

Food pricing in remote Aboriginal and Torres Strait Islander communities

Overview

- 2.1 The evidence received by this inquiry consistently showed that the cost of purchasing food is considerably higher for remote Aboriginal and Torres Strait Islander communities than for people living in larger population centres in urban and regional Australia. This is significant because people living in remote communities are often dependent on a single community store for their food purchases.
- 2.2 The evidence for these higher prices comes from market basket surveys (MBSs) conducted in the Northern Territory (NT), the Healthy Food Access Basket Surveys conducted in Queensland (Qld), as well as the Western Australian (WA) Government Regional Price Index and the National Indigenous Australians Agency (NIAA) trial 'basket of goods' snapshot for 2020, comparable data from other investigations and reports, and anecdotal evidence provided to this inquiry.
- 2.3 However, at present there is no nation-wide system for comprehensively and consistently monitoring the price of goods in remote community stores.
- 2.4 The evidence presented to the Committee suggests that the high price of food and groceries in remote communities is reflective of the additional costs involved in operating stores in remote communities.

Is price-gouging occurring?

Definition of price gouging

- 2.5 Price gouging is not a term defined by the *Competition and Consumer Act 2010 (Cth)*. It was described by the Australian Competition and Consumer Commission (ACCC) as a “popular” term rather than a legal concept.¹
- 2.6 The Committee was directed to the *Biosecurity (Human Biosecurity Emergency) (Human Coronavirus with Pandemic Potential) (Essential Goods) Determination 2020* which was made by Federal Health Minister the Hon Greg Hunt MP during the COVID 19 pandemic. Clause 5(2)(c) of that determination defines price gouging as:
- the value of the consideration for which the person supplies, or offers to supply, the goods is more than 120% of the value of the consideration for which the person purchased the goods.²
- 2.7 It is not necessary for the Committee to adopt a precise definition of price gouging. The Committee was interested in the unreasonable over-inflation of prices beyond that which is necessary to recoup expenses and maintain operations, without some other over-riding policy purpose such as influencing consumer choices to purchase more healthy food.

Anecdotal evidence of price gouging

- 2.8 Anecdotal evidence presented to the inquiry suggested that some remote community stores are taking advantage of their lack of competition to charge excessive prices. Complaints regarding high prices were submitted with regards to stores managed by Mai Wiru, Arnhem Land Progress Aboriginal Corporation (ALPA), Outback Stores, Community Enterprise Queensland (CEQ) and independently managed stores.³
- 2.9 At the public hearings, the Committee asked store management companies to respond to media reports and to explain the reasons for these high prices.

1 Mr Rami Greiss, Executive General Manager, Enforcement, Australian Competition and Consumer Commission (ACCC), *Committee Hansard*, 28 August 2020, p. 8.

2 *Biosecurity (Human Biosecurity Emergency) (Human Coronavirus with Pandemic Potential) (Essential Goods) Determination 2020 (Cth)*, Clause 5(2)(c).

3 See for example, *Submissions 4, 8, 17, 6, 1, 11, 66 and 27*.

2.10 Mr Alastair King, Chief Executive Officer of ALPA stated:

The pricing story for remote community stores is complex, influenced significantly by freight costs, high operating overheads, small populations and limited buying power. This influences our market share compared to major supermarket chains. ALPA provides a unique service through our stores group model, which allows us to have more influence and more resources than individual stores would alone – for example, by developing relationships with wholesalers and identifying reliable transport options to ensure consistent supply. But, compared to the major players, we are at a huge disadvantage. Our stores' modest surplus supports capital works in stores, funds our benevolent programs and ensures financial stability – not every year is a good year in the bush.⁴

2.11 When asked about specific reports of high prices in the Ramingining Store, ALPA reported that the high cost items reported in media stories were not the only items available. Cheaper alternatives were also present in the store.⁵

2.12 When asked about specific reports of high prices in the CEQ Thursday Island store, Mr Ian Copeland, Chief Executive Officer of CEQ, stated the reports were factually incorrect:

The Doomadgee products that were cited were in fact not at our store... As for the commentary about the Moccona coffee, we don't have the 400-gram coffee as part of the range in our store. At that time, two years ago, in Doomadgee there were some residual stocks still in there. But we do sell a 250-gram Moccona coffee, which gets sold at \$19.99. It was compared against Coles, and that was \$19 up until June.⁶

2.13 When asked about specific reports of high prices at stores managed by his company in Mulan and Mt Liebig, Chief Executive Officer of Outback Stores Mr Michael Borg listed a number of factors impacting those prices. One factor was the lack of supply of cheaper brands during the pandemic,

4 Mr Alastair King, OAM FAICD, Chief Executive Officer, Arnhem Land Progress Aboriginal Corporation (ALPA), *Committee Hansard*, 23 July 2020, p. 29.

5 Mr King, CEO, ALPA, *Committee Hansard*, 23 July 2020, p. 35.

6 Mr Ian Copeland, Chief Executive Officer, Community Enterprise Queensland (CEQ), *Committee Hansard*, 12 August 2020, p. 11.

one was the additional prices places on sugary products and one report he believed to be incorrect.⁷

- 2.14 When asked about a specific report of high pricing for a product in a Mai Wiru store, Mr Dennis Bate, Chief Executive Officer of Mai Wiru told the Committee that particular incident was caused by a computer glitch pricing something at its carton price rather than its original item price. He pointed that other prices seen in the photograph were what you would expect, but that item was an error:

Not one of those products was sold and it was taken off the shelf within a couple of hours of us seeing it.⁸

Complaints to Government regulators

- 2.15 The WA Government notes in its submission that it its own data collection has not indicated evidence of widespread price gouging by remote stores, and that few formal complaints of such excessive pricing have been received by its Consumer Protection Division.⁹
- 2.16 The NT Government notes that there were ‘no formal complaints made to Northern Territory Consumer Affairs in relation to price gouging in remote community stores during the COVID-19 pandemic in the first half of 2020.’¹⁰ The NT Government further states in relation to price gouging:

The perception of price gouging in remote stores is most likely to be differences in costs in different communities, largely the cost of freight being passed onto the consumer. There is considerable variation between areas within the same remoteness classification and this heterogeneity must be taken into consideration when developing policy options and/or recommendations regarding food security in remote areas.¹¹

7 Mr Michael Borg, Chief Executive Officer, Outback Stores, *Committee Hansard*, 18 June 2020, pp. 3-4.

8 Mr Dennis Bate, Chief Executive Officer, Mai Wiru, *Committee Hansard*, 6 November 2020, p. 11.

9 WA Government, *Submission 110*, pp. 7-8.

10 NT Government, *Submission 52*, p. 5.

11 NT Government, *Submission 52*, p. 5.

2.17 The ACCC states in its submission that:

While the ACCC has examined a number of complaints regarding excessive pricing [by remote community stores], it has yet to uncover any evidence of conduct that could be said to be misleading or deceptive or unconscionable. Rather, in its assessment of specific pricing complaints, the ACCC has found that high retail prices are generally reflective of the high cost of goods to the community store, and are not indicative of community stores increasing profit margins.¹²

Oversight of food prices in remote stores

2.18 The Committee found that there is no nationally consistent, real-time price monitoring system for remote community stores. This is a problem as the remote location of stores makes it difficult to verify claims about high prices and inquire into the reasons for them. A consistent theme during the inquiry from almost all of the contributors is that the food prices in remote stores have continued to be far more expensive than those in urban supermarkets.

