Submission by the Government of Western Australia to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs' Inquiry into community stores in remote Aboriginal and Torres Strait Islander communities

INTRODUCTION

The Western Australian Government welcomes the current inquiry into the operation of local community stores in remote Aboriginal and Torres Strait Islander communities.

A 2004 Western Australian Government survey reported that there were 71 community stores in this State. The majority were located in the Kimberley (36), and the former Aboriginal and Torres Strait Islander Commission region known as the Western Desert (28).

In responding to the Inquiry the following submission is premised on the fact that the key issues underlying each of the Inquiry’s terms of reference are intrinsically interconnected. As such, the submission presents an argument that:

1. Establishes the importance of community stores in remote Indigenous communities.
2. Explores community store operations and the effect this is having on their local communities and broader government objectives.
3. Details strategies to improve the operation and effect of community stores.
4. Outlines a vision for the future of community stores.

The submission is the result of a collaborative effort by the Department of the Premier and Cabinet - Social Policy Unit, Department of Indigenous Affairs, Department of Health, Department of Commerce - Aboriginal Economic Development Division and the Small Business Development Corporation. Please note that a separate, specialised submission will be made by the Western Australian Department of Commerce - Consumer Protection Division, which has primary regulatory responsibility for retailer and consumer protection issues.

COMMUNITY STORES – MORE THAN JUST A SUPERMARKET?

Community stores play a pivotal role within the communities in which they are located due to the wide range of roles they fulfil. This includes:

- the retail of food, groceries, household and consumer goods;
- the provision of banking, service station and pharmacy services;
- serving as a central social and networking hub; and
- providing a potential source of vocational training and employment\(^2\), and the development of entrepreneurial skill.

The Australian Government has set ambitious targets for closing the gap on Indigenous disadvantage – including improved life expectancy, decreased child mortality rates, and increased employment. Given the important role that community stores play in remote Indigenous communities, it follows that successful achievement of the closing the gap targets will, to some extent, depend on the successful operation of these stores.

For example, health research conducted in 2005 pointed to the role of remote community stores in reducing harm from tobacco use through health promotion programs including anti-tobacco signage, no smoking policies and assessing sales to minors.\(^3\) The research found there was ‘potential to greatly reduce the harm from tobacco in remote Aboriginal communities’, which strongly suggests that stores could also play a role in achieving other socially desirable outcomes. This has certainly been the case in Balgo, where the Balgo Aboriginal Corporation has successfully used its store to increase school attendance by refusing to open the store until school attendances reached a preset level.

The effect of community store operations on their local community is particularly important in relation to the improvement of food safety and nutrition in Indigenous communities - which is in turn essential for improving life expectancy and reducing adult and child mortality. It also holds true in relation to the role of community stores in fostering employment opportunities and Indigenous economic development, vital to enabling self determination within individual communities.

Therefore, functioning community stores have the potential to play a significant role in achieving the outcomes sought through the seven strategic ‘Building Blocks’ as agreed to by the Council of Australian Governments (COAG) in the National Indigenous Reform Agreement.\(^4\)

\(^4\) The seven ‘Building Blocks’ are Early Childhood, Schooling, Health, Economic Participation, Healthy Homes, Safe Communities and Governance and Leadership.
THE CURRENT SITUATION

It is clear that community stores face a number of challenges, including the following which are the focus of this submission:

- appropriate storage (in particular refrigeration) of goods;
- ensuring ongoing supply of goods during the wet season;
- costs associated with transporting goods over long distances;
- attracting and retaining suitable staff, in particular appropriately trained and skilled managers.

Food Supply and Quality

In relation to perishable foods, the challenge for community stores is to be able to purchase, freight, store and sell at the lowest cost possible. For perishable foods - primarily fresh fruit and vegetables, dairy and meat products - the same challenge applies but is further complicated by the short shelf-life of perishable foods and the need to comply with statutory health standards.

This challenge is compounded by the fact that the freight structures utilised by some remote Indigenous community stores are often ineffective. Poor access to, and use of, cold chain logistics (the maintenance of produce temperature from harvest to consumer), affects the quality and safety of perishable foods, and dramatically reduces shelf life.

