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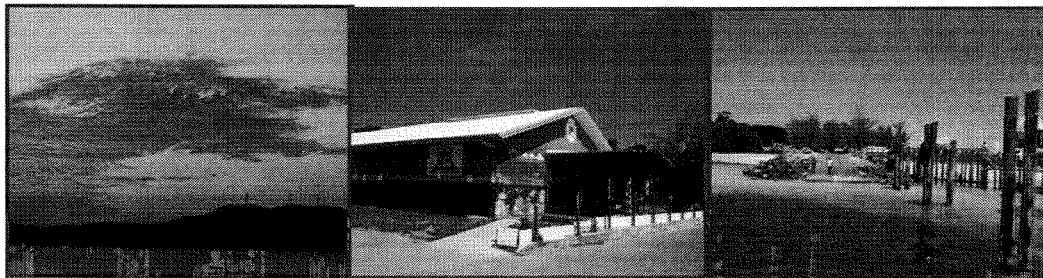
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- A SUBMISSION -  
INQUIRY INTO COMMUNITY STORES IN  
REMOTE INDIGENOUS COMMUNITIES

Prepared for the  
Parliament of Australia  
House of Representatives  
Standing Committee on  
Aboriginal and Torres Strait Islander Affairs

Prepared by  
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18 February 2009



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## Executive Summary

This submission is made on behalf of the Island Industries Board (IIB) in response to the inquiry into community stores in remote Indigenous Communities by the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs.

Its purpose is to submit to the Committee that the model developed by the IIB represents best practice in retail service delivery in remote Indigenous Communities, through:

- Its diverse economic development capabilities;
- Delivery of compliant, safe, high quality food at the lowest possible prices;
- Operating at no cost to Government (i.e. consumes no Government financial resource);
- Providing a source of major employment for Indigenous Australians (the IIB is the largest employer in the Torres Strait with 89% of staff Indigenous Australians);
- Presenting a low cost, fit for purpose model delivering an effective and efficient essential service in an extremely remote environment;
- Operating with minimum bureaucracy;
- Its 'best of both worlds' service delivery model – arms length government reporting standards with financial accountability in line with Queensland Audit Office requirements, coupled with best practice consumer retailing in line with all legislative and regulatory requirements, operating commercially on a 'not for loss' basis;
- Minimal risk to all stakeholders via its HACPP system of risk management – integrated across the organisation through a comprehensive Risk Management Program and accredited Food Safety Program; and
- Excellence in governance in that the IIB:
  - Acts legitimately by complying with all required legislation;
  - Observes due process in all business activities formally (i.e. with documented policies and procedures) respecting the rights of all stakeholders; and
  - Meets and exceeds its publicly declared standards of performance in the economic use of resources, supply of outputs and achievement of desired economic, social and environmental outcomes.

The IIB has achieved outstanding results in remote retailing, is in an unarguably positive financial position and provides what it considers to be the premier remote retail service in Queensland, and perhaps Australia. This has been achieved as a direct result of its long term sustainable management practices and with no funding or grants from Government.

In addition to this, the IIB offers long term career and economic development opportunities to the regions it serves by employing, training and performance managing local Indigenous people – 89% of IIB staff are Indigenous Australians, and 16 of the 17 retail outlets operated by IBIS are managed by Torres Strait Islanders who have received on going mentoring and support, career guidance and training in the following areas:

- Certificate III in Retail Supervision;
- Food Safety for Supervisors;
- Fire Safety and Evacuation;
- Dangerous Goods Handling;

- IBIS Computer System; and
- Good Nutrition.

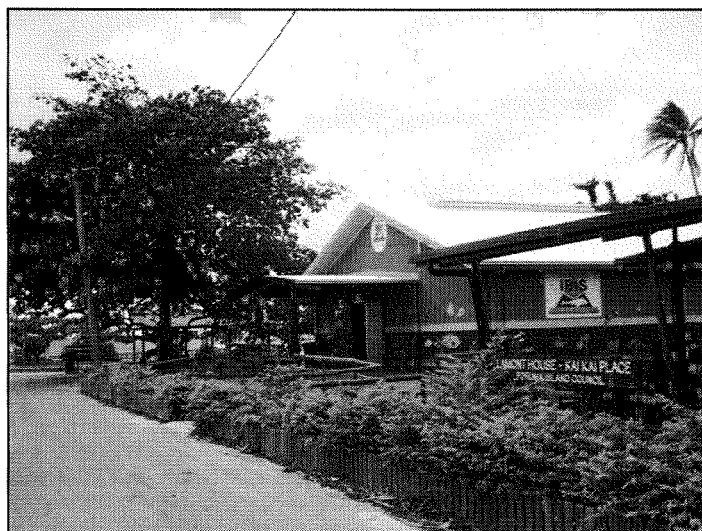
The IIB has achieved, in possibly the most remote regions of the nation, results that other remote retail organisations are only now trying to implement, namely:

- Whole of enterprise systems and processes;
- Compliance with all necessary legislation and regulations;
- Healthy lifestyle program;
- Employment opportunities and career development for local people;
- Accredited, monitored and evaluated Food Safety Program;
- Unqualified audits from The Queensland Audit Office; and
- Compliance with Australian equivalent of the International Financial Reporting Standards (IFRS).

This submission will demonstrate that through this model the IIB delivers safe, nutritious food at the lowest possible price to remote Indigenous Communities at no cost to the public purse.

This submission will also show that governance and accountability under the current IIB model is facilitated by a professional Board that is supported by local Stakeholder Representation providing a stable and viable model.

This model allows the IIB to operate at arms length to Government performing in a commercial fashion whilst effectively representing the special interests of the people living in remote Indigenous Communities.



IBIS Store on Poruma Island

## Introduction to the Island Industries Board

In 1905 Reverend F.W. Walker established the Papuan Industries Pty. Ltd. This was the beginning of the Islanders Board of Industry and Service as we know it today.

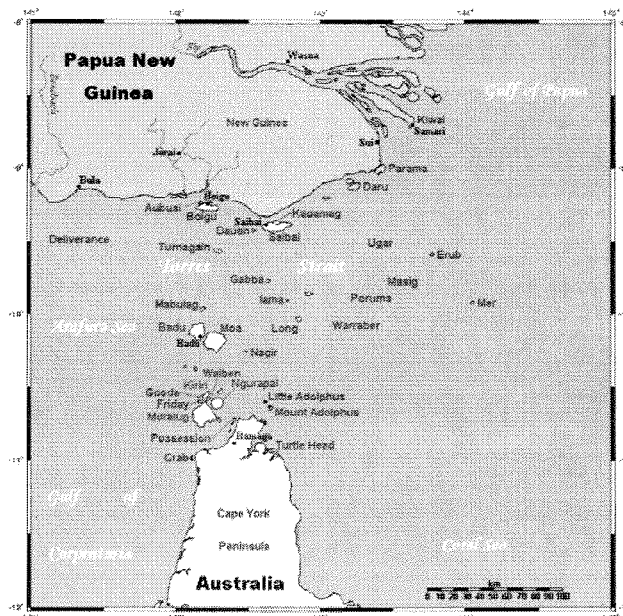
The Islanders Boards of Industry and Service (IBIS) is the trading name for the Island Industries Board (IIB) which is an unfunded Queensland Government Statutory Body constituted under the Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984 , with obligations to:

- Provide goods and services to the Communities of the Torres Strait; and
- Report to the Minister for the Department of Communities, Disability Services, Aboriginal and Torres Strait Islander Partnerships, Multicultural Affairs, Seniors and Youth.

