



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ABORIGINAL AND TORRES
STRAIT ISLANDER AFFAIRS

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

WEDNESDAY, 24 JUNE 2009

CANBERRA

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

Wednesday, 24 June 2009

Members: Mr Laming (*Deputy Chair*), Mr Abbott, Ms Campbell, Mr Debus, 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, Mr Trevor, Mr Turnour and Mrs Vale

Terms of reference for the inquiry:

To inquire into and report on:

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

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

WITNESSES

ELU, Mr Joseph Benjamin, Mayor, Northern Peninsula Area Regional Council..... 1

Committee met at 9.23 am**ELU, Mr Joseph Benjamin, Mayor, Northern Peninsula Area Regional Council**

ACTING CHAIR (Mr Laming)—Welcome. Firstly, the committee acknowledges the Ngunawal and Ngambri people, the traditional custodians of the land and we pay our respects to elders past, present and future. The committee also acknowledges the presence of Aboriginal and Torres Strait Islander people who now reside in this area. Please note that this hearing is a formal proceeding of the parliament and everything said should be factual and honest. It is considered a serious matter to attempt to mislead the committee. I invite you to make comments that will assist with our inquiry, with the intention of making improvements to the current government administration in relation to remote community stores. This hearing is open to the public. I ask that you state the capacity in which you appear today.

Councillor Elu—Thank you. I am the Mayor of the Northern Peninsula Area Regional Council, from a community called Seisia, right on the tip of Cape York. I am a Torres Strait Islander and have lived up there all my life. I worked for the federal government running Indigenous Business Australia for 12 years, which brought me down to Canberra too many times. We run our own stores up there and I was involved in the beginning of Outback Stores, which was set up by the federal government. I was chair of IBIS, which are the stores run by the state government in the Torres Strait. As I said, I run my own store in our community, or the council runs the stores in our communities.

I would like to pay my respects to the Ngunawal people and to all Indigenous peoples of Australia. I thank you for having me back for a second time to present at this inquiry.

ACTING CHAIR—Would you like to start with any opening statement on the topic of community stores.

Councillor Elu—As I said, I have been involved in running stores in communities ever since I started my working career. I was a shop assistant at IBIS when I first left school. I think stores are everywhere really. Food is for basic human sustenance and up home, not only up where we are but in the most remote communities, we hope to have a supply of food that is sustainable and that is also healthy and nutritious. Sometimes you cannot get that. It is only very recently that we got refrigeration in stores in some communities, so people lived on foodstuffs that did not require refrigeration. In most remote communities you still get living off the land, where people hunt on land or fish in the sea or in rivers. Thankfully, up where I am from, there is still a lot of fish and wildlife that we can hunt, gather and eat, which I think is healthy—much healthier than some food we can get in stores. Some supplies of meat that come up to our part of the country, I think, is inedible because it just takes too long to transport. It gets dumped off trucks. It gets thawed, frozen again and then thawed, and some of the meat that comes to the Torres Strait is really black. Unfortunately, some people still do eat it. Like I say, up our way, we have much more access to traditional foods than elsewhere in Australia.

ACTING CHAIR—You have made some observations about the cost of freight and the cost of power and the nature of monopolies. In your quieter moments have you ever thought about whether the solution is to simply provide a subsidy for power and freight, or do you think that is not the solution?

Councillor Elu—As I said to the committee members up in Bamaga, that side of things is academic. If you buy something in Brisbane you have to pay the cost for it to be delivered, whether by rail or truck, up to Cairns and then it is put on a boat. So, whether or not you provide a subsidy, the cost will still be there. It will be a cost to somebody. Whether that is a cost to us as the end consumer or a cost to the taxpayer if you provide a subsidy, it is a cost that will always be there.

The main thing I keep saying to people like you and to other people who will listen is that it is the consumer whose pockets are affected by this. So if you provide a subsidy and the price of food comes down, then, of course, the people will be able to afford it more. Right now, our fuel price has come down a bit—it is \$1.80 at the pump now at home. If Queensland scraps that 8c a litre come 1 July, I think we will pay about \$1.90 or maybe even \$1.95. So unless you provide subsidy all across, there will still be an effect.

I think there are other things we could do. I am going to go to Jim shortly; I am trying to get coconut oil to put into our diesel trucks. I am getting a mechanic to look at that to see whether we can put coconut oil into our council trucks. Jim knows that I have a lot of coconuts at my place. I want to try to put that into the diesel—say, 10 per cent of coconut oil into a diesel truck—and maybe it will save us some money in the long run. But that is council; that does not help our family. But if it can be done you know that at least the council prices will come down. So it is all of those other things that we can talk about. Your inquiry is into foodstuff, I know, but at the end of the day it is the money in people's pockets that is affected by everything around them.

