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20 FEB 2009
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Outback Stores

Submission to House Standing Committee
on Indigenous Affairs

Creating healthier communities

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CONTENTS

1.	THE OUTBACK STORES DIFFERENCE.....	1
2.	MEASURES OF SUCCESS.....	4
3.	SUMMARY OF RESPONSE TO TERMS OF REFERENCE	7
4.	OVERVIEW.....	10
5.	BACKGROUND ON OUTBACK STORES.....	14
5.1	THE OUTBACK STORES MODEL	15
5.1.1	Competitive landscape.....	15
5.1.2	Customer base	18
5.1.3	Marketplace and scale economies.....	18
5.1.4	Outback Stores corporate structure	18
5.1.5	Operating model	18
5.1.6	Challenges with the operating environment	20
5.2	Goals of Outback Stores.....	22
5.3	Our history	24
5.4	Progress.....	24
5.5	Our plans.....	26
5.6	Key challenges.....	26
5.7	Our contribution to ‘closing the gap’	27
6.	TERMS OF REFERENCE 1: Food supply, quality, cost and competition issues	31
6.1	Food is an essential service just like policing, health and education.....	31
6.2	Poor performance has survived in remote stores for decades.	32
6.3	Remote communities have never had the benefits of competitive buying power.	33
6.4	Individual store managers don’t have the power and expertise.....	34
6.5	We have created many new opportunities for regional suppliers who are competitive.	36
7.	TERMS OF REFERENCE 2: The effectiveness of the Outback Stores model and other private, public and community store models.	39
7.1	Outback Stores has a charter that combines commercial and social imperatives.	40
7.2	Outback Stores creates connections between communities	40

7.3	Our goal is to build community capacity	41
7.4	The Outback Stores model is working.	42
7.5	Outback Stores was set up as the outcome of a working group.	43
7.6	Initial funding.	44
7.7	Missing infrastructure.	45
7.8	Other models	46
8.	TERMS OF REFERENCE 3: The impact of these factors on the health and economic outcomes of communities	48
8.1	Preventative health model.....	48
8.1.1	Community food security.....	49
8.1.2	A nutritious food supply.....	50
8.1.3	Promotion of healthy foods and beverages.....	51
8.1.4	Quality food supply	51
8.1.5	Cost of food.....	51
8.2	The Outback Stores model has a focus on partnerships.	52
8.3	We are an investment, not a cost.	54
8.3.1	Measuring nutrition and health outcomes	54
8.3.2	Product sales level	54
8.3.3	Nutrition indicator level.....	55
8.3.4	Health outcome level.....	55
8.4	Increase in sales of healthy foods.....	56
8.5	We improve the economic health of communities	59
9.	CONCLUSION	63
APPENDIX A	The need.....	64
APPENDIX B	Photos.....	69

1. THE OUTBACK STORES DIFFERENCE

We return power to the consumer by developing clusters of stores

- We bring fragmented communities together in clusters of stores to develop vertically integrated supply lines, retail efficiencies, buying power and lower mark-up on key products such as basic food items. This means affordable and reliable food supplies and fresh fruit and vegetables.
- We use our merchandising skills to negotiate good deals with suppliers, so communities get the benefit.
- We use centralised buying of a core range of foods (currently through Independent Grocers of Australia), supplemented by local regionalised suppliers of transport and fruit, vegetables and meat who in turn get the benefits of supplying clusters of stores.
- Through aggregation, we link consumers and create a more efficient marketplace where suppliers have to be competitive.
- We prioritise regions with the greatest need, being those with poor health, a poor economy and low food security.

We are flexible and responsive to community needs

- We bring a hybrid of professional retail management and tailored community solutions.
- We work with communities to achieve their vision, which often means transforming run-down, dysfunctional empty stores to flourishing social and economic community hubs.
- Communities are our partners, so we take on store management by invitation only.
- Our initial engagement is through relationship managers whose focus is on patient, long-term engagement with communities rather than the pressure of a 'quick fix'.
- Store committees give us feedback on where profits should go and how our managers are going and guidance on what goods should be ordered.
- We use government funding to provide commercial loans for store infrastructure, start-up funding and support for unviable stores.
- We have partnered with agencies such as FaHCSIA and Indigenous Business Australia to help improve community store infrastructure.

We bring professional retail practices and back office support

- We bring professional retail practices to remote communities including proper stock control and reduction of waste, strong margin control, quality assurance, transparent pricing, refunds from suppliers for sub-standard goods, food safety including transport and storage, cash handling procedures, central buying of core lines, supervision in the field and proper bookkeeping.
- We are inflexible on some fundamental principles, such as not taking on debt, proper governance, transparent ownership, not paying profits to individuals, and professional retail practices.
- We are a private company with a voluntary board including many of Australia's most experienced senior retailers and professional directors who bring connections, expertise and help without any thought of return.
- We provide efficient and cost-effective back office support, systems and procedures that an individual stores manager cannot access. This includes a training college that provides compulsory and accredited training for all managers, IT systems including point of sale systems, human resources, a wellbeing section, bookkeeping, relief managers, a merchandise manager, a business development team, regional managers to ensure compliance with pricing and quality standards, licensing and insurance, manuals and business planning.

We return all profits to the community

- Our business model relies on stores being self-funded with no cross-subsidisation and fully recompensing Outback Stores for the services it provides.
- We operate on a fee for service basis to break even, with all profits returned to the community.
- The community owns the stores and can decide whether profits are reinvested in store infrastructure or community projects.
- Our focus is providing returns to communities not external shareholders.

We build individual and community wellbeing

- Our core goal is to provide affordable, reliable supplies of healthy food.
- We see stores as a learning place, where we talk about nutrition and oral health, promote sales of healthy food, provide school meals and healthy takeaways and work with the community to reduce preventable chronic diseases.
- We use a number of strategies to promote healthy choices, such as planograms to determine product placement on shelves, fruit tasting, and strategically placed bowls of fruit at the point of sale.

- Our wellbeing section has developed a cutting edge nutrition strategy, ensuring healthy foods are well-represented in the core range, discouraging the display of tobacco and confectionary, and working with suppliers to enhance the nutritional composition of products such as prepared meals.
- We work with partners such as the Menzies School of Health Research, the Australian Red Cross and health service providers to implement health promotion strategies, breakfast programs, cooking classes and oral health. We work with Environmental Health on food safety and Keep Australia Beautiful on a recycling program.
- We conduct Key Indicator Foods Analysis to monitor the quantity of key foods and beverages sold in each store and discuss the results with store committees.
- We offer a health model that focuses on prevention rather than cure.
- Our emphasis on Indigenous employment has multiple positive impacts on health, through pride, a higher income, and providing role models for healthy living patterns.

We build community capacity

- It is Outback Stores' policy to employ and train Indigenous people in all stores and our store managers work in partnership with community store committees. We want to train local Indigenous people to manage their own stores.
- Our goal is self-funded stores operating in strong communities, managed by empowered committees and not requiring government support.
- We use the 'Money Story' to teach store committees financial literacy, profit and loss, operating costs, and sales trends.
- We work with store committees to implement a governance structure that ensures the company and individual stores have compliant and sustainable business frameworks in place and clear policies to reduce waste and corruption.
- We provide on-going accredited training to Indigenous staff and store managers, both at our training college and in store.

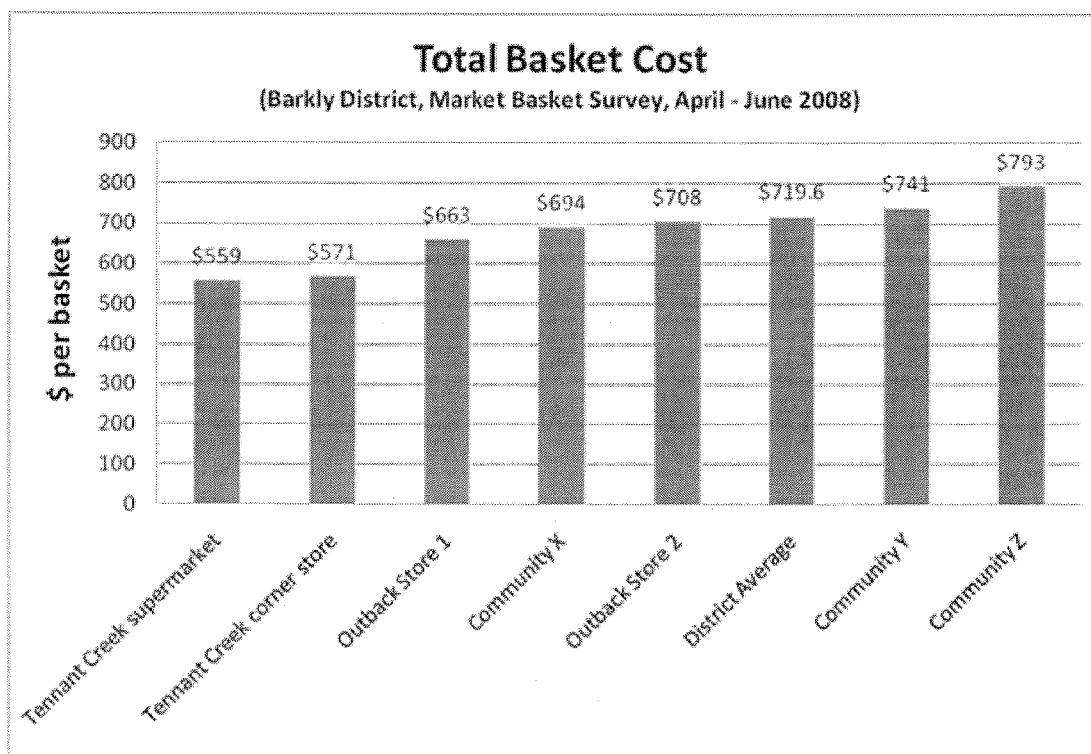
We elaborate on these issues in the first section of this report, which provides an overview of our operations, and the second section which directly addresses the terms of reference.

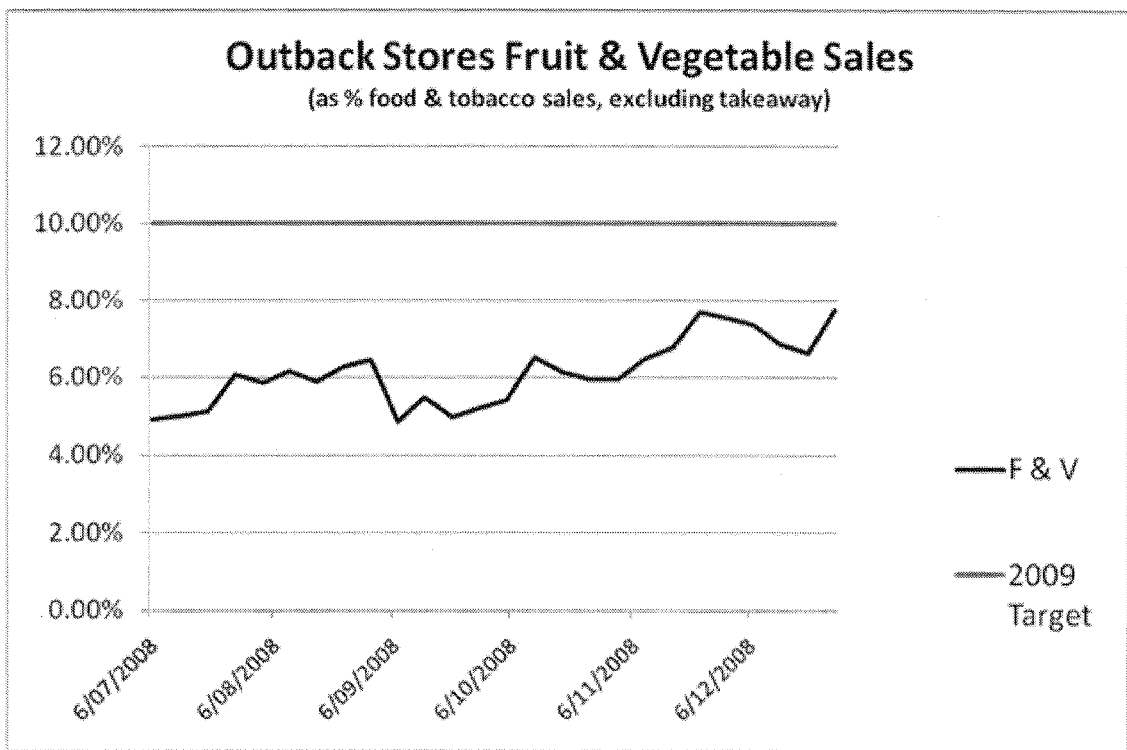
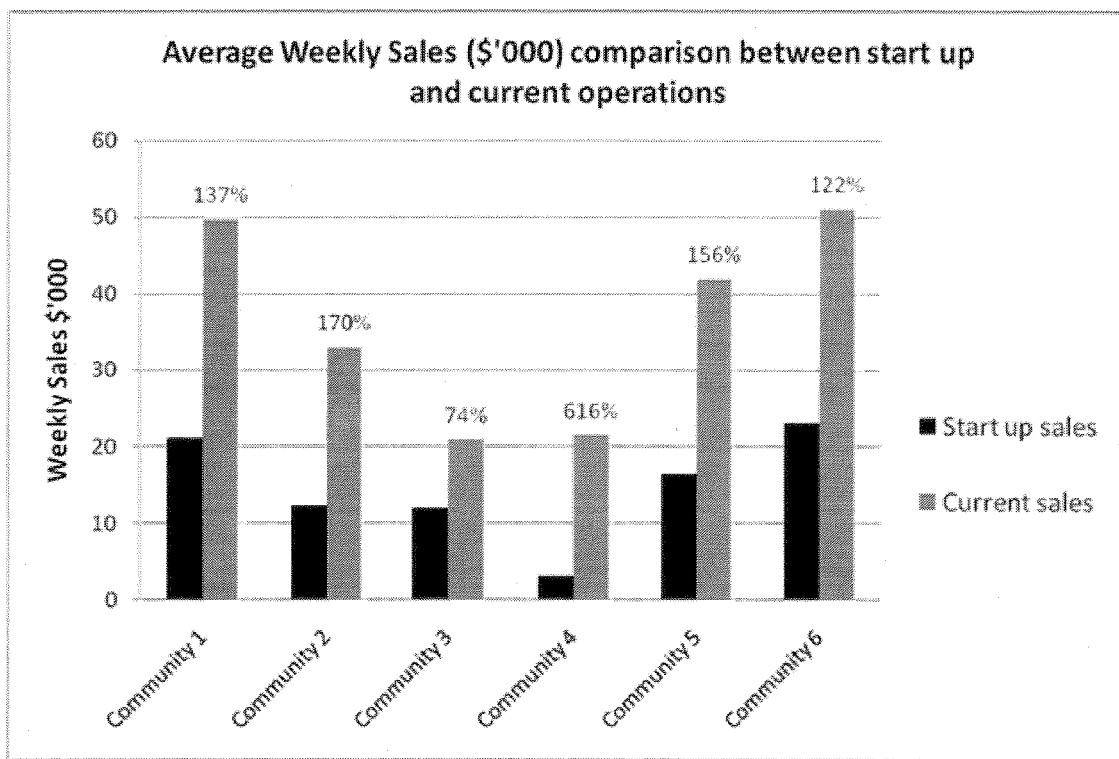
A number of communities have given Outback Stores explicit permission to talk about their experiences in this document. Out of respect for the communities whose stores we manage, we have not used names where Outback Stores has not sought permission to reference their store. If further information is required on a specific store, Outback Stores can seek permission from the relevant community.

2. MEASURES OF SUCCESS

- 27 stores under management
- general increase in lines sold = from 200 to 1000
- increase in average weekly sales from 150% to 400%
- 101 Indigenous staff employed in stores
- across all Outback Stores, fruit and vegetable sales increased 58% in the first half of the 2009 financial year to 7.74% of food and tobacco sales (our target is 10% by December 2009)
- increased turnover and profitability, for example, in our two years at Imanpa weekly turnover has gone from \$3000 to \$30,000 a week.

We have helped several stores trade back to solvency, for example a store which had not prepared a full set of financial accounts for more than five years, with outstanding creditors of more than \$270,000 and turnover of about \$21,000 a week. The store has gone through administration, the store committee is now strong and the store averages more than \$48,000 a week in sales. It has a commercial loan which is being serviced through high sales.





Partnership bears fruit



ABORIGINAL children in a number of remote communities will be getting a guaranteed 200 pieces of fruit a year as the result of a new agreement between Red Cross and Outback Stores.

The fruit will be added to Red Cross' Good Start Breakfast Club meals in any community in which an Outback Store is located.

"We've estimated that over a child's primary school years that's around 1000 pieces of fruit they probably wouldn't have eaten," Outback Stores Wellbeing Manager Julie Croft said.

