



Submission into the inquiry into community stores in remote Aboriginal and Torres Strait Islander communities

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Introduction

The Central Land Council (CLC) welcomes the senate inquiry into remote stores. Although, we recognise that there have been some changes to store operations in the NT, the Central Land Council strongly believes that more could be done to empower Aboriginal store committees in directing positive change to store management processes and systems, and to better utilise existing legal instruments. The submission emphasises the following points:

- Food security is critical to ensuring better nutrition and health outcomes of Aboriginal people. Governments should look at investing in tax subsidises on fresh food, price caps for basic goods and ensuring that the standard market basket is only 25% of remote families weekly income.
- Store committee governance structures and systems are integral in developing sustainable changes in store food supplies. No long term improvement can ignore the need to improve the ability of store committees to manage effective community stores. Governments should invest in building the capacity of store committees to improve community nutrition and health outcomes.
- There are existing laws and structures that might be utilised to assist in achieving better health outcomes for consumers, including rules of incorporation (and book-up), store manager contracts and leases.
- The Store Licensing process adopted by the Northern Territory Emergency Response is supported by community members and the Central Land Council. However, on-going monitoring and assessments should be undertaken to ensure licensing standards are maintained by stores. Also concerns of higher prices since NTER legislation commenced should also be considered seriously by governments and HORSCATSIA Committee.
- The Central Land Council has supported and continues to support the expansion of Outback Stores. There are, however, limitations on the Outback Stores model, and the Central Land Council have some concerns about the structure of management arrangements.

The Central Land Council is a statutory authority under the Aboriginal Land Rights Act (Cth). The Central Land Council represents Aboriginal communities across the southern half of the NT. Community stores and pastoral owned stores operating across our communities provide necessary services for our constituents. However, the way stores are operated, the pricing arrangement, quality and quantity of fresh fruit and vegetables and management of stores is highly variable across our region. The health of Aboriginal people living in central Australia suffers because of lack of food security in remote areas.

Northern Territory context

It is important that an inquiry into stores understand the context in which remote stores operate. For too long, many remote stores have been able to get away with poor services for their consumers. Most remote stores operate in a monopoly environment meaning that consumers often have little choice or option but to shop there and in many cases, pay exorbitant prices for items. Consumers of remote stores are primarily Aboriginal people on low income. These people can often have poor refrigeration and/or storage capacity for food in their homes. Additionally, cooking facilities can be limited, with stoves not working and ovens broken. In many cases, Aboriginal residents give preference to cooking outdoor on fire rather than using indoor facilities. Shopping habits in remote areas have in many cases been typified by these circumstances, for example it is common daily routine for residents to buy food as required. This habit has in some cases increased the reliance on fast food or food that requires little preparation. Moreover, poor quantity and quality of fresh food availability or high prices on these items limit people's ability to secure nutritious and balanced diet from the community store.

Lack of access to a nutritious diet (and food security) has contributed to poorer health, earlier onset of most diet related diseases (Type 2 diabetes, heart disease and blood pressure) and shorter life expectancy among Aboriginal people. Improving remote store policies and practises is critical if governments are serious about closing the gap. The Australian Medical Association's recent Report Card of Aboriginal and Torres Strait Islander child health revealed (2008) "Indigenous children are nearly 30 times more likely to suffer from nutritional anaemia and malnutrition up to 4 years of age" (AIHW 2008). The AMA recommends that Australian Government should pursue targets for improved Indigenous health, including "more than 90% of Indigenous families to access a standard health food basket at a cost of less than 25% of the available income within 5 years". Recently, health organisations and others have called for tax subsidises on fresh food for remote consumers. The CLC agrees that the introduction of tax subsidises on fresh food would help to reduce the burden on family incomes of the Aboriginal people living remotely.

It is well recognised that many remote stores are not maintaining good quality fresh fruit and vegetables at reasonable prices. The Territory Health Service (THS) and subsequent Department of Health and Community market basket survey of remote communities reveals, time and time again, that bread and cereals, fruit and vegetables are between 25-40% more expensive in Aboriginal community stores than at supermarkets in the nearest regional centre (THS 1999-2001, Department of Health and Community Services 2003, 2005, 2006). This is not just an issue for stores; the whole situation reflects a traditional marketing system where the food supply system is directed at servicing main metropolitan centres in the south-east and south-west, resulting in excessive costs in transporting food to remote areas. The CLC argues that the additional costs of transporting food items in remote areas is transferred to Aboriginal families, who in many cases are the least able to afford the extra expense.