The wet season can be especially problematic, with many communities isolated by flooding and other hazards. Many community stores do not have the appropriate storage or funds to hold additional stock during these periods which can last up to three months. For communities without the capacity to store sufficient supplies, it is necessary to fly or barge in supplies. To assist these communities, the WA Government introduced the State Isolated Communities Freight Subsidy Plan, but limitations apply to the transport of perishable items.

In addition, the buildings housing community stores and administration are often more than 30 years old and can experience major problems including frequent electrical power outages, inadequate fridge and freezer storage, and inadequate and unhygienic display shelving. Disappointingly, a recent analysis of the 2004 Intervention Portfolio for WA Aboriginal Food and Nutrition Strategies identified that priority infrastructure support interventions to increase access to fruit and vegetables in WA had not been acted on a year after they were agreed.\(^5\)

The effect of these challenges can be readily observed in many community stores throughout Western Australia. For example:

- Advice from the WA Department of Health (DoH) indicates that food in the Coonana community store - approximately 280 kms east of Kalgoorlie - rarely

---

\(^5\) Pollard, C. & Binns, C. 2008, 'Selecting interventions to promote fruit and vegetable consumption: from policy to action, a government planning framework case study', Australia and New Zealand Health Policy Vol. 5, No.27
meets the National Health and Medical Research Council’s Dietary Guidelines for Australian Adults (2003) five core food group recommendations. For example, in June 2008, the bread shelves and fresh vegetable boxes were completely empty.

- The 2004 Environmental Health Needs of Indigenous Communities in Western Australia survey evaluated results from 274 remote and town based Indigenous communities (the total sample of 16,952 persons was drawn from 801 households). 40% of respondents lived in 7% of WA’s remote communities (a total of 19 communities, each with a population > 200). This survey identified that half of WA’s community stores did not have a nutrition policy, and respondents in 17% of the communities reported that they did not have regular access to fruit and vegetables. In addition, 84% of communities had to travel an average 101 kms to access fruit and vegetables.

- A Western Australian DoH Environmental Health Officer site visit in 2008 identified that all refrigeration systems were turned off at night in one Kimberley store – compromising the quality of the perishable goods stored there.

Furthermore, the higher cost of fresh food compared to pre-packaged food results in fewer customers purchasing fresh foods. This translates into fewer fresh foods being ordered and made available in stores, which in turn renders the purchase of adequate refrigeration systems unfeasible. An additional consequence is that many people are also consuming high quantities of take away foods with high saturated fat, sugar and salt content.

A lack of access to healthy, fresh foods plays a significant role in contributing to the serious health issues confronting remote Indigenous communities. Life expectancy at birth of Aboriginal Western Australians is 17-20 years less than non-Aboriginal people. Mortality rates for diabetes and heart disease are around 10 and 2.5 times that of non-Aboriginal people respectively. It is widely recognised that fresh fruit, vegetables and other perishables (i.e. dairy products) are essential for the prevention and management of chronic diseases such as diabetes, high blood pressure and heart disease, as well as for good maternal and child health. Without access to nutritious food options, other health promotion initiatives such as cooking demonstrations, food hygiene, and diabetes self-management classes can only have extremely limited success.

Cost Issues

It is not known exactly how much higher prices are in remote community stores as there are currently no regular independent monitoring systems\(^6\). However, a one-off supermarket basket survey of the Tjurabalan communities conducted in 2005 revealed the average cost to be 46% greater than Perth prices and 8% greater than Halls Creek prices.\(^7\) In 2007, the Department of Local Government and Regional Development conducted a basket survey in regional Western Australia containing 250 items and services (including food, education, housing and entertainment) and compared the prices in 21 locations around the State. In the results, Perth prices

\(^6\)It is understood that the Consumer Protection Division of the Department of Commerce is exploring the potential for a regular ‘basket of groceries’ survey for Kimberley communities.

\(^7\)See note 2.
were standardized at 100%, the Kimberley index was 116.9% and the Pilbara index was 120.1%. It is expected that a remote community stores survey would reveal even higher indexes.

Prices are clearly exorbitant compared to average costs in the Perth metropolitan area and some major regional centres. This cost burden on remote Indigenous families is especially onerous given the fact that it is being borne by households whose average incomes are approximately half those in the metropolitan area.

