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Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES
STRAIT ISLANDER AFFAIRS

**Reference: Community stores in remote Aboriginal and Torres Strait Islander
communities**

WEDNESDAY, 1 APRIL 2009

BAMAGA

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**HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS**

Wednesday, 1 April 2009

Members: Mr Marles (*Chair*), Mr Laming (*Deputy Chair*), Mr Abbott, Ms Campbell, Mr Katter, Ms Rea, Mr Kelvin Thomson, Mr Trevor, Mr Turnour and Mrs Vale

Members in attendance: Mr Marles, Mr Katter, Mr Turnour and Mrs Vale

Terms of reference for the inquiry:

To inquire into and report on:

The operation of local community stores in remote Aboriginal and Torres Strait Islander communities, with a particular focus on:

- food supply, quality, cost and competition issues;
- the effectiveness of the Outback Stores model, and other private, public and community store models; and
- the impact of these factors on the health and economic outcomes of communities.

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Committee met at 3.31 pm**ELU, Mr Joseph, Mayor, Northern Peninsula Area Council**

CHAIR (Mr Marles)—Welcome. Mr Elu, would you like to make an opening statement?

Mr Elu—Thank you. I have met you all. I met Danna before in her role as the former Minister for Veterans' Affairs, I think, and, of course, I have known Bob for a long time. I have been running a shop at Seisia, which is a small community and which, I think, is the port for the Northern Peninsula Area for the last 10 years. I think our biggest thing is that it is a long way from suppliers, and the freight is always a factor. I have been saying to politicians, public servants and whoever else would listen to me that the pricing we do is all academic. It is just the cost that we pay the suppliers. It is the cost of the transport, whether that is from Brisbane, Cairns or wherever. It still has to get here. We just add that up and then we put on our mark-up, and that is the price which we sell at the counter.

I think our biggest problem up here is the expendable income of the people in the community. If you look at the statistics for this area and for areas like this, the average income is the welfare payment or a bit above, which is unemployment and/or the age pension. So the equation is this: if a single mother with four kids goes to the shop, it is what she is holding in her purse when she gets to the shop. If she has to pay rent, electricity and all of this other stuff before she gets to the shop, then whatever she gets to the shop with is not enough to feed her four kids. That is what the government should be concentrating on, because that is the equation you can manipulate. When the cost of fuel went through the roof here about six months ago, the airlines and the shipping companies just lifted their prices no end. And of course you could not blame them, because they had to stay afloat.

At Seisia we try to keep the minimum mark-up on our basic items such as fresh fruit, bread, milk and that type of thing, and then put a bigger mark-up on other stuff that we think are nonessentials. We then help the people who just want to buy the basics. My message to you today really is that the state government or you as the federal government need to look at the cost of freight getting here. Bob, I know that you have been telling me for a while that Australia is a democratic country, but I think that Senator Harradine did not play very democratically when he got bloody freight equalisation for Tasmania. Now I see that Senator Xenophon is doing the same for the Murray River system—that is, getting all of this money for just one vote in parliament. Whereas we people north of Cairns are fighting to try to get freight equalisation, and we cannot get it because we have not got Independent senators in parliament who can hold the balance of power. So if Tasmania could get it, I think we are entitled to get it up this way.

They are the things you can influence in the pricing structure of these remote area stores. Of course, there are other things like the power we consume. The generators here have to run on diesel. We get diesel up here and of course Ergon, our power generator, has to charge us what they charge us, which is a higher cost than you would be paying in Cairns or Townsville. So the cost of doing business goes up, the prices on the shelves go up and the quality of the food that people get to put on the table goes down, because they will buy your basics: rice, flour, peanut oil, tinned corned beef and bully beef. That is not very healthy, but that is what they will buy because that can stretch further than if they try to buy fresh fruit and vegies.

CHAIR—Thank you, Mayor Elu. I have been remiss in not doing an introduction. There are some questions we would like to ask you about what you have just said, but, before I do that, could I firstly welcome everyone here to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs and our inquiry into remote community stores in remote Aboriginal and Torres Strait Islander communities. I would like to acknowledge the traditional custodians of this land and pay our respects to the elders both past present and future. The committee would also like to acknowledge those Aboriginal and Torres Strait Islander people who now reside in this area.

The committee would particularly like to thank the community of the Northern Peninsula Area for having us here and for allowing us to hold these hearings today. There is a formal part to these proceedings. These are formal proceedings of the Commonwealth parliament. Those who are giving evidence today need to be factual and honest and to bear in mind that any attempt to mislead the committee can be regarded as a serious matter.

We do invite people to make comments to assist us in our inquiry and to assist our intention to try to improve the government administration of community stores in remote Indigenous communities. This is a public hearing. The transcript of what is said will be placed on the committee's website. If any people have inquiries about either the transcript or the hearing proceedings please ask the committee staff at that desk.

At the conclusion of the formal part of the hearing, where we have a number of witnesses already planned, there will be an open forum. Anybody who would like to have their say about the way in which community stores operate within this community should feel very free to do that. If you are interested in making a contribution in that way, please approach the committee staff and let us know that you would like to make a contribution at the end. Before we ask Joseph some questions, I might ask the committee to introduce themselves.

Mrs VALE—My name is Danna Vale. I am the federal member for Hughes, which is in southern Sydney. It takes in the Sutherland Shire area across to Liverpool. My northern river boundary is the Georges River, which flows into Botany Bay. So you may have some idea where I come from. It is a pleasure and a privilege to be with you here today. We are very interested to learn about the need for this community to have access to fresh fruit and vegetables to help us 'Close The Gap'.

Mr KATTER—I am Bob Katter. My electorate is Kennedy—south of the federal electorate we are in now, Leichhardt. I was a minister in the Queensland government for many years and obviously came up here a hell of a lot.

CHAIR—My name is Richard Marles. I am the member for Corio, which is the electorate based on Geelong in Victoria. Our fourth member of the panel, who will be joining us soon, is your local member, Jim Turnour, the member for Leichhardt. A large part of why we are here actually is the advocacy that Jim has provided around this issue and his raising it as a very significant issue that the committee should be looking at. It is his efforts in large part which have led us to be here today. He is at the opening of the new Centrelink offices at the moment. He will be joining us in a few minutes. This brings us back to you, Joseph. I was interested in your opening statement, in which you focused heavily on the cost of freight. Have you noticed a

difference in the cost of freight since Endeavour went out of business, with Sea Swift now being the only freight company?

Mr Elu—I think Endeavour went out of business just as the price of fuel went through the roof about six months ago. But other shipping companies went before that. Jardine Shipping went and then Mason Shipping, which was running up here. I would probably equate that to Ansett and Qantas: there are a limited number of customers up here and a limited amount of money that people spend on freight. If two companies bid for it, one of them has to go because there just is not the critical mass. You see the same with airlines. Airlines come up here and they compete for a while. We had MacAir here for a month or two, and now they are gone. We had Flight West for a while and they are gone. It is all those types of industries, which are very fickle in the sense that—I do not know how much the dollar value is but there is a limited value to the money that goes out of these communities to freight companies. So if you have two companies battling it out, one of them has to go down. When Endeavour went down it was at the time of the high fuel costs. Sea Swift just kept lifting its price, but it was on the basis of the fuel price going through the roof. Our bowser price here was nearly \$3 a litre then. I do not know what they were paying for bulk fuel in Cairns. Somebody was arguing last week about paying \$1.60 in Brisbane somewhere, and we said, ‘Please give us that.’ We would love it up here at \$1.60.

CHAIR—So that I am clear, can you describe again your interest in the Seisia store?

Mr Elu—I have been the chairman of Seisia for the last 20 years, or whenever Mr Katter gave us the council of Seisia. I was the chairman until it was dissolved and amalgamated with this current shire council, which is the Northern Peninsula Area Regional Council. We built a store at Seisia, which if you have the time we will take you down to have a look at. It was the only store competing with the government owned stores of IBIS. IBIS had the Bamaga store, and we built that one down there. I think we started selling things that IBIS was not selling. Our philosophy was that, because we have a lot of tourists coming up here in the dry season, we would sell things that were not really sold in these communities before we started our store. We sold other things and started taking much more turnover from IBIS. I think we now have the lion’s share of the retail outlet here.

CHAIR—Who is the Seisia store owned by?

Mr Elu—It is owned by the council.

CHAIR—That is the only store that it owns within this region?

Mr Elu—There are three stores here. Two of them are owned by council. The one at Umagico was owned by the previous Umagico Aboriginal Shire Council. In the amalgamation, both those stores went to the Northern Peninsula Area Regional Council. But the bigger building is owned by IBIS, and I think you met them on TI on Monday.

CHAIR—So IBIS owns the store here. There are two council owned stores—that is, the Seisia store and Umagico. That leaves the New Mapoon store.

Mr Elu—That was basically started as a takeaway shop, and then they started selling a few groceries on the side as well.

CHAIR—And that is privately owned?

Mr Elu—That is privately owned.

CHAIR—Jim, would you like to introduce yourself?

Mr TURNOUR—I think most people know me. My apologies for arriving late. I have been up at the Bamaga Centrelink opening. I pay my respects to the traditional owners and elders here today. Thank you.

CHAIR—I am just getting my head around those four stores. Firstly, are all stores supplied through Sea Swift?

Mr Elu—The freight comes through Sea Swift.

CHAIR—And that is a weekly delivery?

Mr Elu—We have got two boats a week with Sea Swift.

CHAIR—What days do they generally come in on?

Mr Elu—The bigger boat comes in on Monday. That is always fairly stable. Then we have got a barge that is offloaded or transhipped at Horn Island. The bigger ship goes on to Weipa and the barge comes here on a Thursday or Friday, depending on when they get to Horn Island. So we usually have a Monday boat that is very regular, the big boat that comes in and offloads here every Monday morning.

CHAIR—That Monday boat is direct from Cairns?

Mr Elu—It goes to Horn Island and then comes here. The other big boat is called the *Newcastle Bay* that goes to Horn Island, tranships to a smaller barge and that *Newcastle Bay* goes on to Weipa and the smaller barge delivers to here and the outer islands.

CHAIR—Right. The smaller barge that comes later in the week will have been loaded on Horn Island.

Mr Elu—Transhipped at Horn Island from the bigger boat from Cairns.

CHAIR—Whereas the boat that arrives on Monday has been originally loaded in Cairns.

Mr Elu—Yes. Horn Island, offloads there on Sunday and then comes here on Sunday night or Monday morning.

CHAIR—You made some comments about the issue of freight. What is your general comment about the cost of the products which are in the four stores in this area?

Mr Elu—It is really an academic exercise. We source the supplier, they give us their price and then we ask them to deliver it through Sea Swift, and that is at a cost, and then we add on the cost Sea Swift charges us from Cairns to the wharf landed here and delivered to our stores. As I said in my opening statement, it is all academic, just adding figures together. I think the other factor is that we have got two main suppliers. One of them, who is sitting here, is giving evidence later. That is John Smith from Island and Cape. Metcash of course is the biggest wholesale supplier in Australia. We buy off them and they give what price they give. We cannot haggle; we are too small to haggle. We take their price or they tell us to go jump. They have their own specials sometimes and get 20 per cent off toilet paper or something and if they do that we are lucky, but usually we just take the price they give us.

CHAIR—Is IBIS big enough to haggle?

Mr Elu—I think so, but then again you have only got two to haggle with. There is very little to haggle.

CHAIR—Typically are the prices in the two stores that you run competitive with the IBIS store?

Mr Elu—I think we have been cheaper.

CHAIR—What do you put that down to, being able to be cheaper?

