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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES
STRAIT ISLANDER AFFAIRS

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

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

Thursday, 19 March 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: Ms Campbell, Mr Laming, Mr Marles, Ms Rea 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.

WITNESSES

APPLEYARD, Ms Sharon, Assistant Secretary, Rural Health Services and Policy Branch, Office of Rural Health, Department of Health and Ageing	25
BELLETTY, Mr Philip Denis, Consultant, Stantons International.....	1
ISAAC-TOUA, Dr Geetha, Medical Adviser, Office for Aboriginal and Torres Strait Islander Health, Department of Health and Ageing	25
JOHNSON, Ms Marie, Chief Technology Architect, Department of Human Services	14
MALONEY, Mr Graham, National Manager, Income Management, Centrelink.....	14
OLSON, Mr Brian, Assistant Secretary, Department of Human Services	14
PACE, Mr Ben, Director, Stantons International.....	1
PEACHEY, Ms Cath, Assistant Secretary, Healthy Living Branch, Population Health Division, Department of Health and Ageing	25
PODESTA, Ms Lesley, First Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health, Department of Health and Ageing	25
QUICK, Ms Alma, Director, Rural Primary Health Section, Rural Health Services and Policy Branch, Office of Rural Health, Department of Health and Ageing	25
SEARSTON, Mr Peter, General Manager, Remote Servicing Division, Centrelink	14
THOMANN, Mr Mark, Assistant Secretary, Policy and Budget Branch, Office for Aboriginal and Torres Strait Islander Health, Department of Health and Ageing.....	25
WYATT, Mr Michael Robert, Consultant, Stantons International	1

Committee met at 12.15 pm**BELLETTY, Mr Philip Denis, Consultant, Stantons International****PACE, Mr Ben, Director, Stantons International****WYATT, Mr Michael Robert, Consultant, Stantons International**

Evidence from Mr Wyatt was taken via teleconference—

CHAIR (Mr Marles)—I declare open this public hearing of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs inquiry into community stores in remote Aboriginal and Torres Strait Islander communities. I will start by acknowledging the Ngunawal and the Ngambri people, the traditional custodians of the land on which we meet here today, and pay our respects to their elders, both past, present and future. The committee also acknowledges the present Aboriginal and Torres Strait Islander people who now reside in this area.

I welcome representatives from Stantons International. Although the committee does not require you to speak under oath, you should understand that these hearings are formal proceedings of the Commonwealth parliament and that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Perhaps the three of you individually or collectively would like to make an opening statement, and then we will fire some questions at you.

Mr Pace—Thank you very much for the opportunity of allowing us to be here today to share with you our experiences on the NT emergency response initiative and, in particular, the income management program as applied to community stores across the NT. With the committee's permission, I would like to make an opening statement on behalf of all three of us to summarise our involvement and experiences with income management. At the end of the statement, we will be very happy to address any questions which the committee may have.

As per our introductions, my name is Ben. My role was to work closely with FaHCSIA in Canberra and in Darwin during the income management rollout. I was responsible for the management of up to 16 of our consultants in implementing income management across the NT. Phil is one of our key consultants who worked at community stores across the Top End as part of the income management program. Phil has also worked with the NT government for more than 25 years and has been involved with remote communities for most of this time. Michael, who is on the phone, is our field operations manager and has coordinated all activities in the field. Michael has also spent many years working with remote communities in the NT, WA and, in recent times, Cape York.

For those committee members who are not familiar with our firm, Stantons International is a medium sized firm comprising 60 professionals located in Canberra, Perth and Darwin. It has an extended network of independent consultants located throughout Australia. Established in 1976, Stantons International provides a broad range of accounting and business advisory services to the Commonwealth, state and territory governments as well as to private sector clients located throughout Australia and South-East Asia.

Our consultants have accumulated extensive experience in working with remote Indigenous communities located throughout Australia. Our firm's philosophy is based on improving the lives of Indigenous Australians by helping them to restore the economic base within the Indigenous sector. In preparing our statement for this committee, we understand that the committee is particularly interested in issues related to food supply, quality, costs and competition; the effectiveness of the outback stores model and other private, public and community stores models; and the impact on these factors on the health and economic outcomes of the community. We hope to share with the committee our experiences in each of these areas primarily from the perspective of income management. We would also like to point out that while we were involved with over 30 community stores, our involvement with Outback Stores was fairly limited.

We were engaged by FaHCSIA at the commencement of the NT emergency response program specifically to assist with the implementation of income management. In general terms, Stantons International was responsible for working with communities throughout the NT as directed by FaHCSIA. The scope of our work included (1) assessing stores in remote Indigenous communities on their capacity to meet income management licensing requirements; (2) assisting store operators to adopt income management systems and processes; and (3) revisiting stores to undertake a post implementation review to ascertain the extent to which licensing conditions were being met.

However, our role went well beyond this scope. Our role was not just to oversee or to manage the process. It was to adopt a hands-on, can do everything role wherever possible. At times, we were required to be peacemakers, facilitating positive outcomes between community members, resolve conflicts and even stack store shelves whenever required, all while continuing to implement income management. It also meant coordinating up to 16 of our consultants in areas with little or no communication, consultants who worked side by side with government employees in hot and difficult conditions under extremely tight deadlines with multiple visits to 30 communities for up to six weeks at a time. Our involvement with community stores continues until the present day.

So what did we see? In terms of our initial visits and the community expectations of the program, while there was some initial resentment and misunderstandings, most people in the community were happy to see that we were there to implement initiatives that would help improve the community store and ultimately would lead to improving the lives of people within the communities. This was especially the case with older women and men, who were continuously being humbugged for money from the younger people, money that was generally used for the purchase of alcohol and drugs and for gambling purposes. Some of the younger women, who were allegedly being pressured by the younger men for cash, were also quite happy that they had protection for 50 per cent of their income.

The most difficult people to deal with in some communities were usually the younger men, who had their CDEP allowances cancelled and, hence, found themselves without work and a reduced income. Some of the longer term unemployed who allegedly supplemented their income with illegal dealings were also not happy to see their cash flows dry up. While initially some of the store operators felt threatened by the intrusion into their business and had concerns about the level of additional work that income management may have provided, in general terms,

operators were positive as they realise that a large part of the income would be quarantined and spent in the store rather than on gambling, alcohol or drugs.

It is interesting to note that most income managed customers still do not understand the concept of income management. They are more familiar with physical cash or a cheque in their hand to understand how much money they physically have. As a result, many are still continuously asking store operators whether their income managed funds have been received into their accounts.

Of particular relevance to this committee is the cost and supply of food. From our experience, the remoteness and the size of some communities and the restricted access, particularly during the wet season, are some of the primary contributors to the higher freight costs and irregular supply of fresh quality food. But through income management, the standardisation of operational procedures as well as financial statements across all stores will improve transparency and reduce the risk of price gouging.

Prior to income management, product prices were not even displayed on the shelves of many stores which we visited. This made it difficult for customers to know how much money they needed. From a cultural perspective, this was seen as a loss of face when they did not have enough money to pay for food at the counter. Stores are now required to display pricing for all items in each store.

One of FaHCSIA's policies is centred on providing healthy food and promoting healthier living. In recognition of this, some of the community stores subsidise fresh fruit and vegetables and, to compensate for these subsidies, increase the mark-up of other items in the store, such as confectionary, soft drinks and cigarettes.

From a community stores perspective, most community stores were overseen by local store committees. However, the committee usually had little involvement in the day-to-day operations of the store. In reality, the success of the community store is highly dependent upon the experience of the store manager. It was, therefore, up to the store manager to determine how the store would operate despite many of the managers having limited training or understanding of business practices. What this means is that many individual stores do not maintain any standard store management practices, such as stock control, to minimise pilfering and wastage.

