

## Healthy Stores, Healthy Communities: The Impact of Outback Stores on Remote Indigenous Australians

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EXECUTIVE SUMMARY

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Indigenous Australians, especially those living in remote communities, have some of the worst health outcomes in the world.<sup>1</sup> Diets heavy in refined sugars, saturated fats, and salt mean that conditions such as obesity, Type 2 diabetes, and cardiovascular disease are now much more common amongst Indigenous Australians than they were a few decades ago.<sup>2</sup> The prevalence of these diseases and illnesses, particularly amongst those living in remote communities, contributes to the large gap between Indigenous and non-Indigenous life expectancy figures.

The government's healthy eating campaigns to combat this 'gap' have tended to assume that the poor diets of Indigenous Australians and their subsequent poor health outcomes are because of their lack of knowledge about what foods are healthy. But lack of education is not the problem. Many residents already know what foods are good for them; rather, it is the problems with supply and affordability of produce that limit the opportunities to consume fresh fruit and vegetables on a regular basis.

One of the reasons for this is that most stores in remote communities stock few fruit and vegetables, and when they do the produce is expensive and of poor quality. The absence of competition (most communities, even those with 1,000 residents, have only one store) has allowed many remote stores to have a captive market and get away with selling goods at high prices or providing inferior products and poor service without a commensurate reduction in demand. The remote location of most communities and impassable roads during the wet season add to the monopoly of community stores.

The government established a company called Outback Stores in 2006 to manage remote stores on behalf of Indigenous communities in an attempt to address the problems with remote community stores, which have had such a detrimental impact on the health outcomes of remote Indigenous Australians.

Indigenous communities are not like other small Australian towns. They have unique characteristics that do require some form of government intervention—at least in the short term. However, the goal should be to try and normalise these communities, not add to their dependence on government. Although the Outback Stores initiative may be useful in addressing poor management practices and reducing uneconomic cultural practices, it has also resulted in some unfortunate and unintended consequences.

The \$77 million of government funding that has gone into Outback Stores has created an unequal playing field and made it harder for independent community stores to keep operating.

Government involvement and subsidies to Outback Stores will make it less economically attractive for communities to run their own stores or to explore alternative methods of obtaining fresh fruit and vegetables, such as growing it themselves.

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Outback Stores should not be allowed to operate in communities of 500 or more because the funding it receives from the government has the potential to stifle any competition. Rather than imposing top-down, government controlled measures, the government should support and propagate those community store initiatives that are working well. Government should never assume that only it can bring about effective change; indeed, without community engagement (buy-in) any measures will only be another example of government doing something for communities, not with them.

Government intervention into remote stores should be confined to monitoring and regulating stores practices. Until the introduction of store licensing for income management, stores were not monitored to check whether they were meeting normal health and safety standards and following food hygiene practices. But the carrot of being awarded a licence to accept the BASICS card has seen stores improve their practices.

The Rudd government established an inquiry in December 2008 on remote Indigenous community stores with a particular focus on the role of Outback Stores. The report by the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs was released in November 2009 and contained a total of 33 recommendations. But more than six months later, the Rudd government is yet to respond to the recommendations, even though it has been government policy to do so within three months of a report being tabled.<sup>3</sup>

This, and the absence of funding for the Council of Australian Government's Food Security initiative and the National Aboriginal and Torres Strait Islander Nutrition Strategy and Action Plan 2000–10 in the federal government's 2010 Budget, suggests that the Rudd government has put this issue on the back burner.

Like previous government attempts to improve healthy eating practices in remote communities, Outback Stores is a bandaid solution and does not address the structural impediments to reform, such as the absence of private property rights and the Permit System. Tourism helps support local shops in other small, rural Australian towns, but many Indigenous communities are kept isolated by the Permit System, which requires visitors to get permission before travelling to or even through Indigenous communities. Only when these factors are addressed will there be a true market economy and the benefits of increased competition in remote Indigenous communities.

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Give a man a fish, you have fed him for today. Teach a man to fish, and you have fed him for a lifetime.

— Lao Tzu

## Introduction

There is a huge volume of research on the poor health of Indigenous Australians, especially those living in remote communities.<sup>4</sup> Less well-known is the role of community stores in determining the health outcomes of residents in remote communities.<sup>\*</sup> The government's healthy eating campaigns have tended to assume that the poor diets and subsequent poor health outcomes are because of the lack of knowledge about healthy foods among Indigenous Australians. This is not necessarily the case. Many residents know what foods are good for them, but have limited opportunity to consume fresh fruit and vegetables on a regular basis because of supply and affordability issues.

In recent years, government has attempted to tackle this problem and improve the availability of healthy food in remote communities. Central to these attempts was the introduction of Outback Stores, a company that manages remote stores on behalf of remote Indigenous communities. In December 2008, the Rudd government directed the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs to conduct an inquiry into the operation of remote stores and to examine whether Outback Stores has been successful in improving the management and nutrition practices of remote Indigenous stores. In November 2009, the committee released its report *Everybody's Business: Remote Aboriginal and Torres Strait Community Stores* based on 112 submissions<sup>†</sup> and evidence heard at hearings.<sup>5</sup>

This paper examines the findings in the committee's report and questions some of its recommendations. From the outset, the committee makes it clear that it believes it is the government's role to ensure that Aboriginal and Torres Strait Islander people living in remote areas have access to a secure food supply and the essential services necessary to support their health and well-being.<sup>6</sup>

However, determining the appropriate role of government in remote Indigenous communities is a difficult and vexing issue. These communities are not like other small Australian towns and have unique characteristics that do require some form of government intervention—at least in the short term. However, the goal should be to try and normalise Indigenous communities, not add to their dependence on government. Unfortunately, although the Outback Stores initiative may be useful in addressing poor management practices and reducing uneconomic cultural practices, it has not really delivered on its promise to train local residents to manage their stores. There have also been unintended consequences to wholesale suppliers and existing community stores following the introduction of Outback Stores.

Instead of trying to homogenise remote stores, government should look into strategies that support a diversity of stores and ways to encourage communities to be independent and self-reliant.

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<sup>\*</sup> A community store is a shop located in a remote Aboriginal or Torres Strait Islander community. The store is owned by the community and is run by a store manager on behalf of the community. The community employs the store manager and, in some cases, appoints a store committee to make representations to the store manager on its behalf. A large number of stores in remote Aboriginal or Torres Strait Islander communities fit this definition of a community store. See House Standing Committee on Aboriginal and Torres Strait Islander Affairs, *Everybody's Business: Remote Aboriginal and Torres Strait Community Stores* (Canberra: 2009), 5.

<sup>†</sup> Note: Unless otherwise stated, all references to submissions in this report are to this inquiry.

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The community store at Baniyala, an outstation of around 100 residents in East Arnhem Land.

## The importance of good stores

### *Lack of locally grown produce*

Most remote communities usually have only one store. If these stores do not stock a range of healthy food, residents are unlikely to have fresh fruit and vegetables as part of their regular diet.