"Inadequate fruit and vegetable consumption accounts for a six per cent mortality rate among Indigenous Australians, according to a study quoted in the Australian Bureau of Statistics report *The Health and Wellbeing of Australia's Aboriginal and Torres Strait Islander Peoples* (2008).

"Having one piece of fruit a day will provide half of a child's necessary daily fruit intake."

Red Cross has been operating breakfast programs in remote areas of the Northern

Territory since 2006 and is now working with 33 communities and 13 homeland centres to achieve improved nutrition for children.

More than 102,150 nutritious breakfasts were provided in remote communities in the NT last year alone.

"The breakfasts include fruit when available, but not all communities have a reliable source of good quality items and the supply can be inconsistent," Red Cross Executive Director, Northern Territory, Sharon Mulford said.

Commitment

"By working with Outback Stores, which has as part of its business charter a commitment to maintain a reliable supply of fresh fruit and vegetables for communities, Red Cross can access a guaranteed supply of seasonal fruit every single day."

"For some children, this will mean tasting certain fruits for the first time, such as Central Desert youngsters trying tropical fruit varieties they have never seen."

The breakfast program partnership springs from the signing of a memorandum of understanding between the two organisations.

The memorandum sets out a

framework for co-operation between Outback Stores and Red Cross with the aim of encouraging choices that will be of benefit to the communities they are operating in.

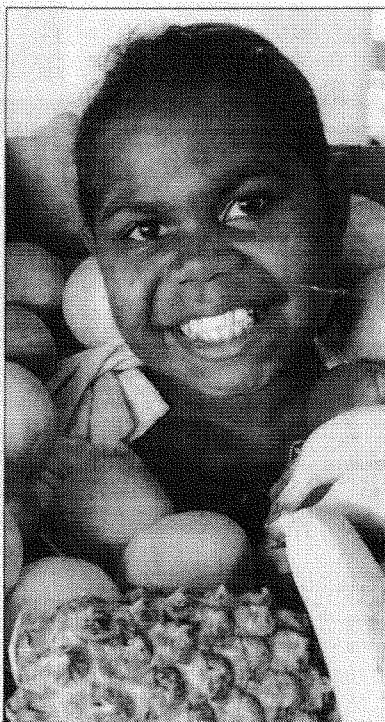
"Both organisations are focused on health outcomes in Indigenous communities and this partnership will see the development of joint policies based on the provision of healthy food and the promotion of healthy eating patterns," Ms Mulford said.

"It will also encourage community participation in co-operative initiatives that will improve the availability, accessibility and affordability of healthy food."

Outback Stores is committed to improving health outcomes in remote Indigenous communities and has introduced policies and set targets to help increase sales of fruit and vegetables.

"We look at the amount of fruit and vegetables being sold as a percentage of total food and tobacco sales at a store," Ms Croft said.

The first communities to benefit from the partnership will be Yuendumu, Inmanpa, Ali Curung and Roper.



Young Kaitrina Thompson helps launch the fruit program in Darwin

The Voice of Indigenous Australia

32 THE KOORI MAIL, WEDNESDAY FEBRUARY 11, 2009

Better times in store



SIX months ago, people from Jilkminggan in the Northern Territory who wanted to buy good food for their families would often travel 500km to Katherine and back.

Their community store was in a dark, dirty and hot shed, most of the stock was unsaleable and the limited food items it did have were very expensive.

Early this month, members of the small community near Mataranka came together to celebrate the reopening of their store, which now sells nearly 1000 products including fresh fruit and vegetables.

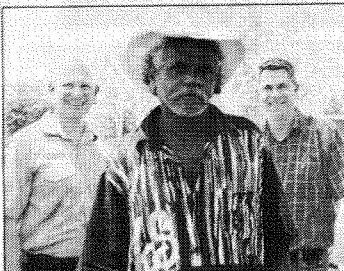
"We are very proud of our shop now," store committee chairman Robert Smiler said. "The old store was no good, no good tucker, but now there is a lot of good food fruit and veg and meat."

The change came about after the local Djanggany Aboriginal Association decided it needed to improve the situation and began working with Outback Stores and the Federal Government to arrange an alternative licensing arrangement for their store.

"Locals could see they needed to improve their store," Mr Smiler said. "We needed to find someone who could help us and work together with the community to make the store better."

To bring food security to the community as quickly as possible, Outback Stores, the Federal Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and the store committee joined forces to bring the store back to life in the original shed, which reopened under Outback Stores management in July.

While passing all health and safety requirements, conditions in the old shed



LEFT: John Kop, of Outback Stores, store committee chairman Robert Smiler and Major-General Dave Chalmers at the reopening celebrations. RIGHT: Ali smiles shopping in the revamped store are Leanie McDonald with her niece Ylana.

were far from ideal, and it was clear a major refurbishment was needed.

This began in October through the assistance of the Flexible Funding Pool under the NT Emergency Response, or intervention, which contributed \$160,000 to the cost of the work and running a bus twice a day into Mataranka for the seven weeks the store was closed.

The Jilkminggan store now has a new roof, the ceiling and walls have been insulated and re-lined, air-conditioning has been installed, a new floor laid, ventilation and lighting has been improved and a new storage area and office have been built.

Outback Stores Chief Executive John Kop said the store now had a good chance of making a strong return for the community.

"Jilkminggan is just one of those success stories where you see absolute co-operation with the community, the Government and Outback Stores," he said.

"What we have now is a store that not only has food security, but starts delivering better health outcomes for the people in Jilkminggan."

Celebration barbecue

The community celebrated the reopening with a barbecue. Among those attending were Outback Stores staff and the Operations Commander of the NTFCR, Major-General Dave Chalmers, who said the community store had changed from one of the worst he had seen, to a community asset, a real credit to the community, to

Outback Stores, to our Government Business Manager, who have all worked together to make this happen."

"Food security is one of the keys for improving a whole range of aspects of life so if we can make sure there is a good source of healthy food for people, that's going to have an impact on their overall health, their life expectancy, on how kids can concentrate at school - a whole range of things," he said. "A good store is a very important centerpiece for a community."

Outback Stores is a company set up in 2006 to manage remote stores on behalf of remote Indigenous communities. A non-government enterprise with an independent board, it returns store profits to communities.



3. SUMMARY OF RESPONSE TO TERMS OF REFERENCE

TERMS OF REFERENCE 1: Food supply, quality, cost and competition issues

Key points:

- Food is an essential service just like policing, health and education.
- Poor performance has survived in remote stores for decades because of the fragmented and small market, mismanagement and vested interests. This often led to people leaving communities.
- Remote communities have never had the benefits of competitive buying power, which people in cities take for granted. Outback Stores uses its aggregated buying power and retail experience to create clusters of stores that gives communities access to the best suppliers, the best food, at the best quality and the best price, effectively returning power to communities.
- Individual store managers don't have the power and expertise to implement food safety programs, stock control, supplier assurance program and supply chain management or to insist on refunds for sub-standard goods.
- We have created many new opportunities for regional suppliers who are competitive, who share our values and who have the interests of communities at heart. Our focus is on making a difference to the lives of remote communities who previously had no choice.

TERMS OF REFERENCE 2: The effectiveness of the Outback Stores model and other private, public and community store models.

Key points:

- Unlike all other store management models, Outback Stores does not have to provide returns for owners or shareholders, but works on a fee for service basis, provides centralised support services, and returns all profits to the communities.
- Outback Stores creates connections between communities and is the bridge to proper retail practices, training and support services.
- Our goal is to build community capacity with fit for purpose retail stores and by building long-term relationships that are not based on a quick return. Rather, we use engagement (through relationship managers), partnerships (through store committees) and empowerment (using the Money Story to teach governance and financial management).

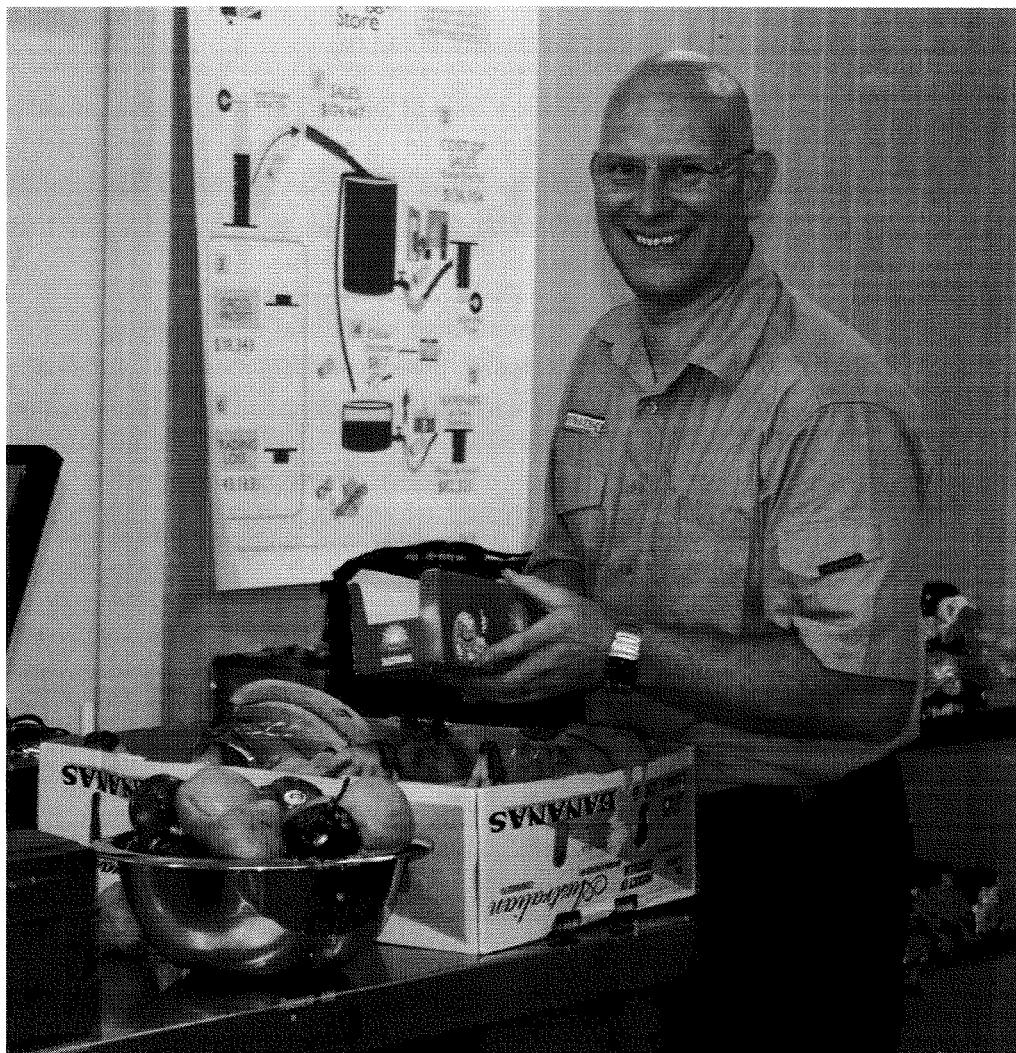
- The Outback Stores model is working. Many community stores previously considered a 'basket case', insolvent, threadbare and dysfunctional, are now thriving, profitable and offering a full range of healthy foods. This has provided jobs, built individual and community capacity and created community pride.
- Outback Stores was set up as the outcome of a working group which was asked to create a solution to providing available, affordable, quality food from sustainable stores to improve health in remote Indigenous communities. It was agreed to set up a private company with a voluntary board including many of Australia's most experienced senior retailers and professional directors who bring connections, expertise and help without any thought of return.
- IBA and Outback Stores received a total of \$48 million in government funding with \$8m to cover start up costs and preserved capital of \$40m for commercial loans to store businesses which have to be repaid. A further \$29 million was later received as part of the Federal Intervention to accelerate, take on and support unviable stores in the Northern Territory.
- Outback Stores often finds communities where the store building is not fit for purpose and beyond economic repair, there is no store manager's house and there are no communication connections and basic infrastructure. The key items that people in cities can take for granted when establishing a business, are missing.

TERMS OF REFERENCE 3: The impact of these factors on the health and economic outcomes of communities

Key points:

- Poor nutrition is one of the most significant factors contributing to the appalling health status of Indigenous Australians and nutrition related chronic diseases are a leading cause of death. Yet they are all preventable. The Outback Stores model is a preventative health model because it addresses all aspects of food security, which is the foundation of a balanced, nutritious diet that is essential for positive health outcomes.
- The Outback Stores model has a focus on partnerships with communities, service providers and other stakeholders to promote household food security because it recognises that this component of food security is a key to improvements to health.
- Government services are primarily focused on treatment, rather than the prevention, of disease by providing services and treatment of chronic diseases caused by poor diet and lifestyle. Outback Stores is focused on prevention by embracing a holistic approach to health and wellbeing and by using state-of-the-art tools to measure nutrition indicators which demonstrate health outcomes. We are an investment, not a cost.

- The major impact of Outback Stores has been the marked increase in sales of healthy foods and reports of good health outcomes from schools and health clinics.
- We improve the economic health of communities at a micro level (creating jobs for Indigenous people and functional, well-managed stores returning a profit to the community) and the macro level (functional communities, vertical integration of the supply chain creates business opportunities for local suppliers and boosts regional economies).



Outback Stores CEO John Kop at the opening of Jilkminggan

SECTION ONE: BACKGROUND ON THE OUTBACK STORES MODEL



From the community garden at Jilkminggan

4. OVERVIEW

“available, affordable, quality, nutritious food from sustainable stores”

A thriving community store is an essential service in remote communities, ensuring people have access to the most basic of human rights: affordable, quality, nutritious food.

As the largest and sometimes only business in most communities, a well-run store can become a social and economic hub, providing jobs, takeaway meals, cooking and nutrition classes, training, profits to be reinvested in equipment or sponsorships, links to health programs, and governance training that can be applied to other aspects of running communities.

The experience of many communities is a far cry from this: dysfunctional stores run by individuals with limited retail experience or training, uncertain opening hours, people on welfare who have to buy over-priced and poor quality goods, inadequate stock control causing empty shelves and excessive waste, trading from dilapidated facilities and, in some cases, corruption and insolvency. People either move away or catch taxis hundreds of kilometers to buy essentials other Australians can take for granted such as milk, bread, fruit and vegetables and household items, from toilet paper to baby food, blankets and white goods.

Outback Stores was set up as a professional retail management company to ensure the availability of affordable, quality food from sustainable stores in remote communities. It is a private company currently owned by Indigenous Business Australia (IBA), backed by government funding and with a voluntary board of management comprising some of Australia’s most experienced retail managers and professional directors.

Outback Stores is different from other mainstream retail companies in that our goals are to create strong, commercially operated stores that employ local people and contribute to well-run, strong regional service centres and healthy lifestyles.

We set up stores to be sustainable and return profits to the community by supporting store operations with modern retail technology and practices, using proven retail, human resource and accounting policies and procedures. The stores are provided with fully trained store managers who are supported by regional managers and other specialist support staff.

Outback Stores currently manages 27 stores in the Northern Territory, Western Australia, Queensland and South Australia. We provide management services by invitation after a deep engagement process by our Indigenous relationship managers with community store committees. For example, the women’s centre at Yuendumu invited us in to help them

Outback Stores was set up as a professional retail management company to ensure the availability of affordable, quality food from sustainable stores in remote communities.

open a store after seeing how we operated the Nyirripi store 160 kilometres away where many of the Yuendumu women were doing their shopping.

We have transformed many community stores:

- bringing down prices through our aggregated buying power and improving profits through a better merchandise mix and less waste
- increasing the range of goods from 200 lines to over 1000 lines in stores we manage
- increasing sales by 150% to 400%
- trading insolvent stores back to profitability
- increasing turnover (for example, in our two years at Imanpa weekly turnover has gone from \$3000 to \$30,000 over the past 8 weeks)
- increasing sales of fresh fruit and vegetables as a proportion of food and tobacco sales from 4.9% to 7.74% in the first half of the 2009 financial year
- improving financial literacy and governance through the 'Money Story' program
- providing professional management backed up by centralised IT, HR, accountancy, training, policies and business planning
- partnering with government agencies such as Indigenous Business Australia and FaHCSIA to improve community infrastructure, such as the recently reopened Jilkminggan store
- partnering with agencies such as the Australian Red Cross and Territory and Australian health departments to improve nutrition, oral health, school meals, environmental health and social norms in relation to healthy lifestyles.

