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Queensland Government

Information for the Parliament of Australia, House of Representatives
Standing Committee on Aboriginal and Torres Strait Islander Affairs

**Inquiry into community stores in remote Aboriginal and Islander
communities**

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Introduction

The Queensland Government operates six stores (five of which it owns) in remote Aboriginal communities in Queensland. These stores are referred to as the retail stores. A separate statutory body, the Island Industries Board, has been established which trades as the Islanders Board of Industry and Service Stores and operates 15 stores in the Torres Strait and one in the Northern Peninsula Area of Cape York. These stores are referred to as the IBIS stores. **Attachment A** provides details of the retail and IBIS stores.

Both retail stores and IBIS are government owned entities and are therefore 'not for profit' organisations. As well as the provision of food and other essentials, these stores stock items such as 'white goods', furniture, drapery and variety products. They operate as general stores with standards and operating methodologies commensurate with private sector best practice.

The Queensland Government's continued role in the ownership and/or operation of the retail stores is an historical legacy of government operations in the early 1900s whereby stores were established and operated by the government in a number of Aboriginal communities. In 1905, the London Missionary Society, through the Papuan Industries Board, established the first retail store at Badu Island, Torres Strait. In 1930 the Queensland Government purchased the Papuan Industries Board and established the Island Industries Board in 1933.

A number of objectives are pursued by the government in relation to these stores, namely:

- provision of essential foodstuffs with a particular emphasis on quality healthy food and drinks along with a variety of other products at the lowest possible prices
- financial viability in an environment of price competition and without government subsidy
- provision of local employment opportunities
- the transference of skills to Indigenous staff through training and development;
- transparent governance and legislative and regulatory compliance (**Attachment B**)
- the return of trading surplus to communities, for example, through price subsidies and infrastructure improvements.

IBIS received financial support from government until 2006, when government assistance was provided to pay outstanding liabilities incurred prior to 2002 and to complete a stores replacement program commenced in 2001. There has been no subsidy of IBIS retail operations since 2002. Retail Stores are not dependant on assistance from the State Government and is self-sustainable for capital and operating activities.

Retail Stores

The sales turnover of retail stores in 2007/08 was \$23.802 million, against the cost of sales of \$17.107 million and other expenditure of \$6.273 million. Any surplus generated by retail stores is re-invested, along with the depreciation expense, to fund the replacement of the infrastructure (buildings and plant and equipment) which is required to operate the stores in a cost effective and economical environment.

There are two significant capital undertakings presently in progress, the development of a new retail store and bulk storage facility in Lockhart River at a cost of approximately \$4.6 million and a refurbishment of the existing retail store on Palm Island at a cost of approximately \$1.2 million.

The Lockhart River store development is intended to replace the current out-dated facility by providing:

- modern premises and equipment
- increased bulk storage capacity, lessening logistical difficulties involved in maintaining supply in the wet season

- expanded facilities including a delicatessen and takeaway to operate extended hours.

Constant management review of store operations is very important. A recent overhaul of store management at Kowanyama has resulted in significant improvements at this store, which will soon open new takeaway facilities.

Retail stores currently employ 75 people directly in its store operations and 11 people in head office operations. Of these, 63 staff members are Aboriginal or Torres Strait Islander peoples (**Attachment C**).

Retail stores are an associate member of FoodWorks, the trading name of Australian United Retailers Limited. FoodWorks provides members with promotional programs, negotiates directly with suppliers, provides weekly grocery promotions and a range of user-pays services including store design and retail training.

FoodWorks members benefit from a long-term supply agreement with Metcash Trading Ltd, that provides national access to a product range of 20,000 grocery, perishable, general merchandise and tobacco items. Metcash also provides services including product cost files and access to the generic Black and Gold product range.

Because of the geographic isolation and remoteness of a number of retail stores and transport difficulties arising from wet season conditions, freight is a major cost for retail operations in those communities. The logistics of ensuring supply of essential foodstuffs throughout the year are complex (**Attachment D**) and additional capital and operational costs are incurred because of the need to provide storage for dry and freezer goods in communities for up to five months.