Occasionally, locals may go hunting and fishing and collect ‘bush tucker,’ but very few communities grow their own fruit and vegetables.<sup>7</sup> There are various reasons for this. Many Indigenous communities are located in areas where the climate is extreme—either very dry or very wet—which makes it difficult to grow common fruits and vegetables, especially without specialist knowledge.<sup>8</sup>

Years ago, during the era of Outback Missions, communities used to grow their own fruit and vegetables. But with the departure of the missions and the advent of welfare, remote communities lost not only guidance on how to grow produce to suit local conditions but also the will.<sup>9</sup>

For more than 20 years now, governments have been aware that very few Indigenous communities have their own gardens, but attempts to address this situation have not been particularly successful.<sup>10</sup> Most residents of Indigenous communities live in community or public housing and do not have their own plot of land. Communal gardens have not worked very well because of difficulties in determining who is responsible for maintaining them. Often no one is willing to take on the long-term responsibility because there is nothing in it for them—they do all the work but have to share the produce with everyone in the community. This lack of responsibility has caused the failure of many gardens. In one community, wild pigs destroyed all the crops because residents had not thought to build a fence around their garden; in another community, wild buffaloes trampled the garden because the fence was not secured properly.<sup>12</sup>

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Gardens in remote communities tend to have a short life-span, ending once the initial enthusiasm wears off or the person who instigated the idea leaves the community. At one school in the Northern Territory, a garden was established as a part of a Year 5 Home Economics class. Funding was provided in 2004 to install an irrigation system and build a chicken coop. Five years later, the garden is abandoned and overgrown with weeds.<sup>13</sup>

The Commonwealth Department of Health and Ageing used to invest in market gardens but ceased doing so because 'there was no evidence of long-term systematic change in terms of public health care.'<sup>14</sup> This claim seems doubtful—surely having a regular supply of fruit and vegetables would provide many health benefits. What seems more likely is that there was no long-term change in the attitudes of residents towards growing their own food.

### **Lack of healthy food**

It is clear from many of the 112 submissions to the federal government's inquiry that there is room for improvement in the range, quality, availability and price of fresh fruit and vegetables in remote stores. A number of submissions complained about the infrequent delivery of fresh fruit and vegetables, and that stores did not stock enough fresh produce.<sup>15</sup> Some communities go without fresh produce for weeks while waiting for deliveries, and by the time they finally receive 'fresh' food it can be up to two weeks old.<sup>16</sup> Poor storage practices—such as defrosting and then refreezing vegetables and storing potatoes in the chiller—contribute to the poor quality of produce.<sup>17</sup> Damaged and poor quality stock does not sell well and reduces the likelihood of customers purchasing that item again.<sup>18</sup> Store managers are generally conservative when it comes to stocking fruit and vegetables because once it's outside the cold chain, produce has to be sold quickly or thrown out at a loss.<sup>19</sup> As a result, the quantity of fruit and vegetables for sale in remote communities tends to be limited. A survey of Government Business Managers in remote communities in the Northern Territory in July 2008 found that 55% of the surveyed communities did not have access to any fresh food for certain periods.<sup>20</sup>

Studies conducted by the National Health and Medical Research Council found that 90–95% of the dietary intake of Aborigines and Torres Strait Islanders consists of packaged food and drink.<sup>21</sup> A Menzies School of Health Research study found that only four foods—white bread, white flour, milk powder, and sugar—provided more than half the energy intake of residents in remote northern Australia.<sup>22</sup>

Diets heavy in refined sugars, saturated fats, and salt mean that health conditions such as obesity, Type 2 diabetes, and cardiovascular disease are much more common among Indigenous Australians than a few decades ago.<sup>23</sup> Healthy food is essential in preventing and managing these diseases. Poor nutrition also contributes to the high levels of infectious diseases and poor growth in children. Indigenous children are 30 times more likely to suffer from nutritional anaemia or malnutrition than non-Indigenous children.<sup>24</sup> This can have a lasting impact on their future, as childhood malnutrition makes them more susceptible to chronic diseases as adults. The high prevalence of these diseases and illnesses among Indigenous residents in remote communities contributes to the large gap between Indigenous and non-Indigenous life expectancy figures.

### **Indigenous health policy and nutrition programs**

In his Apology to the Stolen Generation, Prime Minister Kevin Rudd set some bold targets to reduce the gaps between Indigenous and non-Indigenous Australians, particularly the gap in infant and child mortality rates. This commitment is now known as Closing the Gap and forms the Commonwealth government's overall approach to Aboriginal and Torres Strait Islander issues.

The Closing the Gap campaign introduced a number of initiatives to promote good nutrition and healthy eating practices among remote Aboriginal and Torres Strait Islander communities. By and large, these have followed the National Aboriginal and

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Torres Strait Islander Nutrition Strategy and Action Plan (NATSINSAP), which was endorsed by the Australian Health Ministers' Conference (AHMC) in August 2001.<sup>25</sup> The principal 'achievement' of NATSINSAP has been the collaboration between five state and territory jurisdictions of the Remote Indigenous Stores and Takeaways Project (RIST), which consists of guidelines for stocking healthy food and marketing strategies to promote healthy food. The RIST project showed only limited evidence from sales data that implementing these policies increased sales of fruit and vegetables.<sup>26</sup> These healthy eating programs appear to make a difference in communities that are already motivated to eat better but are of limited value in areas where store committees and managers are not motivated to change their food stocking practices.<sup>27</sup>

Despite the limited impact of marketing campaigns on people's food choices, the federal government continues to pour money into them. In November 2008, the Council of Australian Governments (COAG) announced a further \$40.95 million (on top of \$29.7 million already provided) to extend the Measure Up campaign by three more years to 2013. Measure Up is a sustained program of social marketing activities to address and change the lifestyle behaviours that contribute to chronic disease, with a particular focus on targeting 'at risk' groups such as Indigenous people. The campaign's Indigenous strategy, Tomorrow People, is based on simple, key messages that promote the importance of healthy eating and physical activity, and how these behaviours can benefit the individual, the family and the community as a whole. The Tomorrow People campaign includes radio and print advertising and a website.<sup>28</sup>

The problem with these sorts of health promotion programs is they tend to imply that people make poor food choices because they do not know any better. This is not the case with the general population and nor is it the case with most remote Indigenous communities. Many of them resent the government for assuming they need to be taught which foods are healthy and which are not.<sup>29</sup> The government has failed to see the real reasons why people eat unhealthily. Most healthy eating campaigns have not taken into account the lack of sufficient health 'hardware' (functioning kitchens, refrigerators, stoves) in Indigenous communities. Many residents rely on pre-cooked or takeaway food (hot chips and pies) and food that can be heated easily (two-minute noodles) because they do not have the facilities to store or cook food at home.<sup>30</sup> The government has also failed to see the irony in promoting healthy food when remote communities have limited access to fresh produce that is also often overpriced and of poor quality.

To a certain extent, Closing the Gap is about bringing Aboriginal and Torres Strait Islanders up to the level of mainstream Australians. However, if the gaps are expected to close, then remote Indigenous communities should have the same level of services and facilities that other Australians have come to expect and take for granted.

