



Submission No 98 *pl.*

**House of Representatives Standing Committee on Aboriginal
and Torres Strait Islander Affairs: *Inquiry into Community
Stores in Remote Aboriginal and Torres Strait Islander
Communities***

Comments against Terms of Reference

March 2009

House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs - Inquiry into community stores in remote Indigenous communities

1. Food supply, quality, cost and competition issues

Indigenous children in the Northern Territory are more than twice as likely as non-Indigenous children to die before the age of one. Life expectancy at birth is 16 to 20 years lower for Indigenous Territorians than non-Indigenous Territorians and non-communicable diseases such as heart disease, diabetes and cancer account for almost 80 percent of the gap between Indigenous and non-Indigenous life expectancy.

There is strong evidence that Indigenous people living in remote areas experience high rates of preventable chronic disease in adults with poor nutrition being a major contributor to this. There is also high incidence of child malnutrition and poor infant outcomes resulting from poor maternal diet and nutrition during pregnancy.

An adequate intake of fruits and vegetables has been shown to be protective against diseases such as coronary heart disease, hypertension, type 2 diabetes, stroke and some cancers. Good infant nutrition is also essential for brain development and cognitive function and positive life-long health outcomes.

Improving the diet and nutrition of Indigenous people is fundamental to closing the gap on Indigenous health outcomes. In the Northern Territory, where 79 percent of the Indigenous population lives in remote and very remote areas, ensuring that fresh fruits and vegetables are available, of high quality, affordable and promoted at the point of sale as necessary for good health, presents a significant challenge.

Food supply in remote communities has changed significantly in recent years and individuals are now able to access food from a variety of sources including school and aged care nutrition programs, take away stores and other private vendors. Despite this, the community store remains a major contributor to the food supply in remote communities and is a key player in the health of Indigenous people living in remote areas.

In the Northern Territory, many local community stores provide an essential life service in providing food, household items, school supplies, sometimes clothing, toys and other similar items. This is in line with the foods and merchandise available from local corner stores and in some instances supermarkets, but usually not the range and variety found in most supermarkets.

The availability of fruits and vegetables in remote communities is known to compromise intake, but of greater relevance is pricing. The higher cost of food in remote community stores is in part attributable to freight costs, the short shelf life and wastage of fresh produce resulting from sometimes lengthy freight times and poor storage infrastructure. Many stores are community owned and as independent operators, lack buying power and are unable to benefit from economies of scale due to small customer bases, geographic dispersion and remoteness. There are also known examples of unscrupulous Northern Territory remote community stores exploiting local market power where they have a monopoly on supply.

Consistent and affordable supplies of good quality food can be a problem in remote areas, but the importance of fresh and quality foods for the health of residents cannot be overstated. Community health interests must be a driver of store management decision making and it is therefore important that management and staff of community stores have a sound knowledge of nutrition and its impact on healthy lifestyles.

The Northern Territory Government monitors remote community stores through an annual Market Basket Survey of food cost, availability, variety and quality. The survey costs a basket of food that would meet the nutrition requirements of a hypothetical family of six for a fortnight. The survey also collects information on store management, employment of Indigenous people, existence of a store committee and nutrition policies.

Between April and June 2008, 66 remote stores were surveyed as part of the 2008 Northern Territory Market Basket Survey (2008 NT MBS). The findings show that the cost of food in remote communities continues to be substantially higher than in Darwin and district centre supermarkets. On average, a basket of food was 23 percent more expensive in remote communities than in Darwin, with a basket of food costing \$665 in remote community stores compared to \$563 in district centre supermarkets. The proportion of family income required to purchase the basket of food was substantially higher in remote areas at 35 percent compared to 28 percent in Darwin.

Of particular note, competition between stores did not appear to reduce the basket cost and cheaper stores tended to be those that had a nutrition policy and store committee in place (33 percent of stores stated that they had a nutrition policy and 50 percent had a store committee).

Despite remote food costs being considerably higher than in Darwin, the 2008 NT MBS found that the availability and quality of fruit and vegetables in remote community stores was relatively on par with the Darwin district. The average number of fresh fruit choices was eight (compared to nine in the Darwin district) and 87 percent of the fresh fruit was rated of good quality (compared to 87 percent in the Darwin district). The average number of fresh vegetable choices was 15 (compared to 16 in the Darwin district) and 89 percent of the fresh vegetables were rated of good quality (compared to 87 percent in the Darwin district).

The 2008 NT MBS found that the availability of the items in the food basket was quite high, with 93 percent of the items available or usually available in the remote stores surveyed.

Since the first Market Basket Survey in 1998, the average number of fresh fruit available has increased from seven in 1998 to eight in 2008 and the average number of fresh vegetables available has increased from 12 in 1998 to 15 in 2008. Over that period, the relative cost of a basket of goods in remote areas has decreased relative to Darwin – in 1998 the cost of a basket was 41 percent more than Darwin, in 2008 the cost was 23 percent more expensive in remote stores compared to Darwin. The proportion of income required to purchase a food basket in remote areas has fluctuated since 1998, being highest in 2000 at 37 percent and lowest in 1998, 1999 and 2005 at 34 percent.

