



DESERT KNOWLEDGE
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Submission to

The House of Representatives

Standing Committee on Aboriginal and Torres Strait Islander Affairs

**Inquiry into Community Stores in Remote Aboriginal and Torres Strait
Islander Communities**

by

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The Desert Knowledge Cooperative Research Centre

DKCRC is a partnership of 28 agencies, government departments, non-government organisations and universities whose research focuses on the people and communities of the remote arid regions. We are an interdisciplinary organisation whose work covers four States and the Northern Territory and we deal with a sizeable proportion of the three per cent of Australians who live on 70 per cent of the land mass - the areas that the rest of the nation knows as "remote".

Aboriginal people are significant contributors to our research program and we work extensively with people in remote Aboriginal settlements on projects researching sustainable housing, water use, infrastructure and business development as well as natural resource management. Their knowledge is integral to our research and valuing Aboriginal intellectual property is embedded in our practice and philosophy.

Our research is about making life sustainable for desert people and desert communities and promoting sustainable livelihoods in thriving desert region economies. We also look at how we can promote effective governance and equitable access to services for remote settlements, particularly remote Aboriginal communities. Our program involves a great deal of scientific and technical research, but we also apply social science insights into what makes communities work and how we can develop appropriate and sustainable local-level economic activity to support these communities.

Desert Biz™ is one of our five Core Projects. It aims to understand and overcome the constraints on remote businesses and to make small business more resilient, profitable and able to engage with the wider economy. Its purpose is to understand how small businesses and small business networks can more effectively deliver livelihoods for desert-based people based on natural and cultural resources and on service delivery, in ways that are environmentally sound and socially appropriate. The targeted outcomes are micro and small businesses based on new models of investment and understanding of the key success factors for encouraging entrepreneurial activity in desert Australia.

Context

As part of our work, the Desert Biz™ researchers have been examining various business enterprises to determine business models that deliver sustainable livelihoods, are culturally appropriate and are suitable for desert situations. One of the case studies examined are community stores, particularly, Outback Stores.

Desert Biz™ researchers interviewed various stakeholders including the CEO of Outback Stores, four store managers, employees of three community stores managed by Outback Stores, community members and store customers from three different communities and a health officer. In addition, respondents from two different communities whose community stores are not managed by Outback Stores were also interviewed. This submission is based on the findings of our case study research as well as our observations in the field during the course of our research in remote desert regions.

Issues

Aboriginal Australians continue to lag behind in health and economic outcomes compared to non-Aboriginal Australians. This situation is even more so emphasised in remote and very remote regions in Australia where a large proportion of the population are Aboriginal. It is well known that access to food has a direct impact on health. Food consumption, on the other hand, is affected by the price of food, food availability as well as the economic capacity of people to purchase them.

Community stores play an important role in the food availability and access by people living in remote areas. Often, community stores are the main and, sometimes, only source of food and other basic commodities needed by people living in communities and outstations. Hence they play an important role in the health and wellbeing of people living in remote areas in Australia.

The terms of reference in this Inquiry are addressed using the findings from our case study. The main points are:

