connection also means ALPA now has VPN ability to all stores.

Although the Original FOODcard was never intended to be as sophisticated as it is today it has achieved many of its original goals.

In its short period of operations with Income Managed Funds we have seen that customers are using the FOODcard as a budgeting tool. Reports show that a customer receives on average 2.5 payments each month but only spend 95% of those funds and on average will use those funds over 7.5 visits to the store each month. This indicates customers are spreading purchases across the pay cycle.

Reports also have shown that sales in food and essentials has improved significantly, and a decline in sales of non FOODcard products (Tobacco, and non essentials)

In ALPA stores income management has not delivered large overall sales increases, rather customer buying patterns have changed. Unfortunately we believe the introduction of the Federal Governments "basics card" will see many of the positive outcomes achieved eroded.

Contact for further Information:

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