Food supply, quality and cost

Food supply

Food supply is an essential service and the current arrangements are intended to ensure that essential food supplies to remote communities are maintained. Centralised ordering linked to stock control and point of sale systems allows for improved stock control (minimising over and under-stocking) and the maintenance of a better range of products and more competitive prices means that managers are able to respond to community demand for specific products by requesting the purchase of these products. If the demand is evident, the supply system will respond to these requests.

Both retail stores and IBIS are required to transport foodstuffs over vast distances and to make provision through transport and storage for adverse weather conditions. While transport costs add considerably to food costs, transport difficulties can also affect food supply.

Food safety requirements, including the need to maintain perishables within constant temperature ranges and specific training requirements for staff handling higher-risk foodstuffs can also impact on supply. **Attachment E** provides some examples of these factors.

Food Quality

The Queensland Government requires public health and safety standards for any processing, transport, handling and sale of food and these standards are applied to all retail and IBIS stores. The Tropical Population Health Services, Environmental Health Services, Queensland Health undertakes regular food safety and hygiene inspections of Indigenous community stores, and makes recommendations concerning public health standards.

Retail and IBIS stores have systems in place to ensure safe storage and handling of foods on the premises. In addition, the monitoring of cold chain logistics is also undertaken to ensure that perishable food delivered to stores has been transported in line with relevant regulations.

In addition, a number of measures have been taken to ensure the maintenance of food quality in-store:

- the installation of modern refrigerated fruit and vegetable display cases in all stores to ensure longevity and freshness of fresh produce
- modern plant and equipment
- food receipt, storage, handling and retail practice standards
- construction of food preparation facilities
- investment in staff training and development.

Food cost

The costs involved in operating a remote store (transport, management, building, equipment, electricity, maintenance and repair) are much higher than in urban/rural areas and are the major determinants in pricing food in the retail and IBIS stores, for example:

- freight costs to remote locations are very high, especially during the Queensland wet season. This also results in higher store prices.
- building, plant and equipment and maintenance costs generally are higher in remote locations
- maintenance and repair costs are especially high for electrical equipment such as refrigerators, freezers, air conditioners and so forth
- storage requirements are more costly in locations where wet season access is limited so that non-perishable items must be forward purchased and stored for many months before sale. As well as higher infrastructure costs, this necessarily means higher financial costs due to the long delays between expenditure on stock and sale of the goods.

In order to keep prices down through economies of scale, a number of services are provided centrally in the administration of the retail stores group and IBIS stores, namely:

- financial management, including accounts payable and receivable, stock control, cash management, internal and external reporting and payroll
- centralised procurement
- strategic and operational business planning
- contract management and tendering
- store design and upgrades
- information and communication technology
- staff training and development.

Central Office costs are charged as an administrative support levy to each store.

Health outcomes for communities

There is clear evidence that poor nutrition is a major determinant of premature death and morbidity.¹

In its 2007 report on Indigenous disadvantage, the Steering Committee for the Review of Government Service Provision reported that the life expectancy of Indigenous people is estimated to be approximately 17 years lower than that for the total Australian population. The

¹ Queensland Public Health Forum (2002). *Eat Well Queensland 2002-12: Smart Eating for a Healthier State*. Brisbane, Queensland Public Health Forum.
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most recent estimates indicate that life expectancy at birth is 59 years for Indigenous males compared with 77 years for males in the total population and 65 years for Indigenous females compared with 82 years for females in the total population. The report also noted that Indigenous people were three times as likely as non-Indigenous people to have diabetes.²

The report also noted that Indigenous children aged less than four years suffered from nutritional anaemias and malnutrition at 29.6 times the rate for non-Indigenous children (3.6 per 1000 compared with 0.1 per 1000).³

The factors which have led to these statistics are numerous and complex. Turning around the long-standing poor health outcomes for Indigenous people will take time. Indeed, changing poor eating habits in remote Indigenous communities is not simply a matter of presenting healthy food choices in community stores. Creating community and retail environments that support healthy food choices and lifestyles, including education, are important components in closing the gap on health outcomes for Indigenous people.

