



Community Enterprise Queensland

Submission Paper

Select Committee on Supermarket Prices

9 February 2024

This document has been prepared by Community Enterprise Queensland for the Select Committee on Supermarket Prices addressing the inquiry into price setting practices and market power of major supermarkets.

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## 1. INTRODUCTION

CEQ welcomes the recent announcement of an inquiry into food prices and market power of major supermarkets. CEQ's submission to the Senate Select Committee on Supermarket Prices will be addressing clause j. other related matters that have a flow on effect to all remote store Retailers such as CEQ and as a result the many customers that we serve within communities.

CEQ has redefined its community reinvestment strategy called 'Good Pasin' (Give Back) that provides financial and in-kind assistance to not-for-profit incorporated/unincorporated community organisations and individuals. The funding categories guiding this investment pool has direct alignment with the Queensland Government's Integrated Development Framework under Thriving Communities, which in turn delivers on 17 of the 19 Socio – Economic Closing the Gap targets.

CEQ calls on the Senate Select Committee on Supermarket Prices to:

1. CEQ recommends the Australian Government implement a freight equalisation scheme to reduce the 'cost of living' pressures experienced more acutely in remote First Nations communities we serve.
2. CEQ recommends that the Australian Government establish more local distribution centres by wholesalers in major regional centres closer to remote communities.
3. CEQ recommends that the Australian Government require food and grocery Manufacturers and producers to offer remote retailers the same pricing accessible to major supermarket chains.

As an essential service provider to remote Indigenous communities is at the forefront of providing quality goods and services at a fair price. Key points are:

- CEQ operates in remote Indigenous communities, currently with 28 stores.
- CEQ has a strong compliance regime in place.
- CEQ believes that when factors such as freight and other economic and social initiatives are considered, pricing is comparable with other non- Indigenous remote communities.
- CEQ undertakes benchmarking against both rural, regional, and major retailers.
- CEQ cross subsidises fresh and healthy food with other foods that are not as nutritious.
- CEQ welcomes and supports local production of food – though finds that often these producers struggle with appropriate certification programs.
- CEQ has a supply chain in place to mitigate against wet season impacts, though this does come at a price – up to 5 times road freight rates.
- Any review of prices (and associated alleged gouging) should be holistic in nature considering the business, its strategic goals and community service obligations associated with labour.

## 2. BACKGROUND

CEQ provides essential services to some of the most remote and isolated Aboriginal and Torres Strait Islander communities within Australia. CEQ currently provides services through 28 stores from the Torres Strait to Western Queensland to Palm Island east of Townsville.

CEQ is a statutory body established by the Queensland Government. On 1 September 2016, the Governor-in-Council approved amendments to the Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984 (the Act). Amendments to the Act included a name change from Island Industries Board (IIB) to Community Enterprise Queensland (CEQ).

CEQ has retained the Islanders Board of Industry and Service (IBIS) as a registered trading name of CEQ. In the marketplace, especially the Torres Strait and Northern Peninsula Area (NPA), CEQ is more commonly known by its trading name 'IBIS'. On 1 May 2017, the State Government transferred management of its operating stores to CEQ. CEQ has rebranded the previous Government / Department stores in consultation with Community with relevant local names under the Aboriginal Business Industry and Service (ABIS) banner.

CEQ has an appointed Board that delivers on the functions as directed by the Act. The Board currently has a membership of 10 persons who oversee the strategic development of the organisation. CEQ is a registered charity and not for profit with the Australian Charities and Not for Profit Commission and the Queensland Government. The Board is responsible for selecting a Chief Executive Officer whom in turn is responsible for administering the organisation.

The functions of CEQ are:

- (a) to act as a commercial enterprise for the general convenience or benefit of the residents of the communities in which Community Enterprise Queensland performs its functions.*
- (b) to provide the communities mentioned in paragraph (a) with access to a range of food, drinks, and household items essential for a healthy life at a fair price.*
- (c) to apply its operating surplus or assets to promote, support and improve its services and the general welfare, including the knowledge and skills, of the Aboriginal and Torres Strait Islander residents of the communities mentioned in paragraph (a).*

*Examples of supporting residents—*

- encouraging the development of trade, commerce, and businesses in the communities*
- supporting trade, commerce and businesses carried out by residents of the communities.*
- providing support for educational or health initiatives, local organisations and community programs or activities*

*Source:* Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984

The Board currently has three sub-Committees with responsibility for Finance, Audit, Risk and Governance, Community, Public, Relations, and Marketing, People, Workplace, Cultures and Safety.

## **Torres Strait and Northern Peninsula Area**

The Torres Strait is a body of water that lies between Australia and Papua New Guinea. It is approximately 150 kilometres wide at its narrowest point. To the south is Cape York Peninsula (the northernmost continental extremity of the Australian state of Queensland) whilst to the north is Papua New Guinea. The Torres Strait links the Coral Sea to the east with the Arafura Sea in the west.

Several clusters of islands lie in the Strait, collectively called the Torres Strait Islands. There are at least 274 islands which are grouped into five distinct clusters, 18 of which have present-day permanent settlements. All permanent settlements bar one, have access to a store. The communities mentioned have a treaty that enables trade practices with Papua New Guinea nationals. CEQ has a store on 15 of the 18 islands.

These clusters exhibit differences in geology and formation, as well as having individual cultural characteristics and language.

Thirteen of the inhabited islands are located within the protected zone, as outlined in the Torres Strait Treaty. The Treaty allows for a cooperative approach to managing the traditional movements of traditional inhabitants across the Torres Strait protected area.

## **Remote Cape and North Queensland Communities**

Like the Torres Strait and Northern Peninsula Area (NPA) region the stores in remote mainland Queensland and Palm Island exhibit differences in geology, cultural characteristics, and language.

## **Essential Service Provision**

All CEQ outlets provide a general range of consumer goods including:

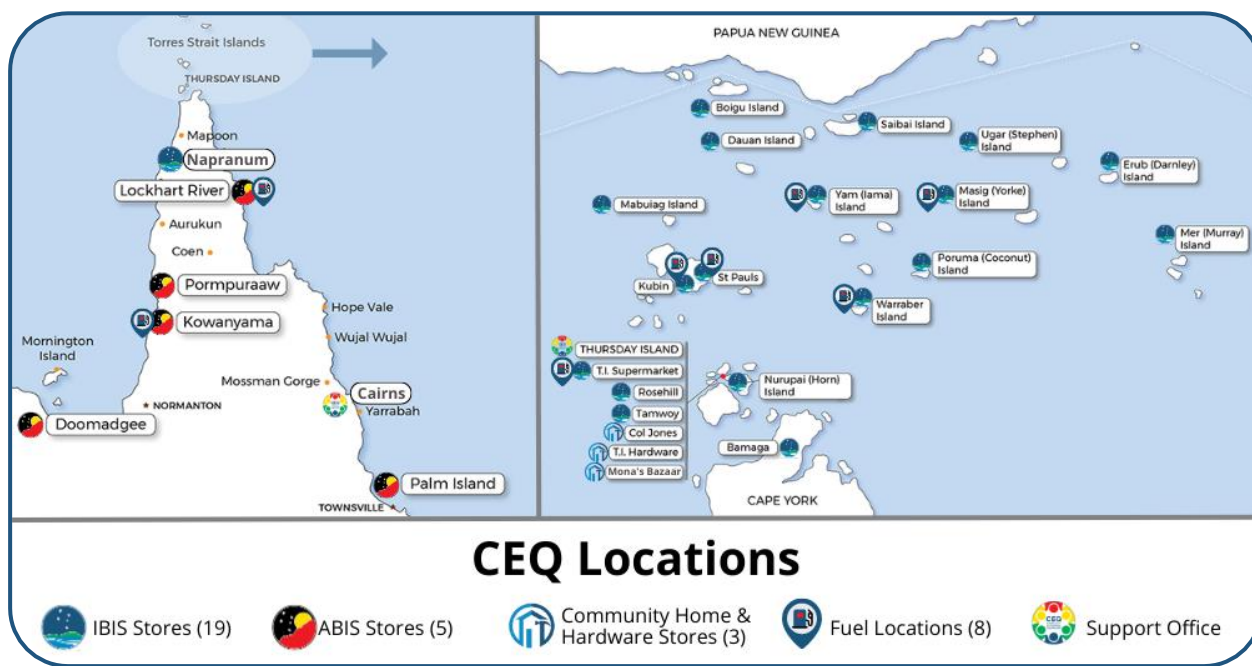
- dry grocery
- chilled grocery
- frozen grocery
- fresh fruit and vegetables
- large and small electrical appliances
- variety and seasonal goods
- fuel (available at 8 sites)
- special orders to meet individual needs.