2.19 The Northern Territory (NT) Government had conducted an MBS annually since 2000 and biannually since 2017 to collect information on the variety, availability, quality and price of food in NT remote stores. The most recent MBS in 2019 compared the cost of a healthy food basket (HFB; theoretically containing sufficient food for a family of six for two weeks) between 58 remote stores and a supermarket and a corner store in the main town/city of each district centre between June and August 2019.¹³

2.20 The 2019 NT MBS reported a 56 per cent higher cost of a HFB on average in a remote store than in a district centre supermarket.¹⁴ This survey also compared the price of a 'current diet basket' in the same way, which was based on the dietary patterns of Aboriginal and Torres Strait Islander people in Australia, and found a 40 per cent higher price on average in remote stores.

12 ACCC, *Submission 50*, p. 4.

13 NT Government, *Submission 52*, p. 3.

14 NT Government, *Submission 52*, p. 3.

- 2.21 The trend reported in the NT Government submission for these percentage differences in the MBS appears to have been upward since 2008.
- 2.22 The Qld Government has conducted its own MBS type survey known as a 'Healthy Food Access Basket Survey', although not since 2014. The 2014 survey reported a 26.5 per cent higher cost in remote areas for a HFB for a family of six.¹⁵
- 2.23 The WA Government states in its submission that it does not routinely collect price data for remote community stores but that Regional Price Index (RPI) data collected every two years in WA clearly show higher food prices in regional towns compared to Perth. These prices also appear to increase with the degree of remoteness (the Kimberley region, 12 per cent higher than Perth; the Pilbara, 6 per cent higher, Goldfields-Esperance, 5 per cent higher).¹⁶
- 2.24 The Northern Territory Council of Social Service (NTCOSS) notes in relation to the higher food prices paid by remote First Nations families:
- A healthy food basket purchased from an NT Remote Store will require 34 per cent of the household income for a family of six (more than double the national household average of disposable income required for food and non-alcoholic beverage expenditure (13.9 per cent). In some remote communities, a healthy diet cost[s] more than half the disposable income of a family on income support. Households in the lowest 20 per cent of incomes are spending twice as much (25.4 per cent) as a proportion of income as the richest 20 per cent of households (9.4 per cent) on food and non-alcoholic beverages.¹⁷
- 2.25 The NIAA conducted its own 'basket of goods' snapshot for 2020 at the request of the Minister for Indigenous Australians, and provided this to the inquiry as a supplementary submission.¹⁸ This NIAA survey covered 47 participating community stores in remote and very remote communities across Qld, NT, South Australia (SA) and WA and indicated

15 Health and Wellbeing Queensland (QLD Government submission), *Submission 54*, p. 10.

16 WA Government, *Submission 110*, p. 3.

17 Northern Territory Council of Social Service (NTCOSS), *Submission 56*, p. 5.

18 National Indigenous Australians Agency (NIAA), *Supplementary Submission 36.1*.

a higher average price of around 39 per cent across these store locations compared the major supermarkets in capital cities.¹⁹

2.26 As a measurement tool the food/market basket surveys are not without criticism as comparisons made between urban centres, regional towns and remote communities do not account for the different operating environments of stores in these locations and the difference in other living costs associated with different communities. Other criticisms include the voluntary nature of MBS surveys and likely selection bias, lack of transparency (ie, individual store results are not published), and that it is not a national survey.²⁰

2.27 In a public hearing, ALPA stated:

The Market Basket Survey that the Northern Territory health department does is helpful, but it's flawed in that it's not accurate. There's no validation of it, and there are regularly errors in it. The last one that we checked there were errors in our stores, which they corrected, but that inflated our costs by 17 per cent. ... We need to be careful because there are some people out there that will drop their prices if they know someone is coming out to check their prices.²¹

2.28 While pricing in remote community stores is higher than the prices found in cities or online and it is possible that some operators of remote community stores have taken advantage of their customers through price gouging, the evidence to the inquiry did not indicate that this is a widespread or systemic problem. Most remote stores appear to be trying to do the right thing under difficult trading conditions and have to charge higher prices to remain viable for reasons outlined later in this chapter.

Supplier rebates

2.29 The issue of rebates from wholesale suppliers, and their impact on the trading conditions and cost of goods in remote community stores, was discussed in some detail during the inquiry. In particular, Outback Stores was criticised for collecting rebates and not passing them on to consumers in the form of lower prices.

19 NIAA, *Supplementary Submission 36.1*, p. 5.

20 Dieticians Australia, *Submission 31*, p. 8;

21 Mr King, CEO, ALPA, *Committee Hansard*, 23 July 2020, p. 32.

2.30 A concern was raised with the Committee that the collection of rebates by Outback Stores amounted to unconscionable conduct and leads to inflated price. In oral hearings, Mr Steven Smith, CEO of Aboriginal Investment Group (AIG) stated:

... in the community store space and the way that they are being managed, retention of a rebate is certainly unlawful and perhaps unconscionable. The rebate model presents what we say is upward pressure on pricing, and we detail that throughout our submission.²²

2.31 ALPA, Outback Stores, CEQ, Seisia Community Torres Strait Islander Corporation, and ACCC all rejected the suggestion that rebates were being used inappropriately.

2.32 The Committee was informed that supplier rebates are a very common practice in retail across the Australian economy. As with other sectors of the economy, rebates are received by many of the management groups that support numerous stores in remote communities including ALPA, Outback Stores and CEQ. Many remote stores that are independent businesses do not operate at a sufficient purchasing volume to be able to negotiate rebates with their suppliers.

