

COMMUNITY STORES REVIEW

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BY: ATSIA

Protocol

It is with great respect that the members of the long awaited government review team be asked to honour with a minute silence, the work of past and late community leaders and community advocates whose name may appear in this information sheet.

Background

IBIS is an entity set up from the monies set aside by government from the pearling industry. The Island Coordinating Council nominated members to sit on the BOARD that consisted mainly of both community and government representatives. Some years ago and because of irregularities in its finance, the State government handed the reins to a management board made mostly of outside people.

IBIS is a State Government Authority funded by the Qld govt to deliver goods & services in the Torres Strait region. It operates about 23 retail outlets including (14) Outer Island stores; (2) Supermarkets-Thursday Island and Bamaga; (2) Branch Stores at Rosehill & Tamwoy; (2) service stations-Ti & Bamaga and the Torres Strait Travel Centre. In 1996-97 IBIS had an annual turnover of \$24.6M. IBIS is one of the major employers of Indigenous people within Torres Strait and who were represented on both the Board and as store managers.

Despite this, many islanders are critical of the role that IBIS stores play and in particular the subsidised nature of IBIS operations allows them an unfair advantage over local retailers. Criticisms of IBIS stores are not new. (Arthur Report)

It is well known that community stores are crucial to the economic, social and health interests of remote indigenous communities. On the 9th August 2006 a media release highlighted that the Chairman of Indigenous Business Australia (IBA), Mr Joseph Elu, was to head a Board that includes some of the country's leading former CEOs from the retail and wholesale sectors in a bid to improve and expand the number of remote community stores in Indigenous areas. He stated that this has been a long time coming and if it works the way we envisage as a successful commercial enterprise then it will undoubtedly underpin the economic development of remote area communities across Australia.

The Outback Stores model was set up by Indigenous Business Australia to actively seek the improvement and the overall wellbeing of thousands of Aboriginal and Torres Strait islanders by helping to build commercially viable businesses that in the longer term will secure their own futures. Mr Elu was speaking ahead of the inaugural meeting of the Board of a new entity called Outback Stores, which is a wholly-owned subsidiary of IBA. It was formed to accommodate the Government's recent Budget commitment to spend \$48 million over four years to address ongoing concerns involving the running of remote community stores.

Community Consultations

- A Working Party was formed which consisted of Torres Shire Council, Port Kennedy Association, TRAWQ Inc, Torres Strait Islanders Regional Education

Council, Island Coordinating Council and the Torres Strait Regional Authority; and whose **Terms of Reference** include *Pursuing issues raised by the forum in a timely manner ie maximum one month to provide feedback; Seek an audience with all stakeholders including the State Minister regarding those issues raised by the people; Ensure that there is worthwhile media coverage so that it is broad enough to create an awareness of the issues; and to Seek the support of stakeholders for community run enterprises and would ensure that a wider representation of advisory group are working in partnership to resolve community concerns;*

- There has been good distribution of notices in TRAWQ/ community and the coverage by TSIMA for community forums regarding IBIS. The frustrations of community people are quite evident. There are no closed agenda for the forum as this gives us the opportunity to speak openly and freely. We need to acknowledge that there is no future; our people need to get behind and support the Peoples' Forums.
- The Port Kennedy Association conducted a number of forums throughout 2006 to address the issues associated with IBIS as a community organisation; A formal letter was to have been sent to the Minister outlining the problems experienced through the operations of IBIS

The following resolutions from the IBIS Forum were passed:

1. That the IBIS issues including the media statements will be spearheaded by the Port Kennedy Association

Moved: John Abednego

Seconded: Daniel Lui

2. That we seek an audience with the Minister to discuss key issues affecting IBIS

Moved: Ellie Gaffney

Seconded: Romina Fujii

3. That the people support the relocation of the IBIS main Office back to Thursday Island

Moved: Ellie Gaffney

Seconded: Kura Stephen

4. That the people offer their support to reopen the store on Stephen Island

Moved: Bertha Natanielu

Seconded: Connie Mye

5. That invitations be sent to key organisations to have reps on the Working Party including:

- *Torres Shire Council*
- *Island Coordinating Council*
- *Torres Strait Regional Authority*
- *Port Kennedy Association*
- *Health Council*
- *Torres Strait Islanders Regional Education Council*
- *TRAWQ Inc*

Moved: Florence Kennedy

Seconded: Connie Mye

It is noted that the group has not met since that time even though a response has not come back from the Minister addressing the concerns raised by the community forum.

