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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**

THURSDAY, 10 SEPTEMBER 2009

CANBERRA

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

Thursday, 10 September 2009

Members: Mr Debus (*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 Debus, Mr Laming, Ms Rea, Mr Kelvin Thomson and Mr Turnour

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

LOVELL, Mr Ian, Cold chain and freight logistics consultant 1

Committee met at 12.14 pm**LOVELL, Mr Ian, Cold chain and freight logistics consultant**

Evidence was taken via teleconference—

CHAIR (Mr Debus)—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 communities. I acknowledge the Ngunawal and Ngambri people, the traditional custodians of the land that we in Canberra are on, and pay our respects to elders past and present. The committee also acknowledges the present Aboriginal and Torres Strait Islander people who now reside in this area.

These meetings are formal proceedings of the parliament. Everything that is said should be factual and honest; it can be considered a serious matter to attempt to mislead the committee. I invite the witness to make comments that will assist us in our inquiry with the intention of making some improvements to the present government administration in relation to remote community stores. This hearing is open to the public and a transcript of what is said will be placed on the committee's website. Mr Lovell, I gather we are speaking to you in Adelaide?

Mr Lovell—You certainly are.

CHAIR—I suppose it is sensible if you make a brief introductory statement. It is not necessary but it is helpful if you are able to do so.

Mr Lovell—I would be delighted to do so. First of all, thank you very much for inviting me to give evidence today on a subject that I care about. You have information before you on my experience, but I would just note that I have undertaken work in remote Indigenous communities in areas including the APY Lands, Oodnadatta and Brewarrina; I have worked with ALPA in the Northern Territory; and I have done work in the Dampier Peninsula and on the Tanami. I have participated in organising a freight forum for community stores and community leaders that was funded by the Department of Health and Ageing and administered through the National Rural Health Alliance.

I would like to emphasise that I am not an expert on all matters related to the operation of local community stores and I certainly do not have all the answers, but I am a practitioner and I have undertaken work focused on getting the supply chain right so that healthy, nutritious food can be picked up, transported and sold in community stores in top condition. It really has a direct impact on health, as quality food is appealing and encourages people to buy it. I do not hold with the notion that if you live in a remote area, Indigenous or otherwise, you do not have a desire to eat healthy fruit, vegetables and other foods. In fact, a study done by the stone fruit association some years ago showed that consumers in capital cities who buy poor plums or nectarines will not re-buy that product for at least six weeks after that, and I think people in remote communities know the difference between a limp lettuce and a crisp one.

I am sure you have had plenty of evidence linking healthy foods with chronic disease or being a weapon to combat chronic disease—I have figures on that if you want. But I would like to make the point that, when it comes to the supply chain, of healthy foods that need to be

consumed to counter health problems, more than 50 per cent of the products in remote Indigenous community stores are perishable. That means you have to get the supply chain to be effective and affordable. I contend that you need a minimum of a weekly transport service in order to meet the quality, appealing characteristics.

In essence, if we do not get the food transport supply chain right then all our other efforts will fail. You can put as much infrastructure into the stores as you like, you can do many things to improve the appeal of product but if it does not arrive in good condition and if it is not presented to the consumer in good condition, the consumer is not going to buy it or eat it. The question is how do we overcome current problems and why have efforts to date not been as successful as we might have hoped for? It is my view that whilst a lot of initiatives have been taken to follow through, they could perhaps have been better and that we do not just need to supply information to communities, we need to empower them and provide practical, on-ground support for follow-through in implementation. On that point I will close my introductory comments and would be delighted to take questions.

CHAIR—I know that you prepared the *Freight improvement toolkit* for RIST. Can you tell us what you regard as the necessary costs involved in getting a temperature control action plan underway?

Mr Lovell—First of all, the *Freight information toolkit* basically provides the structure of what you need to know to manage the supply chain, but it is a document and the store managers are time poor. If you look at a characteristic couple running a store, they are up at six or 6.30 in the morning and working through to eight o'clock at night. They really do not have time to look after their supply chain. There are two issues: one is the cold chain and the other is the supply chain as such. I have observed problems from the store not placing their order on time, which is a result of time pressure and organisation, and the supplier not being able to have the goods ready on time, which is affected by the short lead time, the transport company being delayed because the product is not delivered in time for the truck to load effectively and when it gets to the store the time to unload and get it into refrigeration can often be less than adequate. So you have these dysfunctions in the supply chain which you can identify by using temperature data loggers that you place in a number of the cartons that are going along through the supply chain. Temperature data loggers cost maybe \$50 and can be re-used. When the product gets to the other end you can take them out, download the information and get a timed temperature chart that shows whether the cold chain is managed properly.