As constituted under the Act, IBIS is governed by a Board and managed by a Chief Executive Officer.

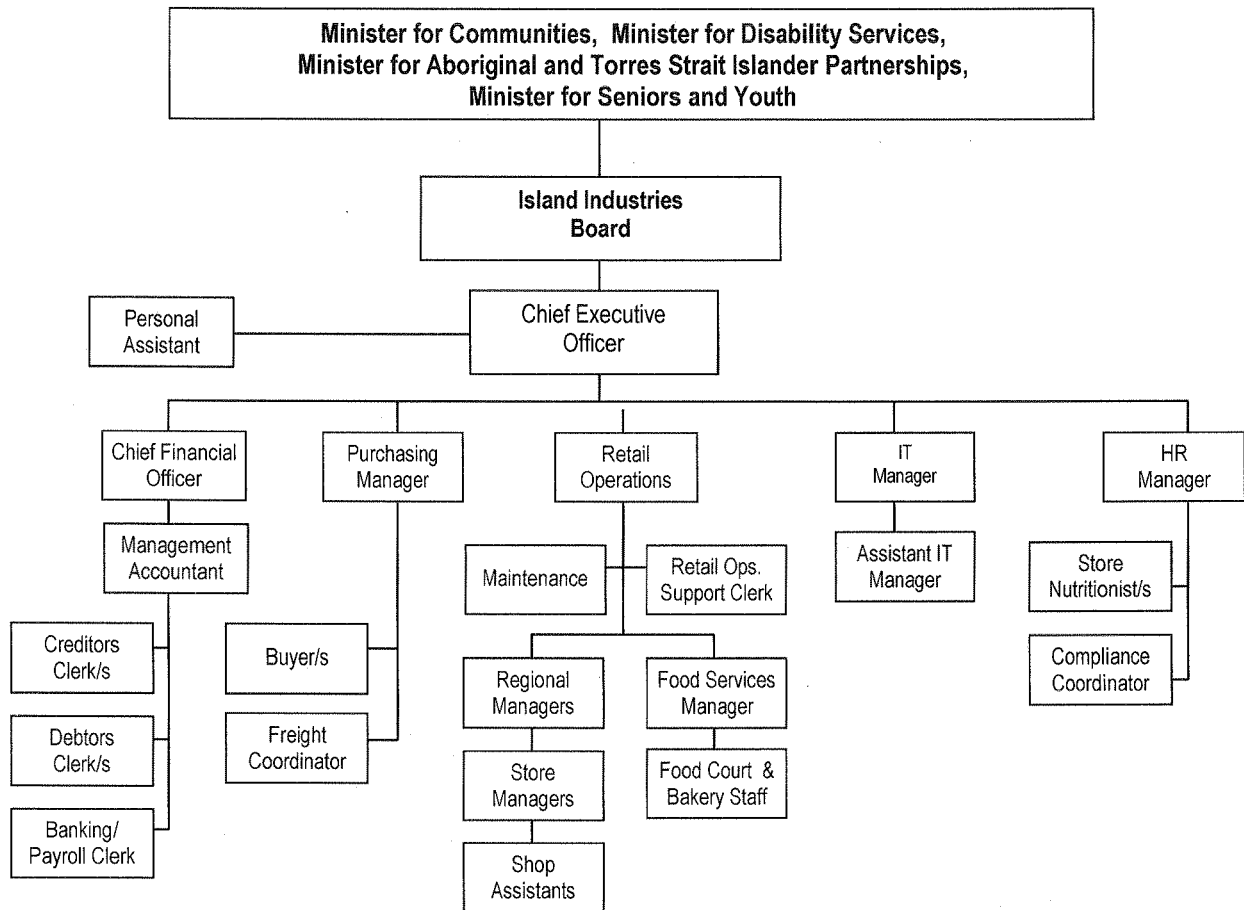
IBIS operates on the principle that people working together and helping each other to achieve a common goal will succeed.

IBIS has a genuine role in generating investment and industry opportunities to provide jobs and economic growth for the people of the Torres Strait and the NPA. It plays a major part in the economy of the Torres Strait, employing around 150 staff, approximately 89% of whom are Indigenous Australians.



Map of the Torres Strait

## Organisational Structure



Fruit and Vegetable Refrigeration  
IBIS Store, Saibai Island

## **Current Operations**

IBIS is a multi-outlet retail operation with sixteen stores, one service station and five self-operated fuel dispensers. These outlets are established in the following locations (NB the European names for the Islands of the Torres Strait are shown in brackets):

Waiben (Thursday) Island:

- Main Store (Thursday Island Supermarket)
- BP Service Station
- Tamwoy Community Store
- Rosehill Community Store

Bamaga – This is the only mainland store

Boigu Island Store

Poruma (Coconut) Island Store

Erub (Darnley) Island Store

Dauan Island Store

Mabuiag Island Store

Moa Island:

- Kubin Community –
  - Branch Store
  - Self-operated fuel dispenser
- St Paul's Community -
  - Branch Store
  - Self-operated fuel dispenser

Mer (Murray) Island Store

Saibai Island Store

Warraber (Sue) Island:

- Branch Store
- Self-operated fuel dispenser

Iama (Yam) Island:

- Branch Store
- Self-operated fuel dispenser

Masig (Yorke) Island:

- Branch Store
- Self-operated fuel dispenser

An administration office for the Thursday Island and Outer Island stores operates on Thursday Island, with the administration centre for the organisation based in the Cairns office.

## **Revitalising the Organisation**

In 2002 a new Board was appointed with a brief from the Minister to revitalise the organisation by improving the quality of service and putting IBIS on a sound financial footing.

The Board employed a new C.E.O. and charged him with this task. Research by the C.E.O. identified a number of issues that were contributing to the less than desirable results experienced by the organisation:

- The poor quality computer and manual systems in place that led to poor quality financial information, lack of accountability and financial losses;
- Ineffective retail systems that resulted in significant shortages of even basic groceries in most of the outer island stores; and

- Inefficient logistics control that led to shipments of stock going missing during transit. This was often not reported and claims not made.