**Note:** additional services on Thursday Island include a Mitre 10 (Hardware) Franchise and a major electrical and homewares outlet branded 'Col Jones'.

## Supply Chain

Food retailing in remote communities in Far North Queensland and the Torres Strait Islands is the manifestation of an extremely complex supply chain, charged with delivering a broad range of products to widely distributed communities that are located on both the mainland and islands of North Queensland.

CEQ formats and location cover an area of 16,657 km<sup>2</sup> and our transport routes and deliveries cover 4.4 million kilometres each year to get goods on the local store shelves.



## Island Stores

Pallets and container are shipped to Horn Island (more than 1,000 kilometres), where they are reloaded and shipped to landing barges that finally transport the goods to the island stores (up to 300 kilometres). Note – Napranum Store is direct shipping from Cairns and stock is not unloaded at Thursday Island.

Many significant issues further compound the cost of supplying this service, and ensuring that:

- all food products are safe.
- the cold chain for all temperature sensitive products is unbroken.
- the goods arrive in good condition - undamaged by mishandling and uncontaminated by other products that are co-shipped with them and/or by seawater.
- all food products are reasonably date coded to allow for the extended shipping period; and
- fresh food products are reasonably date coded to ensure a supply of fresh product to the communities for the duration between deliveries.

## **Mainland Stores**

For mainland stores (excluding Bamaga), there are different supply runs and different challenges than the island stores. During the wet season the stores at Doomadgee, Kowanyama and Pormpuraaw require essential goods to be freighted in by aircraft. Other stores are by rail and then palletised for trucking to their final destinations. Palm Island is slightly different as the goods are palletised, transported over land and barged (sea freight) to store.

In all instances, Cairns operates as central hub for goods into all stores – excluding any local within community purchases.

In many cases, the CEQ store is the only provider of food to far remote islands and communities. The result of a supply chain failure can be catastrophic as food cannot be delivered to communities. Failure in the supply chain can be caused by such issues as natural disasters – cyclones and floods, breakdowns, king, or very low tides preventing supply barges from docking at the islands. Poor port access to some communities further compounds the supply of goods to some communities.

### **Barriers facing residents in Remote Communities from having reliable access to affordable fresh and healthy food, groceries, and other essential supplies.**

CEQ delivers fresh food, groceries, and essential supplies on a weekly basis into remote communities. As provided for in the operating environment, it does this through a mixture of rail, road, sea, and airfreight. Distance and terrain are key barriers facing residents when seeking to access affordable, fresh, and healthy food, groceries, and other essential supplies.

At an extreme level, distance and terrain has a flow-on to pricing from a costing perspective. For instance, CEQ operates stores where access is severely restricted often necessitating the use of helicopters to continue to maintain a level of service. An example of such is the recent use of this transportation (costing the organisation \$6K for a return trip) to deliver a relief manager to site. Often this mode of transportation is used for maintenance purposes especially associated with freezer repairs. There is no other means of moving team members and resources to site quickly as there is a reliance on monthly high tides for delivery purposes. CEQ's model ensures affordability even in these small stores.

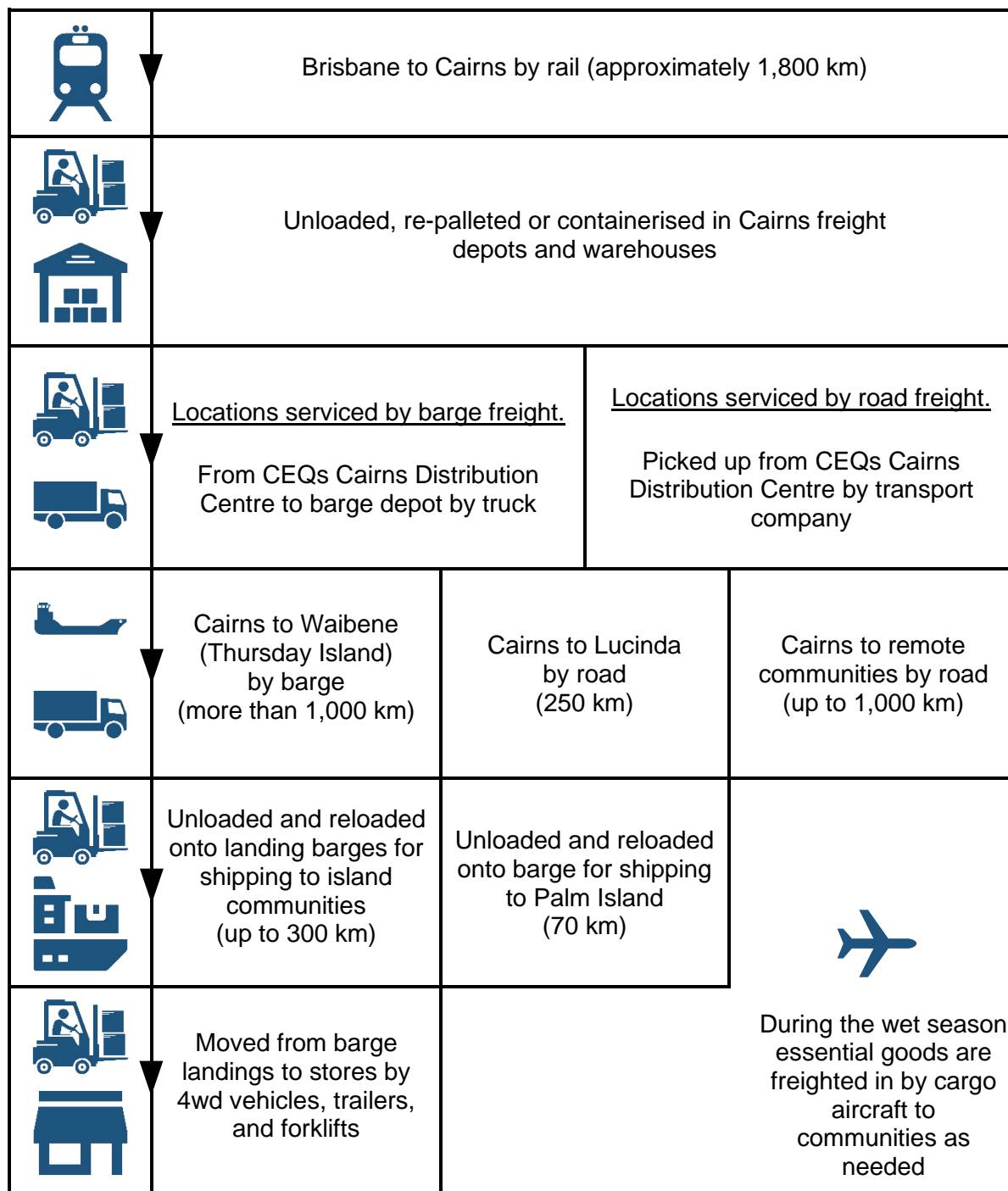
Distance and terrain significantly affect CEQ's ability to improve affordability of goods. A simple flow chart identifies the many delivery touchpoints of weekly fresh food delivery to CEQ communities.