The clinics use temperature data loggers in one form or another for their pharmaceuticals. To me, if the clinics were adequately resourced, there would be an opportunity for the clinics to be given the data loggers for them to download the information and identify cold chain breaks and problems where product is going out of temperature as it comes along. I would say it would be very low cost to do that. In South Australia the South Australian Freight Council has run a series of temperature monitoring programs for supply of food to a number of remote communities and it has really demonstrated where the weaknesses in the chain are. So to answer your question about the cold chain, we are really talking the cost of data loggers and the training. It would take no more than four hours for someone to download and interpret the program. The problem, though, is ownership of responsibility for the supply chain.

CHAIR—And your solution to that problem?

Mr Lovell—We have seen with a number of initiatives such as those on the APY Lands that there has been a focus on improving the performance of the stores. That has been in things like pricing, inventory control and proper management systems. What we have not done is provide the opportunity to have practitioners who can assist review and improve the supply chain. It is my belief that we need a small group of freight facilitators. Initially they might be full time or part time. If you based one in each state and had them coordinated by someone part time from another location, they could work with individual communities and stores to review how the supply chain is performing. They could maintain a freight issues log so you could pick up where problems are occurring. They could improve cold chain management and supply chain performance. More importantly, they could look at connecting communities through group freight buying and they could assist in setting performance benchmarks for each person in the supply chain. They could ensure that the procurement of freight services and suppliers is clear and transparent, which is not always the case.

Basically, the facilitators could act as troubleshooters and be an honest broker to help the communities work through freight issues. More importantly, they could increase the level of cooperation between those communities. It is important no freight facilitator has an interest in freight companies or business activities in the community or close relationships with other service providers, suppliers or supermarkets. The other thing freight facilitators could well do is transfer skills to Indigenous people living in the communities that they are servicing.

The cost would really depend on how you did it. You could have a total of five facilitators and a national coordinator. You would be well served to have a community stores facilitators forum at the outset to launch the program. Maybe you are looking at \$1 million a year or \$1½ million if you pump that up with travel. Per capita of Indigenous people it would not be overly expensive. Very briefly, that is how I think practical help could be given to empower communities and stores to run the supply chain properly so that the healthy, nutritious food that arrives in communities arrives in good condition.

CHAIR—Do you have a notion of who would employ these people?

Mr Lovell—You could employ them through government. You could use the Department of Health and Ageing, because it links in with the nutritious, healthy food notion. You could create a community based body. Initially I would favour it being run by a single government agency. The transport agency will generally say, ‘This is a health issue, so we don’t need to be involved.’ The health people will say, ‘We’re not experts in transport.’ Then the state or jurisdiction based bodies responsible for Indigenous matters will often say that it is not really their role. Just as Outback Stores was created, you could have the option of creating a small but independent team accountable to the funders, which I think initially need to be government.

CHAIR—Thank you.

Mr TURNOUR—On the issue of supply chains, what about the idea of including a demonstrated policy around this area as part of a licensing framework for stores in outback communities?

Mr Lovell—The ability to put in an ideal case is fine, but, if you legislate, you are going to run into a host of practical and administrative problems because each supply chain has

differences. I will give you an example. For one group of communities I was working with, their meat deliveries were arriving in a thawed condition. In an ideal world all the frozen product would go in one semitrailer, chilled product in another and dry goods in another. The reality of costs was that it all had to go in the same semitrailer, so you would have beans, broccoli and bicycles on the same truck. Whilst a baffle could be put in the truck, the reality was that the freezer compartment could not hold product at any colder than minus 11 degrees. In an ideal world the frozen product should be at minus 18 degrees, but that is not practical. So we need to have the flexibility to say, 'Given that we have this situation, what are we going to do about it?' The solution was to bring the meat down to minus 32 degrees and pack it better with insulation to make sure that it maintained a core temperature of minus 18 degrees for the 18-hour journey. So, if I have understood your question correctly, I would not recommend legislating.