In our experience, being a store manager during the rollout of income management was indeed a stressful time. Just imagine having a number of unfamiliar people turning up to your store and changing systems and processes while you are trying to run a business. This was further compounded by very tight deadlines and greater workload and accountability, all of which was imposed on them at very short notice. Store accountants were based in the main regional centres, such as Katherine and Alice Springs et cetera, but financial accountability was given to the store operators, who generally were not trained in the financial aspects of operating a business. Most stores were maintaining or providing records to satisfy the bookkeeper or their accountant. However, neither the store manager nor the store committee were receiving regular financial statements from their accountant to monitor the store's ongoing performance.

The technology of some stores was complex and the lack of standing operating procedures made training difficult when new operators commenced. This was further compounded by the high turnover of store staff, making continuity nearly impossible.

All of these issues are now starting to be addressed through the establishment of better practices as part of income management. There is greater accountability and greater transparency across all stores, which will not only improve store management but also provide a useful baseline for monitoring food supply and for managing costs. It should be noted that our comments are based on our experiences with community stores. The Outback and ALPA stores seem to have better operational procedures and well-trained store operators.

With respect to the support given by government agencies, it is fair to say that while everybody acknowledged the need to take immediate action in the NT in response to the *Little children are sacred* report, the announcement of the NTNER caught everybody by surprise. One of the biggest challenges that we saw with the departments was defining the extent of the program and marshalling resources with Indigenous and community based experience. For example, due to the urgency, Centrelink were forced to deploy a large workforce from all parts of Australia, some of whom had not had any experience with remote Aboriginal communities. While this caused some initial problems, this has settled down over a period of time. Furthermore, a basic triage of information on each community had to be gathered by FaHCSIA in the first instance. Income management policies were being developed virtually on the run. In the earlier days, this led to confusion and uncertainty around the priorities, the policies and the practices associated with income management between the two organisations, which had an impact on the implementation of income management.

The FaHCSIA staff that we dealt with were basically running from the start. But they also understood and were very familiar with the cultural and remote aspects of Aboriginal communities. They also had reasonable capacity to make decisions and to provide advice on various situations when they occurred.

On implementing income management, another challenge was the ability to identify income management customers. In many cases, many of the customers had no proof of identification. We needed to rely on local Indigenous people to identify particular customers so that ID cards could be made. We also spent a lot of time familiarising the government people in the field with the intricacies of Indigenous communities as well as the issues related to the remoteness of some of these locations. Where there were existing conflicts between councils, operators and communities, we were regularly called upon to mediate and, in some instances, broker deals to ensure that IM could proceed.

But, from our observations, income management did bring many benefits. Firstly, as highlighted earlier, it empowered women and older people and enabled them to feed their families with good, nutritious food and not have the money humbugged from them. Secondly, it reduced the amount of available cash which people could use for illegal activities. Income management also standardised store operations and introduced more accountability and transparency to store operators, who are now required to keep their books up to date and get regular financial statements and support from their bookkeepers. In other words, income management and the quarantining of money is having the right level of impact in the

communities and appears to be an effective way to direct money towards healthy food and essential goods.

Now that income management has been implemented, we believe that it needs to get continued and long-term support from government. Otherwise there is a real risk that things will quickly return to the state it was prior to the intervention. We are also aware that other remote communities in WA and Far North Queensland are encountering very similar problems. We therefore support the view that this program or a variation thereof be extended to other states as child, alcohol and drug abuse does not stop at NT's borders.

We can spend hours providing you with our thoughts on the challenges and issues which we observed during our time in communities. We would be happy to discuss other challenges and the potential detriments of the current program now that it has been implemented. We would also be happy to discuss the potential lessons which can be learnt from the rollout of the current income management program and other initiatives that the federal government may also wish to consider, such as incorporating the lessons learnt from the community stores, the training of a cohort of store operators to allow relief and back-up, ongoing training and mentoring programs for community based CEOs and store operators, improving access to communities through better roads and communication infrastructure and the more economical and practical design of community based housing.

But we are aware that our time is limited and would prefer to spend the remaining time of the session addressing any questions you may have. On behalf of Michael and Phil, I would like to take this opportunity to thank you once again for inviting us to present our views and observations to this committee.

CHAIR—Thank you. That was a really good presentation. I am conscious of time. I hope that I am not going over information. Various things happened then and I might have got distracted, so forgive me if I am asking about things you mentioned. I just want to get a current handle on the logistics of how income management works—the nitty-gritty. You talked about 64 stores operating in the NT. Does that include the Outback Stores and the ALPA stores?

Mr Belletty—In some instances it does. We did not get really involved with the ALPA stores and the Outback Stores except to the extent where we actually assisted them in the rollout. But they had systems already in place.

CHAIR—So you were really working with the other stores?

Mr Belletty—That is correct.

CHAIR—What number of stores are we talking about, then?

Mr Pace—In our involvement, we were involved with about 30 community stores.

CHAIR—Did they all have EFTPOS, for example, or do they need to have EFTPOS as part of this?

Mr Pace—Again, I will probably refer mainly to Phil and/or Mike because these are the guys who are physically out on these locations.

Mr Belletty—Most of the stores have EFTPOS systems in place.

CHAIR—Before you came on the scene?

Mr Belletty—Yes. The challenge was what point of sale systems they had which would enable them to actually identify the customer. Centrelink actually deposited funds into a special account, a new account, that was set up at the store level. So, with the EFTPOS system, it was in isolation to this current system.

CHAIR—This is what I want to get into. I am going to portray my ignorance. I should probably know more, but we will get it out there. My understanding is that, the way it works, people are issued with the basics card?

Mr Belletty—Now. But when we first started, the basics card was not even thought of.

CHAIR—But in terms of how income management works now, you get a basics card.

Mr Belletty—Yes.

CHAIR—You have money put on to that by Centrelink.

Mr Belletty—By Centrelink.

CHAIR—In a sense, the account attached to that card is held where?

Mr Belletty—By Centrelink.

CHAIR—By Centrelink.

Mr Belletty—Through an arrangement with the EFTPOS provider.

CHAIR—You hold the card. You go to the store. You have a certain amount on it. You operate it like EFTPOS.

Mr Belletty—Exactly. Except you cannot get a balance.

CHAIR—The comment that confused me a bit was when you said that people did not understand. You said, ‘Interestingly, people do not understand’—you know the phrase I am talking about—

Mr Belletty—Yes.

CHAIR—‘the difference between cash and a cheque.’ They would ask the community stores how much money they had. Why would they ask the community store?

Mr Belletty—For us, we go to an ATM. We can actually swipe our card and get a balance. With the basics card, you cannot do that at this time. With the next phase of the basics card, they hope to enable that sort of section of the card. But at the moment the people are walking into the store. They basically know that they should have got \$220 a fortnight, but they are literally walking up to the counter blind. Even though it is probably hard enough for us to manage our budget, for some of the people on the remote communities who have very limited education and English, in some cases it was very difficult. It has been difficult. But they are accepting it, and that is the positive about it. It has been difficult. It depends on the level of literacy and numeracy in each community. Every community is a little different.

CHAIR—They are accepting it, from what you are saying, because it limits the practice of humbugging. Can you describe humbugging?

Mr Belletty—Basically, your brother, cousin or someone comes up to you and says, ‘I want \$50 to go to town.’ They will not say they want to go buy some grog or gamble with it. But in Aboriginal culture, they have difficulty saying no to people. There is a level of threatening, depending on where you are in the cultural—

CHAIR—Pecking order?

