

Outback Stores / Senate Estimates Opening Statement - Friday 25/10/19

Chair and Senators, thank you for the opportunity to make this opening statement at my first Senate estimates hearing as Outback Stores CEO.

I'd like to acknowledge the traditional owners of the land on which we meet today, the Ngunnawal people, and pay respect to their elder's past, present and emerging.

Since Outback Store's last appearance in Senate estimates in October 2016 and my appointment as the CEO, Outback Stores has continued to evolve and has delivered positive outcomes in the areas of health, employment and economy of remote Indigenous communities that we work with. I am very proud of the work that our team undertakes and more specifically our dedicated Store Managers who work tirelessly in very remote locations across Australia.

Over the years at Outback Stores, we have continued to work with not-for-profit principles whilst still maintaining an aim to be commercially self-sustainable in the future. To put this statement in context, we were granted commonwealth funding between 2006 - 2009 and have not received any additional funding since these initial allocations. To highlight our improvements in the area of self-sustainability, I would like to note that our cash outflow including subsidy to stores in the past three years FY17 to FY19 was only \$2.7 million compared to a cash outflow of \$10.4 million for the previous reporting period of FY14 to FY16. This is a significant improvement considering that our current available funds are at only \$42 million. The board and management of Outback Stores are committed to delivering a high level of social outcomes whilst improving its commercial position to ensure the longevity of the business.

Outback Stores is currently managing forty community stores across Australia which includes the recent addition of four new stores who have requested our services, those being Papunya, Yuelamu, Kiwirrkurra and Daly River. I should note, that Outback Stores does not own stores; it operates them on a fee for service basis with a focus on delivering excellent social outcomes whilst returning any profits made on behalf of the store to its owners.

In relation to delivering social outcomes

The consumption of sugar through soft drinks has a major impact on the health of community members, with the well documented link to diabetes indexing high in remote areas. The reduction in sugar consumption is an ongoing focus for us and we continue to work collaboratively with community stakeholders. We have found that giving directors ownership of decisions relating to sugar reduction strategies at their own community stores is the most effective in this space.

We measure this important outcome by the mix of full sugar soft drinks purchased versus diet and sugar free options. Outback Stores has worked extremely hard in this space for many years and in the past three years, we have achieved 11.40% compound reduction in the sales mix of full sugar drinks or a removal of 23 tonnes of sugar from the diets of community members across this period.

Fresh produce volume purchased in community stores is also another big focus for our business. Ensuring our fresh fruit and vegetable pricing is closely comparative to metropolitan retailer's remains as an ongoing priority for us. In the last reporting period, we seen 475 tonnes of produce sold across the stores we manage, which is approximately 4.50% higher than the previous year. We

consistently engage with store directors and community members and provide targeted advice around the importance of a healthy diet.

Retail affordability continues to be a well-documented topic in remote community stores and a task that Outback Stores continues to challenge itself with. In the past two years at Outback Stores managed community locations, we have introduced significant price reductions in a group of key staple products which include basic commodities such as flour, fresh milk, shelf stable milk, eggs, oats, bananas, rice, tinned meat, nappies and Weet Bix etc.

In addition to this, 18 months ago the business introduced quarterly promotional activity giving deep discounts on key products offering community members pricing more relevant to mainstream supermarkets. The industry has a long way to go in the space of price deflation in community stores and at Outback Stores we are committed to driving positive pricing outcomes into the future.

Whilst saying this, it's a real balance for Outback Stores between delivering a sound profit to the Store Owners and also delivering a great value pricing to community members. To complicate these discussions, at times we get questioned in relation to our supplier agreements and how an important income line of rebates is administered internally. We believe that we have a very balanced approach to price affordability; stores profits and commercial self-sustainability for OBS. With this balanced approach, we have consistently delivered cheaper pricing versus like retailers in most districts that we manage within.

On an employment front, in line with the Ministers Expectations, training and meaningful employment are key social outcomes we deliver for community members. In the last financial year, we saw 25 indigenous employees' complete certified training courses in retail operations ii, iii, and iv.

As of the end of June, we have 276 indigenous employees employed in stores which are 87% of the total employees excluding Outback Store employed managers. In addition to this we are very focused on retention rates and are ensuring more community members are hired on a permanent basis rather than casual, which is certainly improving outcomes for individuals in their communities.

To conclude, our business works within a diverse industry that faces many challenges. The team at Outback Stores prides themselves on their dedication, commitment, high level of governance all which ensures we meet the ongoing needs of remote communities that require assistance in the retail sector.

Thank you Chair and Senators for the opportunity to share this update, I look forward to any comments and or questions.

Senate F&PA Committee
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Inquiry: SUPP. ESTIMATES 2019/20

Date / Time: 25/10/2019; 9:41AM

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Organisation: OUTBACK STORES PTY LTD