



Submission No 28a

Island Industries Board
ABN 42 060 262 890
Trading as

Islanders Board of Industry & Service

11 June 2009

Mr Richard Marles MP
Chairman
House of Representatives
Standing Committee on Aboriginal and
Torres Strait Islander Affairs
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Sir,

**RE: The House of Representatives Inquiry into Community Stores in
Remote Indigenous Communities**

The Island Industries Board (IIB), operating as the Islanders' Board of Industry and Service (IBIS) has to hand a copy of the House of Representatives inquiry into Community Stores in Remote Indigenous Communities.

The IIB believes that there are gross errors of judgement, facts and distorted information in that collected from the Inquiry interview process and strongly feels it needs to write to the Inquiry to correct the information.

We would like to correct the information through the attached table which highlights the **major** errors in information and addresses each one of them individually.

I would like to place on record that IBIS values all feedback from our customers. Further the IBIS heads of our five operational departments and I have examined all your evidence and submissions that apply to IBIS. We have checked all reported problems in the feedback and have rectified any non compliance in our systems and service delivery.

The table correcting information delivered to the Inquiry interviews is attached.

Please do not hesitate to contact me if you require further information.

Yours faithfully,

Richard Bowler
Chief Executive Officer

**IBIS Response to
House of Representatives Standing Committee Inquiry
Into Community Stores in Remote Aboriginal and Torres Strait
Islander Communities**

The following is a general response to some of the issues raised:

1. **Regional Managers' Support:** As of late September 2008 the Federal Government closed Aero Tropics the only Regular Passenger Transport carrier in the region. This has meant that significant pressure was put on the charter operators in the region culminating in the situation where it became extremely difficult for IBIS to get its regional managers to the stores in the outer islands. The general rule is that the Regional Managers visit the store for 1 week every 4 or 5 weeks. Due to this closure the Regional Managers have not been able to visit the stores as regularly as they would normally. This has had a detrimental effect on the service provided by a number of the stores.
2. **Meat:** IBIS provides high quality frozen meat to the Outer Islands in the Torres Strait and Bamaga. IBIS only provides product from an accredited Safe food Manufacturer, generally a Licensed Export Manufacturer. All IBIS Meat complies with Safe Food Act. IBIS does not provide fresh meat to the Outer Islands or Bamaga as it is safe to do so at this time due to the short shelf life of fresh product and cold chain related issues. The red colour of fresh meat occurs due to the reaction of the blood haemoglobin in the meat with oxygen in the air. Frozen meat can appear to be dark due to the inability of the blood haemoglobin to react to oxygen when frozen. When removed from the packaging, defrosted and again exposed to oxygen the blood haemoglobin again blooms to the same colour as before it was frozen. This process in no way effect the quality of the meat.
3. **Fresh Fruit and Vegetable Supply:** IBIS only purchases produce from Simon George and Sons, a HACCAP and Quality Assured company, and uses Seaswift to transport the produce. The cold chain compliance is checked on a regular basis using temperature data loggers. Only first grade product is purchased. Simon George and Sons purchase the best possible product from local suppliers in season and from the rest of Australia as seasonal requirements dictate. Specific product specifications for remote retailing and quality control requirements are applied to maintain quality to the consumer. IBIS selects the range of products for its stores, providing for both traditional needs and healthy eating. IBIS uses subsidised weekly specials to further promote healthy eating in the Torres Strait. IBIS has a policy of only having on sale to the consumer quality Fruit and Vegetables and has installed new refrigeration equipment for the specific use of Fruit and Vegetables.
4. **Cost:** IBIS buys at the best possible price selecting suppliers for their commercial competitiveness. Metcash is the primary wholesaler. Approximately an equal value of IBIS purchases come from Brisbane and Cairns. A retail price is applied to the cost of the products on the basis that IBIS is both a 'not for profit' and 'not for loss' organisation.
5. **Price Surveys and Comparisons:** The price differences Mr Turnour quotes in his surveys are strongly disputed by IBIS. The percentage difference he quotes is often more than the total make up of the product. In general the net operating profit of a retailer of groceries is a few percent; in its first year of profit IBIS generated approximately 1.8% profit. This being the case, where do the figures of 40 to 50 percent dearer come from other than errors in Mr Turnour's methods? Mr Turnour admitted that he substituted product when the same product was not available, this alone suggests major errors in the

market survey research results. The fact that IBIS cross subsidises unhealthy food against healthy food further complicates the task of comparing prices between Cairns and the IBIS stores. Mr Turnour does not include fresh fruit and vegetables in his survey - this is a strong focus of the IBIS discounts as can be seen from the price comparison below.

On 26 March, 2009 the following products were compared between IBIS and Coles in Cairns and it is clearly seen that IBIS is cheaper on the products compared.

- Red globe grapes: IBIS \$3.99 kg Coles \$4.98 kg
- Cavendish Bananas: IBIS \$1.99 kg Coles \$2.48 kg
- Shepherd Avocados: IBIS \$4.99 kg Coles \$7.63kg
- Tomatoes: IBIS \$3.49 kg Coles \$3.48 kg
- Red globe grapes: IBIS \$3.99 kg Coles \$4.98 kg
- Continental Cucumbers: IBIS \$1.49 kg Coles \$2.79 kg
- Amber Jewel Plums: IBIS \$3.99 kg Coles – none sold; Super IGA \$6.99 kg

From this research IBIS is by far the cheapest retailer in the Torres Strait. Any price survey in the Torres Strait needs to compare Torres Strait stores with each other, for example, compare the See Hops, Island and Cape and Seisia prices so the true picture can be seen. Other than the comparisons that IBIS has done in the past for its own business purposes, IBIS believes that, to date, there has never been any other price survey done which compares the various stores owned by various operators in the Torres Straits. IBIS welcomes such a price survey to be performed to professionally recognised survey comparison standards.