Retail stores launched a nutrition policy in 2001 and is currently reviewing this policy. In order to keep the price of healthy foods as low as possible, a pricing policy which applies cross-subsidy principles, also operates in the Retail stores. Nutritious foods are subsidised, with 'specials' offered only on these foods. A partnership with a prominent soft drink manufacturer promotes non-sugared drinks over high-in-sugar, energy dense alternatives. Some examples of this policy in operation are:

- bread and fresh milk are priced in line with Brisbane Coles/Woolworths stores' pricing (even during the wet season) for comparable products
- fruit and vegetables are sold at cost, plus 20 per cent, plus the average cost of freight per kilogram. The quality and pricing is commensurate with similar items available in Brisbane.
- bottled water is sold at prices which also are similar to Brisbane
- diet soft drinks (including Coke Zero) are priced at 20 per cent less than normal soft drinks
- cigarettes/confectionery/biscuits are priced higher to compensate for the above subsidies.

Provision of supplies of fresh fruit and vegetables to stores in remote locations requires constant attention to all aspects of freight, storage, handling, display and sales. As noted above, costs for these items are carefully controlled. As a result, fruit and vegetable sales within the Retail stores group account for 7.42% of total sales. There are, however, variations within the various stores in the group (**Attachment F**).

Practices in IBIS are comparable to those of the Retail stores, with the IBIS Healthy Choice Program including a pricing policy that subsidises healthy food and 'specials' only on these foods. A similar partnership with a prominent soft drink supplier is in place. The IBIS Health Bar – a food court and community meeting place which is located in the forecourt of the IBIS Supermarket on Thursday Island provides low cost, healthy take away food. In addition, a hot bread bakery on Thursday Island promotes its signature high fibre, low GI loaf as an alternative to traditional low fibre white bread.

The Queensland Government is currently funding two nutritionists to work in the Retail and IBIS Stores. The nutritionists will work with the purchasing group to assist the store groups with ranges and options to enhance supply of healthy foods and with store managers and staff on healthy food badging, in-store promotions and staff nutrition training. Experience has shown that approaches with both supply and demand interventions can be very successful in changing food supply and purchase patterns and improved health outcomes.

² *Overcoming Indigenous Disadvantage: Key Indicators 2007*, Productivity Commission Canberra. p11-12.

³ *Overcoming Indigenous Disadvantage: Key Indicators 2007*, Productivity Commission Canberra. p5.9.
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The main tasks assigned to the nutritionists are to engage with the communities to address the issue of demand for unhealthy foods and drinks, educate communities about nutritious foods and their health benefits and the preparation and consumption of healthy foods in order to increase demand for these foods. The significant work already undertaken by Retail stores and IBIS in addressing supply issues, will be enhanced by analysis and recommendations made by the nutritionists.

Economic outcomes for community

Measuring the economic impact of the Retail and IBIS Stores' operations on individual remote communities is not possible as both organisations operate on a group model. There are a number of key factors in improving the profitability of individual stores. These include the appeal of the store and the attractiveness of product presentation. Training, education levels and experience of the operator/manager and other staff are also important, particularly in terms of ability to control stock on hand, food handling and storage and technological knowledge. The extent and use of technology such as electronic scanning of goods, security surveillance cameras, on line computer access and the availability of EFTPOS all play a part in improved efficiency of operations. Proximity to key markets is also a key factor.

In order to enhance the economic viability of Retail and IBIS Stores significant improvements in the operation of the stores have been introduced over time, including:

- the installation of modern refrigerated fruit and vegetable display cases in all stores to ensure longevity and freshness of fresh produce
- extensive refurbishment, both practical improvements and improvements designed to improve customer amenity
- professionally designed internal floor layouts
- modern plant and equipment
- increased range and product promotion
- improved merchandise presentation
- food receipt, storage, handling and retail practice standards
- construction of food preparation facilities
- the introduction of modern retailing technology, for example: point of sale and stock control systems
- electronic funds transfer at point of sale (EFTPOS) terminals
- cold chain enhancements to enable products to be maintained in a saleable condition for longer periods of time
- nutrition policy and healthy food promotion
- investment in staff training and development
- centralised bulk buying and major procurements
- centralised group discounts for the stores
- group financial and performance management.