- The availability and quality of fresh food in remote communities vary significantly. In some community stores, there is a wide range of fresh fruits and vegetables available, but in some community stores, the range is limited.
- Prices in remote community stores are generally more expensive than in cities or regional centres.
- Several factors may affect these including remoteness and distance to food suppliers and the associated costs of freight, lack of adequate facilities or infrastructure (e.g., refrigeration) resulting to high losses of perishable foods (hence added costs), inadequate retail and pricing experience of store managers and poor store management.
- Different types of community stores exist including privately-owned stores, community-owned stores, Aboriginal corporations (e.g., ALPA) and stores leased from the community. There are also different models of management. For instance some community-owned stores are managed by community members; some are run by non-Aboriginal managers hired by the community; and some community stores are managed by Outback Stores.
- The Outback Stores model is one of the successful models in remote and very remote communities. It has started achieving its goals within a relatively short period of time. It has improved food availability and food security in the communities included in the study, enhanced health outcomes, increased awareness of healthy food, provided employment, and improved access to goods and services in communities as well as provided support for the long term sustainability of the community store as a business enterprise.
- In the three communities included in our case study, respondents indicated that the availability and quality of fresh foods have increased since Outback Stores managed the community stores. Prices were also reported to have dropped for fresh food products.
- In one community, the health worker commented that children were healthier and that the incidence of a nutrition-related disease in children has decreased in the past year.
- Outback Stores also trained and employed local Aboriginal people, resulting in positive effects on income of the employees which had flow-on benefits to the employees' families.
- Outback Stores can play a significant role where market failure exists. Outback Stores had been successful in rehabilitating dysfunctional stores and turning unprofitable stores into commercially viable stores.
- There are also other community stores not managed by Outback Stores that are managed well, although sometimes changes in government policy may destabilise operations, albeit unintentionally. These stores need to be supported to adjust to such changes.
- Government can support community stores by creating the right environment conducive to the growth and development of community stores as SME's, particularly by reducing the transaction costs, to make them more competitive to stores in regional centres; hence, providing affordable quality food to Aboriginal communities.
- While community stores are critical to food availability and affordability, other factors also influence food supply and food price in remote areas such as freight costs. Strategies to reduce the costs of freight (such as fuel subsidies and other relevant strategies) need to be investigated.

The following sections provide a detailed discussion of our response to the terms of reference of this *Inquiry into Community Stores in Aboriginal and Torres Strait Communities*.

Food supply, quality, cost and competition in remote areas

In the course of our research, we interviewed respondents on the availability, quality and price of food in community stores. Below are the findings.

Food quality and availability

The range of food available in community stores is generally lesser than what one would expect to find in regional centres or in cities. However, the quality and quantity of food available in community stores vary quite significantly. In some community stores, there is a wide range of fresh fruits and vegetables available, but in some community stores, the range is limited. Some stores have only five or six types of fruits, while other stores, notably those ran by Outback Stores have more (e.g., 40 or more lines of fruits and vegetables).

This is supported by the NT Market Basket Survey which showed that items in the food basket are 34% - 100% available in community stores surveyed. Although on average, the study found that 94 per cent of items in the food basket were available, or usually available, in the remote stores surveyed (NT Govt 2007).

Food prices

The cost of food in remote community stores is generally higher than in regional centres. For example a respondent mentioned that it cost \$10 to buy some snacks consisting of bread, cheese and a drink in a community store about 150km from Alice Springs, whereas the same items only cost \$6 in Alice Springs.

The above is supported by the findings of the market basket surveys conducted by the NT Government which also highlight the significant price variations which occur between community stores in remote areas and stores in metropolitan settings. For instance, the NT Market survey showed that the average cost of a food basket in remote stores was more expensive than Darwin supermarkets and corner stores. The latest available data from the NT market survey showed that the basket of food in remote areas is on average 29 per cent more expensive than the Darwin supermarket, and 19 per cent more expensive than the Darwin corner store. The cost of a food basket was \$632 in remote stores, \$597 in district centre corner stores and \$522 in district centre supermarkets (NT Govt 2007). In addition, the same study showed that the percentage of family income required to purchase the same basket of foods was 28 per cent in a Darwin supermarket while 36 per cent in remote stores.

The fact that people living in remote communities have to pay more for the same items than those living in regional centres or cities has implications for food access by Aboriginal people in remote communities, given that most Aboriginals living in these areas are also amongst the lowest income groups in the country. The dual forces of high prices and low incomes affect their ability to obtain food and hence their health and nutrition.

Effectiveness of the Outback Stores model and other private, public and community store models

There are several types of stores in remote communities. These include privately-owned stores, community-owned stores, Aboriginal corporations (e.g., ALPA) and stores leased from community. There are also different models of management. For instance some community-owned stores are managed by community members, some are run by non-Aboriginal managers hired by the community and some community stores are managed by Outback Stores.