6. **Stock Shortages/Out of stocks:** IBIS utilises industry best reordering practices based on whole of enterprise Min/Max ordering. To ensure the integrity and accuracy of the system IBIS has:
- a. A program of quarterly stock takes subject to airline availability;
 - b. Regular Min/Max reviews; and
 - c. Store requests for Min/Max updates.

Shortages may occur from time to time due to situations such as:

- a. Unforeseen changes in sales i.e. visits in large numbers from PNG;
- b. Stimulus package payment which have increased sales in some stores by more than 50%; and
- c. FNQ floods causing freight line disruptions.

The following are responses to specific statements made during the hearings.

Thursday Island Hearing:

Mr T Kris -

“That has entered the whole process of traditional hunting methods, and the increase of hunting throughout the region is specifically because of the lack of protein through those shops.”

Response -

From our community consultation, IBIS’ understanding is that the increase in hunting throughout the region is a direct response to the increased commercial value and demand for high protein meats found in marine produce, for example, fish, crayfish and lobsters. The Torres Strait provides pristine waters for the growth of high value, “organic” marine products and the people are responding commercially to the demand for such produce, in particular, from international buyers.

Official lifestyle surveys report that Torres Strait Islanders consume the highest percentage of fish (protein) in the world due to its high level of fishing which indicates that this is both a preferred diet and a way of life.

IBIS has a process where product is automatically replenished as sold. From time to time there are shortages due to supply line issues, errors in receiving, freezer breakdown, etc. However, on rare occasions when such issues have occurred, the stores stock other sources of protein in the form of poultry, eggs, tinned fish, and various tinned meats and so on. It is IBIS' understanding that turtle and dugong are considered a delicacy by the community rather than an inferior food as could be implied from the interviewees comment.

Based on sales figures that are being registered through the PRONTO Point of Sale System for each store versus stock in store quantities that are also registered on the same system, IBIS believes it has 95% continual supply to the communities at all times and, in fact, there are many times when product has to be destroyed because it is out of date before it is purchased.

Mr F Gela -

Chair: "Are you satisfied with the quality and the price of products that can be found in both the IBIS stores and the privately run stores?"

Mr Gela: "We are dissatisfied at what is being provided down on the ground in terms of the quality of the products and the range of products provided to people."

Mr Gela: "Very much dissatisfied. If you walk into Coles you can have a selection between a carton of Paul's UHT milk and, if you want a cheaper brand, a cheaper option, the Coles brand. In the communities, even looking at the range of Black and Gold products, there is hardly any. The other thing that I want to mention is that one would think that if you have more than one outlet in the community there would be pricing difference, especially if one operator does not have a monopoly in that community. What is actually happening in the Torres Strait is that even though you have an external outlet, the external operator, there is no pricing difference. What they are doing down on the ground is matching each other's prices. In short, you would be lucky to get a range of 10 basic products that are used the majority of times in households where you could see a price difference between a privately owned operator and an external operator in comparison to IBIS. It is basically just mix and match."

Response -

Due to the size of the community and the stores' design to service the community IBIS is not in a position to compete with Coles. The average Coles store is approximately 4,500 square metres in physical size and carries 18,000 product lines. IBIS' Outer Island stores are 30 times smaller than a standard Coles store: an IBIS store is 150 square metres in size; and it would be physically impossible to build a 4,500 square metre store on an island in the Torres Strait.

The sheer size of a Coles store means that they have the shelf space to carry a high variety of each product line. IBIS simply does not have the space to carry such variety in each product line, and given that the store is 30 times smaller than a Coles store, the variety in product lines will therefore be 30 times less. Unfortunately, it is not possible to use a Coles store as a benchmark against which to compare an IBIS store. An IBIS store should be compared against a similar store that is 150 square metres in size. A store of this size is the local neighbourhood store in a Cairns suburb. IBIS carries 1,557 regular repeatable re-orderable lines. IBIS and Coles are two very, very different businesses with different customer bases and markets and cannot be compared.

Although the process of comparing prices is normal in the retail industry IBIS sets its prices based on the cost to deliver the goods to the Torres Straits. It is a Queensland Government requirement that that IBIS does not operate at a loss: IBIS sets its margin accordingly.

A. Harry -

“Then there is the turnover in staff. If you go to IBIS today, there are no Indigenous people working there like there were 10 years ago.”

Response -

IBIS employs around 150 people. Approximately 89%, or 134 of IBIS employees, are Indigenous Australians. At a managerial or executive level IBIS employs 16 store managers, 14 of whom are Indigenous Australians.

L Akee -

“With respect to the high cost of fuel, in particular, with IBIS there is no incentive for the local fishermen to work at the moment, because there is a negative impact. The price of fuel does not allow them the opportunity to go as far out as they can from the island to dive. When they do, they can only get whatever they make in that half-hour or hour before they have to return to the island. So there is no incentive in the community for those fishermen to go out and work—plus the fact that there is a fear of running out of fuel on the high seas.”

Response -

IBIS makes no profit on fuel. The cost of regular repairs and maintenance, and repairs to vandalised fuel stations, is not covered by the prices set. Again however we believe that the IBIS prices are the cheapest in the Torres Strait.