- The National Rural Health Alliance orchestrated the Remote Community Stores Conference in South Australia in 2006 to look at how the RCS's operations supported their service provision of fresh foods to Indigenous people in remote communities. In particular the seriousness of the situation and the strong desire to improve things were key highlights. It is also noted that whilst central Aboriginal communities were also very remote centres, there was still quite a disparity with the pricing of fresh food items in the Torres Strait. An apple could still be sold in the Aboriginal Communities for 40cents each whilst in the Torres Strait this could be as much as \$1.20 per fruit
- There has been no 'true' community consultation with the people who are supposed to benefit from its operations to ascertain the best avenue of approach to manage IBIS for the future
- The Board of Indigenous Business Australia considered a commercial management model within the Outback Stores model with the aim of improving governance of existing stores in remote areas, financial and stock management, supply chain inconsistencies and improved availability of healthy foods.
- On Wednesday 6 November 2002, a group comprising Mike Fordham TSRA; Suzanne Hodgson, Toshie Kris, John Paiwan, Wilhelm Pedro and Donald Van Rysinge all of St Paul Community Council made representation to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs and advised them that when they looked at the new plan for the IBIS Shop, they wanted to take over the operation in 10yrs time and that there was an agreement to say that the future direction of the council is to take over the shop. It was also stated by a member of the group that IBIS never really lived up to what it was supposed to do. Shortages of fresh food are still common quality of food is not good-all of those issues. Their buying power stinks! Why can't we have Coles is the comment from the community.

Stores Operation

- Among previous concerns with community stores have been financial mismanagement, poor infrastructure and the limited range of foods and services. The Australian Government was convinced that, with oversight and diligent management, community stores can play a key role in improving the health standards of remote area Indigenous communities by providing quality food at affordable prices.
- The community knows full well the very real concerns from Ugar in relation to the lack of cargo/store facilities on the island. The key stakeholders have not been able to assist this community in replacing the store. Ugar is in desperate need given that local people have to traverse the sea at times in rough weather to Erub (Darnley Island) to do their shopping
- IBIS is pulling in as much as 500-1000% from both the Supermarket and the Service Station on Thursday Island and on the Outer Islands where the over pricing is an even greater burden

- Black & Gold items are sold just below the price of branded products. So where locals would have got some reprieve from the high cost of living by buying Black & Gold, IBIS is profiteering from raising the prices of those product
- What is most disheartening is that IGA seems to be the major operators of IBIS and the community wouldn't be surprised if IGA is taking a majority of the profits. A comparison has been provided for the benefit of the review however it is noted that major IGA store's on the mainland offer ongoing discounts

FUEL

- The fuel pricing in particular doesn't give any incentives whatsoever for local fishermen to go out and work as it has a negative impact on how far they can go out from home base to work. The price for seafood products doesn't provide any allowance for any profit margin from the sale when the price of fuel is so high many don't have the drive for work.
- There is also the added risk for fear of running out of fuel on the high seas.
- When the price of fuel recently dropped on the mainland to below \$1 per litre, IBIS fuel dropped from \$1.89 per litre to \$1.82 per litre. With a further drop being experienced in 2009 to \$1.69 per litre during the economic meltdown
- When Seaswift bought out Endeavour Shipping, this gave them a monopoly on the freight services in this region. So the freight of fuel to the Torres Strait is at their whim. Attempts to get the actual pricing of the freight of fuel to this area has been successful
- It is also noted that years ago, IBIS had the capacity to delivery freight and fuel to the Torres Strait communities through its compliment of barges and the Melbidir-a passenger ship however because of underlying debts in the organisation, the Board made the decision to sell off its assets