Mr TURNOUR—Okay, that makes sense. You put forward a model that includes putting departmental people on. What are your comments in terms of the corporate model of Outback Stores as opposed to individual community run stores in terms of their current capacities and their current delivery of a good supply chain? Are the different models producing different outcomes? Are we better off looking at a grants based process where people can engage people to work with them for a period of time to sort out those problems but there are not ongoing facilitators and a government framework through which people get work over a period of time? What are your thoughts in relation to the different models of stores and their current supply chains and the idea of, rather than establishing facilitators, using a grants based process to try and sort out problems in particular areas?

Mr Lovell—I think the notion of having a group of people employed for life to carry out the task would be a recipe for disaster. I would put together a program with a life of three years. When we look at some of the other models like Outback Stores and the Arnhem Land Progress Association, they have some significant strengths but they do not have national coverage, and their learnings tend not to be shared as fully as they might otherwise be. Whilst there are some stores being run well and supply chains functioning reasonably well, there are also quite a number of stores that have fallen outside of that. With Outback Stores, their program has targeted areas and has only moved through a number of them. They are covering a lot of communities. With ALPA, for example, they have to run things on a relatively commercial basis, as does Outback Stores.

I think the notion of grants has benefit. But the problem with grants is that, for example, if the Tanami communities get a grant, the Dampier Peninsula gets a grant and some communities on the border of Western Australia, South Australia and the NT get grants, how are you going to coordinate and ensure consistency of advice and the transfer of learnings? That is why I favour a small unit, basically. You would have to be very careful with your recruitment. You would have people who would just go through a program of visiting stores, looking at supply chains and working with the communities to help fix them. You could not do all the communities with six people in one year, so I think you would take those communities that put their hand up first, and hopefully use them as a demonstration model. Then perhaps, by using a national framework, you might get support from jurisdictions as well as leaving it to the Commonwealth.

CHAIR—Thank you.

Ms REA—Forgive me if you have already covered this and I missed it. I am interested not only in the financial source or funding of the logistics of this but also in some of the practical issues that have been raised with us about the source of the food. It has been raised with us that, whilst we are dealing with remote communities, in some cases they are much closer to the source of fresh food than we are, but because of regulation and the cost efficiency of logistics you have trucks full of fresh food going past some communities to capital cities and coming back only a day or so later. Have you looked at ways, within current regulations, of getting food from the source to nearby communities more efficiently than that so that the food is fresher and, possibly, cheaper?

Mr Lovell—I certainly have. One issue we need to deal with is related to regulations. Each jurisdiction has its own quarantine restrictions, and in Queensland there are quarantine regulations within that state as well, such as in Cape York. The interesting thing is that if you go on the AQIS website you can get quarantine regulations that apply to people quite readily. But, if you want to get the quarantine regulations on a product-by-product basis for the land transport of fruit, vegetables and other things, you actually have to go to each of the jurisdictions that the journey is going to traverse and find out from each of the primary industry departments what their regulations are. To have that information available more readily in a central location is something that could, perhaps, be fixed quite easily. When it comes to regulation, the transport of meat is actually quite highly regulated. But, when you look at meat being transported to remote Indigenous communities, I wonder whether there is any practical enforcement in place, and, if there was, what that might mean to some of the transport services.

With regard to getting food from the source, because communities and store managers are too busy and because they do not have a knowledge base to work from, they may see trucks going past but they do not look and ask, ‘If we were to provide a load of this amount, which we could do if we clustered together on a freight route as communities to fill a whole truck or a B-double or a road train, could we get a better service?’ People remark on it but then do nothing because they think it is too hard. It is not actually too hard. It can take a lot of time. If you had freight facilitators, that would be precisely one of the things that you would focus on. It is important for remote communities to make the freight connection with other freight sinks or receivers, like mining operations, and then approach the freight transport companies with enough facts about what their volumes are to actually induce a new and improved service.

The last word I would say on getting healthy food from a source—and this is a bit outside your terms of reference—is that I believe that in every school and every community there should be a garden plot and people should be taught how to grow their own fruit and veggies. They would be able to take them home and their mum and dad would say, ‘Wow! Doesn’t that taste great?’ It might improve the efforts put in to grow what they can. Tomatoes are perhaps the most obvious crop for many communities.