Mr Belletty—Dare I say it, yes. So people actually came up to us, especially the ladies and some of the old men, and said, ‘This is really great.’ And some of the young girls came up to us and said, ‘Can we get our husband’s CDEP money 50 per cent compartmentalised?’ We said, ‘Listen, we don’t want to go there.’ But people were wanting to put their tax cheques and things into what they considered to be safe.

CHAIR—Considered safe?

Mr Belletty—It was safe, yes.

CHAIR—Our focus is on the community stores. Basically the guts of what you are saying in terms of how it impacts upon community stores is that the implication is more money will be spent in community stores. That is a good thing from the point of view of community stores. It also kind of demands a level of transparency, pricing on shelves and so forth which did not exist beforehand. Is that correct?

Mr Belletty—That is correct, yes.

CHAIR—Do we have any information being gathered by anybody which can back that up? Has revenue increased in these community stores? Are we able to find that out?

Mr Pace—I think on two levels. One is that the stores are being presented with standard financial statements, which they were not necessarily in the past. That is one level. I also understand that FaHCSIA are actually monitoring them as part of their baseline measures, so I would anticipate that someone like FaHCSIA would be collecting that information as we speak.

CHAIR—And they are going to come back to us.

Mr Pace—Michael might actually be able to comment further. Would you have any further insight on that at all?

Mr Wyatt—I am not sure whether it has been formally gathered, but certainly FaHCSIA would have some insight not only from the financial statements but general discussions with store managers as to whether there has been any impact of income management on their bottom line.

Mr Belletty—Anecdotally, some stores said that they increased their profit by about 25 per cent in some instances, did they not, Michael?

Mr Wyatt—That is correct.

Mr Belletty—And 30 per cent in others. It really allowed people to spend their money locally rather than waste it on other things or even go to some of the larger centres.

Mr Pace—And even through just better practices in the stores to minimise pilfering, wastage and all those sorts of things. They helped improved the cash flow of the stores as well.

Mr Wyatt—I would like to say something very quickly. With income management, the basics card is only a fairly new initiative. Prior to income management, the funds for customers were actually deposited with the store and distributed by the store managers to the individuals as and when they presented to the store asking whether they had any money available. Now they have the option of either allocating money directly to the store and being issued from the store or having money directed to the basics card. There is an option as to which approach they wish to take.

Mr LAMING—So it is an all-or-nothing option per store?

Mr Wyatt—No. It can be a combination.

CHAIR—My final question—I apologise for hogging questions—is: obviously you have dealt with a lot of the stores. More generally, what observations would you make about what characterises a good store and what does not?

Mr Pace—I might get both Michael and Phil to address that. We will maybe start with Phil because he is here.

Mr Belletty—It is a difficult question because a lot of it depends on the operators that they get in these remote areas. In some of the smaller stores, you get a husband and wife team, where generally the wife manages the financial aspects and the computer systems and the husband manages the actual physical receiving of goods and stacking the shelves and all that. Some community stores have Indigenous staff working in the store. Others do not. A lot of them are trying to foster that sort of culture where the local people will actually have opportunities for training. A good store is one where the operators consider the people, try to keep their profit margin down and their mark-up down and give back to the community in some instances. Some stores will give hampers at Christmas and things and try to encourage people to actually eat

better and discourage people from the high sugar, confectionary and things. It all has to do with how the people in the stores feel the level of importance is.

There is a huge range of stores. The bigger systems with ALPA and Outback have their own internal processes. We have been involved with them. They have their own nutritionists and everything like that. They work quite well. But staffing is critical out there. It is about getting the right people in these communities. It is not a job. It is more of a lifestyle. They are working 60 or 70 hours plus per week. It is high pressure. It is a very hard question because a lot depends on the person and the personalities.

CHAIR—That is good. That has identified a number of things.

Mr Pace—Michael, do you want to add anything to that?

Mr Wyatt—I will highlight the fact that the success of the store is almost solely reliant upon the store operators or store managers. I have seen stores that have been functioning well that have had that store operator leave and deteriorate very quickly within six to 12 months. Likewise, I have seen stores that have been performing poorly. A new manager comes in and they are up and away doing very well once again, also within 12 to 18 months. So the success of the store is very much reliant upon the store managers, particularly based on the fact that the store committees in the past have not had a whole lot of interaction with the day-to-day operations of the store.

CHAIR—You made a comment, which makes sense to me, that part of why goods are costly in stores is because of the logistics of getting product out to remote areas. Is there a corollary to that which says that cheaper stores tend to be closer to Darwin or Alice Springs?

Mr Pace—Again, it kind of depends on the store. Again, I might defer that to Phil.

Mr Belletty—Yes and no. I will use an example of the Gunbalunya store and community. It is only a few hundred kilometres away, but during the wet season it is totally cut off access wise. You have to fly goods in. Barge is a little difficult. Yes, you can be fairly close and yet there are transport costs across the Top End. Barge freight is used. It is very costly to operate barges. With regard to trucks, on the other hand, in the centre, there is a huge amount of wear and tear on vehicles on some of the very rough roads. So you pick up on one and you lose on the other.

I would rather not generalise by saying that in the Top End, with barge freight, things are more expensive because there are some stops up there which actually subsidise significantly fruit and vegetables, for example. You can actually buy at Wadeye cheaper fruit and vegetables than you can buy in Darwin. Again, it goes back to what the store operator's philosophy is and how their store committee, if it is an active store committee, gets involved with the actual running of the store and the pricing as well. We try to encourage the store committees to be more attuned to what is happening and really look at their incorporation and how they conduct their corporate governance and get involved with the store and do not just let the store operators run it. That is fraught with danger. If there are no checks and balances, you will get people—it has happened in the territory for many years—who will take advantage of a situation where they are left to run what is a multimillion-dollar business. Even the small stores are turning over a few million dollars a year. It would be nice to run a \$2 million business by yourself without any checks and

balances. That is part of what we were doing as well—just making sure the accountability was there. That transpires into better pricing and less wastage. That transparency really brought the store committees into this century, virtually, in saying, ‘Keep an eye on things.’

Mr LAMING—I have three very short questions. Excluding cross-subsidisation and excluding the costs of delivery to remote areas, do you think that price gouging can still potentially occur in the absence of appropriate governance structures? If we need that governance structure, what is your model for it? Do we leave you there forever? What is your solution to ensuring that there is proper market based activity to make sure supply lines are as efficient as possible and prices are as low as possible in what are mostly monopoly operations? What is the model?

Mr Belletty—FaHCSIA have established a stores team. Michael and I have been working with that stores team. A number of people on the stores team have got very good experience. One of them is an ex ALPA store manager himself. I think in time they will actually develop a really good model. Michael is working with them at the moment. There is no overnight solution to it. If you need to provide equity across the territory, there probably needs to be some form of subsidy from a systemic level rather than just at the local levels.

Mr Wyatt—I guess the big thing is going to be establishing governance within the stores. Efforts have been made to ensure that the store committees are aware of what their role and responsibilities are and to improve their capacity to become more involved in the decisions of each of the stores.