L Akee -

“The national benchmark of eating two serves of fruit and five serves of vegetables per person is an unrealistic goal, mainly because of the high cost of living. When you apply this to a family of five, it equates to \$22 per day, \$220 per week, and it is quite unachievable because the community is mainly all welfare recipients.”

Response -

The IBIS Store Nutritionist has costed out providing a ‘Go for Two and Five Program’ for a family of five living in the Outer Islands of the Torres Strait at IBIS prices at \$67.10 per week. We would be happy to provide the information on which this is based to the Committee.

L Akee -

“The staple diet is flour and rice. A 10-kilo bag of rice just before Christmas was \$90.”

Response -

The price for a 10 kilo bag of rice on Thursday Island \$31.59 and outer islands \$32.89. At no time in at least the last 6 years has IBIS sold a 10 kilogram bag of rice for \$90.

Mer Island Hearing:

A Passi -

Mr Passi made a large number of statements including that he is Assistant Store Manager of the Mer Island Store. In fact Mr Passi is employed as a Shop Assistant. Mr Passi also made a number of assertions in relation to the running of the store, including the days that deliveries are made, which are incorrect. Mr Passi quoted information that he does not have access to - in the vast majority of instances this information was incorrect.

Bamaga Hearing:

Mr J Elu -

“I have been involved with IBIS for a long while. I was actually the chairman of IBIS from I think about 2000. That was when the state government put a lot of money into new store buildings. I did not like them because they started asking us to depreciate \$12 million in 10 years. I told them it was going to hurt the people up here. This year they are going to finish depreciating those stores at that massive rate. Now they are going to try to recoup profit. They wanted the IBIS board to depreciate \$12 million in 10 years. It was a big ask, and I quit from the board of IBIS then.”

Response -

Mr Elu gives the impression that IBIS depreciates all new IBIS stores over 10 years. This is incorrect. IBIS' new stores have never been depreciated for less than 20 years and several after recent revaluation are being depreciated over 28 and 34 years, while the revaluation design life is now accepted as between 35 and 40 years.



Questions on notice – IBIS
26 May 2009

Financial position of IBIS

1. **Could you please advise the Committee with information on the profits and losses in each store? Which stores are independently viable and which are not viable? (Thursday Island transcript, p. 35)**

Answer

A significant amount of the costs associated with the running of the stores is carried centrally in the Cairns office and therefore these costs are not absorbed by each store individually or expressed on their profit and loss assessment and evaluation. Additionally, the profitability of any one store is strongly affected by the buying power of all of the combined IBIS stores. Thus, IBIS does not run its stores on an independent store model but rather on a business model that combines all stores, and it operates the business as if there was only one store in the profit and loss model.

Therefore it is not possible to state definitively the profit of any one stand alone store as opposed to another. IBIS does not produce financial reports that take all of these issues into account. Because trade offs in costs are used in the IBIS retail model the operating cost structure for an individual IBIS store would be very different to the cost structure using a different business model, for example, stand alone stores.

Based on our experience, and on the assumption that sound business principles and reporting practices were used, we doubt that by using a single store model and maintaining current IBIS prices any of the outer island stores would breakeven. In addition, single store operating models would have difficulty in complying with the necessary health and safety requirements imposed by the various legislations and regulations. For example, one area in which IBIS has invested heavily is to ensure that frozen and chilled product is maintained at the necessary temperatures required by Government legislation while being freighted to the stores in the Torres Strait.

IBIS operates as a group retail business with sixteen stores and a service station - and on that business model we have been able to achieve net profit results for the past two years.

2. **Who do you provide your financial reports to? Are you required to submit annual reports to QLD government? Are financial reports available publicly?**

Answer

IBIS is required under legislation to supply its financial reports and information to the Minister for Aboriginal and Torres Strait Policy who tables the report in Queensland Parliament. The Queensland Audit Office spends a significant amount of time auditing the results before they are sent to the Minister. The Auditor-General also provides his independent report to Parliament.

The official certified report is available to the public and is available from the State Library of Queensland.

Native Title negotiations

3. **In your evidence on Thursday Island you referred to negotiations on native title.**

- **On which islands and at what stage are the negotiations?**

Answer

IBIS approached the Torres Strait Regional Authority Native Title Office (NTO) to negotiate new leases and renewals of current leases in 2007 (almost 2 years ago) and has followed up on that request many times. Two members of the IBIS Board and the CEO met with the residents of both Dauan and Mabuiag Island Communities over 2 years ago. On both islands the residents agreed to the IBIS proposals in principle. The CEO, in conjunction with a representative of the NTO, held a Native Title meeting on the 14 February 2009 at Mabuiag Island, and again agreement was reached. It took the NTO almost 4 months to respond to IBIS on the subject matter of the Mabuiag Island meeting.

IBIS has 12 Native Title Leases to negotiate or renegotiate over the next 3 years, which include the aforementioned 2 stores and Mer Island. These negotiations are important and need to be done as a matter of priority since they involve 3 stores that require urgent total refurbishments or expansion. The plans for this work are over 2 years old and the funds to complete the work have been given by the Government but unfortunately cannot be spent until the Native Title leases are renewed. As soon as the leases are signed IBIS will commence the work.

Also included in the 12 leases is the new store planned for Stephen Island for which agreement to proceed was gained 2 years ago. The decision to proceed with these 4 stores received the unanimous approval of the now defunct Island Coordinating Council over 2 ½ years ago. The Stephen Island new store will commence construction immediately after the Native Title agreement is reached.