### **Indigenous communities**

Aboriginal and Torres Strait Island communities are unlike other small towns in Australia in many respects. Most are in remote locations away from main transport networks.<sup>‡</sup> According to the 2006 Census, 1,112 discrete Indigenous communities are located in remote or very remote localities.<sup>§</sup>

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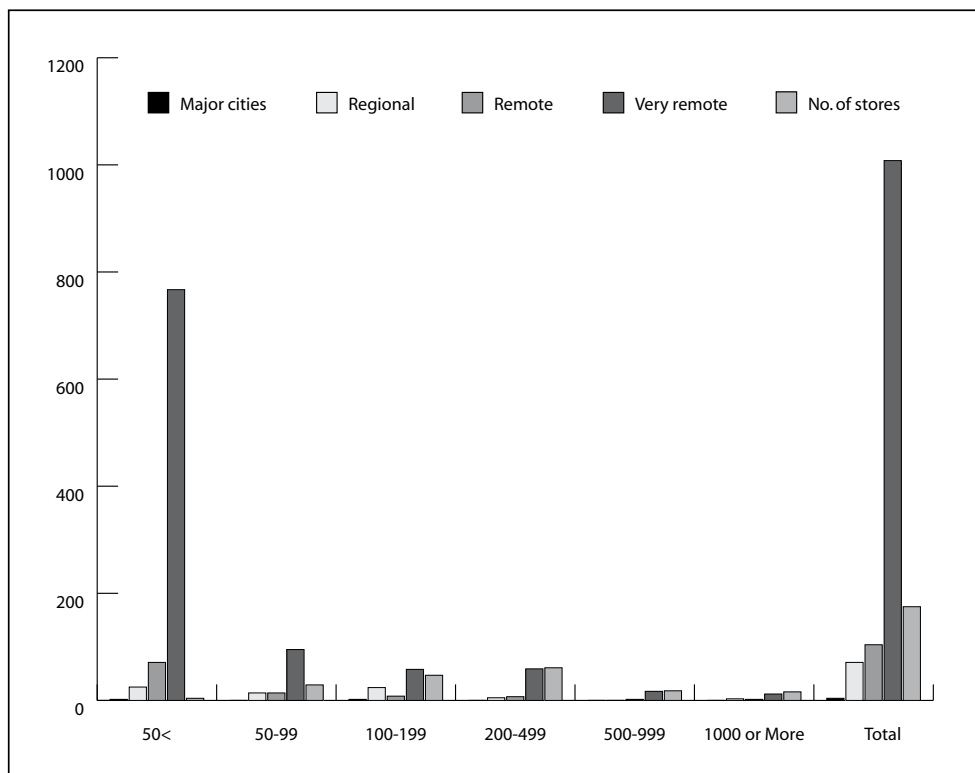
<sup>‡</sup> The Australian Accessibility/Remoteness Index (ARIA) interprets remoteness as accessibility to service centres that have a population of more than 5,000. There is, however, some debate as to the accuracy of this measure of remoteness as it excludes communities with accessibility to service centres with a population of several thousand.

<sup>§</sup> A discrete Indigenous community refers to a geographic location that:

- is bounded by physical or cadastral (legal) boundaries
- is inhabited or intended to be inhabited by predominantly Indigenous people, and
- has housing or infrastructure that is either owned or managed by the community.

For more information on the Australian Institute of Health and Welfare's discrete Indigenous community identifiers, see <http://meteor.aihw.gov.au/content/index.phtml/itemId/269732>.

**Figure 1:** Number of discrete Indigenous communities and by remoteness and population



**Source:** Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) Submission 62 (2009), 12.

Of the 1,112 discrete Indigenous communities in 2006, 947 (85%) had a population of fewer than 100—typically in small outstations without a community store located on-site. Of the remaining 165 communities, 66 had a population of between 100 and 200; 66 had a population of between 200 and 499; 19 had a population of between 500 and 999; and just 14 had a population of more than 1,000.<sup>31</sup>

### Permit System and communal land ownership

In the Northern Territory, Indigenous communities are kept isolated from the rest of Australia by the Permit System. Under the *Aboriginal Land Rights (NT) Act 1976*, a permit issued by an Aboriginal Land Council is required for all travel (including freight companies) through and to Aboriginal communities. In many remote areas, communal ownership of Indigenous land and the absence of private property rights have hindered economic development and private enterprise. Although it is difficult to establish retail services in small townships, most Australian towns of comparable size have thriving shops, motels, service stations, and other commercial enterprises; for example, Boorowra is a rural town in NSW with a population of 2,000 and 15 retail outlets.<sup>32</sup> In contrast, most remote Indigenous communities (even those with 1,000 or more people) have only one store.<sup>33</sup> This single store plays an all-important role in the community because of the lack of other commercial services. The local store is ‘more than just a store’<sup>34</sup>—most have EFTPOS facilities and some have ATMs; often, they are the only place where locals (without phone or internet services) can check their bank balances and access their accounts.

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## Remote community stores

**Table 1:** Number of discrete Indigenous communities and stores by remoteness and population

	50<	50–99	100–199	200–499	500–999	1000 or more	Total
Major cities	2	0	2	0	0	0	4
Regional	25	14	24	5	0	3	71
Remote	71	14	8	7	2	2	104
Very remote	767	95	58	59	17	12	1008
No of stores	4	29	47	61	18	16	175

**Source:** Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) Submission 62 (2009), 12.

Most of the 175 community stores are located in communities that have fewer than 500 people, with 61 stores in communities with population between 200 and 499, and 80 stores in communities with a population of fewer than 200. The majority of stores in remote Indigenous communities are community-owned non-profit organisations or community-based enterprises that direct some (or all) of the profits back into the community.<sup>35</sup> Most community stores are governed by store committees, which are corporate or non-corporate entities structured under state or federal legislation. Although store committee members are not usually responsible for the daily management of stores, they are responsible for choosing the management model, determining store food policy, making decisions about any surplus expenditure, and monitoring store financials.<sup>36</sup>

In the Northern Territory, only about 15% of the stores licensed under the Northern Territory Intervention (NTI) are not owned by an Indigenous organisation.<sup>37</sup> These are privately owned for-profit businesses and state and territory government-owned stores.<sup>38</sup> Maintaining profitable and sustainable stores in small and geographically diverse communities is difficult. For a store to be financially viable, it needs an approximate population of 200 or more.<sup>39</sup> This is not a hard and fast rule as many factors determine whether a store is viable. Some stores in communities with a population of fewer than 200 are viable because they are also used by neighbouring communities. At the same time, stores in communities with larger populations may be uneconomical because of inefficient freight arrangements, high staff turnover, and/or mismanagement.

## The problems with remote community stores

### *The tyranny of distance*

The challenges of freighting goods, especially perishable goods, to remote Indigenous communities include: travel time and accessibility based on the state of roads, rail, access channels and barge ramps, and weather conditions. Vast tracts of the Northern Territory and other remote areas in Australia such as Cape York are not serviced by all-weather roads. For example, the Central Arnhem Road is the main arterial highway linking the mining town of Nhulunbuy with Katherine and the rest of the Northern Territory—yet it is a dirt road and is often closed during the wet season (October to April). Some roads in remote communities are so badly maintained that it is difficult for food suppliers to reach them. What could be a two-hour drive in good weather and road conditions generally takes much longer due to the poor condition of most roads. Roads are often impassable during the wet season, and the only way for stores to receive supplies is to have them flown in by charter or shipped by barge.<sup>40</sup>

Communities that rely on a barge service have some of the highest grocery prices in Australia because of the monopoly enjoyed by many barge operators and shipping companies.<sup>41</sup> The absence of competition means that freight companies are free to dictate



their prices. When one of the only two shipping companies servicing Thursday Island in the Torres Strait was sold to its competitor, the cost of shipping fresh food went up by 73% (from around \$220 per cubic metre to \$380 per cubic metre).<sup>42</sup> Business owners on Thursday Island estimate that freight costs now contribute an extra 20–30% to the final retail price of goods. In other words, for every \$100 spent on Thursday Island, \$25 goes to the shipping company.<sup>43</sup>

In general, the cost of fresh and nutritious food in community stores in remote Indigenous communities is significantly higher than that experienced elsewhere in Australia. For example, the Market Basket Survey 2007 undertaken by the NT Department of Health and Community Services showed that prices for a standard basket of goods (the market basket) in remote stores were, on average, around 17% higher than in a Darwin supermarket.<sup>44</sup>

Although the difficulty in transporting goods to remote communities is generally recognised as a contributing factor to the high cost of groceries, there is some debate about the extent of its impact, with some submissions suggesting that freight costs only account for between 2% and 5% of total costs (relative to turnover).<sup>45</sup> There is very little consistency and transparency in the pricing of goods, and it is difficult to estimate the actual contribution of freight costs to the final retail price. For example, in one community a 750 gram packet of pasta costs \$6 (approximately five times the cost in metropolitan stores) whereas a 1 litre carton of milk costs \$3 (only two times more than the metropolitan price).<sup>46</sup> It may be that the store manager decided to keep basic food items, such as milk and bread, at a relatively low price and increase the prices of other food items to compensate. Indeed, it is the policy in some stores to subsidise healthy and essential food items, such as fruit and vegetables and milk, by raising the prices of less desirable products, such as soft drinks and cigarettes.<sup>47</sup>

At the same time, it is clear that some stores are not doing the same. At one community store, the price of a 2 litre carton of milk is \$6.50 and a kilo of plain white flour is \$6.<sup>48</sup> Many submissions to the inquiry noted how expensive fruit and vegetables were, particularly given their poor quality. For example, at a store in the Torres Strait a yellow and ageing bunch of broccoli costs \$9 (or \$17 a kilo).