Our successes have been heart-warming but not without their challenges. In particular:

- Our role accelerated in the past year when stores had to be licensed under the Federal Government's 'income management' measures.
- We believe income management has been successful in ensuring significant proportions of welfare payments are spent on essentials. We receive good feedback from women in particular, however administration of the scheme has had its teething problems and substantially added to our unbudgeted costs.
- Unlike other essential services, such as police, health and education, housing is **not** usually provided for store managers, which is a major barrier to appointing suitable managers. We have several communities at present where housing is an issue, such as Beswick, Barunga and Jilkminggan.
- Under the Northern Territory Emergency Response (NTER), Outback Stores has been provided with additional funding to underpin several smaller, unviable stores in the Northern Territory. Our business model relies on stores being self-funded with no cross-subsidisation and fully recompensing Outback Stores for the services it provides. Due to the NTER and the natural tendency for smaller stores in financial trouble to seek help, our current focus is on stores with the greatest need and where we can have the greatest impact.
- While Outback Stores makes commercial loans available to stores to provide equipment and repairs, it does not have funding to provide the major infrastructure

required such as new stores in most communities. Most community stores that have approached Outback Stores so far are virtually uninhabitable, subject to flooding, and do not meet basic environmental health standards. A major barrier to our operations is the need to bring store managers' housing up to the standard as is the case with housing for police, teachers and health workers.

- Providing food security is integral to the Northern Territory and Australian Government's efforts to 'close the gap' of Indigenous disadvantage. It is not easy, but it is essential. The challenge is exacerbated because of an historic lack of investment in community infrastructure, community development and capacity building.

Additional barriers to expansion are vested interests trying to impede change, and the legacy of incompetent and the opportunistic store managers and owners in some communities. Importantly, poor transparency and record-keeping, along with the fact that store committees generally don't have strong financial literacy skills and retail experience, makes it hard to effectively challenge or change the current managers and owners.

Finally, sadly, this situation has continued for many years because, like so many other things in Aboriginal communities, people have become accustomed to receiving services that would be unacceptable even in many developing countries.

Outback Stores staff are driven by a shared passion to really make a difference. We don't have all the answers, however we now have the benefit of significant experience in adapting our professional retail management model to a complex operating environment. We believe this model contains all the ingredients for success, with the right level of policy direction and the resources to accomplish the task.

We welcome the standing committee's interest in our operations. Our submission provides background on Outback Stores, addresses the three terms of reference, and provides some recommendations that will help us continue our work in the Northern Territory and expand our business plan to cover the whole of remote Australia.

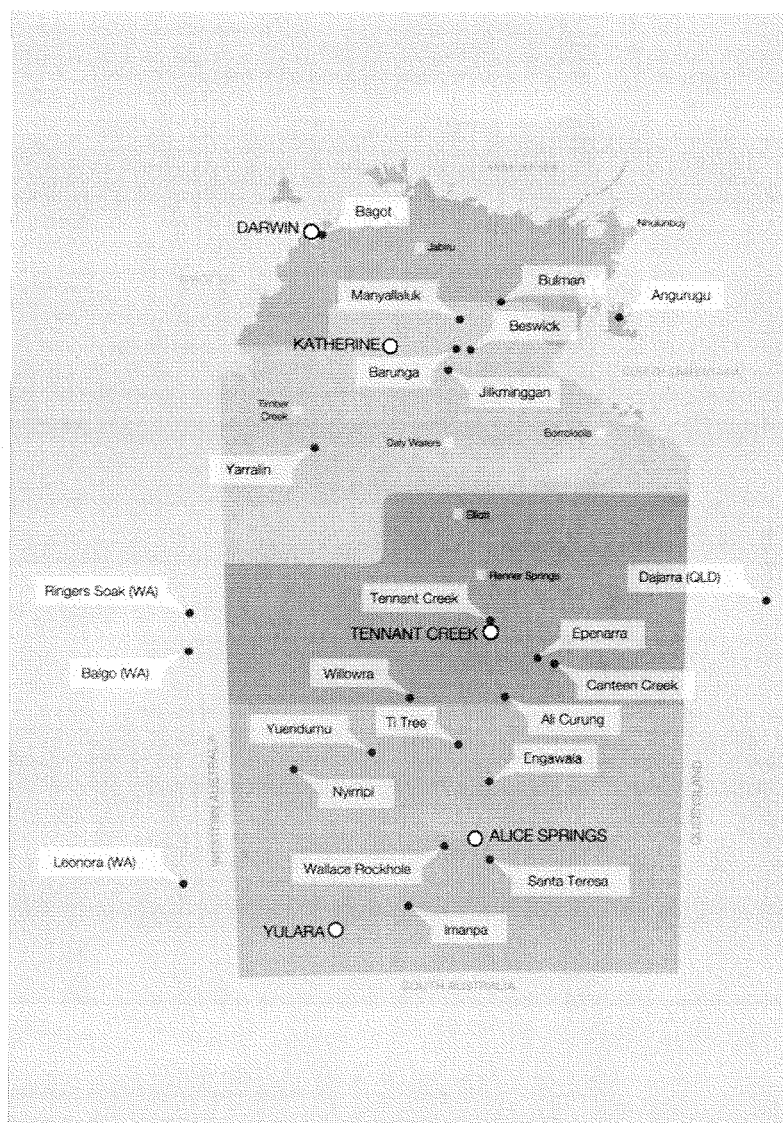
We would particularly welcome the chance to host a visit by the standing committee to some of our stores, to see at first-hand how we operate and hear from communities about our successes and our challenges.

5. BACKGROUND ON OUTBACK STORES

Outback Stores is a private company set up in 2006 with government funding support to run functional and sustainable stores to improve health in remote communities across Australia.

It is a national company, with its headquarters and a training centre in Darwin, and a voluntary board comprising some of Australia's leading supermarket executives and professionally qualified directors.

As of January 2009, Outback Stores was managing 27 stores, most of them in the Northern Territory. Of these, we have management agreements with 23 stores. Two stores are under relief management and we are operating two stores in partnership with local organisations with the vision of giving ownership back to local communities. The largest store we manage is the Tennant Creek Food Barn, purchased last year by the Julalikari Council Aboriginal Corporation and Indigenous Business Australia.



5.1 THE OUTBACK STORES MODEL

5.1.1 Competitive landscape

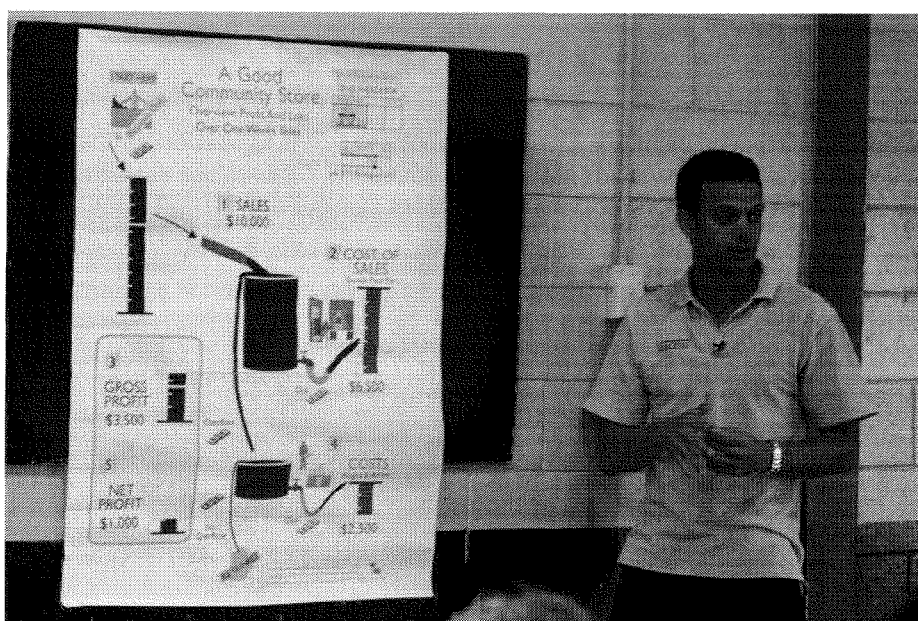
Stores that we manage are rarely in good shape when we take over. The store buildings are often dirty, may have poor internal infrastructure with little, if any, correctly functioning refrigeration and storage. This limits the amount of stock the store can keep. There may be issues with excessive dust, poor security and non-compliance with environmental health standards. The store may not have an office, communications systems or even other store staff. The range of goods in the store at handover is poor. Frequently there are no controls over ordering, handling and quality of stock available in the store. Individual store managers often lack the expertise to implement food safety programs, stock control, supplier assurance programs and supply chain management and to negotiate preferential supplier rates for the store.



Before Outback Stores: Jilkminnggan (above), Beswick (below).



Remote stores commonly hold a monopoly on the primary food supply in Indigenous communities. There is rarely any competition to a community store. Even if other stores exist the normal competitive process is not working and the operators are often independent managers managing the store on behalf of the community. High prices and a limited range of quality nutritious food, in particular fruit and vegetables, limits access to the range of foods needed for a healthy diet. A high turnover of store managers and poor store management are common. This is compounded by poor governance which does not allow communities to understand the issues facing their stores and allows the store manager to fully control the community owned business.



**Relationship Manager Paddy Stephensen explaining the Money Story
to the Barunga Store Committee**

Case study: Indigenous relationship managers

A key element of the Outback Stores model is the strong emphasis on engagement and long-term relationships. Indigenous Relationship Managers may talk to communities over many months, answering their questions, going through the Money Story, and listening to what the community has to say.

Paddy Stephensen has been a relationship manager since May 2007. He recalls one of the first communities he visited where he went to the former council office to do a presentation during the council meeting. He told the Outback Stores story, using promotional posters as tools.

"The women were on one side and the men on the other, with a divide down the middle, which is the cultural way. You could see that the men were very dominant and they were worried by other issues such as the shire reforms. I was talking about relationships and then I got to the bit about local employment, saying that: 'Outback Stores wants your kids working in the stores'. A few of the ladies had their heads down, listening, not speaking up. When I talked about local jobs, I saw them lift their heads, with a spark of interest. These are the same ladies who got together later and formed a new store in the women's centre.

"What we do is tell the story, give people time to think about it and come back and talk to them again.

"You plant the seed but you have to let it grow by itself. Sometimes, because of the dynamics of the community, it can take a while to germinate but that works because we are under no pressure to get a result.

"Many organisations have the operational expertise to run programs in remote areas but they have time and budget deadlines. We can take the time, walking together, by using an engagement approach.

"I went back a few times to talk to the men on the council. People had started going to another store that was managed by Outback Stores. I moved back to the Top End but eventually the ladies got in touch with the business development team to say that the women wanted us to manage their store in the women's centre.

"The same thing happened in other stores. I talked to the former Anmatjere Council and used a story telling approach. There was a representative there from one community and six or seven weeks later they came back and said, 'we really want you to manage our store'. And that store is now flourishing."

5.1.2 Customer base

The customers served by remote community stores are mostly Indigenous Australians living in remote or very remote Australia. Access to public transport may be limited and few community members have cars. Communities are typified by low literacy and numeracy levels, a high dependence on welfare and limited job prospects. This group of people displays the poorest health statistics with a high incidence of chronic disease, low life expectancy and poor nutrition creating what has been identified by government as a major gap between the lifestyle and expectation of services by Indigenous people and other Australians.

5.1.3 Marketplace and scale economies

People living in cities and rural areas of Australia generally have the choice of two or more professional retail chains with enormous scale efficiency. People living in remote communities mostly have no choice and are served by fragmented community stores each operating in isolation. Other professional retail chains with the scale to service groups of isolated communities include the Arnhem Land Progress Association (ALPA) and Ngaanyatjarra Agencies and Transport Services (NATS) Inc who tend to serve specific regions. An ideal marketplace would give communities a choice between professional retail chains, whereas most have never had the benefits of competitive buying power that people in cities take for granted. However well-intentioned, a sole operator does not have the scalability to operate competitively in a small population centre and turn over the volume of goods required to leverage benefits across the supply chain.

5.1.4 Outback Stores corporate structure

Outback Stores was set up as the product of a working committee which was asked to develop a solution to provide available, affordable, quality food from sustainable stores in remote indigenous communities to help improve health and nutrition. The working group recommended setting up a professional retail management company to apply modern retail technology, policies, procedures and practices to these stores. Outback Stores is a private company with a voluntary board including many of Australia's most experienced senior retailers and professional directors who bring connections, expertise and help without any return to themselves. Outback Stores currently is owned by Indigenous Business Australia (IBA) and backed by government funding. IBA and Outback Stores received a total of \$48 million in government funding to cover start up costs and commercial loans to store businesses that have to be repaid. A further \$29 million received as part of the Federal Intervention was to accelerate take up and support unviable stores in the Northern Territory.

5.1.5 Operating model

Outback Stores was set up to provide sustainable stores to improve the health, economy and employment of Indigenous people in remote communities. Outback

Stores provides professional retail managers who partner with communities to manage their stores.

Our business plan has been developed with cost and effectiveness uppermost in our minds. Its main focus has been the Northern Territory as this has been the area of greatest need, but Outback Stores will gradually expand into areas such as the Kimberleys, Cape York and other remote parts of South Australia, Western Australia and Queensland. By 2013 we hope to be managing 90 of the 150 community stores in remote Australia.

Outback Stores operates on a fee for service basis, with all profits returned to the communities. It is Outback Stores' policy to employ and train Indigenous people in all stores and our store managers work in partnership with community store committees. Our aim is to have local Indigenous people complete the store manager training program in Darwin so they can manage their own stores or work in other Outback Stores partnered communities.

Outback Stores has implemented programs such as the 'Money Story' to teach financial literacy and good governance and is expanding the use of this program to provide feedback to communities on food and tobacco sales.

Our focus is on patient, long-term engagement with communities rather than the pressure of a 'quick fix'.

Key features of our model that individual operators would find hard to meet in a small, remote community are:

- professional retail executive support staff
- nationally accredited fully trained store managers to give the best service to remote stores
- aggregated buying power and retail experience to give communities more affordable goods
- access to the best suppliers, the best food, at the best quality and the best price
- policies and procedures in retail operations to ensure consistent management and controls are in place
- accountability to both the community and the government, which many communities have never experienced before
- quality assurance in price, range and stock management
- a nutrition policy which makes healthy choices easy choices and allows Outback Stores to partner with stakeholders and influence improvements to health in communities
- the support of an internal structure that includes professional human resources, training, legal and IT managers, Indigenous relationship managers, a wellbeing section, regional managers, a merchandising manager and finance section which provides full bookkeeping for stores

- ongoing training and workshops to share ideas and seek advice
- relief store managers to ensure store managers can take a break from their challenging work environment
- back-up during busy periods in communities
- a focus on Indigenous employment and training
- tools such as the Money Story to teach governance and provide feedback to store committees on financial issues.

5.1.6 Challenges with the operating environment

Many aspects of the operating environment present significant challenges. Particular challenges are:

- ensuring quality engagement with communities
- recruitment and retention of suitable staff
- capacity building in remote communities
- the absence of basic retail practices on entry
- extremely poor store infrastructure including store manager housing
- a ubiquitous lack of transparency and accountability with associated poor accounting, financial management and governance
- the harshness of the remote environment impacting on transport and infrastructure
- extremely low compliance with regulatory requirements.

Most importantly there are a significant number of barriers to entry into the market which must be overcome by Outback Stores. These include vested interests and gate-keepers in communities; arrangements between stores and other key players, for example contracts with suppliers; land-tenure restrictions on the entry of new players; poor store governance and misinformation and poor understanding of options available to residents. Food is an essential service and should be accorded the same priority as policing, health and education.

Case Study

Outback Stores recently took over the management of a new store in a community's own Women's Centre. Senior strong women worked with the Women's Centre coordinator, Government Business Manager, and FaHCSIA to ensure access to healthy and affordable food. Many had taken to shopping at another Outback store, 160 kilometres away, and wanted a similar store in their community.

FaHCSIA provided \$250,000 to fit out the new store in the Women's Centre, half of which is now devoted to a community store run in partnership with Outback Stores, which lent some money to help get the store on its feet. Since it began trading in July, this store has been turning over between \$40,000 and \$55,000 a week and more than 400 people have signed up for income management through the store.

There are two other stores in the community but neither had wanted to become licensed to receive income managed funds. As most people in the community have half their welfare payments quarantined to be spent through income management, this caused severe hardship in the community. The profits of the new store will be returned to the community.