Government/ Community Initiatives

- The national benchmark of eating two fruit and five vegetables per person per day is an unrealistic goal in the Torres Strait because of the high cost of living where it is very common for a piece of apple or orange to be as much as \$1.20 per item. When this scenario is applied to a minimum of family of five, it equates to \$22 per day/ \$220 dollars per week just for the daily intake of two fruits alone; and many in the community are welfare recipients
- That the changes to the Community Services Act 1984 for the IBIS Board to be reconstituted, highlights that there has been no 'true' community consultation to ascertain the best avenue of approach to manage IBIS's future by the people who are supposed to benefit from its operations
- That community council's intent to take over the stores in their respective communities would have helped them to operate local enterprises. This would have given the communities the opportunity to control their enterprise, form their own advisory body, and leaving cost savings and valuable dollars in the immediate locale to run other programs. This would enable local people the

opportunity to contribute towards building sustainable communities for the future

- The Federal Minister for Indigenous Affairs and the Minister for Employment released this statement on the 14 August 2006 which could be relevant to the issues the PKA forum took on that same year. The management of the IBIS stores is entirely a matter for the Queensland Government but it is worth keeping this federal initiative in mind if talks with the State Minister prove futile.
- The Australian Government proposed a franchise type model, perhaps one day it could become a viable option for replacing stores like IBIS. It would be useful if the community wrote to Indigenous Business Australia, to register interest and requesting to be kept informed about the development of outback stores.
- The Federal Government committed \$48 million in 2006 over the next four years to address ongoing concerns involving running of remote community stores.
- A Remote Indigenous Stores & Takeaway (RIST) project was launched in 2006 by five state & territory and the Australian Government to look at improving the delivery of fresh product to Indigenous stores in remote areas

High Cost of Living

- There seems to be no comfort with the pricing of fuel here given that IBIS now sells fuel at around \$1.78 per litre and another business sells it around \$1.82 per litre. This means that the usual 20litre drum of fuel now costs around \$40 to fill in the outlying communities as opposed to \$19 in the past. Many families rely heavily on fuel to travel between islands to visit relatives, attend funeral, tombstones openings, attend Church, go hunting, fishing and diving to make a living and given the fact many islands are welfare dependant communities
- The high cost of basic products and food items in IBIS means that a great majority of families cannot afford such things to meet minimum nutritional and health requirements
- The price of basic essentials eg rice and flour is well and above normal prices. The cost of buying 10kg rice on Thursday Island fluctuates greatly with the most expensive price being IBIS.
- The full benefits of IGA discounts is not being felt in the Torres Strait community and at least not to the extent that people on the mainland experience with greater options to choose from
- Being welfare recipients also impacts on our access to fresh food items as the cost of electricity/ gas are 3times higher than mainland prices and leaves little for anything else. It is very common to find Indigenous people involved in gambling/ drinking/ abuse because of their inability to cope with the high cost of living.
- Rent takes up a majority of the money leaving local people with little or nothing to but the healthy living food requirements that people on the mainland enjoy.

Board makeup of IBIS

- Regionally we have the capacity to form a management Board from indigenous people's here to run IBIS in the best interest of the community and not be governed by a Board formed mostly by government, leadership and outside interests. The current regime are not prepared to give savings back to the community so the purchase of rice and flour being staple foods fluctuates a great deal between community stores and for our people who can't afford fresh produce.