Both Retail and IBIS provide employment opportunities for local people in their communities. 15 of the 17 IBIS local stores are managed by local people and all 17 have local employees. IBIS has an active training program and all senior employees have retail or other private sector industry experience.

Retail stores employs 62 local Aboriginal or Torres Strait Islander peoples in its stores. All store managers have private sector retail experience. All retail stores staff are paid the relevant award rates and retail stores is currently in the process of converting temporary positions to permanent and casual positions to permanent part-time.

At a Ministerial Indigenous Round Table on Economic Participation and Development held in Brisbane on 10-11 December 2008, the Premier of Queensland, the Honourable Anna Bligh

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MP, gave a commitment to the mayors of Indigenous Shire Councils to review the current model for government owned and operated stores. The Queensland Government, in conjunction with the mayors as community representatives, is currently reviewing policy in relation to the operation of its retail stores in particular, with consideration given to the IBIS stores, to develop a service delivery model which maximises access to retail products at the lowest possible price within a sustainable framework and financially independent of government. It is anticipated that the review will be completed in 2009.

ATTACHMENT A

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List of Retail and IBIS Stores

RETAIL STORES	IBIS STORES
Woorabinda 170 kilometres south west of Rockhampton Population - 928	Waiben (Thursday) Island: <ul style="list-style-type: none"> o Main Store (Thursday Island Supermarket) o BP Service Station o Tamwoy Community Store o Rosehill Community Store
Doomadgee approximately 514 kilometres north of Mt Isa and 141 kilometres west of Burketown Population - 1181	Bamaga - This is the only mainland store Boigu Island Store Poruma (Coconut) Island Store Erub (Darnley) Island Store Dauan Island Store Mabuiag Island Store
Kowanyama on the western coast of the Cape York Peninsula, 620 kilometres north west of Cairns and 300 kilometres south of Weipa Population - 1112	Moa Island: <ul style="list-style-type: none"> o Kubin Community - - Branch Store - Self-operated fuel dispenser o St Paul's Community - - Branch Store - Self-operated fuel dispenser
Pormpuraaw south of Weipa, 680 kilometres north west of Cairns Population - 653	Mer (Murray) Island Store Saibai Island Store
Lockhart River on the eastern coast of the Cape York Peninsula, 850 kilometres north of Cairns Population - 605	Warraber (Sue) Island: <ul style="list-style-type: none"> o Branch Store o Self-operated fuel dispenser
Palm Island 70 kilometres north east of Townsville Population - 2165	Iama (Yam) Island: <ul style="list-style-type: none"> o Branch Store o Self-operated fuel dispenser Masig (Yorke) Island: <ul style="list-style-type: none"> o Branch Store o Self-operated fuel dispenser

ATTACHMENTS

- Attachment A** List of Stores
- Attachment B** Legislative and Regulatory Framework
- Attachment C** Retail Stores Staff
- Attachment D** Retail Stores Freight and Logistics Flowchart
- Attachment E** Supply Case Studies
- Attachment F** Fruit and Vegetable Sales.

ATTACHMENT B

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Legislative and Regulatory Framework

Workplace Health and Safety Act 1995 and Workplace Health and Safety Regulation 2008 and Workplace Health and Safety (Codes of Practice) Notice 2005 (Qld)

Food Act 2006 and Food Safety Standards of the Australia New Zealand Food Standards Code (Qld)

Retail Industry Notional Agreement Preserving a State Award (NAPSA) Queensland 2004 (until 1/1/2010 – after which time the Federal Retail Industry Award) (Cth)

Workplace Relations Act 1996 (Cth)

Industrial Relations Act 1999 (Qld)

Human Rights and Equal Opportunity Commission Act 1986 (Cth)

Racial Discrimination Act 1975 (Cth)

Sex Discrimination Act 1984 (Cth)

Disability Discrimination Act 1992 (Cth)

Anti-Discrimination Act 1991 (Qld)

Financial Administration and Audit Act 1977 and Regulation and Financial Management Standards (Qld)