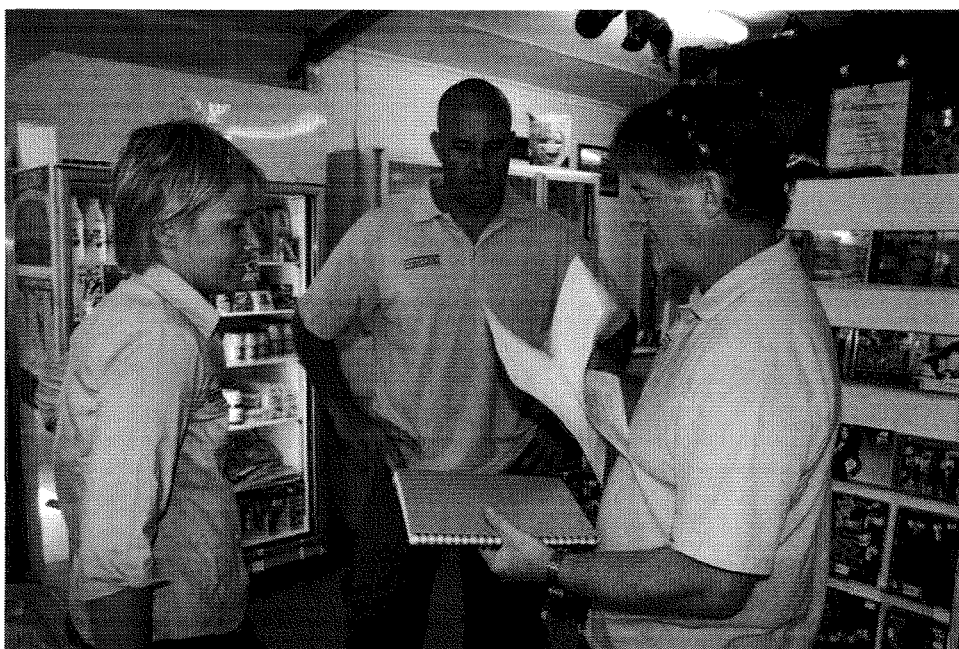
"It is really good to have the store. It has lots of fresh fruit and vegies. It is good for kids to get healthy food. All of the community shop in the store.

"The community's Women's Centre has fought really hard to get the store and we are happy working with Outback Stores." (Chairperson, Store Committee)

5.2 Goals of Outback Stores

Outback Stores has four key goals:

1. To ensure remote communities have access to reliable and affordable food supplies, in the same way that people in cities and rural communities can buy food in a supermarket;
2. To provide fresh fruit, vegetables and nutritious food to improve the health of people living in remote communities;
3. To ensure stores are properly managed and become commercially viable, so they don't need any more government money;
4. To increase indigenous employment opportunities through local recruitment and training.



Jilkminggan

Better times in store



In mid-2008 people from Jilkminggan who wanted to buy food for their families had to travel 300 kilometres to the nearby town of Katherine and back.

The store had been managed by a private company which paid annual rental to the community in return for managing the store. The community store was in a dark, dirty and hot tin shed, most of the stock was not suitable for sale, and the limited food items were expensive.

An environmental health inspection revealed multiple issues that needed to be resolved including sealing the walls, floor and ceiling from dirt and dust, concealing electrical pipes and wiring, providing a hand basin with hot and cold running water, and providing correct shelving for displaying food. There was no air-conditioning and no controls for dust or vermin.

The store manager lived in a single room, where an office would be located, and the business owner was reluctant to leave, which would suggest that the store had been a profitable venture.

The Dungalan Aboriginal Association decided it needed to improve this situation and asked Outback Stores for help.

With help from its Government Business Manager and FaHCSIA, the committee received \$160,000 from the Flexible Funding Pool under the NT Emergency Response. The store was refurbished and a bus operated twice a day into Mataranka for the seven weeks the store was closed.

In November, the community celebrated the reopening of its store with a barbecue attended by NTER Operational Commander Major General Dave Chalmers, who said the store had been transformed from one of the worst he had seen to a community asset that was a "real credit to the community".

Store committee chairman, Robert Smiler, said: "The old store was no good, no good tucker, but now there is a lot of good food, fruit and veg and meat."

Sales at Jilkminggan have increased from \$13,000 to \$24,000 a week and the variety of goods sold has increased substantially.

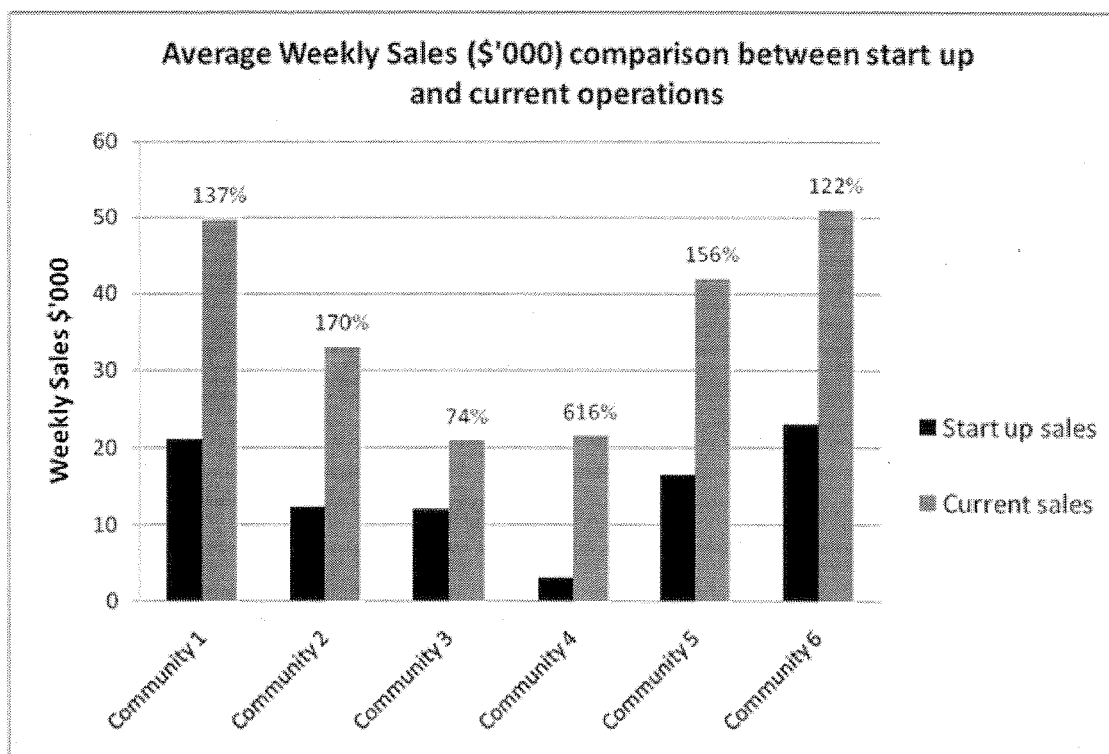
5.3 Our history

1. Outback Stores was set up in November 2006.
2. Initially government funding was provided to cover start up costs of \$8 million in IBA and Outback Stores and to make commercial loans for store improvements of \$40 million.
3. An additional \$29 million in Northern Territory Emergency Response funding was provided to accelerate store growth in the NT.
4. Outback Stores is a private company. It is owned by Indigenous Business Australia (IBA) but is soon moving to FaHCSIA.
5. Currently Outback Stores has 27 stores under management and employs 101 indigenous store staff. We are about to get the first Indigenous intake (three people) in our store managers course and will shortly run our first accredited training course for seven Indigenous store staff in their own community.

5.4 Progress

- Outback Stores is contributing to closing the gap where the greatest need exists, which is indigenous people living in remote and very remote communities.
- Across all Outback Stores managed stores, fruit and vegetable sales have increased by 58% in the first half of the 2009 financial year from 4.9% of food and tobacco sales to 7.74%. In Wallace Rockhole the increase is from 4% to 12% of food and tobacco sales, while Canteen Creek has increased to 14%. Our target is 10% for all stores by December 2009.
- Outback Stores has spent \$10.7 million of its funding as at the end of September 2008.
- We have grown our product range in most stores from about 200 to over 1000 lines.
- We generally increase sales by 150% - 400% when taking over stores, for example weekly sales at Imanpa have grown from \$3000 to \$30,000 in two years and takeaway food is an average 5% of sales.
- We provide affordable foods through:
 - central buying of core lines
 - eliminating corruption and humbug at store level
 - strong margin control and the reduction of waste
 - lower mark-up on key items such as fruit and vegetables, baby foods and basic food items
 - negotiated cost prices from wholesalers.
- We increase healthy food sales through
 - cutting edge nutrition strategy embracing a variety of approaches to promote the purchase and use of healthy food
 - ensuring healthy core foods are well-represented in the core range to meet all population needs
 - discouraging the display or promotion of tobacco and confectionary

- in-store promotion of fruit and vegetables
 - linking nutritional strategies with other service providers in the community such as the school breakfast and lunch programs
 - ensuring a range of baby food and health hardware¹ to help mothering and infants
 - working with communities, industry and manufacturers to enhance nutritional composition of products
 - implementing industry standards for remote community stores.
- We reduce store losses and generate profits for the community.
 - We provide income management for community stores.



¹ Health hardware refers to any item that supports healthy living, including personal hygiene products (toothbrushes, toilet paper and shampoo), personal care and basic personal items (sunglasses, footwear) household and home care items (towels, mattresses washing powder, brooms), resources for preparing and eating meals, large resources for storing and preparing food, household cleaning products and equipment, child health (nappies) and white goods (fridges, freezers, stoves, washing machines).

Beswick

When Outback Stores staff first visited Beswick, a community of 350 people, the store was filthy, the shelves were empty and an adjacent takeaway did not meet environmental health standards.

The building is on low ground and floods every year. The manager's house was beyond economic repair.

When investigated by FaHCSIA as part of the store licensing program, the store was found to be insolvent and its ability to provide income managed sales was in jeopardy.

The store was placed under administration, with community members travelling by bus to another store.

The store committee had two options: to close the store and pay some of the debts or to go into administration and pay off all the debts. It chose the latter and came under Outback Stores management. Sales have increased from \$35,000 to \$55,000 a week.

The issue of housing is still problematic. The community designated a house for the store manager, but it is community housing and does not belong to the store. The store building is also an issue. Because it is flood-prone, the store has its own boat and all stock is placed on shelving a metre above the floor during the wet season.

5.5 Our plans

Outback Stores will continue to grow to better serve remote communities. Our aims are:

- to grow to between 30 and 40 stores serving 20,000 people by June 2009 and 80 to 100 stores serving 50,000 people by 2013
- approach food security by servicing discrete communities with a hub and spoke approach
- employ 110-130 Indigenous store staff by June 2009 and between 250 and 300 by 2012
- grow the proportion of healthy and nutritious food
- reach break-even so we can reduce our fees.

5.6 Key challenges

- Outback Stores management is dependent on establishing good relationships and being invited in to communities. It has proven far more time and resource intensive than expected to reach an agreement with communities to proceed.
- In many communities we are managing stores that have been literally ruined by mismanagement and, in many cases, corruption. We will not take on responsibility for past debt and resolving these issues is not easy.

- Some stores have complex ownership structures controlled by individuals or private companies. We insist on stores having transparent community ownership.
- The infrastructure of most stores presently offered to Outback Stores is beyond our means to address, although we do invest or provide loans for things such as shelving and store equipment.
- Of Australia's population, 90,000 to 110,000 of its most disadvantaged people live in 1200 communities in remote or very remote areas. This is our target audience but many live in such small communities that it is not feasible to set up stores in all of them. So we try to reach the largest number of people with the funds we have. This means many small communities still have no food security. Government faces the policy dilemma of how to meet the obligation of providing food security to the 20,000 or so people who live in more than 1000 of the smallest remote communities while ensuring the greatest return on government expenditure in remote regions. Providing services to small communities, such as outstations, is beyond our scope and budget. Solutions may be possible, however, by building strong regional centres with the necessary store and managers housing infrastructure. This would provide economies of scale and management expertise to either deliver supplies to smaller communities or attract people in for shopping, along with service delivery by regional schools, health clinics and police stations (the model being applied in Ti Tree and which, we would suggest, would make a major difference to towns such as Halls Creek).

5.7 Our contribution to 'closing the gap'

A functional and healthy community requires the five building blocks of

- safety
- housing
- education,
- medical services and
- a secure supply of nutritious food.

Without these building blocks, people move away to escape and find better service delivery. When the building blocks are strong, the priorities of a community shift from welfare dependence and basic survival to doing well at school, building strong communities, and engaging in economic and enterprise development.

Outback Stores makes a significant contribution to these stable building blocks. For example, when Outback Stores was asked to take over the management of Nyirripi, the store was run down and not functioning properly. Now, through a strong

partnership with Outback Stores, the community has a busy and well-stocked store and proper financial controls, the local health clinic reports a significant improvement in health outcomes and the store is trading so strongly that it inspired the women of Yuendumu to seek their own store run by Outback Stores. In other communities, such as Imanpa, families had moved away because of poor food security.

Outback Stores wants to create strong, commercially operated stores that are the hub of a community's social and economic life, employing local people, and contributing to strong regional service centres, healthy lifestyles, and better governance.

We support the key goal of 'closing the gap', namely that 90% of Indigenous families can access a healthy food basket for a cost of less than 25% of available income, with improved health indicators such as life expectancy, chronic disease and child health.

Our contribution to 'closing the gap' is:

Early childhood	<p>an uninterrupted supply of nutritious foods necessary to give children the best start in life</p> <p>policies which support breastfeeding</p> <p>supply health hardware² and clothing to support maternal and child health</p>
Schooling	<p>partnering key providers to improve the quality of school breakfast and lunch programs</p> <p>creating a strong link between the stores and schools to promote healthy eating patterns</p>
Health	<p>cutting edge nutrition strategy embracing a variety of strategies to ensure access to and promotion of healthy food and drinks</p> <p>improved access to a core range of quality fresh fruit and vegetables at a good price, resulting in a 58% increase in fruit and vegetable sales</p> <p>a range of grocery and convenience/takeaway foods which meets industry legislation and best practise standards, ensuring a food supply which meets needs across all life</p>

² Health hardware refers to any item that supports healthy living, including personal hygiene products (toothbrushes, toilet paper and shampoo), personal care and basic personal items (sunglasses, footwear) household and home care items (towels, mattresses washing powder, brooms), resources for preparing and eating meals, large resources for storing and preparing food, household cleaning products and equipment, child health (nappies) and white goods (fridges, freezers, stoves, washing machines).

	<p>stages</p> <p>ensuring tobacco products are not displayed</p> <p>discouraging the display of confectionery</p> <p>promoting healthy lines such as fresh fruit and vegetables and limiting the display and promotion of less healthy lines such as confectionery</p> <p>food safety program in all stores and takeaways</p> <p>measuring and reporting to communities, Outback Stores and relevant partners on nutrition indicators known to have a significant impact on health outcomes</p>
Economic participation	<p>large employer of indigenous people (currently 101 store employees)</p> <p>training and development programs for indigenous staff</p> <p>sustainable stores returning profits to the community</p>
Healthy home	<p>supply of children's and adult clothing</p> <p>supply of bedding and Manchester</p> <p>supply the resources to promote household food security including household appliances and cooking and eating equipment</p> <p>supply personal care and basic health items</p> <p>partner with providers in communities to promote household food security</p>
Governance and leadership	<p>a governance structure which ensures the company and individual stores have compliant and sustainable business frameworks in place</p> <p>partnering with communities so stores can eventually be run commercially by the community</p> <p>ensure transparent legal entities</p> <p>store committees work closely with qualified trainers and managers</p> <p>routinely communicate business reporting through the 'Money Story' to improve financial capacity and increased ownership of the store by the committee</p>

SECTION TWO

RESPONSE TO TERMS OF REFERENCE



Barunga store



6. TERMS OF REFERENCE 1: Food supply, quality, cost and competition issues

Key points:

- Food is an essential service just like policing, health and education
- Poor performance has survived in remote stores for decades because of the fragmented and small market, mismanagement and vested interests. This often led to people leaving communities
- Remote communities have never had the benefits of competitive buying power, which people in cities take for granted. Outback Stores uses its aggregated buying power and retail experience to create clusters of stores that gives communities access to the best suppliers, the best food, at the best quality and the best price, effectively returning power to communities
- Individual store managers don't have the power and expertise to implement food safety programs, stock control, supplier assurance programs and supply chain management or to insist on refunds for sub-standard goods
- We have created many new opportunities for regional suppliers who are competitive, who share our values and who have the interests of communities at heart. Our focus is on making a difference to the lives of remote communities who previously had no choice

6.1 Food is an essential service just like policing, health and education

Access to affordable, reliable, quality food supplies is a fundamental right that for too long has been the exception rather than the rule in remote communities.

Running a community store is hard work, with many stores constrained by the cost of remote logistics, a demanding climate and poor infrastructure for the retail store and the managers housing, the difficulties of trying to make ends meet and problems finding experienced and trustworthy staff willing to live in small isolated communities.

We believe food security is too important to leave to the fickle fortunes of inexperience and management pot luck.

A key issue for community stores is that the marketplace has been fragmented and dependent on a range of small operators offering the equivalent range and services of a corner store or roadhouse, when other Australians have the choice of efficient large chain or banner supermarkets, specialist food stores, restaurants and markets.