Of course, there is travel and the fuel costs of travel and people wanting to go to Cairns. I think it is \$560 return from Bamaga to Cairns now. You can fly from here to Hong Kong with that. There are people who do it for business reasons. We have to fly auditors up there so we pay that on top of our normal business costs. It is like parents with kids going to school outside. They have to wear all this costs that is impacting on their income and when they go to the shops they cut down on what they can afford.

Mr TURNOUR—Just following up on that, Mr Elu, there is discussion around the philosophical policies and decision making in terms of whether the government should particularly look at stores in remote Indigenous communities. There is obviously a range of them across the country under different models. And whether we should be looking at them being run under a commercial basis or whether there is an issue about some stores not being sustainable and then there is the government policy response in some of those smaller communities. Have you any comments on whether you think they should be commercial and what is the role of government in terms of supporting stores that are not commercial at the moment, because we have evidence to that effect?

Councillor Elu—My belief is that every store should be run as a commercial enterprise. Just as an example is: there are over 3,000 people on Palm Island; their store is run by the department of communities in Queensland. They have only this one store run by the department. In Bamaga there are three stores: two are run by councils, one is the one at Seisia, and there is one that is run by IBIS, which is that government entity I talked about. The Palm Island store takes in about \$7.2 million turnover. There are 3,000 people and no other store on an island. In my community of Seisia this year we budgeted this year for \$7.72 million turnover. The simple reason is that the

department runs the Palm Island store as an essential service run by bureaucrats, whereas at Seisia we run it with the manager that we got off Australian United Retailers who is very commercially focused, and we run it as a business. We run it seven days a week every week except we are going to close for two days—Good Friday and Christmas Day. We run it as a commercial entity and we make that much money. The other thing is: Palm Island reported last year only \$230,000 profit, whereas we are up to nearly \$600,000 profit.

ACTING CHAIR—What is the population of Seisia that is using that store?

Councillor Elu—We are under 3,000 people in that NP area. We have three stores, whereas Palm Island with more than 3,000 people has one store. So you can see the difference. And the simple reason is the commerciality of those businesses.

Mr TURNOUR—Can I just ask a follow up question? I think that is a very clear examination of your views on that. There are a range of stores—we have IBIS, we have Outback Stores, there are the DATSIP stores, which you are talking about and are run as a network of stores. Outback Stores have given evidence that they look at individual stores and at the profitability of them individually. IBIS have given evidence that they are providing the same pricing on Thursday Island as they are in the outer islands, and clearly there are different costs associated with delivering produce to the outer islands. What are your views in terms of whether stores should be considered individually on a commercial basis or whether, in a place like the Torres Strait, you should look to network your stores and effectively cross-subsidise as they are doing?

Councillor Elu—What you can do there is use the buying power, like IBIS. IBIS has 14 stores I think and have a big buying power. But, like you say, what do you charge at each individual store for freight from, say, Horn Island and out? All the freight will be the same from Brisbane, or Cairns or wherever they source their stock to Horn Island. Of course TI is right there so would have minimum of that on-freight from Horn Island. You can pass that onto each individual store as per their locality. You can do that very simply, you just divide out the total cost of that freight to Horn Island, but you can also just equalise that to all communities. Like you say, they can charge the same amount because they equalise that Horn Island oncost as a similar figure to all stores. Of course, Murray Island and Boigu Island are the furthest and should be paying more than, say, Kubin Island which is just around the corner from TI.

Mr TURNOUR—So your view is that they should be paying more than they do on Thursday Island?

Councillor Elu—If you are going to be fair to the people of Kubin. But, like I say, the state government at IBIS level treat this as an essential service, so they are going to take into account the human factor and say that they cannot be judgemental of people on where they live and equalise it across the board, which I think the people of Murray Island and Boigu would be very happy about. It does not matter; it is all academic of what you do from then on as soon as you source where you get your foodstuff. With Bamaga, foodstuff is the key to nutrition and to freshness. I think I said that mostly the stores now get their meat from Brisbane. I do not know why but that is because the state government find it easier just to go to their shop down the road from Brisbane where the office is and source their meat there. I am talking about the DATSIP stores on these other communities like Lockhart River. I went to Lockhart and Kowanyama and I

looked in the freezer and their meat comes from Cannon Hill butchery. I do not know why but that is what I am saying.

Mr DEBUS—From where?

Councillor Elu—Cannon Hill butchery.

Mr TURNOUR—I will ask one more question and then I have to go and speak in the chamber. Just to move away from the Queensland to the Outback Stores because you were involved with setting it up. The issues around the role of Outback Stores as an entity—and we have evidence about the role of FaHCSIA who are putting money into Outback Stores—and the relationship with them particularly in terms of licensing stores in the Northern Territory. Have you any comments or experiences in relation to what we should be thinking about in terms of a policy approach from a department like FaHCSIA and then an enterprise that is supposed to be commercial like Outback Stores, and what their relationship should be and how they should function together?