Community stores not managed by Outback Stores

Our case study focused on Outback Stores so we can not comment extensively on stores not managed by Outback Stores. However, we interviewed respondents from two communities about their perceptions of the community store. In both cases, the respondents were satisfied with the quality and range of food offered in the community store. One respondent however, mentioned the high price of food as a concern. In both cases, the community stores were operating well and profitably. However, in one case, the store deteriorated after a change in management brought about by government policy.

This is backed by researchers' observations that while there are some poorly managed and maintained stores, there are also other community stores that are run well. Sometimes changes in government policy may destabilise operations, albeit unintentionally. These stores need to be supported to adjust to such changes.

Government can support community stores by creating the right environment conducive to the growth and development of community stores as SME's, particularly by reducing the transaction costs to make community

stores more competitive to stores in regional centres, thus providing affordable quality food to Aboriginal communities.

Outback Stores

Outback Stores is a not-for-profit company that provides retail services to community stores in remote and very remote Indigenous communities in Australia. It manages stores on behalf of Indigenous communities. It was established in May 2006 by a set of senior retailers from Coles Myer and Woolworths with support from the Australian Government via Indigenous Business Australia. It was formed in response to the need for stores to meet the health and nutritional requirements of Indigenous people. Being a non-profit organisation, it engages with communities and re-invests profits for the benefit of communities. It forms partnerships with Indigenous communities in managing their stores and provides a whole suite of services involving training and development in order to capacitate people in managing the stores.

Outback Stores manages community stores in the Northern Territory, Western Australia and Queensland. These community stores offer a core range of products involving groceries, dairy and frozen items, meat, fruits and vegetables as well as household items and clothing. This core range comprises of about 1,000 lines, with fruits and vegetables having a minimum of 40 lines.

Effectiveness of the Outback Stores model

Outback Stores was established to bring food security, improve nutrition and enhance the local economy in remote and very remote communities in Australia. Its stated mission is to make a positive difference in the health, employment and economy of remote Indigenous communities by providing quality, sustainable retail stores. To achieve this mission, it focuses on the following goals: (a) improve food, goods and services to enhance health outcomes, (b) increase wellbeing through education, promotion and engagement, (c) provide employment and training to sustain and grow stores, (d) improve the local economy of communities in remote and very remote Australia, and (e) develop and sustain organisational capacity to deliver the mission.

How effective is the Outback Stores in achieving these goals?

Improved availability of food: Respondents claimed that since Outback Stores have taken over the management of the community store, the store is now offering more healthy food and is providing more choices. They find community stores easily accessible making shopping more convenient because most of the things they need are now available locally. Stores now have the core range of products that includes fresh fruits and vegetables. In addition, they have a core health range that includes lines that are nutritious and are specifically either discounted or prominently displayed on shelves. Things like tobacco and confectionaries are not prominently displayed.

In one community, the community store has about 1,000 lines of food and grocery items in the core range. Comparing the store before and after Outback Stores took over the management, employees revealed that the store has improved significantly. There are more choices of food, particularly fresh fruits and vegetables.

Improved availability of goods and services: According to respondents, community stores are trying to provide things or products that people now need. Aside from fresh fruits and vegetables, people have also access to clothing, manchester, furniture and dining set; electronics such as washing machine, DVD, TV and fridge, gardening stuff and other household wares. The community store is a one-stop shop. In one of the community, appliances like washing machine and DVD are new to the community. The availability of these household equipment has made people's lives easier. In another store, aside from selling different ranges of food, fruits and vegetables, the community store now sells blankets, bed sheets, mattresses, house and kitchen wares and essential items like torches and lighting and electric items such as washing machines, fridges and sound system. In one community store, the manager acknowledged that they need to expand their range of products especially on clothing. Outback Stores provides booklets to people that include household items and needs so that they can order or purchase from the stores what they need.

Increased Aboriginal employment: After about two years of establishment, Outback Stores is now operating 28 community stores across three states. It employs 140 full-time employees (including managers). Currently, the

company employs 85 Indigenous workers, which is 28% of its targeted 300 Indigenous employees. In all communities interviewed, respondents acknowledged that the community store provides employment to local people.