The issue is compounded by the challenges and costs of remote infrastructure and logistics, the amateurish and sometimes incompetent or fraudulent management of many stores, and the fact that most people in communities are on welfare. Ownership of private vehicles is low and many communities have little or no public transport. Typically, we find that non-Indigenous public servants have the option of shopping in regional centres while those who can least afford it are left to the mercy of high prices, poor service and limited range of their community store. In some cases, this has led to an exodus of people from the community.

We believe food security is too important to leave to the fickle fortunes of inexperience and management pot luck.

Outback Stores provides reliable, quality food supplies by drawing on its retail knowledge and experience, partnering with communities, having clear standards, capitalising on its strong buying power, and focusing on delivering social and economic outcomes to our key stakeholders: Indigenous people living in remote parts of Australia.

6.2 Poor performance has survived in remote stores for decades because of the fragmented and small market, mismanagement and vested interests. This often led to people leaving communities.

In 2006, ABC's *Four Corners* Program reported on the small community of Imanpa in Central Australia. At the time, the store was \$120,000 in debt, its shelves were almost bare, the fridge kept breaking down, the store was subject to regular break-ins, theft and 'book up' were further undermining its financial position, suppliers had cut credit, the nearest store was 200 kilometres away and people were leaving. "It's time to ask the hard question," said reporter Liz Jackson. "Do communities like this have a future?"

Two years on, the answer is yes, they do. The *Four Corners* program was a catalyst for positive change. It inspired a group of senior retailers to get together and apply their expertise to making a real difference in remote communities. With support from the Federal Government, Outback Stores was set up to manage remote stores on behalf of communities based on a hybrid of social and commercial imperatives.

Imanpa was one of the first stores to invite us in. It wasn't easy. The store is tiny, it was in disrepair, there was little food and empty freezers, there were tensions in the community and the debts were crippling. But there were also strong women who wanted us to succeed. At first we turned over about \$3000 a week. Slowly we increased the range of goods sold from 150 to 1000 lines. We worked with the community to provide healthy food and special items such as kangaroo tails and warm desert clothes in the winter. The community repainted the store and the break-ins stopped. The store opened reliable hours with well-trained Outback Stores managers. During the eight weeks to the end of January 2009, we turned over about \$30,000 a week, people have moved back to the community and the

community has developed a replacement strategy for a \$900,000 store with funding from the Central Land Council and shire.

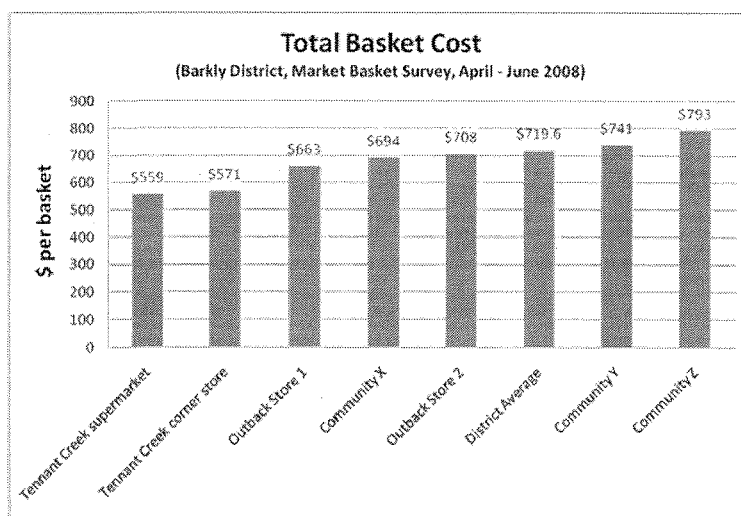
6.3 Remote communities have never had the benefits of competitive buying power, which people in cities take for granted. Outback Stores uses its aggregated buying power and retail experience to create clusters of stores that gives communities access to the best suppliers, the best food, at the best quality and the best price, effectively returning power to communities.

We built on our success, moving to other Central Desert stores like Nyirripi, Yuendumu, Wallace Rockhole and Engawala. Slowly we built up clusters of stores in the Barkly, like Canteen Creek, Ali Curung, Epenarra, and Willowra and around Katherine, like Bulman, Beswick, Barunga, Manyallaluk and Jilkminggan, as well as Balgo and Ringers Soak in Western Australia.

That gives us buying power that our merchandising manager can use on behalf of communities to negotiate good deals with suppliers. The bigger the volume, the better the deal.

We are replacing a fragmented system of ad hoc and transient management with properly managed stores with a core range of goods, a focus on increasing sales of fruit and vegetables, good support systems and professional logistics and supply chain management.

Further endorsement is found in results of the independent market basket survey conducted by the Northern Territory Department of Health and Families Nutrition and Physical Activity Program in the Barkley region in 2007. The survey compares a number of stores based on the price of a standard basket of groceries, range of fruit and vegetables on sale, and the number of Indigenous staff. Of seven stores in the region, Canteen Creek was the cheapest apart from the Tennant Creek supermarket and corner store and had the best range of fruit and vegetables and the highest number of Indigenous staff.



6.4 Individual store managers don't have the power and expertise to implement food safety programs, stock control, supplier assurance programs and supply chain management or to insist on refunds for sub-standard goods

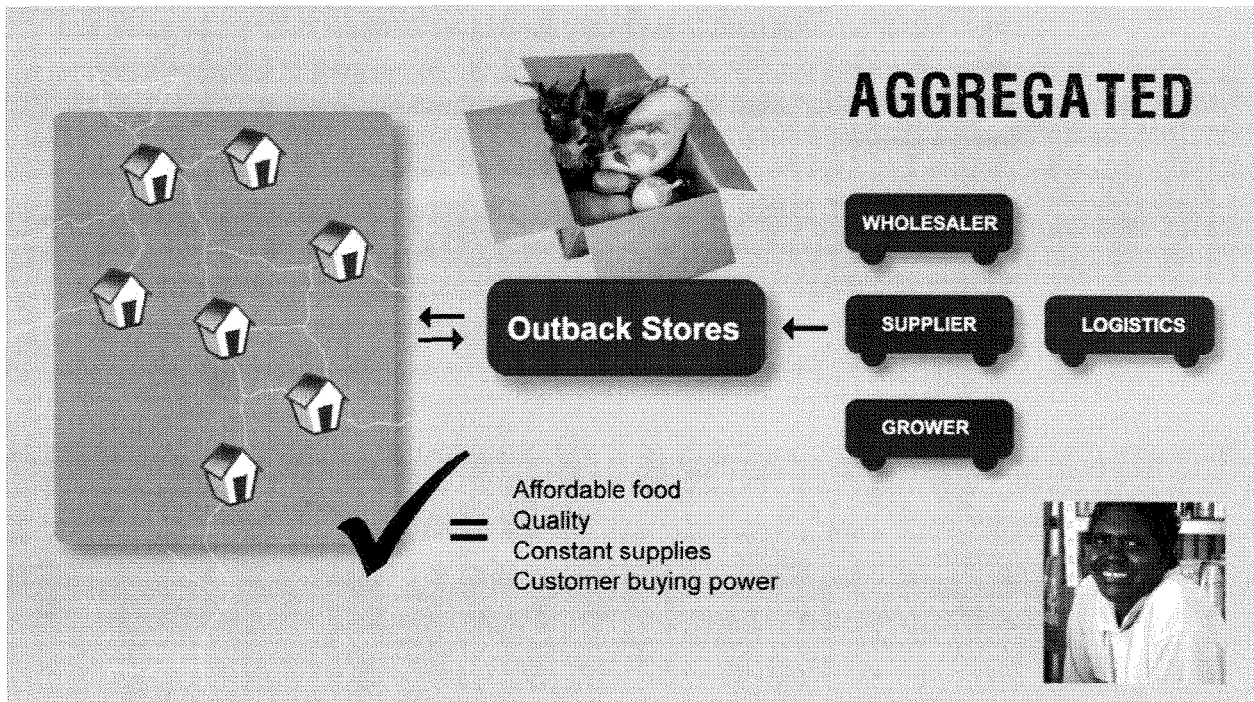
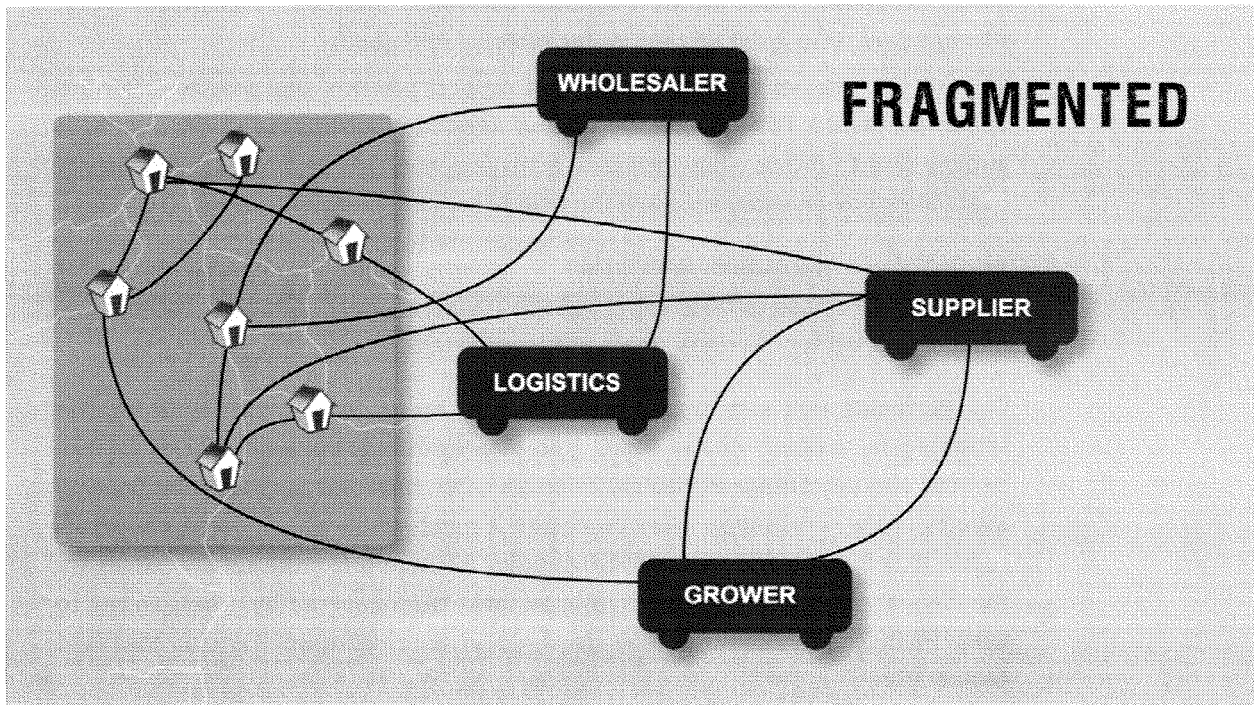
We use our retail expertise to implement support systems and policies to ensure quality standards. For too long, stores have been sent out of date stock, fatty meat and the worst off-cuts while individual managers, however well-intentioned, lacked negotiating power, experience and the time to bargain for better quality.

As part of our negotiations with suppliers, we insist on quality produce at the best prices and we refuse to take delivery of sub-standard goods. We don't accept huge mark-ups - whether it is rump steaks or kangaroo tails.

Our Wellbeing Unit sets standards in the core range, for example limits on the saturated fat content of key foods, and in prepared foods with policies on the content and percentage of healthy offerings. Our food safety officer examines all aspects of the food supply chain to ensure it meets national standards, from cool rooms to refrigerated trucks and refrigerators, kitchens and store rooms. Gone are the days of supplies being delivered in an open truck covered by a hessian rag to keep them cool. Food must be delivered in a refrigerated truck at the right temperature.

One of the biggest causes of waste in small stores is poor stock control. One store we took over had recently thrown out \$9000 worth of out of date goods. We find meat in freezers that has turned green, perishables well past their use by dates, and weevil-infested flour lost at the back of shelves. A key part of our store manager training is proper stock control to keep stock moving, maximise cash flow and reduce waste.

Internal stores assets are also frequently unsatisfactory, with unacceptable refrigeration and no funding to replace assets. This is a health and safety issue for anyone who shops in the store. Food safety depends on proper refrigeration, while poor shelving has an impact on environmental health and the store's ability to display a reasonable range of goods.



Case study

In many cases, the stores we take over are in poor condition, not 'fit for purpose', affected by the extreme environment (flooding, heat, dust), the buildings are old and have been subjected to piecemeal repairs by a succession of trades people over the years which is just sufficient to keep the stores operating.

We were asked to provide relief management to Bulman store where the store manager had left, leaving no one in the community to run the store. Storage was poor, there were safety risks from inadequate light, and the store had cash flow issues so no supplier would deliver food. The store committee resolved to go into administration, which allowed it to pay back creditors, and create a new corporation. There was no money left to improve store infrastructure.

The committee is very supportive of Outback Stores, the store is now trading above expectations catering to other local communities, tourists and contractors, and will eventually be able to reinvest profits in improved store infrastructure.

6.5 We have created many new opportunities for regional suppliers who are competitive, who share our values and who have the interests of communities at heart. Our focus is on making a difference to the lives of remote communities who previously had no choice.

There is no model quite like Outback Stores. We operate in partnership with communities to manage and build sustainable stores and represent their interests to ensure reliable supplies of affordable, quality food. We charge a fee for service in order to break even, rather than to make a profit, and pass the savings back to the consumer.

Similarly, we partner with suppliers who have the same values as us. Not everyone fits this bill, and some displaced suppliers have complained to government that we are a monopoly. We are simply giving communities choice that people in big cities take for granted.

We are breaking down fragmented markets where consumers had no power, store managers worked in isolation, and isolated freight services were inefficient. Through aggregation, we are linking consumers and creating a more efficient marketplace where suppliers have to be competitive. We are delivering competition at the regional level through good quality suppliers who have the capacity to deliver on service outcomes to the consumer.

We have shifted the balance of power from wholesalers and retailers to the consumer so they have the same access as people in cities to the best quality, cost

and range of supplies. We are returning decision-making power to store committees.

We are creating competition because we believe all Australians have the right to get not only the best possible cost but the best possible quality and range. A good example is Yuendumu, where there are now three stores, with considerably reduced prices as a result of the competition from Outback Stores.

Outback Stores essentially is providing the same retail structure, support and outcomes that Woolworths, Coles and the IGA franchise banner provide to their retail or membership stores. However Outback Stores doesn't own the stores but provides managers and management services to make the stores sustainable. The community still owns its store and decides on store re-investment or distribution of profits.

Outback Stores gets the best price through aggregated buying power to purchase our core grocery lines through Independent Grocers Darwin and Alice Springs branches. However, we purchase all fresh fruit and vegetables, meat, bread and other specialist goods from regional suppliers in Darwin, Katherine, Tennant Creek and Alice Springs. We look for suppliers who share our values and who can provide quality goods and services.



Case study

Central Fruit and Vegetable Wholesalers – Alice Springs

Central Fruit and Vegetable Wholesalers in Alice Springs is owned by Haydn Rodda and Murray McCosker, who bought the business three years ago. In that time they have gone from operating out of fairly dilapidated buildings to new, purpose-built premises last June.

Haydn and Murray have been working with Outback Stores – their biggest customer – for about two years, and employ about 16 people. They share with Outback Stores an appreciation of quality and a commitment to provide healthy foods in line with the Outback Stores mission.

“Where Haydn and I have been very strong is that quality and service is absolutely paramount for us and we changed the way things had been done in this town over a lot of years,” says Murray.

“Once everybody used to get two loads a week, but we started bringing supplies in five days a week. We are getting better quality product out of the markets and we don’t focus just on price, we focus on quality.”

“Knowing the area – I’ve been in Alice 30-odd years now – and knowing where a lot of this stuff has to go to and how it gets transported out and the handling of it, you know you’ve got to have the premium so it’s going to travel. So it has turned out that we have a very good working relationship with Outback Stores.”

“At the end of the day, if we’ve helped achieve something that hasn’t been achieved in the last 30, 40 or 50 years then obviously it’s got to make you feel damn good about it.”

“Central Fruit and Vegetables is incredibly supportive of what we’re doing, nothing is too much trouble. They go out of their way to help and take so much care with their produce it is quite amazing,” says Outback Stores Merchandise Manager James Thom.

7. TERMS OF REFERENCE 2: The effectiveness of the Outback Stores model and other private, public and community store models.

