



Remote Retail Services

12 January 2012

P.O. Box1468
Darwin 0801
P. 08 8941 5224

F. 08 8941 5224

Standing Committee on Community Affairs
Legislation Committee
PO Box 6100
The Senate
Parliament House
Canberra ACT 2600

Attn: Ian Holland
Secretary

Dear Mr Holland

Response to Stronger Futures in the Northern Territory Bill 2011 and two related Bills

Thank you for giving me the opportunity to provide a written submission addressing issues that may be of relevance regarding the *Stronger Futures in the Northern Territory Bill 2011* and two related bills.

Remote Retail Stores strongly supports the Government's objective of building strong families and prosperous livelihoods for Aboriginal people. The Bill contains practical measures designed to achieve this, including better food security in remote communities and economic development.

We support these measures in principle, as well as store licensing and proposed changes to the licensing regime contained in the new Bill. However, we are concerned at the reduced investment in building capacity for community stores in order that they can operate sustainably and deliver food security.

Whilst compliance is an admirable goal, compliance without capacity does little to achieve food security.



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Capacity building means communities need to get the training, support and business development expertise to run their own stores and keep prices down through good retail practices.

Our work over the past five years with Aboriginal store corporations, store operators, service providers and FaHCSIA Stores Licensing has given us first-hand experience of the progress made and difficulties faced by remote community stores. Based on this experience, we would suggest that the following are the prerequisites for capacity building.

- providing the necessary tools and support to Aboriginal corporations to enable them to govern their own stores
- delivering processes and systems for appropriately qualified, recruited and contracted store managers
- building capacity through retail tools and practices including policies, procedures, budgets and financial reports
- ensuring suitable and qualified contracted service providers support the business, including accountants/book keepers and suppliers
- providing the initial funding or investment in basic infrastructure needed to operate stores, such as technology for ordering and selling, fixtures and refrigeration for the storage and display of goods
- working with corporations on the aggregation of community stores into clusters for cost-effective purchasing of goods and services, such as logistics

If more and better compliance simply leads to the ongoing failure of stores, communities will continue to suffer from poor nutrition, fewer economic opportunities, declining food security and high food prices. This would seem self-defeating given the enormous progress that has been made over the past few years.

I provide the following more detailed comment in support of this position.

1. *Reduced resourcing to support the sustainable development of community stores*

Strategic funding and resources from FaHCSIA's Community Stores Licensing program has helped identify and resolve issues in remote community stores such as Aherrenge at Ampilatwatja, Aputula, Arlparra and more recently Docker River. Remote Retail Services has been engaged by these corporations to build the capacity of directors and implement effective retail training, guidance and support.

The results of this have been substantial, as indicated by the improved sales figures for the Aherrenge Store at Ampilatwatja:

Financial Year (FY)	2007	2011
Sales	\$1.3m	\$3.3m
Profit	(\$50,000)	\$420,000

Aherrenge Store went into Administration in 2008/09 and has been through a reform process with the Administrator and our company. The directors engaged in a business



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development program including building retail skills and appointing qualified independent managers and retail experts to assist with retail policies and procedures. This has transformed the store into a thriving enterprise with good health and food security outcomes.

Our more recent involvement at Aputula and Arlparra has transformed these two community stores that were bordering on insolvency. Both now operate effectively, have good governance, return profits to the community and offer hope for the future.

The elements that underpin reform are:

- corporations that are receptive to the reform process
- initial funding from FaHCSIA for governance and retail support
- upskilling or recruitment of suitably qualified store management
- investment or funding for basic infrastructure
- longer term capacity building through mentoring, training and development by governance and retail experts.

In each case the corporations willingly undertook major reform and met the required compliance and licensing requirements. What turned things around, however, was the store corporations taking on the responsibility for running their own stores, coupled with capacity building support.

This demonstrates that well-placed investment now can reduce the reliance of communities on government in the future.

Recommendation 1 *We therefore recommend that the Australian Government make provision in forward planning in Community Stores Licensing and the related Bills for capacity building for a business development program*

2. *With the introduction of the Stronger Futures in the Northern Territory Bill 2011, the government may lose sight of the fundamental principles of retail development that underpin food security*

The success of any well-run enterprise is based on the skills of its staff and proper and compliant business practices.