The distance involved can influence the freshness of product received in remote locations. For instance, in the example below to Thursday Island, the goods in question can travel for up to 10 days during which they are required to remain at specific temperatures (colloquially known as the 'cold chain') to ensure optimum produce viability. Any deviations in the cold chain can have a disastrous effect on the goods leading to spoiling effectively making the goods not fit for human consumption.

In some instances, CEQ can procure fresh produce, dairy and meat from regional centres which are closer to community than major urban centres. This does help with quality and shelf life.

Each store in the CEQ network has a unique supply chain which is managed individually to ensure that fresh food is delivered on a weekly basis.

The standard supply chain for most goods during the dry season (May – December) is:



More than 3,000 km



## Challenges - Wet Season Supply

In 2022-23, CEQ experienced flooding which affected the remote communities of Doomadgee, Kowanyama and Pormpuraaw. CEQ had the established supply runs that ensured that the communities were not without essential goods and services in the time after the event. In December 2023 Cairns also experienced a catastrophic flood event which could have affected supply into All CEQ Stores had CEQ's supply chain not been robust enough to accommodate the event.

During the wet season, CEQ is active in ensuring that communities receive their fresh produce in general flood affected communities. Supply chains are established to deliver weekly fresh goods via air freight. CEQ does not levy increased prices during this time. Therefore, no single community experiences an increase in prices due to road closures, cyclones, or floods.

The supply chain is maintained in two ways for flood locked communities. During September to December CEQ aggressively procures long lived grocery items for storage on site. CEQ actively maintains at the start of flood season a grocery holding of four (4) to six (6) months onsite at each of its flood prone locations. Trucks continue to supply grocery items for as long as the roads allow for. CEQ also has in place a contract for freight services with two aviation companies. This contract allows for the airfreight of perishable goods on a weekly basis into flood locked communities. Airfreight is approximately five (5) times the cost of road or rail freight.

CEQ is very aware of its charter in providing goods and services to community in a sustainable manner. A key component of this charter (as a not-for-profit) is to ensure that goods and services are delivered in ways that provide the customer with value. CEQ does not alter prices during significant events rather budgeting for such and smoothing costs over a financial year.

Freight constitutes approximately 14.2% of cost of goods sold due to the supply chain length and associated costs. There is minimal opportunity to reduce freight costs through competition from service providers as most freight routes are serviced by a single provider. The freight costs are subsequently reflected in product pricing.

The high cost of freight is a challenge for many communities and Governments around the world and there are many examples of Government policies that aim to assist in reducing the costs for consumers.

One of the most relevant program examples we can source is Nutrition North Canada. This long-term program is delivered by the Government of Canada to help make nutritious food and some essential items more affordable and more accessible to people living in remote areas. See Appendix A for more information.

CEQ is committed to working with other agencies and the State and Commonwealth Governments to assist in raising the living standards within each community.

CEQ recognises that the biggest issue facing the people and communities we serve is the rising cost of living. CEQ has pricing policies in place to mitigate against margin increases on essential goods.

The financial pressures on families leave less disposable income for food, fuel, transport, rent and power. Recent shopping trends show that protein is being sourced locally through hunting and fishing rather than from the local store, we can directly attribute this with the higher cost of



living within remote communities. CEQ is acutely aware of the environment and demographic (see Appendix B) that it supplies its goods and services in and strives to ensure that customers have choice in accordance with its healthy food choices and pricing policy. Society would not expect or accept that the residents of major cities would need to go hunting to put protein on the dinner table.

CEQ is also very aware that some people and organisations in some communities have the perception that our prices are unreasonably high, however, to remain sustainable the cost of freight must be considered in setting sell prices of goods, along with the additional costs associated with operating stores in very remote communities.

### **Comparative pricing in other non-Indigenous remote communities and regional centres**

#### **Benchmarking**

CEQ benchmarks its pricing against remote retailers where it can. Benchmarking pricing is generally difficult to undertake due to several factors, these being:

- Online pricing information is sporadic at best; and
- Mystery shopping is difficult to undertake in a cost-effective manner.

CEQ price competition checks each weekly the fresh produce competitiveness verses Coles, Woolworths, Metcash, Cairns IGA Independent & a Remote Independent Supermarket. Pricing for the major supermarket outlets is based on their mainstream city sites. CEQ uses this information to help inform pricing for its stores.

A regional retailer based in Cloncurry; Queensland does online pricing which CEQ uses to benchmark against. A recent exercise (November 2023) indicates that on a general basket of grocery goods, CEQ is 0.6% cheaper than the same basket in Cloncurry. CEQ undertakes this external benchmarking with all products assessed against online recommended retail pricing (RRP).

CEQ offers specials and other incentives in store to help with the cost-of-living burden in remote communities. These specials equate to approximately \$1.2M (FY23) of savings to our customers based upon the standard price files. This is a genuine saving to the community that shop in CEQ stores.

#### **Pricing**

CEQ is of the view that any review of pricing should be holistic in nature and consider the strategy and culture of the organisations delivering essential services. For instance, from an internal CEQ perspective, pricing is undertaken in a manner which meets CEQ strategic objectives and not-for-profit status.

From a pricing perspective CEQ prices to remain sustainable. CEQ currently prices to earn a social return in the order of 1.5% to 2.5%. This level of return allows CEQ to manage its balance sheet and fund capital requirements over a 10-year term. CEQ receives no operational subsidy from government. All operating surplus is reinvested back into the community.



CEQ actively works to ensure that prices are smoothed within its business model for several reasons including:

- Customers can walk into any CEQ store and be assured that they are paying the same as other customers in other like communities.
- Smaller non-economic stores can provide the same goods and services as other larger stores.
- CEQ's aggregate business model helps to keep the doors open within communities that have stores that are not breaking even or are unsustainable.

As an organisation CEQ works with local communities and receives feedback through a variety of mechanisms, not the least being customer surveys on pricing. CEQ has found that there is a lack of understanding amongst the general population on supply side issues and pricing. Due to this CEQ mitigates against risk of media sensationalism on pricing by:

- Not stocking end of season or out of season lines, for example blueberries and raspberries out of season – the price CEQ needs to charge is not considered affordable.
- Not stocking fresh items that may have been affected by seasonal matters – for example, apples and oranges come from bushfire affected communities which significantly affects their 'buy' price.
- Ensuring pack sizes are available which reduce overall freight and handling costs – for example, providing smaller fresh meat packs and small / medium boxes of cereal for customers with smaller families.

### **Strategic Direction**

CEQ's Strategic Plan references a vision which is:

*Caring, every day, always*

CEQ will deliver this by acting on its mission of:

*To provide essential goods and services that support communities to be healthy and sustainable.*

CEQ's key goals are to:

- Increase freshness, volumes, diversity, and consumption of healthy foods.
- Increase scope and number of services and contributions that facilitate community development and wellbeing.
- Build our advocacy to improve health outcome for the people we serve.
- Review, consolidate and build on current systems and capacities in line with strategic intent.
- Investigate and take up opportunities for diversification and value adding consistent with strategic intent.
- Deliver induction, training and career development opportunities and facilitation of staff feedback and participation.
- Adopt a continuous improvement approach, seeking to increase efficiency, protect against unforeseen events and deliver value for money.
- Identify, build, maintain key relationships, collaborative arrangements and partnerships that contribute to CEQ business success, reputation, and strategic intent.





# Strategic Plan 2023-2027



## Our Vision

Caring, Every day, Always



## Our Mission

'To provide essential goods and services that support communities to be healthy and sustainable.'