Mr LAMING—Thanks, Michael. Because of time, I would like to ask a three-part question and hopefully get a very quick response on the record to all three rather than taking up too much time. We heard last sitting period that CDEP was an essential ingredient in running stores efficiently. If CDEP were to be removed and the subsidy on the salaries of those who worked in the store, then viability would be threatened for these stores and potentially prices would rise. Do you agree with that statement? The second question is: is there any available evidence yet about increases in particular grocery SKUs, the actual stock lines, fruit and vegetables and others? I am interested in profitability. If it is going through the roof and you are cross-subsidising to make healthy food cheaper, how do the two occur? Why is it more profitable? Is it purely greater turnover? Are we eating more food or are we seeing more of the more expensive and fresh items being consumed? I want to know why they are more profitable and if we are actually seeing healthy food being consumed in greater amounts. The third question is: from what you have told me— and I have never heard someone in this Parliament House say that income management was working in the stores, but I have heard plenty that it is not working—is there any humbugging in the communities you are in for the people who actually support income management not to tell their story and not to come down here to Parliament House? What is the dialogue on the ground? If we are not hearing it and yet what we hear is the opposite story, what is happening?

Mr Belletty—Again, we are on the front line, so we are getting, I would say 98 per cent positive responses and 2 per cent negative responses in some of the stores. In some cases, the negative responses were allegedly people who had lost an income stream because the cash had dried up. Again, this is from our observations; it is not part of any research or anything that has been conducted. The reality is that the profitability of the stores has increased because people are

spending more money in the stores whereas before some of these people were on the borderline of starvation. Nutritionally they were not getting the right nutrition. They had very little funding. It is difficult enough to live in an urban environment on welfare. When you remove people from an urban environment where they have access to transport and access to Coles and Bi-Lo and all those sort of choices and you put them in a community where there is no other choice in a lot of cases, they have to pay the extra cost, so that welfare dollar does not stretch very far.

Mr LAMING—Let me bring you back to the point. Half of the income is now only able to be spent on food. Are you saying that people are starving?

Mr Pace—No. Prior to income management.

Mr Belletty—I should not have used the word ‘starving’. Prior to that, people were not probably eating properly, and that is where you get a lot of health problems. I understand that.

Mr LAMING—My question is: what happens to that authentic language on the community that does not come here? Why do you think—

Mr Pace—I do not know.

Mr Belletty—A lot of them did not really want to talk to us, who were there on the ground. Some had an angle, and they did not want to talk. They wanted to talk to the store operators and things. We would have loved to have spoken to the media about it, but we could not. The reality was that we were not allowed to speak to the media about things.

CHAIR—It is a good question. I would agree with the premise of Andrew’s question, which is that we do not tend to hear positive statements made about income management in this building. Does that surprise you? If everyone is being positive to you, is it surprising to you that they are not also being positive to us, I guess?

Mr Belletty—Culturally, the people are not that open about things. We were spending three and four weeks, in some cases, in the store face to face with the people. We were helping them understand how the process was going to work and doing their ID cards and all that. So they built up a level of confidence and relationship with us which they would not necessarily have with even the media, who would come in and then go. Again, we are basing this on our observations.

Mr LAMING—Again, I suppose, we come from an independent perspective, so we do not have any emotional buy-in into the process from the government’s perspective or from the community’s perspective or whatever. So we are calling it as we see it based on our experience.

Ms CAMPBELL—You say 98 per cent are positive and 2 per cent in some stores. What is the percentage of stores, then? I guess it comes down to how many stores.

Mr Belletty—Well, the ones that we were in.

Ms CAMPBELL—How many?

Mr Belletty—Which are just over 30.

Mr Pace—Do you want to add anything to Phil's comments?

Mr Wyatt—I guess I will address those three issues. The first one was CDEP and the impact on the stores. The level of Indigenous employment within the stores will determine whether or not those employees are actually on CDEP. So there may not be any direct impact if CDEP were to be removed. Looking at the stock lines, I guess in most instances we need to be mindful that a store has to be profitable enough to be sustainable. We need to ensure that a store can be viable. Certainly in a lot of these remote regions, the wear and tear on things like refrigeration is quite high. Of course, there are a lot of repairs and maintenance associated with that. So I believe that they have maintained a certain level of profitability because of an increased turnover of stock. With regard to the last one, I think Phil has largely addressed that.

Mrs VALE—I am mindful of the time so I have only two questions. We have taken evidence in this committee regarding the embarrassment that some recipients feel when they go to a community store to pay their account or to pay for their purchases and there is not enough money on the basics card. We understand that they cannot get a balance. You said that they are working on that. Phil, do you have any idea of how long? What is the timeframe before people can receive a balance? It must be very, very hard for Indigenous people in this regard. I have enough trouble balancing my account when I know the balance. How does it go if they do not know the balance?

Mr Belletty—Michael, do you know anything about that at all?

Mr Wyatt—Sure. I guess the balance is available over the phone, so there is a direct line to Centrelink. They can actually call to find out what their balance would be on the basics card. Once again, that is reliant upon, firstly, having a phone that is available for that purpose and, secondly, the time that it takes whilst you are waiting for someone to answer that phone.

Mr Belletty—In some of the bigger stores, when you have several hundred people who shop daily and require that sort of information, which you and I have at our ready disposal, that is problematic.

Mrs VALE—Phil and Michael, is this being worked on? Will people have access to a balance on their basics card at some stage in the future? Is it planned to be worked on?

Mr Belletty—We have had discussions with Centrelink about that. We have given them our response as to our observations as well. They have not officially indicated that it is going to happen, but they have anecdotally told us that they are working on it. Hopefully with the next rollout of the basics card it will be available. Because it is based on the EFTPOS system, you cannot really get much of a balance from an EFTPOS machine. So unless you can actually put a card into an ATM machine and get the balance, that is where the distinction unfortunately is.

Mr Pace—Michael, do you have any understanding of the timing of when the next phase of the basics card will be rolled out?

Mr Wyatt—I am not at all familiar at this point in time.

Mrs VALE—I think it is a very important facility. You spoke about the lessons learnt. You do not really have time today and I do not have time. You did actually expand on some of them. I wonder if you could send the committee a letter. Could you let us know what you think would be important. You are at the coalface. You know what it is like. I just think it would be valuable information for the committee. Thank you.

CHAIR—I am concerned about the time. Thank you very much for your time. To follow up on what Danna said, we may get in contact with you through the secretariat just to follow up on some of those issues. But we really appreciate your time today.

[12.59 pm]

JOHNSON, Ms Marie, Chief Technology Architect, Department of Human Services

MALONEY, Mr Graham, National Manager, Income Management, Centrelink

OLSON, Mr Brian, Assistant Secretary, Department of Human Services

SEARSTON, Mr Peter, General Manager, Remote Servicing Division, Centrelink

CHAIR—Welcome. Although the committee does not require you to speak under oath, you should understand that these hearings are formal proceedings of the Commonwealth parliament and that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Would each of you or, collectively, one of you like to make an opening statement? Then we might fire questions at you.

Ms Johnson—No, we do not.

Mr Searston—No. I do not think so, Mr Chairman.

CHAIR—You do not want to make an opening statement? All right. You have me in a fluster now. You are the first people ever to do that.

Mr Searston—Mr Chairman, we did make a submission.

Ms CAMPBELL—My question follows on from what Danna was saying in relation to the basics card because we have all heard that community members have trouble accessing that 13 number. I am just wondering about timelines and if there is any information there. It is quite a concern out in Indigenous and remote communities.

Mr Searston—It is probably worthwhile saying that there are a number of options for customers to get access to their balance. So they can ring an income management line, where customers can get access through an IBA unit to their balance and how much they can spend on the card for that day. That has been quite a successful option. So that is one option. People can also talk to a call operator, if they choose, to get access to the balance. We also have customers who come into one of our customer service centres. Again, they can see a Centrelink customer service adviser, talk to them about the basics card and get access to their balance. We have some other options. We have agents in the communities that you were just talking about earlier. We have an agent service in those communities, where they do have a phone that they can get access, again through to the call centre, to get the balance. In the communities, depending on which days, we have a remote servicing team which is regularly out in the Northern Territory communities visiting those communities three-weekly and four-weekly, where a customer could ask to get access to their balance. So that is the background of what options customers can take to get their balance.