Food Security in remote Indigenous communities is an outcome driven by good retail business practices, well-trained directors and appropriately skilled store operators. Our experience at the front line of remote retail services has found that store managers and operators generally lack basic business management and retail skills. They are doomed to repeated failure, which means that without the appropriate capacity building communities are doomed to poor food security.

Recommendation 2 *We recommend that a sustainable business development program must underpin all Indigenous enterprises.*



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3. *An ongoing focus on licensing and corporation compliance without appropriate capacity building will result in more non-compliant organisations and a greater likelihood of business failure*

We are concerned that the focus of the FaHCSIA Stores Licensing Section has moved from capacity-building and business development to one of compliance. Along with this development, the section's skills and resources have been downgraded.

Compliance is a necessary but insufficient element of success and needs to be accompanied by good management.

Our company has done assessments and diagnostics of over 15 stores in the Northern Territory and revisited four of these stores with follow up reports. We have witnessed at first hand the improvements, successes and failures.

The Mt Liebig store is an example of licensing and corporation compliance without capacity building support that lead to failure.

Our company was engaged by the Administrator, who had been appointed by ORIC, to carry out an independent diagnostic and assessment of the Mt Liebig store in December 2009. Our report gave clear recommendations on the lack of basic retail controls, financial losses through mismanagement of waste and gross profit, and a lack of proper access to and affordability of food products, which affects food security.

The administration lasted for six months and the corporation's compliance was then deemed to be suitable. The store was handed back to the corporation for case management and monitoring under the Stores Licensing Section. The Administrator appointed a management company to operate the store.

The management company was asked to leave as the store corporation viewed it as an intrusion on their independence. The directors were not engaged or empowered and failed to understand the serious issues facing their store. No further capacity building or reform process took place.

Our company carried out a second assessment and diagnostic in April 2010 and again in November 2011, and found the store had further deteriorated at each assessment and was beset by the same issues and risks as when it went into administration. It is our opinion that this store is facing major financial and business failure and is at a food security risk situation.

Recommendation 3 *We reinforce the need for the Stronger Futures policy to incorporate the need for investment in business practice and government support for capacity building for directors and store managers in good governance and economic enterprise skills.*



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4. Current practices have not improved the affordability of basic and healthy food requirements

Remote Retail Stores has seen major improvements to the range of goods in stores, including more fresh fruit and vegetables, display of prices, the elimination of “book up” and cleaner stores in remote communities. This has been achieved through the licensing system and the Stores Licensing case managers, who monitor and support individual stores.

Through the recent Store Biz projects and our work doing retail diagnostic reports, it is evident that the cost of food remains a major issue for Indigenous people, most of whom are on welfare. Our reports indicate that a basket of food in remote community stores was on average 69% more expensive than at the nearest regional centre.

As experienced retailers, we know this is due to a combination of poor retail practices and ineffective supply chain management. We believe there is a major opportunity to reduce the cost of goods to community stores, improve basic retail practices to manage the goods at the store, and reduce waste and thus the impact on selling prices.

Ineffective logistics and weak buying power remains a key issue when the people who can least afford it, are paying the highest prices in Australia for basic food items. What’s more, disadvantaged Indigenous people living in remote areas lack choice. When faced with over-priced goods on the shelves, too often their only alternative is a poorly stocked roadhouse or an expensive trip to regional centres where large supermarket operators can offer cheaper prices due to their buying power and economies of scale.

Developing clusters or collectives to improve the buying power of remote community stores is a key opportunity to address this issue, as the diagram below explains