## Our Values

Honest  
Progressive  
Collaborative  
Respectful  
Inclusive



## Our Purpose

- (a) to act as a commercial enterprise for the general convenience or benefit of the residents of the communities in which CEQ performs its functions; and
- (b) to provide the communities with access to a range of food, drinks and household items essential for a healthy life at a fair price;
- (c) to apply its operating surplus or assets to promote, support and improve its services and the general welfare, including the knowledge and skills, of the Aboriginal and Torres Strait Islander residents.

Examples of supporting residents-

- encouraging and supporting the development of trade, commerce and businesses in the communities
- providing support for educational or health initiatives, local organisations and community programs or activities.





CEQ as a registered charity with the Australian Charities and Not-for-Profit Commission has a stated charitable purpose of providing support for educational or health initiatives, local organisations and community programs or activities.

CEQ accepts that other business will price goods according to their own charters and corporate culture.

CEQ through its enabling legislation and as a registered charity has an important role to play in providing fresh healthy products. CEQ can and does use pricing signals to consumers to make healthy options (for example, fresh fruit, vegetables, water) more attractive. CEQ offers these types of goods (fresh fruit, vegetables, water) at reduced margins. To remain sustainable other goods, need to cover lost revenue within the business.

### Holistic business Views

Community Enterprise Queensland (CEQ) considers that any review on price setting practices should be holistic in nature with a view towards looking at the business. As previously mentioned CEQ has functional objectives and strategies to provide employment pathways for communities.

Retailing in remote communities is much more than just the price of goods. CEQ is embedded in the fabric of the community. CEQ is committed to promoting Indigenous employment and as of 30 June 2023 had an Indigenous representation figure of 76% based on head count. CEQ actively works with local Indigenous people to view retail as a career and assume senior management roles. This is achieved through investing in team members through training and development and associated mentoring programs.

Training and education form part of the most significant strategic imperatives of the organisation. This investment, however, does come at a cost due to the remote nature of the communities and the availability of certified trainers prepared to work in these locations. Regardless, CEQ has been successful in promoting local team members to store management and regional management positions.

One of the imperatives of CEQ is for store managers to be able to assume a management role in any organisation. The practices that have been adopted at a store level are those that will be accepted in mainstream retail outlets. This also forms the basis of the mentoring program that has continued to be enacted during the year as part of the succession plan for CEQ.

CEQ invests heavily in training with the current training strategy encompassing Food and Safety Compliance, Risk Mitigation, Employment Compliance and Business Acumen.

CEQ has a unique model of delivery of service. The unique management model implemented in its retail operations at its stores has been in existence for more than fourteen (14) years. The uniqueness of this model lies not only in local community members managing the grocery outlets but also ensures majority Indigenous team members comprise the workforce mix.

The CEQ model not only guarantees employment opportunities and a subsequent clearly defined career, but it also provides a voice for Indigenous people regarding the operations of the business. CEQ provides clearly defined career paths for Indigenous people living in the remote central and northern parts of this country. CEQ's mentoring, training and development model provides existing managers with business acumen and the ability to role model standards and practices for future aspiring store managers.

CEQ had a total 434 team members at the end of the financial year of 2023. Permanent team members totaled 134, which demonstrates a healthy growth within the CEQ.

### 3. RECOMMENDATIONS

**CEQ recommends the Australian Government implement a freight equalisation scheme to reduce the 'cost of living' pressures experienced more acutely in remote First Nations communities we serve.**

The proposed program could provide a freight subsidy direct to consumers on all departments at a cost of approximately \$12 million per annum or it could exclude items e.g., tobacco, full sugar drinks or confectionary. If exclusion from subsidy of less nutritious products was the preferred option, the annual subsidy cost could reduce by \$1 - \$3 million, depending on exclusions.

**CEQ recommends the Australian Government establish more local distribution centres by wholesalers in major regional centres closer to remote communities.**

The Australian Government **supported** this recommendation submitted by the House of Representatives Standing Committee on Indigenous Affairs, 2 December 2021 - 'Inquiry into food pricing and food security in remote Indigenous communities (Recommendation 4) recognising the value of increasing the number of local distribution centres located closer to remote communities. The National Indigenous Australians Agency were to engage with wholesalers in support of the recommendation.

Geographic distance from major centres

The cost of freighting goods to the stores for consumers is very high due to:

- Distances of more than 3,000 kilometres
- Product mix with fresh, chilled, and frozen foods as well as general household goods
- Modes of transport required are rail, road, sea, and air.
- Variety of freight handlers required for different modes and different locations.
- Lack of operators due to the specialised nature so limited opportunity to negotiate improved commercial terms.

Distribution Centres closer to regional centres (in CEQ's case) northern and far northern would significantly improve quality of goods. However, this would not have a large effect on supply matters unless the entire network is reviewed including the road (flood proofing) and sea network.

The map below shows the standard freight routes used by CEQ.







**CEQ recommends that the Australian Government require food and grocery manufacturers and producers to offer remote retailers the same pricing accessible to major supermarket chains.**

CEQ refers to an open letter the Hon Senator Malarndirri McCarthy addressed to Food and Grocery Manufacturers and Producers attached in **Appendix D** for your ease of reference.

Cost of living pressures are impacting families across Australia as we continue to grapple with the effects of severe weather events, overseas conflict, rising fuel prices and the lasting impacts of the Covid-19 pandemic. This cost-of-living crisis is felt most acutely in remote First Nations communities.

Senator McCarthy worked closely with the Remote Food Security Working Group in identifying a list of 30 essential items that meet both the nutritional and cultural needs of remote households. Improving the affordability of these items would have a profound and positive impact on the lives of our most vulnerable communities. The essential items list is at **Attachment A of Appendix D**.

She requested as a matter of urgency, that manufacturers and producers consider providing wholesalers, distributors and retailers that service remote First Nations communities with products from this list at a price no more than that is offered to the major supermarket chains.

Remote First Nations communities currently have higher rates of type two diabetes, renal disease, and low birth weight and childhood malnutrition when compared with non-- Indigenous Australians (more detail is provided at **Attachment B of Appendix D**). All of these are related to poor nutrition.

Improving the affordability of these essential items, lies an opportunity to support significantly better health outcomes for remote communities. Senator McCarthy highlighted that the financial impact to manufacturers and producers would not be excessive, as the estimated volume of the entire remote community market is less than 0.5 per cent of total Australian food and grocery sales. **Attachment C of Appendix D** provides additional information about remote stores and the communities they serve.

In summary, remote retail businesses and independents are subsidising large supermarket cost prices.

The large supermarkets control manufacturer production lines, as was proven during the COVID-19 pandemic when manufacturers requested three remote retailers, CEQ, ALPA and Outback Stores, to work with the major supermarkets to gain their approval to switch a production line from what the supermarkets wanted to what remote stores wanted. That is an abuse of market power.

Remote and rural store operators are, in effect, paying a higher cost price for the same items that large supermarkets buy. In CEQ's case, our entire income is that of two or three large supermarket stores; therefore, it really would not be a big issue for manufacturers to mirror these cost prices. *Why should remote retailers pay more for the same products?*

The enquiry will help in establishing the truth-telling behind manufacturer pricing and should legislate that parity be offered to operators who provide an essential service to remote communities and that these stores should not subsidise mainstream Australia.

## 4. SUMMARY

CEQ welcomes the opportunity to address the Senate Select Committee on Supermarket Prices and participate in the public inquiry into food prices and market dynamics.

CEQ calls on the Senate Select Committee on Supermarket Prices to:

1. CEQ recommends the Australian Government implement a freight equalisation scheme to reduce the 'cost of living' pressures experienced more acutely in remote First Nations communities we serve.
2. CEQ recommends the Australian Government establish more local distribution centres by wholesalers in major regional centres closer to remote communities.
3. CEQ recommends that the Australian Government require food and grocery manufacturers and producers to offer remote retailers the same pricing accessible to major supermarket chains.