The C.E.O. found that to solve these financial, retail and banking problems it would be necessary to replace all current systems with one fully integrated computer system. The Board approved the plan and IBIS set about developing computerised systems and processes that fulfilled its current and future business needs.

In 2005 a new computer system was implemented across all IBIS Retail Stores. A program customised to meet IBIS' own corporate needs was designed specifically for the unique business environment in which IBIS operates. The result, the *IBIS Retail Computer System*, is now in operation throughout the organisation.

The project has achieved outstanding results with all stores now showing very high stock levels at all times and significantly reduced stock losses. The improved reporting and accountability processes allow IBIS to capture live corporate information and process it to produce accurate up to the minute financial reports and management tools.

The development and implementation of sound business practices in an ethical, culturally appropriate and socially responsible manner has enabled IBIS to move into a new age of business, adopting a strategic corporate approach to its core business in order to ensure its future growth.

### **Projects Overview**

Operating in an environment of financial instability for many years had caused significant difficulties regarding the commitment of funds for the refurbishment and upgrade of IBIS stores.

With its much improved financial standing IBIS is now in a position to correct these oversights and make much needed and much warranted upgrades and refurbishments to its infrastructure as well as adding some much needed community facilities.

### **Completed Projects**

Projects recently completed by IBIS include:

- In 2006 state of the art refrigerated fruit and vegetable display cases were installed in all IBIS stores ensuring the ongoing supply of fresh fruit and vegetables.
- Internal refurbishment and modernisation of the Thursday Island Supermarket was completed in 2007 at a cost of approximately \$1.5 million.
- Full documentation of all internal policies and procedures in line with Queensland Audit Office requirements and current legislation and regulations.
- IBIS recognises that in order to provide best practice retailing to its customers its staff must receive valid, culturally appropriate and effective on going training. To achieve this the following programs have been developed and implemented across the organisation:
  - The IBIS Retail Training Agenda, providing nationally accredited training to all full time employees, promoting career development and workforce sustainability through pro-active succession planning.



- Safe Food Program, ensuring the provision of safe and healthy food.
- Fire safety and evacuation and workplace health and safety, to fulfil IBIS commitment to the provision of a safe and healthy work environment.

### **Current Projects**

The IBIS Management Team is currently working on the following projects:

- The IBIS Healthy Choice Program that includes:
  - A pricing policy that specials only healthy food, and subsidises the provision of healthy and nutritious food so it is affordable and of the highest quality;
  - The IBIS Health Bar – a food court and community meeting place located in the forecourt of the IBIS 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 to promote 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.
- Refurbishment and modernisation of the IBIS store at Bamaga, to bring it up to contemporary standards of food retailing.
- Enlarging and refurbishing the Mer Island Store.
- Refurbishing and modernising the Dauan Island Store (including improved staff amenities and the installation of a community meeting area).
- Refurbishing and modernising the Mabuiag Island Store (including improved staff amenities and the installation of a community meeting area).
- The proposed construction of a store on Ugar Island in response to community needs.

### **Proposals for the Future**

Growth is the key to sustainability for any organisation. For IBIS to ensure it remains sustainable and will therefore always be around to serve the communities of the Torres Strait, it needs to build on its successes to grow and diversify so it is financial durable.

The following proposals have been developed after in depth analysis of the needs of the region serviced by IBIS:

- Centralised warehousing of all stock in Cairns;
- Providing first class accommodation, training and conferencing facilities on Thursday Island;
- Building on the potential of the tourism industry while improving freight and travel options around the islands of the Torres Strait; and

- Redeveloping existing infrastructure to provide long term and transit accommodation for IBIS staff on Thursday Island.

**IBIS SUPERMARKET**  
SPECIALS FOR IBIS SUPERMARKETS ON THURSDAY ISLAND, BAMAGA AND OUTER ISLANDS  
Specials from Monday Oct 27 to Sunday Nov 1 2009

<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$4.99</p>	<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$6.99</p>
<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$3.99</p>	<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$1.99</p>
<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$2.99</p>	<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$0.99</p>
<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$5.99</p>	<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$3.99</p>
<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$2.99</p>	<p><b>WIPES SPECIAL</b></p> <p>WIPES SPECIAL Soft Toilet Wipes Unscented 100% Cotton 700's \$1.49</p>

**IBIS SUPERMARKET**  
SPECIALS FOR IBIS SUPERMARKETS ON THURSDAY ISLAND, BAMAGA AND OUTER ISLANDS  
Specials from Monday Oct 27 to Sunday Nov 1 2009

<p><b>SPECIAL</b></p> <p><b>Kiwifruit</b> Loose \$2.49 per kg</p>	<p><b>SPECIAL</b></p> <p><b>Packham Pears</b> \$1.49 per kg</p>
<p><b>SPECIAL</b></p> <p><b>Watermelon</b> 99c per kg</p>	<p><b>SPECIAL</b></p> <p><b>Carrots</b> Loose \$1.29 per kg</p>
<p><b>SPECIAL</b></p> <p><b>Sweet Corn</b> Loose \$1.99 per kg</p>	<p><b>SPECIAL</b></p> <p><b>Brushed Potatoes</b> 79c per kg</p>
<p><b>SPECIAL</b></p> <p><b>Green Cabbage</b> \$1.49 per kg</p>	<p><b>SPECIAL</b></p> <p><b>Mangoes</b> \$5.99 per kg</p>

Weekly advertising of specials  
Promoting fresh fruit and vegetables and healthy foods

## **Response to the Inquiry's Terms of Reference –**

### ***1. Food supply, quality, cost and competition issues***

#### **Food Supply**

The Torres Strait is a body of water that lies between Australia and Papua New Guinea. It is approximately 150 kilometres wide at its narrowest extent. To the south is Cape York Peninsula, the northernmost continental extremity of the Australian state of Queensland. To the north is the Western Province of the independent state of Papua New Guinea.

The Torres Strait links the Coral Sea to the east with the Arafura Sea in the west. Although it is an important international sea lane, it is very shallow, and the maze of reefs and islands can make it hazardous to navigate.

Several clusters of islands lie in the Strait, collectively called the Torres Strait Islands. There are at least 274 of these islands, 17 of which have present-day permanent settlements. These Islands are grouped into five distinct clusters. These clusters exhibit differences in geology and formation, as well having individual cultural characteristics and language.

Providing essential services to the Communities of the Torres Strait present significant challenges, challenges which are compounded considerably when those services include the supply of food. The IIB operates 16 retail stores in this region, providing a full range of consumer goods including:

- Dry grocery;
- Chilled grocery;
- Frozen grocery;
- Fresh fruit and vegetables;
- White and brown electrical goods;
- Variety and seasonal goods; and
- Special orders that meet individual needs.