Mr Elu—Probably two or three years ago we started to get bigger supplies than IBIS. We started getting bigger than them. I think this current financial year we are budgeting for \$7.25 million and I believe IBIS will be down to about \$3 million. So there is probably about \$10 million or \$12 million worth of retail in this area alone. That is for the whole year. We have got a big tourist season or tourist influx in the dry season which is cream on the cake. We try and make as much money off the tourists as we can.

CHAIR—So you have taken a significant amount of market share off IBIS.

Mr Elu—Yes.

CHAIR—Again, what do you think has been the secret in your success in doing that?

Mr Elu—We are selling things outside of what IBIS was traditionally selling.

CHAIR—Such as?

Mr Elu—We have opened a deli, which IBIS did not have. We opened a fruit and vegie section. We have gone from where IBIS was buying to another supplier. We could see the difference in the supply, in the quality of fruit and vegies. I think we have won customers over with our fruit and vegies. We run our own meat operation inland from Cairns in Malanda. We kill our own beef there and bring it up and we sell it. What we are telling people is that we breed our own beef from hoof to plate. We know the beast, so we sell it. It is a competitive price but you can see that the quality is different. IBIS is getting it all away up from Brisbane from Thiess Brothers, which is a long haul for meat.

CHAIR—So, as far as you are aware, IBIS are sourcing their meat from Brisbane.

Mr Elu—I have walked into their shop and looked at the label and it says ‘Thiess Brothers, Brisbane’.

CHAIR—Whereas, you are really sourcing locally produced beef or meat.

Mr Elu—Yes, if we can. We buy from Townsville if we do not have our own.

CHAIR—Do you attempt to do any cross-subsidy between your two stores to allow the fresh fruit and vegetables to be cheaper?

Mr Elu—Like I said, we try to hold the mark-up on fruit and vegies down. We put more mark-up on things like Coke, sugar and other stuff. The thing you have to understand is that the cost of freight for freezer and chiller goods is higher than for normal dry goods. Once you put things in the chiller, you have a higher charge per carton than for dry goods. We have to pay higher freight cost on chiller and freezer goods. Tracy, one of my managers, is going to give evidence. If you want to talk percentages, she is the one to talk to. My instruction to the management at the beginning was to hold essential food costs down and have other foods at normal mark-up.

CHAIR—Do the two stores break even?

Mr Elu—The Seisia store is making a good profit. The last financial year when we had the Seisia Island Council still operating we made I think \$650,000 profit out of \$5½ million turnover.

CHAIR—Is that just the Seisia store or across both stores?

Mr Elu—The Seisia store.

CHAIR—What about the other store?

Mr Elu—I could not tell you, but I think it was either breaking even or making a small loss. They are the figures now when I am on the amalgamated council.

CHAIR—What training do you provide for your staff?

Mr Elu—We provide training through Cairns Region Group Training. I think we went up to certificate III in retail. That is your basic till work, stacking and all of that. If you want to go beyond that, you have to send people away to do the other training to become managers. When we offer that, people do not want to go away for training.

CHAIR—It is an interesting situation in that you are both the councillor and the operator of the stores. I would like to know your view of the IBIS store and how it operates.

Mr Elu—I have been involved with IBIS for a long while. I was actually the chairman of IBIS from I think about 2000. That was when the state government put a lot of money into new

store buildings. I did not like them because they started asking us to depreciate \$12 million in 10 years. I told them it was going to hurt the people up here. This year they are going to finish depreciating those stores at that massive rate. Now they are going to try to recoup profit. They wanted the IBIS board to depreciate \$12 million in 10 years. It was a big ask, and I quit from the board of IBIS then.

CHAIR—That was a decision of the board?

Mr Elu—No, it was a decision of government.

CHAIR—The Queensland government?

Mr Elu—Treasury Corporation made that decision.

CHAIR—Does the local IBIS store provide a good range of products?

Mr Elu—There is a lot of Black and Gold and cheap items on the shelves. I believe that is why they lost customers. We had a bigger range in a smaller sized store than what they had. Their floor space is nearly double ours, but we have more of a range. For instance, we probably have five or six different soya sauce bottles whereas they probably have only two and one of which would be Black and Gold.

CHAIR—You think the quality of your fresh produce is better than theirs now. What comment would you make about the quality of the fresh produce at their store?

Mr Elu—We have gained customers because I think we sell better quality fresh fruit and vegetables, meat and smallgoods. We opened a deli about two years ago. A lot of people come down for lunch and while they are there they do other shopping. In a normal supermarket the take on the fresh meat products is between five and eight per cent. Our fresh meat sales are well above 11 per cent. Probably our drawcard is our better quality meat. They come for that in particular. Our sales on those items are higher than in normal supermarkets. Of course, while they are there they buy other stuff.

There is a line of customers which we never had before we started selling quality stuff. We have had a big influx of yachts that stop here in the yachting season. They come around the tip. Before last year or the year before we had few call in, but last year I counted 27 yachts in the harbour. They talk to one another and they talk about the quality of food and services they can get in this area. I think the biggest drawcard has been our shop.

CHAIR—Can you only get frozen meat from the IBIS store here?

Mr Elu—We have a small butcher shop. If you have time, we can go down. We have a couple of quarters hanging down there. We especially brought them up for Bob to see.

CHAIR—But in the IBIS store?

Mr Elu—No, they are directly supplied from Brisbane.

CHAIR—So they have only frozen meat?

Mr Elu—No, they have cryovac meat. With cryovac after seven days you start looking for freezers. If you have to lift them from Brisbane to here, you have to get them here within seven days to ensure they are of good quality.

CHAIR—Do you have a comment to make about the structure of IBIS?

Mr Elu—The structure, like Bob will tell you, is like when he was the minister. IBIS went broke in the late 1990s. They lost a lot of money and we had to sell a lot of assets. After that the management system changed. I believe local managers do not have ordering powers. They have to write to the office in Cairns and the Cairns office places the order. So the managers there are not really managers; they are just shop assistants or whatever you want to call them. They just sell whatever Cairns supplies them with. Whereas, in the council stores, we let the managers do the ordering, the pricing and everything. They are true managers. Not only the quality but of course the quantity is very much controlled in Cairns. When I was with IBIS I saw a note going from the general manager to the ordering staff that in a certain month they were not allowed to exceed a certain dollar figure with what they order. They had to look at the budget I suppose, but that did not help people in the communities when you run out of stock.

Mrs VALE—Thank you for your testimony, Joseph. It is important to us to understand. You said you visited the IBIS store and looked at the meat. Did the meat seem to be of as good a quality as the meat that you provide to your store from your abattoir?

Mr Elu—No, it is not the same quality. Thiess Brothers sometimes run their own stock but very little. They buy from anybody and everybody who will sell to them.

Mrs VALE—They do not have one supplier. They actually buy whatever has the cheapest price.

Mr Elu—Yes, Thiess Brothers does.

Mrs VALE—In Cairns.

Mr Elu—That is right.

Mrs VALE—Is there a possibility that IBIS could approach you to supply them with meat for their store?

Mr Elu—I know a butcher that has supplied IBIS in the past from Atherton, a fellow called Mark McKenzie of McKenzie Meat. You would probably know Ian McKenzie, Bob. They used to supply about 16 bodies a week the IBIS outlet, and that is too big for us. But we could, over a couple of years, build up to that number. At Seisia, in this area, I think our number is about five bodies a week of beef, so we could handle that number.

Mrs VALE—But if you thought you might have an extra order you could build up to a higher level.

Mr Elu—Yes.

Mrs VALE—Some of the evidence that we have taken in our public forums, especially from some of the women, has been about the poor quality of the meat and how it looks very old. One woman described the meat as being black on one occasion. That is really not good. It is far better to shop locally than it is to try and get meat from Cairns. As you said, cryovac really only lasts seven days, and even then that is pushing it. You say that you make a considerable amount of money from the tourists who come in the dry season. What do you sell that IBIS does not?

Mr Elu—Like I said, we opened a deli and we sell pickled olives and stuff like that—things that southerners eat which you would never see in IBIS stores. Like I said at the opening of the Centrelink building, these communities were started—and Bob would know this—as reserves, and we were very much run by government. A fellow called Pat Colloran had these communities under his thumb and we were not even allowed to leave here without asking for permission. Everything was brought in and out as the superintendent wished. I think IBIS is still of that ilk. Somebody in Cairns decides what Murray Islanders will eat, what people at Boigu will eat or what people at the Bamaga supermarket will buy.

Mrs VALE—So in your deli you have deli meats, cheeses and things like that.

Mr Elu—Yes.

Mrs VALE—Who supplies that for you? Do you get that from Cairns yourself?

Mr Elu—Cairns and Brisbane.

Mrs VALE—How many days does it take to get an order from Cairns?

Mr Elu—The boat leaves Cairns on Friday about lunchtime. It closes the chillers Thursday afternoon—you have to get it there before half past four—and it unloads here Monday morning.

Mrs VALE—Do you also source your fresh fruit and vegetables from Cairns?

Mr Elu—Yes.

Mrs VALE—Does that arrive in pretty good condition and are you happy with it?

Mr Elu—Yes.

Mrs VALE—Are the mothers and grandmothers that you serve happy with the quality?

Mr Elu—The quality is good. The price that we put on them is academic because all the mothers will complain anyway. Like I said in my opening statement, it is the money they walk through the door with that is not enough to feed the three or four—or however many—kids they have.

Mrs VALE—Is there a tradition here of community market gardens or backyard market gardens where people grow vegetables themselves, either root vegetables or green-leaf vegetables?

Mr Elu—Root vegetables were our staple diet before settlement and we still plant them every now and then.

Mrs VALE—What are they?

Mr Elu—Cassava, yam, sweet potato.

Mrs VALE—Do you ever sell local produce in your shop, if it is available?

Mr Elu—We would. If it is available at the right quality, yes. Umagico started a farm here a couple of years ago which did produce something.

Mrs VALE—What became of that farm? It was a market garden farm, was it?

Mr Elu—DPI and AQIS do a lot here. They cannot supply out of here.

Mrs VALE—They cannot supply out of here, but you could supply here. That is a problem we have come across.

Mr Elu—Yes, we can supply locally.

Mrs VALE—What about chickens here? Do people keep their own chickens and have access to fresh eggs?

Mr Elu—No.

Mrs VALE—Would it be possible to keep chickens here?

Mr Elu—Yes. But in this heat you have to do something with the sheds to keep the chickens alive. You can feel it now!

Mrs VALE—Yes, I know! We heard, especially on some of the outer islands, that earlier there was a tradition of keeping chickens and having fresh eggs available. We also heard that some of the eggs sold in some of the stores were not fresh.

Mr Elu—No. And with pigs, we had an influx of Japanese encephalitis here about four or five years ago, so AQIS stopped us growing pigs. We have to keep them one kilometre from the—

Mrs VALE—So there are restrictions under which it could be done.

Mr Elu—People did not walk a kilometre to feed pigs.

Mrs VALE—Thanks, Joseph. That is about all I wanted to ask you. One other thing: do you have fresh fruit and vegetables available daily? Are they always available?

Mr Elu—The supermarket only closes two days of the year, when Christ was born and when Christ days. On Christmas and Good Friday we do not open. Every other day we open.

Mrs VALE—And you have fresh fruit and vegetables available in the store on those days. Just to explain that question, some of the mothers gave evidence about some other stores and said that when the boat comes in there are fresh fruit and vegetables for the first two or three days and then after that the quality declines and whatever was fresh and good has already gone. They are without fresh fruit and vegetables until the next boat comes.