One example that the Australian Government could learn from is the Food Mail Program run by the Government of Canada. The program pays part of the cost of shipping nutritious perishable food and other essentials items by air to isolated northern

communities that are not accessible all year. The subsidy makes it possible for retailers in these communities to sell fresh food at lower prices.

Recommendation

The CLC recommends that the Australian Government consider:

- Tax subsidies on fresh food for remote consumers
- Transport subsidies for fresh food and other perishable items to remote areas, such as the Canadian Food Mail Program
- Supporting systems that allow Indigenous families to access a standard health food basket at a cost of less than 25% of the available income

Northern Territory Emergency Response - store licensing

On 18 August 2007, the Northern Territory Emergency Response Act 2007 (Cth) introduced a Community Store licensing scheme. The primary purpose was largely to allow for quarantined welfare payments to be held by licensed stores. Under the scheme the Minister's Department may grant a Community Store licence having regard to the quality, quantity and range of groceries available, the finance and governance arrangements and the store's ability to participate in income management, among other criteria. The Department may revoke a licence if it thinks a licence condition has been breached or that the store is not being operated in a satisfactory manner. The scheme applies in all Prescribed Areas. The scheme does not make it compulsory to have a licence nor must a store cease to trade if a licence is revoked.

The Central Land Council's (CLC 2007) survey of Aboriginal residents on NTER measures found that where stores had been licensed survey respondents reported an improved quality of stock in the store. However, in almost all cases the licensing of stores has been associated with increases in store prices for many items.

The manner in which store licensing was introduced as part of the intervention has led to some resistance and mistrust. The inclusion of provisions enabling the Commonwealth to acquire stores was one of the matters that caused concern. The CLC, however, supports store licensing because in many cases it has improved the quality of stock and store conditions, and increased total takings. However, the price increases needs further investigation, it may be due to store licensing and/or may be a result of increased fuel prices. In any case, most community store prices are significantly higher and this, in addition to the lack and variety of store produce has in part led to poor nutrition in community members (National Health and Medical Research Council 2000: 2). The CLC recommends that the store licensing needs to include price caps for all basic goods.

In the course of assisting the Imanpa community store, the CLC developed a sample pricing policy in consultation with a number of agencies involved with community stores. A copy of that pricing policy is attached to this submission for consideration by the Inquiry. Outback Stores are familiar with this sample policy, though have their own view.

Whilst, the CLC in general supports store licensing, we believe that ongoing monitoring of community stores is essential to its effectiveness. The CLC has recommended the Australian Government develop monthly random and targeted store license monitoring of each remote store that monitors quality and quantity of stock and prices. The CLC has also recommended that local employment and/or training should become a condition of store licensing. The Central Land Council suggests that the power to acquire stores in NTER legislation should be removed. We advise that the Government should only interfere with stores in a fair and transparent manner.

Recommendation

With respect to store licensing under the NTER, the CLC recommends:

- Store licensing needs to include price caps for all basic goods.
- The Australian Government develop monthly random and targeted store license monitoring of each remote store that monitors quality and quantity of stock and prices.
- Local employment and/or training needs to become a condition of store licensing; and
- That the power to acquire stores in NTER legislation be removed.
- That an appropriate pricing policy be developed with input from a number of agencies which will assist store committees to determine whether store managers are providing goods in an appropriate price range.

Strengthening governance of remote stores

With few exceptions, stores in the CLC region are community (rather than individual or single family) enterprises. While the CLC supports the development of small enterprise in communities, we submit that stores provide a community wide service which should be owned by the communities.

Most community stores in the CLC region are owned by Aboriginal corporations or incorporated associations whose membership is open to all community members. The 'store committee' is the committee or directors of the corporate body. The level of involvement of store committees in the management of the store business varies considerably from community to community. In many cases, a considerable amount of decision making is undertaken by store managers and store book keepers.