The supply chain to the islands of the Torres Strait is complex, with goods generally travelling from Brisbane to Cairns by rail (approximately 1750 kilometres); then by line ship to Thursday Island (in excess of 1000 kilometres); where they are reshipped to landing barges that transport the product to the island stores (up to 300 kilometres). The overall supply chain is around 3050 kilometres – the longest supply route undertaken by any remote retail organisation in Australia. Freight costs are significant, for example, chilled and frozen products to the outer islands are in excess of \$1.35 per kilogram.

Given that product is handled several times during shipping - being transhipped from train to truck to ship to barge to the stores and re-palleted or containerised in Cairns - the cost of supplying this service is compounded by many significant issues, including ensuring that:

- All food products are safe;
- The cold chain for all temperature sensitive products is unbroken;
- The goods arrive in good condition - undamaged by mishandling and uncontaminated by other products that are co-shipped with them and/or by seawater;

- All food products are reasonably date coded to allow for the extended shipping period; and
- The fresh food products are reasonably date coded to ensure a supply of fresh product to the communities for the duration between deliveries.

Furthermore, in many cases the IIB store is the only provider of food on an island. Failure in the supply chain caused by issues such as natural disasters (flooded railway lines between Brisbane and Cairns), telecommunication breakdowns (Telstra lines outage at the supply or demand end) or king tides preventing supply barges to land, can have catastrophic results for the residents affected. The IIB's link to Queensland Government helps to ensure prompt responses to these supply chain issues by providing seamless liaison with agencies that can assist, such as the Department of Emergency Services.

### **Quality**

The IIB is committed to ensuring the highest possible quality of service to its customers and is not prepared to accept that excellence in grocery retailing cannot be achieved in remote locations, nor that mediocre service delivery is acceptable in Indigenous Communities.

The IIB consistently achieves the excellent standard of service it delivers through a corporatised organisation that is led and managed by experienced professionals:

### The Island Industries Board:

The IIB is a Board of eight – four representatives of local stakeholder interests, and four professionals:

- Mr Terry Waia – Saibai Island Community and Saibai Island TSRA (previously Chair of TSRA and ICC).
- Mr Ronald Laifoo – Thursday Island Community.
- Mr Fred Gela – Mayor, Torres Strait Island Regional Council (TSIRC).
- Mr Phillemon Mosby – TSIRC Councillor, Poruma Island Community.
- Mr Peter Rice – Chairperson, IIB; Managing Director, the Canvas Collection Pty Ltd - Retail Consulting Professionals.
- Mr Mark Johnston – Principle, Mark Johnston and Associates – Lawyers.
- Dr Deborah Kuchler – Managing Director, Mind2Market Pty Ltd – Business Development Professionals.
- Mr Neil Castles – Queensland Treasury Corporation.

### Senior Management Team:

The senior management team is headed by a Chief Executive Officer who is supported by five managers, together bringing over 100 years of retail experience to the organisation:

- Mr Richard Bowler MAICD, Chief Executive Officer – a retail management specialist with over 40 years experience in the retail industry, 30 years of which have been in senior management positions.
- Mr Sam Roberts CPA, Chief Financial Officer – 20 years experience in corporate accounting.

- Mr Simon Cloonan, Purchasing Manager – 30 years experience in the retail industry with more than 20 years in senior buying and management roles.
- Mr John Smithies, Retail Operations Manager – 25 years experience in the operations area of the retail industry, with more than 15 years experience in regional and senior management operational roles.
- Ms Janet Biviano, Human Resources Manager – 20 years experience in business management in the adult training area, with 10 years in the retail industry and extensive experience working with Indigenous Australians.
- Mr Volker Franz, IT Manager – 20 years experience in the IT industry, mostly in senior management roles specialising in organisational networking.

The key to any organisation's financial success lies with accurate, transparent and accountable governance.

The IIB's governance standards comply with the Australian equivalent of the International Financial Reporting Standards (IFRS) and the IIB is audited annually by the Queensland Audit Office. In order to meet the high standards of financial and record keeping accountability required the IIB has formally documented all Policies and Procedures in a comprehensive Financial Management Practices Manual. This Manual consists of the following:

- The IBIS Retail Computer System – that documents all store based Policies and Procedures;
- The IBIS Finance and Administration System – that documents all office, administrative and finance Policies and Procedures;
- The IBIS Human Resources Management Manual – that documents all human resource Policies and Procedures; and
- The IBIS Governance Manual – that documents the governance Policies and Procedures as they relate to IBIS, the IIB and the enabling legislation (this document is currently being developed by the IIB).

In addition to the FMPM, the IIB has formalised the following documents:

- The IBIS New Employee Induction Manual – providing new employees with the information they require to commence their career with IBIS;
- The IBIS Cultural Awareness Program – a ground breaking publication that, when delivered by a senior member of the Torres Strait Island community, provides an insight for non-indigenous employees into working and living in the Torres Strait;
- The IBIS Enterprise Risk Management Guide – updated by senior management on an ongoing basis in order to identify potential risk situations so they can be managed, eliminated, minimised and / or mitigated;
- The IIB Induction for New Board Members – a welcome package for newly appointed members of the Island Industries Board; and
- The IBIS Food Safety Program – an accredited program (notably the only accredited Food Safety Program currently in place in the Torres Strait) that ensures the constant and ongoing supply of safe and healthy food products to the communities served by the IIB.

The IIB meets and exceeds its governance responsibilities through responsive management of all legislative and regulatory compliance, including:

- Workplace Health & Safety Act, 1996, & Regulations;
- Safe Food Act, 2006, & Food Safety Standards of the Australia New Zealand Food Standards Code;
- The Retail Industry Notional Agreement Preserving a State Award (NAPSA) Queensland, 2004 (until 1/1/2010 – after which time the Federal Retail Industry Award);
- Workplace Relations Act, 1996;
- Industrial Relations Act, 1999;
- Human Rights and Equal Opportunity Act, 1986;
- Racial Discrimination Act, 1975;
- Sexual Discrimination Act, 1984;
- Disability Discrimination Act, 1992;
- Anti-Discrimination Act, 1991;
- Financial Administration and Audit Act, 1977, and Financial Management Standards;
- Statutory Bodies Financial Arrangements Act, 1988;
- Corporations Act, 2001;
- Trade Practices Act, 1974;
- Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act, 1984;
- Tobacco and Other Smoking Products Act, 1998;
- Dangerous Goods Safety Management Act, 2001;
- Superannuation Act, 2005; and
- The Anti-Money Laundering and Counter-Terrorism Financing Act, 2006.