Mr Elu—Like I said, the quality is crucial as well. If the management in Cairns decides that they are only going to order \$20,000 worth of stock, then—

Mrs VALE—But your supplier in Cairns can get it up in four days, so the lettuce is fresh, the celery is fresh—

Mr Elu—Yes.

Mr KATTER—I will express an opinion, if you would not mind, Mr Chairman. Joseph Elu decided that they should have a separate shire council for Seisia, which had a population of 23 people. It has been argued that we should have amalgamated shires and that they should all be big. But Seisia is by far and way the most successful Aboriginal and Torres Strait Islander community in Australia—by a long way. In acknowledgment of that, successive governments put Joseph in charge of the business corporation and the banking corporation. They have four flourishing businesses there and there is another one down at Malanda as well. Obviously, a person with this sort of background is extremely valuable to this committee.

Joseph, you would have thought about what needs to be done. Obviously, as a minister I went over these problems 18 or 19 years ago. But there was a contract for the boats coming up here and there was also a contract on the road transport into Bamaga. There were government contracts let for both those things. They are not let now; it is a free market. You are right: the free market has resulted in a monopoly—as it has in most other areas—coming to pass. Do we go to government with the simplistic Tasmanian approach that the freight be subsidised or is there a more complex model that calls for tenders and involves partial subsidies?

Mr Elu—Like you said, when those state contracts were running—and I think that Mason Shipping was the last one with the state contract. When those contracts ended in the mid 1990s or maybe even earlier than that—

Mr KATTER—It seems funny that they lost the contract, actually.

Mr Elu—When they were stopped, that is when IBIS started going sideways, because it then had to pay full market freight. Like I said, if Tasmania's argument is that that link to Launceston is highway 1 still, we think that the Cape Development Road should be highway 1 still. There should be some sort of recognition of that by the federal government. We cannot get semitrailers up on that road. Our main shipments of freight comes up on boats. Whether you have subsidised

freight or provide a tax incentive for the retailers up here who are trying to sell fruit and vegies, something needs to happen.

Like I said to you, the mothers and housewives will always complain, but not because of the price of the items on the shelf. At the end of the day, it is about how much money they have in their wallets and how far they stretch that. Like I said, the state government is now going to charge 20 per cent of household income as rent for public housing, no matter where you live. I argued this with the minister down there. I said, 'You can't charge 20 per cent in Brisbane and 20 per cent up here, because we are not paying the same for other stuff.' If they are going to charge 20 per cent for rental accommodation in these communities, that will take more money out of the system. Right now, for some of these houses people pay about \$120 a fortnight for rent. That is going to go up to between \$220 and \$260.

Mrs VALE—On that point, Joseph, we pay our Defence personnel a remote allowance that Defence personnel who live and are based in the southern states do not get. Defence personnel in remote areas get an allowance. It might be worth your while having a look at that.

Mr Elu—I do not want to join the army; I am too old for that now.

Mrs VALE—No. It is just if the government has that policy for one department it should have a similar policy across the board out of fairness.

Mr KATTER—Joseph, have you made any representations to Jim or anybody else with respect to the revising of the zone allowances? For information, I should tell the meeting that I hammered out an agreement with a previous Treasurer—who completely broke that agreement—for a review of it. But Prime Minister Howard was good enough to take it up at cabinet level. He said in question time in the House that he had put it before cabinet and he had been rejected. It was his personal opinion, as you would be well aware, that it needed to be reviewed. He was the last person who reviewed it—in 1984. When I worked at Mount Isa Mines, we paid virtually no tax at all. That was when I was a young man of 18 or whatever it was. The zone allowance made it very attractive. I crave your indulgence, Mr Chairman, for one second more, but I need to say this: the mining companies are going to put a big push on to get that zone allowance back. If that is combined with a big effort from you people then we have a fair chance of success.

Mr Elu—I was hoping that Tony Abbott would be here, because when he was the minister for DEWR he came up here and I raised that issue with him about trying to get that zone allowance or zone tax rebate back for people living in these remote areas—especially if you are going to tax the old age pension and things like that. That really hurts.

Mr KATTER—You were a better talker with me than you were with him, obviously.

Mr Elu—He did not take any notice of me.

Mr KATTER—I do not think that anyone else in cabinet backed him. Everyone in cabinet must have opposed it, because it is seldom that a Prime Minister gets rejected in cabinet, but he did. Much more powerful people will be harnessed to our cause now with the mining companies getting involved. Many mines will close unless they get that.

Mr Elu—You know that I was chairman of IBA when outback stores were pushed by Amanda Vanstone and then Mr Brough took it by the scruff of the neck and shook hell out of it. When we tried to start that, I tried to raise it with the minister who took over from Tony Abbott, Joe Hockey. We wanted him to look at outback stores and give some tax breaks for stores in the outback of the Northern Territory. We were into about four or five stores then. He looked at me and said, ‘No, I can’t get any sense out of Treasury or the finance minister—they just won’t look at giving tax breaks for stores in remote areas.’

Mr TURNOUR—My apologies for running late today. I have a few questions. I know you talked about freight and I missed that part but we have heard about the increasing cost of freight in other places as well. I want to get your comments in terms of maintenance if a fridge or something breaks down up here. What are your thoughts in relation to the higher cost of repairs or do you have the facilities in the local communities to be able to do the repairs?

Mr Elu—We very much struggle right now with getting fridge mechanics. We had one here but he left to go to Weipa. I think Comalco offered him a bit more money. The problem we have here is not only getting people who can do repairs but getting parts and stuff up here. Our Seisia supermarket is only 10 years old. There is a manufacturer’s warranty for big items like the compressors on your freezers and chillers and, when they get to the limit of their life, we automatically change them even if they are still going well. We keep money aside for that instead of trying to run them over the warranty and fix them when they break. It is the same with the airconditioning. Our other biggest problem is trying to get parts flown in. The airline service is very occasional. They turn up when they want and they sometimes they do not. Then of course there is the freight on air cargo. Sometimes you will find when it gets here that it is the wrong part, so you have another three or four days’ wait. It is all very time consuming and very slow.

Mr TURNOUR—Because you have to replace things earlier or as a precaution and bring things in, what sort of percentage increase in cost do you think that would have for a store here as compared to, say, one operating in a more major centre such as Cairns?

Mr Elu—Before you came in I said this. The cost of doing business is high across the board. It is not only repairs and maintenance when there is a problem but normal maintenance on items. The normal costs of doing business—power and other stuff—are very high. Telstra does not miss you. With power outages we have tried to get money back from Ergon and they will not even look at it. They worked on the Seisia line earlier this year. We had to close for half a day for four days. We said, ‘We are losing a quarter of a million dollars this week.’ They said, ‘That’s too bad.’

Mr TURNOUR—You said that IBIS depreciated their stores over 12 years. They basically charge through the cost of their products, so the store should have pretty much been paid off now.

Mr Elu—They marked up their prices so that they could depreciate those stores in 10 years.

Mr TURNOUR—I am not sure whether this was asked before. I came in when you were talking about fruit and vegies. Do you have much wastage of fruit and vegies in your stores?

Mr Elu—There is some wastage. You cannot get away from that. They call it shrinkage.

Mr TURNOUR—From the answers I heard when I came in, you buy through not only Island and Cape but also Metcash for different products—is that right?

Mr Elu—They are the two major suppliers of groceries now in Queensland.

Mr TURNOUR—Does the Umagico store, utilise both of those suppliers?

Mr Elu—Mainly Metcash from Brisbane. You will hear from Island and Cape later.

Mr TURNOUR—My understanding is that IBIS only uses Metcash from Brisbane.

Mr Elu—Yes.

CHAIR—To clarify, while Island and Cape have an interest in a number of stores around the Torres Strait they do not have any interest in the two stores here, they just supply them.

Mr Elu—No, they just supply them.

CHAIR—What Bob said is right, Joseph, you are a person of significant interest to us in terms of the issues we are inquiring about. I want to move off the track from here for a moment and talk about Outback Stores. One of our specific references is to look at Outback Stores. Correct me if I am wrong, but you were the chairman of IBA at the time that Outback Stores was conceived.

Mr Elu—I was chairman of Outback Stores as well when we kicked it off.

CHAIR—Could you say something about the idea that led to the creation of Outback Stores?

Mr Elu—Minister Vanstone, when she was minister for families, travelled around the cape and the Territory and on three or four occasions talked to the nursing staff in those communities and asked them what was the one thing they would do to better the health circumstances of women and children in those communities. Each time the answer was healthy food. The lack of basic healthy food was the problem that they saw as nursing sisters in those communities. So she went back and had a talk to whoever, and the idea of Outback Stores emerged out of those conversations. In the meantime, as I said, the ministry had changed and Mal Brough took over from Amanda—she went off to Rome and Mal Brough became the minister for families. A cabinet decision gave Outback Stores to what was then DEWR, whose minister then was Kevin Andrews, who had just taken over from Tony Abbott, and Kevin Andrews was charged with setting up Outback Stores. Of course, Mal Brough had already run off and talked to people about being on the board of Outback Stores—people like Roger Corbett and some fellow from Coles. When Kevin Andrews set up Outback Stores it was given to IBA, and the whole idea behind it was to become commercially viable in supplying healthy food because they did not want it to have ongoing funding from government later on. So when we started having meetings and Roger Corbett kept on saying, ‘This is my idea,’ I said, ‘Well, hang on, this is government money.’ Then, of course, we had a big argument, and then the change of government happened and there was a new minister for families.

Mr KATTER—Was that Roger Corbett from Woolworths or Coles?

Mr Elu—He was the managing director of Woolworths. They very much wanted to take it on and then they started talking about making it a PBI status company.

CHAIR—PBI?

Mr Elu—Public benevolent institution. We said no, that was not the idea of cabinet, because I saw the cabinet document. It was meant to be a commercially viable company: in the first instance to be commercially viable and in the second instance to supply quality, healthy foods to those community stores.

CHAIR—Was the idea to get the best and brightest in retailing in Australia and apply their brains to this issue?

Mr Elu—That was Mal Brough's idea. I kept going back to what we had done here on Seisia, saying that the expertise of Coles and Woolies could be bought but what we needed to put in there was the spirit of Outback Stores trading: getting the community involved and getting the womenfolk talking about what they needed, instead of somebody from outside coming in and saying, 'You will eat lettuce,' and they would not do it.

CHAIR—But did the likes of Roger Corbett add something to the equation?

Mr Elu—They added a lot of city style, supermarket-running ideas, but the first store we ever walked into was at Imanpa and when they saw that they said, 'This store can't happen here.' I said, 'What are you saying—that we just pull it out and tell these people to go 30 miles down the road to go shopping?' That idea of retail is that you have to have a certain percentage of people with a certain percentage of expendable income for that shop to make money. As I said before, that is academic, you can work those figures out on the computer, but then you have to go into a community. Like Bob said, I had 23 people, but in fact we did not have 23 people, we had about 48 when we started the shop. It is what you sell and what you provide that brings in people. And that Imanpa exercise did work because people from neighbouring communities started coming to that store because I had told the store: 'Don't sell what nutritionists will tell you or what other people will tell you. Ask the community what they want to buy.' Retail is about people walking through the door because they know what they want and that is why they go to your store. If you are going to just sell them what you think they should be eating or what you think they should be buying they will quickly look for another place where they know the things they want are sold. So that was where Roger and Co. and I had big arguments.

Mr KATTER—Do I understand this right? You were wanting to set up Outback Stores to basically do across Australia what you had done at Seisia, and Roger Corbett said, 'No. It should be free market and therefore the government should not become involved, and we will do it for you'. Is that correct?