*Rice 25kL \$90 IBIS
25kL \$40 Independent.*

IBIS Operations

- The community forum conducted in 2006 identified that the relocation of the IBIS main office back to Thursday Island was in the best interest of the community and was a cost saving measure. It would be interesting to see how many local people are employed within the organisation in Cairns and to what extent the salaries are being paid. Reducing the high overhead costs would help to put the dollars back in the community. This strategy would also give control back to the indigenous people to whom IBIS was firstly intended to provide a service to.
- Torres News reported that IBIS's last audit identified \$24M dollars in revenue of which \$20M dollars was expended leaving IBIS with only \$500,000 in profits. It would be good to ascertain what the \$20M expenditure is made up of
- The situation is becoming critical with IBIS and the residents need to find some relieve with the current situation with fuel pricing, the high cost of living, employment & training prospects and to return the FULL ownership and decision-making processes back to the community giving us the capacity to lean towards establishing economic viability in the region.
- Early 2000 Mr Leo B Akee questioned IBIS why the Board made a decision to pay the relocation expenses of the last General Manager to come all the way from South Africa to work in the Torres Strait and has since not received any straight answers from the organisation.

*THAT Manager since left IBIS +
Mr. Richard Bunker was appointed CEO.*

Issues

Port Kennedy Association met on the 9th August 2006 to offer their support for the community forum and in particular to move the main office once again to Thursday Island giving indication that the community wasn't overly satisfied with the current arrangements. The forum wanted the an investigation to be conducted to check on the changes that have been made to the Community Services Act-Advised that IBIS is not privatised although Part (9) acknowledges the establishment of an independent buying group; Ministerial Decision to effect changes in 2002. The current makeup of the Board is (6) persons and consists of (4) people appointed by the Minister and (2) reps nominated from the ICC. Feelings expressed by the community were that the makeup of the Board as it existed doesn't give a fair distribution of the votes in the decision making process in the best interest of the community. It was felt that the community had the capacity to manage IBIS and make sound decisions that benefited the people not people's business interests.

Given that IBIS was first established to provide a service for the Indigenous people of the Torres Strait, the current arrangement is that it is being run as a profit making business and because of this costs for items are proving to be quite expensive for local people.

Poor quality food is being sold at the usual price and it is now common to find large amount of stock either sitting on shelves past the expiry date or being sold at well below prices. *Today Tonight reported on the 9/8/06 that poor quality fruit & vegies are being sent to rural and remote locations and not lasting the week on the shelves.*

The community expressed that people power could determine the fate of IBIS and if they stopped buying from them, the organisation would fall. Another alternative was for local people to establish a consortium and run in competition to IBIS however we must acknowledge that our families are employed there and have families to support.

It was expressed that that the Minister should have talks directly with the people on the future of IBIS but the request has fallen on deaf ears.

Of even greater concern is that there has been no improvement being made to the mortality rates of Indigenous people and the reduction of chronic diseases in the Torres Strait in respect to the community's access to affordable goods. If the over pricing was appropriately addressed then we would be able to see dramatic improvements in the reduction in health statistics.

When a request was made to the CEO for assistance for a community event, IBIS sent a letter back to the organising committee of MABO Day in 2008 stating that it couldn't support the day without impacting on the service that it supposedly provides to the people of the Torres Strait. In hindsight the community is well aware that IBIS has not supported any Indigenous community celebrations including NAIDOC, Referendum and ANZAC DAY etc over the last 5yrs

* *Swearswift on the other hand is supporting the Gordon Keirley 100% freight free*

The community is well aware of issues surrounding IBIS when it was managed by a community board and feel that these have not been addressed adequately. The community is also dissatisfied, that the audits surrounding IBIS should have highlighted an investigation be done surrounding profiteering by some previous members of the board and employees who personally benefited from decisions that included the signing of contract to 'Big Tomato' franchise in Cairns

The public housing rental system takes anything up to 25% of the workers income and when this is equated across the whole spectrum of remote area living, families have to make hard and fast decisions as to whether dual employment is the right option for them. However it is also noted that where unemployed adults (5) are listed on the tenants list, housing still applies an income rule for the household even when there is the one income present so families are still struggling to make ends meet.

