

Outback Stores Submission

Senate Select Committee on Regional and Remote Indigenous Communities

Overview

Outback Stores began trading in November, 2006. The company was set up at a cost of \$48.1 million by a group of senior retailers drawn from large supermarket businesses such as Coles Myer and Woolworths, with the support of Federal Government body Indigenous Business Australia. The concept sprang from a need to find a solution for issues that were becoming common in many Aboriginal communities – rising nutrition-related health problems, unreliable food supplies, empty shelves in stores and stores closing because of poor management and build-up of debt. Outback Stores' role would be to form partnerships with communities by managing stores on their behalf so they become commercially successful and have reliable supplies of healthy, affordable food. Any profits would go towards projects in the communities.

The first official Outback Store opened at Canteen Creek in May, 2007, although relief managers had gone into Imanpa in November 2006, and Ringers Soak (Kundat Djaru) in March, 2007. In June, 2007, the Federal Government introduced its Northern Territory Emergency Response Bill to Parliament. As part of the intervention, funding became available to support shops that were badly needed in communities but were facing closure because they were not profitable. Outback Stores was given \$29.1 million to ensure they remained open and were providing good healthy food choices for the communities.

Outback Stores now operates stores across the Northern Territory, Queensland and Western Australia. When Outback Stores comes in to manage a community shop, it works with a store committee to develop a management agreement. This agreement includes signing up to a business structure that ensures fair distribution of profits. It also covers operational issues such as no "book up", no debt and for stores to be separately incorporated.

All store managers attend training courses in Darwin before they go out into the communities and are supported by area managers, relief managers, professional systems, proper stock control and accounts staff. Employees are drawn from the local community and are paid award wages. Much thought and planning goes into what is sold at the stores and nutritionists are involved in choosing the range in line with Outback Stores' mission to make a positive difference to the health of people living in remote communities.

The nutritionists follow up by monitoring the stores to make sure the right products are being sold and that they are being displayed appropriately. The sourcing of stock is also an important issue and Outback Stores' primary concern is that communities have reliable, affordable supplies of quality food and grocery items. To meet this aim, it has a centralised supply to keep prices down and forms partnerships with as many local suppliers as possible.

Outback Store experience

In response to the inquiry terms of reference, Outback Store's provides comment on item (a) *The effectiveness of Australian Government policies following the Northern Territory Emergency Response, specifically on the state of health, welfare, education and law and order in regional and remote Indigenous communities.*

Summarised below is our response to item (a):

Ensuring food security

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At the commencement of income management in September 2007, Outback Stores operated in only 3 stores in the Territory. During that first year, OBS expanded its store network in the Territory to approximately 21 stores. This significant growth of the OBS network was accelerated to enable the commencement of income management throughout the 72 prescribed communities.

Throughout the first 12 months of income management in particular, OBS witnessed a refining of the implementation and support offered to stores by FaHCSIA.

Impact on growth

OBS experienced significant organisational growth through the NTER. As an organisation we received \$29.1 million to assist in the acceleration of growing the Outback Stores business including training, loans to communities and under-pinning for unviable stores. In turn, OBS became a key retail organisation to enable 'food security' for income management as a corporate licensee. However, it takes considerable time and pre-planning to open a new stores. What would normally take our organisation 8 weeks to complete we were required to do within 2 weeks. This meant that it at times we were unable to understand the extent of the store's debt (as our due diligence process was truncated) until OBS was operating. This placed OBS at significant risk to exposure to old debts, historical poor governance and very poor infrastructure investment.

The historical under-investment in community stores meant that many stores we entered management agreements were often in a poor state of repair and have at times poor governance structures in place. This placed additional burdens and costs to the organisation.

Need for improved communication

As previously identified in the NTER Review conducted by Peter Yu, there was poor communication on the ground about the impact of the NTER measures. This was particularly obvious for our stores with the commencement of income management.

Our store managers often found themselves having to explain the government's income management policy. At times our store managers were subjected to community frustration and anger. Particularly in the early stages of the roll-out customers had great difficulty in accessing their personal Centrelink balances and there was sometimes the perception that the store had taken their money. This issue did improve over time as Centrelink improved its remote servicing. However, clients accessing their income management balances remain a challenge for the clients.

Opportunities provided

The NTER income management measure, while controversial, was a positive outcome for raising the profile and operational standards of community stores. For the first time, through the community stores licensing regime, the Australian Government was making a concerted effort to raise the standards of the operating (retail) function of community stores and the quality of food available at the store.

The investment in the infrastructure of community stores, while limited, has had a significant impact on the trading ability and functionality of many stores. For further information please refer to the House of Representatives Inquiry into Community Stores the Jilkmiggan community case study.

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OBS congratulates the Australian Government for its efforts to improve the standards of community stores operating in remote communities. We strongly believe that a well functioning community store will have direct impact on the health and well-being of that community.

Challenge of servicing regional and remote Australia

Of Australia's population, 90,000 to 110,000 of its most disadvantaged people live in 1200 communities in remote or very remote areas. This is our target audience but many live in such small communities that it is not feasible to set up stores in all of them. So we try to reach the largest number of people with the funds we have. This means many small communities still have no food security. Government faces the policy dilemma of how to meet the obligation of providing food security to the 20,000 or so people who live in more than 1000 of the smallest remote communities while ensuring the greatest return on government expenditure in remote regions.

Providing services to small communities, such as outstations, is beyond our scope and budget. Solutions may be possible, however, by building strong regional centres with the necessary store and managers housing infrastructure. This would provide economies of scale and management expertise to either deliver supplies to smaller communities or attract people in for shopping, along with service delivery by regional schools, health clinics and police stations (the model being applied in Ti Tree and which, we would suggest, would make a major difference to towns such as Halls Creek).

The Outback Stores submission to the current House of Representatives Inquiry into community stores provides a strategic overview of critical issues impacting on our organisation and community stores. The submission is located at:

http://www.outbackstores.com.au/assets/files/media_releases/HSCIA_submission2009.pdf