Mr Elu—No. He was actually put on the board of Outback Stores by Minister Brough. Then he started putting his own ideas into the equation, and they were very different to what the cabinet looked at when Kevin Andrews was charged, as the minister for DEWR, to run Outback Stores. Outback Stores was actually in the cabinet document that was handed to us to create IBA.

Mr KATTER—But Outback Stores went nowhere after that?

Mr Elu—No, they are still going. But they are struggling. I have just been talking to IBA and they keep telling me that they are struggling to get stores on board.

Mr TURNOUR—We are going to go and visit some Outback Stores when we go the Territory later in the year, but from what I have heard, Joseph, just to boil it down, is that what is critical in terms of community retailing is not just the retailing expertise, but the community engagement and the community involvement. Otherwise, people do not properly engage, they do not appreciate it, they do not have input into the supply of the produce there and you do not get the benefits flowing through the community as part of that engagement—and that is the key to making your store successful at Seisia.

Mr Elu—And it becomes the community centre point. It is where people gather, it is where people meet each other and it is where they exchange gossip or whatever, and it goes on from there. It becomes the focal point. It is not just where you go to buy your milk and bread. It becomes something else. It happens everywhere. I think the Greeks were the best at it: rather than somewhere else, their cantinas were sorts of meeting places.

CHAIR—Do you think Outback Stores has been a valuable initiative?

Mr Elu—It could have been if we had kept their retailers out of there. The community did not feel involved. As Jim said, when you walk into a community you still see another government agency coming in to try and tell them what they should have. My idea was to be like Seisia and ask the community: ‘What do you want for a retail outlet? We can provide that’. Some communities wanted us to just give them the money for them to do it. We then said to the government, ‘We as IBA could give these people a chance to do that with other moneys than that for Outback Stores’. But Minister Brough said, ‘No, you cannot do that because the money is given to Outback Stores to run retail.’ People had other ideas about how they should have retail in their communities.

CHAIR—Was it the intention of Outback Stores to try and create a larger buying group? You said earlier that you are not a big fish here, but was the intention of Outback Stores to try and create a big fish so that you could haggle with some of those prices?

Mr Elu—The money that was appropriated through the Outback initiative was such that we could only ever have between about 120 and 140 Outback Stores.

CHAIR—That is still a lot of stores.

Mr Elu—I know, but if it had been spread across Western Australia, Northern Territory and here, we still would not have had the critical mass for Metcash, because they would still have split it up. They would have said, ‘Okay, for your Queensland stores, we will supply out of Brisbane and for your Northern Territory stores we will supply out of Adelaide et cetera.’ We argued about all of this. We said, ‘No, you should treat us as one entity,’ because we would have been up to about \$120 or \$130 million buying power a year.

CHAIR—If you could have achieved that, do you think that would have been of value?

Mr Elu—As I said, if you have only one person to haggle with, there is very little haggling that can happen. You cannot say, ‘Bugger you. I will go and haggle with him, because there is nobody else to haggle with besides Metcash in Australia.’

CHAIR—As I understand it, one of the other rationales for Outback Stores was to have a consistent training approach to staff and to have a consistent management system. Is that right?

Mr Elu—Yes. We were going to set up a training school in Darwin. We talked to a church group there who had buildings that we were going to lease. While I was still there we started about five trainees. Most of our managers were going to go through cultural awareness training of, I think, two weeks. Even though they were up to retail management, we needed to train them in that.

CHAIR—To your knowledge, has the promise of the training idea been fulfilled?

Mr Elu—Yes, that side is all right. It is the community engagement side that went sideways.

Mr KATTER—On the training side of it, Joseph, the Piccones brothers in Cairns and Walters in Townsville have not had any training. Between the three of them they have carved \$100 million off Woolworths and Coles, but none of them have had any training whatsoever.

Mr Elu—I had very little schooling. I went to grade 7 and got kicked out because there was no high school to go to. My manager, like I said, is going to talk to you later. That sort of expertise can be bought. Tracy, who is my assistant manager down at the shop, is here and she is happy. The community’s job is to make the community store the place for not only customers but people like Tracy to come and work. Some of the managers that Outback Stores employ go in there thinking it is a good idea, but the management system is based in Darwin. Like I said before about IBIS, they are not managers; they are just shop assistants. They just sell whatever they are supplied by management in Darwin.

CHAIR—Everything you have just said about the importance of local management seems to be a pretty heavy criticism of the way IBIS runs.

Mr Elu—It is not only the quality but also the quantity. When the shop is open they come in and stocktake. In our store down here we make the managers stocktake at night. They are not allowed to close the shop because we need it open. We only close two days of the year, Good Friday and Christmas.

CHAIR—I do not want to oversimplify it but, the way you describe it, it sounds like the fundamental flaw of the IBIS governance model is that the decisions are being made in Cairns.

Mr Elu—The head office and board are in Cairns, but of course there is also the Queensland government over the top of that. Like I said before, the depreciation decision was made by Treasury, not the board and not management.

Mr KATTER—My memory of the IIB, as it then was, is that Nigel Tillett was responsible for the stores. He was responsible to me, most certainly, for seeing that IIB was run at a profit or not at a big loss, if it was running at a loss. There were acceptable losses but we did not want

unacceptable losses. He was being paid as an executive officer from within the department. The person who is now running IBIS is living in Cairns, for starters. I do not know how you operate a business up here if you are living in Cairns. He is employed full time, as I understand it. His flying up here and back all the time would cost a lot of money. He is an additional cost that was not there when it was the IIB.

Mr Elu—When you were the minister, the department chaired the board of IBIS. I was a board member of IBIS when Nigel was the manager from the TI office of Department of Aboriginal and Islander Affairs, DAIA. He was the chairman of the board and there was always a manager under him.

Mr KATTER—Nigel's understanding of this was such that he went and bought a supermarket and made a squillion down there in Cairns. He obviously had very hands-on knowledge of the industry.

Mr Elu—The current chairman of IBIS is a commercial lawyer from Cairns.

CHAIR—Thank you very much for giving us your time today and that evidence.

Mrs VALE—I have one other question. Joseph, this is not your responsibility at all. I want to know whether you are aware of any educational programs that are either run by the department of education or the department of health on good nutrition—healthy eating and healthy choices. Are you aware of anything like that actually happening here?

Mr Elu—The department of health does have a nutritionist employed in the hierarchy and they do have public meetings. There are a lot of diabetics in this area and they do regularly visit and talk about diet. I do not know whether it is in schools as yet. You will have to ask the teachers or the health department whether they have dieticians talking to students in schools.

Mrs VALE—Do you ever transfer money for your customers at all to pay accounts or bills or does this area have a good financial transfer facility without you having to provide that service?

Mr Elu—We have a Commonwealth Bank agency here but you pay through your nose to transfer from the Commonwealth Bank to another bank account. It can be done here, but you just have to pay for it. Transferring money from here to the outer islands is the problem. We can transfer it down south. That is easy enough.

Mrs VALE—When the people on some of the islands had to pay bills, they had to use the IBIS store to transfer the money at a considerable cost. I was wondering whether you did a certain service.

Mr Elu—As I said, to transfer money down south is all right, but to transfer to the outer islands is the bad bit.

Mrs VALE—Thank you.

CHAIR—Thank you. That has been great. You wear a number of hats, so I apologise about going over time. I think it was important evidence to get. It may be that we have other questions of you that we might either submit in writing or get you back before the committee again.

Mr KATTER—I would like to go down and see the store later this afternoon if that is possible, Joseph.

[4.39 pm]

SMITH, Mr John, Owner, Island and Cape

CHAIR—We have a submission from Island and Cape. Would you like to make an opening statement and then we might ask you some questions?

Mr Smith—Island and Cape are based in Cairns. We have a multitude of buildings in Cairns where we employ a lot of Indigenous people and we are very proud of the fact that we have not only Aboriginal supervisors but also Indigenous island supervisors within our regime. Our main business is wholesale of food, distributing it throughout the cape and the gulf regions including the Torres Strait. We are advocating today private enterprise under some kind of government registration or licence scheme. We feel as though we are very sincere in our objectives of meeting community needs. I think that this is not about Island and Cape, this is about private enterprise and if private enterprise is to meet those community needs, it needs some kind of registration and guidelines through some licence scheme.

I guess we face all the same problems that all other remote stores—

Mr KATTER—I do not mean to interrupt, but I do not understand what you mean by that. Do you think that we should only have two stores operating on Darnley Island, say? Do you think that they should be operating under a government licence? I do not understand what you mean by—

Mr Smith—I am talking about Australia wide, not just Darnley Island or the local area. If there are any—

Mr KATTER—Or Doomadgee.

Mr Smith—Anywhere you have private enterprise, there needs to be some guidelines. It must meet certain standards, whether they be about food security, employment or a wide range of other issues. As much as Island and Cape try to do the right thing, we suffer a lot from the wrongdoings of previous private enterprise. We accept that, but we are trying to bring a new way of thinking to what we do in our stores and to the way that we operate and work with the communities.

We are facing the same problems as everywhere else. We run a small range of stores, three grocery stores, in the islands. We run the supermarket at Badu and recently we have taken over the Aurukun supermarket on the cape. We strive to make them happy places to be. As Joseph said and quite rightly, they are centres of community. We definitely want to train up local Indigenous people to the point where Dauan and Masig are run predominantly by local Indigenous people. We were talking about the viability of stores. Dauan has approximately 100 people, so that store is a very viable store. Aurukun, which is our largest community, has approximately 1,300 people. There are ways of helping non-viable stores become viable. It is just a matter of cutting the cloth accordingly to be able to achieve that.

We believe in free enterprise. We would very much like to see the market opened up from government stores to free enterprise. A lot of the government stores are closed to Island and Cape through competition in the case of IBIS or through a major buying operation out of Brisbane. We think that private enterprise is more capable of creating a small economy. We believe an economy starts with the store. It is where the administration is. The central administration can then generate anything from bakeries through to tourism bookings, banks and accommodation—a wide range of things determine what a community can offer. I do not think that there is one model that is going to solve all Indigenous situations across Australia. I think a multitude—anything up to a dozen or so—models will help. We are just one model that we believe works for us. We work very closely with the communities. That is basically all I have to say as an opening statement.

CHAIR—You presented two models of government regulation under the title ‘A better way forward’. I know that you started describing. You say that model 1 is your preference. Could you go into that in a bit more detail.

Mr Smith—The preference is because model 1—which is the private enterprise model—can, with certain freedoms, be more adaptable to meeting individual consumer and community needs. Everything that you order from our community stores is ordered by the store. We are not ordering things centrally. Each community can speak to the local manager and say, ‘I need this and that to be available,’ and we will stock that on behalf of the community. The model gives a lot of freedom to the private enterprise to do those sorts of things. Under some kind of government tuition or guidance in meeting food security standards and with some kind of tertiary recognition of training programs, private enterprise can do a lot more than it is doing in isolation at the moment—bearing in mind that most private enterprises are non-Indigenous. We do not get any support at all. With certain supports from government and under some kind of licence scheme, we could do a lot more good. That is what I mean by model 1, where the private enterprises come under some kind of licence and registration scheme.

CHAIR—So under that model there is essentially a private system except that government would mandate things like the supply of a certain quantity of a certain type of food.

Mr Smith—Any private business has a strategy to meet a certain goal. There are certain stepping stones to meeting that goal. Government can participate in helping with those stepping stones and thus achieving that goal. Hopefully, there would be some rewards if we were able to convert communities to nutritional polices. But nutrition is about offering choice, not imposing things. We very much are an advocate of offering honest nutritional food. That has to be done through choice. Historically, it has been difficult changing people’s eating habits, but we are making inroads into that now.