2.33 Outback Stores states in its submission that rebates are standard in the 'non-remote retail environment' and can be negotiated by retail businesses based on consolidated purchase volumes.²³ Outback Stores further states:

These rebates can be negotiated in addition to a cost price reduction, however in many cases the supplier will not apply a cost price reduction in lieu of the value of rebate that can be negotiated. Rebates paid to group managed service providers based on consolidated purchase volumes, would most likely not be available to an independent or small group provider.²⁴

2.34 Outback Stores confirmed in its evidence that its rebate income is used to offset its operating costs.²⁵ Outback Stores further explained that

22 Mr Steven Smith, Chief Executive Officer, Aboriginal Investment Group (AIG), *Committee Hansard*, 23 July 2020, p. 2.

23 Outback Stores, *Submission 85*, p. 10.

24 Outback Stores, *Submission 85*, p. 10.

25 Mr Jayveer Rathore, Chief Financial Officer, Outback Stores, *Committee Hansard*, 18 June 2020, p. 5.

negotiations with its suppliers for price reductions and for rebates were separate:

... there are two portions when we negotiate a price... if a supplier comes to us and we want to sell a product X for a dollar, this is where we will negotiate a cheaper price for the store... the rebates are actually separate to that negotiation, so it's not going to impact your cost base on that day with the supplier. Rebates are negotiated in addition to what is the total volume Outback Stores would generate.²⁶

- 2.35 ALPA acknowledged that its capacity to turnover a larger volume of stock in comparison to independently-run remote stores enables it to get better pricing deals and also to obtain rebates, all of which contribute to better customer access and affordability.²⁷ The Chief Executive Officer of ALPA, Mr Alastair King, stated:

There's been a lot of discussion, misinformation and smoke and mirrors about rebates. Rebates are a normal part of a retail business. ... Rebates are significant. Rebates help us to support and provide services to remote communities. Without rebates, we would have to look at our nutrition program and our nutritionists, we would have to look at our merchandise team and those people, we would have to look at our freight subsidies and we would have to look at reducing jobs and/or increasing our charges to our clients' stores. Regardless of what people think, operating third-party client stores is not lucrative. There are incredibly tight margins. If it all goes well, you might make a couple of bucks. If something goes wrong and you have to change managers a couple of times then you'll lose money on that contract. So the rebates help us to provide the additional services that nobody really wants to pay for but are critical to a retail business...²⁸

- 2.36 Mr Arthur Wong, Chief Executive Officer of Seisia Community Torres Strait Islander Corporation, said there was nothing unusual about rebates being absorbed into management costs stating that 'the rebates are mainly put back into the supermarket profit and loss account.'²⁹

26 Mr Rathore, Outback Stores, *Committee Hansard*, 9 October 2020, p. 15.

27 ALPA, *Submission 106*, p. 5.

28 Mr King, CEO, ALPA, *Committee Hansard*, 23 July 2020 p. 32.

29 Mr Arthur Wong, Chief Executive Officer, Seisia Community Torres Strait Islander Corporation, *Committee Hansard*, 19 August 2020, p. 8.

- 2.37 CEQ noted that it uses rebates within their business to subsidise particular goods for which they want to keep costs low, like bottled water.³⁰
- 2.38 The ACCC described rebates as ‘very, very common’³¹ and suggested that they can help reduce rather than inflate prices.

Rebates usually do not harm competition. In many cases, rebates are an example of the benefits of the competitive process, incentivising retailers to promote their supplier’s products and the resultant competition between those retailers then reducing the overall price consumers pay for goods and services.³²

Complaints management

- 2.39 While the Committee did not find evidence of systemic problems relating to price-gouging, the issue of high pricing continues to cause significant concern.
- 2.40 This is the second occasion this Committee has examined the issue of high pricing in remote communities. A parliamentary Committee is not the appropriate body to be investigating specific consumer complaints and is not equipped to deal with every allegation of artificially high pricing.
- 2.41 AIG and the Northern Territory Council of Social Services (NTCOSS) gave the example of the ACCC’s fuel price monitoring system, as the sort of system needed to provide greater transparency for food pricing. NTCOSS said:
- I know that the ACCC talk about their real-time data on fuel prices being one of the most effective mechanisms for keeping prices down for consumers. So I think there might be some lessons that we can learn from what happens in the fuel industry.³³
- 2.42 In its evidence to the Committee, the NIAA stated that if community members were concerned about pricing, the body they can raise concerns with is the ACCC or their state or territory consumer protection

30 Mr Ian Copeland, Chief Executive Officer, Community Enterprise Queensland (CEQ), *Committee Hansard*, 12 August 2020, p. 13.

31 Mr Greiss, ACCC, *Committee Hansard*, 28 August 2020, p. 5.

32 ACCC, *Supplementary Submission 50.1*, p. 4.

33 Mr Jonathan Pilbrow, Policy Adviser, Northern Territory Council of Social Services (NTCOSS), *Committee Hansard*, 24 July 2020, p. 29.

organisation. The ACCC however stated that high pricing does not fall within its jurisdiction:

... high prices per se are not something within the jurisdiction of the ACCC. If we do receive complaints about excessive pricing, we can look to issues such as whether consumers are being misled about the reason for prices in a business. Is it due to a drought, this factor or that factor that prices have gone up significantly? If that proves not to be correct then that falls squarely within our jurisdiction. There's a limited role with regard to pricing, so I think that probably has to be understood from the outset.³⁴

2.43 The Committee has found that ambiguity regarding complaints handling is leading to a failure to thoroughly resolve these matters. An exchange between the Chair and the ACCC expressed the Committee's frustrations that the body charged with consumer protection was not entertaining complaints on this issue. The ACCC suggested a market study could be undertaken, if directed by the Treasurer.³⁵

2.44 The uncertainty about how to make a complaint and ensure it is heard can cause significant concern at a community level. This frustration was expressed by members of the Titjikala Community in the NT:

CHAIR: Tell me something about the way that the committee that consults with Outback Stores runs. How do you, as a community, get to give feedback to Outback Stores about the quality of food and the pricing? And, when you've provided feedback, what, if anything, have they done about it?

Mr Williams: The community hasn't got a say in anything like that. When they have the money story or any meetings, the community aren't invited. They keep a shut shop. Only the store committee get to go to the money meetings, where they say how much money they're making or losing – the profits or whatever. The community don't get a say in anything. Outback Stores say, 'This is the price,' and that's that. The community complain, but they say: 'No. That's our price. That's it.'³⁶

34 Mr Greiss, ACCC, *Committee Hansard*, 28 August 2020, p. 1.

35 Mr Greiss, ACCC, *Committee Hansard*, 28 August 2020, p. 2.

36 Mr Scott Williams, Titjikala Community, *Committee Hansard*, 6 November 2020, p. 2.

The operating environment for remote community stores

Overview

2.45 The NIAA states in its submission that the 'remote stores landscape supports an estimated 150,000 Indigenous Australians who live across more than 1,200 remote and very remote communities'. Of the 200 stores serving these 1,200 communities, 80 serve a population of fewer than 200 people.³⁷ As NIAA Chief Executive Ray Griggs pointed out, the stores:

... consist of a range of community owned, franchised or government managed – through either Outback Stores or IBIS, in Queensland – independents and not-for-profit stores. Also part of this landscape are the less publicised but important smaller, privately run stores and roadhouses.³⁸

2.46 The NIAA also highlights some of the unique characteristics of the relationship between a remote store and the community it serves, including:

- most estimates suggest that between 90 and 95 per cent of food eaten in remote Aboriginal communities is food purchased in the store, with traditional foods now contributing only a small amount to people's dietary intake
- remote community stores often stock a limited range of other consumer goods such as clothes, household hardware, televisions and toys. Some community stores also provide fuel, or have takeaways attached
- remote community stores are often the only business or source of income being generated within the community. Well-managed community stores can have an important role in stimulating the local economy and can act as the conduit for broader economic and business opportunities
- remote community stores often act as the communities' social hub, supporting social interactions with other community members, as well as fulfilling other needs such as banking.³⁹

2.47 Most remote communities rely on a single store to purchase food and other essential items. The remote retail operating environment is therefore very different from those in urban areas.