Ms REA—Thank you. That was quite interesting.

Mr TURNOUR—Is there much technology available that is not currently being utilised in that freight supply chain that we could see put into Indigenous community supply chains to improve the quality of fruit and veggies that are arriving at stores? For example, I know that lettuce growers in Tasmania have spent a lot of money on this sort of technology to monitor

temperatures across supply chains. Is there a need to transfer that technology into these supply chains and is it readily available?

Mr Lovell—The technology to temperature monitor product as it is moving along the supply chain is readily available. At the lowest level of sophistication, it is about putting a temperature data logger in, reading it at the other end and getting a historical picture of what has happened. You can also get GPS based, real-time temperature location and temperature tracking done. That probably is something that would not add a great deal of value because I think you need to walk before you run. The meat and livestock corporation have been using such technology for that.

There is another technology that could be used, but you really need practitioners like freight facilitators to explain it and assist communities to use it. Developed through the Department for Transport, Energy and Infrastructure in South Australia, there is group freight buying software. You can get your freight information together, feed it into the software and it will tell you that if five communities who are paying different rates at the moment pool their freight how much better or worse off each individual community will be and how much lower or higher the rates will be. In fact, that group freight buying software was used on the APY Lands and was taken up in the transport elements of the Mai Wiru policy. The communities faced an interesting choice. Because some of the communities are very far off the beaten track and others are closer, the more remote the higher the cost. They took a decision that they would equalise freight amongst the APY stores. So if you were in a remote area by the WA border you paid the same amount of freight as you did if you were close to the main north-south highway.

Group freight-buying software is available. There is also an add-on to that, which is a consolidation model which will actually tell you as freight orders are put in how full the truck is going to be. In one week, if you have got one and a quarter trucks, you might find that you can hold over that quarter for next week and get two full trucks. Of course, that brings your unit cost per kilo down.

Not related to technology, per se; there is a real issue with quoted freight rates for a lot of communities. One example is that a community told me they were paying \$25 a tonne for a particular leg. I asked to look at their freight invoices and they were paying about \$85 a tonne. There is a real need for community stores and communities to actually understand their invoices. The transport companies are using technology to generate automated invoices but the communities just take what they heard first, not the detail. That is a real issue.

Mr LAMING—This has been a really valuable half hour. On this issue of the hub-and-spoke capacity of an individual community to make complex decisions around supply chain, you just wonder whether you have to sacrifice a little bit of autonomy there to give them the benefit of group buying and the software that you have described. On our travels we found that there are two independent variables that determine the price on the shelves; you can talk about quality and quantity, but it is basically remoteness of the community and the store turnover. Obviously, smaller, more remote stores will be more expensive, and eventually they become so expensive they are non-viable.

We found that no one really knows, even the people providing and looking after the supply chain, and the communities themselves, how communities compare to other communities for price. In the end we need a bit of information, firstly on whether we have efficient operations;

you are telling me we could be a lot more efficient, and that means a reduced level of autonomy for people who manage stores. Are you proposing that by rationalising and using group software we admit that there is not the capacity among every remote community store to make these supply decisions on their own and without interference from other sources that may be telling them there are better ways to it?

Mr Lovell—I think the key issue is to work with the communities at the conceptual and broader level, to get them to agree to cooperate rather than try and get store managers to all agree. There are two different imperatives and, of course, it depends which store model is being used in the community. If the store is being run to generate a surplus for the community, the store manager is going to take decisions in the interests of the store generating surplus. That degree of autonomy, where there is a significantly greater gain that can be made for five communities, can probably be best managed by putting the facts on the table before the community leaders and letting them take the decision to cooperate.

In one exercise I was involved in there were five communities who had never cooperated with each other, and there were real issues. When they faced the threat of losing their freight service, and needed another one, by going up and sitting down and talking with them they saw the merit in cooperating and agreed to a transparent procurement process.

One of the store managers had a brother with another store that was using a particular transport company. Of course, if they were going to use that transport provider then there would be a benefit for both stores, albeit they were over 1,000 kilometres away from each other. I think the issue of transparency on what people are paying where is a really important one. That sort of information, if it is gathered and disseminated—albeit it can be on a commercial-in-confidence basis—will really start forcing people to look at making some change. So I basically agree with what you are saying.