Key points:

- Unlike all other store management models, Outback Stores does not have to provide returns for owners or shareholders, but works on a fee for service basis, provides centralised support services, and returns all profits to the communities.
- Outback Stores creates connections between communities and is the bridge to proper retail practices, training and support services.
- Our goal is to build community capacity with fit for purpose retail stores and by building long-term relationships that are not based on a quick return. Rather we will use engagement (through relationship managers), partnerships (through store committees) and empowerment (using the Money Story to teach governance and financial management)
- The Outback Stores model is working. Many community stores previously considered a 'basket case', insolvent, threadbare and dysfunctional, are now thriving, profitable and offering a full range of healthy foods. This has provided jobs, built individual and community capacity and created community pride.
- Outback Stores was set up as the outcome of a working group which was asked to create a solution to providing available, affordable, quality food from sustainable stores to improve health in remote Indigenous communities. It was agreed to set up a private company with a voluntary board including many of Australia's most experienced senior retailers and professional directors who bring connections, expertise and help without any thought of return.
- IBA and Outback Stores received a total of \$48 million in government funding with \$8m to cover start up costs and \$40m in preserved capital for commercial loans to store businesses that have to be repaid. A further \$29 million received later as part of the Federal Intervention was to accelerate take on and support unviable stores in the Northern Territory.
- Outback Stores often finds communities where the store building is not fit for purpose and beyond economic repair, there is no store manager's house and there are no communication connections and basic infrastructure. The key items that people in cities can take for granted when establishing a business, are missing.

7.1 Unlike all other store management models, Outback Stores does not have to provide returns for owners or shareholders, but works on a fee for service basis, provides centralised support services, and returns all profits to the communities.

Outback Stores has a charter that combines commercial and social imperatives. Our core charter is to provide food security to remote Aboriginal communities in Western Australia, South Australia, the Northern Territory and Queensland, as far afield as Cape York.

Our commercial outcomes are to create sustainable, self-funded stores, employing and training Indigenous people and improving the management and governance skills of the community.

Our social outcomes include a focus on emotional and physical wellbeing.

The elements of the Outback Stores business model are:

- taking on clusters of stores to provide economies of scale and greater efficiencies
- prioritising regions with the most need, being those where there is poor health, a poor economy and low food security
- centralised buying of a core range of goods, currently through Independent Grocers of Australia, supplemented by local regionalised services (such as transport) and supplies (such as meat, fruit and vegetables)
- efficient and cost-effective centralised support services (that are not available to sole operators), such as IT, HR, training, accounting, business planning, policy and procedure manuals and training.

7.2 Outback Stores creates connections between communities and is the bridge to proper retail practices, training and support services

By linking communities, we create aggregated buying power. By incorporating communities into our centralised support services such as IT, HR, accounting, policies and standards we can provide jobs and training to local Indigenous people and ensure stores benefit from our retail expertise.

Previously these stores were dependent on the variable retail skills of store managers who were often operating alone and without relief. With a high management turnover in some stores, the calibre of store managers fluctuated, along with the community's food security. There was no consistency of service or management skills in areas such as stock ordering, cash handling and bookkeeping. The responsibilities of running a store, compounded by the challenges of remote logistics, can be overwhelming for someone operating without professional support.

Remoteness is a real issue and store managers can become isolated from both social and professional support. In one store taken over by Outback Stores, the manager was dedicated and had been trying to do the right thing by the community. However, the store had only 200 lines of goods, no fresh fruit and vegetables on display, the store manager had not been able to take a holiday for several years, there was little community involvement in the store, and community members were driving several hours to other communities to

shop and use the takeaway. This store now stocks 800 grocery lines, 150 dairy/freezer lines and 40 fruit and vegetable lines. It has a nutrition policy and trades six days a week rather than the previous erratic opening hours. The takeaway has healthy and nutritious meals and other communities now visit to buy grocery items at good prices.

We have extensive support systems, policies and procedures including IT, HR, a merchandising team, business development team to conduct due diligence on all new stores, centralised accounting, a wellbeing team, and food safety and fresh produce manuals. We have regional managers to ensure compliance with pricing policies, quality standards, licensing, and insurance. Our senior management and voluntary board have extensive experience of retail management with major supermarkets such as Coles, Woolworths and ALPA. Regional managers and relief store managers provide a support network and relief to store managers so they can take leave, take a break from their challenging work environment, get back-up at busy periods such as festivals, seek advice, and share ideas.

Outback Stores brings a professional retail model that is all-encompassing: from engagement with communities to providing compulsory and accredited training to all store managers.

7.3 Our goal is to build community capacity with fit for purpose retail stores and by building long-term relationships that are not based on a quick return. Rather we will use engagement (through relationship managers), partnerships (through store committees) and empowerment (using the Money Story to teach governance and financial management)

Key elements of the Outback Stores model are capacity building, governance, engagement and empowerment.

Initially, we engage with communities through our relationship managers, to explain how we operate, our rules and the benefits of joining our network. Our model is based on long-term relationships and patience, rather than expecting immediate results.

Once we have a management agreement in place, we work with store committees to build community governance, using tools such as the Money Story to explain financial management, profit and loss, the cost of operating stores and compliance with insurance, tax and regulations covering the operation of stores.

We work with communities to recruit and train Indigenous staff, seek advice on what goods and services communities would like in their store, discuss sales trends and the impact of healthy food sales, and build community capacity so eventually the stores will be self-funded and operated by an empowered community.

A lack of capacity and experience in administration and governance is a critical issue for many communities. Community stores are often run as community corporations or organisations. This means the store committee or directors are left to provide guidance to the store manager about financial, governance and employment issues. If the directors do

not have the capacity to provide direction to the store manager, they may seek advice from other community enterprises or councils that have little or no retail knowledge.

Where stores are part of the community's assets, they can be used to prop up other unprofitable community enterprises. This is acceptable if it is transparent, but when business interests are confused in a number of community and other enterprises where money is changing hands, the store often loses out. Outback Stores has clear cash handling and accounting processes to help eliminate the loss (or theft) of cash from stores. In some cases, there is little or no record-keeping, stores don't have the appropriate licences and may not have paid GST. The store committee may have been sheltered by its accountant and be unaware of the size of creditors and debts at the store, a problem Outback Stores tries to overcome through use of the Money Story. In some communities, because of historic practices, there is an expectation of payments or provision of free goods.

When Outback Stores began to manage one store, the community was directed by a community council Chief Executive Officer and it was unclear where one corporation ended and the other started. Although different community corporations may have the same directors, it is important that each business is treated separately and funds are not transferred between them without clear documentation.

Outback Stores has clear guidelines for store committees including a shared vision for the store, how profits will be distributed, partnerships with community associations and training for employees.

7.4 The Outback Stores model is working. Many community stores previously considered a 'basket case', insolvent, threadbare and dysfunctional, are now thriving, profitable and offering a full range of healthy foods. This has provided jobs, built individual and community capacity and created community pride.

The best way to illustrate our achievements is by example of the transformation of stores that have come under our management.

In almost every case, where Outback Stores has been asked to take over a community store, it is because of issues such as insolvency, poor service and even corruption. Many of these issues come to light when stores seek income management licensing from FaHCSIA and the size of store debt is revealed. This can be caused by uncompetitive supply lines, mismanagement and poor governance and the crushing debt which make it hard for community stores to make ends meet. When managed by Outback Stores, the same stores are often profitable and can stand alone with the correct management systems in place.

When a store has solvency issues the owners (usually the community represented by a committee) needs to consider options for trading out of debt. Even if the store is potentially viable, the wrong management can lead to 'boom and bust' trading. By providing improved buying prices consistent policies and procedures, independent of store managers, community stores can maintain food security and potentially a profit for the community.

In one recent example, a store manager left the community suddenly, leaving the store without either a manager or stock. There was no bookkeeping and no record of what bills had been paid. The store was taking less than \$20,000 a week in a community of about 200 people. There was no money left in the business and the value of assets was insufficient to pay its debts. The store committee opted to go into administration. Outback Stores lent the new corporation money to start trading and the new store takes \$45,000 a week. Store Managers have worked closely with the community to transform the store, which now attracts customers from other communities.

Another community was trying to operate a store burdened by historical debt. Community members were trying to run the store, but had limited retail knowledge. Cash flow problems meant the store could not buy new stock. Administrators were appointed and the store committee decided to trade out of debt. Outback Stores has taken over the management, the store is paying back its suppliers, and proper store policies and procedures have transformed the store.

In other cases, stores have become a target for people seeking power in the community or outsiders looking to make a profit at the community's expense. In one case, due to community politics, a second private store was competing with the community's store. This store sold limited groceries at weekends but the committee members did not want to ask for the community store to open at weekends in competition to the new store, which meant people went without essential supplies.

This can be caused by uncompetitive supply lines, mismanagement and poor governance and the crushing debt which make it hard for community stores to make ends meet. When managed by Outback Stores, the same stores are often profitable and can stand alone with the correct management systems in place.

- 7.5 Outback Stores was set up as the outcome of a working group which was asked to create a solution to providing available, affordable, quality food from sustainable stores to improve health in remote Indigenous communities. It was agreed to set up a private company with a voluntary board including many of Australia's most experienced senior retailers and professional directors who bring connections, expertise and help without any thought of return.**

Outback Stores was set up after a working committee was established to look at solutions to providing available, affordable, quality food from sustainable stores to improve health and nutrition in remote communities. The working committee consisted of many senior retailers from companies such as Coles and Woolworths, who wanted to apply their retail skills and connections to making a difference in remote communities. Some of the same retailers now sit on the Outback Stores board. Board members get no commercial advantage because Outback Stores does not source supplies from these big retail chains.

The benefits of having these retailers involved is that board members are able to provide practical support, such as sourcing free racking or specific advice on sourcing specialist services such as logistics, buying and retail information technology solutions.

7.6 IBA and Outback Stores received a total of \$48 million in government funding with \$8m to cover start up costs and \$40m for commercial loans to store businesses that have to be repaid. A further \$29 million received later as part of the Federal Intervention was to support unviable stores in the Northern Territory.

Under the Intervention, stores had to be licensed as part of the income management policy and Outback Stores was invited into many new communities, often in partnership with FaHCSIA when audits found stores were insolvent or dysfunctional. We received an additional \$29 million to accelerate service provision in the NT and to provide underpinning to some unviable stores in the Northern Territory.

Government funding was given to Outback Stores as 'start up' funding. Our role is to become self-funding and to act as managers and coordinators of a network of what will ultimately become community enterprises, owned and operated by Indigenous communities.

A stable population of 150 – 200 people is required to run a commercially viable store where all its operating costs can be recovered from reasonable selling prices. We are currently operating unviable stores in seven small communities of fewer than 150 people where we are supporting other government initiatives and we are contributing up to \$160,000 a year per store to cover the operating losses. We have funding to cover 10 unviable stores in the Northern Territory until 2011. We estimate there are 3000 people living in 20 small communities.

We believe the best solution is to create clusters of stores, that increases the chance of them becoming commercially viable, or to develop a hub and spoke system whereby we set up a strong central store in a larger community, such as Ti Tree, that can deliver bush orders or outreach services to smaller communities, for example through regular bus services.

It should be acknowledged that the definition of 'viability' is fluid, both because of the mobility of populations in remote areas and because good and stable management has a significant influence on commercial viability.

Imanpa appeared to be unviable when we took over the store there after a Four Corners program exposed how dysfunctional the community had become. The store has gone from turning over \$3000 a week to \$30,000 a week (in the past eight weeks) and is now a viable store that can operate without subsidies.

Manyallaluk is a small community that could, on its own, be deemed unviable. However, it is close to other communities such as Barunga and Bulman, which provides supply chain efficiencies, and the community has shown an innovative approach to working closely with a tourism operator. This will increase turnover and potentially create a viable commercial community enterprise.

The dilemma of unviable stores remains, however. The Northern Territory received \$29 million under the Northern Territory Emergency Response to help accelerate take up, improve store facilities and underpin unviable stores, a subsidy that is not available in other states.

It is likely that there will always be a small number of unviable stores in remote parts of the country. Given that food security is critical to the survival of these stores, government policy development is required to determine what level of service they should receive, at what cost and how this should be funded.

Above all, through its strong engagement model, Outback Stores partners with committees. Our Indigenous relationship managers work with communities to explain how we operate and our rules. Store committees cannot tell us how to operate, but they have considerable say on store managers (we have removed some managers at the request of communities), regularly make suggestions on goods they would like to see in the store, and help determine how profits should be distributed (for store equipment or community projects).

The relationship managers report back to the store committees, using the Money Story (developed by Alice Springs company Little Fish) to explain profit and loss, how the store is going, its costs and sales trends.

7.7 Outback Stores often finds communities where the store building is not fit for purpose and beyond economic repair, there is no store manager's house and there are no communication connections and basic infrastructure. The key items that people in cities can take for granted when establishing a business, are missing.

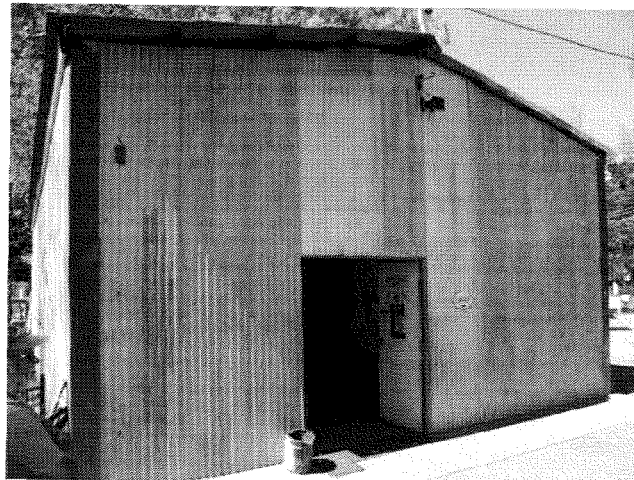
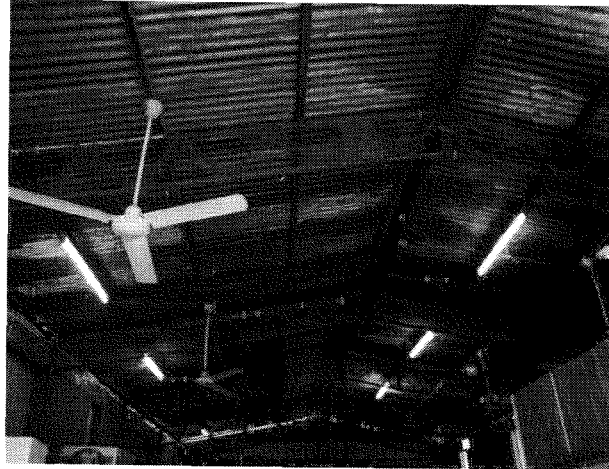
One factor which was not taken into consideration in the Outback Stores model was the time and cost of getting store facilities to a state where a store can operate. We often become community problem solvers, helping stores to trade out of administration, set up governance structures, apply for licences and arrange insurance.

Food is an essential service, just like health, education and policing. However, unlike government services, Outback Stores is often asked to manage a store that has no housing for store managers, forcing managers to live in caravans, commute from nearby towns, or live in sub-standard houses while teachers, shire workers and other government staff receive housing as part of their employment package. Basic facilities to manage a store are often lacking in communities. At one community, the only accommodation was a caravan in the community, where the managers had to live for six months. Other houses provided with stores have been structurally unsound and the community doesn't have the money to repair them. In communities such as Jilkminggan and Beswick there are no spare houses in the community and store managers are travelling into the communities each day to operate the store until a block of land and transportable home are provided. This makes it hard if not impossible to recruit and retain store managers and jeopardises food security.

We are also hampered when we come to a new store that doesn't have power connected, where telephone and internet connections are missing, where fridges are old and buildings dilapidated.

We can make small commercial loans or reinvest profits to buy new equipment and carry out basic repairs and maintenance, but we do not have the funding to buy store managers' houses or build new stores.