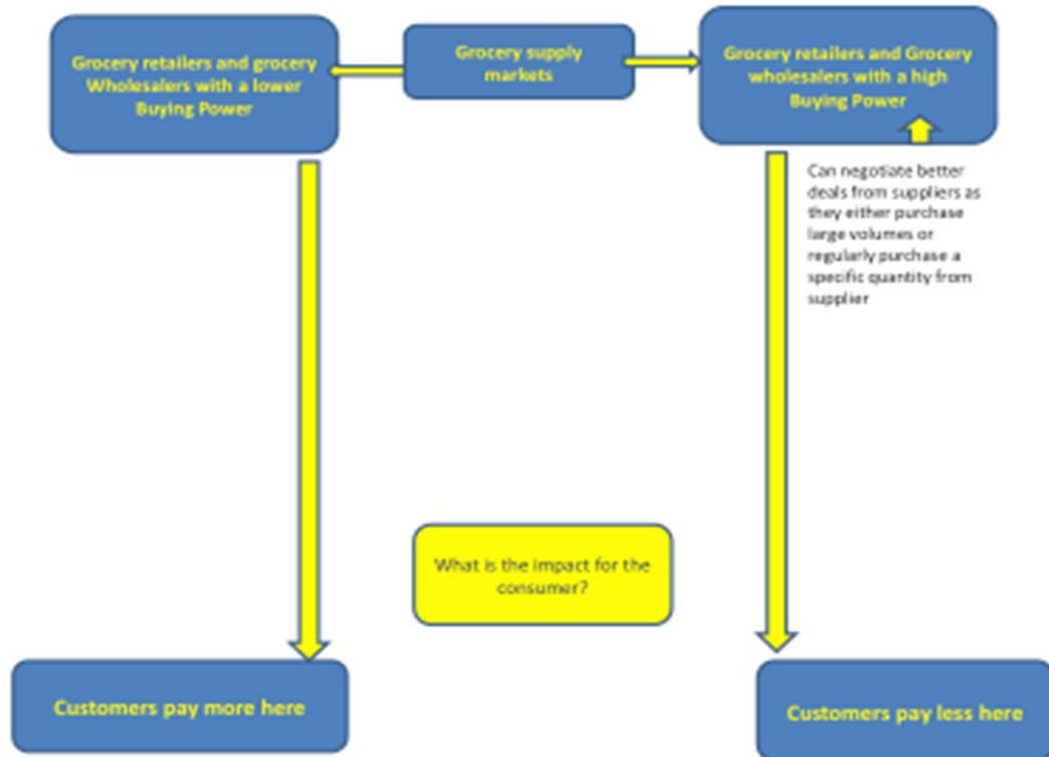
It is Remote Retail Services’ view that the aggregation of independent remote community stores for the purpose of purchasing groceries and other services is critical for the long-term viability and economic independence of community stores.

Recommendation 3 *That the Australian government make provision in forward planning for the Stronger Futures policy for the feasibility of an independent Aboriginal formed cooperative to deliver improved pricing and services for remote Indigenous community stores.*



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Fig 1 Buying Power in grocery supply markets
(chart from Nina Rokowski, Grocery Markets in Australia)



References

Nina Rakowski, 2008, Grocery markets Australia, Business economics, University of Western Sydney

Choice Magazine, 2009, 26 November 2009, Australian Food Inflation, Rachel Clemons



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Background on Remote Retail Services

John Kop is an independent consultant with a 27-year background in food retail as a senior executive, CEO, executive and non-executive director. He is a graduate of the Australian Institute of Company Directors and holds a Masters degree in Business.

In 2006, John put his experience to productive use in Aboriginal communities across Australia as Chief Executive Officer of Outback Stores for three years. In 2009, he established Remote Retail Services, becoming Managing Director and Executive Director.

John has been fortunate to work with extremely talented people who have passed on their retail knowledge and skills over many years. He believes, in turn, that these skills should be passed on to help remote Indigenous people improve their way of life. Remote Retail Services' skills and knowledge can help achieve this by building capacity and delivering sustainable enterprises that ensure the wellbeing of future generations in these communities.

The ethos is simple:

"Doing good and the right thing is good for business"

The values that underpin this ethos are:

"honesty, respect and transparency"

Remote Retail Services has been awarded consultancy contracts for a number of key FaHCSIA projects and initiatives, including:

- the recent Store Biz programs, which engaged with remote community stores and empowered directors to build governance and better retail practices
- the Aboriginal Benefits Account (ABA) infrastructure project, which reviewed and recommended design elements and principles for new and refurbished stores in remote communities
- the design and implementation of the FaHCSIA stores toolkit, developed to build corporations' capacity through business plans, store policies, and operational policies and procedures.

Kind Regards

John Kop,
Managing Director
Remote Retail Services