Analysis

The IBIS Board is a body corporate under section 52(2) of the Community Services (Torres Strait) Act 1984, Qld. The Board operates under the registered business name of Islanders Board of Industry & Service (IBIS). The ACCC was concerned that when implementing the new tax system changes IBIS had increased some prices by more

than it should have and were at risk of breaching the price exploitation provisions (s75AU). IBIS gave an undertaking to the Commission that they would:

- Review prices to ensure that IBIS correctly passed all tax savings to its consumers
- Provide refunds
- Offer discounts of 5% on all items for one month
- Provide corrective apologies in all stores; and
- Implement a Trade Practices Compliance Program

It is clear that this undertaking has not been achieved in any way by IBIS given that being a community store it is not meeting its community service obligations to the Indigenous people who are supposed to benefit from its operations.

It would be interesting to see what monies IBIS has accessed in 2006 of the \$48M Federal Government Initiative dollars; if so, to investigate where this money has spent within the organisation. A full audit of IBIS operations would identify where valuable dollars meant for the community has been spent

The Independent Grocers Association (IGA) is an organisation in its own right and is taking the profits away from the Torres Strait. What specials that are on offer get taken mostly by non-Indigenous people because they don't necessarily fall on the pay week of the welfare recipients

The problems that the community face with IBIS are not new. Outsiders need to appreciate that the community has the capacity to manage IBIS as a business and only if the right mix of people are sitting on the Board. Similarly, the community has the skills base, knowledge and experience of people who can make sound decisions on behalf of the community.

At present the operations of IBIS in respect to pricing is not giving savings to our people to help address the chronic disease problems like diabetes and kidney disease if any this has increased rather than shown any improvements.

The quality of food at times has been very poor given credence to the fact that stock could be sitting on shelves for a long time because of the pricing. At one stage the long disruptions whilst waiting repairs to freezers and chillers at the Supermarket impacted on the regular supply of fresh fruit and vegies to the community.

In the past the Community Councils had shown great interest to taking over the stores on the Outer Islands and on Thursday Island but nothing has eventuated from this local initiative.

There needs to be a better pricing system set in place to address the high pricing in this region as the current arrangements with IBIS operating as a business entity does not give the community any comfort from this environment nor give families the greater options to buy fresh foods regularly or eat healthy food as required by the national 2 fruit and 5 vegetable per day strategy

There is evidence written available stating that the social/ economic structure and well being of our Indigenous society is failing and the decline is noticeable in the health statistics and mortality rates. The sooner the government listens to the cries of the

people and begins to address the high pricing and rental system in this region then we will be able to see marked improvements in the health statistics and a reduction in the mortality rates.