CEQ is a leading provider of quality goods and services at affordable prices. CEQ operates in remote areas with a total of 28 stores, from Torres Strait in western Queensland to the Isle of Palms east of Townsville. CEQ believes that when economic and social factors are considered, prices are comparable to anywhere.

Food retailing in remote communities in Far North Queensland and the Torres Strait Islands is the manifestation of an extremely complex supply chain, charged with delivering a broad range of products to widely distributed communities that are located on both the mainland and islands of North Queensland.

CEQ formats and location cover an area of 16,657 km<sup>2</sup> and our transport routes and deliveries cover 4.4 million kilometres each year to get goods on the local store shelves. At an extreme level, distance and terrain has a flow-on to pricing from a costing perspective. Each store in the CEQ network has a unique supply chain which is managed individually to ensure that the fresh food is delivered on a weekly basis.

CEQ is very aware of its charter in providing goods and services to community in a sustainable manner. A key component of this charter (as a not-for-profit) is to ensure that goods and services are delivered in ways that provide the customer with value. CEQ does not alter prices during significant events rather budgeting for such and smoothing costs over a financial year.

Freight constitutes approximately 14.2% of cost of goods sold due to the supply chain length and associated costs. There is minimal opportunity to reduce freight costs through competition from service providers as most freight routes are serviced by a single provider.

The high cost of freight is a challenge for many communities and Governments around the world and there are many examples of Government policies that aim to assist in reducing the costs for consumers. This cost-of-living crisis is felt most acutely in remote First Nations communities.



The cost of freighting goods to the stores for consumers is very high due to:

- Distances of more than 3,000 kilometres
- Product mix with fresh, chilled, and frozen foods as well as general household goods
- Modes of transport required are rail, road, sea, and air.
- A variety of freight handlers is required for different modes and different locations.
- Lack of operators due to the specialised nature, therefore limited opportunity to negotiate improved commercial terms.

Distribution Centres closer to regional centres (in CEQ's case) northern and far northern would significantly improve quality of goods. However, this would not have a large effect on supply matters unless the entire network is reviewed including the road (flood proofing) and sea network.

CEQ is of the view that any review of pricing should be holistic in nature and consider the strategy and culture of the organisations delivering essential services. From a pricing perspective CEQ prices to remain sustainable. CEQ currently prices to earn a social return in the order of 1.5% to 2.5%. This level of return allows CEQ to manage its balance sheet and fund capital requirements over a 10-year term. CEQ receives no operational subsidy from the government. All operating surplus is reinvested back into the community.

Retailing in remote communities is much more than just the price of goods. CEQ is embedded in the fabric of the community. CEQ is committed to promoting Indigenous employment and as of 30 June 2023 had an Indigenous representation figure of 76% based on head count. CEQ actively works with local Indigenous people to view retail as a career and assume senior management roles. CEQ invests heavily in training with the current training strategy encompassing Food and Safety Compliance, Risk Mitigation, Employment Compliance and Business Acumen.

Improving the affordability of essential items, lies an opportunity to support significantly better health outcomes for remote communities.

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## 5. APPENDICES

### Appendix A - Government policy precedents

#### National

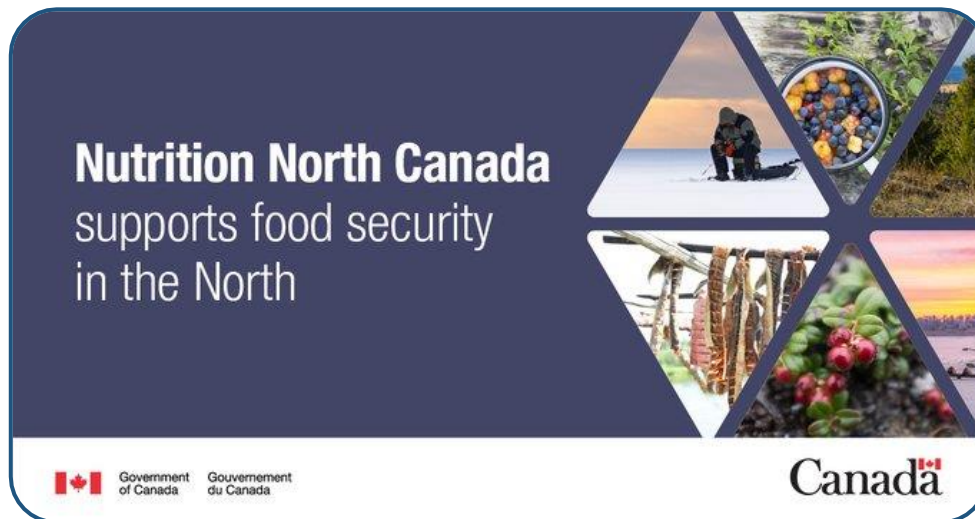
There are policy precedents in transport subsidy programs in Australia. Below is a summary of some programs.

State	Program	Summary
Tasmania	Tasmanian Freight Equalisation Scheme (TFES)	TFES provides financial assistance for cost incurred by shippers of eligible non-bulk goods moved by sea across the Bass Strait. The amount of assistance is based on the difference between the freight costs of moving the goods by sea and the notional freight costs of moving them by road over an equivalent distance.
Western Australia	State Shipping Service Program	The State Shipping Service of Western Australia was a state Government transport entity formed in 1912, in Western Australia, primarily to service the ports of North West Australia. There were several name and service changes over the years and in 1995 the Government announced that it would cease operations, with the remaining three vessels sold. The Government provided a subsidy to a privately operated service from Fremantle to Port Hedland, Broome and Wyndham until it ceased in 2013.
Queensland	Regional Rail and Road Freight Subsidies	<p><b>Mount Isa Line Incentive Scheme</b></p> <p>The Mount Isa Line is critical for North Queensland's economy and making it more efficient and cost competitive is vital to support and grow resources exports in the region.</p> <p>As part of a suite of initiatives totalling half a billion dollars, the Queensland Government will provide \$80 million over 4 years (\$20 million each year) to incentivise more freight on rail on the Mount Isa Line and encourage a shift from road to rail.</p> <p>This scheme started on 1 July 2019 and will end 30 June 2023.</p> <p><b>Regional Freight</b></p> <p>TMR subsidises rail and road freight services in regional Queensland through its Regional Freight Transport Services Contract with operator Linfox.</p> <p>This contract helps reduce 'cost of living' pressures in regional Queensland by providing access to freight at a subsidised rate to meet demand.</p> <p>Linfox delivers road freight services across Queensland and rail freight services on the Central West Line.</p> <p>Additionally, advice has been received that some regional centres, including Charters Towers (136km from Townsville) and Mareeba (63km from Cairns) are recipients of a freight subsidy.</p>

## International

There are many programs around the world that aim to provide food security to people by lowering prices.

The Canadian Government program, Nutrition North Canada provides a good example of subsidising essential items where freight costs are high.



Below is an extract of information from the Government of Canada website:

**Program name:** Nutrition North Canada

**Lead department:** Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC)

**Federal partner organizations:** Indigenous Services Canada (ISC) and the Public Health Agency of Canada (PHAC). PHAC became a new partner in 2016–17.

**Non-federal and non-Governmental partner(s):** Not applicable

**Start date:** April 1, 2011

**End date:** Ongoing

**Description of the horizontal initiative:** The objective of Nutrition North Canada (NNC) is to help make perishable, nutritious food more accessible and more affordable than it otherwise would be to residents of eligible isolated northern communities without year-round surface (road, rail or marine) access.

Registered retailers in the North, country food processors/distributors located in eligible communities, and food suppliers can apply for a subsidy based on the weight of eligible foods shipped by air to eligible northern communities. These subsidies are to be passed on to northern consumers by appropriate reductions in the selling prices of eligible foods. The NNC program — National Manual governs the terms of the funding agreements with CIRNAC's subsidy recipients.