Ms CAMPBELL—So have you got anything written in detail, because we are constantly hearing all the time that it is an issue? Listening to what you have just said, there is a whole range of options where agents travel out to communities. So if there is something that could be tabled so we could actually see what communities receive—what help, I guess—that would be really handy.

Mr Searston—We could provide you with something—

Ms CAMPBELL—That would be great, because we do hear it a lot and I think it would be valuable to have access to that information.

Mr Searston—That says how people can get access to their balances.

CHAIR—I do not know if you had the benefit of listening to our previous witnesses. A comment was made that whilst there are the options you have described, when people come, if they do not take up one of those options when they are coming to the store, they are kind of flying blind a bit in terms of what is on their card. Firstly, do you agree with that statement?

Mr Searston—Well, we try to encourage customers to get their balance. So when a customer comes to get a card off us, we take quite a lengthy period of time to talk to the customer about the security of their card and looking after their PIN. We also talk to them about how to get their balance. We take them through a DVD which is in language, which has been quite successful. We have a number of posters that we plaster around the place trying to encourage people to check your balance before you shop.

Mr LAMING—I am not aware whether there is actually any technology to get a balance on EFTPOS anywhere in the world.

Ms Johnson—The previous witnesses made a statement about looking at improvements in terms of how account balances could be checked. We are in the process of engaging with Cuscal.

Mr LAMING—Who are?

Ms Johnson—Cuscal are, if you like, an industry player that provide a range of services. They are a key player in relation to the ATM network. That is to look at the option of getting account balances at ATMs, for example, as an extra opportunity for people to get their account balances. We are going to conduct a trial to do that. It is a small trial involving only about six ATMs in the Northern Territory. There are a few things we need to step through there because there are some issues. It is not quite straightforward. There are various fees associated with ATMs. Currently there are increasing fees around even doing account balances. So we need to work through the patterns of usage that people would have. People obviously would want, if this facility were available, to be able to check their balances at ATMs. It may very well incur account balance fees. So if that is in the order of a couple of dollars a time and people check four or five times a day, that is obviously not what we want.

So we are doing a number of things. We are engaging, first of all, on the technology level to do that as a pilot. But there is a broader engagement we need to have in terms of how that type of

transaction is treated for the purpose of fees. That is going to be a little more detail that we need to step through.

Mr LAMING—You are talking about ATMs. But I am asking whether there is globally or through Cuscal a small piece of technology that allows a swipe. It is an ATM that gives no money. It is a swipe. It charges \$2.50 and you get your balance. I have no problem with cost recovery. My question is: does the technology exist anywhere in the world? I think the question we are asking is actually a very difficult one to answer even here.

Ms Johnson—To do account balances at ATMs?

Mr LAMING—Do an account balance through a specific piece of hardware. Something that plugs into a phone line. It is like an EFTPOS but it gives you nothing but a balance.

Ms Johnson—That is not possible at the moment.

Mr LAMING—Exactly. So that is an important point to make. If it is not possible at the moment technologically, we do not have a very, very timely solution to the problem because you cannot roll ATMs out to every community.

CHAIR—It is counterintuitive.

Ms Johnson—I will also add to that. It is not just the technology. There is a range of, if you like, codes of practice that players in the industry are required to abide by. One of them does involve privacy. Account balances are not to be provided on the printouts of point of sale receipts.

Mrs VALE—There is a ramification for that too because then they might get humbugged, as they say.

Ms Johnson—That is right. So there are a couple of areas there that we just need to step through to get a clear understanding about what their regulatory requirements are as well as some of the technology requirements.

Mr LAMING—So, to finish, you cannot get a balance at the moment on a gift card—a David Jones or Myer card? It is not possible technologically at the moment? Nor can I go to a service station outlet and get a balance through an EFTPOS swipe?

Ms Johnson—Is this for gift cards or is this for—

Mr LAMING—All cases. I am making the point that we are a long way away from having a solution to this problem. It is not something that we can consult a few technology providers about and have a solution within three months, is it?

Ms Johnson—I will just add to that. I am not across, if you like, all store arrangements. In David Jones, for example, it may be that you have a gift card and you can get to David Jones. If you use your David Jones gift card, they would be—

Mrs VALE—They can actually give you a balance.

CHAIR—After the transaction.

Mrs VALE—They do it. If you want your balance, they will actually give you a balance without you doing a transaction. But they will probably put your card through to an account.

Ms Johnson—It is a proprietary system, yes.

CHAIR—But the information is on the card. It is a magnetic strip with information on it, is it not?

Ms Johnson—For the store card or the basics card?

CHAIR—The basics card.

Ms Johnson—No. The account balance information is held in the Centrelink system.

Mr LAMING—So it is only a door opening process?

Ms Johnson—Yes.

CHAIR—That is what the card does?

Ms Johnson—The card accesses, basically.

Mr LAMING—This is my final question. There is not some technology that can be easily rolled out to fix this problem. It is not something that is weeks away.

Mr Searston—I suppose it is worth saying that Centrelink is looking right now at whether there are some other ways that we can educate customers to check their balance before they go to spend. So we do have options available, but we realise that we do need to take a little more time trying to encourage customers to check their balance before they try and spend.

CHAIR—We should probably move on to other things. It is an issue that has been raised. So you can do it by phone, but not everyone is going to have a phone. You were talking about ATMs, but presumably they are not going to be around in lots of these places.

Mr Searston—No. I was not talking about ATMs. But we can use it by phone. We have some phones in some of the community stores. There are phones in there where people can pick up and get into the IVR or talk to an operator and get their balance. As I said, they could go to an agent we have in these communities and they could, again, use the call centre. Again, we have people on the ground quite regularly who they can go and ask about either getting a balance or moving money around on their cards. So there are some options there available. We would like to get people to use them more. So we are looking at an education program.

CHAIR—We will move on from that issue. I think it was an important thing to go through. Are you able to give us a list of the communities where income management and the basics card are being implemented?

Mr Maloney—We can provide you with that. My memory is that the basics card is rolled out everywhere across the Northern Territory where we have income management. I believe there is one store that is not switched on for the basics card because prior to income management, and currently, they did not have EFTPOS. Obviously, the basics card is an EFTPOS system. Having said that, my memory is that about 75 per cent of income managed customers in that community have a basics card simply because they travel and they use it elsewhere. But we can provide you with that list.

CHAIR—That would be good. You may have raised this. It is possibly in your submission. Who is paying for the cost of the basics card infrastructure at the moment? How expensive is it? I assume store owners pay for some of it. Is that right?

Ms Johnson—The basics card infrastructure being the point of sale terminal?

CHAIR—Yes.

Ms Johnson—We leverage the point of sale terminals that are in situ. So that is an arrangement that the store would have with the merchant and their bank. Of the actual card and the Centrelink system et cetera, obviously we own and operate all that. But we leverage the industry infrastructure—both the telecommunication lines and the point of sale networks.

Mr LAMING—So it is the EFTPOS?

Ms Johnson—Yes. That is correct.

CHAIR—So are you saying that there is no additional cost to anybody for the basics card being used on the EFTPOS system?

Ms Johnson—That is correct. We pay the card provider a services fee per month, but the individual customer pays no charges.