Backing up these in house quality assurance measures are essential public participation and consultation that is achieved by:

- Participation by community representatives on the IIB;
- Ongoing engagement and consultation with peak community representative bodies by the IIB Chair and CEO;
- Quarterly visits by CEO and Senior Management Team to each community with invitations to local community representatives to meet and discuss issues, allowing the organisation and community to engage at a grass roots level; and
- Open door availability of CEO with 24/7 personal contact available to representatives of each community.

## **Competition**

To be in competition with the IIB an organisation would be required to comply with the legislated and regulated requirements listed previously, as well as providing a quality of service that met the needs of its client base, including those specific cultural and health and well-being needs that are critically important in Indigenous Communities, but which may well conflict with the profitability of the business venture.

Because the IIB is a not for profit organisation that is required under its enabling legislation to return any and all profits to the Communities it serves for use for the betterment of those Communities, it has no motivation to exploit its customers for the

sake of profit. Its mission is "To provide our customers and the people of the Torres Strait and Northern Peninsula Area Communities with high levels of service and quality in goods and services, in a manner which clearly meets their expectations and those of the IIB". An example of this commitment is the IIB Healthy Choice Program that provides much needed nutritional and healthy lifestyle information to customers, and ensures the availability of healthy food at prices cross-subsidised by less healthy options.

For an organisation to operate efficiently it requires a significant investment in infrastructure. The IIB has over many years developed high quality infrastructure to provide for the needs of the Communities of the Torres Strait and NPA. The value of this infrastructure currently stands at \$20 million. For a competitor to provide the same level of service as the IIB it would need to provide similar levels of infrastructure. The cost of financing this, or the return on an investment of this size, would mean that the Communities would be required to pay significantly more for their groceries. This level of infrastructure also provides a degree of confidence to the people in the Communities, knowing that the IIB will have a presence for the long term future, providing them with food and other essential services. A level of confidence in food security that a competitor with a less significant investment would not be able to offer.

The IIB has a turnover of close to \$30 million per annum that allows it to negotiate significantly better buying terms than its competitors. This, in conjunction with its automated replenishment and centralised buying and ranging processes, ensures that it buys its merchandise at the lowest possible price. It also ensures that, by only re-ordering product that has been sold, the individual needs and likes of its customers are met.

Furthermore, because the IIB is the largest customer of this type of product for the only freight company operating in the region, it has negotiated much lower freight costs than its competitors.

## **Cost**

By operating as a not for profit entity, registered as a Public Benevolent Institution with the Australian Tax Office and as a Queensland Government Statutory Body the IIB has distinct cost advantages that allow it to provide its service to these remote communities at significantly lower cost than other models, an important benefit to the people in these communities, most of whom are low income earners with special health and wellbeing needs.

However it is clear that the cost of providing services to these remote regions is significantly higher than in mainstream Australia and are impacted upon by:

- Size of Catchment. A supermarket in Cairns has a potential customer base of 200,000 people. The IIB store on Dauan Island has a potential customer base of 90 people. The cost of doing business on this scale is significantly higher than that cost in an environment with substantially larger populations. This has a considerable affect on the cost of doing business and hence the price of goods sold.
- Freight. The IIB has the longest supply chain of any remote retail organisation in Australia – around 3,050 kilometres from supplier to store. With a kilogram

of chilled and frozen product costing in excess of \$1.35, the cost of freight has a significant impact on in-store pricing of groceries.

- Maintenance. Store maintenance is a critical issue for grocery retailing, impacting on a range of issues, from customer and staff comfort to food safety and public health risks. Maintaining plant and equipment in remote locations is a challenge, made more so for the IIB by the fact that its stores are in maritime environments that are not conducive with longevity of equipment and buildings. Furthermore the cost of maintenance is prohibitively expensive: consider this scenario. A freezer breaks down on Saibai Island:
  - The breakdown is reported to our Retail Operations Manager who arranges for a tradesman to travel to the Island – cost of \$1,500 for air fares (plus waiting and travel time).
  - When the tradesman arrives he analyses the fault and orders the needed part, and returns to his base.
  - In the meantime the goods in the freezer (up to four week's supply) has spoiled and been written off. A significant cost of the IIB and leaving the Community without frozen food for up to 1 week.
  - The tradesman returns with the needed part, installs the part and returns to base – cost of \$1,500 for air fares (plus waiting and travel time and labour hours at \$95 per hour.).

Now, the same scenario, but in Coles in Cairns Central:

- The breakdown is reported and an order generated for the repair.
- A tradesman arrives and analyses the fault.
- Returns to base and picks up the part.
- Returns to the supermarket and repairs the fault.
- Total time – less than one day.
- No travel time, no waiting time, no freight on part, no loss of stock, no customer inconvenience, no out of stock.

The cost of the repair to this freezer is approximately \$3,600 more than the cost in Cairns, plus the cost of freighting the part from Cairns to Saibai Island, and the cost of the lost stock.

Grocery retailing is a specialist field that requires expert skills and specialised experience. For example, the requirements of the Food Act alone places onerous responsibilities and liabilities on grocery retail outlets and the Executive and Board of the organisation. The IIB has the only Accredited Food Safety Plan in the region it serves, and has through a long standing and ongoing training agenda, more than 40 full time employees holding an accredited Food Safety Supervisor qualification.

The IIB Food Safety Plan was developed internally using skills existing in the organisation, with the training package in its use developed and delivered in house, its auditing managed in house, and its continual improvement monitored in house. Utilising existing skills to develop and implement this complex program delivered significant savings to the organisation, allowing the IIB to continue in its commitment of providing best practice retail services at the lowest possible prices.

This model has been used for many other projects undertaken by the IIB, including:

- Developing and implementing state of the art whole of enterprise computer program (including comprehensive and culturally appropriate ongoing on site training for all staff);
- Refurbishment of the IBIS Supermarket on Thursday Island to bring this aging facility up to 21<sup>st</sup> century mainstream retail standards;



- Planning and ranging of all stores to ensure consistent supply and minimise costs by boosting buying power;
- Developing and implementing comprehensive policy and procedural documentation of all processes across the organisation;
- Delivering nationally accredited retail training to all full time employees;
- Developing and implementing a HACCP based Risk Management Program;
- Pro-actively responding to all Industrial Relations legislation changes and employing best practice Human Resource Management Practices; and
- Construction of a hot bread bakery and healthy food bar at the IBIS Supermarket on Thursday Island.

By using skills existing within the IIB workforce for much of this work rather than engaging external contractors and consultants the IIB has made huge savings. It is of significance to note that these projects have been undertaken and successfully completed by funds generated by the IIB in the conduct of its normal business and without any injection of Government funding or grants.