In the Northern Territory, the Australian Government has established a community stores licensing scheme as part of the 2007 Northern Territory Emergency Response (NTER). Stores must be licensed to be eligible to participate in the income management regime. The licensing criteria includes that stores must have a “reasonable quality, quantity and range of groceries and consumer items, including healthy food and drink, available and promoted at the store”. As at January 2009, 75 community stores were licensed.

As the 2008 NT MBS was undertaken in early 2008, it was too early to tell whether the NTER measures are having a positive impact on food pricing, quality and quantity. However, the NTER Review Board’s final report and the Australian Government’s *Stores Post Licensing Monitoring Report* indicate that there has been an increase in turnover and a wider range of goods stocked, more food - including health food - being purchased, more money being spent on the needs of children, less cash moving around the community with less humbug for food or cash, customers saving to purchase whitegoods and reduced travel to major centres for shopping.

The NTER Review Board’s anecdotal findings include that the sale of tobacco by community stores has decreased (tobacco cannot be purchased using the income managed portion of an individual’s welfare payment). This is important because research shows that of all risk factors, tobacco smoking is the most significant contributor to Indigenous deaths – more than alcohol and other illicit drugs combined. Tobacco smoking is responsible for 20 percent of all Indigenous deaths and it is estimated that 17 percent of the gap between Indigenous and non-Indigenous health outcomes is attributable to smoking. Recent statistics indicate that smoking rates among Indigenous Australians are more than double those in the rest of the community. More than half of Indigenous adults are current smokers and studies show that smoking is so prevalent in Indigenous communities that it is almost considered normal to smoke.

Remote community stores have a key role to play in reducing tobacco smoking. Communities can already use pricing policies to encourage healthy living through low prices on fruit and vegetables, subsidised by higher prices placed on tobacco and other unhealthy products such as junk food. In addition to this, community stores should be required to stock nicotine replacement therapies and such products should be heavily subsidised by the Australian Government, or be made available free of charge, particularly to welfare recipients and pregnant women.

Early achievements made under the NTER licensing and income management schemes need to be monitored and improvements made and supported across all communities. The Northern Territory Government is committed to working with the Australian Government to further examine ways to address high prices and reduce tobacco related harm.

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

Store management practices such as stock control, ordering strategies and staff management can have a direct impact on prices, availability, quality and variety of foods sold. Finding adequately experienced and qualified individuals to manage remote community stores can be a problem. Communities may sometimes have little choice in their selection of a store manager.

Community stores in the Northern Territory are incorporated in a variety of ways ranging from privately owned Proprietary Limited Companies to associations set up under federal and Northern Territory legislation (2008 NT MBS found that of the 66 stores surveyed, 35 stores were community owned, 16 were privately owned, 11 were owned by an Aboriginal Corporation, two were leased from communities and two were jointly owned). Five newly formed Shires have recently acquired community stores as assets under the local government reforms (Victoria-Daly, Roper Gulf, East Arnhem, West Arnhem and MacDonnell).

Consistently, and regardless of the nature of the incorporation of community stores, there are common issues relating to poor store governance, retail and financial management. These issues are often evidenced by lack of disclosure, transparency and accountability between store managers and store committees who frequently do not have appropriate skills or understanding of their governance role. In some instances, commercial and economic interests can be at conflict with the cultural or kinship obligations or other less scrupulous interests.

Communities often lack strong, knowledgeable and democratic decision making capacity which results in poor governance and ineffective self management. Community stores often suffer from this general lack of community capacity.

The development of a real understanding of governance and financial systems and processes is clearly needed, however this training needs to be provided over a long period of time in a sustained manner. Levels of literacy and numeracy aside there is little understanding of the financial and legislative framework within which a commercial business is required to operate. The development of an appropriate level of knowledge and understanding of these frameworks is a significant challenge given the remoteness and isolation of the communities and people involved. Training in language is often not an option as translators frequently do not have an understanding of either the finance or governance framework or conversely sufficient knowledge of language to make an accurate translation. Training using English as a second or third language is resource intensive and slow and something that is generally not able to be resourced by the normal regulatory bodies administering the legal entities operating community stores.

The vast majority of community stores in the Northern Territory are now part of the Australian Government's NTER stores licensing scheme. Licenses can be issued to stores that "can demonstrate sound financial structures, retail practices and governance". Conditional licences can be issued to stores that cannot initially meet some of the assessment criteria, with guidance on how to meet the criteria fully.

The Northern Territory Government has entered into a partnership with the federal Office of the Registrar of Indigenous Corporations to deliver non-accredited governance training to the boards of remote community stores licensed under the NTER. Training will commence on 23 March 2009 and will be delivered across the Northern Territory over the coming months.

The Arnhem Land Progress Association (ALPA) and Outback Stores are increasingly managing remote community stores in the Northern Territory.

