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BY: ATSIA **INQUIRY INTO COMMUNITY STORES 2009**

My name is Christopher Francis. Currently I am the Chief Executive Officer of Mornington Shire Council, situated on Mornington Island in the Gulf of Carpentaria. The community has 1,100 residents of which more than 90% are Indigenous. Previously I worked and lived in the community of Wadeye (Port Keats) in the Northern Territory for two years, which has a population of approximately 2,500 people. This submission is a private one and does not reflect the views of Mornington Shire Council or the people of Mornington Island.

This Inquiry into the operation of the community (remote) stores is timely as the current Federal Government has made it clear in its Closing the Gap strategy that it seeks to make practical and realistic improvements in the quality of life of Indigenous people. Much has been written about the issues of education and health, jobs and economic development, but not as much time has been given to the issues of food and community stores.

At the outset I want to suggest that this Enquiry should not focus on the indigenous element as if the only people who use community stores or live in community communities are indigenous. Although the proportion of non-indigenous people in communities is low, due to their generally higher incomes, they represent a significant consumer base. What affects indigenous people, also affects them.

Furthermore, it would be fallacious to assume that it is easy to draw a line and say that these communities are remote and those aren't. Within the Gulf the communities of Mornington Island and Doomadgee are joined by the towns of Karumba, Normanton and Burketown. If you are to inquire into the operation of community stores, then you must consider the many remote communities that are so-called mainstream, but which have a majority of residents who are indigenous who service areas populated by predominantly indigenous people.

The problems facing community stores in Indigenous communities are not dissimilar to those facing stores in any part of remote or rural Australia. Recently, Imparja Television (which services remote NT, South Australia and Queensland) has been promoting a "buy local" campaign aimed at getting people to support local businesses. I dare say that the reason behind this campaign is that many mainstream remote towns throughout Australia face the same problems of supply and demand and pricing that face Indigenous Communities.

What is the role of the community store?

Community stores exist to fulfil a range of needs and supply a range of services. For example, stores provide power cards because electricity is supplied in that way; stores provide not only foodstuffs, but hardware, clothing, homewares, newspapers and magazines, DVDs, CDs. They are the corner-shop and the 7 Eleven, the Bunnings and the local newsagent. Stores also provide "real" jobs, although sometimes they are supported through the local Community Development Employment Program. Lastly, they are one of the few sustainable ways that money can be kept within the community and not leak out to the bigger towns, but more of that later.

Community stores provide these items, but at a cost. In the same way that the corner store must carry a large number of items and so per unit cost is higher, community stores likewise have to cater to as many different needs as possible. This is both a cost driver and a supply problem.

Cost

You will no doubt hear numerous complaints regarding the cost of items, but this is a complex situation. Cost at the checkout is related to demand and overheads. Despite the best intentions of government, people have quite specific consumer behaviour and they like some things and don't like others. Perhaps this a cultural trait because of the range of traditional foods and methods of cooking. It might be similar to behaviour amongst low socio-economic groups. But the fact is that community stores stock what people want and this is often a range of basic foodstuffs (tea, flour, milk, salt, bread, meat, drinks, sweets).

Here's a story that illustrates my point. On Mornington Island we run a nursing home, very well I might add, with dedicated staff, including a professionally-trained chef. We buy in the best we can and, in conjunction with the dietician and doctors, we provide a balanced diet. But our residents don't always like what we serve up. At least two gentlemen in their sixties like their bully beef, straight from the can and eaten with bread. For them, that is what they like and we will not change them, despite providing a balanced and nutritional diet.

In Wadeye the take-away was run by the Women's Association and one of the on-going issues was how to balance the demands of the customers with the criticism of the range of foods sold and with the goal of making a profit. Although they were able to implement some changes to the menu, it was very difficult to change the eating habits of people. As anyone who has worked in remote communities will tell you, sold food tends to be fried and salty, often prepackaged and is accompanied by sweet drinks such as Coca-Cola. Even though there are attempts to introduce salads, healthy sandwiches, fruits, etc at the end of the day it is not always possible to make a commercial decision based on a health policy. People will need what they want to eat and they will buy what they like. So it is with the remote stores, because they try to balance all of the competing demands and views.

Supply

Australia is a big country and the cost of transporting goods is high and it is not always possible to ensure a seamless supply chain. In the case of Wadeye (NT), goods were shipped in weekly by trucks and by fortnightly barge during the dry from Darwin. During the wet, which could last up to four months, overland delivery was impossible and so the barge became the primary source for transporting goods. This meant that fresh fruit and vegetable was more scarce during the wet.

On Mornington Island the primary transportation is by barge from Karumba. Up until mid-2008 this service was operated by Perkins shipping in Cairns. However the company made a commercial decision that it could not continue a weekly barge service and subsequently a smaller local operator, Carpentaria Fuels, took over the route. However the shift entailed a reduction in the size of the barge used – from 100 tonne to half that size, which reduced the amount of freight that can be delivered in one trip. Furthermore every year the connecting roads from Cairns through to Karumba are flooded and goods cannot be trucked to Karumba. This necessitates shipping goods from Cairns around the Cape and then putting them on a smaller barge.