Improved food affordability: According to respondents, prices of food products have gone down in community stores since the store was managed by Outback Stores. Although prices are still generally higher relative to that in cities or regional centres, the prices of food especially fresh fruits and vegetables have decreased compared to prices under the previous management. Outback Stores managed to reduce costs by clustering community stores and purchasing from one supplier. It placed key specifications for fruits and vegetables like quality, packing and price for suppliers to comply. Clustering stores ensured getting the best freight cost possible. Moreover, it leveraged with big businesses to get the same cost of groceries, information technology and other equipment into remote communities. Outback Stores also initiated pricing strategies such as lowering prices of fresh fruits and vegetables (e.g., giving special discounts) to encourage purchases of healthy food.

Improved organisational capacity of the store: There has been a distinct improvement in the organisational capacity of the community stores included in the study. This has happened in three main areas – refurbishment of the shop, including repairs and general maintenance; improvements in the store equipment such as provision of meat freezer and refrigeration; and staff training and development.

Increased well-being through community engagement: The community stores are social hubs where people come to socialise. People meet at the stores and catch up with each other. The stores have a notice board that shows important announcements like schedule of visits in the area of doctors and specialists, school requirements and other activities that keep people informed and updated.

The stores supported some school activities and also community activities. This increased opportunities for partnership and for working together in the community. Outback Stores started integrating nutrition program in schools. It school breakfast and lunch programs. Respondents likewise pinpointed that the store provided services to tourists, workers in the mines and other people with businesses such as stations.

Impact of Outback Stores on the health and economic outcomes of communities

Findings from the study showed that although Outback Stores is only about two years old there have been considerable impacts in the communities interviewed for the case study. It appears that Outback Stores brought back functionality and normality in these communities. The community stores have been made operational bringing in food security and making more nutritious food available which in turn had positive impacts on health. Moreover, these stores have generated local Aboriginal employment and are now generating profits.

The customers, employees and store managers were requested to assess the achievement of the following goals of Outback Stores: (a) improve food availability and security, (b) enhance health outcomes, (c) increase awareness of healthy food, (d) provide employment, (e) improve access to goods and services, and (f) support long term sustainability of the community store by providing appropriate support. Rating was done on a scale of 1 to 7, with 1 as very low while 7 as very high.

In one community, more than one third (37.5%) of customer-respondents rated the achievement of improved food availability, enhanced health outcomes and increased awareness of healthy food as very high. Moreover, 75 per cent rated provision of employment as very high while a little less than two-thirds (62.5%) rated improved access to goods and services and support to long term sustainability of business as high. The store manager acknowledged that Outback Stores provides the community store support system which is very important. She rated the achievement of goals on improved food availability and security, provision of employment and improved access to goods and services as high while enhanced health outcomes, increased awareness of healthy food and provision of support for long term sustainability of the business as very high. For her part, the employee rated the achievement of improved food availability and security, enhanced health outcomes and provision of support for long term sustainability of the business as high while provision of employment and improved access to goods and services as very high.

In another community, respondents rated improvement in access to goods and services as high. They rated the provision of employment and support to long term sustainability of business as very high. Achievement of other goals was rated by employees as moderately high to high level. For his part, the store manager rated the achievement of improving food availability and security, enhancing health outcomes, increasing awareness of health food and improving access to goods and services as moderately high. On the other hand, he rated provision of employment and support for long term sustainability of the business as high.

In another community, customers provided the following ratings - improved food availability and security, enhanced health outcomes and increased awareness of healthy food as high, while improved access to goods and services and provision of employment and support to long term sustainability of the store as average. Aside from increased awareness of healthy food and provision of support for long term sustainability of the business which were rated high, store employees rated the achievement of other goals as very high. For her part, the health officer rated the achievement of enhanced food availability and security, enhanced health outcomes, improved access to goods and services and provision of support for long term sustainability of the business as high. Moreover, she rated the provision of employment as very high while increased awareness of healthy food as moderately high. Meanwhile, the store managers felt that all goals of Outback Stores have been achieved. They rated such achievement of goals as very high.

Impact 1 – Improved availability of fresh food and other goods and services leading to better health.

