

Bawinanga Aboriginal Corporation Maningrida

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Committee Secretary
House of Representatives Standing Committee on
Aboriginal and Torres Strait Islander Affairs
PO Box 6021
Parliament House
CANBERRA ACT 2600
Australia

Two stores are better than one: The competition model.

February 20th, 2009

Dear Committee Secretary,

The Bawinanga Aboriginal Corporation (BAC) operates a supermarket and some twenty other commercial enterprises in the Maningrida Community, Arnhem Land, NT. Maningrida has a population of some 2500. The establishment of Maningrida in 1957 was soon followed by the incorporation of the Maningrida Progress Association (MPA), a community entity that initially operated a store, bakery, charter operation and some other small businesses.

The MPA enjoyed a monopoly until the mid 1990s. The establishment of the BAC Barlmark Supermarket in competition with the original MPA store was initially accompanied by significant organisational acrimony. In practice, however, the fundamental economic driver of competition has resulted in increased quality of stock and service, and a reduction in price. The MPA supermarket is in all respects a better shop than it was before competition. Consumers readily exercise choice in their shopping pattern, and both supermarkets are profitable. Patronage is both Aboriginal and non-Aboriginal. The BAC supermarket is open seven days a week.

BAC employs fifteen local Aboriginal people in the Barlmark supermarket, and there is a range of training and career options available to them. The BAC Barlmark Supermarket has a current turnover of \$8m. Profits from the store are returned to the Community principally in the form of employment and as seed money for the establishment of additional commercial enterprises. Both the BAC and MPA are governed by elected Executives in accordance with Australian Government reporting and accountability requirements.

The cost of freight is significant. Maningrida is cut off for six months every year by the tropical wet season. The Community is serviced year round by a barge service that is a monopoly. In the dry season BAC is able to run a weekly truck into Maningrida, and this results in considerable freight savings. If the barge service was itself subject to competition, then freight costs would be significantly lower, and this would result in cheaper prices in the supermarkets.

Both Community stores are fully air conditioned and stock an impressive range of food and variety goods, including generous and diverse supplies of fresh fruit and vegetables. There are amply stocked chiller and freezer displays. Shoppers soon defect to the competition in the absence of suitable stocks. However, by comparison to mainstream Australia, food is expensive. BAC cross-subsidises healthy food by reducing mark ups, and correspondingly increasing mark ups on cigarettes and soft drinks. Prices are displayed on all goods for sale, and there is a system of scanners and computerised cash registers linked to both the Foodcard and Basics Card systems. We have implemented electronic inventory control. Eftpos facilities are located on the supermarket floor.

Both supermarkets have significant warehouse space, and contingency arrangements exist for distribution of food in times of emergency, such as post-cyclone. There is no book-up allowed. By virtue of significant turnover, and qualified non-Indigenous management with significant retail experience elsewhere, BAC has achieved considerable purchasing power. We have been able to negotiate supply agreements on favourable terms.

BAC also provides a mobile store service to remote dwelling outstation people. The considerable costs of delivery are absorbed by the Corporation as a benefit to members, and customers pay the same price for goods as they would pay in the supermarket in Maningrida. Some outstation residents choose to access Maningrida by private vehicle, and they undertake their shopping during these excursions.

Significantly, the multimillion dollar infrastructure of either supermarket has not been built with government funds. The only subsidy available is access to CDEP labour, which is available to both supermarkets. Without CDEP, prices would be higher, there would be less Aboriginal employment and fewer training opportunities.

BAC imposes strict accounting practices which protect the interests of the Community residents. BAC has a history of clean audits. Neither supermarket encountered any difficulty in achieving licensing for Income Management under the NT Emergency Response. Significantly, the necessary standards had been in place for years, and no adjustments or improvements were necessary to achieve accreditation.

These are Community enterprise operations, which contribute significantly to the health and wellbeing of the Community, and which retain the profits within the Community for the benefit of the residents. There is no collusion between supermarkets, and prices and service are dictated strictly by competition. It is apparent that a certain critical mass is required to enable the existence of more than one store in a community, but where this critical mass does exist, then the competition model is a proven success story.

There is currently no evident advantage in the presence of Outback Stores or any other non Community owned retail enterprise. There is however scope for improvement in the goods and services available to the Community residents. The introduction of bush tucker for sale from the sustainable commercial harvest of wildlife would be popular. Fresh meat and fish should be available, as should locally grown produce. BAC is working to realise these aspirations.

Yours Sincerely



Ian Munro
CEO: Bawinanga Aboriginal Corporation