Given that there are several factors that influence healthy eating patterns other than food cost, ISC and PHAC complement the NNC retail subsidy by providing funding to support culturally appropriate retail and community-based nutrition education initiatives. These initiatives aim to increase knowledge of healthy eating and develop skills for the selection and preparation of healthy store-bought and traditional or country foods.

**Governance structures:** The NNC Advisory Board gives Northerners a direct voice in the Program. The Board provides information and advice to the Minister of CIRNAC to help guide the direction and activities of the Program, and to ensure that northern residents receive its full benefits. Members of the Board collectively represent the perspectives and interests of northern residents and communities in relation to the management and effectiveness of the Program.

Members serve as volunteers, and not as representatives of any organisation, area, or special interest. Members are appointed to a 3-year term.

**Shared outcome of federal partners:** The ultimate outcome of the program is to strengthen the nutritional choices and overall health of isolated northern communities through the food subsidy delivered by CIRNAC and the targeted nutrition education initiatives delivered by ISC and PHAC.

**Performance indicators:**

Performance indicator-1: Per centage of population reporting their health is excellent or very good (ISC)

Performance indicator-2: Quantity of subsidized foods (kg) per capita by each category (CIRNAC)

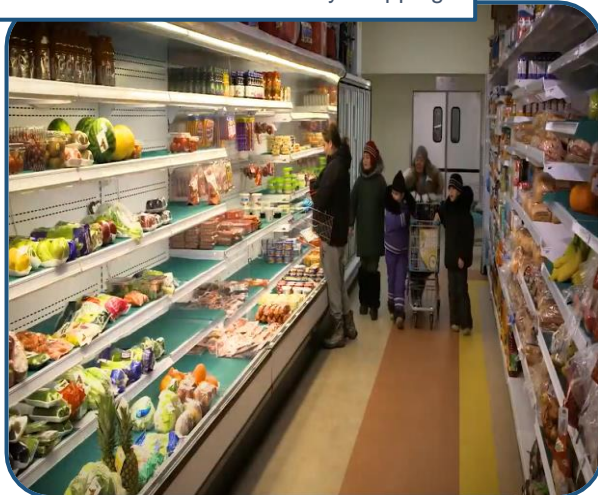
**Targets:**

Target-1: At least 50% of adults report that their health is excellent or very good by March 31, 2028 (ISC)

Target-2: Stable or increasing from the 2011 baseline year (CIRNAC)

Source: Government of Canada: <https://www.rcaanc-cirnac.gc.ca/eng/1576437858843/1576437881780>

Nutrition North Canada - family shopping



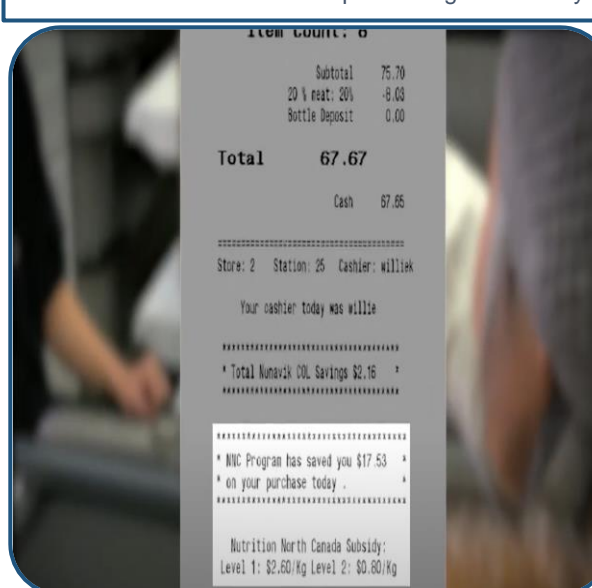
Nutrition North Canada– label showing the subsidy.



Nutrition North Canada - family at the checkout



Nutrition North Canada– receipt showing the subsidy





## Appendix B - CEQ Service area profile

CEQ Service Area region comprises the nine local Government areas of Doomadgee, Kowanyama, Lockhart River, Napranum, Northern Peninsula Area, Palm Island, Pormpuraaw, Torres and Torres Strait Islands.



17634 residents or 2.96% of the Queensland population.



83.2% identified as Aboriginal and/or Torres Strait Islander compared to 4.6% for Queensland.



41.5% of total families were couple families with children. This is very close to the state average of 41.2%.



30.4% are under 14 years of age compared to 19% of Queensland.



5.3% are 65 years and over compared to 16.6% of Queensland.



64.6% of total households were one family households. The average for Queensland is 69%.



89.0% in most disadvantaged quintile in the Index of Relative Socio-Economic Disadvantage. The state average is 20.0%.



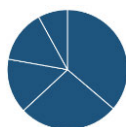
86.5% of the population were in very remote Australia with only 1.1% of the Queensland population being in very remote.



Median total family income of \$56,771 per year compared to Queensland Median total family income of \$105,248 per year.



Unemployment rate of 27.8% compared to Queensland unemployment rate of 4.2%.



The top five industry subdivisions of employment for CEQ Service Area region were:

- Public Administration (20.6%)
- Preschool and School Education (15.2%)
- Social Assistance Services (8.4%)
- Hospitals (8.1%)
- Food Retailing (4.5%)

Source: <https://statistics.qgso.qld.gov.au/qld-regional-profiles>

## Appendix C - Health & nutrition

CEQ provides health and wellbeing products in affordable ways through its pricing policies allowing families to save and reduce the cost of living in remote areas.

CEQ can directly contribute to the Health and Wellbeing Queensland, Gather + Grow Queensland Remote Food Security Strategy 2023-2032 through the proposed Remote Store Freight Subsidy Scheme by reducing the cost of food and everyday items to prepare, cook and store healthy food in homes.

In addition to the important work being done under the Gather + Grow Queensland Remote Food Security Strategy, below is a list of relevant studies that support the concept of the proposed Remote Store Freight Subsidy Scheme.

Study name	Abstract / Aim	Conclusion
Healthy Choice Rewards: A Feasibility Trial of Incentives to Influence Consumer Food Choices in a Remote Australian Aboriginal Community. 2019	A study to investigate the feasibility of a monetary incentive: store vouchers, to promote fruit and vegetable purchasing.	Consumer food subsidy schemes can help overcome financial barriers and increase affordability of healthy food and drink in remote areas."
Remote Food Security Project. Current	Phase 1 determines the impact of a healthy food price discount strategy on the diet quality of women and children.  Phase 2 - Community members propose solutions to improve food security and develop a translation plan.	This work demonstrates that co-design of research to address community-identified needs, informed by best practice tools, is feasible, and results in project design which highly aligns with general ethical frameworks to support the human rights of Indigenous peoples.
SHOP@RIC Stores Healthy Options Project in Remote Indigenous Communities	To test the impact and cost effectiveness of a store-based price reduction intervention to promote the purchase of fruit, vegetables, low joule soft drinks and water and to reduce the purchasing of sweetened soft drinks.	A price discount on fruit and vegetables can positively modify fruit and vegetable and water purchases. The consumer education strategy was associated with a small additional benefit on vegetables sales.

## Appendix D – Open Letter to Food and Grocery Manufacturers and Producers



**Senator the Hon Malarndirri McCarthy**  
**Assistant Minister for Indigenous Australians**  
**Assistant Minister for Indigenous Health**  
**Senator for Northern Territory**

Reference: MS23-000498

### Open letter to Food and Grocery Manufacturers and Producers

Dear Manufacturers and Producers

I write to you, to request your urgent assistance in relation to the food affordability crisis currently impacting remote First Nations communities.

As I am sure you are aware, cost of living pressures is impacting families across Australia as we continue to grapple with the effects of severe weather events, overseas conflict, rising fuel prices and the lasting impacts of the Covid-19 pandemic. This cost-of-living crisis is felt most acutely in remote First Nations communities.