Running costs for community stores are covered by a combination of sales revenue and Commonwealth Government subsidies. It should be noted that one unintended consequence of the introduction of the Goods and Services Tax (GST) was that the cost of food in remote Aboriginal communities rose approximately 22% due to excise on fuel and transport-related charges. As few Aboriginal people in remote communities were employed (outside the Community Development Employment Projects program) and in receipt of the GST’s wider taxation benefits, the most socio-economically disadvantaged group in our society was further disadvantaged by this increased cost impost. Furthermore, individuals who purchase goods from remote stores in fact shoulder a greater burden of GST than their metropolitan counterparts due to the higher initial costs of goods.

These circumstances make credit facilities such as book-up almost a necessity for struggling families, but are not without complication. Indeed, the practice of running credit accounts can be disastrous for remote stores, as recently illustrated by the November 2008 closing of the Burringurrah community store. The closure necessitated the provision of two emergency plane loads of food (totalling 500kg) by Commonwealth and State Governments, in conjunction with FoodBank WA. The State is continuing to coordinate with the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs to secure Burringurrah’s long-term food supply.

Of particular concern to consumers is that store managers and/or staff can take advantage of customers through the abuse of book-up. This issue is being addressed separately in a forthcoming submission by the Western Australian Department of Commerce’s Consumer Protection Division.

**Staffing**

Challenges associated with the supply, quality and cost of goods can be further compounded by staffing issues.

Suitably qualified management must be able to seek innovative ways to maintain the affordability of commodities sold and operate successfully on a small profit margin. Furthermore they must have good knowledge of food safety requirements and storage issues and some knowledge of basic nutrition.

However, recruiting and retaining such appropriately trained staff – and in particular management staff - can present difficulties. The isolated locations of these stores, and the poor housing and other infrastructure available in the communities where they are located present the most significant obstacles. There is also a lack of
training and mentoring programs in place to ensure local people have the knowledge and skills to work in and manage their community store.

Turnover of store management in remote community stores is often high, resulting in inconsistent financial reporting, stock management, and store maintenance, in addition to inconsistent employee skills and training. High staff turnover also necessitates an ongoing training scheme which can be costly and unsustainable adding to food costs overall.

Models of Operation

It is difficult to comment on or assess the effectiveness of various store models with any confidence as there is no independent ongoing monitoring and review of operations. Nevertheless, this submission suggests that there are currently three models in operation nationally, distinguishable by the varying degree of government intervention.

The model with the most significant level of government involvement can be seen in the Retail Stores Operations (RSO) which is wholly owned and operated by the Aboriginal and Torres Strait Islander Partnerships Division of the Queensland Department of Communities. RSO employees are all Queensland public servants.

Six RSO stores operate in remote Queensland. All are self-funding, not-for-profit operations. There is no requirement for revenue from the Queensland Government and all surpluses are reinvested back into the stores.

The RSO is planning a multimillion dollar capital works program in 2009 with an emphasis on high quality infrastructure such as extensive bulk refrigeration storage facilities and information technology systems. It currently has a semi-centralised purchasing system and is about to move to a fully centralised purchasing system.

The RSO has a central office of eight staff and is about to engage a full-time nutritionist for its nutrition and good health policy, which influences stocking decisions. The RSO also has a policy of training and skills transfer to Indigenous staff through accredited training. It has a subsidising pricing policy whereby food, fruit and vegetables are retailed at the same price, or less than, Brisbane or major regional centre prices. The fact that the RSO is government-owned means that it is not driven by a desire for profit-maximisation.

The second model is Outback Stores, which has a degree of government intervention. Outback Stores was established by the Commonwealth Government in 2006/07 as a registered, wholly owned subsidiary company of Indigenous Business Australia. With a budget of $48 million over four years it provides a framework for group purchasing and better managerial, supply chain, food handling, nutrition and financial arrangements to participating community stores. Essentially, the store is sensitive to the operation of the market but the owners, who are most often the community council, contract Outback Stores to fully manage the shop at a commercial fee rate over a number of years.
Although Outback Stores are only required to assist participating community stores, they have the capacity to impact on other operations. In instances where this might negatively affect food supply to other remote communities, clear strategies to address the problem must be developed. For instance, in 2007 a common freight arrangement between three community stores was established in the Kutjunkga area of the Kimberley region. This process ensured that the smaller stores received weekly deliveries of perishable goods at reduced freight costs. However, in 2008 Outback Stores took over the management of the largest of the three stores and changed to a freight company operating out of Alice Springs. This resulted in the Kutjunkga run ceasing to be economically viable for the freight company (which operated out of Darwin) servicing the two smaller stores.