Freight difficulties not only affect the final price of grocery items but also the quality of perishable items like fruit and vegetables. By the time some communities receive 'fresh' food, it can already be up to two weeks old.<sup>49</sup> Frequent stops and delays along the freight journey interrupt the cold chain and reduce the shelf life of produce. However, stores rarely discount fruit and vegetables that have started to go off, preferring instead to sell them at high prices.<sup>50</sup>

There is considerable anecdotal evidence of price gouging,<sup>51</sup> with stores charging higher mark-ups (up to 500%) than can be justified solely by the costs of getting goods to the market. It appears that some managers are hiding behind the excuse of expensive freight costs to explain the high price of goods in their stores. Research conducted for the Australian Competition and Consumer Commission (ACCC) in 2001 found four factors besides transport costs that affected retail prices in remote stores: absence of competition, inefficiencies in store practices through poor management, unscrupulous conduct by management and staff, and cultural practices such as obligations to assist kin by not charging them for groceries.<sup>52</sup>

### **Absence of competition**

Most community stores have a high degree of market power either as a monopoly provider or as one of only a small number of providers.<sup>53</sup> In addition, few residents have vehicles in remote communities, so if people want to do their shopping in towns or cities where grocery prices are cheaper and there is more variety, they have to spend hundreds of dollars on four-wheel drive 'bush taxis' or charter flights. A return trip from Baniyala in East Arnhem Land to Nhulunbuy (a distance of 200 kms) costs around \$1,000 by bush taxi or up to \$2,000 by charter.<sup>54</sup> It is therefore more economical for

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residents in remote areas to buy overpriced groceries from their local stores than to make the trip into town. Because remote stores have such a captive market, they are able to sell goods at high prices (or provide inferior products and/or poor service) without a commensurate reduction in demand.

The effect that the absence of competition has on pricing is most noticeable when competition is introduced. For example, the mark-up on staples such as sugar, eggs and flour at a remote store in the Northern Territory was between 100% and 500%, but when a direct competitor to the store opened up and began selling goods at substantially lower prices, the first store reduced its prices by nearly 50%.<sup>55</sup> Similarly, Maningrida, an Indigenous community of 2,500 people in Arnhem Land, had only one store. When another store opened up, there was initially a lot of acrimony between the two. However, consumers were able to exercise their choice about where to shop, which resulted in the original store becoming a better shop than it was before there was competition—with better quality of stock, lower prices, and longer opening hours.<sup>56</sup>

Unfortunately, not all Indigenous communities are large enough to support more than one store. The only way residents of these communities will be able to enjoy the economic benefits of increased competition is if they are able to access a range of stores in larger neighbouring Aboriginal townships. There are some successful examples of community stores in larger service centres providing essential mobile food services to outlying communities, for example, the Tucker Run provided by Maningrida's Bawinanga Aboriginal Corporation (BAC) to Maningrida outstations. Such initiatives should be replicated in other communities.<sup>57</sup>

### ***Staffing challenges***

One of the challenges for remote store managers is high staff turnover and getting staff to come to work for their rostered hours.<sup>58</sup> One manager said that this was because of the pressure on community members not to work. He cited a number of comments people have made to him when asked why they didn't work: 'my mates don't work,' 'I don't like the work you want me to do,' and 'there was a card game on.'<sup>59</sup>

More than 35 years of welfare dependency and appalling schooling have had a devastating effect on residents of remote communities. Used to receiving government money for doing nothing, many lack both the incentives and the literacy and numeracy skills needed for employment. The government has introduced plenty of training programs to try and address skills shortages (including the ill-fated Community Development Employment Training Program (CDEP)), but these programs have not tackled people's lack of work ethic or underlying illiteracy problems. Most local people, if they are employed, work in low skilled and menial positions.<sup>60</sup> For example, in community stores, they sweep the floor, pack shelves, and occasionally serve at the counter.<sup>61</sup> Very few residents have the skills to order goods or do basic accounting. As a result, most Indigenous communities have to rely on outside help to manage their stores.<sup>62</sup> While this has sometimes been a good thing, salary packages for remote store managers can cost up to twice that of managers in suburban stores—and that cost is generally spread across a much smaller customer base. The difficulties in attracting and retaining qualified and reliable staff increase the likelihood of poor management practices because communities often have fewer options to choose from.<sup>63</sup> Consequently, on many occasions, Indigenous communities have been the victims of dishonest and corrupt managers.

### ***Poor management practices***

If a store is not managed properly it can result in large financial losses and instability. Some argue that good food management practices can overcome the difficulties inherent in transporting goods to remote locations.<sup>64</sup> Typically, poorly managed stores experience high prices, poor supply of low quality stock, and a high incidence of stock pilfering or other fraudulent behaviour.

A number of submissions to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs inquiry described their experience of poor and even fraudulent management practices. In South Australia, a survey of remote stores in the APY Lands<sup>65</sup> found that only 35% of prices marked on various products accurately reflected the prices charged at the checkout (more often than not, the charged price was higher than the advertised price).<sup>66</sup> The same complaint was made about remote stores in Queensland and the Northern Territory.<sup>67</sup>

The practice of book-up (running up a tab), whereby the store provides short-term credit to customers so that they can purchase goods, is also a common problem.<sup>68</sup> The lack of banking facilities in remote Indigenous communities and the poor budgeting skills of many residents increase the demand for stores to provide goods on credit. Stores offering book-up often hold the customer's bank card and PIN as security to guarantee repayment. Although book-up can be the only or most convenient way to buy goods on credit or get cash advances in remote communities, it has inherent problems, including high fees; lack of transparency, accountability and flexibility; and even fraud. Holding people's bank cards restricts where people can spend their money; it also leaves them vulnerable to exploitation, with some stores charging customers up to \$30 as transaction fee.<sup>69</sup> Excessive use of book-up can also lead to insolvency for some stores. In 2008, a store in Burringurrah in Western Australia was run into the ground because of a series of unpaid loans to community members.<sup>70</sup> As a result, the government had to fly in an emergency supply of food for the community.