Statutory Bodies Financial Arrangements Act 1982 and Regulation

Corporations Act 2001 (Cth)

Trade Practices Act 1974 (Cth)

Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984 and Regulation (Qld)

Tobacco and Other Smoking Products Act 1998 and Regulation (Qld)

Dangerous Goods Safety Management Act 2001 and Regulation (Qld)

Superannuation Act 2005 (Cth)

Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)

ATTACHMENT C

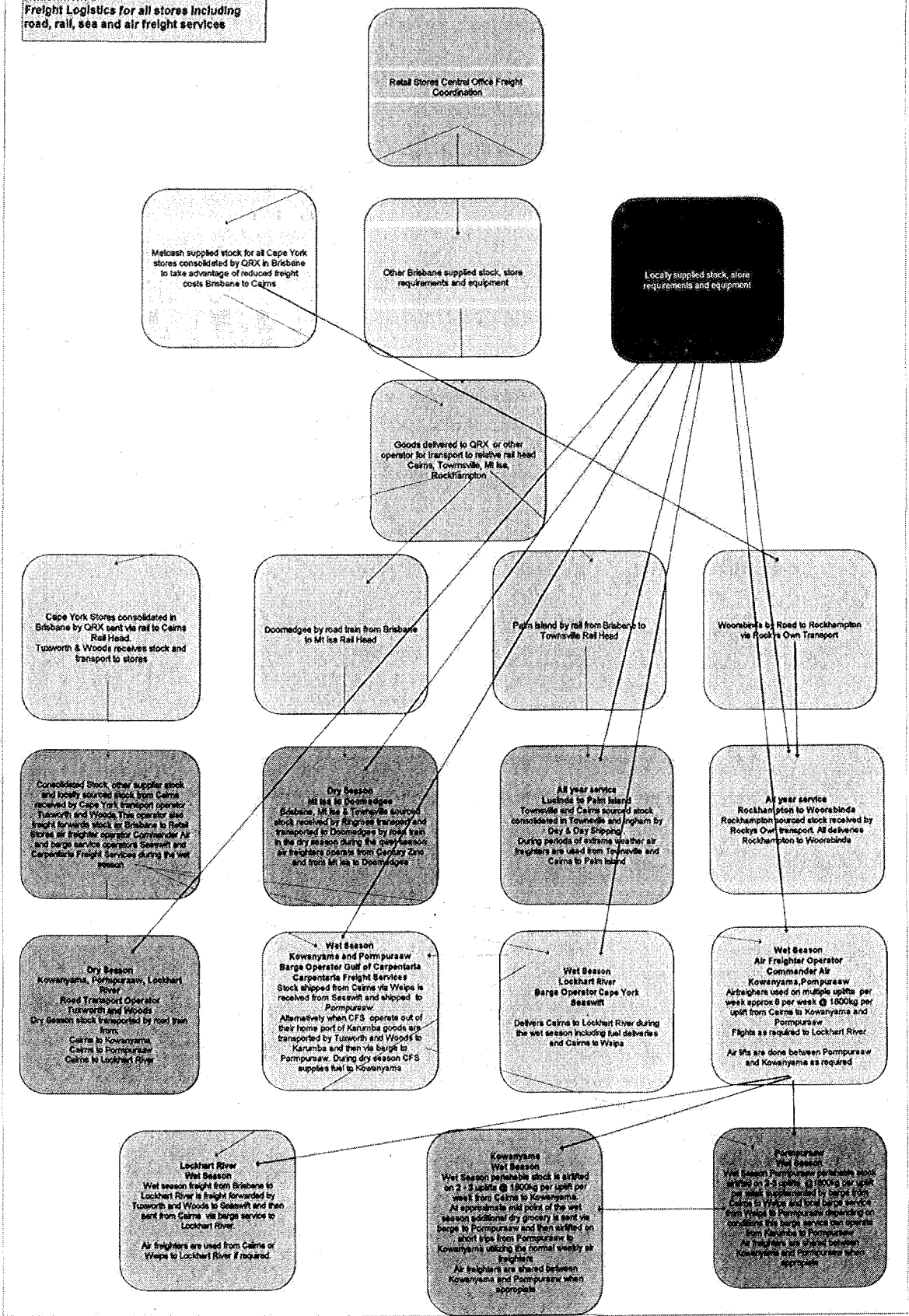
RETAIL STORES
Staff as at 3 March 2009*

Store	Store Manager	Asst Store Manager	Clerk	Other	Total Employees
Doomadgee	1	1	2	15	19
Kowanyama	1		1	9	11
Lockhart River	1		1	9	11
Palm Island	1		1	18	20
Pormpuraaw	1		1	5	7
Woorabinda	1		1	5	7
Administrative				11	11
Total	6	1	8	72	86#