Store buildings not fit for purpose

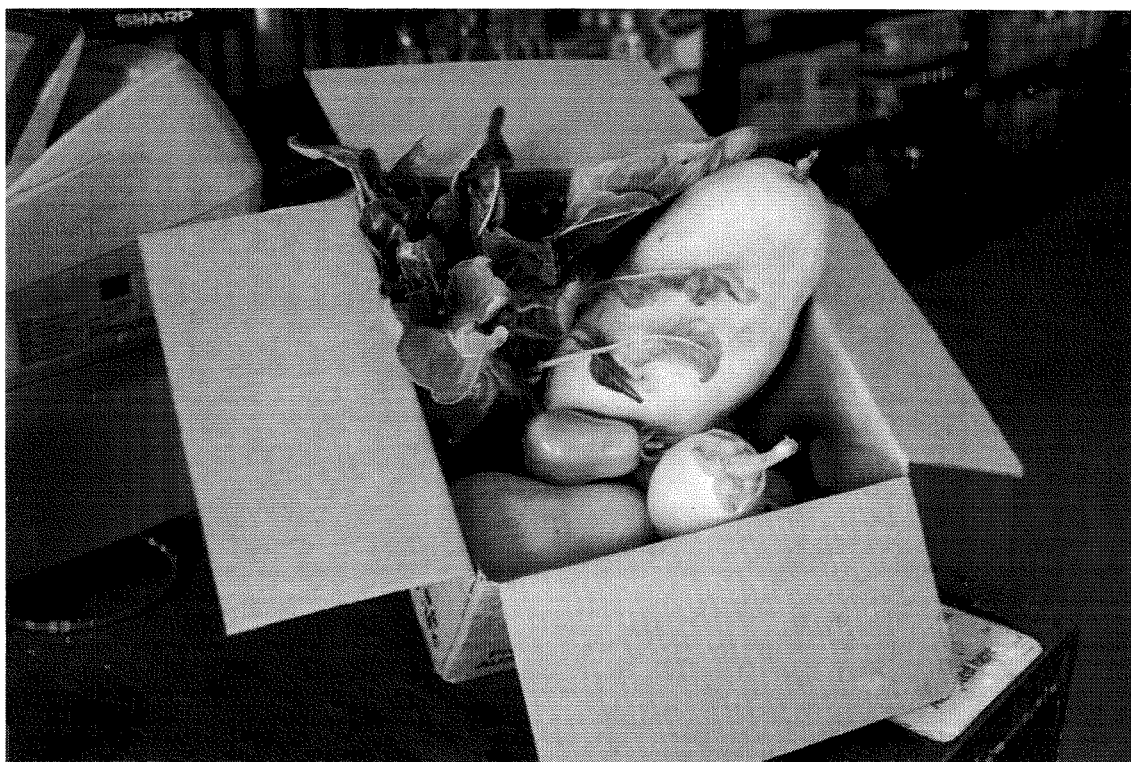


7.8 Other models

Outback Stores is not in a position to comment on all store models around Australia, however our submission does detail the previously unsatisfactory situation found in many stores that previously were managed on an ad hoc basis.

There are other well-run community stores, in particularly those operated on behalf of the Yolgnu people by the Arnhem Land Progress Association (ALPA) in the Northern Territory which has a similar focus on professional retail management, sustainability and health outcomes.

Outback Stores has been *generously assisted by ALPA and its board of management* and we have drawn on its retail model and 30 years' experience of owning and managing remote stores on behalf of communities.



8. TERMS OF REFERENCE 3: The impact of these factors on the health and economic outcomes of communities

Key points:

- **Poor nutrition is one of the most significant factors contributing to the appalling health status of Indigenous Australians and nutrition related chronic diseases are a leading cause of death. Yet they are all preventable. The Outback Stores model is a preventative health model because it addresses all aspects of food security, which is the foundation of a balanced, nutritious diet that is essential for positive health outcomes.**
- **The Outback Stores model has a focus on partnerships with communities, service providers and other stakeholders to promote household food security because it recognises that this component of food security is a key to improved health.**
- **Government services are primarily focused on the treatment, rather than the prevention, of disease by providing services and treatment of chronic diseases caused by poor diet and lifestyle. Outback Stores is focused on prevention by embracing a holistic approach to health and wellbeing and by using state-of-the-art tools to measure nutrition indicators which demonstrate health outcomes. We are an investment, not a cost.**
- **The major impact of Outback Stores has been the marked increase in sales of healthy foods and reports of good health outcomes from schools and health clinics**
- **We improve the economic health of communities at a micro level (creating jobs for Indigenous people and functional, well-managed stores returning a profit to the community) and the macro level (functional communities, vertical integration of the supply chain that creates business opportunities for local suppliers and boosts regional economies)**

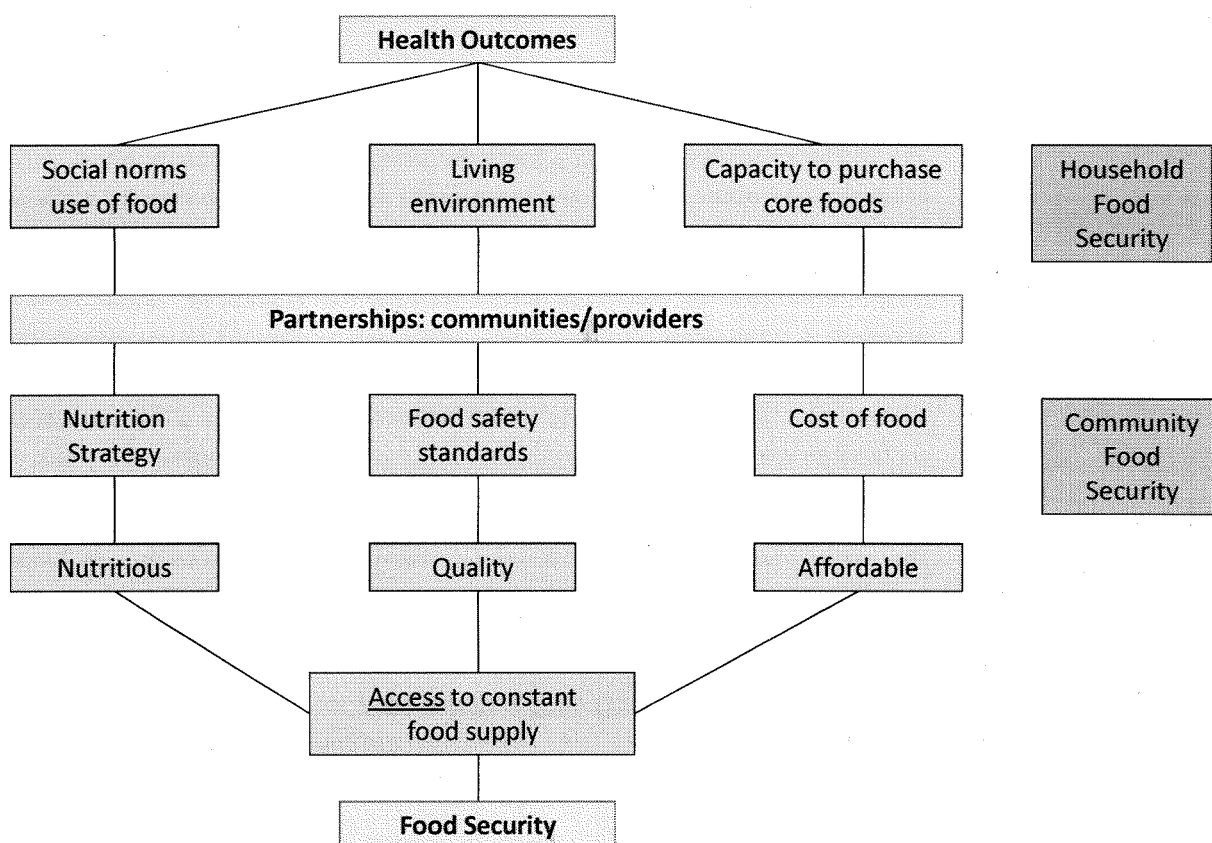
- 8.1 Poor nutrition is one of the most significant factors contributing to the appalling health status of Indigenous Australians and nutrition related chronic diseases are a leading cause of death. Yet they are all preventable. The Outback Stores model is a preventative health model because it addresses all aspects of food security, which is the foundation of a balanced, nutritious diet that is essential for positive health outcomes.**

Some of the leading causes of death in the Indigenous population - diabetes, hypertension, heart disease, renal disease, respiratory disease - are all preventable. Most of these chronic diseases are nutrition related. Having a nutritious diet depends on food security. Food security is having access to a constant supply of nutritious, quality, affordable food. 'Having access' means not just an uninterrupted supply of healthy, safe food in the store (community food security) but the financial

means with which to purchase it, the use of the food to create a balanced diet and a home environment in which to safely store, prepare and consume the food (household food security).

The Outback Stores model is a unique and powerful preventative health model because it comprehensively embraces both of these dimensions of food security.

The Outback Stores Preventative Health Model



8.1.1 Community food security

Through quality management and using modern retail technology and practices a constant food supply is maintained. A cutting edge Nutrition Strategy maximises and promotes healthy options within the core range. A best practice Food Safety Program ensures quality of the food supply from supplier to point of sale. A number of factors work together to ensure that the cost of food is as low as possible. Cost efficiencies through quality retail practice and aggregation as well as buying power provide a foundation for lower food prices for remote communities. What clinches lower food costs

though is the not-for profit status of the organisation and having the health of its customers at the heart of the company's mission. A pricing policy which favours healthy options exemplifies this.

8.1.2 A nutritious food supply

Outback Stores' Nutrition strategy ensures that all core food groups are constantly represented in the core range, that healthy foods and health hardware are always present and featured and that in-store strategies promote the sale and use of healthy foods.

We ensure a constant provision of a core range of food and drinks, maximising healthy options in our core range both in the goods we sell and the way they are displayed in the store. We work with store committees to provide community education on food options and health implications. For example, the Willowra store asked that Coca-Cola be eliminated from the community's core range

*The community store is,
in essence, the only
'restaurant' in town
making its takeaway
very influential*

We have a core range of 40 lines across fruit, ready to eat and raw vegetables and a goal of fruit and vegetables being 10 per cent of food and tobacco sales by the end of 2009. Our takeaway standards stipulate at least 50 per cent healthy food options, which is important given the reliance of many communities and schools on takeaway foods. .

Outback Stores nutritionists provide advice on the most healthy options for the food supply. For example, pies contribute significant quantities of saturated fat, total fat and sodium to the food supply in remote communities. By replacing a standard pie with a reduced fat/sodium pie, we reduced fat content in our pies by 46%.

We work with the food industry to modify existing products, such as increasing the vegetable content of prepared meals.

As well as food supply, store infrastructure is important in storing and displaying healthy ranges of food, such as shelving, good refrigeration, while the provision of appropriate white goods, such as refrigerators and washing machines, influences healthy living practices in people's homes.

Consistent feedback from communities we serve is that Outback Stores has made lots of fruit and vegetables available and made it easier to buy them.

8.1.3 Promotion of healthy foods and beverages

We use a number of strategies to promote healthy choices, including planograms to determine product placement on shelves, fruit tasting, and strategically placing bowls of fruit at the point of sale.

We work with store committees to inform people about what they are eating and what it means to their health, such as fruit and vegetable and tobacco consumption. Sales figures in these categories are included in the quarterly 'Money Story' so communities can see how they are doing. For example, presenting health indicators at Willowra, Yuendumu, Nyirripi (WYN) Health Board encouraged board members to talk to their communities about better health promotion.

The Outback Stores Wellbeing team also works with store managers and other service providers, for instance under a Memorandum of Understanding with the Northern Territory Department of Health and Families to create good nutrition and wellbeing outcomes for communities. We recently held a 'fruit and vegetable extravaganza' at Engawala in Central Australia that included a flour drum cooking competition, tricky trivia community lunch, kiwi fruit races and appearance by Paul the Vegie Man.

We are working with the Department of Education Employment and Workplace Relations to provide a school nutrition program and the Australian Red Cross to provide fruit for its breakfast program.

8.1.4 Quality food supply

The quality of both food and infrastructure is a priority with Outback Stores. We closely monitor quality to ensure compliance with both retail and food safety standards and have developed best practice policy and procedure manuals. For example, a detailed Fresh Produce Manual ensures proper ordering, handling and promotion of fresh produce across all stores.

Outback Stores has employed a food safety officer, is developing a comprehensive Supplier Assurance Program and will be the first to implement a food safety program in remote Indigenous communities. All aspects of food safety from the 'cold chain' to the point of sale have been considered to ensure the safety of all foods sold in stores and takeaways.

8.1.5 Cost of food

Outback Stores' focus on quality retail practice impacts positively on the cost of food for our remote Indigenous customers. For instance, proper ordering, stocking, and handling reduces wastage with flow on cost benefits to the buyer. Quality retail practice also ensures that Outback Stores is exploring a range of tactics to provide the most cost-effective food supply. These include supplier agreements which allow for constant negotiation in

relation to the food, beverages and goods purchased, quality, food safety, costs and other financial issues such as rebates.

Outback Stores' unique position as a not-for profit manager of stores with a mission to make a difference to the health of remote Indigenous communities is central in achieving the best possible prices for customers. This is reflected in a pricing structure that promotes healthy food choices, such as low margins on fresh fruit and vegetables.

8.2 The Outback Stores model has a focus on partnerships with communities, service providers and other stakeholders to promote household food security because it recognises that this component of food security is a key to improved health.

The uniqueness of the Outback Stores model also lies with its focus on partnerships with communities, service providers and other stakeholders to promote household food security leading to significant improvements in health. Changing eating patterns is a significant challenge and requires cross-cultural learning and collaboration on a number of levels. Food safety also requires a change in social norms as well as housing infrastructure which adequately provides for food storage and preparation.

Affordability is also integral to being able to 'access' an uninterrupted nutritious food supply. The stores can provide a constant supply of healthy food for the community, but families need the financial means with which to access it and a diet which places demand on healthy food choices. For positive changes in health to occur healthy foods need to be consumed at a much higher level and in a way that provides a balanced diet. The low socio-economic status of families coupled with other factors such as substance abuse limit food security at the household level.

Increasing demand for healthy foods is not a straight forward matter in Indigenous communities because current eating patterns are shaped by historical, cultural, social and economic forces. Furthermore, these forces vary across communities. Outback Stores has an emphasis on cross-cultural learning and works in close partnership with communities and a range of service providers to change eating habits to realise major improvements to health.

The efficacy of Outback Stores in making a difference in the health of remote Indigenous communities will be determined by the level of community ownership of health outcomes and hence by the quality of community engagement and the degree to which cross-cultural communication and awareness is promoted. Nutrition-related health cannot be addressed in isolation but is linked to emotional, psychological, social and cultural wellbeing, so community ownership needs to be underscored through a multifaceted approach characterised by strong partnerships with industry, government and non-government service providers.

In the Outback Stores model the company, communities and nutrition and health service providers work collaboratively to foster sustainable positive changes in

health. On one level the Store Manager instigates such collaboration. On another, the Outback Stores' regional nutritionist can provide nutritional advice and guidance with, for example, aged care meal programs. However, community driven projects involving, for instance, culturally targeted education, advertising and awareness campaigns need ongoing liaison between skilled members of the Outback Stores Wellbeing team and relevant agencies and professionals. Increasingly, all strategies to promote positive changes in eating patterns are being informed by the communities themselves and appropriate mechanisms established for this to occur. For example, community members comprising the WYN Health Board, in collaboration with Outback Stores, are developing community specific strategies for promoting the purchase and use of healthy foods.

We use partnerships with government, agencies such as the Australian Red Cross, and communities themselves to implement school breakfast and lunch programs, cooking classes, healthy takeaways and health promotion programs, giving many government agencies a vehicle they previously lacked.

We have a strong emphasis on community engagement and being invited into communities. Store committees are often embarrassed by the state of their store. We go in as an empathetic partner to help work through the issues. The feedback we receive is that the professional management of Outback Stores is welcomed and appreciated.

Understanding that traditional governance structures are not the same as western structures helps Outback Stores listen and respect community requests. We do this through relationship managers, who explain Outback Stores' rules, as well as listening to community concerns and conveying back any special requests.

Outback Stores also has formal and informal partnerships with a range of organisations who can build a store committee's capacity, including the Money Story program by Little Fish that enhances financial literacy, as well as nutritionists, health providers and agencies.

Outback Stores' Memorandum of Understanding with the Nutrition and Physical Activity Program within the Northern Territory Department of Health and Families, for example, has led to public health nutritionists working with store managers and communities to promote consumption of healthy foods. We have developed a partnership with Oral Health Services, the outcomes of which will include service planning being informed by Outback Stores data on sugared drinks, sugar and confectionary consumption levels in individual communities.

Collaboration with the Environmental Health section of the Department of Health and Families will improve safety and environmental health standards in stores and store environments. We are partnering with Keep Australia Beautiful and our freight companies to develop recycling programs for remote communities. Together with a range of partners we can provide value adding services that augment our retailing

expertise, such as cooking classes, school breakfasts and lunches, health promotion, and community sponsorships.

- 8.3 Government services are primarily focused on the treatment, rather than the prevention, of disease by providing services and treatment of chronic diseases caused by poor diet and lifestyle. Outback Stores is focused on prevention by embracing a holistic approach to health and wellbeing and by using state-of-the-art tools to measure nutrition indicators which demonstrate health outcomes. We are an investment, not a cost.**

Health workers often report despondency at the cost and challenges of trying to deal with chronic diseases such as diabetes and heart disease.

Outback Stores invests in prevention, rather than cures, by providing access to healthy foods and changing social norms about their use through an array of strategies such as cooking classes, getting children used to the idea of eating fruit and vegetables, and displaying fruit and vegetables in a way that encourages people to buy them.