But this isn't the only supply issue. Recently, during the floods that have ravaged and disrupted Northern Queensland over January and February 2009, suppliers have also had difficulty meeting demand for people on the coast. The stores cannot sell goods that simply aren't available.

Governance

Community stores can be managed in several ways: by a local indigenous organisation, by an organisation such as ALPA (Arnhem Land Progress Association) on behalf of the community, or by the government.

Despite the best intentions of all parties and for many reasons, many stores run by indigenous people have failed. Often local people do not have the business acumen and business contacts to make a success of it. Although partnering between local people and experienced non-local managers can work, there is often tension between the parties and the store ends up being run by non-local people. The issue is the need to balance local involvement with the requirement for businesses to be run according to normal business practice.

In both Wadeye and Mornington I have heard numerous complaints about the local store from both local and non-local people. As I have not been directly involved in these organisations I cannot confirm that the stores in question were poorly managed or that there was maladministration. However, in both communities the perception from the community has been that there is maladministration from time to time, such as obtaining goods free or shopping after hours, obtaining goods that were not available to the general community, or obtaining financial benefits. Of course rumour and backstabbing is a constant way of life in community and often these comments are made deliberately in the hope of destabilising boards or shaming individuals who are associated with these businesses. If there is one positive aspect to the independent management of community stores, then it is the minimisation of destructive gossiping.

Stores and the Local Economy

I mentioned earlier that community stores are one of the few mechanisms that enable the local economy. This is done through employment of local people and through the retention of expenditure within the community which would have otherwise leaked out. A complaint often levelled by stores at the non-local residents is that they do not shop there but prefer to have their groceries purchased from major stores in town and brought in by barge or trucked. Indeed, many people choose to shop this way, as well as use on-line purchasing for many items. But I think that this reflects the generally limited range available locally, as much as the prices to be paid for goods at the store in comparison with what is available online - even with the cost of transportation included.

If we do not support local stores there is no doubt an outflow of cash from the local economy and the loss of jobs and the opportunity for local people to become self-sustainable. The question is what economic and other mechanism are available to support local economies.

Conclusion

Without diminishing the role of this Committee or questioning whether its deliberations and recommendations can improve the situation, I think I must ask what is the outcome that we want and to what extent can the Australian Government put in place strategies to facilitate the outcome? It is doubtful that a "free" market could operate remotely without constraints and government intervention at either the Commonwealth or State level. We must therefore accept some degree of regulation both in the economic sense of the flow of goods and services but also in the Government and business sense as regards how businesses are run.

Some might suggest that the simplest way is for all stores to be run by some government body, much in the same way that housing is progressively heading. Inevitably state intervention would be mired in conflicting internal policy disputes in relation to matters such as pricing and the kinds of services and goods delivered. It would become a bunfight between those who would wish to run the stores on a commercial basis and those who wish to run the stores with the intent of changing behaviour. As we have learned from attempts to control the supply of other items to communities, such as drugs and alcohol, that it is extraordinarily difficult to change behaviour by simply not providing an item or substituting another item.

The question of cost must inevitably lead to the question of whether some kind of incentive or tax trade-off could be created, based on agreed criteria. Elsewhere I have addressed a similar issue by reference to the standard approaches to calculating remoteness. If, for example, the price of a good was one dollar at Brisbane then based on a remoteness index it might be possible to establish what kind of point of of subsidy could be applied to the good at different distances from Brisbane. It might also be possible, along the same lines as calculations of Grants Commissions, to develop some formula that factors in more than just distance, say transportation problems. However to implement any kind of formula which was aimed at creating some kind of level playing field we must be prepared to apply this to all locations and not just indigenous ones.

There is also the public perception that remote communities should not be subsidised at all and should be tested for their sustainability and viability. Some, such as Gary Johns and Helen Hughes, have argued that any kind of subsidisation or maintenance of remote communities is an anathema and that they should be on the same terms as other communities. In other words, the full cost of living there should be passed on to the resident and consumer and if they cannot pay for that then they will move somewhere cheaper. I hasten to add that this same policy when applied to mainstream communities where other government subsidies are applied to pastoralists and other rural industries would have a severe and similar impact on the viability of those communities.

As an alternative to subsidisation, you might consider whether it is possible for government to have an active role in reducing the transaction costs for community stores. If one of the predominant cost drivers is that stores cannot purchase sufficient quantities to achieve lower prices by themselves, then it is possible to apply the purchasing know-how and the mechanisms available to government to achieve consistent value for money purchasing of items which all community stores would use. This would mean transferring from current suppliers (eg IGA) and there would no doubt be considerable resistance to this.

However, it seems to me that there would be a great improvement in the provision of a range of basic items which can be assured then to have the current situation where stores negotiate with varying degrees of success based on their varying degrees of business acumen. Another means of achieving the same main would be for the Australian Government to tender for the provision of these basic items, which would then be distributed in the same way as currently but provided on an agreed contract price based on the specific quantities required for each store.

Thank you

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