At a recent meeting of the Remote Food Security Working Group (FSWG), we heard examples such as the cost of baked beans being more than triple the price it would be in an urban supermarket. This is concerning, as prior to heightened cost of living pressures, surveys showed a remote basket of healthy food was already 56 per cent higher in price than in urban areas.

Everyone should have access to affordable and nutritious food. To address this affordability crisis, I have worked with FSWG members to identify a list of 30 essential items that meet both the nutritional and cultural needs of remote households. Improving the affordability of these items would have a profound and positive impact on the lives of our most vulnerable communities. The essential items list is at Attachment A.

I ask that, as a matter of urgency, you consider providing wholesalers, distributors and retailers that service remote First Nations communities with products from this list at a price no more than that offered to the major supermarket chains.

Remote First Nations communities currently have higher rates of type two diabetes, renal disease, and low birth weight and childhood malnutrition when compared with non--Indigenous Australians (more detail is provided at Attachment B). All of these are related to poor nutrition.

Through improving the affordability of these essential items, there lies an opportunity to support significantly better health outcomes for remote communities. The financial impact of this proposal on your organisation would not be excessive, as I am advised the estimated volume of the entire remote community market is less than 0.5 per cent of total Australian food and grocery sales. Attachment C provides additional information about remote stores and the communities they serve.

The National Indigenous Australians Agency progresses policy work on remote food security, and I encourage you to raise any issues on this matter with them, by contacting

[REDACTED]

If you wish to discuss these issues with me further, please email me at [Senator.McCarthy@aph.gov.au](mailto:Senator.McCarthy@aph.gov.au).

I look forward to hearing of your support for this important issue.

Yours sincerely

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Senator the Hon Malamdirri McCarthy  
Assistant Minister for Indigenous Australians  
Assistant Minister for Indigenous Health  
Senator for the Northern Territory

9/11/2023

Parliament House CANBERRA ACT 2600



Attachment A

**List of core essential items**

1. Flour
2. Milk- UHT, powder, fresh
3. Tinned Tuna
4. Rice
5. Bread
6. Cereal Wheat Biscuits
7. Canned meals
8. Yoghurt
9. Canned baked beans and spaghetti
10. Beef mince, lean
11. Chicken (skinless)
12. Eggs
13. Sugar reduced and sugar free soft drinks
14. Bottled and cask water
15. Apples
16. Orange
17. Banana
18. Canned fruit in natural juice
19. Potatoes
20. Tomatoes
21. Pumpkin
22. Carrots
23. Tinned vegetables
24. Mixed vegetables, frozen
25. Toilet rolls
26. Nappies
27. Baby formula- all age groups
28. Shampoo and Conditioner
29. Tooth brush and toothpaste
30. Feminine hygiene

Attachment B

## Health impacts of poor nutrition and food insecurity

*Information provided by Aboriginal Medical Services Alliance Northern Territory (AMSANT)*

1. The health impacts outlined below are strongly related to poverty and the high cost of food. There has been some incremental progress in addressing food security over the last twenty years but still the rates of nutrition related chronic diseases continue to rise relentlessly.
2. Obesity is the key risk factor for the development of diabetes and diabetes is strongly related to poor nutrition and food security. Paradoxically, people who are food insecure are often obese as well as being malnourished.

### Diabetes

3. Central Australian Aboriginal people **have the world's highest rate of type two diabetes** with 40 per cent of people aged 20 and over having diabetes and the top end is not far behind at 25 per cent.
4. The rates of diabetes have been rapidly increasing with marked rises since 2012.
5. We also have the **world's highest rate of diabetes in pregnancy** in Central Australia. Diabetes in pregnancy increases the risk of children developing type two diabetes even if they are of normal weight.
6. **Rates of childhood diabetes in Northern Australia are amongst the world's highest.** Diabetes is a particularly aggressive illness in children and young people with rapid development of complications like renal failure and cardiovascular disease. Although these statistics largely come from the Northern Territory (NT), they are likely to reflect the situation across Northern Australia.

### Renal disease

7. Renal disease rates are also very high and renal disease also progressing at the fastest rate ever detected in the NT.
8. Dialysis numbers are growing at 6 per cent a year (NT renal strategy - unpublished) and rates of Aboriginal people on dialysis are highest in remote areas with the NT having the highest overall rate followed by Western Australia.
9. Diabetes is a key driver of these high rates.

### Cardiovascular disease

10. Cardiovascular disease is a major cause of death with death rates of Aboriginal peoples from cardiovascular disease being highest in the NT at 154/100,000 (twice as high as the lowest rate in NSW of 74/100,000).
11. Driving factors include poor diets, poverty and high rates of diabetes. Rates of heart disease overall are twice as high as for non-Aboriginal people, and with Aboriginal rates being significantly higher for remote and very remote areas.

### Low Birth Weight

12. Seventeen percent (17 per cent) of Aboriginal babies in the NT in 2022 were classified as of low birth weight (<2500 grams) compared to 6 per cent of all Australian babies, and 11 per cent of all Indigenous babies (*NT data but not published, and national data from AIHW Mothers and Babies report AIHW 2023*).
13. NT official data is available from 2019 and shows 14 per cent of all Aboriginal babies are low birth weight (LBW) vs 6 per cent of non-Aboriginal babies.
14. LBW increases the risk of infant death, delayed development and chronic disease later in life. A key cause of LBW is malnutrition in the mother.

### Stunted grown, anemia and malnutrition

15. Fourteen percent (14 per cent) of NT remote Aboriginal children <5 years old were classified as stunted in 2018 (small and skinny), 3 per cent were wasted, whilst 5 per cent were underweight (wasting refers to low weight for height, whilst underweight refers to low weight for age) (NT Department of Health 2018).
16. All of these categories can lead to developmental delay and a cycle of recurring infections with stunting being the most serious given it represents chronic malnutrition that is affecting growth.
17. Rates of childhood anemia are at 16 per cent and although there has been some slow progress in reducing these rates, they are still too high.
18. . Childhood anemia is associated with cognitive deficits and delayed development. Iron treatment does not fully reverse these issues - it is thought this may be because a child with anemia will usually have nutritional deficiencies which cannot be corrected just with an iron injection.
19. Childhood anemia is associated with delayed weaning and a lack of iron rich foods. The risk is increased if mothers are anemic during pregnancy.