CHAIR—Sorry. The division bells are ringing. We will suspend proceedings.

Proceedings suspended from 1.12 pm to 1.23 pm

CHAIR—We will pick up where we were at, which I think was the cost of the basics card. The basics card infrastructure is really being operated off the EFTPOS system. Is any fee being paid? Do you have to pay a fee?

Ms Johnson—We pay, if you like, contractual service fees to the card provider.

CHAIR—When you say the card provider, who is that?

Ms Johnson—It is a firm by the name of Retail Decisions. They provide a range of services, including the actual card. They also have a number of subcontracted arrangements for switching services and settlement. So it is an arrangement with Retail Decisions. We pay them a monthly contractual fee for providing those services.

CHAIR—And that is a cost that is borne by government?

Ms Johnson—That is correct.

CHAIR—So from the point of view of the store owner and the consumer, there is no cost to the operation of the basics card?

Ms Johnson—No. That is correct.

CHAIR—You must have interaction with the stores about how the basics card is working. What is the feedback from the stores about how it is working?

Mr Searston—Initially, with the income management operation prior to the basics card, there was a lot of feedback from merchants saying that they were not able to get a range of customers. Once the basics card was brought in, it made available to a much bigger range of merchants the opportunity to interact with customers. So the feedback was very positive. We started off with a plan to have a small trial for the implementation of the basics card, but very quickly we realised that both customers and the merchants were welcoming of it, and we were able to speed up that implementation.

Mr Maloney—If there is a criticism, it is the one you have covered off with regard to the account balance. A number of merchants have mentioned that that issue is a problem for them. On the offset of that, the previous income management arrangement, where funds were provided and allocated to the store, was regarded as quite work intensive for the stores. That has by and large disappeared for the vast majority of the stores now.

CHAIR—That implies, then, that most consumers are taking up the basics card option. As we heard from the last witnesses, you can still maintain an account at a store if that is your choice.

Mr Searston—Customers can still choose to put money to a store as well as take up the basics card. It is really useful. As customers move around, they are able to purchase their necessities elsewhere.

CHAIR—Sure. But the implication of what you just said is that most people are taking up the basics card.

Mr Maloney—We are well into the high 90s in terms of the number of income managed customers that have a card at this stage. As Mr Searston said, we intended to roll this out slowly because we wanted to make sure everything worked. It was a bit of new business for us. But customers took it up with some considerable alacrity. As I said before, there is one store out there that does not have EFTPOS. But well over 75 per cent of customers have a basics card simply because they do travel. Particularly at times of the year when for either ceremonial

business or for reasons associated with climate people move around a lot, they found quite an attraction with the card.

Mrs VALE—So it is portable? I thought for a while you could only use it at your particular community store. So it is not? It is portable?

Mr Searston—Yes. Any merchant that is accredited to use the basics card.

CHAIR—Are you getting any feedback from the stores about how income management generally is operating and whether it is an improvement for the store?

Mr Maloney—As the previous speakers were saying, I believe FaHCSIA is doing some detailed work on this, so my comments are largely anecdotal from my own visits and from visits of our staff into the stores. There certainly is a strong view in the stores that it has changed the shopping habits of a lot of people and it has eliminated, perhaps not completely, the humbugging that went on in communities. Particularly the women and some of the older people are much happier with the current arrangement than they had before, when they had cash that people were, one way or another, taking off them. So I think by and large the response has been quite positive.

We have certainly had some complaints too. They tend to be largely customers who do not believe they should have been income managed. As you know, it is a bit of a catch-all. If you are on the community, you are income managed. The occasional note that I see that crosses my desk, which is largely handled by FaHCSIA, is along the lines of, 'I'm very responsible. I look after my kids and spend my money sensibly. I don't see why I should be income managed.'

Mrs VALE—Are those complaints coming from the women?

Mr Maloney—No.

Mrs VALE—Are any complaints like that coming from the women?

Mr Maloney—I have not heard of complaints from women, no.

CHAIR—That is not to say they do not exist. But they probably would have gone to FaHCSIA in the first place.

Mrs VALE—From the information I have had, the women have really welcomed this particular facility.

Mr Maloney—Yes. That is certainly our understanding.

Mrs VALE—So the complaints are coming from males?

CHAIR—Is that right? Can we just test the flipside of that?

Mr Maloney—In terms of the few that I have seen, as I said, these would by and large go to FaHCSIA and I only see them as a by-product, if you like. So that is correct, yes.

CHAIR—The last witnesses gave us an anecdotal figure, if you can put it that way. They talked about 98 per cent almost uniform acceptance or approval of income management. Would you go that far? I know this is anecdotally.

Mr Maloney—That is an extraordinarily difficult question to answer. Certainly the overwhelming majority of the feedback that we get is positive, particularly from women and from older people. I probably would not want to put a figure on it.

CHAIR—I suppose the point is that it would strike me as being odd, even if it is a minority view, if there is not a persistent minority view of being negative about it inasmuch as even if the rationale for this is about cutting out humbugging, that implies that a whole lot of people were. Presumably they are not happy.

Mr Maloney—I have not heard anybody who would own up to that, of course. As I have said before, the predominant feedback that I have seen that is negative is around income management per se of customers who believe that they should not be subject to income management fundamentally because they believe they are very responsible users of their money and look after their children as well.

Mrs VALE—One of the reasons you would not get complaints on humbugging would be because of the cultural aspects of the communities, especially the women. It would be disloyal for them to make complaints about that.

CHAIR—But I mean getting the other side of it. It is kind of Andrew's question before. We do get complaints in this building about the system. I am trying to get a handle on that. There does seem to be a disjunction between what we hear via representations to this building, which would be consistent with what Danna has just said, and the evidence we are getting from the last witnesses and you, albeit that it is anecdotal.

Mr Searston—As Mr Maloney said, our FaHCSIA colleagues would be way better placed to give you the information.

CHAIR—We will certainly follow them up. Finally, from my point of view, I want to clarify something. Obviously the basics card and this system are operating through the ALPA stores and the Outback Stores. Do they operate in any different way? Do you deal with them collectively in some way?

Mr Searston—With the ALPA stores, we have had a number of discussions with them. They are very keen about both cards operating. We have had a number of discussions with them. The last one that I was aware of was that they were quite happy for the basics card to operate in their stores. They were able to operate both systems.

CHAIR—But do you do anything different with those two groups of stores because they are groups of stores?

Mr Searston—No.

Mr LAMING—I have some short questions. You have 16 centre pay arrangements with food outlets. Does that mean that there is a regular deduction off the welfare payment in exchange for a hamper of food, a fixed amount of food, per fortnight?

Mr Maloney—That would be correct. These would be customers who have made a decision that out of the discretionary funds they have available to them they want to make an allocation to a particular store. It may be somebody with a very large family. I would not necessarily want to speculate on that. But they made a decision that that is something they want to do.

Mr LAMING—I am checking for perhaps seniors who live on outstations or for the old women, perhaps. They want the same kit of flour, sugar, meat and oil and basically they would have that delivered every fortnight. Is that the purpose of Centrepay?

Mr Searston—They can arrange that with the store. What we can do is arrange to make a regular payment to the store for that person. So the customer would have an arrangement with the store. We would make the regular deduction to the store.

Mr LAMING—My second question is: in a large family, where there might be a number of seniors and a single person who does a lot of shopping, is there a sense of collecting up a fistful of cards and heading off, each having a different PIN number, and a person operating a whole series of cards until one works? Is that happening?