CHAIR—So what you are really advocating for is potentially a set of government incentives. For example, one incentive might be that if you sell a certain amount of fresh healthy food you get something.

Mr Smith—I have not given that a great deal of thought. But that could be one way forward.

CHAIR—In circumstances in which the government requires you to stock a certain quantity of food which is not commercially viable, what would you imagine would happen then? Who would wear the cost of that?

Mr Smith—There is that. But we have the benefit of having some kind of catering facility, takeaway or food outlet attached to our stores. That has the ability to utilise certain vegetables that are not selling so good. We can utilise that in store and make healthy and nutritional pasta salads and those sorts of things. If you have an outlet like that, you can utilise certain close to date foods for takeaway outlets.

Mr TURNOUR—John, nice to be face-to-face with you after talking to you on the phone and through email correspondence—not always on the successful resolution of issues, but hopefully we are making progress on this one. I know that you share a passion for this. I was the driving force behind getting this inquiry going. Hopefully we can get something out of it.

I want to go into a bit more detail about your operation. I have gone through your submission. You have retail outlets and you have listed them: the Dauan grocery store and the Masig and the Badu supermarkets. Obviously, you also wholesale.

Mr Smith—Yes.

Mr TURNOUR—What percentage of your operation is retail and what percentage is wholesale? Who else do you wholesale to?

Mr Smith—Outside of IBIS, we probably supply every other store in the cape in some form or other. It might be very small in some cases; it might be quite large in others. That is purely a free market enterprise. We take deliveries direct from manufacturers, such as Heinz and Golden Circle, where they provide free deliveries to Cairns. That makes us competitive with the Metcashes of this world. IC has been competitive with Metcash. In answer to your question about the size of our operation, in essence the largest part of our operation is wholesale. The centre of our operations is Cairns. All our administration is in Cairns. Retail is something that followed—it was unplanned, if you like—through the small grocery stores. But the retail size at the moment is under 50 per cent of our total turnover now. Aurukun is quite a large operation, as you may see tomorrow.

Mr TURNOUR—You are keen, though. I understand that you have recently taken over the Badu supermarket. Are you keen to move more into retailing?

Mr Smith—That is proving quite successful, because the services that we are bringing to the retail sector have been well accepted by the communities. We are not just looking at groceries; we are looking at the extra things that we can do for communities. We are becoming an integrated and valuable service to those communities. Where we compete with IBIS on each and every island that we are on in the straits, we are proving to be quite successful. They are all profitable stores—not hugely profitable, but they are all profitable. We value the inputs of the local management teams in every one of those. We work very closely with those management teams and get a great deal of support from Cairns on an hour to hour basis. We charge each store a small fee for doing their accounting processes and providing that support. When I say ‘small fee’ it is one or two per cent against sales.

Mr TURNOUR—From your answer, you are interested, if opportunities became available, to move into other retail outlets. Would that be something that Island and Cape would aspire to do?

Mr Smith—We would be very pleased and very privileged, I suppose, to have the option of expanding the retail operations. Can I just explain the way we have set up the Aboriginal operation at Aurukun, because that was a tender situation early on which we took over from the Datsip management team? We have actually planned with the local community there to have a voted set of members to join, at our instigation, a store committee. Once every six months we meet up with the store committee, which is effectively three voted members, the CEO, the mayor and the store manager. This creates a forum for them to discuss what the community would like from the store. We advocate that we have to be competitive in the store, or else potentially the next time the tender comes up we will not get it. In private enterprise it is about keeping things tight, and the common-sense things like keeping the prices of milk and vegetables down are the natural things to do. We offer a lot of nutritional products such as custard, salads, chicken, rice and all of those sorts of things alongside the hot foods. What we have found at the grocery stores through the region is that, yes, we were originally throwing a lot of those healthy foods away but now, if we took those healthy foods away, there would be an uproar. So we are finding that people's tastes are changing. Whether it is in a natural way or just because they have become available I cannot really tell you, but there is a definitely a change in the people's diets.

Mr TURNOUR—And that is a direct result of the community engagement in Aurukun?

Mr Smith—We are giving people tastings and making sure that they are there every day. I think, if you have got that choice, you have got the choice to make.

Mr TURNOUR—You said there are voting members on that committee. What do they vote on? Obviously they give you feedback, but what sort of decision making process do they have in the store?

Mr Smith—We are still to have our first committee meeting. We only took over Aurukun recently. But, basically, the council has gone out with requests for local members to join that committee. They will be voted in and then our first committee meeting will be an introduction and how to find out what they perceive our performance is. Then we will adapt and make certain promises to keep.

Mr TURNOUR—This inquiry is going throughout this year and will be reporting in September. If you have got some paperwork on the model and the rationale for the model, that would be interesting for the committee, I think, if you could provide us with that.

Mr Smith—I have no problem at all with that. I can do that in conjunction with the Aurukun council to make sure that they are comfortable with the way I see the model as well.

Mr TURNOUR—Yes. We can talk to Neville tomorrow as well about it. That sounds good. I would like a bit more detail on your supply chain. You do all your purchasing out of Cairns, according to your submission.

Mr Smith—Yes.

Mr TURNOUR—Do you supply through local fruit and vegie wholesalers in Cairns? Do you source from farms? How do you source your fruit and vegies?

Mr Smith—The fruit and vegies are sourced locally. The local wholesalers of fruit and veg source that from either the tablelands or the south, depending on the climate and depending on the time of seasonal product. We buy from two suppliers. We insist on inspecting those vegetable deliveries at our Cairns warehouse, and then they get dispatched as part of the overall chiller operation through to our stores. So they get inspected before they are actually dispatched from Cairns.

Mr TURNOUR—Do Metcash know you are around? Have you felt any pressure from them?

Mr Smith—I think they just do not even know we are there, actually. We are a very small operator, but I do see them as our major competitor, as we take deliveries direct from manufacturers into Cairns as part of the national pricing program. Any stores buying from Metcash have to pay the transport from Brisbane to Cairns. We get a lot of free product into Cairns as part of the national program.

Mr TURNOUR—Could you explain that free product to me?

Mr Smith—In the instance of Heinz, if we buy tins of baked beans, they have the same price—or, I guess, Metcash will have some kind of rebate because they are so huge. But we get our prices as delivered to Cairns rather than to Brisbane.

Mr TURNOUR—In your submission in terms of model 1 you talk about the benefits from government-funded equipment policies to maintain and offer quality and fresh produce. Are you suggesting that is a need in terms of involvement in infrastructure and equipment?

Mr Smith—In any private enterprise, if you buy equipment you have obviously got to purchase it and then you have to depreciate it over a given time. That is a cost to the business that you have to cost into the prices at which you sell. In the case of a small store like on Dauan, it is very difficult sometimes to justify a much-needed vegetable display rack, for argument's sake, that might cost \$20,000. It is very difficult, then, to say that private enterprise has got to meet certain price criteria. So, yes, in that sense there is a place for government intervention, though maybe not so much in the larger operations because they have more economies of scale.

Mr TURNOUR—What involvement have you had with IBIS? You are obviously aware of them; they are a competitor of yours in some instances. Have you had any interaction or involvement with them?

Mr Smith—No involvement at all.

Mr TURNOUR—Have you sought to try and wholesale to them?

Mr Smith—I have asked at senior director level within the state government if there was an opportunity for us to be able to support them with some of our lower pricings. Nothing has come of that.

Mr TURNOUR—You just have not had a response. You have spoken to the state government directly about that?

Mr Smith—Yes, at senior level in the Department of Communities.

Mr TURNOUR—I understand what you are saying about a fruit and veggie rack in a small store in the community. If a store got going on a small island such as Ugar, have you thought through whether it would be better to run that in a government grant type of process? Have you thought about how you would approach that in terms of the government decision-making process?

Mr Smith—I know Rocky Stephen very well and we are actually helping him start up a small store at the moment, running as more of a private operation. That has only happened in the last few weeks. We might find an opportunity where we might be able to help Rocky in the future with expertise. Again, in such a small community, from a private enterprise point of view it is very difficult to justify the monetary aspect of that, but it is another way for government to help Island and Cape produce a good outcome.

Mr TURNOUR—Can you go through in a bit more detail some of the training you provide to your staff, not necessarily in the wholesale business but in your community store business?

Mr Smith—In the community store business there is an element that is totally employed by Island and Cape—that is, fully employed—and there is an element of CDEP-level staff. The CDEP-level staff tend to be a higher percentage in the smaller stores, again because of the economy of scale. It is a problem and I can foresee certain issues being raised because of the CDEP changes. Once we get people on board we go through a process of teaching community systems and food security. One thing that I am talking to people in Cairns and the nutritional people about is trying to get some tertiary certification for the types of training we are actually doing. In essence, we do training but it is in-house training that is nontertiary.

Mr TURNOUR—In relation to your retail stores, you have quoted in your submission that there is 60 per cent Indigenous employment at Dauan, Masig and Badu. Are the managers of any of those stores local Indigenous people or Indigenous people?

Mr Smith—At Dauan and at Masig they are totally Indigenous. We have a lady who oversees those three stores who is based in Darnley, but we have Indigenous people running that store when she is not there, so in essence they are assistant managers there. On Badu we have more of a senior management team because of the size of the store. We have Steph, who is a good assistant and is very capable of running that store when the managers are on holiday. So, yes, we bring in those kinds of people and we shall do and apply the same at Aurukun. We are not there yet. We have a long way to travel to get it the way we like it.

Mr TURNOUR—I should have known about Masig—Ned Mosby looked after us very well yesterday.

Mr Smith—Ned and Jesse.

Mr TURNOUR—Ned and Jesse; that is correct. I might leave it there and allow other members of the committee to ask some questions.

Mrs VALE—Jim has asked all the questions I wanted to ask you, John, especially about how you ensure quality and guarantee freshness of fruit and vegetables. I was interested to hear you say that there are inspections before they are sent off.

Mr Smith—We also use what we call a mini data-logger system, which we send out every two to three weeks to each store to monitor the temperature of the products through the store. That gives us a good picture of where any problems lie, if we do have problems.

Mrs VALE—I know it is a problem in the tropics to keep fresh fruit and vegetables fresh for long because of the heat. Do you have policies on how they are stored and presented in the stores?

Mr Smith—We do not have a written policy but we have full practices in place at the store.

Mrs VALE—And they are kept in cool presentation?

Mr Smith—Again, certain vegetable are, but you cannot keep bananas in the chiller. Generally, they are all kept in cool and chiller areas where necessary. They have to last, in the case of Badu and the islands, at least seven to 10 days in the event of waiting for the next barge.

Mrs VALE—Thanks.

Mr KATTER—Did you say you are buying your fruit and vegetables direct from the tablelands?

Mr Smith—No, we buy them from two different suppliers at a vegetable market in operation in Cairns.

Mr KATTER—Who are they?

Mr Smith—One is Fresh Net and the other is Quality Fresh. They are buying some product from the tablelands and, at certain times of the year, from down south due to seasonal issues.

Mr KATTER—William and Helen Bowie in that store at Badu were making a profit. I presume they were there for a long time.

Mr Smith—Yes, they were.

Mr KATTER—They were moderately well-heeled people.

Mr Smith—They are very nice people and they have been very successful in running that store for many, many years.

Mr KATTER—Obviously every patriotic Australian has a big vested interest in keeping Metcash out there. Coles and Woolworths had 50.5 per cent of the market in 1991. They now have over 85 per cent of the market, and Metcash is all that is standing there now. That leaves you in a position where you have to buy from what is effectively a monopoly supplier in Metcash. You would be putting your head in the jaws of death if you went to Woolworths or Coles!