Price Comparisons as at 24 March 2009

Item	Black & Gold or similar	IBIS	Independent on Ti	Independent Grocers Assoc	Mainland	Comments
Apple		\$ 4.49kg	\$ 5.00	\$ 2.79kg	\$ 4.97kg	Prices have been up at 7.80kg
Orange		\$ 3.69kg Valencia poor quality	\$ 6.70kg Naval	\$ 2.80kg	\$ 2.95	
Banana		\$ 3.49kg poor quality	\$ 6.50 \$ 2.30 end of week	\$ 1.89kg	\$ 2.45kg	Depending on quality as much as \$8kg
Grapes		\$ 7.59kg	\$ 7.40kg	\$ 4.50kg	\$ 2.70kg	Depending on quality as much as \$12kg
Avocado		\$ 9.40kg	\$ 7.50kg	\$ 3.99kg	\$ 1.62@	
Lettuce Iceberg @		\$ 5.19@	\$ 4.50 small	\$	\$ 1.50@	
Tomato		\$ 4.70kg	\$ 5.30kg	\$ 2.30kg	\$ 2.95kg	
Watermelon		\$	\$2.30kg		\$ 0.98kg	
10kg Rice	\$31.50	\$33.69	\$40.00	\$20.00	\$21.00	
2 kg Flour	\$ 4.49/ \$ 5.90	\$ 7.79	\$ 8.00	\$	\$	Home Brand \$1.85@
Hamper	\$ 4.29	\$ 6.25	\$ 8.20	\$ 3.80	\$ 3.00	
525g Cereal		\$ 6.39	\$14.00	\$ 3.99 1kg	\$ 4.00 Weet 1.2kg pkt	
Assorted biscuits	\$2.40	\$ 9.39	\$ 7.50	\$ 3.80@	\$ 3.80@	
Cottee's Cordial		\$ 6.59	\$ 8.95	\$ 2.79	\$ 2.80	
2Litre Canola Oil	\$11.89	\$15.49	\$ 8.85		\$8.98	4 litre
750g Milo		\$14.39	\$18.70	\$12.00 1.25kg	\$10.98	1.25kg Tin Milo
2Litre Milk		\$ 6.39 Choice	\$ 9.40 Dairy F	\$ 4.99 Dairy F	\$2.80	
Milk Powder	\$12.79	\$14.79	\$16.00	\$8.00	\$6.80	
1kg Butter	\$4.00 Margarine \$5.30	\$ 8.39	\$ 9.20	\$3.00@	\$5.40@	
24 Slice Cheese	\$ 7.10	\$8.80	\$ 9.80	\$ 7.99	\$ 9.00	
Toilet Paper	\$ 5.99 (12)	\$10.30 8pk Sorbent	\$16.90 8pk Wondersoft	\$10.00 16pk	\$ 8.49 18 Pk	18pk Wondersoft
Potatoes		\$3.80kg	\$2.80kg	\$ 1.20kg		
Rump		\$17.00kg	\$18.00kg	\$ 9.99kg	\$14.00kg	\$6.50kg bulk
Mince		\$12.00kg	\$14.00kg	\$ 5.99kg	\$ 7.93kg	
2kg Chicken		\$8.00	\$7.50	\$12kg fillets	\$ 5.00 bag	
Lamb per kilo		\$16.99kg	\$17.00kg	\$ 6.97kg	\$ 7.97kg	

Notes to the table:

- The prices can fluctuate because of the market and or when it suits IBIS to put prices up
- Its not seen as good business practice for the local stores to be in competition with other so the prices aren't very competitive and stay at high
- Prices on items at IBIS have dropped dramatically because of the community stores review
- Similarly the Independents have raised some of their prices so that IBIS prices can be justified because of the above
- The high pricing of food items in particular fruit & vegies has contributed to families buying less of these and more of the starchy foods like rice & flour but even prices for these items have gone through the roof so locals have no choice but to pay the higher price. At the beginning of last year a 25kg rice was being sold for \$43 and now its as much as \$90

Recommendations

1. That the government after consultation with the community consider ways of putting the control either of IBIS or a similar entity back in the hands of the Indigenous people to ensure that they are in control of the best possible price for food items
2. That the workings of the Community Services Act 1984 be remodelled for the IBIS Board or a similar body to settle enterprise issues in the community like stores business establishment
3. That if there is to be some continuity in the Board of IBIS in its decision making to benefit Torres Strait Islanders, Indigenous people should be invited to participate who have background in management, business and finance given that many Indigenous people have the capacity to fulfil that role today
4. That government review the situation with the operation of community stores in the Torres Strait as the local residents need to find some reprieve with the current situation with fuel pricing, the high cost of living, employment & training prospects and the FULL ownership of decision-making processes that have the capacity to lean towards establishing economic viability enterprises in the region.
5. That the Federal Government consider fuel and freight subsidies which would enable local people the opportunity to own and operate viable enterprise and business ventures in their respective communities to support the government with its closing the gap strategy
6. That there should be national awareness campaign to look at the impact of high pricing in the remote Indigenous communities and suitable strategies and partnerships be established to address those underlying issues
7. That the Federal Government enter into negotiations with the community to establishing locally run community store enterprises once again in the Torres Strait
8. Investigate options to establishing a community store back on Stephen Island

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IBIS Freight Scheme 7%