Another factor to take into account when considering the issue of cost is the risk of exposure. There are several layers of exposure that those involved in the grocery retail industry experience, including:

- Food safety issues that have the potential for presenting serious public health risks;
- The financial risk of operating a business in such a remote and challenging environment and the potential for a Community to be left with no essential service provider should the business fail; and
- The potential for political exposure resulting from the need to operate the business in accordance with all legislated and regulated requirements, which could cause conflict among stakeholder groups.

The IIB has achieved these results by continually improving its quality and service, and still manages to price its food significantly lower than its competition. A price survey conducted late last year in two Outback Stores indicated that IIB grocery prices are approximately 18% lower than Outback Stores.

As demonstrated, grocery retail carries significant risk. By operating at arm's length to Government the IIB has stringent requirements placed on it with regards to risk (fiscal and otherwise) management. Therefore it is essential that the organisation meets and exceeds its obligations with regards to issues such as food safety, workplace health and safety, risk management, financial stability, etc. Because of this the IIB does by necessity continually improve its processes, and is kept constantly 'on its toes' by the need to ensure compliance in all its activities. This need has been of great benefit to the IIB which over the last five years has evolved into a proud, self funding, fully functional and viable organisation that demonstrates its commitment to best practice retailing in remote regions to a standard of excellence not otherwise achievable.

## ***2. The effectiveness of the Outback Stores model, and other private, public and community store models***

For the purposes of this submission the IIB will limit its responses to a comparison between its operational model and that of the Outback Stores, as far as quantifiable research permits. These responses are made from data extrapolated from information gained from visits to five Outback Stores managed stores in the Northern Territory.

There are several key differences between the IIB model for remote retailing and that of Outback Stores:

### **Organisational Structure**

The IIB employs around 150 people, 89% of whom are Indigenous. It is governed by a Board and managed by a Chief Executive Officer who is supported by a team of five Senior Managers. With the exception of the Retail Operations Manager the Senior Managers and CEO are based at the administrative centre of the business in Cairns with an administrative support team of ten. The Retail Operations Manager is based on Thursday Island with a team of Regional Managers who provide day to day support to all retail operations. The IIB operates 16 retail outlets and 1 service station on a 'not for loss' basis and, with the exception of its nutrition program, does not receive funding from Government.

Outback Stores is governed by Board and managed by a CEO who is supported by eight Senior Managers. This management team is supported by 36 administration employees. Outback Stores manages 24 stores, the Managers and Assistant Managers of which are recruited external from the Communities in which the stores are located. It operates two administration offices – Darwin and Alice Springs. As of October 2008 Outback Stores has received \$77.2 million Federal Government funding.

### **Infrastructure**

The IIB owns all assets involved in its business – the stores (i.e. the buildings), the plant, fixtures, communication equipment, vehicles, etc. By owning these assets the IIB also controls the maintenance of them. The IIB has a comprehensive maintenance program in place that extends the life of its assets indefinitely, and a depreciation schedule that ensures it always has the financial resources necessary to carry out essential repairs and/or replacements. Furthermore because these assets are owned by the IIB it has a vested interest in ensuring they are well maintained in order to protect its investment therein.

As it is contracted to manage stores, Outback Stores does not have ownership in the stores as the infrastructure is owned by the Community in which it is located. This places the responsibility for maintenance or replacement of assets back on a Community that may not have the level of financial resources required readily available. For Outback Stores to undertake the management of a store it must be, or have the potential to be, commercially successful. Outback Stores are commercially motivated to maximise the return on its investments, therefore outlaying the cost of

repairs, maintenance and replacement of assets are contraindicated in its business model.

## **Housekeeping**

The IIB Retail Operations Team is led by a Retail Operations Manager who is supported by a team of four Regional Managers. Each Regional Manager oversees four stores which in turn are managed by local Indigenous people, a Store Manager, an Assistant Store Manager and Shop Assistants as required for the ongoing operation of the store. All fulltime retail staff are provided with accredited and non-accredited training in all aspects of retail operations, and are furthermore supported by their Regional Manager who is responsible for providing 24/7 advice, guidance and support in the running of their store. The Regional Manager spends 1 week on a monthly rotation in each of the stores, at which time the stores are inspected and a checklist completed to ensure housekeeping practices are carried out at the required level. By employing local people in its stores the IIB is not only providing employment and career development opportunities for the local people, and economic development opportunities for the Community, but also brings a level of local pride and ownership to each store and ensures a continuity of quality service by employing people in key roles who live permanently in each Community.

Outback Stores employ non-Indigenous Store Managers who are contracted for fixed periods of time to work in the location. Local people are employed mostly in menial roles. This model does not provide for career or economic development opportunities for Indigenous people, does not provide for the development of transferable skills, and does not ensure consistent quality management.

For example, the Torres Strait has been without commercial air services since October 2008. This has impacted on the number of store visits the Regional Managers have been able to achieve. But because our Store Managers and their staff have been trained effectively, and have the confidence that they can get support from their Regional Managers remotely when they need it, the stores have continued to operate effectively. Would that be the case if an Outback Store was left without management for such an extended period of time?

## **Systems**

Six years ago the IIB was a significant loss maker, many of its assets had been liquidated to pay debts and the Government was called on to provide a rescue package in order to keep the service operating. Since that time the IIB has undertaken significant reengineering, with the appointment of a largely professional Board and the appointment of a new CEO and senior management team with significant experience in the retail industry. Under this structure systems and processes have been implemented that provide transparent and efficient accountabilities, precise recording of functions and accurate and timely reporting. Working in locations that are geographically remote from an administrative centre, systems that ensure organisational wide compliance with requirements is essential. The IIB model provides a whole of enterprise computer system that manages:

- Point of Sale;
- Accounts – from receivable and payable to General Ledger;
- Asset management;

- Centralised pricing and stock control – ticketing, stocktake, ordering and receiving.
- Human Resources, including payroll and entitlements; and
- Comprehensive, live and system wide reporting.

This model not only ensures organisational transparent compliance but frees the store staff up from repetitive and menial administrative tasks, such as manual ordering, invoice checking and product pricing, allowing them to concentrate on their core responsibility – customer service.

Outback Stores employ single store processes with each Store Manager responsible for all tasks. The stores use outdated point of sale systems, simple cash registers, and manual ordering, receiving, pricing and ticketing processes. Not only does this tie a large amount of the Store Managers time up in administration areas, detracting from floor duties that are the nuts and bolts of effective retailing, but does not provide management with accurate organisation wide reporting.

## **Human Resources**

The IIB has in place comprehensive Human Resource Management policies and procedures. All staff are trained in these policies upon employment through the IBIS New Employee Induction Manual.