- **Is the building of a store on Stephen Island proceeding?**

Answer

As stated previously, the new store planned for Stephen Island was agreed to by the now defunct Island Coordinating Council over 2 years ago and the money for the store has been allocated. However, because Native Title agreement has not been finalised, IBIS is concerned that the money that has been approved for this store will be recalled to Government due to the fact that it has not been expended. It is the finalisation of the Stephen Island Native Title Agreement that is holding up the construction of this store.

- **Does IBIS pay rent or provide a share of profits to indigenous land owners?**

Answer

Yes, IBIS does pay rent on all current Native Title Leases. The rent amount has been agreed to as a peppercorn rent. The issue of increasing the rental amount has been discussed at length at IBIS board meetings, with the Community Representatives present and with their input. All of the money generated by IBIS generally comes from the sale of groceries to the people in the Torres Strait Communities and if IBIS had to generate extra funds to pay for an increase in rent or profit sharing IBIS would need to increase its prices to generate that money. The IIB therefore felt that this would be counter productive. In other words, because IBIS is there for the Community, and all its money goes back to the Community, then the Community would end up paying for any increase in rent. This issue has been raised with the Community during discussions regarding Native Title Agreements. The IIB has an open mind in this regard and is happy to work with the people to reach a position that meets each community's needs.

Community consultation

4. **On Thursday Island you commented that under your Act any profits made by IBIS must be used to benefit the people of the Torres Strait and you have used profits so far to refurbish, repair, rebuild and replace stores within the chain.**

- **How is the spending of profits decided?**

Answer

IBIS is required to apply its profits as outlined in the Queensland Government Legislation that governs IBIS. In summary, this Legislation requires that all profits be applied to promote, support and improve services to the Communities IBIS serves and the general welfare, knowledge and skills of Aboriginal and Torres Strait Islander residents in those Communities.

As per the requirements of the Act the IIB has pledged that all cash flows from depreciation and all audited net profits are deposited to a sinking fund with the Queensland Treasury Corporation. These funds are currently for the exclusive use of funding the repairs, maintenance and replacement of all IBIS owned assets and/or new assets on the islands. These assets include the stores and the petrol station.

In addition, IBIS needs to set aside money to replace freezers, chillers, fittings, air conditioners, flooring and to repaint, repair and/or re-roof each store on a regular basis. These items represent 40% to 50% of the cost of a store. While each store probably has an effective life of 20 to 25 years, the works listed above need to be completed every 5 to 7 years.

- **What consultative arrangements do you have with communities about how profits are spent?**

Answer

The Queensland Government legislation does not require that IBIS consult directly with the Communities on how to spend its profits. However, IBIS does consult with the Communities through the Community Representative members of the IIB. These Board Members consult widely with the Communities on how they feel about IBIS business. It is the role of these Representatives to provide input from the Community and it would be reasonable to assume that when IBIS does have sufficient funds to distribute, and Government agrees to an IBIS proposal, that significant weight would be given to recommendations from these Community Representative members on the best ways in which to proceed.

The real situation is that IBIS only has enough profits to spend on maintaining and replacing its current assets which are its stores. If IBIS were to make more profits than what is needed to maintain these stores the IIB would ask its Community Representative members to consult with the Communities for their input. Unfortunately, IBIS has never been in a position where it has more money than it needs to maintain and replace its stores on the islands.

- **Are profits returned to communities in the form of reduced costs of products on shelves?**

Answer

Yes. Continuous improvement in cost reduction and business efficiency is part of the ongoing IIB strategy with IBIS passing on these reduced costs to its customers by reducing the cost of its products on the shelves. The IIB is reducing the current level of profit as achieved over the past two years, effectively reducing the gross margin and therefore reducing prices "of products on shelves". The IIB is particularly focussed on reducing those products that are considered healthy food choices.

- **Are profits from a store returned to that particular community?**

Answer

Yes. As stated previously, Queensland Government Legislation requires that IBIS put all cash flows from depreciation and all audited net profits into a sinking or “reserve” fund with the Queensland Treasury Corporation. These accumulated funds are currently for the exclusive use of funding the repairs and maintenance, replacement of all stores on the islands, and building new stores. In this way the profits are returned to the Community. IBIS will require approximately \$40 million for the replacement of its current stores in approximately 20 to 25 years time.

5. **What are IBIS’s procedures on receiving feedback or complaints from community members at both the store management and the CEO/Board level?**

Answer

IBIS has an extensive procedure for handling customer complaints. The IBIS Customer Complaint Policy is outlined below:

The IBIS Customer Complaint Policy

The Islanders Board of Industry and Service aims to keep its customers satisfied. If a customer has a complaint about our service we encourage them to tell us so that we can address the problem. We recognise that:

- Customers have complaints about the goods and services that we provide from time to time;
- Customers have a right to make a complaint;
- Complaints offer us an opportunity to obtain feedback and improve our goods and services; and
- Complaints require a response and resolution to maintain a good relationship with our customers.

Responding to a customer complaint:

All IBIS staff will respond to complaints by:

- Recording the customer’s contact details and conveying all information relating to the complaint to the Human Resources Manager;
- Asking the customer to explain the problem and confirming with the customer that their understanding of the issue is correct;
- Being courteous and polite; and
- Where possible, resolving the matter as close to the source as possible in order to satisfy the customer’s needs quickly and efficiently.

If the staff member is unable to resolve the problem immediately, they must ask the customer to fill in a Customer Complaint Form (attachment) and send it to the Human Resources Manager.