37 NIAA, *Submission 36*, p. 4.

38 Mr Griggs, CEO, NIAA, *Committee Hansard*, 11 June 2020, p. 1.

39 NIAA, *Submission 36*, p. 5.

Management models

- 2.48 The different ownership and management structures underpinning remote community stores are summarised by Monash University as follows:
- A common ownership model in the NT is where the main community store is owned by the community which then elects a board of directors to govern the store business. The board of directors may then outsource business operations and employ a store manager directly or have a service agreement with a store organisation or company such as Outback Stores (see section below), ALPA, or Mai Wiru.
 - Another model in the NT operated by ALPA is where five communities are shareholders of six stores. ALPA directors are elected by members of these five communities.
 - A third model in which food retail businesses in communities are operated by private businesses through lease agreements with Land Councils on behalf of the respective traditional owners.
 - A fourth model in North East Arnhem land is where Laynthapuy Homelands Aboriginal Corporation supports local stores and shop keepers in homelands and buys supplies directly from the Nhulunbuy supermarket.⁴⁰
- 2.49 There are some additional ownership and management models in other States. CEQ is a state statutory body that owns and operates 27 remote community stores in Qld.⁴¹
- 2.50 Some store management groups also have slightly different arrangements with particular communities. In Yuendumu, Mai Wiru has a lease rather than a service agreement. They told the Committee 'there are different types of arrangements we have with different stores.' What is consistent across all stores is the Mai Wiru nutrition policy.⁴²
- 2.51 WA does not have an equivalent statutory body to CEQ. The business arrangements for its 44 remote community stores include community owned and managed (28 stores), independently managed (3 stores),

40 Monash University, *Submission 51*, p. 16.

41 CEQ, *Submission 19*, p. [2].

42 Mr Bate, CEO, Mai Wiru, *Committee Hansard*, 6 November 2020, p. 8.

independently owned and managed (1 store), and managed by Outback Stores (12 stores).⁴³

Outback stores

2.52 Outback Stores is an independent Commonwealth-owned company established in 2006 with the provision of \$40 million as working capital to improve remote community store infrastructure.

2.53 It was set up initially as a proprietary limited company governed by an independent board, with the aim of being a standalone not-for-profit company with no further funding.⁴⁴ The organisation did, however, receive \$29 million in further Federal funding as part of the NT Emergency Response in 2007 and another \$15 million in 2009 to support stores outside of the Northern Territory.⁴⁵

2.54 At its first appearance before the Committee, Outback Stores commented that remote stores play a vital role in their communities but have no ongoing assistance. Outback Stores stated:

Retail is one of the only dependencies in remote communities that stand alone without ongoing government support. We believe that areas such as expanded licensing controls, broader infrastructure support, ongoing subsidies to offset essential services and, most importantly, a piece of work on the cost of goods within the Australian manufacturing sector could all bring long-term benefits for the future.⁴⁶

2.55 Outback Stores currently manages 40 stores across the NT, WA and SA, 26 of which it describes as unviable or barely viable.⁴⁷ Mr Michael Borg, Chief Executive Officer, Outback Stores, stated at the public hearing on 18 June 2020:

Across the 14-year short journey of Outback Stores, the business has assisted 10 stores out of administration, two out of liquidation and a further nine stores through significant financial challenges.

43 WA Government, *Supplementary Submission 110.1* (responses to questions taken on notice), p. [4].

44 Outback Stores, *Submission 85*, p. 14.

45 Outback Stores, *Submission 85*, p. 14.

46 Mr Michael Borg, Chief Executive Officer, Outback Stores, *Committee Hansard*, 18 June 2020, p. 3.

47 Mr Borg, CEO, Outback Stores, *Committee Hansard*, 18 June 2020, p. 2.

Outback Stores has supported stores with \$29.3 million across its short history.⁴⁸

- 2.56 Outback Stores notes in its submission that each store has its own individual freight cost, from freight forwarders based in either Darwin or Alice Springs, that must be accounted for when setting margins, and that the cost of freight ranges between 1.7 per cent and 20.4 per cent of sales.⁴⁹
- 2.57 There are some criticisms of Outback Stores operations in the submissions to the inquiry:
- Boab Health Services comments that only one nutrition manager is employed across its stores⁵⁰
 - Wirrimanu Aboriginal Corporation queries the exclusive use of supplier rebates by Outback Stores to subsidise its operating costs⁵¹
 - Aboriginal Peak Organisations Northern Territory (APO NT) expresses concerns about a lack of community involvement in Outback Stores⁵²
 - The submission by the Public Health Association of Australia and Cancer Council Australia, citing 2019 NT MBS data, expresses concerns that Outback Stores has not improved employment opportunities for Aboriginal people, nor the number of stores with nutrition policies.⁵³
- 2.58 Notwithstanding its concerns regarding community engagement however, APO NT also points out from the 2019 NT MBS data that managed group stores appear to be less expensive than private and independent stores by up to 13 per cent.⁵⁴
- 2.59 Bawinanga Aboriginal Corporation remarks in its submission that its arrangement with Outback Stores to manage its supermarket over the preceding 18 months had benefitted its community through increased purchasing power and more affordable prices.⁵⁵
- 2.60 Thumbs Up! Ltd. which runs health awareness programs in regional and remote First Nations communities, states in its submission that Outback

48 Mr Borg, CEO, Outback Stores, *Committee Hansard*, 18 June 2020, p. 2.

49 Outback Stores, *Submission 85*, p. 6.

50 Ms Leah O'Neill, Paediatric Dietitian, Boab Health Services, *Committee Hansard*, 18 August 2020, p. 42.

51 Wirrimanu Aboriginal Corporation, *Submission 66*, pp. 6, 8.

52 Aboriginal Peak Organisations Northern Territory (APO NT), *Submission 60*, p. 12.

53 Public Health Association of Australia and Cancer Council Australia, *Submission 69*, p. 10.

54 APO NT, *Submission 60*, p. 12.

55 Bawinanga Aboriginal Corporation, *Submission 24*, p. 2.

Stores and other organisations such as ALPA and Mai Wiru have helped to improve the availability of healthier foods in remote stores.⁵⁶

Drivers of higher food prices in remote stores

Overview

- 2.61 The evidence provided to the inquiry gave clear insights into the main drivers of higher food prices, which are principally related to the more difficult operating and trading environments for remote community stores.
- 2.62 Many remote stores operate in locations of extreme isolation, making the supply of goods from other centres difficult and costly. For example, Balgo in Western Australia is 910 kilometres by road from Broome or 846 kilometres from Alice Springs. Kowanyama in Queensland is 607 kilometres from Cairns and is inaccessible to truck freight for parts of the year, due to road closures in the wet season.
- 2.63 The combination of much high operating costs, a lack of purchasing power due to small scale stores and product wastage caused by the breakdown of the cold chain all lead to higher prices and, in some cases, lower quality food for remote stores.