ALPA runs a co-operative of community stores in the five Arnhem land communities of Gapuwiyak, Galiwinku, Milingimbi, Minjilang and Ramingining. Each of these stores is overseen by a store committee. The committee provides community feedback to and supports store managers and staff and is responsible for managing and disbursing store dividends. ALPA also manages community stores in Ajurumu (Goulburn Island), Alawa, Umbakumba (Groote Eylandt), Pirlangimpi (Melville Island) and Robinson River (an additional community store is managed in Beagle Bay, Western Australia). ALPA also manages a service station in Kalkaringi and takeaway store in Wadeye. The ALPA model includes a strong focus on Indigenous education, training and employment - ALPA is a registered training organisation that offers accredited certificate-level qualifications in retail. ALPA also promotes health and nutrition in its member and managed stores and fully subsidises the freight costs on fruit and vegetables to lower their cost to consumers. ALPA uses its surplus funds to benefit communities by providing financial assistance for local initiatives and events.

Outback Stores is a non-profit company that was established by the Australian Government in 2006. Outback Stores operates on a fee for service basis and manages remote stores on behalf of Indigenous communities. As at 9 March 2008, Outback Stores manages community stores in the Northern Territory remote communities of Angurugu, Bulman, Manyallaluk, Barunga, Beswick, Jilkminggan, Epenarra, Canteen Creek, Ali Curung, Engawala, Ti Tree, Willowra, Yuendumu, Nyirripi, Wallace Rockhole, Santa Teresa, Imanpa and Yarralin. The model includes a strong focus on local training and employment, nutrition and return of store profits to communities. Outback Stores utilises centralised supply and partnerships with local suppliers to make goods more affordable.

Both ALPA and Outback Stores have policies to ensure that community members are employed in stores and are involved in store decision making. The 2008 NT MBS found that 97 percent of people employed in ALPA member and managed stores were Indigenous, compared to 63 percent across all stores surveyed. Outback Stores at the time of the survey were mainly operating in smaller communities where store staffing was limited - this generally consisted of the stores managers and one or two store workers so the proportion of Aboriginal employment was lower at 61 percent.

Outback Stores and ALPA also have store nutrition policies that inform and guide the supply of healthy foods. The 2008 NT MBS showed that in these stores:

- The average number of fresh fruit choices was significantly higher than the Territory-wide average – ALPA had an average of 11, Outback Stores had an average of 12, the Territory wide average was eight.
- The average number of fresh vegetable choices was significantly above the Territory-wide average – ALPA had an average of 18, Outback Stores had an average of 19, the Territory-wide average was 15.
- The quality of fresh fruit available was more likely to be rated as good compared to all community stores – 96 percent of ALPA's fresh fruit was rated as good, 92 percent of Outback Store's fresh fruit was rated as good, 87 percent of the Territory-wide fresh fruit was rated as good.
- The quality of fresh vegetables available was more likely to be rated as good compared to all community stores – 98 percent of ALPA's fresh vegetables was rated as good, 92 percent of Outback Store's fresh vegetables was rated as good, 89 percent of the Territory-wide fresh vegetables was rated as good.

- The availability of items was higher than the Territory-wide average – 98 percent of the basket items were available in ALPA stores, 99 percent were available in Outback Stores and 93 percent were available Territory-wide.
- The average cost of a basket was slightly less in these stores than the Territory-wide average – the average cost in ALPA stores was \$662, the average cost in Outback Store's stores was \$659, the average cost Territory-wide was \$665.

The 2008 NT MBS shows that remote community stores benefit from the inclusion of store nutrition policies and store committees. Organisations such as ALPA and Outback Stores have these features embedded in their business operations and this ensures ongoing commitment to provide people living in remote communities with a food supply that is of good quality, affordable and varied, as well as employment opportunities.

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

Community stores have a major impact on the diet and nutrition of the communities they supply. Because of limited data and a multitude of other relevant considerations, it is difficult to demonstrate a direct relationship between the food supply and health outcomes of the community. Close analysis of community health data and store data is needed to provide greater insight. The Northern Territory Government will be undertaking detailed analysis of MBS data and health data in an attempt to identify and better understand the linkage.

While community stores are not responsible for health outcomes, it is important for remote store management and staff to understand that they are on the frontline in terms of achieving better health outcomes for residents.

Economic development is a positive by-product of good community stores management. In many remote Northern Territory communities, the community store is the only revenue generating enterprise. Stores are also an important source of employment for local Indigenous people. The 2008 NT MBS found that 63 percent of individuals employed in community stores were Indigenous – this is the highest percentage observed since the survey was first conducted in 1998. Local jobs should be a condition of government support for store management models.

The Northern Territory Government supports the innovations and approaches to management, delivery, training and employment of the ALPA and Outback Stores models, noting that Indigenous locally owned business must also be fostered and supported.

A well managed community-based store can also contribute to community capacity by providing community members with:

- a voice and a role in an important community institution;
- a form for the development of leadership and management skills;
- an income source that is not reliant on government and can be used as untied funds for community needs or for bigger projects such as economic development; and
- a venue for social interaction as an informal meeting place.

Attachment: Advance copy of the NT Market Basket Survey 2008