Making a complaint

If a customer has a complaint that is not managed to their satisfaction immediately they should ask a staff member for a Customer Complaint Form, complete the form and send it to the Human Resources Manager:

- By email to janet@ibis-ti.org
- By fax to (07) 4050 4370

- Or by mail to PO Box 1108, Cairns, Qld. 4870

The Human Resources Manager will investigate the complaint in line with the IBIS Disciplinary Procedure and respond to the complaint within 10 business days of receipt.

Recording of Complaints

The Human Resource Manager will keep a record of all customer complaints by documenting:

- The nature of the complaint;
- The outcome of the complaint; and
- The response time of dealing with the complaint.

Computer system and centralised ordering

6. **You describe the new computer system as achieving ‘outstanding results’ such as high stock levels and low stock losses (IBIS Submission, p. 8). The Committee has also heard comments about whether the store managers on the ground have any influence over the types and amounts of products ordered in (e.g. Thursday Island transcript, p. 9, Mer Island transcript, pp. 5-6).**
- **What feedback from store managers have you had about how effective the centralised ordering system works?**

Answer

IBIS Store Managers are required to provide feed back relating to stock levels, requests for increased stock holdings, or overstocks, etc. In fact, this is their job. They are also welcome to make suggestions to the buyers and their Regional Managers as to new product lines and the discontinuing of non-selling stock. This is also their job. The IBIS Store Managers are the IBIS managers on the ground and we rely on them to tell us how to serve our customers. There is daily communication between the IBIS Store Managers and the IBIS Purchasing Department.

- **Within the centralised ordering system, how much input can store managers have on what produce is ordered into their store?**

Answer

As above in 6.

7. **The Committee received some evidence that an advertised price for a product was inconsistent with what was charged at the checkout. (For example, Masig Island transcript, pp. 36-7, Thursday Island transcript, p. 59.)**

- **Would you please comment on these discrepancies?**

Answer

IBIS complies with all regulatory requirements in relation to the Trades Practices Act that having been said it is possible to have technical errors or for staff members to make errors and omissions in the course of operations. If however IBIS finds an error, or is informed by a customer of an error, we will rectify the problem as soon as possible and execute refunds, replacements and rectifications as appropriate. As per our policy, if the price charged at the register is different to either the shelf ticket or the advertised price the customer must be charged the cheapest of these prices. If a customer is not charged the lowest price the sale should be rectified to achieve this or the customer will have the difference refunded.

Healthy choices

8. In your submission you refer to the Healthy Choice Program and the policy of cross-subsidisation of healthy foods.
- Would you please provide the Committee with a copy of the Healthy Choice Policy?

Answer

The IBIS Healthy Food Policy

As the main provider of groceries to the communities of the Torres Strait and Northern Peninsula (Cape York) Regions the Islanders Board of Industry and Service recognises its responsibility to provide the best possible quality food while maintaining prices that are affordable to its customers.

IBIS also recognises that it is only through the consumption of healthy food that people can achieve good health.

IBIS is committed to providing high quality, healthy nutritional choices to the communities it serves at the lowest possible prices, wherever possible, by:

- Increasing the range and availability of affordable healthy food and drink choices through a pricing regime that specials only healthy food, and subsidises the provision of healthy and nutritious food so it is always affordable;
- Identifying and highlighting healthy food and drink choices available in its stores through signage, publication of healthy recipes, advertising, in-store merchandising and marketing;
- Educating its staff and community members on the importance of good nutrition and exercise;
- Providing on going skill development to all interested community members in good nutrition through:
 - Practical cooking classes specialising in healthy recipes;
 - Developing, publishing and distributing information on healthy food choices;
 - Liaising with key stakeholders, i.e. community leaders, educators, health care providers, etc., to reinforce the healthy choice message;
 - Encouraging staff to nominate as good food champions and providing them with the skills and resources they need to have a positive influence on the members of their community to make healthy food choices; and
- Working with its suppliers to minimise cost and maximise availability of healthy food and drink choices.

To achieve these goals IBIS has implemented:

- Its Healthy Food Pricing Policy that ensures the positive price discrimination of healthy food in all its stores;
- Its fortnightly advertised specials that only feature healthy food choices;
- The IBIS Health Cafe – a food court and community meeting place located in the forecourt of its Supermarket on Thursday Island providing tasty, low cost, healthy take away food for the community;
- A hot bread bakery on Thursday Island the signature loaf for which will be a high fibre, low GI alternative to traditional low fibre white sliced bread;

- The employment of a store nutritionist (a qualified dietician) to promote the benefits of healthy food choices and increased exercise in the communities; and
- A partnership with Coca Cola promoting water and non-sugared drinks as the refreshment of choice.

It is through these initiatives that IBIS hopes to have a positive impact on the health and wellbeing of the residents of the Torres Strait and Northern Peninsula Regions.

- **Can you please provide information on the structure of the cross-subsidisation scheme and give some examples of cross-subsidising healthy foods? (Thursday Island transcript, p. 34)**

The pricing of each item in this program is done individually. A good example of this is the 375 ml. Coca-Cola: the full sugar Coca-Cola costs 1.1 cents less than Diet Coca-Cola however our retail price for Diet Coca Cola is 20c cheaper than full sugar Coca Cola. This program has been very successful - as an indication of this success, the number of cans of 375 ml. Diet Coca Cola sold has increased from 20,154 year to date last year to 29,809 year to date this year. This is an increase of almost 50% in just one year.

9. **Would you please provide more information about the work of the nutritionist employed by IBIS.**

- **What is the work program of the nutritionist?**

Answer

This is a relatively new IBIS program that is currently being rolled out.