Mr Maloney—It is not supposed to happen. I have heard an anecdote—only one, I think—along those lines. Along with a number of anecdotes in this area, I think it is pretty difficult to track down where it came from and whether it is actually true. As you would probably appreciate, some of the arrangements in some of these stores in the past have been somewhat freer than we might be used to. But I am certainly keen, if it is a complaint or a criticism along those lines, to explore them. We have account managers who deal with the stores and talk to them about what is supposed to happen and what is not. I have to say we have found the stores, by and large, very responsive to this current regime. If there is any—

Mr LAMING—Typically it is illegal to voluntarily hand over that card because they want someone else to shop on it.

Mr Maloney—It is contrary to the agreement that we have with both the merchant and the customer.

Mrs VALE—It is one card, one customer.

Mr Searston—That is right. As I said earlier, part of the education process when we give the customer the card is that we work through with them the process of keeping the card safe as well as their PIN.

Mr LAMING—This is my last short question. As part of this contract, is it compulsory for these stores to hand over all of their sales data to FaHCSIA for evaluation?

Mr Searston—It is part of the terms and conditions with Centrelink that they need to keep the records of the sales for the customers for two years, which Centrelink can review.

Mr LAMING—And that data is predominantly provided in what form? An Excel spreadsheet?

Mr Searston—The receipts.

Mr LAMING—Just paper receipts?

Mr Searston—The dockets of each sale.

Mr LAMING—So there is no compulsion to provide their purchasing arrangements—for instance, this much or that much that has been purchased by the store? So it is going to require a hand by hand, docket by docket analysis of the sale of different SKUs?

Mr Maloney—I am not sure whether this is confusing or not, but under the previous income management regime, where customers made an allocation direct to the store, there was a much stronger requirement for the store to keep a record of how much came in and how much was spent on particular occasions et cetera, which is part of the compliance regime in each store we would look at. The stores did report every month. Under the basics card, it is more of a requirement that they keep the receipts because we are interested to make sure that we can check on a random sample as part of our compliance regime. In some cases, we can check what was bought but, by and large, most receipts do not run to that level of sophistication in these stores.

Mr LAMING—It is a significant limitation, is it not, Chair, in that what you cannot see is actually what is being sold through the stores at all? All we are getting is totals.

Mr Maloney—Yes. That is correct.

Mr LAMING—Transaction totals, which are reflected in here. The average transaction is \$70, for instance. Most people have spent approximately \$2,000 so far.

Mrs VALE—You would probably get a reflection in the turnover of stock.

Mr LAMING—But they are not providing that or are compelled to.

Mrs VALE—The store would know, though, would they not? They must have some information on how much produce they stock and sell and how many canned items they buy and sell. There must be some record not perhaps provided to Human Services but actually within the store itself. They would have to know that sort of information.

Ms Johnson—That would depend on whether they have stock control systems and so forth. The sort of information that we would have or get is around, if you like, the nature of the particular merchant. So if it is of the nature of selling mostly food, of course, we would know that there is a certain proportion of funds that have flowed through that particular type of merchant. That is not to say that that merchant does not sell other things as well. So we have high-level, aggregate type information.

Mr Searston—To get a basics card contract with Centrelink, these stores need to sell what is termed priority goods. So it is part of the conditions of the card that they actually sell those goods.

Mr LAMING—For the record, I just want to make it clear that it appears it is going to be extraordinarily difficult, if not impossible, for FaHCSIA to be able to determine in their analysis whether certain food lines have increased volume sales. From what you have told me, that is not part of the arrangement.

Ms Johnson—It is not part of this arrangement. We cannot get what line items, for example, are sold. So the sort of aggregate level information we have is if a merchant sells mostly clothing, for example, we would know that there is a certain percentage of funds going through that type of merchant. So it is the high-level aggregate information at the moment.

Mr Searston—Mr Maloney might help me. Around 68 to 78 per cent of the merchants we have are food merchants.

Ms Johnson—That is correct, yes.

CHAIR—Thank you very much for coming and presenting.

Mrs VALE—I have some questions. I notice the time. Is it possible that perhaps we could write and ask some questions?

CHAIR—Absolutely it is.

Mrs VALE—Thank you.

CHAIR—That is what we will do. The secretariat will be in contact with you and you can follow up with Danna. There will be an opportunity potentially at the next round of parliament, if we need to ask you further questions, to get you back in. Thank you very much for your time.

[1.41 pm]

APPLEYARD, Ms Sharon, Assistant Secretary, Rural Health Services and Policy Branch, Office of Rural Health, Department of Health and Ageing

ISAAC-TOUA, Dr Geetha, Medical Adviser, Office for Aboriginal and Torres Strait Islander Health, Department of Health and Ageing

PEACHEY, Ms Cath, Assistant Secretary, Healthy Living Branch, Population Health Division, Department of Health and Ageing

PODESTA, Ms Lesley, First Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health, Department of Health and Ageing

QUICK, Ms Alma, Director, Rural Primary Health Section, Rural Health Services and Policy Branch, Office of Rural Health, Department of Health and Ageing

THOMANN, Mr Mark, Assistant Secretary, Policy and Budget Branch, Office for Aboriginal and Torres Strait Islander Health, Department of Health and Ageing

CHAIR—Welcome. Would one of you like to make an opening statement?

Ms Podesta—Thank you very much for the opportunity to appear today. I am going to give a somewhat detailed statement, but I hope that it provides answers to a number of the questions that you indicated you wanted to seek information on. As you can see, we have brought a significant number of officers here today. That is partially to reflect the fact that Aboriginal health is not just the Office of Aboriginal and Torres Strait Islander Health. It is a genuine portfolio commitment, and all of the parts of the department who contribute to this see it as important to be able to provide the evidence to your committee.

We recognise that limited access to affordable healthy food, such as fresh fruit and vegetables, is genuinely an issue for Aboriginal and Torres Strait Islander people in remote areas. There are a number of reasons for reduced access, including lower income levels and the high cost of healthy foods. We have outlined in our submission that the major cause of early death amongst Indigenous people is chronic disease. Much of chronic disease is linked to behavioural factors, including smoking and dietary habits. We also know that research indicates that low fruit and vegetable consumption accounts for approximately 5.1 per cent of the total health gap between Aboriginal and Torres Strait Islander people and non-Indigenous people in this country.

Food security, food access and food supply issues are of particular importance in remote areas, with 20 per cent of Indigenous Australians aged 12 or over reporting no daily fruit intake and 15 per cent no daily vegetable intake. However, I want to make this clear: it is difficult to identify an exact relationship between the limited availability of fresh fruits and vegetables in remote communities and the 17-year life expectancy gap because the supply of fresh food is just one factor in poor nutrition. It is not just about supply. Poor nutrition is one of a combination of factors which contribute to excess mortality.

However, there are a number of pieces of work in action which give us some significant pause for thought and certainly indicate some of the policy directions that we might wish to explore in the future. For example, we have a project working on the Anangu Pitjantjatjara lands which indicates that more than 40 per cent of Aboriginal and Torres Strait Islander people are living below the poverty line. The income of Indigenous people generally declines with increasing geographic remoteness. That is directly from the ABS. So the people who are amongst the poorest people in Australia also tend to have the highest food costs. This has been confirmed by the research that we have undertaken on the Anangu lands, which show that many people do not have sufficient income to cover the costs of a nutritious diet and basic hygiene needs based on the costs of those things within the communities in which they reside.

There is also limited access to affordable healthy foods in particular remote areas. Reasons for this reduced access include both the low income levels, the high cost of fresh foods, a reduced use of traditional foods, a limited family knowledge of nutrition and a lack of well-targeted nutrition information. That is work that is being undertaken by the National Aboriginal and Torres Strait Islander Nutrition Strategy and Action Plan, which we are very happy to elaborate on today.