The third model is one where there is practically no government involvement unless a crisis occurs. Particularly in WA, these stores are most often single, independent commercial entities. The store is owned and run by the community council. The community has control of the store and is very often involved in the daily operations through a store or community management group. Sometimes, communities employ a manager or an outside management group to take responsibility for daily operations and profitability, with limited input from the community.

Generally speaking, there seems to be a pattern of higher quality stores where the store is part of a store-group system - with more reliable supply, improved quality of goods and more competitive pricing. The Arnhem Land Progress Association is an example of a successful non-government run and owned store group operation comprising 17 stores including one in WA.

The Department of Indigenous Affairs (DIA) is aware of five store-group operations nationally:

- Arnhem Land Progress Association (17 stores – NT and 1 store in Beagle Bay);
- Islander's Board of Industry and Service (18 stores – Torres Strait Islands);
- Retail Stores Operations (Qld Government controlled) (6 - far north Qld);
- Outback Stores (24 stores – NT, WA(3) and Qld); and
- Ngaanyatjarra Agencies and Transport Services Inc.
STRATEGIES FOR IMPROVEMENT

This submission posits that there are two key areas in which government involvement could facilitate significant improvement to the operation of community stores and, by extension, health and economic outcomes in the associated communities. The first of these relates to regularisation of compliance and monitoring regimes.

As has been outlined there are some considerable concerns relating to the quality and nutritional value of foodstuffs available in many community stores. There are already a range of legislative and policy tools in existence that address these issues, however, they are not being implemented and monitored in remote locations.

For example, food safety in this State is the Department of Health’s responsibility under the Health Act 1911 (the Act). (As of 1 July 2009, this legislation will be superseded by the Food Act 2009). Local governments currently have delegated authority to enforce the Act, but on some issues the Act has no jurisdiction over Crown land on which most communities are located. As such, local governments generally consider Aboriginal communities to fall under State and Commonwealth jurisdiction. The one exception to this is Part VIII Food Generally of the Act, which covers food safety and binds the Crown. However, due to limited resources, local governments rarely enforce food safety legislation in remote communities. This lack of monitoring and enforcement of existing legislation in regards to remote community stores is a critical issue affecting food supply and quality.

Improving the level of monitoring and enforcement of existing legislation to a level that is comparable to the metropolitan area is critical. So too is improving the skill base of store owners, managers and staff – including broadening the scope of good management of the stores to include maintenance of the physical structure of buildings and equipment. Increasing the level of consumer awareness amongst the usual customer base, and clearly resolving the jurisdictional issues that currently exist between the three tiers of government would also be of benefit.

Correspondingly, a range of policies and guidelines currently exist outlining nutritional best practice. For example, the Traffic Light System was developed in Western Australia to label and classify food and drink items. Although a system with some merit, it is only receiving limited utilisation in some Western Australian community stores. Often, percentages of food and drink items from each category are not stocked in proportion to recommended consumption, and foods are often inaccurately labelled.

Likewise, the Remote Indigenous Stores and Takeaways Project (RIST) saw the development of a package of resources to provide remote stores with information on minimum standards and best practice guidelines for store operation, with a particular focus on nutrition.

---

8 In turn, improvements in the supporting infrastructure and housing available at community store sites would assist in attracting and retaining skilled staff to manage and run community stores.
9 The system works on the principal that of all the food people eat, 60% should come from the green category, 30% from the amber category and 10% from the red category.
The RIST showed limited, but promising evidence from sales data that if these are implemented within a supportive environment, sales of fruit and vegetables increase. For example, advice from the WA DoH indicates that prior to Outback Stores taking management responsibility for the Leonora community store, fresh fruit and vegetable boxes were often found to be empty or filled with poor quality produce. Potatoes and carrots were commonly stocked, but leafy green vegetables were not. However, following a change in management and the implementation of best practice guidelines, the Leonora store began stocking boxes of in-season fresh fruit and vegetables at prices comparable to those in Kalgoorlie. New commercial display refrigerators were also purchased, which increased the produce's aesthetic appeal. Subsequently, the community's demand for fresh produce increased significantly.