The IBIS Store Nutritionist is responsible for promoting healthy nutritional practices that will improve the health of people in the communities serviced by the Islanders Board of Industry and Service (IBIS) stores, and for effectively communicating the benefits of good nutrition to help the people in these communities make healthy choices by:

- Educating the communities on the causes of obesity and diabetes and how healthy food choices, cooking methods and physical activity levels decrease the risk of individuals developing these maladies.
- Providing the communities with the tools and support necessary to help change eating and exercise patterns.
- Conducting local in-store promotions on an ongoing basis that include cooking demonstrations, taste-testing, and the development of menus and recipes that utilise readily available products and including modifications of traditional recipes to be more healthy.
- Acting as a catalyst for and support community initiatives such as walking groups and healthy cooking groups.
- Establishing partnerships with community agencies, schools and local level health and nutrition teams to promote healthy food and drink choices to people with chronic disease conditions as well as to the wider community.
- Establishing regular and ongoing communication with the communities regarding nutrition and health, community food purchasing patterns and the nutrition component of store operations.
- Recruiting external 'champions' of healthy living to support promotion of healthy eating.

- Working with IBIS to provide general information on healthy nutrition to customers, staff and community members.
 - Working with IBIS to up skill store management on healthy foods and drinks to ensure effective implementation of ranging and promotional tools.
 - Providing on site training in nutrition to IBIS staff.
 - Identifying and work intensively with local 'good food champions'.
- **What nutritional advice is provided to IBIS senior management, store managers and community members?**

Answer

The IBIS Store Nutritionist provides advice on a range of nutritional issues including:

- Portion Control;
- Interpreting Nutritional Information Panels;
- Interpreting Manufacturer's Claims;
- Interpreting Ingredient Panels; and
- Identifying 'healthy' food in the product range.

Prices

10. **In your submission you refer to a price survey conducted in 2008 in two Outback Stores and comparisons with prices in IBIS stores. Could you please provide the Committee with a copy of that price survey? (Thursday Island transcript, p. 39)**

Answer

The CEO of IBIS was in Darwin on the 11 December 2008 to interview a candidate for the TI Regional Manager role. Due to the timing of flights from Cairns to Darwin he had three quarters of a day free. During this time he visited two Outback Stores. Below is a report on the findings from those visits:

Baradunga:

Population around **400**.

- 4 hours south of Darwin on sealed road.
- 1 hour south east of Katherine.
- Store very dirty.
- Air conditioner not working and blowing hot air. Inside store temperature around mid forties with stock on shelves hot to touch — this would impact detrimentally on stock shelf life and present a serious public health risk.
- Toilets unusable (too dirty) according to the manager.
- No docket given on purchase.
- Fruit and vegetables very poor. Stock almost nonexistent and expensive - 1 kg nectarines \$16; avocados \$12 per kilogram; 250 gm pre-packed celery \$6.
- No fresh milk.
- Chicken in freezer thawed and spoiled (see photo) and stored with frozen fish (Barramundi).

- Insufficient stock to sustain community — register operator stated that the population today was around 4 as everyone had gone to Katherine to shop - what about the old people, and the ones without a vehicle, or who can't afford the fuel to travel 200km round trip.
- One non-indigenous person in the store.
- Only non-indigenous staff wearing uniform.
- Very limited range — estimated 800 to 900 SKUs (4 fixtures around 4 metres long, all half empty and some with variety).
- No evidence of nutritional advice or promotion.

Beswick:

- Population around 400.
- 1/2 hour further east from Baradunga.
- No fresh milk.
- No eggs.
- 6—8 trays of per packed mixed fruit in drinks fridge.
- Some (very limited) vegetables in chiller — very poor quality, mostly needing to be written off.
- No air conditioning. Inside store temperature around mid forties with stock on shelves hot to touch — this would impact detrimentally on stock shelf life and present a serious public health risk.
- Chiller running at 12°C (minimum safe temperature 4°C).
- Meat freezer running at -14°C (minimum safe temp -18°C).
- Insufficient stock to sustain community.
- Manual ordering being carried out by Regional Manager.
- Four non-indigenous people running the store.
- No indication of nutritional advice or promotion.
- Very limited range — estimated approximately 500 to 600 SKUs.
- Only non-indigenous staff wearing uniforms.

Price Comparisons:

NB - Blue indicates a cheaper IBIS price.

<i>Product</i>	<i>Outback Stores</i>	<i>IBIS</i>
Frozen Chicken Pieces 1kg	\$10.48	\$7.99
GV Peach Slices 400gm	\$4.10	\$4.19
GV Apricot Halves 400gm	\$4.29	\$4.19
JJ Paradise Punch 1 lt	\$3.72	\$3.39
CSR Golden Syrup 500gm	\$5.01	\$4.59
B&G Pancake Shake Mix	\$3.03	\$2.79
CSR White Sugar 1kg	\$3.20	\$2.59
Maggi Noodles Extra Chicken	\$1.49	\$0.49 EQ
Cabbage—half	\$8.36	\$1.80
Rocket — prepack	\$6.75	Not Carried
Chillies — prepack	\$4.58	\$5.09 *
Brussell sprouts per kilo	\$22.75	Not Carried
Spiced Ham Classic Spam 200gm	\$5.02	\$4.69
Huggies Newborn Nappies 36	\$30.25	\$25.53
Bushtails Medium Nappies 20	\$11.59	Not Carried

Bushtails Extra Large Nappies 1.4	\$11.54	Not Carried
Moonbulk Apricot 3am 375gm	\$5.20	\$4.59 500gm
B&G Pure Honey 500gm	\$4.87	\$5.69
Coffees Extra Thick Strawberry Topping 565gm	\$5.05	\$3.79
Conies Chocolate Topping 615gm	\$4.30	\$4.19
White Wings Chocolate Cake 370gm	\$5.17	\$3.59
White Wings Pancake Shaker 450gm	\$4.86	Not Carried
B&G Pancake Shaker 325gm	\$3.03	\$2.79

EQ = equivalent product

*Larger Pack

When the items not carried by IBIS are eliminated, IBIS is cheaper by 23.19%.