Councillor Elu—We had a fundamental disagreement between IBA, which I was the chair of, FaHCSIA and the board of Outback Stores. Like I explained at Bamaga, the Outback Stores board was put together by Mal Brough before talking to IBA, which I was the chair. I said at the time that I thought it was illegal because we owned Outback Stores as IBA because the government gave us that money in the budget process. Anyway that is by-the-by; it happened. What we said to him, like I said before, is that all those stores should be treated as a commercial entity. They should be tested as commercial entities before Outback Stores put money in. I had a talk with Joe Hockey, who was the minister that IBA was under, and I also talked to Mal Brough about, if there was a difference, how we could work this store out. Mal Brough said, ‘Yes, I will give you the difference as long as you can prove that there is a nutrition value, there is a community service value and all of this type of thing. But if you are still falling below being profitable, FaHCSIA will make up that difference.’

I kept saying to the board that when we are testing these stores we have to have good stores plus bad stores so that we can equalise, like IBIS does, the takings from here to pay for there. But when the intervention started, the intervention process tried to make Outback Stores take on the stores that the intervention was going into, and most of them were bad stores. I told the board then that this would make us go broke very quickly. When you talk about commerciality, government departments and bureaucrats making decisions there is a fundamental difference of what happens.

When they talked about this smartcard system, I said to them that some of these community people will not like it and will not use it. I think that is now starting to pan out because some of these cards do have problems, especially when people want to travel, because they cannot shift the card. They cannot shift it to another store where they want to buy their stuff. It was a decision of the then department that this was to happen so that people would not spend their money on grog, drugs, cigarettes or other stuff. That is understandable, but that took money away because people then just started moving out. I think I said at the hearing in Bamaga that up in Queensland it is happening with the alcohol management plans. People are just moving out and they are taking their money with them. It is like Napranum—sorry, Napranum does not have a store. It is like, say, Mapoon: they get their money and they are going to Weipa to shop so that

they can buy grog, and the Mapoon store suffers from that. It is happening in Doomadgee and at Lockhart River. So it is the cash situation that is draining out of the community. You cannot have a viable store if your cash is going out—leakage, they call it.

ACTING CHAIR—Joseph, would you clarify for us. Are you saying that those commercial entities that have signed up to accept the basics card will accept a basics card from anywhere? Or are you saying that there is a problem with people moving between communities and not being able to use the basics card in commercial entities that are signed up?

Councillor Elu—Some commercial entities are not signed up so people cannot go there. They have to go to the ones that have signed up. So other people are saying, ‘How can we participate in this?’ It is putting a barrier between entities that do have the card system and the ones that do not have the card system, so the choice is not there anymore.

ACTING CHAIR—I want to delve further in the issue of sustainability. As a community becomes more remote or smaller in number of customers both of those affect viability. We have heard already from Outback Stores that there is a point at which it does become unviable to run a store. I want to clarify things. From what you have told me, is it true that you support the notion of cross subsidy of some of the more remote locations? That is the first question.

Councillor Elu—That is a decision for the people who will provide a subsidy. What we are saying is that if we are going to charge similar prices—I talked about IBIS, which is closer to home and I know it well—then in a community of 250 people with income we can sustain a store. That is the modelling we did. Under that you can charge a higher price and take a gamble on whether people will still shop there or try to buy cheaper stuff elsewhere, or, as I said to Mal Brough and to FaHCSIA, we will subsidise if you can prove that there is a health value, then we will subsidise the difference if you are going to charge the same price across similar stores.

ACTING CHAIR—From your point of view, for populations of under 250—Outback Stores told us about 200—do you see some benefit for government involvement in supporting stores to exist purely out of the public benefit of their being there, even if they are running at a loss? Or do you think it should be purely commercial?

Councillor Elu—That is what I am saying: it is your decision as a government if you want to do that. I am telling you that we can work it out, or Outback Stores can work it up to a level if we are going to charge a similar price. The Torres Strait is a similar thing with Outback Stores. In the communities closest to where you transport your stock from you can charge their freight equivalent, and you can charge the furthest stores on their freight equivalent. That means that it will be 20 per cent or 30 per cent dearer in the furthest stores. You can do that. If that furthest store is in a smaller community and they cannot afford what you are charging, you have a problem in that they cannot buy your stock. That is where you will have a shortfall and the store then becomes unviable because people are not shopping there. But if they are still going to shop there they will buy only what they can afford. I said to Roger Corbett—I am going to mention his name here—‘You can’t run a store for 200 people.’ I said, ‘I’d like to run a store in your street for 200 people because your income level is very different.’ In downtown Sydney 200 people can support a store whereas in the outback you cannot because the income level is very different. It is welfare dependent.