Customers identified several impacts/ benefits/ advantages of the community store. Foremost of these is the availability of a variety of fresh, healthy food. Customers found the stores a lot better now as they have improved much with a lot more choices of fresh food, particularly fruits and vegetables.

With the improved choice of food and programs conducted by the store in partnership with schools and the Health Department, the buying habit of people was observed to change. Some people now buy healthier food items. The Health Officer in one community confirmed the positive health effects of the community store in the local population. According to her, the impact of the store on the community's health was remarkable. She had been in the community for two years. When she first arrived, there have been many health issues. One of them was the condition of children's skin. Some children had multiple sores and were at various stages of infection and were underweight. This was attributed to inadequate diet and poor nutrition. They did not have access to fresh fruits and vegetables and other nutritious food.

With the gradual increase in the range of products at the store, education through the parents, consultation at the clinic and proper hygiene of the children, the Health Officer noticed changes slowly evolve. Less and less children were getting complicated sores and sores were no longer an issue in the community. It was observed that within a 12-month period, things started to improve remarkably with the children.

Similarly the Health Officer noticed a significant improvement on mothers and newborn babies. Mothers now have healthier babies within average birth weights unlike before. The mothers' haemoglobin had also been good. Since mothers were eating well, they deliver healthier babies.

Impact 2 – Increased local employment. The community stores increased employment locally. All community stores interviewed hired Aboriginal people who lived locally. In one case, the store had four workers; the couple, one full-time employee and another worker. The last two are both Indigenous. The full-time employee has been working for the store for five years as she has worked under previous management. She is now employed full-time for five to six days a week. She supports three people from her earnings from the store, mostly on food, clothing and some household appliances. Another employee interviewed had no permanent job before. The permanent income she now generates helped her achieve economic independence. She supports eight people from her earnings and spends most of her income on the food and clothing of her family.

Being employed improves the sense of worthiness of local people. The Indigenous employees interviewed indicated that they enjoy their work at the store. They are happy to serve as role models to young people in the community.

Impact 3 – Economic development: Well-run community stores can bring in customers from other communities which is beneficial for the local economy. For example, one store did not only provide services to people in the town but also to residents in nearby towns as well as tourists and workers in the mines. Although the goods sold at the store are a little more expensive than the ones sold in the nearest regional centre, customers generally found the community store most convenient.

If the business enterprise is not located in the community, customers perceive that a lot of people might go hungry and leave the community. Some families might not stay and the town would be smaller than it currently is. Without the community store, people would also buy from stations which sell more expensive products.

The stores have also become a magnet for customers from other communities. Even if stores are available in their respective areas, some people (even as far as 200 kilometres away) still shopped at the stores. This is because the community stores sell a variety of items. Members of the community were proud about the store and the fact that people from other communities shop in their community.

Impact 4 – Community development. The management agreement was to distribute profits to the community rather than to individuals. This approach is important in terms of governance and has resulted in community development activities. One community has set aside funds to hold three or four sports carnivals a year. Holding such sports carnival made people proud as more people come to their community which in turn provided more returns to their store. Other communities aimed to have a community bus, clinics, and other major projects once they reach a profit level that can be invested back into these projects. Through the Money Story, people are also taught to retain funds to procure and/ or maintain infrastructure needed in the operation of the stores.

Impact 5 – Improved social outcomes. Aside from cash benefits, employees also get other benefits from working at the community store. For instance, they are happy to know more people in the community, socialise and interact with them as well as gain additional new skills from the job they are doing. In the communities we interviewed, it seems that Outback Stores had developed good relationship with the community.

Impact 6 – Capacity building: Outback Stores offers a training program for their employees which is linked to a certificate. Hence, employees get the benefit of improved skills which is transferable to other jobs, plus a qualification for the training achieved.

Likewise, members of the community understand the financial performance of the store through the Money Story presented to them on a quarterly basis. Since it is pictorial, people easily understand the concepts of profit and loss. They also use another pictorial that explains the concept of equity in the business.

Hence, clearly, Outback Stores has had positive impacts not only on food availability and affordability, but also on economic, social and health outcomes in the communities included in the case study.