This is particularly interesting considering that Baradunga store is just 4 hours by road from the nearest Metcash warehouse where the IBIS stores are up to 3,050 km from the nearest Metcash warehouse. It is also interesting to consider that the nearest Pauls milk distribution warehouse is just one hour away from this store yet it carries no fresh milk where as all IBIS stores do carry fresh milk despite the fact that the nearest milk distribution centre is over 1,000 km away by sea in Cairns.

Locally sourced produce

11. Do your stores sell or make available local fresh produce, for example, foods produced by market gardens?

- **What is IBIS policy on stocking locally grown produce?**
- **Are there any impediments to IBIS providing local produce through its stores?**

Answer

To our knowledge we have not been approached to date to sell locally produced product in any of our stores. For produce to be purchased by IBIS it would need to meet appropriate quality standards and be competitively priced. We would set up procedures to facilitate this if the need arose.

We feel that some form of farm gate sale or community market would possibly be a more effective and cheaper means of selling local product to members of the community. We see no particular advantage to the community in including IBIS in the process but IBIS is not against the idea if there is an advantage in it for the community.

12. Please advise the Committee about the newly built bakery and health bar at the Thursday Island IBIS store:

- **On Thursday Island the Committee heard concerns from a local bakery owner about his business because of competition from the new IBIS bakery (see page 69 of transcript). Would you like to comment on whether the Thursday Island IBIS store stocking locally produced bread?**

Answer

We have previously stocked locally produced bread in the store on Thursday Island. We chose to stop buying this bread for a number of reasons relating to inconsistency in the quality of the product we were receiving and our concerns that the labelling of the product may not have been compliant with regulation.

In addition we believed that there was significant value in terms of community health outcomes in selling white bread that had a low GI index and also wholegrain, rye and multi grain bread that were both low GI and also utilised wholegrain flour.

- **Would you please outline the circumstances that led to the decision to build a bakery at the IBIS store on Thursday Island?**

Answer

Bakeries are a normal component of most modern supermarkets. In addition to this, we saw it as an opportunity to improve the quality and range of bakery product available to the Community we serve on Thursday Island. We also believe that the decision is consistent with our Healthy Choices Food Program.

- **From what source is the funding for the extension of the new bakery and health bar? Is any of the funding coming from profits at the stores?**

Answer

The construction of the Bakery was internally funded no grants or other funding was received to do this work. The IBIS Café will also be internally funded.

- **Does the bakery on Thursday Island supply to the outer islands?**

Answer

Unfortunately it is not logistically possible to get fresh bread to the outer islands at an affordable price.

- **Is the IBIS high-fibre low-GI loaf selling across the Torres Strait?**

Answer

See previous answer. We do however carry a wide range of different types of frozen bread in the outer islands, including wholemeal and high fibre.

Banking transactions and ATMs

13. The Committee heard from communities across the Torres Strait about the \$30 charge per transaction at the IBIS EFTPOS facilities.

- **Is it expensive to provide banking and electronic funds transfer services at IBIS stores?**

Answer

IBIS provides a number of banking services to the Outer Island Communities. Some of these services are more expensive to provide than others. The services include: bill paying; transfer of funds from one island to another; and payments into peoples' bank accounts. IBIS is currently investigating the feasibility of charging a sliding scale of charges dependent on the size and type of transaction and the cost of providing the service. We hope this will reduce the overall cost to the Community.

- **Would you please provide a breakdown of what the \$30 transaction fee is for?**

Answer

See the previous answer.

- **Why are there St George Bank ATMs at IBIS stores, rather than NAB ATMs when the majority of community members have NAB accounts?**

Answer

The NAB was approached to provide ATMs in the IBIS stores but they refused to do so. The ATM provider "Customers Limited" is charging fees in accordance with the regulation changes made by the Reserve Bank.

IBIS will again approach NAB once the current ATM contracts expire from 2010 onwards. IBIS is currently investigating ways of reducing the cost of this service to the community.

Fuel outlets

14. **We have received evidence about the inadequate quality of fuel and the lack of fuel storage in the Torres Strait. (For example, pages 31-36, Mr McConnell, transcript on Masig Island.).**

- **Would you please comment on the fuel storage infrastructure in the Torres Strait?**

Answer

IBIS has fuel stations on 5 of the Outer Islands. Our understanding is that the rest are operated by the TSIRC.

- **Who is responsible for the maintenance and upgrade of this infrastructure?**

Answer

We maintain the fuel outlets that we control.

- **Would you please respond to Mr McConnell's suggestion of installing water separators to improve quality of fuel?**

Answer

We are currently working on full upgrades of our fuel facilities that will likely include further filtering processes. Due to issues with water in fuel delivered to IBIS in the past we changed our supply procedure so that we now receive sealed containers of fuel directly from the BP distribution centre in Cairns. Since this change we have not had any significant issues with fuel in the outer islands.

Freight costs

15. **The Committee has received much evidence regarding the high costs of freight across Torres Strait and Cape York.**

- **Would you like to offer suggestions about how to reduce freight costs to the Torres Strait and Cape York Peninsula?**
- **How can we ensure any such reduced costs would be passed on to the customer in the store?**
- **Would you please provide a breakdown of the specific freight cost as a percentage of retail costs?**

Answer

As explained in our submission, freight is just one of the many extraordinary costs associated with retailing in remote areas.