In Ngiuu in the Tiwi Islands, the local store suffered many heavy financial losses over a period of 20 years due to poor management practices and misappropriation of funds.<sup>71</sup> When the store lost approximately \$1 million in 1988, the community engaged an independent external accountant to monitor the store's financial affairs on a monthly basis. Unfortunately, this policy did not prevent further theft—with a book-keeper defrauding the store of \$800,000. Even the store committee president was caught stealing \$40,000 in cash takings from the store.<sup>72</sup>

Difficulties with the governance of community stores tend to arise when members lack the literacy and numeracy skills to meet their reporting requirements and monitor store financials. For example, one store committee did not meet its requirement to provide minutes of its meetings because of the lack of literacy amongst its directors.<sup>73</sup>

Monitoring whether or not store committees meet their reporting requirements is made difficult by the fact that remote stores can be established under a range of different regulatory regimes. For examples, stores may be incorporated under the *Corporations Act 2001* (administered by the Australian Securities and Investments Commission (ASIC)) or under the *Corporations and Aboriginal and Torres Strait Islander Act 2006* (administered by the Office of the Registrar of Indigenous Corporations (ORIC)). Many also operate as Incorporated Associations under various state and territory association legislation. Some community stores use more than one form of association or a mix of corporate and non-corporate bodies. This, coupled with the different regulatory regimes, makes it difficult to assess compliance rates under each regime and the number of stores under each jurisdiction. There is therefore no specific data on the non-compliance of community stores, although in its submission, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) said non-compliance rates were likely to be high—citing that 41% of all Indigenous corporations in Australia were not fully compliant under the *Corporations and Aboriginal and Torres Strait Islander Act 2006*.<sup>64</sup>

### **Cultural practices**

The FaHCSIA submission noted that the way store committees are structured can produce a 'clear tension between the economic/commercial interests of the store committee and the social obligations to return revenue to the community,' noting a potential for committee members to receive financial benefits via high prices in a store or via 'special discounts.'<sup>75</sup> For example, the practice of demand sharing—where

**The practice of book-up (running up a tab) where the store provides short-term credit to customers so that they can purchase goods is also a common problem.**

**An Aboriginal checkout operator, when confronted by relatives with a full shopping trolley but no money, may feel pressurised into letting them have the goods for free.**

employees are pressurised into sharing a business's earnings, assets or stock with relatives or influential people in the community—is not uncommon. An Aboriginal checkout operator, when confronted by relatives with a full shopping trolley but no money, may feel pressurised into letting them have the goods for free. In these instances, keeping the goodwill of family or esteemed members of the community is considered more important than following good business practices. For this reason, some submitters said it was helpful to have non-Indigenous people managing stores as they were not subject to the same pressures.<sup>76</sup>

There is some merit in the practice of returning store revenue to the community. For example, some stores put proceeds back into the community to help fund activities like sports carnivals and 'Christmas shopping bonuses for community members.'<sup>77</sup> However, if these practices are not managed properly they can affect the commercial viability of stores. Because of large debts and the lack of cash flow, many community stores end up being depleted of supplies.

However, there is little economic merit in some of the cultural practices in remote stores. For example, the community store in Numbulwar, an Indigenous community in East Arnhem Land, was closed for at least two years after it was 'cursed' because 'royalty' payments had not been made to the traditional owner. The doors were padlocked and all the stock, including meat and other perishables, was left to rot. Expensive refrigeration machinery sat idle collecting dust and slowly rusting away in the hot tropical climate.<sup>78</sup>

At Gapuwiyak, another Indigenous community in East Arnhem Land, the traditional owner of the community, upset at a government announcement about the future of outstations, told the local store to stop selling fuel cards for a day. Later on, he changed his mind and allowed fuel cards to be sold to visitors but not locals.<sup>79</sup> Such capricious practices indicate the distance that needs to be travelled before some communities will be able to operate their stores in a business-like way.

### **Outback Stores**

Former federal Indigenous Affairs Minister Mal Brough established the Outback Stores Company in 2006 to address the factors (financial mismanagement, food stocking policies, and poor infrastructure) inhibiting the provision of fresh, competitively priced produce in remote stores.<sup>80</sup> Indigenous Business Australia (IBA), a statutory authority of the federal government, spearheaded the scheme and the federal government provided \$8.1 million to implement computerised point of sale systems in the Outback Stores and an additional \$40 million in loans to provide working capital and improve store infrastructure.

An Outback Store continues to be owned by the community, but community members are required to sign a long-term (usually more than five years) management agreement with Outback Stores on a fee for service basis. Community members have the right to question any decisions made on the community's behalf and are meant to receive regular reports on the financial and social performance of the store. However, while store committees have to sign over control of the running of stores to Outback Stores, store committees are still held liable if the store fails.

The computerised point of sale system is used by regional and head office staff to monitor the performance of individual stores on a daily basis. This, combined with external management and standardised store policies and procedures, was expected to reduce prohibitive cultural practices such as demand sharing and book-up.

The Outback Stores Board is composed of executives from Woolworths and Coles who have made commitments to provide Outback Stores with ongoing support, including training of staff and using their supplier networks to negotiate regional contracts with freight companies to purchase goods in bulk at competitive prices.

Outback Stores also employs nutritionists as part of its Wellbeing Unit to educate communities on 'what a good diet is and what the benefits of healthy eating are.'<sup>81</sup> Nutritionists help to ensure that stores stock healthy food options and display them

in prominent positions, for example, placing a bowl of fruit at the register rather than chocolate.

There are 27 Outback Stores across the Northern Territory, Queensland, and Western Australia. Helping run these stores are 46 head office personnel. By 2013, Outback Stores hopes to manage 90 of the 150 or so community stores in remote Australia.<sup>82</sup>

### **Evaluation of Outback Stores**

According to a number of submissions to the inquiry, the variety and quality of healthy food items in remote stores have improved under the management of Outback Stores. This is attributed to the aggregated buying power of Outback Stores. Some submitters also commented that Outback Stores were financially more stable than other operators and less susceptible to poor management practices such as book-up and demand sharing.<sup>83</sup> However, of the 105 submissions analysed for this paper<sup>\*\*</sup> the vast majority (66) did not comment on Outback Stores at all; of those that did, 29 were largely critical of them and 22 were positive. Nearly half of the 22 that supported the idea of Outback Stores noted problems with the implementation of the Outback Stores model.

### **Community engagement**

Although the Outback Stores model looks good on paper and may be working well for some communities, many stores have failed to deliver on the company's promises. Some of the submissions noted that although some locals were employed in Outback Stores, few had received proper training.<sup>84</sup> There is a need for an independent assessment of the commitment by Outback Stores to train and employ members of the local Indigenous community and the relationship between the committees of local stores and Outback Stores.

Although the Outback Stores Company states that it works with communities to match their different needs, it also insists that store committees sign over control of the running of stores to the company. Ultimately, this disempowers store committees as it removes their decision-making role over store management practices. Without community engagement, the Outback Stores model will be just another example of government doing something for Indigenous communities, not with them.

### **Conflicts of interest**

Outback Stores claims to be independent from government, but this claim is somewhat dubious when it receives significant amounts of government money to stay afloat. Since its inception in 2006, Outback Stores has received \$77 million in government funding. Some submissions claimed that the Outback Store in their community had admitted to trading at a loss but was able to keep operating due to the financial support it had received from the federal government.<sup>85</sup> For example, the Outback Store in Wutunugurra admitted to ordering well over the community's consumption of fruit and vegetables in order to meet its healthy stock requirements but did not have to face the consequences of intentionally creating waste that other stores do because it had federal funding.<sup>86</sup>

The growth in the number of Outback Stores has been partly attributed to the favourable treatment that the company receives from FaHCSIA under its store licensing and income management scheme initiated as part of the Northern Territory Intervention (NTI). Following the intervention, FaHCSIA provided \$29 million to Outback Stores. Both FaHCSIA and Outback Stores argue that this funding was provided so that Outback Stores could continue to provide 'good healthy food choices for communities.'<sup>87</sup>

**Although the Outback Stores model looks good on paper and may be working well for some communities, many stores have failed to deliver on the company's promises.**

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<sup>\*\*</sup> Of the 112 submissions to the inquiry, three were marked confidential so were not available to the public and one was my own. I did not include three of the remaining 108 submissions in my analysis as they were from Outback Stores, FaHCSIA and IBA.