Uncontrolled book-up may send a community store broke, with serious implications for the community and the funding institutions. Book-up should be banned in all stores. The selective provision of book-up is a very insidious and corrupting influence which works contrary to the goals which the store should pursue. Uncontrolled book-up can make the store so weak financially that prices increase, while food quality and variety goes down. Where the book-up is selective, it enables a few people to in effect take the store's profits.

In some cases, the rules of the corporate body are out of date and in need of review. There may be tax advantages for some stores in improving their corporate structure.

Critical to the development of community stores is strengthening the governance of store committees. The CLC believes that more could be done through Government's support of:

- the development of good governance training to increase participation of store committees to oversee the management of community stores;
- assisting store associations and Aboriginal corporations to review and where necessary update their rules;
- engaging store committees to establish healthy eating store protocols;
- ensuring store committees are helped and resourced to obtain standards in nutrition and increase their fresh food supplies;
- assisting stores committees to develop appropriate profit distribution policies; and
- utilising legal instruments to assist store committee members to resist the pressures which can sometimes overwhelm good judgement.

While the reasons for poor Aboriginal nutrition cannot be attributed solely to the cost, variety and quality of food, improving access to and affordability of healthy foods is an achievable goal. Working with the store committees can build a greater sustainability in store outcomes.

Three legal instruments can be used to embed principles committing community stores to better nutrition and health in the community. These are:

- The rules of the store owning corporation;
- The contracts of employment of store managers and staff;
- Leases of stores on Aboriginal land or community land.

The rules of incorporation: In most communities there is only one store, and because it is the only source of store-bought food in that community it should have a special responsibility to promote good nutrition and good health. All stores should have positive community health and nutrition principles included in their rules, so that the **committee of the store is bound by those principles** in its management role. Stores committees should be given assistance to review the current rules.

Contracts of Employment for Staff: If it is thought that a store manager's salary should be partly calculated by reference to his effectiveness as a store manager, then this should not be measured solely by store turnover or profit. Store committees need to look for a way which builds in health and nutrition outcomes. It may be appropriate to have a standard store managers contract, that could include reference to working on community nutrition and provide protection for store managers by stating that managers are not allowed to provide book up and not allowed to provide benefits for individuals, etc.

Leases: A lease may be used to stipulate rules on health and nutrition outcomes for consumers. Currently in Central Australia there are very few stores on Aboriginal land which have a formal lease.

However, our limited experience indicates that unless a lease incorporates very strong and effective rules requiring the lessee to abide by health and nutrition policies, they will

be ignored. Where the lessee is a private person or company the whole incentive is profit, and only very reluctantly will the lessee observe principles which may diminish profits. A lease may also stop the use of book-up systems.

There is nothing unique about any of these ideas, they have almost certainly all been tried somewhere at some time, for example the Mai Wiru Program (Nganampa Health Council, NPY Women's Council 2002). Mai Wiru Program defined policy and regulations to improve the health and wellbeing of the people on the Anangu Pitjantjatjara Lands and ensure continuous access for them to nutritious and affordable food and essential health items. The unfortunate problem with most of these programs is that they are usually stuck in the trial phase or dependent on will of Store Managers, they are not rolled out across communities, monitored or followed up and reviewed in communities. The CLC would like to see encouragement of all stores to review their rules to see whether they are adequate and appropriate to ensure that the store has the most positive role possible in promoting better health outcomes. The importance of having policies embedded in the rules is that it makes it illegal for the store to be run in a way which is contrary to the rules.

Recommendation

The CLC recommends that the Australian Government develop programs that encourage all community and pastoral stores to review their rules to ensure that the store plays a positive role in promoting improved nutrition and health outcomes.

The CLC also would like to see more attention given to ensuring stores on pastoral leases, which are primarily used for supplying food to Community Living Areas (CLAs) and outstations, are encouraged to improve quality and prices. If these stores are not under the NTER legislation then there are currently no mechanisms for improving their service. There is also limited or no involvement of Aboriginal people in management or governance of the store operations. As a minimum, the CLC believes that locally developed protocols dealing with supply of nutritious food and supported by the Government Australian should be developed.

Recommendation

The CLC asserts that the Australian Government work with the owners of stores on pastoral leases and the communities they serve to develop protocols that and guidelines that work towards improved health and nutrition outcomes for remote residents.