Remote community stores lack the buying power to access good wholesale prices

- 2.64 A key driver of the higher food prices in remote community stores is the high wholesales price that they are required to pay. The Committee learned during the inquiry that the trading terms available to remote stores often prevents them from getting the same wholesale prices larger chains receive due to the smaller scale at which they operate.
- 2.65 Outback Stores commented at a public hearing that remote community stores can often pay a higher wholesale price than urban consumers would pay at the point of sale.⁵⁷ Mr Borg stated:

56 Thumbs Up! Ltd., *Submission 43*, p. [3].

57 Mr Borg, CEO, Outback Stores, *Committee Hansard*, 18 June 2020, p. 2.

None of the remote retail service providers have the buying power of any large corporates, and for the majority of cases these corporates sell goods to the public more cheaply than our industry can purchase these items through wholesalers.⁵⁸

2.66 The NIAA commented in this regard that some independent remote stores buy their stock directly from Coles and Woolworths paying retail prices.⁵⁹

2.67 TAH Northern Trading, which is an independent wholesaler in the NT that supplies but also operates remote stores, advised the Committee that it utilises Coles and Woolworths to achieve greater buying power.⁶⁰

2.68 New South Wales Aboriginal Land Council (NSWALC) explained the challenge of small communities lacking the purchasing power and the ability to negotiate the lower bulk prices of larger communities:

From a commercial perspective the numbers don't stack up for Woolies, Coles or even IGAs – particularly in a lot of these towns – to provide even the full suite of fresh fruit and vegetables that you see in most other larger centres.⁶¹

2.69 ALPA also remarks in its submission in relation to its purchasing power and trading terms that:

We are a very small fish in a big ocean. We do not have the buying power, market concentration and bargaining of the supermarket giants. We cannot buy products from suppliers at the same cost as Coles and Woolworths, nor do we benefit from the supplier marketing or resource support that large national supermarkets receive. And, consequently, we cannot sell products at the same price without impacting the store viability, and ultimately impacting the food security of a remote community.⁶²

Remote supply chains are more fragile and more costly

2.70 Another key driver of the high food prices in remote stores is the high cost of supplying goods to a remote area. The Committee learned during the

58 Mr Borg, CEO, Outback Stores, *Committee Hansard*, 18 June 2020, p. 2.

59 Mr Sam Jeffries, Group Manager, Central, NIAA, *Committee Hansard*, 11 June 2020, p. 11.

60 Ms Heather Scott, Director, TAH Northern Trading, *Committee Hansard*, 28 August 2020, p. 10.

61 Mr Stephen Hynd, Executive Director, Land, Legal and Strategy, New South Wales Aboriginal Land Council (NSWALC), *Committee Hansard*, 24 July 2020, p. 3.

62 ALPA, *Submission 106*, p. 5.

inquiry that remote supply chains are complex and have significant points of fragility that impact on the eventual cost of the goods.

- 2.71 The University of Technology Sydney (UTS) submission that weak supply chain networks prevent remote communities from accessing affordable quality food products. UTS states that ‘inefficiency in the procurement, warehousing, transportation and distribution functions’ are critical in this regard and that ‘exploring the supply chain network, value addition, costs and idle capacities/wastes in different stages is crucial to understand the issues and challenges that plague the system.’⁶³
- 2.72 Sea Swift, a shipping company operating in remote areas of North Qld and the NT, provided evidence at a public hearing that the last part of the delivery by truck was the biggest risk in terms of maintaining the cold chain into remote stores. Sea Swift further commented that a full metro-type supply chain was not possible in remote areas.⁶⁴
- 2.73 In Northern Australia, these challenges are particularly significant. Torres Shire Council told the Committee:
- The cape and Torres Strait region suffers from a lack of [an] integrated freight strategy. This increases the risk of inefficient decision-making in relation to road and rail corridors, connectivity to ports and duplicated infrastructure.⁶⁵
- 2.74 Kowanyama Shire Council is located in the South West region of Cape York Peninsula. In their submission they explained to the Committee that travel from the nearest centre (Cairns) takes 8-10 hours by road and in the wet season, Kowanyama is only accessible by air.
- 2.75 Sea Swift is the major sea freight provider to the remote coastal and island regions of Queensland and Northern Territory and at present it is the only sea freight on offer to many communities. In its submission Sea Swift explained some of the logistical challenges that affect their ability to deliver goods and the costs they therefore need charge to remain viable. These include berthing dolphins, deteriorating barge ramps, insufficient channel depth due to increase in barge sizes over time, and the growth of coral damaging boats.⁶⁶
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63 University of Technology Sydney (UTS), *Submission 28*, p. [1].

64 Mr Lino Bruno, Chief Operating Officer, Sea Swift, *Committee Hansard*, 12 August 2020, p. 17.

65 Ms Dalassa Yorkston, Chief Executive Officer, Torres Shire Council, *Committee Hansard*, 19 August 2020, p. 27.

66 Sea Swift, *Submission 68*, p. 11.

2.76 Seasonal impacts also affect Sea Swift's operations:

During cyclonic conditions in northern Australia, Sea Swift's vessels are often required to make significant changes to our usual passage plans to avoid weather systems and safely deliver freight to our customers, who in many cases remain largely unaware of the efforts of our people and additional time and cost. Sea Swift freight tariff remains constant all year round, regardless of seasonal impacts.⁶⁷

2.77 Seisia is located at the very tip of Cape York, about 1,000 kilometres from Cairns along a road that is partly bitumen and partly dirt. During the wet seasons, rivers and creeks flood and are unable to be crossed. At these times, the only transport route is by sea and it takes 4 days for supplies to arrive by barge. This has a significant impact on the ability to ensure a steady supply of quality foods and drives up prices due to spoilage. Seisia Community Torres Strait Islander Corporation told the Committee at their previous management meeting nearly \$100,000 was written off in wastage.⁶⁸

2.78 The Qld Government stated in its submission that:

The freight supply chain to remote communities is long and complex, comprising a matrix of private, government and corporate ownership of infrastructure and equipment. This complexity leads to excessive loss and wastage of perishable foods and it is challenging to coordinate freight agreement across many stakeholders. Food supply is also disrupted to some communities, reliant on road transport, during wet seasons.⁶⁹