**Outback Stores claims to be independent from government, but this claim is somewhat dubious when it receives significant amounts of government money to stay afloat.**

However, another rationale could have been that having more Outback Stores made it easier for FaHCSIA to introduce income management into communities. Licensing enables stores to accept Centrelink's BASICS cards<sup>88</sup> issued for spending managed income and to have access to half of residents' welfare payments quarantined under the NTI. Because it has a corporate licence, Outback Stores faces less onerous reporting requirements than communally or privately run stores, which are required to open their books to FaHCSIA annually. Some submitters argued that it is a conflict of interest that FaHCSIA is responsible for the licensing of any potential competition.<sup>89</sup>

Some community stores have as many as 30 conditions attached to their licence. Other stores have had to wait for months for their licence application to be accepted—leaving them trading in an indeterminate state with no idea of what their future may hold.<sup>90</sup> A store in Mapuru, a community in northeast Arnhem Land, failed to secure a licence to accept BASICS cards because it did not stock a full range of frozen meats. However, the store had won a National Heart Foundation Award in 2005 for its range of healthy foods and it had deliberately decided not to stock frozen meat to encourage people to hunt.<sup>91</sup>

The decision to move the administration of Outback Stores from IBA to FaHCSIA in December 2009 has increased the likelihood of more conflicts of interest. FaHCSIA is not only responsible for the licensing of stores but also for ensuring food security in remote communities, which is at odds with the business aim of Outback Stores—to be self-sustaining and commercially viable. It is untenable for FaHCSIA to have responsibility for both the licensing and management of stores. Information on funding/grants to remote stores in the last financial year shows that Outback Stores received \$17,094,820.60, while other remote community stores received only \$651,249.50.<sup>92</sup> If FaHCSIA is to continue to act as both gamekeeper (licenser of stores) and poacher (recipient of funds for food security via Outback Stores), there needs to be closer scrutiny of where that funding is going.

### ***Crowding out the competition***

No doubt some of the submitters made complaints because they are in direct competition with Outback Stores. Still, the company's emphasis on a centralised ordering system and reliance on a few preferred suppliers have had negative repercussions for the wholesale companies that supply remote stores. One of the unintended consequences of introducing Outback Stores in Western Australia was the reduction in the regular supply of groceries to two community stores. Originally, there was a freight arrangement between three stores, but when Outback Stores took over the management of the largest of the three stores, it chose to use a freight company operating out of Alice Springs. This rendered the freight run no longer economically viable for the freight company servicing the two smaller stores, so it reduced its freight run from weekly to fortnightly.<sup>93</sup>

The Outback Stores website states that it looks for the most affordable supplies of grocery items. But according to a disgruntled wholesale supplier, whose company has been supplying goods to remote stores for 18 years, Outback Stores has created an artificial market by making preferential deals with a limited number of suppliers (one for dry goods and one for variety items).<sup>94</sup> Outback Stores may have good reasons for doing this, but the wholesaler alleges he has been shut out of the market and claims that as a result, revenue for his business is down \$90,000 a month. It seems that not only is Outback Stores making it harder for independent community run stores to keep operating but it is also running some wholesalers out of business. The original briefing paper for the Outback Stores Company was to provide services in areas where people could not access a variety of healthy, fresh produce (at competitive prices) or where viable stores did not exist, not cut out the competition.<sup>95</sup>

One submission complained that they had been subjected to 'standover tactics' and been advised by Outback Stores that it would be impossible for their store to remain

independent because they would not be able to gain access to stock if neighbouring communities move to Outback Stores.<sup>96</sup> Other submissions also identified that they had also felt pressure to sign up with Outback Stores.<sup>97</sup> FaHCSIA and Outback Stores are not the only players who can bring about change, and they should be working with, not against, structures already in place.<sup>98</sup> Outback Stores' stated aim of managing 90 of the 150 remote stores by 2013 is of concern because it shows little empathy for existing stores and suppliers.

Government departments have a tendency to try and manage others the same way they run themselves. But this top-down approach, with a high degree of governmental control (essentially telling people what they should do and then doing it for them), has clearly yielded poor results over the last 35 years. In many areas, entire communities are welfare dependent and there seems to be a common expectation (by bleeding hearts and government in particular) that they should be serviced by non-profit organisations and government departments. People may well get more value for their welfare dollar, but this ignores the long-term cost to the community. How can a community move beyond welfare dependency if it continues to rely on non-profit organisations and government funding?<sup>99</sup>

Every community is different and one size does not fit all. Instead of trying to homogenise community stores by having Outback Stores take over their management, government should be looking at the successful examples of Aboriginal owned and run community stores that already exist. The factors that enable these stores to succeed where others have failed need to be examined and, if possible, replicated in other communities. Government should never assume that only it can implement effective change.

### **Successful stores**

Some remote communities exercise a greater degree of control over their stores because they are managed by skilled and capable local people, for example, stores run by the Arnhem Land Progress Aboriginal Corporation (ALPA) and the Bawinanga Aboriginal Corporation (BAC). The original idea for the Outback Stores model arose after the former federal Minister for Indigenous Affairs Mal Brough visited an ALPA store at Galiwin'ku in 2006. Brough was impressed with the range, pricing, operational standards, and infrastructure of the store and asked what enabled ALPA to succeed when so many other stores could not.<sup>100</sup> According to ALPA, its successful 37-year history is because it has focused on the employment and training of local Aboriginal people. It also allocates the majority of net income to improving store infrastructure and services. Besides some small community benevolent programs, the corporation does not 'bleed' funds from the stores into other community needs. Over the years, ALPA has increased the number of its stores and built a strong supply network. Because its annual turnover is now in excess of \$70 million, ALPA is able to negotiate competitive arrangements with preferred suppliers.<sup>101</sup> Yet ALPA still experiences challenges with staff attendance and forced closures due to cultural events or practices (the Gapuwiyak store that was forced to close by the traditional owner discussed on page 12 was an ALPA store). Perhaps because of this, Brough decided that it was necessary to create a separate store model (Outback Stores).

BAC operates a supermarket and some 20 other commercial enterprises in the Maningrida community. Maningrida is a relatively large Indigenous community of approximately 2,600 residents; it is also the hub for a number of smaller Indigenous communities who visit Maningrida to shop. Both these factors no doubt help make the stores viable. However, the Bawinanga Good Food Kitchen (discussed below) is also successful because it sells healthy versions of the type of foods that the local residents want to eat (pre-cooked pies and gourmet pizzas) at affordable prices. The store does not inflate prices to make a large profit but simply aims to cover its costs. Its main role is to encourage residents to adopt healthier eating habits. The store has good buy-in from the community and employs and trains a number of local Indigenous people.