* Because of the nature of the business and of the workforce, staff numbers may fluctuate from week to week.

63 of these employees are Aboriginal or Torres Strait Islander people.

**Attachment D
Freight Logistics for all stores including
road, rail, sea and air freight services**



**CASE STUDY
FOOD SUPPLY ISSUES**

Transport difficulties impacting on food supply

- The logistics diagram at Attachment D demonstrates the complexities of transporting foodstuffs to remote locations, especially in adverse weather conditions. If difficulties occur at any step of the transport process, supply difficulties will eventuate.
- Recent flooding in Far North Queensland caused major disruptions to normal transport conditions for extended periods and perishable foodstuffs had to be supplied to remote locations by air.
- Supply of foodstuffs from Cairns to Thursday Island requires a minimum of one week and, to the outer islands of Torres Strait, a minimum two-week period, allowing for transport schedules.
- Ships go from Cairns to Bamaga twice weekly. Barges go weekly to the outer islands. IBIS places weekly orders in Brisbane on Mondays and Tuesdays. The goods normally are in Bamaga and Thursday Island in a week and it takes another week to get them to the outer islands. Fruit and vegetables are delivered twice weekly to Bamaga.
- Any disruptions to these schedules will result in supply difficulties at destination.

Transport and safe handling requirements impacting on food supply

- Difficulties arise when a chiller container arrives in Thursday Island or on one of the outer islands or in another remote location and the food safety system demonstrates that the temperature of the container has been outside of the safe range. As a result, the food in this container cannot be used without health risks.
- Replacement of the foodstuffs is then required. This may result in a delay of some days on the mainland, but a minimum of one week to Thursday Island and two weeks to the outer islands. In the interim period, the community will be without the foodstuffs, unless emergency supplies are provided. Provision of emergency supplies will result in major increases in the transport costs for providing those items. In Torres Strait at present, as there are no scheduled air services, air freight may not be feasible.

Supply chain difficulties impacting on food supply

- In remote areas, problems in any part of the supply chain may not become obvious until the goods reach their destination. This can result in major disruptions to supply of the food concerned as demonstrated in the following example:
 - Potatoes are purchased by IBIS seasonally from different areas at different times of the year.
 - IBIS recently purchased a large quantity as usual from the Atherton Tablelands. Because of the unusually high rainfall in the season, the potatoes had higher levels of moisture than normal and when

ATTACHMENT E

placed in containers for shipment from Cairns to Thursday Island and the outer islands went bad and had to be destroyed. Over three tonnes was lost.

- There were shortages of potatoes for a week or more in Torres Strait as a result.

Staffing difficulties impacting on food supply

- In remoter locations, difficulties are often experienced with high frequency, unplanned staff absences.
- Food safety requires that operation of higher-risk food services (e.g. delicatessen and takeaway lines) staff be suitably trained in food safety processes to ensure safe handling of these foodstuffs.
- If appropriately trained staff do not attend work when rostered, business areas requiring these skills cannot be operated.

FRUIT AND VEGETABLE SALES

Store	Total Sales (GST Excl)	Fruit and Vegetable Sales	Fruit and Vegetables as % of total sales
Kowanyama	3,021,750	319,661	10.58
Palm Island	6,129,229	496,301	8.10
Doomadgee	6,232,692	407,315	6.54
Pormpuraaw	2,847,503	164,328	5.77
Lockhart River	3,858,618	257,126	6.66
Woorabinda	1,475,771	104,129	7.06
Total	23,565,563	1,748,860	7.42%