2.79 The Centre for Rural and Remote Health at James Cook University (CRRH) comments in its submission that road closures in the wet season can cause infrequent deliveries and increased freight costs. CRRH notes also that there is limited infrastructure in remote areas to store large quantities of food in preparation for these weather events.⁷⁰

67 Sea Swift, *Submission 68*, p. 12.

68 Mr Wong, CEO, Seisia Community Torres Strait Islander Corporation, *Committee Hansard*, 19 August 2020, p. 10.

69 Health and Wellbeing Queensland (Qld Government submission), *Submission 54*, p. 6.

70 The Centre for Rural and Remote Health, James Cook University (CRRH), *Submission 100*, p. [4].

2.80 ALPA also noted at the public hearing on 23 July 2020 that the high prices in remote stores are greatly influenced by the cost of supply. Mr Alastair King, Chief Executive Officer, ALPA, stated:

The pricing story for remote community stores is complex, influenced significantly by freight costs, high operating overheads, small populations and limited buying power. This influences our market share compared to major supermarket chains.⁷¹

2.81 Evidence given by the Australian Food and Grocery Council (AFGC) suggests that manufacturers and suppliers do not have a line of sight from a distribution centre to a remote community store, ie, it is the wholesaler or retailer from that point in the supply chain that determines the final price.⁷²

2.82 In relation to the supply difficulties faced by remote community stores, Woolworths informed the Committee that it does not supply remote stores to any great extent, but was able to help ensure this supply during the COVID-19 pandemic:

... Woolworths Group currently has a limited supply chain infrastructure into remote Indigenous communities – communities which we understand are predominantly serviced by the Metcash and/or government supported community stores. However, during the peak of COVID-19, when it was brought to our attention that there were supply issues and constraints in remote Indigenous communities, under the framework provided under the ACCC's interim authorisation, we worked together with Metcash to ensure supply into remote areas that Woolworths does not usually service.⁷³

2.83 Woolworths further commented that 'whilst we did not have a direct store footprint during COVID, we were able to demonstrate we do have the framework and the capacity to be able to work directly to supply retailers and support remote communities.'⁷⁴

71 Mr King, CEO, ALPA, *Committee Hansard*, 23 July 2020, p. 29.

72 Dr Geoffrey Annison, Deputy Chief Executive Officer, Australian Food and Grocery Council (AFGC), *Committee Hansard*, 23 September 2020, p. 26.

73 Ms Rachel Elliot, Senior Manager, Government Relations and Industry Affairs, Woolworths Group, *Committee Hansard*, 24 July 2020, p. 21.

74 Ms Elliot, Woolworths Group, *Committee Hansard*, 24 July 2020, p. 22.

- 2.84 Mr Neville Power, Chairman of the National COVID-19 Commission Advisory Board, noted that the experience of the supermarket taskforce during the peak of the pandemic identified opportunities in which supply chain logistics could be improved with a flow on effect for pricing:

It's very hard to compare sites that are even relatively short distances away, because of the different supply chain and logistics issues. So it may be that we need to do more work on improving the logistics to those remote communities. That might be the trigger for getting those prices down.⁷⁵

- 2.85 Mr Power particularly identified the possibility of more remote warehousing to help improve the supply chain.

I think it's a very useful idea to push some of those distribution centres out so that there is a greater level of warehousing, particularly with dry products— these are not challenged from a shelf-life perspective too much. I think there is an opportunity to get more of those out there to reduce the length of the final supply chain and put more stock out as remotely as possible.⁷⁶

The cold storage capacity of remote stores is often low and expensive to maintain

- 2.86 In addition to the high cost of delivering goods and the loss of perishable goods due to network weaknesses in the supply chain, both the dry and cold storage capacity of remote stores is often poor. This is particularly true of small operators. The cost of maintaining refrigeration equipment is also typically high for these businesses. This is likely to put further upward pressure on food prices.
- 2.87 The WA Government notes in its submission that many of the community stores in its State 'do not have the infrastructure capacity (dry and cold storage) to hold large supplies of food at any one time.'⁷⁷
- 2.88 The Aboriginal Medical Services Alliance Northern Territory (AMSANT) noted in its testimony that some independent stores are very old and 'in need of infrastructure improvement, particularly around refrigeration and

75 Mr Power, Chairman, National COVID-19 Commission Advisory Board, *Committee Hansard*, 18 August 2020, p. 8.

76 Mr Power, Chairman, National COVID-19 Commission Advisory Board, *Committee Hansard*, 18 August 2020, p. 8.

77 WA Government, *Submission 110*, p. 6.

storage, to make those stores able to provide... fresh fruit and vegetables for people in communities'.⁷⁸

- 2.89 The CRRH also remarks in its submission that many of the small independent stores have inadequate dry and refrigerated storage which impacts on their ability to sell fresh food and to cope with extreme weather events, including the wet season.⁷⁹
- 2.90 Outback Stores states in its submission that remote stores often face higher costs due to having increased stores of frozen stock during the wet season to cover potential disruptions to supply. Outback Stores points out that the use of old energy-inefficient equipment under conditions of extreme heat and humidity will add to the power costs of the store.⁸⁰
- 2.91 The high cost of repairs is also a considerable problem for remote stores. The Seisia Community Torres Strait Islander Corporation noted in its evidence on 19 August 2020 that the maintenance of the refrigeration equipment in its supermarket comes with additional charges that an urban store would not face. The Chief Executive Officer, Mr Arthur Wong, stated:

We don't have any refrigeration technician here on the ground and we have to either get them from Cairns or Thursday Island. When they're coming from Thursday Island they're coming by chopper. So you're out of pocket by about \$700 before you even get them on the ground.⁸¹

- 2.92 TAH Northern Trading also commented at a public hearing on the huge costs of repairing refrigeration equipment in remote communities:

A fridge might break down and it might only cost you \$200 to repair it. But on a remote community you have to empty that fridge, get a technician to come out – which might be in the next few days, not today – and fly them out, which is \$1,400 in airfares. They've got to overnight and you've got to look after them. So a \$200 repair becomes a \$2,000 repair.⁸²

78 Mr Ben Pike, Food Summit Project Manager, Aboriginal Medical Services Alliance Northern Territory (AMSANT), *Committee Hansard*, 23 July 2020, p. 20.