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### **Bawinanga Good Food Kitchen<sup>102</sup>**

Bawinanga Good Food Kitchen has been operating in Maningrida for the past five years and has expanded quite dramatically in the last three. From the outset, its emphasis was on selling freshly cooked healthy food after recognising that many residents enjoyed the convenience of buying pre-cooked food. The store sells prawn and salmon wraps, fresh meat and salad sandwiches, homemade pies and quiches, sausage rolls, hot roast rolls, toasted sandwiches, breakfast plates, curries, stews, casseroles, roast dinners, local mud crabs, fresh healthy snack packs for kids, and gourmet pizzas. Nothing in the store is deep fried, and the store stocks juices, low sugar drinks, and low fat milk instead of carbonated and other sugary drinks. Lollies are banned; instead, fresh fruit, boiled eggs, nuts, and salty plums are offered. Financially, the store is a healthy business making a net profit of \$80,000 in 2007–08. However, the initial purpose of the store was not to make money but to encourage Indigenous people to change their eating habits from deep fried, greasy packaged foods to healthy food that also happens to be tasty and affordable. With that goal in mind, it also supplies meals for Meals on Wheels and to children who have eating disorders or are malnourished. The store employs a non-Indigenous manager and assistant manager, but the supervisor and three other staff members are local Indigenous people. All staff have completed Certificates 1 and 2 in food handling, hospitality, and kitchen operations and are working towards gaining Certificate 3.

### **The committee's report and recommendations**

The report of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs on remote community stores and Outback Stores is a comprehensive document of nearly 200 pages (including appendices). While the committee's 33 recommendations are too numerous to be discussed in detail here, I will discuss some of the broad themes that underpin the recommendations as well as some noticeable omissions affecting remote communities. For example, my own submission was not the only one to refer to the lack of private property rights as a barrier to economic development in Indigenous communities, but nowhere in the 200-page report is it mentioned.<sup>103</sup>

The committee's first 12 recommendations refer to having healthy store policies and how this can lead to healthier communities. The recommendations propose for the federal government to develop an incentive scheme to influence store managers to sell healthy products as well as additional requirements for Outback Stores—such as consulting with local communities on healthy store policies and appointing a nutritionist to their board.

It is debatable how worthwhile these recommendations will be, especially the requirement to appoint a nutritionist. Attempts to tackle poor dietary habits among Indigenous people through healthy eating campaigns have never been particularly successful. Two remote store managers commented on how they could not create the demand for higher consumption of healthy food and that retail only works when you supply what the community wants.<sup>104</sup> Comparisons were made between the amount of money spent on cigarettes and on fruit and vegetables. A community of 50 people spent \$5,824 on cigarettes in one month and only \$920 on fresh produce.<sup>105</sup> Likewise, the monthly turnover in a Maningrida store was \$600,000, with purchases of fruit and vegetables accounting for \$13,000 and cigarettes \$130,000.<sup>106</sup>

At the same time, one community store managed to increase the sale of fresh fruit and vegetables by increasing the amount of stock ordered.<sup>107</sup> Others pointed out that when fruit and vegetables were of a good quality and reasonably priced, they sold quickly.<sup>108</sup> Nutritionists and healthy eating campaigns are of no use if the availability and quality of fresh fruit and vegetables is not addressed.

The next set of recommendations (13–20) concerns the access and supply of fresh food. According to the committee, government should take some responsibility for delivering fruit and vegetables to remote communities. One suggestion is for the federal government to establish a remote community infrastructure fund to assist stores to



invest in delivery, refrigeration and storage facilities to support the supply of produce. However, the idea of establishing a national remote Indigenous food supply chain coordination office (recommendation 13) is a recipe for a bureaucratic nightmare.<sup>109</sup> The government has already demonstrated that it has trouble delivering programs on the ground (for instance, the mismanagement of the Strategic Indigenous Housing and Infrastructure Program (SIHIP)), and it seems likely that large sums of money will be wasted on administering the coordination office.

A more worthwhile suggestion is for remote communities to engage in gardening and farming projects. Growing fruit and vegetables in remote Indigenous communities would be an obvious community development strategy to combat the prohibitive costs of fresh produce in remote locations. The fact that there were gardens during the era of Outback Missions suggests that any problems growing food in extreme climatic conditions can be overcome. The biggest problem lies with engaging the local population with this task. The National Aboriginal and Torres Strait Islander Nutrition Strategy and Action Plan (NATSINSAP) states: 'approaches to improving nutrition must be based on community development strategies that facilitate community ownership and participation.'<sup>110</sup> Yet depressingly little has happened following the drafting of this Action Plan. One of the reasons for this could be the lack of individual responsibility generated by the communal ownership of land. If residents could have their own plot of land, they might be motivated to establish gardens.

The third set of recommendations (21–26) refers to the high cost of living in remote communities and its effect on people's health. These recommendations include introducing government subsidies for freight for fresh produce to the Torres Strait and forming a working group to investigate the impact of limited banking choices in remote communities.

Both these suggestions have some merit, particularly the freight subsidy. It is not uncommon for government to offset high transport costs by offering a subsidy. For instance, the Tasmanian Bass Strait Freight Equalisation Scheme is funded by the federal government to offset the costs of not having a national highway to Tasmania.

The fourth set of recommendations (27–28) deal with governance and store regulation. Here, the committee makes some valid points about the need to register Indigenous owned and controlled community stores under the one regulatory body such as the *Corporations and Aboriginal and Torres Strait Islander Act 2006*. Store licensing and regulation is one area where government involvement is appropriate and indeed necessary. Government should ensure that stores do not engage in price gouging, sell outdated food, show wrong or no prices on goods, or charge customers higher prices when they get to the till. At the same time, residents of small, remote communities should not have unrealistic expectations; they have to understand that it is unlikely that their community store will ever look like a Coles or Woolworths supermarket and that grocery prices will always be higher compared to cities or towns because of the higher cost of transportation.

The final set of recommendations (29–33) concern the future of remote community stores with a particular emphasis on the roll-out of the national licensing regime under the NTI and the role of Outback Stores. Overall, the committee was largely positive about the contribution of Outback Stores to the management of remote community stores.<sup>111</sup> However, the committee did identify a number of concerns that submitters had raised with Outback Stores, in particular, the argument that the licensing of stores under the NTI gave an unfair advantage to Outback Stores because they were more likely to be given licences to accept Centrelink's BASICS Card than other stores. The committee seemed to recognise that subsidising Outback Stores had created an unequal playing field and that there should be a diversity of stores, stating that: '... care must be taken that Outback Stores, as a government supported enterprise, does not skew competition or create a monopoly.'<sup>112</sup> Paradoxically, the committee accepted FaHCSIA's claim that it could carry out the delicate balancing act between running

**Nutritionists and healthy eating campaigns are of no use if the availability and quality of fresh fruit and vegetables is not addressed.**

**The committee seemed to recognise that subsidising Outback Stores had created an unequal playing field and that there should be a diversity of stores.**

a commercial business and meeting social responsibilities in the delivery of food security.<sup>113</sup> The committee's recommendation was for the government to revise the purpose of the Outback Stores model to recognise its two distinct roles—operating commercially viable stores and providing food security to communities where the current store is not viable or where there is no store.

The committee's final recommendation was for the federal government to work proactively with individual communities to develop and support a diversity of good store operations or delivery models that recognise the unique needs and situations of different communities.

### **Outback Stores cannot address structural problems**

Like previous government attempts to improve healthy eating practices in remote communities, the Outback Stores model is a bandaid solution and does not address the structural impediments to change, particularly the absence of private property rights and all-weather roads, that prevent the economic development of Indigenous communities. Sealing roads and introducing culverts and bridges would help alleviate some of the problems involved in transporting goods, and it appears that the NT government has recognised this with its recent investment into major capital works to the Central Arnhem Road.<sup>114</sup> But even with improved roads, some communities will always remain isolated during the wet season.

The Rudd government recently acknowledged that it needs to improve the range of services and facilities available in Indigenous communities. In January 2009, the Commonwealth and NT governments signed the National Partnership Agreement on Remote Service Delivery. The agreement aims to establish a new coordination model for remote service delivery. An offshoot of this agreement is the NT government's Working Future program, which plans to develop 20 Indigenous communities like Gapuwiyak and Wadeye into Growth Towns with services broadly comparable with those in non-Indigenous communities of similar size elsewhere in Australia.<sup>115</sup> The goal of the Working Futures program is for all stores in these Growth Towns to become viable businesses.