## Remote Community Stores - Profile and actions on prices

### Profile of remote stores

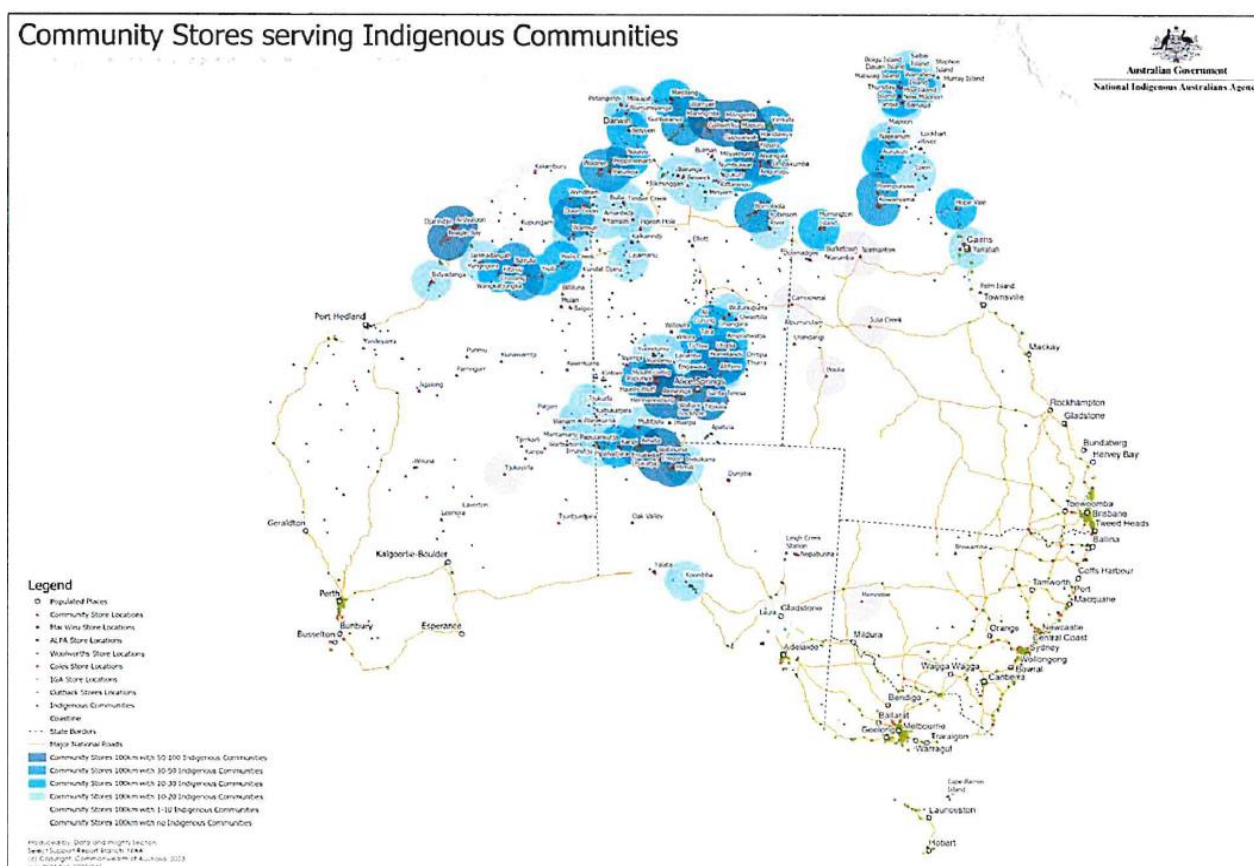
The remote stores landscape supports an estimated 150,000 First Nations Australians who live across more than 1,200 remote and very remote communities.

In remote communities, the community store is generally the primary source of food and other essential goods and plays a vital role in delivering social, economic and health outcomes. The National Indigenous Australians Agency (NIAA) estimates there are currently around 220 stores servicing remote First Nations communities across Australia (see [Figure 1](#)). Of these stores, 80 are in remote communities with a population of fewer than 200 people.

Most estimates suggest between 90 and 95 per cent of food eaten in remote Aboriginal communities is food purchased from a store, with traditional foods now contributing only a small amount to people's dietary intake

Figure 1: Map of stores serving remote First Nations Communities

*Caveat: may not be a complete list of all stores*



### Store governance

Around two thirds of stores servicing remote First Nations communities are community owned. The majority of these are owned by Aboriginal corporations established under the

*Corporations (Aboriginal and Torres Strait Islander) Act 2006* and are guided by a local store management committee which oversees store operations.

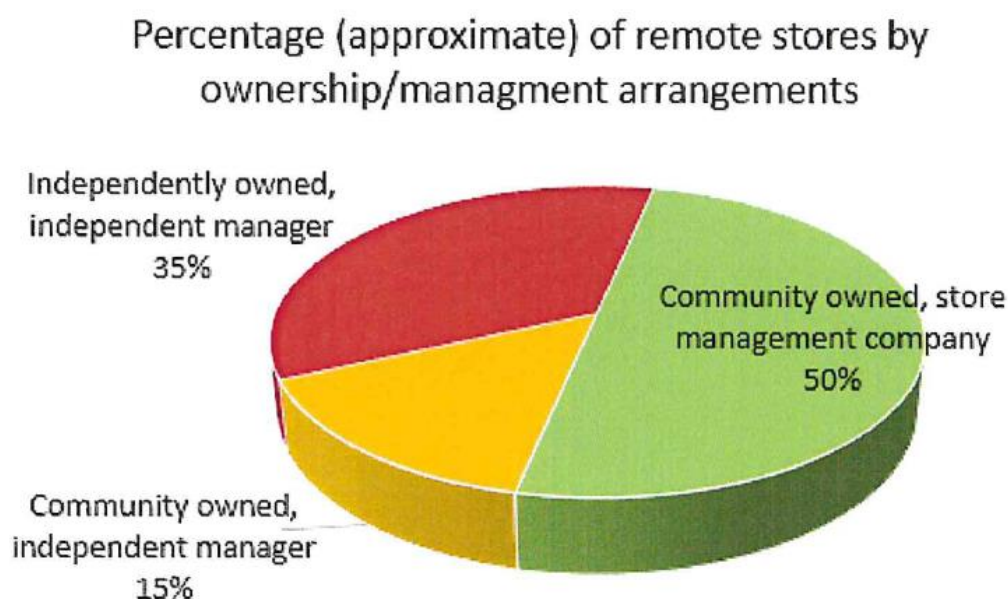
Around half of remote stores, and three quarters of community owned stores, are managed by store management companies such as the Arnhem Land Progress Aboriginal Corporation (ALPA), Community Enterprise Queensland (CEQ), Island and Cape Retail Enterprises, Mai Wiru Regional Stores Council Aboriginal Corporation and Outback Stores Pty Ltd. See [Figure 2](#).

These store management companies focus on the financial viability of the remote stores they manage, providing a model for sustainable food security in low population communities. The companies also support the health and wellbeing of First Nations communities by providing reliable access to nutritious and affordable food, improved services, and employment and training opportunities.

Management support available is different for each company and can include retail and nutritional expertise, development and implementation of store policies, sourcing and delivering quality food, training and employing managers and local staff, working with store boards, presentation of financial information and supporting community through return of profits and investing in social outcomes.

Store management models differ between store management companies and are generally conducted through a management agreement with the store owner.

[Figure 2: Ownership and management arrangements](#)



### *Action by remote store management companies to reduce prices on essentials*

Remote store management companies are acting to reduce prices as much as possible, however, without support these approaches are not sustainable. [Figure 3](#) provides an overview of examples of current actions to reduce prices on essentials. Outback Stores is an Australian Government owned company that has some funding to support non-viable stores that are important for food security.

Many remote stores are marginally profitable or not profitable, particularly very remote stores in smaller communities (less than 200 people). Many of the actions to reduce prices negatively impacting store viability and cannot be sustained in the long term.

**Figure 3 - overview of current actions to reduce prices on essentials**

	<b>Outback Stores</b>	<b>Other management companies</b>	<b>Independent stores</b>
<b>Subsidies</b>	Subsidising operations of remote stores (operational and capital underpinning) that are important sources of food but not profitable due to small community numbers and/or high operating costs.  Freight subsidy - not charging freight on fresh fruit and vegetables.	Freight subsidy on fresh fruit and vegetables to support consumption . For some extends to canned and frozen vegetables, and fresh dairy.	Many independent stores in remote First Nations communities do not make significant profits and operate to ensure the community has access to food.  Operate with a range of different approaches. Some, are able to offer preferential pricing on healthy food, particularly fresh fruit and vegetables, specials on healthy meals in takeaways, and healthier drinks.
<b>Rebates</b> Providers can in some cases negotiate a volume rebate based on consolidated purchase volumes with suppliers.	Rebates are used to keep down management fees that need to be charged and support operational underpinning of non-viable stores.	Larger companies can access rebates. May support key retail services including nutritional promotion and support, local employee development and training:.	Individual stores unlikely to have access to substantial rebates.
<b>Pricing strategies</b>	Lower mark-up for healthy foods.	Lower mark-up for healthy foods.	
<b>Other</b>	Profits retained by store owners. Can be used to support the local community, for example for funerals, school nutrition programs and community sporting events.	Profits from managed stores retained by store owners. Can be used to support the local community	May support the local community.