The cost of freight varies from store to store and month to month at IBIS this varies from 8.5% to 14% of sales and sits at approximately 10% on average across the whole organisation. If

freight was taken out of the equation the retail price of goods would drop on average by 10% however as previously pointed out the cost of freight of refrigerated goods is significantly higher than “dry goods” accordingly if properly applied the retail price of these refrigerated goods would drop on average by more than 10% and the cost of dry goods would drop by less than 10%.

We believe that any subsidy or funding from government to reduce the impact of freight should be paid directly to retailers. Organisations such as IBIS who have properly audited books and effective systems can easily demonstrate through lower achieved gross margins that the retail price of goods has been reduced, and by what percentage. In addition, the retailer could be required to provide proof of payment of food related freight bills that are then refunded by Government.

The cost of freight for any particular store is dependent on a number of issues, including:

1. The distance of the store from the freight terminal, i.e. outer island costs are higher than inner island stores; and
2. The mix of refrigerated goods compared to non refrigerated goods purchased by the Community. The higher the amount of refrigerated goods, including fruit and vegetables, the higher the freight cost percentage for that store.

IBIS takes the cost of freight for individual items into account when setting retail prices. For example, a 25 kilogram bag of rice sold from an Outer Island store will include more than \$12.00 in freight. To not do this would unbalance the pricing / value of the product. This may also be one of the reasons that the price survey is so far out of line with our pricing matrix.

Cost of recommended fruit and vegetable intake for an average family of 5 shopping at IBIS

Family Composition

- 1 mother aged 35 years
- 1 father aged 35 years
- 1 child (A) aged 4 years
- 1 child (B) aged 8 years
- 1 child aged (C) 11 years

Recommended Fruit and Vegetable serves per Individual¹²

Individual	Reference Age group	Recommended daily serves fruit	Recommended daily serves vegetable	Recommended weekly serves fruit	Recommended weekly serves vegetable
Mother	19-60 years	2	5	14	35
Father	19-60 years	2	5	14	35
Child A	4-7 years	1	2	7	14
Child B	8-11 years	1	3	7	21
Child C	8-11 years	1	3	7	21
TOTAL		7	18	49	126

NB.

1 serve fruit = 1 medium sized piece of fruit e.g. apple, orange, mandarin, banana, pear etc

1 serve of vegetables = 1 medium potato, ½ medium sweet potato, ½ cup cabbage/broccoli/spinach, ½ cup tomatoes/capsicum/zucchini/green beans, 1 cup of salad vegetables (lettuce etc)

Example of fruit and vegetables required to meet recommended weekly intakes

Individual	Fruit	Vegetable
Mother	7 apples (red) 4 bananas 3 mandarins	7 med potatoes 7 x ½ cup broccoli 4 x ½ cup carrots 4 x ½ cup green zucchini 7 x ½ cup tomatoes 3 x ½ cup cabbage (green) 3 x ½ cup capsicum (green)
Father	7 apples (red) 4 bananas 3 mandarins	7 med potatoes 7 x ½ cup broccoli 4 x ½ cup carrots 4 x ½ cup green zucchini 7 x ½ cup tomatoes 3 x ½ cup cabbage (green) 3 x ½ cup capsicum (green)
Child A	3 apples (red)	3 med potatoes

	2 bananas 2 mandarins	4 x ½ cup broccoli 2 x ½ cup carrots 2 x ½ cup green zucchini 3 x ½ cup tomatoes
Child B	3 apples (red) 2 bananas 2 mandarins	4 med potatoes 5 x ½ cup broccoli 3 x ½ cup carrots 3 x ½ cup green zucchini 4 x ½ cup tomatoes 1 x ½ cup cabbage (green) 1 x ½ cup capsicum (green)
Child C	3 apples (red) 2 bananas 2 mandarins	4 med potatoes 5 x ½ cup broccoli 3 x ½ cup carrots 3 x ½ cup green zucchini 4 x ½ cup tomatoes 1 x ½ cup cabbage (green) 1 x ½ cup capsicum (green)

Family Fruit and Vegetable Weekly Total

Product	PRONTO Code	Family Weekly Serves Total	Weight ³ (kg)	Price per kg ⁴	Retail price (\$)
Apple	0001	23	3.220	4.49	14.46
Banana	0008	14	1.414	3.09	4.37
Mandarin	0047	12	1.032	4.49	4.63
Potato	0064	25	3.750	2.59	9.71
Broccoli	0012	28 x ½ cup	1.302	4.79	6.24
Carrots	0019	16 x ½ cup	1.080	2.59	2.80
Zucchini	0090	16 x ½ cup	1.048	3.49	3.66
Tomatoes	0084	25 x ½ cup	2.375	6.69	15.89
Cabbage ⁵	0015	8 x ½ cup	0.376	8.49 ea.	3.19
Capsicum (green)	0016	8 x ½ cup	0.480	4.49	2.15
TOTAL					\$67.10

¹ Department of Health and Ageing 1998, Dietary Guidelines for Children and Adolescents in Australia, National Health and Medical Research Council, Canberra.

² Department of Health and Ageing 1998, Dietary Guidelines for Australian Adults, National Health and Medical Research Council, Canberra.

³ Weights devised using average reference weights in FoodWorks 2007.

⁴ Prices from PRONTO as of 27/4/09 for Outer Island Stores.

⁵ 1 medium cabbage head weight = 875g