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Submission from the Seisia Island Corporation to the Inquiry into food pricing and food security in remote Indigenous communities

General Information:

Seisia is one of five Aboriginal and Torres Strait Islander communities that make up the Northern Peninsula Area (NPA). The other communities are Bamaga, New Mapoon, Injinoo and Umagico.

Seisia's population is 201, from a total of 2439 for the entire NPA. Unemployment is very high with a large percentage of the population being welfare dependent. The median weekly personal income is $419.00 per week (2016 Census)

It is located about 1100km north of Cairns, Queensland, near the tip of Cape York and has a population of approximately 260 people (2016 Census).

During the period 1989 to 1998, the then Seisia Island Council undertook a programme of enterprise development to provide local employment and training opportunities and also to provide economic sustainability for the community. Those enterprises consist of a supermarket, a service station, a camping ground/holiday park and a licenced abattoir and butchery, all of which continue to operate today.

In 2008, the Seisia Island Council moved to divest all of its enterprises to a new body – the Seisia Community Torres Strait Islander Corporation. The Corporation is made up of bona fide adult members of the Seisia Community and is managed by a board elected from that membership.

The Corporation is registered with the Office of the Registrar of Indigenous Corporations (ORIC) and is also registered with the Australian Charities and Not-for-Profits Commission (ACNC).

In 2010, Seisia Enterprises was established by the Corporation as a fully owned subsidiary to manage its portfolio of businesses. The Company is registered with ASIC, the ACNC and holds charity status with the Australian Taxation Office (ATO). The Company is made up of four directors, two of whom are community residents and two are skills-based directors. The CEO is also a community resident.

Annual turnover is approximately $7million. Any profits must be used for the benefit of the Seisia Community.

Access:

Seisia Enterprises has to rely on sea transport as the only reliable form of freight into the community. It uses Seaswift Shipping, which has a monopoly on the route.

Seaswift Shipping is a Cairns based company owned by the Queensland Investment Corporation, an arm of the Queensland Treasury.

There is road access via the Peninsula Development Road (PDR), however its condition is poor, ruling it out at this stage as an alternative to sea freight.

State and Federal governments have committed to upgrading the road. But it is expected to be many years before the NPA will benefit from its use for freight.

Costs of Doing Business:

The four businesses operated by Seisia Enterprises operate at a small profit.

A significant cost is that of wages. However, these are within normal wage to sales ratios as would be expected in any similar businesses elsewhere.

However, our remote location does result in other operating costs being much higher than in similar businesses elsewhere.

- **Freight Costs**:

Freight costs represent approximately 17% of total expenses, which is about 350% more than a Cairns based retailer.

However, with the application of new freight rates by Seaswift from 1st July, the percentage will increase considerably, particularly for chiller/frozen lines and fresh produce.

Freight rates that are to be applied by Seaswift from 1st July 2020 are as follows:

Commodity	Unit of Measure	Cairns to NPA
Dry	M3/Tonne	$224.69
Chiller/Freezer	M3/Tonne	$393.22
Container 20'	Each	$3316.91
QLD – Pallet Dry (Max 2.59m3)	Each	$374.48
QLD – Pallet Freezer	Each	$786.41

(Max 2.59m3)		
QLD – Pallet Chiller Each (Max 2.59m3)		$786.41

Additional to the above are the following rail freight rates from Brisbane to Cairns.

Qld – Pallet Dry	Each	$225.00
Qld – Pallet Freezer	Each	$245.00
Qld – Pallet Chiller	Each	$245.00

Prices exclude, Fuel Surcharge, Port and Council Fees, Dangerous Goods Surcharge, Document Fees and GST. These charges currently are:

- Fuel Surcharge 1.93% adjusted quarterly
- Dangerous Goods Surcharge 25%
- Document Fee $12.50
- Council & Port Fees.
- GST 10%

- **Competition**:

One of the concerns with freight costs is that Seaswift offers Community Enterprises Qld (CEQ) significantly lower rates for groceries than can be accessed by any other retailer in the area.

CEQ would be one of Seaswift's largest clients.

CEQ is a Queensland Government Statutory Authority, which owns and operates a number of retail outlets on Cape York and in the Torres Strait. It operates two supermarkets (one in the NPA and another on Thursday Island) plus a number of small stores throughout the Torres Strait.

It is constantly being accused of over-pricing of its grocery range.

The problem with CEQ being charged much lower rates than any other retailer in the area, is that it does not provide a level playing field for other retailers to try to compete. The model has virtually monopolised retail trading in the area and impedes the development of a private business culture.

The CEQ supermarket in the NPA is the main opposition to our own supermarket.

- **Costs of Maintenance**:

The maintenance costs for such equipment as commercial refrigeration and electrical are much higher than those faced by a retailer in an urban environment. From Seisia's perspective, a refrigeration failure normally results in having to fly in a technician from Cairns, sometimes to spend less than an hour to resolve a fault. This type of exercise would involve return fares of $800.00, plus overnight accommodation and two days of labour costs. The result is a cost of repair of up to $3000 for a fault that would be rectified in an urban environment for just a few hundred dollars.

These types of costs are common and all add to the significant cost of operating a business in a remote area.

- **Staff Costs**

Minimising operating costs relates directly to operating efficiency. This in turn relates to the quality of key personnel employed by the organisation.

Some positions are filled by recruitment from outside the community and there is always difficulty firstly, in finding quality staff who will re-locate to a remote area, and secondly, in retaining that person for any length of time. It is not uncommon for Seisia to have to recruit a person for a specific position three or four times in any given year, with all the associated costs of re-location of personal effects and families.

The results of this are that recruitment costs and staff costs are far in excess of an urban business.

Another factor that adds significant operating costs is the cost of staff incentives in remote areas. These incentives normally include subsidised housing, above award wages, and a number of airfares per year for the staff member and family to Cairns and return.

- **Industry Support**

Retailers in urban situations can expect, and do receive, significant support from manufacturer and supplier representatives. The support is provided in-store and ranges from marketing advice, product information, buying deals and training support.

In Seisia, this service is unavailable. The result is that Seisia has no opportunity to access any industry support, impacting our ability for our enterprises to offer best practice retailing experiences for our customers, and reducing our opportunities to provide reduced pricing.

- **Conclusion**

In conclusion, we believe that the pressure on remote area food pricing would be eased considerably by creating an ability to reduce key aspects of the costs of doing business. Those key aspects are detailed above.

Most community residents accept that retailers in remote areas can never offer the same prices as the major supermarkets in urban locations. They also accept that the cost of living generally in remote areas will be higher.

But, they want a fair deal.

The costs of freight are of critical concern. At the moment there is a situation whereby the government owned retailer (CEQ) has an unhealthy monopoly that also benefits from much lower freight rates applied by Seaswift. (Also owned by a state government authority)

A significant factor for higher prices in this remote area is the retail monopoly. The only way in which cheaper prices can be generated is by ensuring a level playing field for all retailers that would encourage healthy competition.

For further information please contact

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Mr Arthur Wong, CEO (Seisia Enterprises)

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