Conclusion

Community stores are important to remote communities because of their critical role in the provision of food and other basic goods and services. In many cases, community stores are the lifeline of a community particularly in very remote areas.

The presence of community stores affects mobility of people in communities. Where available and functioning well, community stores may encourage an increase in the population in the community or attract transient populations. This in turn can help improve the local economy and sustain economic growth in communities.

Community stores also serve as places for socialisation. This is important as this helps enhance socio-cultural dynamics in the community.

There are several business models of community stores. The Outback Stores model is one of the successful models in remote and very remote communities. It has started achieving its goals within a relatively short period of time. It has improved food availability and food security in the communities included in the study, enhanced health outcomes, increased awareness of healthy food, provided employment, and improved access to goods and

services in communities as well as provided support for the long term sustainability of the community store as a business enterprise.

The company is not only a service provider for retail stores in remote and very remote areas. It also builds the capacity not only of its employees but also of people in the communities it works with. The training program it provides enables participants to get qualifications that are nationally recognised and transferable to other jobs. The company's effort to provide employment to Indigenous people is laudable as it boosts people's morale as well as help them achieve economic independence. A clear pathway and development program for deserving and qualified Aboriginal employees to move up the ladder and take up store manager positions, will further enhance Aboriginal employment outcomes.

Outback Stores employs effective management strategies. The use of the Money Story has helped in building the capacity of Indigenous people understand the financial performance of the business. The strategic displaying of healthy foods on shelves has also worked. Putting up markers on healthier products and displaying them on prominent places have helped highlight healthy food choices. Introducing strategic pricing mechanisms such as giving discounts on fresh fruits and vegetables has encouraged people to include healthy food in their diets. In addition, sourcing out supplies for clusters of community stores from nominated suppliers was a good strategy to reduce freight costs which translated to lower prices of products that further benefited community members.

Outback Stores has created significant positive impacts to some Aboriginal communities in Australia, which can be extended to other remote and very remote areas to achieve widespread outcome, particularly in communities where there are no functional community stores. Hence, efforts should be done to support the company accomplish its aim to be of service to target communities in need of community stores.

This does not mean blanket implementation of the Outback Stores model, as such blanket implementation carries the risk of suppressing the emergence of small businesses in similar service areas. As Outback Stores has a well-integrated comprehensive system and structure, and strong market power to deal with the supply chain, it is not easy for small businesses to emulate this model, without similar external support. However, Outback Stores has clear advantages in areas where it is not competing with existing successful community stores.

The Outback Stores model is an excellent model where market failure exists, such as where private enterprises are unable to operate or fail to operate a functional store for various reasons. It is worthy in remote and very remote Australia where people are unable to obtain their daily food and basic needs, although in smaller communities adequate funding or support may be required to successfully operate a community store. Alternative cost effective and efficient delivery models also need to be investigated for smaller communities.

While not the subject in the case study undertaken, researchers observed other working business models of community stores. While some community stores are not well managed and are run-down, there are also some community stores which are not managed by Outback Stores that are operating well. Further research needs to be done to investigate the effectiveness of these business models, the impacts, challenges and constraints and enablers to successful community stores in remote regions of Australia.

Regardless of the business model, governments can support community stores by creating the right environment conducive to the growth and development of community stores as SMEs, particularly by reducing the transaction costs, to make them more competitive to stores in regional centres, hence providing affordable quality healthy food to Aboriginal communities.

Finally, while community stores are critical to food availability and affordability, other factors also influence food supply and food prices in remote areas such as freight costs. Strategies to reduce the costs of freight (such as fuel subsidies and other relevant measures) need to be investigated. Reducing the freight costs to remote regions is expected to bring the price of food and other essential goods down. Hence strategies such as fuel subsidies accompanied by policies that would ensure that the price reduction is passed down to community stores, and consumers, need to be investigated.

DKCRC offers these matters for your consideration. We also refer you to the DesertBiz™ page on our website, where you will find further information on the issues we have raised:
<http://www.desertknowledgecrc.com.au/research/desertbiz.html>