Mr Smith—Metcash have basically set themselves up along the line of Coles and Woolworths to compete with them, it seems. I am not an expert in this field. I believe Metcash are missing an opportunity to champion the brands. Too much emphasis is now going on generic brandings to the detriment of full-blown brands. That is in essence in the long term going to create a monopolistic outcome, I think. We really are striking directly with the suppliers through both retail and food service. Our problem has always been economy of scale—are we big enough to buy from the supplier? In the early days we were always battling that cause—how can we buy a container of flour; how can we do this; how can we do that? Now we are getting to a certain size it is becoming easier and easier to buy those volumes. We look after these products in a way that people down south probably do not, in that we keep all of our rice, dog food, pasta and so on in cool, chilled areas in Cairns to lengthen the gestation time for weevils and all the things that we suffer here in the tropics. So it is a constant battle trying to compete, but we get a lot of support from the suppliers direct. We are always going to be a small fish in the Australian context, but we think we are good for the region, in that we are stocking in Cairns. We have a very short turnaround from ordering to delivery. Within 24 hours we can have something on the boat, rather than the normal two weeks you would have to wait for an order from Brisbane.

Mr KATTER—So you are saying you are getting supplies out of Cairns rather than Brisbane.

Mr Smith—There are chilled and fresh products we get out of Cairns. We get all of our vegetables, fresh milk and those types of products, as well as meat to a large extent, from Cairns. We buy a small amount of meat from Thiess from Brisbane, but that is mainly special cryovac product. The important thing about meat and any frozen product is that they have to be frozen at the point of manufacture. It is very important that they do that rather than taking things that do not sell very well and putting them in the freezer. It must be done at the point of manufacture. Outside of that, the major groceries and the major manufacturers—Kellogg's and those sorts of things—all come directly into Cairns and then into Island and Cape direct from the manufacturer. It is the fresh and chilled products that come locally from Cairns.

Mr KATTER—Would Metcash be buying from Fresh Net and Quality Fresh?

Mr Smith—It is unlikely. They have their own company called Market Garden Produce. They recently bought that in Cairns about six months ago.

Mr KATTER—I thought almost all of their stuff was coming from Brisbane.

Mr Smith—I am not sure about that, but I suspect a lot of the local produce in Cairns is coming out of Market Garden Produce by the fact it is a Metcash owned company.

Mr KATTER—Clearly, the freight is a huge problem. If you put the freight in, put the GST on freight and then put your retail mark-up on top of both, you are coming up with a pretty high

figure—100 per cent actually. Is there any way you can see that reasonably we can cut the cost of freight up to here?

Mr Smith—I have looked very hard at the way it is working in Tasmania and I am not sure that is something that would work up here. Currently our freight—

Mr KATTER—Could I interrupt? We called tenders in the state government for supply into the Torres Strait. There was a separate tender for supply into Bamaga, as Joseph said earlier. Is that a model that should be looked at again in your opinion?

Mr Smith—Any model is good to look at. I am giving a personal opinion in that I think if there were any support for retail operations, I am not sure it should come through the transport. I think it probably needs to come to the end operation, the retail operation. Currently our transport to our stores in the Torres Strait islands is just under the 10 per cent mark. That is on cost. If you go down into the cape in the wet season, it is significantly more than that. So it could be anything up to 15 per cent on the western cape in the wet season by ship, round to Weipa or Karumba and barges from there.

Mr KATTER—We took evidence that the freight component of \$1,000 worth of rice to one of the eastern islands was \$270, so almost 30 per cent. Then there was GST on the freight, so that took it over 30 per cent. You were saying your component is only 10 per cent. Is it 10 per cent of your purchase price?

Mr Smith—It is an overall figure. If I have a toothbrush, it does not cost 10 per cent to get that toothbrush from Cairns. But if you take a packet of cornflakes or toilet rolls, that is significantly more. All I can tell you is that the bottom line is 10 per cent on the broad basket of items that we buy from Cairns. So if you took a bulky item such as toilet rolls, which is an effectively low-value product but high transport, it could be as high as 60 or 70 per cent added to the value. It depends on the range of products you are looking at. Cigarettes would be a lot lower because of the bulk size of them. We need to think about it in its overall context. I can only tell you that it is around 10 per cent across the broad basket of range of products that we sell in our stores on cost.

Mr TURNOUR—Picking up on that, in recuperating that freight cost do you average that out over the items in your store or do you charge more for toilet paper because it costs more to freight?

Mr Smith—If we charged more for toilet paper, people would not buy it. So we have to apply a percentage across all of the items in the store. That is a common sense thing to do. I am not convinced doing it any other way would be the best way. If I were to charge double the amount for toilet paper, maybe that is another option we could look at. Again, for things like chiller stock and vegetables there is a higher rate for transport on those than there is for dry goods, for argument's sake. So again, across the dry, the chiller and the freezer range of products, 10 per cent is the average price across the whole range.

Mr KATTER—Jim, my honourable colleague from Leichhardt, was quoting figures of nearly 100 per cent higher, it seemed to me, for the price on Badu, for example, for most items than the Cairns price. How do we explain that except in terms of transportation? The way the figures

worked out on that rice example, it was a 50 or 60 per cent increase in the price because of freight, but you are saying it is only 10 per cent. How do you explain the huge difference between the price on Badu and the price in Cairns?

Mr Smith—I think there are a broader range of costs that we need to take into account, and I am not here to sell those costs. But if you have a Woolworths manager in Cairns you are not paying for his accommodation and all the extra costs that that incurs, and you tend to pay a higher wage rate for remote people than for people in Cairns. It is an ongoing problem. There is a variety of things; it is a long list. I am more than happy to submit another list of other costs that we can identify.

CHAIR—We spoke to your store manager on Badu. I guess the question that is in Bob's head was in mine as well, and that was about the freight costs that he was describing being less than what other stores have been describing. He put it down to the way in which you packed the product in Cairns. He said there is one parcel that goes to the store which is put on a pallet, whereas a competitor store may be sourced three or four different lots of parcels. Is there something in that?

Mr Smith—I think there is a lot in that. We pack our pallets in Cairns to what the transport companies like, to the maximum amount. The consolidation of transport means a lot in dollar values at the end of the day. If you have your overall costs of transport consolidated, rather than buying from lots of different places, there is a big saving to be made. The way you pack it and consolidate it is quite important. I agree with Rob on that.

Mr KATTER—I am still left in a quandary. You are saying 10 per cent, and all the specific examples we were given up there—by some of your people, I might add, as well—seemed to me to add up to somewhere between 50 and 100 per cent. That was the effect of the transportation cost. It is very important to us because we are trying to get the price of food down. If it is only 10 per cent we should not be worrying about transport, but if it is 50 per cent then we should be worrying about it.

CHAIR—Just to be fair on that: you are right, Bob, that a lot of the evidence has talked about high figures, but in fact the only evidence we have got from an Island and Cape store was of the order of 10 to 15 per cent. That is all they have said, which is why I was keen to ask that question.

Mr TURNOUR—I think IBIS may have provided us with that. I am not sure about that, but we can go back and ask them.

CHAIR—The evidence from IBIS tended to be around 25 per cent.

Mr TURNOUR—Yes, that is right.

Mr KATTER—Hold on. The bloke was quoting—it is in my notes—the actual specific price of a cubic metre. The price of a cubic metre was \$247, if my memory serves me correctly, and the price of the rice was \$1,000. If you put GST on the transportation that is over \$300 on a cost price of \$1,000 and then your mark-up goes on top of that, so you end up with twice the figure that you had in Cairns. That effect was created by the price of getting the product up here. There

is a hell of a dichotomy between that and 10 per cent. There is obviously some explanation as to where the difference comes in, but—

Mr Smith—It may well be that that rice is that price. I have not worked it out purely on rice. As I was saying earlier, if you did it on toilet rolls—

Mr KATTER—That is not toilet rolls, remember. This is very heavy, consolidated product.

Mr Smith—Sure, but you are paying by cubic, which is still bulky, low-value product.

Mr KATTER—I know that, but this is condensed. It is a very high price for very small cubic meterage. It would be much higher on toilet rolls.

Mr Smith—You get a lot of rice on a pallet.

Mr KATTER—That is what I am saying.

Mr Smith—You could very well be right.

Mrs VALE—John, you mentioned that you source your fresh fruit and vegetables through two suppliers in Cairns. Who were they?

Mr Smith—One was Fresh Net and the other was Quality Fresh.

Mrs VALE—You would have quality control on that. Does someone inspect the vegetables?

Mr Smith—We inspect them as they come in. Obviously, it is important for us, our customers and our stores to make sure that there is nothing wrong with that product before it gets sent. If something is wrong with it, you are not just paying for the product but the transport as well.

Mrs VALE—Absolutely. Do you have any idea from whom IBIS sources their fresh fruit and vegetables in Cairns?

Mr Smith—I cannot comment. I do not know.

Mrs VALE—Thank you.

Mr TURNOUR—Do you supply boxes to people? Can people order individually and you pack the produce up and send it to them?

Mr Smith—Generally not. The transport costs associated with that are quite prohibitive. There is a minimum charge for transport. That is probably not viable.

Mr TURNOUR—There are some reforms happening to CDEP and people have talked about some of those reforms. Have you looked at the bottom line cost if you were to lose your CDEP labour and have to pay the full award rate? You are obviously paying top up, I would imagine, with some of those.

Mr Smith—Yes, and we would pay very well on top up. I think it is a very relevant point in that in the larger stores it is less relevant because you have the economy of scale. In the small stores, such as in a small grocery store where you have a 15 per cent current wage bill, if you suddenly take the CDEP element out, you could be significantly higher, over 20 per cent, which ultimately will have to go onto prices.

Mr TURNOUR—Or make that store less profitable.

Mr Smith—That is right.

Mr TURNOUR—You mentioned that you had looked in some detail into the Tasmanian subsidies scheme. Freight subsidies have been suggested a bit in this inquiry. I am interested in you expanding on those comments in relation to what you have seen.

Mr Smith—I have not gone into too much detail with the Tasmanian scheme. I have read some very brief write ups and have heard of some of the downsides and upsides from certain individuals. I am sure everything is well intended. It seemed from one commentator at the time that it was open to some kind of manipulation if you like. Again, that goes straight to the transport. As Bob said earlier, if 10 per cent is only the transport, what about all the other costs? I think the problem of food in stores is more than just the transport. It is very important; nevertheless, there are increased costs that we incur in remote stores other than just transport.

Mr TURNOUR—If it were just a freight subsidy or, as you have said about the Tasmanian scheme, if it were not transparent, would you be concerned that the subsidy could be soaked up by the transporter rather than passed on in cheaper freight?

Mr Smith—I would welcome any benefits to remote stores. Again, we have to do it in a way that does not allow any wrongdoing.

CHAIR—Thank you very much for the time you have given us today. It has been very important evidence for this inquiry. We may have some further questions as we go along which we might follow up with you in writing.

[5.19 pm]

SANDS, Ms Tracy, Assistant Manager, Seisia Supermarket

CHAIR—Welcome. Would you like to make an opening statement or would you just like us to ask you questions?

Ms Sands—I think I would rather you asked me questions. I have worked at another remote community prior to this. Seisia is fantastic. The other one was at Angurugu on Groote Eylandt in the Northern Territory. It was not a patch on Seisia.

CHAIR—How long did you work on Groote Eylandt?

Ms Sands—I was at the community for two years. I managed the mechanical workshop for six months, then they needed an assistant manager at the supermarket and I got on so well with everybody that they offered me that position. I was there for about 18 months.

CHAIR—Do you have a background in retailing?

Ms Sands—Not particularly, no.

