



7 March 2023

Select Committee on Cost of Living
PO Box 6100
Parliament House
Canberra ACT 2600

By email to: costofliving.sen@aph.gov.au

Dear Committee

Thank you for the opportunity to provide this submission to the Cost of Living inquiry. Much of this submission is informed by TCICA's newly released Freight Equalisation Study authored by economist Dr Shashi Karunanethy; attached.

About TCICA

The Torres Cape Indigenous Council Alliance (TCICA) is a membership-based alliance of local governing authorities from the Torres Strait, Cape York, and Gulf region of Far North Queensland. 13 of Queensland's 17 Indigenous local governments are members of TCICA and together we make up 20 per cent of all local governments in Queensland. We operate as a collaborative partnership to represent the common interests of local governing bodies in the region. Our members are committed to working together with the Queensland and Australian governments to help shape place-based responses and solutions to the challenges and opportunities facing us.

Our region encompasses 7 per cent of the total land area of Queensland and is home to just 0.6 per cent of Queensland's population, or around 30,000 residents. More than 63 per cent of people living in our region identify as Aboriginal and Torres Strait Islander peoples, compared to just 4.6 per cent for the whole of Queensland. Our entire region is classified as Remote or Very Remote Australia and more than 72 per cent of people are in the most disadvantaged quintile for relative socio-economic disadvantage. Communities in the region have a median total family income that is third less than that of families in Queensland as a whole.

Inescapably high living costs

The cost of freight is a major contributor to the high cost of living and doing business in remote communities in the TCICA region. Geographic remoteness, challenging distances, unsealed roads, the poor condition of marine transport infrastructure, severe climatic conditions, and poor coordination all impact supply chains and drive up freight costs. Costs become even higher during the wet season when roads are impassable for months at a time and communities become totally reliant on air and sea freight for food, household goods and general cargo.



Additionally, the market characteristics of the region exacerbates these cost effects: sparse population levels and high operational costs act as high barriers to entry in local retail and transport markets, leading to the formation of local monopolies for most communities. As a result, consumers are likely to be shouldering the full transportation cost burden, which would otherwise be lowered in more accessible and competitive markets.

The high cost of freight for essential household items and food is leading to food insecurity in remote First Nations communities because people are unable to easily afford or access fresh and healthy produce. As a result, the life expectancy of Aboriginal and Torres Strait Islander peoples is continuing to decline as the burden of preventative diseases such as diabetes increases. In parts of Far North Queensland, there is a 20-year gap in life expectancy between Indigenous and non-Indigenous Australians.

TCICA and its member councils have long campaigned for freight subsidies to drive down living costs for some of Australia's most disadvantaged communities and as a way to increase the affordability of food and other household items. Freight is subsidised to other parts of the state of Queensland and there are examples of freight subsidy schemes operating in other jurisdictions, most notably the Commonwealth-funded Tasmanian Freight Equalisation Scheme.

TCICA's Freight Equalisation Study was commissioned to quantify the cost of a freight scheme for our region, with a focus on food and household items. It also seeks to highlight opportunities to reduce freight costs in the longer term by addressing supply chain issues and through sustained funding for transport and access infrastructure to overcome years of chronic underfunding.

The study finds that there exists an opportunity to implement a scheme valued between \$28 million and \$43 million annually, to the equivalent of existing freight costs between Cairns and six case study communities in Far North Queensland (see map).



An effective freight equalisation scheme would ideally reduce the cost of retail household goods and food, stimulating greater levels of demand and consumption, particularly for under-supplied fresh and quality produce. Research in Australia has demonstrated that improving access through subsidised fruit and vegetables can have positive effects on health outcomes amongst Indigenous people. Further, this would also have important positive flow-on effects to trading regional economies where many of the origin freight activities occur.

Currently, there are no government programs that distinctly target a reduction in cost of general household items - which arguably constitutes the largest expenditure component for these remote communities. Where remote tax concessions exist to offset these costs (such as zone tax offset and the remote area allowance), they frequently fall short in mitigating the full cost burden. Further, these have often not kept up with rising inflationary cost pressures in recent periods.

There are significant infrastructure needs in the region that contribute to the freight cost burden borne by communities. Poor and unsealed road conditions, vessel damage from coral reefs, insufficient channel depths, and ageing coastal infrastructure are some important determinants of higher operational costs of freight to the region. The full sealing of the Peninsula Development Road and local roads could support lower operations costs, the expansion of cold storage and distribution centres, and improvements to island and coastal community local roads to address last mile infrastructure deficits can ensure additional time costs and delays are not incurred.

Recommendations

1. Recognise and reflect the unavoidable cost burdens faced by people living in remote regions, and especially those in remote First Nations communities, in the committee's report.
2. Support the implementation of a freight equalisation scheme for Queensland's remote communities in Far North Queensland as a way to immediately drive down the cost of household items and food.
3. Support ongoing investment in reducing food insecurity in remote communities through improvements to supply chains and supporting infrastructure, noting the recommendations in the report of the Standing Committee on Indigenous Affairs' *inquiry into food pricing and food security in remote Indigenous communities*, with particular attention to recommendations 3 (infrastructure investment), and 4 (support for local food production).
4. Significantly increase the zone tax offset and remote area allowance to ensure they reflect the real costs of living remotely.

Thank you again for the opportunity to provide this submission to the Cost of Living inquiry. TCICA would welcome an invitation to participate in the public hearing process and hopes that the Committee will consider holding a hearing in a remote location in our region.

Yours sincerely

Cr Robbie Sands

Chair of TCICA

Mayor of Kowanyama Aboriginal Shire Council

Copy to: Senator Nita Green, Senator for Queensland