CHAIR—I am conscious that we have kept you for a long time, but there is one general subject that we have not covered. We would like to hear your view about government provision of freight subsidies—whether you think they work and how, in any event, a region with no competition in freight provision can still reduce costs.

Mr Lovell—I think those are two separate issues, albeit linked. If you have a monopoly service provider, how can you improve services and/or reduce costs? Essentially that requires you to look around and see where other areas are that freight is going to and whether you can be part of that link. That is a bit of a problem if you are on an island above Seisia and Bamaga off Cape York. However, there are often other services, products and freight coming into that community, so you need to try to cluster-buy with that business. You also need to look at your storage so that you might be able to get bigger quantities, which generally mean lower costs. That one is about collaborating between businesses. As for my view on freight subsidies, I will just say that in Tasmania there is a freight subsidy across the Bass Strait.

CHAIR—We always hear people saying that!

Mr Lovell—Yes. Initially that freight subsidy was for goods going out of Tasmania only, not for goods coming in. I think that with freight subsidies you have to think carefully through the impacts of what might happen. I believe that, when it was also applied for the inputs coming into

Tasmania, the biscuit industry suffered significantly and many hundreds of jobs were lost. I am sure the member from Tasmania would have more knowledge of that than I.

Essentially, when we look at freight subsidies, if you cannot be convinced that the supply chain is working at the optimum already then to put a freight subsidy in is going to perpetuate inefficiencies. I would say that before you entertain a freight subsidy to anywhere you really need to be satisfied that the supply chain is working effectively—both cost-effectively and in terms of service and delivery.

The second thing is: if you give a subsidy of, let us say, 10 per cent, who is actually going to get it? In a free market, you will find that suddenly costs change, and of that 10 per cent maybe four per cent will get through to the community and the other six per cent will go to either the store, the transport company or the supplier, because the price signal is there. Essentially they have just got a grant of an extra 10 per cent—‘We can raise our prices.’

The other thing is that you can say, ‘We can use a truck cost model, and that will monitor what the real price of the freight should be going up and we will subsidise to the level on the agreed truck cost model.’ Those truck cost models are extremely good, but many of the small transport operators do not use them, maybe to the detriment of the long-term sustainability of their business. But they are also very easy to make plausible price adjustments to, by saying, for example, ‘The road roughness has gone up from the scale of six to nine and that therefore means that costs have gone up by this.’

Freight subsidies, I believe, are a nightmare administratively, and the real costs are really variable. I would say that, if a freight subsidy is going to be applied, you might be better off applying it at the consumer level, to buy the healthy, nutritious foods, but keeping a close eye on the cost of the fresh or the healthy, nutritious food in the stores, and drive it that way, rather than giving it to the transport service provider.

Ms REA—Very interesting.

CHAIR—That is indeed very interesting. We are very grateful indeed for the length of time you have given us and the precision with which you have been able to answer our questions. It really has been very helpful; there has been a lot of nodding around the table. So thank you again. It says in our papers that you are a consultant on these matters; what else do you do?

Mr Lovell—I have a one-man business, which is my own, and I provide consulting on policy, strategy, economic and regional development, cold chain and freight logistics. I also, for clients, organise workshops and convene meetings and facilitate them. So I take on projects that I feel are challenging or projects where I feel I can make some difference. If someone came to me and asked, ‘Would you do a standard business plan,’ I would be unlikely to do that because there are lots of other people who can do it. I try to pick work where I can make some contribution. I love the outback, I love remote areas and I have travelled most parts of Australia, from the top of Cape York to the top of the Dampier Peninsula and elsewhere. For me, the remote Indigenous community stores problem is something I actually have a passion about seeing fixed and I hope I been able to make some contribution. If I can leave you with one last thought: in many ways you can say that freight services to remote communities are very like the Wells Fargo stagecoach

express, where it had to leave on time and it had to get through at any cost—and, irrespective of what happens, to the fruit and veg.

CHAIR—Okay. Thank you very much for your insights.

Mr Lovell—It was a pleasure. Thank you for listening to my evidence.

Committee adjourned at 12.58 pm