CHAIR—Were you recruited to Seisia because of the experience you had on Groote Eylandt?

Ms Sands—More because of the remote community experience, I guess. I believe it does take someone a bit different to live and work in a remote community. There are a lot of people who come up. Some of them cannot work anywhere else. Not all of them, by any means; they are only a small proportion. You have to have a love for it and a passion and enjoy something a bit different.

CHAIR—How long have you been assistant manager of this store?

Ms Sands—Six months.

CHAIR—How many staff are there at the Seisia store?

Ms Sands—Of the top of my head, it is probably about 10 to 12. We have casuals and we have permanent casuals as well.

CHAIR—Are any of them on CDEP?

Ms Sands—Yes.

CHAIR—What number are on CDEP?

Ms Sands—I think there are only about three left now, and they would be the older ones.

CHAIR—The store makes a profit?

Ms Sands—Yes.

CHAIR—It covers its costs?

Ms Sands—Yes.

CHAIR—In doing that, do you try and put in place any cross-subsidy for the fresh, healthier foods?

Ms Sands—Yes, we do.

CHAIR—Can you explain how you do that?

Ms Sands—Our mark-up is 35 per cent pretty much across the board on all food. However, if the fresh food comes in more expensive than normal, we would rather have the mark-up a little bit lower and sell the fresh food rather than have people buying some of the more rubbishy foods that they can get there. Our mark-up is higher on confectionery, toys and soft drinks, and I see no problem with that at all. It is still lower than at a lot of other remote stores.

CHAIR—I guess there are certain products that tourists buy—is that right?

Ms Sands—Yes, there are.

CHAIR—Do you particularly look to accommodating a tourist market?

Ms Sands—I have only been there six months but that is my aim. I want to get tourist products in. I want the tourist dollar. I do not want to keep recycling our money. At the end of the day, the money that goes through the supermarket comes back into the community and, as far as I can see, it does good for the community.

CHAIR—Do you put a higher mark-up on the tourist types of products?

Ms Sands—No.

CHAIR—Do you have a sense of the cost of freight as part of the overall cost of the products you are selling?

Ms Sands—We factor freight in.

CHAIR—Can you estimate how much freight costs, as a percentage of the cost price?

Ms Sands—About 11.75 per cent.

CHAIR—That is very precise.

Ms Sands—Roughly.

Mr KATTER—How much?

Ms Sands—11.75.

CHAIR—You are getting supplied twice a week?

Ms Sands—Yes.

CHAIR—Do you purchase exclusively through Island and Cape?

Ms Sands—No, we do not. Our main supplier is Metcash, then we pretty much go looking for the best prices after that. So we do purchase from Island and Cape. Our fresh vegetables we get from a supplier in Cairns. We get Asian products. I do not know if anyone has been through the supermarket yet but I was absolutely blown away when I arrived here six months ago and saw what we had on the shelves. I could not believe it. I think we have a terrific range.

CHAIR—Where are you sourcing the Asian products?

Ms Sands—Asian Foods in Cairns.

CHAIR—Tell us a bit about where you source your meat.

Ms Sands—From the meatworks here in Seisia. That is just the fresh meat—beef, pork, lamb.

Mr TURNOUR—Can you give us an idea of the percentage of your fruit and vegies that you have to throw out?

Ms Sands—To be honest, I do not know. My manager's background is fruit and vegetables and he is very tough and knows the supplier we deal with. He and I started a day apart, and in our first week here all the prices jumped up tremendously in a week, so he was straight on the phone and really gave it to them. He said, 'Do that again and we won't deal with you anymore.' They are good in that if we have any problems we send them photos and they give us a credit. We expect high quality and we tell them, 'Don't bother sending them if they are not going to travel or if the quality is not good enough.'

Mr TURNOUR—Can you name the supplier?

Ms Sands—Fresh Net.

Mr TURNOUR—So you buy direct from Fresh Net, the same company that Island and Cape are dealing with as well?

Ms Sands—Yes.

Mr TURNOUR—I thought that might be the case. Do you have CDEP workers in your stores?

Ms Sands—Yes. There are only about three now.

Mr TURNOUR—I will give you a plug: I have been advertising your store. I sailed around the top of Australia in 2000 and we pulled up in our dinghy and anchored off Seisia. It was very convenient to be able to walk up, not have to cart stuff for miles, and to put it in the dinghy and go back out to the yacht, so well done and—

Ms Sands—We do even deliver it to the wharf.

Mr TURNOUR—I am pleased to hear that there are many yachties taking up that tremendous opportunity. It is a nice view from there as well.

Ms Sands—Absolutely, yes.

CHAIR—Thank you, Tracy. We really appreciate the time that you have given us—

Ms Sands—By the way, they are actually our fruit and vegetables that you eating now. I hope they were good.

CHAIR—They are very good fruit and vegetables. We have been enjoying them.

Mrs VALE—Actually, I have been feeling quite guilty about eating fruit and vegetables on this trip!

CHAIR—Thank you, Tracy.

[5.26 pm]

ADIDR-POIPOI, Mrs Jo-Ann, Private capacity

LUI, Mr Peter, Private capacity

NONA, Ms Patricia, Private capacity

REYS, Mr Neville, Private capacity

SAILOR, Mr Jackson, Private capacity

SEDEN, Mrs Marika, Private capacity

SYMONS, Mrs Lynda, Private capacity

TOWNSON, Ms Sonia, Private capacity

WONG, Mr Arthur, Private capacity

CHAIR—That brings us to the open forum. We will open up to the floor. Is there anyone who would like to make a contribution and say something to the committee?

Mrs Symons—We moved up here about four months ago. I have got a family of seven. On the Sunshine Coast I would have spent maybe \$350 a week in the supermarket, whereas if I were to buy exactly that product up here, I would pay maybe from \$550 to \$600 a week. You cannot do that; you cannot live that way. So we, on our trips down to Cairns, have looked at just going to the supermarket down there, as I know lots of other people up here do, and then shipping it up. We did a costing on it. We would pay maybe \$3.80 for a tin of peaches down in Cairns. Up here we are paying \$5-something, yet the freight on that one item would have only been about 30c, so somewhere there is a big difference in the middle there. That is a real concern to a family budget, and I am sure there must be lots of others who are in similar situations.

CHAIR—So you are now ordering most of your groceries from Cairns and having them freighted up?

Mrs Symons—Whenever I go down there I will make a huge order and just buy up large on what I think we will need for the next few months. Then I just buy fruit and vegies up here that I need on the top of that.

Mrs Nona—What Mrs Symons has just described is true. I heard what the previous speakers were saying, but we are spending a lot of money just to do the shopping down at Seisia and IBIS. As you probably know, we have got a very high chronic disease rate, and it is very expensive for us even to just put basic good food on the table. The cost at Seisia, at IBIS and at the Alau supermarket is very high.

I was hoping that if I were to be here today, as a mother and a grandmother, I could say to you that up here in the remote area not everybody actually gets the allowance. We actually do not get it. We cannot even afford to bank the money we get and we cannot even afford to buy a decent house because we are spending most of our dollars in buying basic food at the supermarkets.

Mr TURNOUR—We have a variety of supermarkets here. I know it is just a straw poll, but if we could get from those providing advice from the community your thoughts about the quality of the fruit and vegetables from IBIS and the private stores in this region. Where do you prefer to buy those fresh fruit and vegetables from?

Mrs Nona—I prefer to buy my fruit and vegies from Seisia because there is a lot of turnover. I think it is also the access; it is convenient for people who are actually working. After work they just pull up and buy fruit and vegies. Again, the fruit and vegies at Seisia are also very expensive.

Mr TURNOUR—Would you suggest that it is of better quality than the fruit and vegies in IBIS?

Mrs Nona—It is better quality, yes.

Mr TURNOUR—Thank you.

Ms Townson—I am from Seisia. I agree what Patty and the other lady have said in relation to the prices. When there was only one barge coming in, the Sea Swift, we saw the prices escalate like you would not believe because there is no competition. Our people are suffering because there is only one barge coming up to service us. That is a really big thing. A lot of our families do not have dinghies to go out to fish and hunt. Other families supply them with that. You are looking at not only the grocery price but fuel prices and all that sort of stuff that we have to face. You have families here that have lived here forever and we have also had massive turnovers. It has affected not only our health but our education, our kids at school. It has affected local businesses and those people who have come here to visit as a tourist and loved the place so much that they have come back, set up home here and now they are locals here with us. They face the same trauma.

I hear you Bob when you talk about Defence allowances. Teachers get allowances here. We do not get allowances. We are locals; we work here. I would like to ask questions of Mr Smith. I know he is not here right now. How much money is his business putting back into the community? I want to know about community control. When we set up a business or when we invite these people into our communities to set up business, how much is community controlled? How much money are they putting back into the community that they have set their business up in? I know they are not here to answer those questions and it is unfair to ask you that, but that is one of the big things that I would like to know—how much money in dollars? He has stores wherever, Dauan, Badu Island. How many local people is he bringing in to work in his store who have backgrounds as artists, as dressmakers and that sort of thing. Is he actually bringing that into the store? That is my question to Mr Smith.

CHAIR—We can put that question to him in writing, so it will form part of the record.

Mr TURNOUR—In terms of your perception do IBIS, Seisia or Umagico put a fair bit back into the community? What are your impressions in relation to that because it is such an important issue to you locally?

Ms Townson—Local enterprises have been set up. I can only speak for Seisia. I do not know what IBIS are doing in relation to putting back into community. Seisia, because they are an enterprise, give back into the community. They give back infrastructure; they give back in supporting our young people in our community. I am only speaking highly of Seisia because I live there and I am a local there. Seisia Supermarket is putting a lot back in. Umagico is too; it is putting a whole heap back into their community. But, to tell you the truth, I am really disappointed in IBIS, that they are not here. They close at six, so it gives them enough time to come down and answer questions, I guess. It is unfair to comment at this stage because they are not here, but a lot of questions need to be asked of IBIS.

Mr TURNOUR—I think you have answered my question. To be fair to IBIS, we have had IBIS present to us over the last few days at other places as well.

CHAIR—And we are about to go and have a look at the IBIS store.

Mrs Adidr Poipoi—I have lived in this community for nearly 40 years. I am here as a mother and as someone who has lived here forever. I am actually a tenant of IBIS in the state owned building that they have, the shopping complex. I am also a member of Bamaga Enterprises; I am a former director but just a member at the moment.

I heard you asking about how fresh the vegetables are at IBIS. They are only getting the boat in with vegetables once a week, whereas Seisia is getting it in twice a week. I also know that, going back more than 30 years, Bamaga Council have been asking the state government for that particular building because they wanted to run their own complex. At IBIS, the people who run it, the managers, do not have much authority or freedom to purchase where they want to purchase from in order to get better pricing and to get what the community wants. The bigwigs in Cairns buy for the people in Bamaga, which I do not think is right. There is never the stuff there or the food that we want, whereas at Seisia it is a bit more expensive than at Bamaga but the vegetables are fresher and they have more variety and the hours are longer.

Seisia also employs more local people whereas IBIS do not employ as many local people. They have gone from employing about 10 people to two people last week, then they just have casuals. Yet this week I saw three people come over, people who do not live in the community but who do their circuit. They have just come over to assist here, so the money that they are making here is not going back into the community; it is being taken away from here.

You would be aware of BEL, Bamaga Enterprises Ltd. We create employment here and the funds or profits get distributed back into the community—like at the Centrelink building; you would know what happened today. I am speaking for myself as well here because I have been renting a shop in the complex for 20 years now and never once has it been painted inside. So I leave it up to you guys to think about Bamaga community as well. If you have competition here in Bamaga as well as Seisia then the prices will probably drop because they will be competing against one another. Thank you.