Ensuring widespread knowledge of and compliance with such existing regulations and policy is likely to have a significant positive impact on the quality and nutritional value of foodstuffs sold at community stores.

A second key strategy is to facilitate group operations. As outlined earlier, store-group operations seem to generally demonstrate more reliable supply, improved quality and more competitive pricing. There are several reasons why this is likely.

One is due to the minimisation of costs. Economies of scale are possible through innovative management strategies that establish group arrangements for consolidated purchasing, freighting, staff recruitment and training. Community stores within proximity of one another should be encouraged to consolidate their logistics including exploring opportunities with nearby mining companies or other public sector services with similar logistical needs. The *Freight Improvement Toolkit* provides excellent information and guidelines to assist in this respect.

A good example of such an arrangement is that which is being implemented in the Ngaanyatjarra Lands by the Ngaanyatjarra Agencies and Transport Services Inc (NATS). In this model, a single supplier services 12 community stores in the Lands. Supply is reliable and the bulk buying capabilities enable the supplier to pass on the competitive prices to the stores.

Group operations can also spread the burden of costs associated with maintaining and replacing cold storage infrastructure (which can be otherwise crippling to individual operators) and of recruiting and training staff. Adoption of a single, automated system of sales and stock management could also assist store-group operations to ensure that adequate stock is available, particularly during commonly occurring events such as flooding.

Other than NATS, there is a lack of any substantial store-group arrangements in Western Australia. This is likely due to the size of the State and the lack of concentrated markets. These factors do not necessarily preclude the development of cooperative group operations, provided an innovative and regionalised approach is taken to their development.

---

For example, there is a role for government to play in working with individual community stores to identify cost-minimising and other benefits that could be obtained through a range of cooperative arrangements. Government can then assist (as appropriate) stores or groups of stores to establish partnerships and other arrangements between themselves that will give effect to these benefits.

This does not mean, however, that all community stores should be required to be part of a store-group model. For example, a successful community store in the Kimberley has found wholesale suppliers to be more costly than taking advantage of the weekly discounts on offer at the major supermarkets in Derby or Broome. Flexibility and appropriateness to the local region are vital.

Summary Recommendations:

- There exist legislative and policy instruments governing food supply, quality and nutritional value best practice. Monitoring regimes in remote areas must be established and maintained at a level comparable to the metropolitan region to ensure that these are then implemented and complied with.

- Group operation arrangements present outstanding opportunities to minimise costs, and improve staffing and operations. Government, through organisations such as IBA, should assist individual community stores to examine the possibilities unique to them, and facilitate the establishment of cooperative arrangements, if appropriate. The approach at all times should be flexible and sensitive to regional differences and needs.
A VISION FOR THE FUTURE – COMMUNITY STORES AND INDIGENOUS SELF DETERMINATION

Whilst there is, as outlined above, an argument for government involvement in the monitoring and compliance of best practice standards, and in facilitating the establishment of group operations, this submission does not advocate a high level of ongoing government involvement. Rather, government involvement should be seen as a means to an end, with the ultimate objective being to strengthen community stores so that they become a self-sustaining community hub and a vehicle to enhance health outcomes and foster economic development and self determination.

Community Stores as Community Hubs

The store and the community office are often the only buildings in a community with internet access, and may be one of few buildings in a community with air-conditioning, providing a refuge from extreme heat or cold. As a result, the community store often serves as a central hub where people meet, wait for family and friends, and socialise, whilst also providing a point of contact with the rest of the world. In this sense they are in many ways no different to many metropolitan shopping centres. However, they usually lack the facilities to fulfil this role. It is consequently of no surprise that community stores are already highly valued by their communities, and that in a COAG trial site community stores ranked as the second most important urgent issue, after housing11. There is abundant opportunity to further develop community stores into community hubs – a social (yarning) place where community togetherness can be built, education can be disseminated and skills learnt.