79 CRRH, *Submission 100*, p. [3].

80 Outback Stores, *Submission 85*, p. 8.

81 Mr Wong, CEO, Seisia Community Torres Strait Islander Corporation, *Committee Hansard*, 19 August 2020, p. 10.

82 Ms Scott, TAH Northern Trading, *Committee Hansard*, 28 August 2020, p. 13.

- 2.93 The Committee notes from the ANAO 2014-15 report on *Food Security in Remote Indigenous Communities*, which is cited in the Public Health Advocacy Institute of Western Australia (PHAIWA) submission, that the Federal Government has provided targeted funding through the *Aboriginals Benefit Account Stores Infrastructure Project* to improve and upgrade remote store infrastructure:
- This audit revealed \$69.2 million targeted funding provided to assist NT community store owners and operators (\$13.4 million 2012-13) and \$55.8 million under the Aboriginals Benefit Account Stores Infrastructure Project to construct 12 new stores, [for the] refurbishment [of] six existing stores, and [for] upgrades [to] 10 houses for store managers in 18 communities.⁸³
- 2.94 The NIAA noted in its testimony that the Aboriginals Benefit Account Stores Infrastructure Project ‘has been running for a number of years and has resulted in a number of new stores and upgrades to stores, particularly around the storage capacity of some of those stores.’⁸⁴
- 2.95 The monitoring of the adequacy of remote store infrastructure through the existing licensing and governance frameworks is discussed in Chapter 3.
- 2.96 Outback Stores states in its submission that while higher freight costs do have a significant impact on remote store prices, it is important to understand that there are many other costs for these businesses that also have an impact including employee costs, general expenses, and governance and compliance.⁸⁵
- 2.97 ALPA also notes in its submission that service providers in remote communities including stores experience higher operational costs than their urban counterparts for almost all business expenses including employment, insurance, governance, power, rent, repairs and maintenance. ALPA further comments that unlike other community services, remote stores do not receive support to help cover these expenses.⁸⁶
- 2.98 Staffing costs is a factor noted by Seisia Community Torres Strait Islander Corporation. Their submission states:

83 Public Health Advocacy Institute of Western Australia (PHAIWA), *Submission 101*, p. 15.

84 Mr Griggs, CEO, NIAA, *Committee Hansard*, 11 June 2020, p. 2.

85 Outback Stores, *Submission 85*, p. 6.

86 Arnhem Land Progress Aboriginal Corporation (ALPA), *Submission 106*, p. 10.

... there is always difficulty firstly, in finding quality staff who will relocate to a remote area, and secondly, in retaining that person for any length of time. It is not uncommon for Seisia to have to recruit a person for a specific position three or four times in any given year, with all the associated costs of relocation of personal effects and families. ... Another factor that adds significant operating costs is the cost of staff incentives in remote areas. These incentives normally include subsidised housing, above award wages, and a number of airfares per year for the staff member to Cairns and return.⁸⁷

- 2.99 Evidence was also given that damage to stores and theft can create significant additional costs. The Chief Executive Officer of the Police Federation of Australia, Mr Scott Weber, told the Committee:

The local store is a hub of the community, so most people don't want to damage it. But when an issue does occur, whether it be sorry time or there have been issues between different tribes or clans in those communities, sometimes that can be a focal point because that's where everyone congregates. It can cause incidents of assaults, acts of malicious damage and break and enters.⁸⁸

- 2.100 Evidence from Martin Schahinger also illustrated this point:

High rates of crime unfortunately go hand in hand with poverty and low levels of education. Remote Aboriginal communities are no different. A local community store usually has an expensive, remotely accessible camera system. The store itself is built like a fortress, with no windows, cages around external cameras and lights, solid security doors, and other measures. The store is often still broken into regularly. At one time, our local store in one community was broken into at least once a week.⁸⁹

- 2.101 Mai Wiru raised several of these additional cost issues with the Committee:

We have a lot of break-ins. For any repairs and maintenance, it can cost us \$3,000 dollars to get somebody out there to do a job before the job even starts. We could have permits for our staff members

87 Seisia Community Torres Strait Islander Corporation, *Submission 5*, p. 4.

88 Mr Scott Weber, Chief Executive Officer, Police Federation of Australia, *Committee Hansard*, 23 September 2020, p. 13.

89 Mr Martin Schahinger, *Submission 46*, p. 12.

to go on the APY lands that we have to pay for. Everybody has got to have a police check, which you have to pay for. Because the vehicles are running backwards and forwards on those roads, our equipment repairs and maintenance are very, very expensive. In a hot, dusty environment, all electronics takes a hammering. Insurance has doubled in the last three years. With just those things there, the cost of doing business out there is just phenomenal.⁹⁰

Government subsidies

2.102 A number of contributors to the inquiry supported direct government subsidies at various points in the food supply chain to reduce food prices in remote stores.

2.103 APO NT recommends in its submission that government subsidies be used to offset the high retail prices in remote stores and also to promote consumption of healthier foods.⁹¹ AMSANT, who were also representing APO NT, further stated at a public hearing:

The Australian government must acknowledge that remote community stores are not just local businesses but provide critical social services to remote communities. Vulnerable people rely on them to get healthy food and other essential items. Nobody else is expected to provide such an essential service in a remote area and also make a profit. It is long overdue for the Australian government to provide subsidies so that people in remote communities are not paying too much in their stores.⁹²

2.104 The provision of government subsidies to lower the cost of healthier foods in remote stores is also supported by Thumbs Up Ltd, PHAIWA, Indigenous Allied Health Australia (IAHA), and the George Institute for Global Health.⁹³

90 Mr Bate, CEO, Mai Wiru, *Committee Hansard*, 6 November 2020, p. 11.

91 APO NT, *Submission 60*, p. 10.

92 Mr John Paterson, Chief Executive Officer, AMSANT, *Committee Hansard*, 23 July 2020, p. 16.

93 Mr Graham Bidstrup, Chief Executive Officer, Uncle Jimmy Thumbs Up Ltd, *Committee Hansard*, 23 July 2020, p. 43; Associate Professor Christina Pollard, Director, Public Health Advocacy Institute of Western Australia (PHAIWA), *Committee Hansard*, 18 August 2020, p. 27; Indigenous Allied Health Australia (IAHA), *Submission 102*, p. 4; The George Institute for Global Health, *Submission 99*, p. [9].