The IIB prides itself on its Performance Management and Career Development Program that provides its employees with a vehicle through which to plan their careers. The IIB also has a policy to promote from within its workforce wherever possible. All vacancies are advertised internally with Staff pro-actively encouraged to apply, with assistance provided by the Human Resources Department with resumes and applications. Through this policy local Indigenous people have attained senior roles, including Regional Management and General Management.

The IIB recognises that excellence can only be achieved and maintained with appropriately trained staff. The IBIS Training Agenda ensures that all IBIS staff have the training needed to carry out the duties of their positions in a competent and effective manner.

- All staff receive training in: The IBIS Point of Sale Computer System; Fire Safety and Evacuation; Housekeeping and Safe Working Practices;
- All full time staff, in addition to the above, are offered nationally accredited training in Certificates II and III in Retail as well as Food Safety and Dangerous Goods Handling; and
- All Store Managers participate in an annual conference where presentations are made in a range of areas such as: Merchandising; Retail Office Administration and Use of Email and the IBIS Intranet. At the conference they are also given an overview of the organisational performance, goals, objectives and future directions.

All staff are issued with IBIS badged uniforms at employment. The IIB believes that this not only improves customer service by identifying IBIS staff to their customers, but also builds employee pride and loyalty.

Outback Stores recruit externally and employ mostly non-Indigenous people to manage its stores with the Manager's spouse often offered the role of Assistant

Manager. The trainee Managers are offered accredited training to Certificate II level. They are responsible for employing local people as Shop Assistants. The Outback Stores uniform policy is inconsistent, and it appears that non-Indigenous managers wear Outback Stores badged uniforms, while locally employed staff wear casual clothes and in some cases without footwear.

## **Refrigeration**

Food security is a critical issue in remote regions as the health and wellbeing of a Community can often rest in the hands of one operator. With a large proportion of food being temperature sensitive it is essential that refrigeration be reliable and effective. To ensure the constant availability of safe temperature sensitive food the IIB:

- Has installed state of the art refrigeration equipment that is maintained regularly and upgraded when the need arises;
- Ensures the cold chain is not broken during transport by monitoring refrigerated containers with data loggers;
- Checks and records the temperatures of all temperature sensitive stock on receipt at the store to ensure it is within scope; and
- Checks and records the temperatures of all chillers and freezers in all stores three times each day of operation.

Refrigeration in Outback Stores appeared to be old and poorly maintained, with chest freezers, solid door refrigerators and freezers and glass door refrigerators often used rather than more modern and effective equipment. This is most likely causative of its operational model in which investment in infrastructure is contra-indicated.

## **Fruit and Vegetables**

Integral to the IBIS Healthy Food Program is the ongoing availability of fresh fruit and vegetables. To ensure compliance with this critically important initiative the IIB only supplies loose fresh fruit and vegetables in its stores, except for some specific items such as fresh herbs. Loose produce have several advantages over pre-packaged produce:

- It stays fresher longer and does not spoil as quickly; and
- It gives the customer the choice of purchasing the quantity required.

A long supply chain requires excellent standards of freshness. Under normal circumstances it takes up to two weeks from the ordering of a product until arrival at a store. Adding to this that deliveries are only made weekly, it is essential that fresh produce remain in good condition for at least two to three weeks after leaving a supplier's warehouse, in order to ensure that IBIS customers have fresh fruit and vegetables available to them at all times, and not just on 'boat day'. The IIB has a central team of buyers that ensure this is the case by:

- Inspecting the produce before it is shipped;
- Selecting only produce that can withstand the rigours of the supply chain; and
- Avoiding expensive early and late season product that is often of a lower quality than 'seasonal' produce.

This process also ensures a range of inexpensive and tasty choices are available throughout each week that can be used for school and work lunches, for example small apples, bananas and oranges.

Outback stores have a very limited range of fresh fruit and vegetables, most of which are in pre-packed form. In some stores there were no hard vegetables available, i.e. potatoes, onion, etc., and very limited frozen vegetables. With individual Store Managers being responsible for purchasing and freighting produce, no visual inspections or selections are possible, leaving the all important issue of quality to the suppliers.

### **Dry Goods**

The IBIS Retail Computer System automatically replenishes all stock, by ordering what has been sold on a weekly basis. This ensures two things:

1. That only the products that are sold are reordered, thereby ensuring that goods that are in demand are always available; and
2. That the shelves are always full and the stores well stocked.

As stated previously food security is essential to the health and wellbeing of residents of remote Communities. The IIB understand the importance of their responsibilities in this respect and have risk management procedures in place to ensure availability of food if the supply chain is interrupted. Firstly, operating on a three week minimum and six week maximum reordering process all stores hold four weeks supply of products that are not subject to limited date coding such as fresh milk. Where limited date coding is an issue with a staple food an alternative is made available, such as a long life, frozen or dried product. During the recent rail and road closures between Cairns and Brisbane all IBIS stores held sufficient quantities of stock to sustain their Communities. In fact the stock in most stores was of a higher level than that in the major Supermarkets in Cairns which are mostly reliant on daily delivery of goods.

The dry goods range available in IBIS stores is designed to promote the choice of healthy food (by healthy options being subsidised by unhealthy products such as cigarettes and sugared drinks), while providing a selection of products that is appropriate to the needs and wants of each Community. The IIB also recognises the cultural uniqueness of the Communities it serves, and as such allows in its ordering procedures for culturally specific items. Feastings and festivals are also catered for through the Purchasing Department's Special Orders.

The Store Managers at Outback Stores are individually responsible for ordering and organising the transportation of all stock, organising and overseeing the preparation, display and sale of stock and maintaining the store layout and display. Given the remote locations of these stores centralised ordering and logistics would provide significant benefits, as has been demonstrated with the IIB model. The bigger buying power would deliver significant savings and negotiating influence with regards to freight.

### **Food Safety**

The IIB has the only accredited Food Safety Program in the Torres Strait and NPA regions, and complies strictly with the requirements of the Food Safety Standards of the Australia New Zealand Food Standards Code by:

1. Following a Food Safety Plan that is constantly reviewed and maintained.

2. Encouraging all staff to follow the strategies in the Food Safety Plan that are required to implement the Food Safety Policy by providing them with resources required to do so and ongoing training.
3. Ensuring accurate record keeping that demonstrates to IBIS and all external authorities that the Food Safety Plan is effective.

The IBIS Food Safety Program addresses the following areas as applied to food safety:

- The IBIS Food Safety Policy;
- Risk Management Strategy;
- Purchasing;
- Design of Premises and Equipment;
- Temperature Recording of Chilled and Frozen Products;
- Goods Receipt;
- Food Preparation and Handling;
- Packaging and Labelling of Product;
- Transport and Storage;
- Cleaning and Sanitation;
- Maintenance, Repairs and Calibration;
- Waste and Pest Control;
- Returned and Recalled Product;
- Good Hygiene; and
- Auditing and Records Management.