CHAIR—Thank you very much.

Mr KATTER—Chair, if I can just respond to what has been raised, we have had evidence from a whole range of people but, clearly, IBIS's central administration is in TI, so money is floating away from here to the central administration in TI. The CEO is in Cairns. He would be on a very substantial amount of money, let me tell you. That money is floating off, of course, to Cairns. If this business was locally owned, such as Richard and Helen's business in Badu, all of that money would be recirculating in this community. Clearly it is not. So I would just say, yes, on the evidence we have got, the administration is in TI and the CEO is in Cairns.

CHAIR—I think the head office is in Cairns, actually.

Mr KATTER—I stand corrected, because Richard has just said that their central office is in Cairns. I am quite appalled to learn that. That is not something that I picked up myself from the evidence, Chair. That is infinitely worse still.

Mrs Seden—I actually live on TI. I want to add to what Lynda said before about freight. Since about 1998 I have weekly ordered my shop from Coles because it is way cheaper. However, I went away for a couple of years just recently and came back to TI in 2006. I do not know how all of this all works, but I now find that, for my chiller and freezer, it does not work for me to get them from Cairns anymore. When I looked at the cost of my shopping, the freight has actually doubled. Before when I used to do my shop, the freight component would be around \$35. Now it is more like \$77, so it has more than doubled. I am not sure why, and I will continue shopping from Coles for other things, such as cat food, cleaning products and cheese. I do not have time to try and figure out the price difference. I know they are processed goods, and maybe they are seen as foods that we should not be eating or what have you, but it is extremely expensive to feed a cat or to have a range of cleaning products and buy them from IBIS. I thought I would share that because for many, many years I have been shopping from Coles because it worked better for me, but now I cannot do that anymore for my chiller and freezer. It is a choice. I see my choice as being limited, so that is probably one aspect as well. You can buy from Cairns but now that choice has gone for me. However, I would like to support what IBIS is doing on TI in terms of their specials. Some of the specials are really good on fresh food, and the range of meats—I think it must be from that Thiess place—is much better.

One thing that I would say is that I am over here three days a week, and since the Seisia supermarket opened—and I can only guess that it is the same situation for IBIS here and that maybe they get the same range—I have had a list from several people of stuff to buy at the Seisia supermarket. I have my own list too, because the range at IBIS has dropped dramatically. In teas, you can get Bushells, Lipton and maybe some lemon ginger teabags from Seisia. It is the same with the range of tinned fish. So I am going down to the supermarket tomorrow before I go away and buying up all the types of teabags, fish and a range of other things. It is like what Joseph and a few other people were saying before: it is the kind of stuff that you want to buy. I do not know what has happened with IBIS, because they used to have a good range. They seem to have increased their range in the meats and in some of the deli stuff but in other things the range has gone down. The canned goods, the cleaning goods and other stuff like that seem to be more expensive than ever, and then there is that freight thing—I cannot figure that one out.

Mr Revs—I have been listening to most of the conversation. I have a bit of a history in this place as well, going back to the early to late eighties. I worked for the DCS for 15 years, and I am aware of the history of the involvement of IBIS and so forth. I can back up what Jo-Ann was saying, because BCI, Bamaga Island Council, were indeed trying to acquire that building to take it on as a private operation for the council. That did not happen. Moreover, to do with the conversation about Seisia, my family and I certainly shop down there on occasion, but we also have the opportunity to buy from Cairns, which certainly equates to a large saving. In the last couple of years there has been a bit of a turnover in management in Seisia, and I have personally seen that the service and quality have got better over the years. Today the quality is quite good, and the service is not too bad at all. I go back to what Joseph mentioned about staff asking you what you want to see on the shelves, which is a good thing.

But the main issue that I find which has the biggest bearing on this discussion is in relation to subsidisation for the cost. That is the biggest issue. Costs are hurting all of us here and today's global climate is making it worse. High levels of blood pressure, high blood sugar levels and diabetes are impacting on every one of us in these communities today, right through to children as young as 12 and 13, and they are due to issues around the cost of shopping. So we really need to address that but, if we are going to address it, we need to get some real subsidies happening. I try to keep up with most of the national news and so forth, and in recent months I have heard about the subsidies happening for Tasmania for getting things across to the mainland and how they are subsidised at a rate of about \$12 million per annum. Up here, we are basically scratching the surface of maybe \$1 or \$2 million, so there is a vast difference in how we get subsidised. So I put the question to the committee and to the Senate: how are the real issues on the ground here going to be addressed? We cannot keep talking and talking. This conversation about the costs of living here and how they affect all of our families and the community was around more than five or six years ago. So my main question is about subsidies. If I could put that forward as my main issue, that would be good.

Mr Wong—I work as the director of enterprises for the regional council. I just heard Marika say that she comes across to buy some stuff from here: the Seisia supermarket will start exporting next week. My issue is a dilemma, really. We try to keep margins as low as possible but, with the climate and the government saying that you have to be economically independent, we cannot keep the price margins as low as possible. To grow we probably need to try and get some stimulation from government, whether as freight subsidies or, as Joseph was saying, as tax breaks somewhere along the line. Otherwise we will just stay stagnant and we will not go anywhere. We want to keep margins down.

Mr KATTER—There was a lady who said that dog or cat food was a lot more expensive. You have the freight up here and there is GST levied on that. When it arrives here, you have already paid a lot more than a person in Cairns would have paid because of that freight plus the GST. Then the cost price is added to that. A margin of 40 to 50 per cent is put on and the GST goes on top of that. There is no GST on food, but 60 per cent of the money spent at supermarkets is not on food. The amount of money you have to buy food up here is reduced very dramatically by the effect of GST, which is a discriminatory tax upon people such as you.

Mrs Seden—At some stage you just say, 'Okay, what is the bottom line?' You just respond to how much things cost. I do a weekly shop now, but before I used to do it monthly and I used to get 30 400-gram tins of cat food such as Whiskas. I do not know what it is like now—there were

two of us, there are four of us now—but the savings that I made just on the retail price of the cat food, if I were to buy them at IBIS at that time, covered my freight bill. I thought that was quite incredible. I used to tell everyone, and show them the facts and try to get them to shop from Coles—it was that remarkable.

Mr KATTER—But now it does not work that way.

Mrs Seden—I am not sure because I have very little time. Before I was interested because I had just moved up here and I could not believe how much things cost. I know now that I cannot seem to justify shopping for fresh fruit and veg and freezer goods any more and paying the freight on them. The freight on chiller and freezer stock is just not viable for me. Maybe the freight is different for the big companies. Maybe that is why you should buy vegetables locally.

CHAIR—Thank you.

Mr Sailor—My wife and I have lived here for over 20 years. Bob, you mentioned that guy who had stores at Badu and York. I think you need to look at how much these guys are selling their goods to us for. I want to repeat what Neville was saying before. We have been to a board meeting which was similar to what is happening now. For me it is as though we are reinventing the wheel. We have had health meetings; we have had meetings on every topic under the sun—Bob you know that. Here we are again, going round on the merry-go-round. You guys obviously want to take these things seriously and you have listened to all the mothers here—I am a grandparent myself. You have probably already had a talk to the chairman of the health council, Mr Pedro Stephen, who is also the mayor for the Torres Strait Islands. I am on the health council board, but I do not want to comment on that because I am here for myself. Not long ago we addressed the board and we said the same old, same old.

The road is opening to tourism now. We have stores here that can barely cope with that. We need a continuous service of fresh fruit and vegetables up here and a price tag on them. We do not have people here that can go down south on a voluntary basis and look at all the price tags and compare them with the stock in other stores. You need things like that to get the whole picture of what is actually happening here. You need to look at infrastructure in the community. We pay \$20 for only a few days of electricity. There are environmental changes and things like that.

We have people in the Torres Strait on Sandy Cay Island who cannot grow things there on them—growing fruit and vegetables to cater for the needs of their community. We have had big farms here in Bamaga in the past. We have had a CDEP actually working on the farms. We had one successful one down at Umagico that was selling goods outside the supermarket store that had fresh fruit and vegetables from the farm.

Going back to what Joseph was saying about the ability of the people here in this community, we need special training. As Joseph said, he finished school in grade 7. I went to school on TI and finished grade 10. I was the first one in my family to get the junior certificate. Education here now is crumbling. Reinventing the wheel is not very good for me. I want to see something in progress immediately. Every time you talk about this, you are going to go back and change governance. When you change governance, you go back to square one again. We can talk like this until the cows come home. My kids are suffering. All the kids here are suffering. People

come up here and find a high cost of living, add alcohol to that and the rest of them think it is killing us. You have probably heard all this before.

Mr KATTER—No, this is really good.

Mr Sailor—Every time you hold a meeting we recognise and acknowledge sympathy for our people who are dropping like flies all over the place. The health system is crumbling. There have been some good things that came out of the health system. We have had healthy programs in the community which address diabetes and all the other problems. It is like the sick leading the sicker.

CHAIR—Thank you.

Mr Lui—I am a local government councillor for the community of Umagico. I have been on the council for the last 11 years. I pretty much grew up here and if I had the choice, I would shop in Cairns just as the lady said. It is really expensive to live in the NPA whether you buy food or clothes. Even a night out is a bit expensive. I would like to ask our federal member to give some support to the people of the NPA for an all-weather access road from here to Cairns so that the people of the NPA have another option for freight services. Today we have spoken about freight and also Jackson touched on mark-ups in supermarkets. I would like that investigated as well. I cannot believe that the prices of groceries and basic food items are blamed on overheads and things like that when most of these enterprises have been subsidised by the CDEP for the last 30 years. That is all I want to say. Thank you.

Mr TURNOUR—The peninsula development road is a very high priority of mine. We will get the road through to Laura, but it is a long way from Laura to here. That is why this inquiry is looking at other things as well in the interim as we continue to seal that road. Do not worry; it is a high priority.

Ms Townson—Is this the first consultation? Is there another one after this?

CHAIR—Let me explain the process. We are going to have to close this meeting; otherwise, we are not going to be able to see the stores and is important that we do see the four stores that are here. This is an inquiry into remote community stores throughout Australia. We are making three trips, one to the Torres Strait and the top of Cape York, which is this one. We are making another trip to Central Australia in about five weeks and a trip to the Top End of the Northern Territory and WA in July. We will then consolidate all of that into a report. I should say, along the way, we have also been taking evidence from government departments in Canberra about this. We will put a report in to the House of Representatives in around September of this year. It is then a matter for the government as to whether or not they take up the recommendations that we have put forward. I should say that we have been specifically asked to look at this topic by the Minister for Families, Housing, Community Services and Indigenous Affairs, Jenny Macklin. This is a real issue for concern on the part of government and we have been sent to have a look at things and try to provide an answer.

Resolved (on motion by **Mr Turnour**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

I would like to thank Hansard, the secretariat and the House of Representatives media unit, who have covered the proceedings today. If anyone has access to Sky News or APAC the coverage of the proceedings will be broadcast on that. I will hand over to Jim for the final word.

Mr TURNOUR—Thank you to everyone for coming today. I have been campaigning federally since before 2004 and coming up to the cape since the mid-1990s. I know that people are passionate about this and we have heard that this afternoon. The Rudd government has been in office for 12 months and we are looking at how we can improve things. We have heard a range of different evidence this afternoon that will be useful for us in making recommendations for government. Thank you all for coming along today. I know we have run over time, but it is appreciated. Your evidence is on the record now and you will be able to follow that up and see what happens over the period of the inquiry as we also go to Alice Springs and the Northern Territory through the internet as well

Committee adjourned at 6.02 pm