Many remote Indigenous community stores also stock a relatively limited range of foods relative to rural towns and urban centres. In particular, perishable items, such as fruit and vegetables, are frequently in short supply. They are often of poorer quality and, as you know, they are often higher in cost. Numerous independent studies have shown that the cost of food in such communities is even higher than in other rural and remote communities. The price disparity is even greater for basic healthy food than for unhealthy items, such as takeaway food, soft drinks and tobacco. There is actually a financial reason that people make choices in the communities they live in.

Because of relatively higher levels of unemployment and poverty, combined with high food costs, particularly in very remote areas, many Indigenous people spend a much higher percentage of their income on food. That is reflected in the work that is being undertaken in the strategy plan. In 2001, there was significant work undertaken by health ministers. This is important to note, I think. Approximately 30 per cent of adult Indigenous Australians worried at least occasionally about going without food. In 2004, 5 per cent of Indigenous Australians reported that they did not eat vegetables on a daily basis compared with about one per cent of non-Indigenous Australians. In remote areas, however, this figure rose to 15 per cent for Indigenous Australians. In addition, 13 per cent of Indigenous Australians reported not eating fruit daily compared to 7 per cent of non-Indigenous Australians. This figure climbed to 20 per cent for Indigenous Australians in remote areas.

I want to just briefly talk about the relationship between some of these matters and closing the gap. I know that that is a particular interest of yours. We know that there is a relationship between improved nutrition and closing the 17-year life gap. Addressing low fruit and vegetable intake is an essential part of any strategy to close the gap. As I indicated before, of the total health gap, work that we have undertaken in conjunction with our academic colleagues suggests that about 5.1 per cent can be attributable to low fruit and vegetable intake. To put this in perspective, tobacco and excess alcohol, risk factors that are a very central part of the strategies for intervention, contribute approximately 17 per cent and 6.8 per cent to the health gap. Fruit and vegetables contribute about 5 per cent.

CHAIR—How do you measure that?

Ms Podesta—I will ask my colleague Mr Thomann. It is a technical answer, but we are very happy to give you that. We deliberately commissioned them at the highest level. It is peer evaluated research deliberately because you need to be able to talk science, not rhetoric.

Mr LAMING—What is the second one?

Ms Podesta—Smoking. Smoking is undoubtedly the big killer, no question. Tobacco has clearly received an enormous amount of attention, which is appropriate, as has alcohol. But fruit and vegetable intake is also one that we need to focus on if we are going to make substantial gains.

I want to talk briefly as well about children because, as you know, COAG targets are about not just excess mortality for adults but also the issue of reducing child mortality. I am sure you know that, compared with non-Indigenous babies, Indigenous children are three times more likely to die before their first birthday. They are twice as likely to be of low birth weight, almost three times as likely to suffer from foetal growth restriction and almost twice as likely to be born preterm. Intergenerational malnutrition is a contributing factor in these outcomes. Maternal malnutrition is a predictor of low birth weight, with a fivefold increase in risks documented amongst infants born to underweight mothers. Factors such as malnutrition and poverty affect child development and correlate with susceptibility to infections and the later development of chronic disease, particularly cardiovascular disease, type II diabetes and chronic renal failure and premature death in adults. Essentially, children who are born to parents with poor nutritional status also tend to have a much higher susceptibility to chronic disease.

I am very happy to go in more detail, or my colleagues, today to talk about some of the prevalence rates and some of the contributory factors to certain conditions. I note the time. If you wish, I would be happy to do that.

Mr LAMING—No. We would like to ask some questions.

Ms Podesta—I am happy to stop there. We have specific information on particular conditions and their relationship to nutritional status.

CHAIR—Is that in the submission?

Ms Podesta—Yes. But we also brought additional information today if you wish to talk about it. You indicated to us in the pre-questions that that is what you particularly wanted to focus on.

CHAIR—Yes. It is.

Ms Podesta—We focused on bringing some of that evidence today.

CHAIR—We would like all that information.

Mrs VALE—We would like all this information. This is really important. It is getting to the crux of the terms of reference. Is it possible, and without any inconvenience to the team here, if perhaps we could see them again?

CHAIR—Yes. I think that is fine.

Mrs VALE—Because, to do justice to your research, we have only five minutes and we have to go. I find that what you are saying is exactly what we want to hear. We need to know what you have to tell us. It is just the time constraints are a little too much.

CHAIR—Yes. I agree.

Mrs VALE—If we are going to be here tomorrow, I suppose it is impossible to organise something?

CHAIR—No. It is a bit tough.

Ms Podesta—We have everyone who is an expert here.

CHAIR—We apologise, but that is how the day has turned out. Firstly, I think all the information you have on this we would really appreciate. What Danna said is right; it does go to exactly the issue. I think what we might try and do is schedule you again in the next sitting block, which is May-June.

Mrs VALE—Is it possible, Chair, that we could just have this group without anybody else?

CHAIR—On the day, yes.

Mrs VALE—On the day, because I am sure we will take up your whole time.

CHAIR—Is that all right?

Ms Podesta—We would love that. Thank you. We are very excited.

CHAIR—Are you being sarcastic?

Ms Podesta—Yes, vaguely. No, we are not being sarcastic at all. Of course, we are happy to.

Mr LAMING—And that information would be important. I just want to add in a request for more information on the MSHR work on the electronic monitoring of food sales so we can see where that is at, because that really comes to the nub of what we are trying to do, which is improve community stores. We know that baseline all around the world remote areas have these very same problems. But what is the uniquely Australian solutions to the challenges?

Ms Podesta—We can certainly talk a little about the Mai Wiru project that we have been running very successfully on the Anangu Pitjantjatjara lands.

Mr LAMING—If you could circulate it through the committee.

Ms Podesta—Certainly.

Mr LAMING—And, as I said, the Menzies research.

Ms Podesta—Certainly.

CHAIR—It might be in the information you have given. The questions we were going to ask were about the Mai Wiru and the RIST. In the communities that you have looked at, do you have information about the percentage of food that is consumed coming from the store?

Ms Podesta—That will not be possible. We are investigating, as part of Mai Wiru, a point of sale system to be introduced electronically so that we will be able to monitor actual amounts and types of foods that are sold in the stores on the lands. So we have used Mai Wiru as an example to look at best practice in improving both nutritional outcomes and store management practices, not with complete success but with significant success.

CHAIR—Obviously this is a lot of really important information you are providing us in relation to the nutrition of these communities and the contribution it plays to the gap. I guess the question I am wanting to know is: to what extent does the community store contribute to the question of nutrition? Is half of the food sourced in the community store or is it 90 per cent? We have had a little evidence about that, but it is not that comprehensive. It might have been FaHCSIA who gave us some figures on that.

Ms Podesta—It would be FaHCSIA.

CHAIR—I just wonder whether anything had. Maybe we will leave that as a question on notice if there is anything floating around your department about that.

Ms Podesta—We would certainly be able to give you more detailed information about that with regard to Anangu Pitjantjatjara lands because of our long-term association with the stores and the reforms there. That is a project that is sponsored by the health service, so it has a very high level of research integrity. It is not anecdotal.

CHAIR—That would be good. I am really sorry about the unsatisfactory nature of this. Thank you for taking the time. Thank you very much for coming. We really look forward to seeing you when we are next here. Certainly what you have to say is very important for our inquiry. Thank you, and thank you to Hansard.

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

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.

Committee adjourned at 1.55 pm