- 2.105 Torres Shire Council expressed the view however that subsidies of fresh fruit and vegetables would need to be targeted to disadvantaged families with a proven need and not applied as a blanket scheme.⁹⁴
- 2.106 Similarly, Apunipima Cape York Health Council (Apunipima) is also supportive of targeted food subsidies for remote communities, recommending that the Government:
- Implement a direct to consumer food subsidy scheme to address financial barriers and increase affordability and access to healthy food and drink in remote areas. The subsidy should be targeted to provide additional support for women, infants and children and the elderly to nurture future generations and protect the most vulnerable.⁹⁵
- 2.107 The Public Health Association of Australia (PHAA) and Cancer Council Australia joint submission recommends that subsidies be provided for remote store infrastructure and staffing costs, freight costs, and staple foods.⁹⁶
- 2.108 ALPA also favours freight subsidies for stores that experience wet-season impacts to their supply costs, and also those that are dependent on barges for their deliveries, but recommends that monitoring would be needed to ensure that these subsidies are passed onto the store customers.⁹⁷
- 2.109 The potential pitfalls of applying government subsidies to the food supply chains for remote stores were raised in a number of submissions.
- 2.110 Sea Swift, which provides shipping services to the Torres Strait and Northern Peninsula region, cautions that there is a possibility that freight subsidies will not be passed onto customers:

There are prior examples of where government subsidies have been placed with certain transport providers (i.e. Macair) yet due to the failure of the organisation have not been passed on to end users in one form or other. Additionally, placing subsidies with a provider of services could essentially place the provider in an anti-competitive position. Instead Sea Swift's position would be to

94 Ms Yorkston, CEO, Torres Shire Council, *Committee Hansard*, 19 August 2020, p. 30.

95 Apunipima, *Submission 87*, p. 3.

96 Public Health Association of Australia (PHAA) and Cancer Council Australia, *Submission 69*, p. 11.

97 ALPA, *Submission 106*, p. 3.

support a freight subsidy on the basis it sits with end use customers in the region.⁹⁸

2.111 Sea Swift also states that ‘should the introduction of a freight subsidy occur, heavy scrutinisation of pricing and charges in the region would need to apply as unscrupulous operators could see this as an opportunity for profiteering.’⁹⁹

2.112 Dr Francis Markham and Dr Seán Kerins are concerned that subsidies may lead to ‘stores changing their behaviour rather than passing through the subsidies to consumers.’¹⁰⁰ They further state:

... without appropriate regulation, operators may simply pocket a subsidy without changing prices. A less extreme scenario might see operators incentivised to shift the varieties of subsidised food purchased toward more expensive varieties or suppliers in order to increase the quantity of the subsidy they receive. These issues are particularly concerning when stores are operated as private businesses.¹⁰¹

2.113 The NIAA concurs with this view and states in its supplementary submission that, from the Australian Government perspective, the experiences with the types of subsidies that might be applied to the freighting of fresh produce to remote areas is that they are difficult to monitor and it is also difficult to ensure that they are passed on to customers.¹⁰²

Committee comment

2.114 The evidence to this inquiry consistently shows that food prices are higher for remote Aboriginal and Torres Strait Islander communities than they are for either Indigenous or non-Indigenous Australians who live in towns and cities.

2.115 This is not surprising given the reasons outlined in this chapter. This disparity in prices has not really changed over the years and may be

98 Sea Swift, *Submission 68*, p. 19.

99 Sea Swift, *Submission 68*, p. 19.

100 Dr Francis Markham and Dr Seán Kerins, *Submission 30*, p. 9.

101 Dr Markham and Dr Kerins, *Submission 30*, p. 9.

102 NIAA, *Supplementary Submission 36.2*, p. 11.

trending upwards, at least based on the NT MBS which is the most regularly conducted survey of its type.

- 2.116 The persistence and apparent widening of this price gap is of concern to the Committee. Whilst achieving parity of food pricing between remote and urban stores or parity with online prices is unrealistic, given the very large differences in their respective operating environments, more needs to be done to provide transparency and adequate avenues for investigation by remote community members. As much downward pressure should be applied to prices as possible.
- 2.117 The Committee did not find that there is common or systemic price gouging by remote stores. While there may be some instances of this by some operators, it seems that most remote stores are doing their best to provide products to their communities at a reasonable price but are forced to charge higher prices because of the much greater cost of doing business.
- 2.118 Although the NT MBS data (and those from other comparable surveys) does not provide information at a particularly granular level, and are thus criticised by some as lacking detail and transparency, they do provide a reliable overarching guide to the higher food prices in remote First Nations communities and the fact that this has been a consistent metric for many years.
- 2.119 This is the second parliamentary inquiry in just over a decade to examine high pricing in remote community stores and the Australian National Audit Office has also examined the issue. Given the continuing public disquiet about the issue, the lack of competition and real-time price transparency in remote community stores and the lack of systems to deal with complaints, the Committee has chosen to make recommendations, to improve public confidence in remote community store pricing.
- 2.120 The Committee believes that a detailed market study by the ACCC is needed to determine what measures may need to be taken to increase competition in the remote food sector, provide a framework for complaints handling and more adaptable consumer protection laws that are relevant for the remote community environment. These matters are beyond the usual remit of a market study but the Committee believes that the ACCC, as Australia's consumer watchdog, has the resources and can bring in the additional external expertise to address these issues in a holistic and independent manner.
- 2.121 The continuing disquiet about the survey from store groups and concerns about food prices in the community indicates that much more is needed in

terms of food price monitoring in remote areas. Price monitoring needs to be done at a national level. It also needs to be done in real-time and to be fully transparent to identify any issues as they arise. Participation by all remote community stores needs to be compulsory. The Committee notes the ANAO made a recommendation about real time price monitoring in its 2014 review but that nothing has happened.

- 2.122 Implementing a real time national price monitoring system will assist helping the NIAA to identify those communities where irregular prices are being charged as well as monitoring those communities coming under food supply stress and formulating a timely response.
- 2.123 The Committee does not support direct Government subsidies along the supply chains to remote stores as a way of reducing food prices. There is no guarantee that subsidies would be passed on to the consumers at the point of sale and they will likely distort the market.
- 2.124 Addressing some of the concerns about shipping in Northern Australia should reduce prices and improve the timeliness of deliveries especially to the Torres Strait.
- 2.125 Consideration also needs to be given to bolstering the infrastructure for food supply networks in the northern parts of the country to reduce delivery times and wastage. Additional distribution centres are also needed in major regional centres to strengthen the food supply networks into remote First Nations communities.

Recommendation 1

- 2.126 **The Committee recommends that the Treasurer direct the Australian Competition and Consumer Commission to undertake an enhanced market study into food and grocery prices in remote community stores. This study should make recommendations about how to increase competition in remote areas and put downward pressure on food prices.**

The study should also identify better complaints handling mechanisms for people in remote communities, any changes to the consumer protection laws that might need to be made to address price gouging in these communities, which the current laws do not address, and a consideration of the impact, if any, of rebates.

The study should also recommend ways in which remote community members can be better informed of their rights as consumers, especially

the right to make complaints.

Recommendation 2

- 2.127 **The Committee recommends that the Australian Government establish a real-time price monitoring and disclosure mechanism through a point of sale data system across all remote community stores. Such a system should allow for real time information about changes in price and patterns of consumption and supply. The price monitoring system should be reported and made publicly available by the NIAA.**

Recommendation 3

- 2.128 **The Committee recommends that the Australian Government investigate the need for upgrading the infrastructure and shipping lanes in the Torres Strait and coastal areas of the Northern Territory, and road infrastructure into remote communities, to improve the supply of food to remote First Nations communities.**

Recommendation 4

- 2.129 **The Committee recommends that the Australian Government encourage the establishment of more local distribution centres by wholesalers in major regional centres closer to remote communities.**