For example, the majority of remote community households have inadequate facilities to store and prepare food. Lack of access to a working fridge, in particular, makes the purchase, preparation and storage of perishable food impractical. Fresh produce will often be beyond safe consumption after one day, and leftover cooked food cannot be stored at a safe temperature. As a result, many remotely residing Aboriginal people are consuming high quantities of take away foods with poor nutritional value. Expanding the role of community stores, so that access to community kitchens, adequate refrigeration and cooking facilities is provided could go some way to ameliorating this problem and improving nutritional intakes. Such community facilities could also be connected to other food and nutrition programs.

Similarly, efforts to improve the quality of fresh produce in community stores could act as a catalyst to increase the availability of locally produced goods. Establishing small market gardens associated with a store or group of stores could provide further health, employment and economic opportunities, whilst improving the cost and quality of produce available in the store.

Relationship to Indigenous Economic Development

Community stores are a valuable vehicle to foster entrepreneurial culture, and the development of business skills. To this end, the Small Business Ministerial Council is currently working on issues surrounding Indigenous business development, and how entrepreneurial culture can be fostered and supported in both urban and remote indigenous populations.

Research indicates that initiatives which promote the transfer of business acumen from the non-Indigenous business community to Indigenous business operators (community and individually owned) are more likely to lead to long-term improvements in the economic sustainability of the enterprise. This can be achieved by strategies such as linking emerging Indigenous business operators to the main capital markets (through programs such as IBA), and through the encouragement of joint venture partnerships and government procurement policies.

There is no evidence to suggest that previously implemented business models of community stores have drawn from the successful models of other countries which have similar socio-economic landscapes as remote Australia. Incorporating these models in the way local community stores are developed and maintained is likely to yield some new and innovative ways to make community stores more efficient.

Whichever model is decided on, joint community ownership with entrepreneurs needs to be encouraged. Currently, the Outback Stores model provides limited options for community management as arrangements are often negotiated on a ten year lease arrangement. It is imperative that the lack of business understanding by members of the community should not disadvantage them in the way they contribute to the operation of the stores. Participation by members of the local community will yield benefits such as how to influence healthier purchasing patterns, the impact of impending community cultural events on the store, and the wider implications of the services of the store in the community that are not always overtly evident.

Whether or not community stores are run for profit, and regardless of the equity model used, they represent an opportunity to grow commercial skills and enterprise culture within Indigenous communities. There would be considerable long-term benefit if all models for community stores included provisions to ensure increased local knowledge of fundamental business principles that can be retained within the community, and implemented in the development of employment generating enterprises. Fostering an entrepreneurial skill and culture within remote Indigenous communities is essential if Indigenous self-employment, economic sustainability, and self determination are to be achieved.
Summary Recommendations

- Government involvement in community stores should be designed to facilitate store development and enable community stores to become self-sustaining and productive operations.

- The central role community stores play as a community hub should be acknowledged and supported by government where appropriate, beyond just supporting stores’ retail functions.

- Opportunities for community stores to be used to grow business skills and enterprise cultures within Indigenous communities should be identified and capitalised upon by government through the activities of organisations such as IBA and the Western Australian Department of Commerce’s Aboriginal Economic Development branch.

CONCLUSION

This submission has highlighted the importance of community stores to the health and economic status of remote Indigenous communities. It makes the case that community stores have a role to play in achieving COAG’s aim of closing the gap between Indigenous and non-Indigenous Australians, and that stores should be supported to the degree necessary to ensure high quality operations and outputs.

This submission has presented evidence to demonstrate that there is significant room for improvement in increasing the supply of food, particularly fresh fruit and vegetables, at more affordable prices in many of the community stores. It has recommended that greater consideration be given to encouraging store-group arrangements, greater regionally-based collaborations and the increased empowerment of local Indigenous people to meet operational requirements. It has also recommended greater monitoring and enforcement of quality standards by government agencies through existing competition, retailer and consumer protection vehicles.

The Western Australian Government is keen to work with the Commonwealth Government, Indigenous communities, and the private sector to ensure standards of food supply in remote Indigenous communities are equitable to the Perth metropolitan area and major regional towns.