The Outback Stores model is a preventative health model because it provides food security at the community level and develops partnerships with communities and a range of stakeholders to foster household food security. Further, the company has developed the capacity to measure its progress towards achieving its mission and understand where action might be required to enhance progress. The cost benefits of investing in this model cannot be under-estimated.

8.3.1 Measuring nutrition and health outcomes

The Wellbeing unit measures and reports on the company's progress towards the 'health' component of the Outback Stores mission. The unit has established a monitoring and evaluation framework, outlining the quantitative and qualitative data required. The following outlines the quantitative data sets which contribute to this framework.

8.3.2 Product sales level

It is necessary to have consistent, quality data on the sale of each unit and for appropriate food categories. This data provides the capacity to monitor the sale of healthy core range products, which will, for example, guide promotional strategies for any potential low sale units to avoid their removal from the core range.

Sales reports also provide data on the proportion of food sales by unit or category. This helps determine where the greatest impacts are likely to be made and is critical in measuring the impact of an intervention aimed at a particular product or food category, such as increasing fresh fruit and vegetable consumption.

Wholesale and retail prices, and the subsequent calculation of mark up, will allow the company to monitor the application of the pricing structure policy at the store level.

Product sales data is collated at the store, regional, state or territory and company level.

8.3.3 Nutrition indicator level

Reporting on the health and wellbeing of individuals and communities is complex, as many factors contribute to health, including smoking status, activity levels and cultural identity. Food and beverage consumption is one of the many factors which contribute to individual and community health outcomes.

As the store is commonly the primary or sole food supplier in remote communities, a measure of the food and beverages sold through the store provides a good estimate of the nutrient intake of the community.

Key Indicator Foods Analysis is used to monitor the quantity of select food and beverages sold through the store. The foods selected are based on known sale reports and reflect the Australian Dietary Guidelines and dietary problems in remote communities. The Key Indicator Food Analysis therefore provides the capacity to monitor and plan interventions around the most significant contributors to foods and beverages consumed in communities. It challenges the company to tip the balance of sales in favour of key healthy foods and provides the capacity to ensure that economic outcomes are not met at the expense of health outcomes.

As the community's store is often the only source of food, meals and household goods, we believe we have a unique responsibility to ensure the highest possible retail, nutrition and food safety standards.

The Menzies School of Health Research has developed a monitoring tool based on key indicator foods. Outback Stores has started using this tool which is valid for the next five, and more likely 10 years.

8.3.4 Health outcome level

Nutrition indicators, as described above, are one factor contributing to individual and community health outcomes. Health data sets exist and will be useful to review and interpret in communities where Outback Stores is working. Health data sets are generally held at the state/territory level and vary across the nation. They are generally available at the community level, though community permission to access the data is required. Regional or

state/territory level data is generally more readily available. The Northern Territory Government has some of the most useful data sets in terms of Outback Stores requirements. Serial data is available for parameters of low birth weight, childhood growth, childhood anaemia and chronic diseases. These data sets do have limitations and care needs to be taken when interpreting them. They do, however, contribute towards a level of understanding around community health outcomes.

8.4 The major impact of Outback Stores has been the marked increase in sales of healthy foods and reports of good health outcomes from schools and health clinics

Traditional Aboriginal lifestyles had a focus on hunting and gathering a healthy mix of foods, that was disrupted by the arrival of Europeans. The decline of Aboriginal health has been associated with the introduction of rations largely comprising sugar, flour and tea, and the loss of traditional knowledge of nutrition.

Aboriginal people were displaced from their traditional lands and often gravitated to missions where, despite a loss of culture, many were encouraged to be productive and market gardens were grown.

Then came welfare dependency, when Aboriginal people were further disempowered by 'sit down' money and unemployment. A lack of education and poor socioeconomic status deprived them of both traditional and western knowledge. Food choice in remote communities was often restricted to fatty takeaway food and sugary drinks that have created a world where dialysis machines, high infant mortality, bad teeth and heart disease has become a norm (see Appendix A).

The mission of Outback Stores is to make a positive difference in the health, employment and economy of remote Indigenous communities by providing quality, sustainable retail stores.

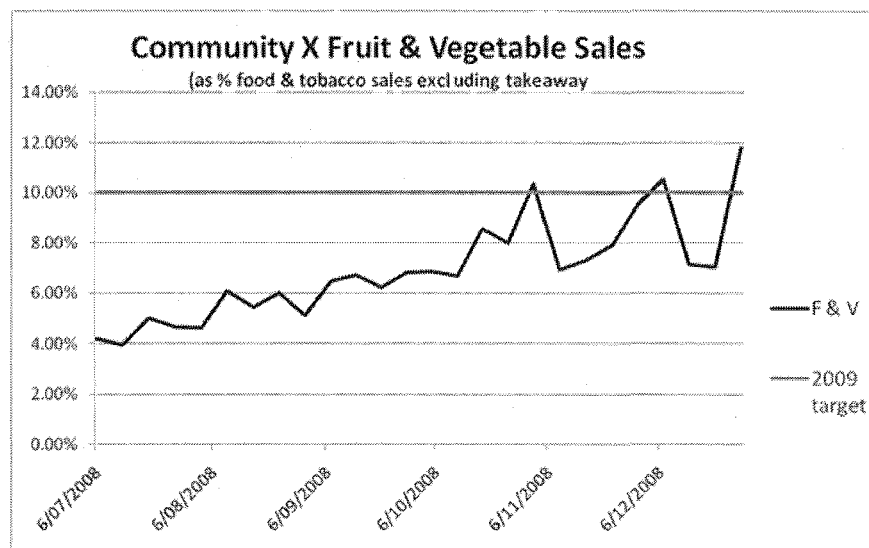
As the community's store is often the only source of food, meals and household goods, we believe we have a unique responsibility to ensure the highest possible retail, nutrition and food safety standards.

The motto of Outback Stores is that a 'healthy store is a healthy community'. We ensure all stores have a core range of healthy food and a takeaway food manual to ensure takeaway food, on which many community members depend, is nutritious and healthy.

One of the most heartwarming aspects of working with Outback Stores is to see the enormous difference in community wellbeing as health outcomes improve. This includes children who do better at school, positive reports from health clinics, and feedback from community members about the difference we have made.

Case study: Increased sales at Community X

Here's how the team at Community X grew the turnover of fresh fruit and vegetables from 4% to 12% in less than six months.



Store Manager Leo Hemara reports that there were very low sales of fruit and vegetables with high wastage in the beginning. Leo started an ordering system which helped him determine the type and amount of produce selling. He used this information to look for opportunities to increase the volume of produce that was selling. In addition, one to two new lines were included in each order to improve the variety of produce for sale. The volume of the store's orders increased by 30% to 50% for many lines and wastage was reduced. Leo believes the following points were key to this success:

- Talking to customers and watching what people were buying to understand where the opportunities for sales were. It was important to make sure there were always good levels of these lines stocked.
- Introducing variety through new lines in each order.
- Ensuring only good quality stock was on display.
- Keeping the fresh produce display faced up and looking full at all times. Paying attention to fresh produce every time they pass the display has become regular practise for all the staff.
- Ensuring a full bowl of fruit is always at the point of sale to raise the profile of fresh produce.
- Incorporating new and slow moving lines in meals through the takeaway and school nutrition program.

And here's how it directly impacts on their customers.

A community member at Community X commented on the range of fresh fruit and vegetables currently stocked at the store. She explained that she and her husband suffer from diabetes, high blood pressure and liver complaints. Their conditions are monitored weekly at community clinics.

The customer informed the Store Managers, Leo and Carol Hemara:

"Me and my husband have been eating lots of fruit and vegetables from the store, we try to go for a walk every day after our dinner and our health is getting better. We went for a check-up last week and my husband's blood pressure is down to normal and our blood sugar levels are very good."

She believes that their change of diet including fresh fruit, vegetables and lean meat, plus regular walks have made a big difference.

Other measures that support positive health outcomes

A key strategy to increase sales of fresh fruit and vegetables and decrease tobacco sales is to set targets, which are reported to store managers and committees. This is a pioneering approach, with no industry standards in this area.

Our target is for fresh fruit and vegetables sales to be 10% of food and tobacco sales by December 2009. In the first and second quarters of the 2009 financial year, they rose from 4.9% to 7.74%. Stores with exceptional increases include Community X (as in the case study) and Canteen Creek, which achieved 14%. Other stores that have gradually trended upwards are Willowra (from 4% to 8%) and Ali Curung (from 3% to 8%).

Other measures include:

- Our strategic plan prioritises food security and access to a constant supply of affordable and nutritious food in all communities.
- We have a Wellbeing team, consisting of the Wellbeing Manager, Food Safety and Environmental Health Officer, Nutritionist Development and Policy and Regional Nutritionist.
- Outback Stores Nutrition Strategy provides a framework for decision-making which impacts on health and nutrition outcomes.
- Store manager training has a focus on nutrition and food safety, with more than 100 store managers completing this program.
- We will soon implement a store support worker training program for Indigenous staff with a focus on nutrition and food safety.

- Policies which discourage the sale of tobacco, such as not displaying cigarettes.
- Including fruit and vegetable sales in the company's key performance indicators.
- A governance structure that ensures the company and individual stores have compliant and sustainable business frameworks in place.
- An emphasis on Indigenous employment has multiple positive impacts on health, through pride, a higher income, and providing role models for healthy living patterns.

8.5 We improve the economic health of communities at a micro level (creating jobs for Indigenous people and functional, well-managed stores returning a profit to the community) and the macro level (functional communities, vertical integration of the supply chain creates business opportunities for local suppliers and boosts regional economies)

Indigenous people living in remote communities have the lowest socio-economic status and the highest unemployment in Australia. Many communities stores are blighted by corruption, incompetence and insolvency which embarrasses communities and reduces self-reliance, especially when fraud or profiteering see money leaving the community instead of being invested in social and economic infrastructure. When there is no functional store, people have to catch buses or taxis to shop elsewhere. For example, women in Barunga said they had been spending \$200 each way on taxis to shop in Katherine.

A properly functioning store increases cash flow through the community while affordability and the ability to access a broad range of goods leaves more money to be spent on other things.

Community stores are generally the only or the main private business in communities, providing wages and enterprise opportunities which in turn enhances community capacity, increases quality of life and community pride. Profits from stores are also returned to the community.

The goal of Outback Stores is community capacity building so that eventually stores will be self-funded community assets that support stronger regional economies and generate business opportunities, such as supplying transport services and produce to their community stores.

8.5.1 Indigenous employment and training

Another key goal is to maximise Indigenous employment. Many of the stores we have taken over, including the Tennant Creek Food Barn, had no Indigenous staff at all. Our policy is that all store staff, excluding the store manager, should be Indigenous.

Ultimately, we would like all store managers to also be Indigenous, and we are encouraging people to do our store manager training, with three Indigenous people listed for the course starting in February.

We are piloting an accredited training course in communities, to enhance the skills of our Indigenous staff and give them retail qualifications. We aim to employ and train Indigenous staff as store managers.

It is also important to understand a number of cultural barriers which make it challenging for community members to work in stores, such as family obligations. Store managers are trained in cultural awareness to provide a greater understanding of some of the pressures that may be placed on Indigenous staff.



Lorraine Doctor at Jilkminggan



Bulman

	FY08	Q1 FY09	Q2 FY09	FY09 Projections
Indigenous Store Staff	68	76	101	113
Indigenous OBS Staff	9	8	8	10
Total Indigenous Current Staff	77	84	109	123

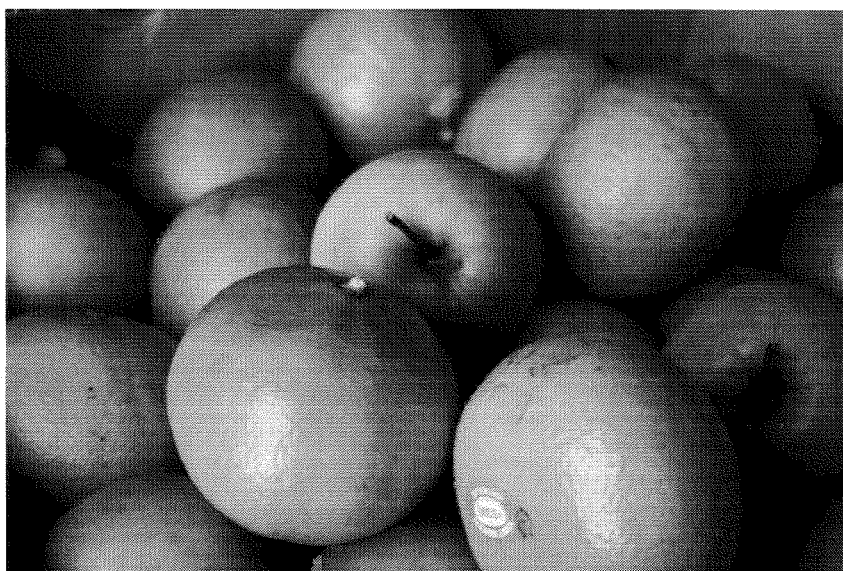
Table: Indigenous Staff employed by Outback Stores

8.5.2 Vertical integration

As Outback Stores reaches a critical mass of stores, with higher volumes and turnover, it will have the purchasing power to approach grower and manufacturers directly. This will give Outback Stores greater control of the supply chain, including opportunities for Indigenous enterprises to grow, manufacture or deliver goods direct to Outback Stores. This in turn will help regional economies by returning greater profits back to communities.

Outback Stores currently is working with an Indigenous enterprise interested in providing transport services to a cluster of remote stores.

Because Outback Stores needs only to make enough to be self-funding, any profits or other benefits of vertical integration can be passed back to Indigenous owned community stores.



Case study: some of our suppliers

G & R Wills – general merchandise

G & R Wills has warehouses in Darwin and Alice Springs and supplies non-food items such as clothing, hardware and appliances.

“G & R Wills has a huge range of around 2000 products, which they are constantly reviewing,” says Outback Stores Merchandise Manager James Thom. “They really do try to carry something for everyone. They are very good at having reps in the field but also have a website where stores can order goods on-line.

“They also have ‘planograms’ that provide examples of the best display options for general merchandise in different sized stores, and assist with fixtures and fittings. They are constantly looking at ways of improving their service, what’s selling and what’s not. Whatever we say is taken on board,” James said. “It is very much a partnership.”

Town and Country Butchers, Katherine

Town and Country Butchers, run by Tammy Gleeson, started off supplying meat to one community store at Jilkminggan. This quickly grew to five and the local business now also works with Outback Stores at Barunga, Bulman, Beswick and Manyallaluk.

Prime Cut Meats – Alice Springs

Prime Cut Meats is the preferred supplier for meat in Central Australia. Since forming a relationship with Outback Stores Prime Cut Meats has expanded and invested in new equipment.

“This business grabbed the opportunity to work with Outback Stores and ran with it,” says James Thom. “Their attitude is very much ‘we can do something to make a difference’. They work with us to meet our goals by cutting off excess fat and packaging their products the way we like. Their work culture is about getting a good product into stores, so they share common values with Outback Stores.”

Nighthawk Transport

Nighthawk Transport is a trucking company run out of Katherine by Jim King. The company has been getting supplies through to the outlying Arnhem Land stores since around October, 2008. The extra work has helped Jim grow his business and expand his fleet of delivery vehicles.

“Nighthawk jumped in when we were having freight problems with some of our remote Top End stores. We weren’t getting the service the stores required. It just wasn’t happening,” says James Thom.

“Jim used to run a community store himself. He is now doing all our deliveries in the Barunga, Beswick, Bulman, Jilkminggan, and Yarralin areas. This guy has come in and been absolutely fantastic. He just said ‘let me help you guys out, what can I do?’ He has very much been part of the picture ever since. Nothing is too much of a problem. If there are urgent deliveries for whatever reason he will re-route his trucks for us, he makes plans if he can’t get through because of floodwaters, he volunteers to pick goods up and take goods to the airport for us – he sometimes doesn’t even charge for those things.

“He’s just one of those guys who says what he loses on the swings he’ll gain on the roundabouts. The proof of that is that in the last couple of months he’s had to buy another truck with an extra two chiller vans just to keep up with the business that is now coming his way because of him understanding the problems of running a community store. He clearly looks at it from a different angle.

9. CONCLUSION

Outback Stores is a unique retail management company that was established to provide sustainable stores and improved health outcomes. As the model evolves, however, we are achieving far more, despite the funding challenge and the complex environment which has slowed our progress at times as we adapt and learn.

In some respects, creating functional and sustainable stores is like building a bridge to functional and stable communities, because food security, profitability, employment and community pride are fundamental to solving so many of the other issues confronting remote Indigenous communities around Australia, including health, education and safety.

We are confident in what we can achieve with the appropriate support. We look forward to further discussing the issues we have raised, and any others, with the committee in person.

JOHN KOP

Chief Executive Officer