### 3. The impact of these factors on the health and economic outcomes of communities:

#### Health and Wellbeing

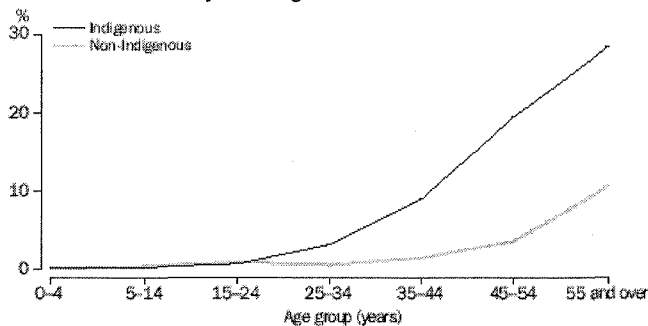
The Australian Bureau of Statistics show that the 2001 Census indicated that 7,078 Indigenous Australians lived in the Torres Strait Area (ATSIC Region of Torres). With a total population base of 8,865 persons this represents 79.8% of the total population of this region.

Statistics also show that the health outcomes for Indigenous Australians are well behind that of the general Australian population:

- Indigenous Australians rely more on public hospitals and Community Health Services than the non-Indigenous population. In 1998-99, an estimated \$1,245 million was spent on health services by, and for, Aboriginal and Torres Strait Islander people. It represents 2.6% of health expenditure for all Australians and translates into \$3,065 for each Indigenous person, compared with \$2,518 for each non-Indigenous person.
- The Australian Bureau of Statistics shows that the life expectancy at birth for Indigenous males and females is estimated to be about 18–19 years less than their all-Australian counterparts. In the period 1991–1996, life expectancy at birth for all Australians was 75.2 years for males and 81.1 years for females. By contrast, life expectancy at birth was estimated to be 56.9 years for Indigenous males and 61.7 years for Indigenous females.

Diabetes is a chronic condition, characterised by high blood sugar levels which are caused by deficient production of the hormone insulin. There are several different types of diabetes and many complications are associated with this condition, such as cardiovascular complications, eye diseases and kidney complications, including kidney failure. When kidney failure occurs dialysis is required, a procedure used to do the work of the kidneys artificially when they are no longer able to excrete water and waste products at a rate sufficient to sustain a proper balance in the body. This must continue until the person can get a transplant or until they die. There is no cure for diabetes. The graph below shows the incidence of diabetes among Indigenous Australians.

Percentage of Persons Reporting Diabetes – 2001  
Source: National Health Survey: Aboriginal and Torres Strait Islander Results, 2001



Diabetes increases markedly with age, from 1% of Indigenous people aged 15-24 years to 29% of those aged 55 years and over. Furthermore, Type II Diabetes, previously only found in those aged 40 or over, is now also being diagnosed in young children in the Torres Strait.



A study by the International Diabetes Institute included in its executive summary the following points:

- Diabetes presents one of the most serious health problems for the 21st century, but its impact has been largely ignored by health care planners.
- Australian Aborigines and Torres Strait Islanders suffer one of the highest rates of diabetes of any population group in the world.

Issues such as lack of understanding with regards to healthy weight to height ratios and healthy eating regimes also play an important role in the increased incident of diabetes and other illnesses in this sector of the Australian population. Education in these areas is therefore essential in managing and reducing this risk factor and improving the health outcomes for Aboriginal and Torres Strait Islander people.

The Information Paper 'Nutrition in Aboriginal and Torres Strait Islander Peoples', published by the National Health and Medical Research Council in 2000, agree it is clear that nutrition has a great impact on the health of Aboriginal and Torres Strait Islanders. A priority for prevention of nutrition-related disease in the Aboriginal and Torres Strait Islander populations include ensuring access to good quality affordable fresh fruit and vegetables.

This Information Paper also states that nutrition and the control of obesity are crucial to controlling the major causes of ill-health and death in Aboriginal and Torres Strait Islander peoples.

With Aborigines and Torres Strait Islanders representing 79.8% of the IIB's customer base, and with the IIB being the main provider of food to these people, it is reasonable to extrapolate that the IIB provides a service essential to the health and wellbeing of the communities of the Torres Strait and NPA.

The provision of food to this particular population base clearly carries with it significant responsibilities

### **Economic Benefits**

The Torres Strait is a remote and unique part of Australia. Its inhabitants are Indigenous Australians and the region is significant in its geographic and cultural background.

The IIB operates on the principle that people working together and helping each other to achieve a common goal will succeed. It has a genuine role in generating investment and industry opportunities to provide jobs and economic growth for the people of the Torres Strait and the Northern Peninsula Area (NPA). It plays a major part in the economy of the Torres Strait, employing around 150 staff, approximately 89% of whom are Indigenous Australians.

These organisational demographics give the IIB a significant advantage in being able to target its operations to the unique cultural and geographic needs of its customer base. By having such a large percentage of its workforce able to provide culturally specific information, a foothold to the Communities' leaders and ongoing advice and guidance regarding the Communities' needs the organisation is assured of meeting the needs and expectations of its customers. Furthermore, by having its key

operational staff all located within its delivery area the organisation can respond quickly and efficiently to any unexpected contingency as it arises.

Another critical service provided by the IIB is its Funds Transfer Process that ensures the economic wellbeing of the Communities by maintaining the flow of currency to and from the Islands. As there are no banks on the Islands, the IIB also provides the following services:

- Banking services – account deposits, automatic teller machines, transfers to other accounts.
- Personal Funds Transfers – from bank account to bank account.
- Electronic bill paying, including to all local suppliers.
- Treasury functions –
  - Ensuring there is sufficient currency available on the Islands to meet the cash needs of each Community;
  - Removing and processing damaged notes.

Furthermore the IIB's commitment to equal employment opportunity, demonstrated through its Performance Management and Career Development Program, provides real ongoing employment and career prospects for Indigenous Australians.



Top quality meat  
IBIS Supermarket on Waiben (Thursday Island)

## Conclusion

This submission has shown the operational, administrative, governance and community engagement processes that have been developed and implemented to form the model under which the IIB operates.

It has also shown that the IIB does not accept that excellence in grocery retailing cannot be achieved in remote locations, nor that mediocre service delivery is acceptable in Indigenous Communities.

The IIB has recovered from a position of near insolvency to an unarguable positive financial position and now practicably loans money to Queensland Government by having significant funds deposited with Queensland Treasury Corporation - a direct result of its long term sustainable financial management practices.

In conclusion the IIB submits that the current model under which it operates is the most effective and efficient way in which consumer services can be provided to remote Indigenous Communities.

## Author Information

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Date: 18 February 2009.



IBIS Supermarket on Waiben  
(Thursday) Island