The effectiveness of the Outback Stores model

The CLC is supportive of the Outback Stores model and assisted Outback Stores in community negotiations with the Imanpa community, its first community store in Central Australia. The Outback Stores model, however, should not be regarded as addressing all concerns in relation to community stores. In particular, the issue of governance remains. While the Outback Stores model is predicated on the community taking ownership of the store, in practice the engagement of store committees by Outback Stores has been low.

Under the Outback Stores model, the store committee is responsible for:

- overseeing the employment of all staff other than the store manager and assistant store manager (see also below);
- reviewing monthly invoices from Outback Stores for their fees and recoverables;
- attending three monthly meetings with Outback Stores about the direction of the store, including providing feedback to Outback Stores on behalf of the community; and
- prior to each financial year, approving the projected budget.

These tasks require a reasonable level of financial and corporate literacy which are beyond the capacity of a number of store committees. Feedback received by the CLC suggests that in practice the store committees are not often meeting, and are complying with their obligations in only a nominal manner.

It is difficult to see how store committees can maintain their obligations under their contract with Outback Stores, and increase their knowledge and awareness of store practices, without some form of external assistance. In our view, it would be preferable that external assistance would come from a body other than Outback Stores (as the role of the store committee is to keep a check on Outback Stores).

The CLC has also engaged actively with Outback Stores over the terms of its standard store management contract. Outback Stores have spoken with a number of parties and the standard contract has improved significantly.

There are a number of positive features about the current form of the agreement; however the CLC remains concerned that all staff, other than the store manager and assistant store manager, are employed directly by the store association. Legally this means that decisions to hire, fire, grant leave, etc., are made by the store association. Our feedback indicates that this represents a legal fiction, as in practice Outback Stores through its store manager makes all such decisions. We are concerned that it is only a matter of time before this creates liability and management issues for a store association and store.

The CLC would also prefer that Outback Stores was legally committed to the agreement for the duration of the contract, and was not permitted a 'no fault termination clause' as this only weakens community confidence in the involvement of Outback Stores.

The CLC submits that all stores associations should receive independent advice in some form before entering into a store management agreement with Outback Stores.

Whatever management model is chosen for the store – be it Outback Stores, cooperative or something else – the CLC believes that the process should be about engaging Store Committees to ensure effective management is achievable. The CLC survey reported concerns by a small number of communities about being pressured to sign agreements with Outback Stores. Our survey found that Yuendumu and Ali Curung respondents reported being placed under pressure by the Australian Government representatives to allow Outback Stores to manage their store. Stores represent key institution in communities and local decision making around the development of stores, through store committees and broader engagement, needs to be encouraged.

It should be noted that Ali Curung residents have also subsequently reported being reasonably satisfied with Outback Stores management once in place. Ali Curung residents however say that the store now has higher prices than previously, even though Outback Stores said food would be less expensive under their management.

Recommendation

The CLC recommends that the Australian Government review the following in relation to Outback Stores:

- Use of external agency to assist communities in ensuring good governance practice and keeping check of Outback stores management.
- All stores should be able to receive independent advice before entering into a contract with Outback Stores.
- Remove the 'no fault termination' clause from the Outback Stores contract.
- Revise decision making powers at the store, including review of whether the store committee should be responsible for making decisions to hire, fire, grant leave by the store association.

References

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Australian Institute of Health and Welfare (2008) Aboriginal and Torres Strait Islander Health performance framework report 2008, Australian Institute of Health and Welfare, <http://www.aihw.gov.au/publications>, accessed 19.01.09.

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FaHCSIA (2008) Community Store Managers Survey, Department of Family, Housing, Community Services and Indigenous Affairs,
http://www.facs.gov.au/nter/docs/reports/monitoring_report.htm, accessed on 20.07.08.

SAMPLE PRICING POLICY – prepared by the Central Land Council

Category of Goods	Maximum mark-up
Fruit and Vegetables	35%
Other GST Free Goods	55%
Essential Health Items	55%
Variety	150%
Confectionery and Takeaway	100%
Clothing	80%
Other goods up to (and including) \$200 (invoice price delivered into Store)	100%
Other goods above \$200 (invoice price delivered into Store)	50%

For the purposes of this Policy, 'mark-up' refers to the difference between the invoice price of the goods at point of purchase (not including freight or delivery costs) and the sale price of the goods, expressed as a percentage of the invoice price of the goods.