However, the NT government needs to recognise that Indigenous townships will only have services and retail facilities comparable to other small Australian towns when there is healthy competition, and for that to occur there needs to be private property rights and the removal of the Permit System.

At the same time, there are some genuine economies of scale problems that cannot be overcome. Not all communities will have the population to support their own store, so it may be more appropriate for government to help them set up a 'bush order' system. It is clear that a policy suitable for a small community may not be suitable for a bigger one. In particular, a government initiative like Outback Stores might be the only sensible solution for communities that can only support one store. The high degree of market power that stores in these small communities enjoy could be reduced through effective monitoring and government control under Outback Stores. On the other hand, in larger communities, the competitive advantage that Outback Stores has over other community stores has undermined local businesses. Outback Stores should not be allowed to operate in communities of 500 or more because the funding it receives from the government has the potential to stifle any competition. Genuine competition encourages stores to deliver better outcomes and negates the need for Outback Stores and its pricey government subsidies.

### **Conclusion**

The unique circumstances of remote Indigenous communities do require some form of government intervention, but the challenge is in getting the balance right. On some occasions, communities have had to rely on government food drops because their local store has become depleted of stock. The importance of a community store for the food

security of its residents makes it hard for the government to close stores that do not meet financial requirements or health and safety standards and hygiene practices because by doing so, the government will also be ending the community's only source of food.

There is a role for FaHCSIA in ensuring food security for Indigenous communities, but it does not seem appropriate for government to be involved in delivering a profit-oriented business. Moreover, these stores cannot be considered viable businesses in their own right as long as they rely on substantial amounts of government funding. It would be less confusing (and much more transparent) if FaHCSIA were to only concentrate on providing food security and delivering store services in communities without a viable store. This however presents its own dilemma, because now that FaHCSIA has started subsidising stores it is going to be very hard for it to stop.

The rolling out of more Outback Stores is not the answer as this will leave little room for other contractors and could make it less economically attractive for communities to run their own stores or to explore alternative methods of obtaining fresh fruit and vegetables, such as growing it themselves. This policy continues in the vein of past policies that only added to the increasing reliance of communities on government to meet all their needs.

Having chains of stores is normal—but having the government run these stores is not and carries connotations of communist Russia. Evidence from Queensland indicates that government-run stores can be highly problematic.<sup>116</sup> At the same time, the advantage of the bulk purchasing power of Outback Stores cannot be ignored. Still, there is no reason why Indigenous communities cannot get together and form their own cooperatives—it just takes some initiative and education.

But this is the crux of the problem—without the capabilities to manage their own stores; communities are at the mercy of government or private contractors/managers to help them. Unfortunately, Outback Stores has not really delivered on its promise to train local residents to manage the stores. There needs to be a clear exit strategy which supports the more capable (literate and numerate) members of communities to eventually manage their own stores. At the same time, there should be structures in place to combat demand sharing and other uneconomical cultural practices. Having a computerised point of sale system will help to track funds and keep managers accountable. However, the community also need to be clear what it is they require from their store—whether they want to run it as a profit-making enterprise or whether they want it to provide an important service to the community through the redistribution of profits for Christmas bonuses and the like. If these parameters are established from the outset, they will prevent confusion. The overall objective should be for stores to be self-sustaining, so redistributing profits should not render stores financially vulnerable.

Government involvement with remote stores should be confined to monitoring and regulating stores practices. There is clearly a need for greater regulation—the unsavoury characters that have preyed on Indigenous communities and swindled them out of their stores' takings have tainted the image of private business and private contractors in Indigenous communities.

Until income management and store licensing were introduced, the failure of stores to meet normal health and safety standards and food hygiene practices largely went unchecked. But the carrot of being awarded a licence to accept the BASICS card has seen stores improve their practices.

Rather than trying to homogenise all community stores by making them into Outback Stores, government should focus on addressing the structural impediments to reform, including the lack of private property rights, all-weather roads, the abysmally poor education provided to remote Indigenous Australians, and the Permit System. Only when these factors are addressed will there be a true market economy and all the benefits of increased competition in remote Indigenous communities.

**Genuine competition encourages stores to deliver better outcomes and negates the need for Outback Stores and its pricey government subsidies.**

## Endnotes

- 1 'Aboriginal health the worst in the world.' *The Daily Telegraph* (16 January 2010); Joel Gibson, 'Worst in the world for indigenous health.' *The Sydney Morning Herald* (1 May 2007).
- 2 According to the 'Report of the Standing Committee on Estimates and Financial Operations in relation to environmental health in Aboriginal communities in the Kimberley Region by Western Australia,' 'The view of many people who made submissions to the Committee was that the health of Aboriginal people in the Kimberley region has not improved, and has in fact significantly worsened the last 30 years,' Parliament, Legislative Council (Perth, Western Australia: 2000), 7.
- 3 'In recent years it has been government policy to respond to a report within three months of its presentation to the Parliament although it may be longer before a response is provided.' From pamphlet about the report *Everybody's Business: Remote Aboriginal and Torres Strait Stores* (Canberra: House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, November 2009).
- 4 See endnote 1.
- 5 *Everybody's Business*, as above. Members of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs for this inquiry were: Chairs The Hon. Bob Debus MP (from 25 June 2009) and Mr Richard Marles MP (to 15 June 2009); Deputy Chair Mr Andrew Laming MP; and Members The Hon Tony Abbott MP; Ms Jodie Campbell MP; The Hon Bob Katter MP; Ms Kerry Rea MP; Mr Chris Trevor MP; Mr Kelvin Thomson MP; Mr Jim Turnour MP; and The Hon Mrs Danna Vale MP.
- 6 *Everybody's Business*, as above, 1.
- 7 Torres Strait Regional Authority, Submission 65 to the House of Representatives Aboriginal and Torres Strait Islander Affairs Committee Inquiry into Community Stores in Remote Aboriginal and Torres Strait Islander Communities (2009). Unless otherwise stated, all further references to submissions are to this inquiry.
- 8 Roger Gobel, Submission 5.
- 9 Margaret and Jason Hewitt, Submission 105.
- 10 Nganampa Health Council Report, *Uwankara Palyanku Kanyintjaku: An Environmental and Public Health Review within the Anangu Pitjantjatjara Lands*, also known as the UPK Report (31 December 1987), 17.
- 11 Most community gardens/farms do not survive because they lack management and technical support, according to Centrefarm Aboriginal Horticulture Ltd, Submission 15.
- 12 Personal correspondence with the leader of a homeland outstation.
- 13 Kowanyama Aboriginal Shire Council, Submission 48a.
- 14 Lesley Podesta, First Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health, Department of Health and Ageing, Committee HANSARD (Canberra: 28 May 2009), 22.
- 15 Chole Wehlow, Submission 13; Emmanuelle Barone, Submission 14; Copely and Marree Community Members, Submission 31; Nganampa Health Council, Submission 38; and Commonwealth Ombudsman, Submission 68, among others.
- 16 As above and Oodnadatta Community Members, Submission 70.
- 17 Lockhart River Community, Submission 37; Peter Wallace, Submission 95.
- 18 Committee HANSARD (Canberra: 10 September 2009), 1; Ian Lovell, 'Freight and health in remote Indigenous communities,' *Issues* 83 (June 2008), 32.
- 19 *Everybody's Business*, as above, 31.
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