Ms REA—I would like to follow up on that point. I am interested to hear a little more about the success of the store in Seisia, particularly in light of the comments that you have just made. I would have imagined that, if freight and transportation were the key factors in terms of price, Palm Island versus Seisia would be quite different given that Palm is about an hour's easy drive from Cairns. I am interested to hear your comments about what you think has made Seisia so commercially viable. I am wondering, just hooking it back into the aspect of our inquiry regarding nutrition and the quality of products that are in these stores, whether the quality of what you are selling has had an impact on the commercial success of the store as well.

Councillor Elu—That is the answer: the quality of stuff we sell. People want to buy that. Yarrabah is an hour's drive from Cairns but Palm Island is—

Ms REA—Oh, I am sorry; I was thinking of Yarrabah.

Councillor Elu—about 50 kilometres off Townsville.

Ms REA—Yes, of course—my apologies. I am thinking of Yarrabah; we went to Yarrabah. Even so, it is probably easier to get stuff to Palm Island from Townsville.

Councillor Elu—Yes. I will go back a step. Before we built our store we only had the government store and one other little shop down the road at a place called Injinoo. People were buying things elsewhere. As I said, I know because I was the chair of IBIS back then. The Bamaga IBIS store was making about \$3 million a year. About 10 or 11 years ago we built the store at Seisia. In our first year our turnover was under a million dollars. In our third year we were comparable with the IBIS store, the government store, but they were still making the same. This meant that the leakage happening from the NPA area had stopped. People started coming to our store because we put in quality items. Before, I used to say to the managers at IBIS, 'Buy goats' cheese and marinated mussels and that kind of stuff.' They said, 'Blackfellas don't eat that.' I said: 'But you don't know that. You haven't sold it there.' So at Seisia the shop is like any shop you go into in eastern Brisbane or wherever. It is similar. We have a small deli that sells the stuff you get everywhere. Half of the people at Bamaga back then were getting their stuff in from outside, were ordering from Cairns or from Thursday Island. You can say that we stopped that. So all of the people in that area shop there. That is why we are saying that there is leakage at Palm Island. I believe that more than half of the people at Palm Island shop elsewhere. If the shop at Palm Island starts selling what Seisia, Townsville and Ingham are selling, it will stop.

Ms REA—So it is not just a price differential?

Councillor Elu—That is it. When we sell at Seisia—because our volume grew, we talked to the shipping companies and those types of people. We told them that we work at a level where somebody comes and buys a loaf of bread at Seisia and it will be X dollars. But if he orders that from Thursday Island or Cairns and pays freight on it the price should be similar. Sometimes it is not. Sometimes they can get it cheaper from Cairns and freight it up on the same boat you are freighting on. That is why I went back to Sea Swift and told them that we wanted to make this comparable. I said: 'If it is not, you are robbing us in favour of the person who is putting on one carton every week whereas we are putting on 10 pallets every week. So you had better look after the person who is paying you more.' So those kinds of arguments and discussions need to happen.

As I have said, the discussion about freight and all of that is academic as long as people pay the right price. That is what I say to people who say, 'You're paying a lot for freight.' I then say: 'I pay the right price to make sure that the boat runs on time every time and for a long time. If it does not, then that is my problem as well. If they are charging too low a price and they start faltering or they fall over because they are charging too low for freight'—and that is what has happened and, as you have said, there is no competition at Bamaga but before that the freight rates were similar—'that is my problem.' With the one that fell over his rates had started going down and when that fuel hike happened he could not sustain it. He was running too close to the wind. That is why I am saying to Sea Swift, 'Look, charge what you must but make sure it is the right amount to make sure that you make money and we make money.' That is the only way for this to be sustained. If they start running too close to the wind and fall over, then it is my problem as well because I will not have a boat to bring my goods over.

Ms REA—That is right.

ACTING CHAIR—I want to drill down briefly into whether you do any cross-subsidising to make fresh and healthy food more attractive and also how you do it. My second question is: do you have any training whereby you exchange your staff with major retailers in the city or do you bring major retailer trainers down to work on your floor? So there is a question about cross-subsidising and there is a question about training.

Councillor Elu—It is a very ad hoc cross-subsidy. What we do is just say, 'Okay, we can buy milk at a certain level and we will just put five per cent on that one.' Then we ask, 'Okay, what is a similar volume seller?' If it is Coca-Cola, we say, 'Okay, we'll put 25 per cent on Coca-Cola instead of 20-20.' We sell more Coca-Cola. It is just done by management. It is not policy. It is not—what would you call it?

ACTING CHAIR—It is not a formula.

Councillor Elu—Yes. It is not official, if you like. It is not something that we put down on paper. We find people buy more pumpkins and potatoes and those sorts of vegetables—because we stick them on the back veranda for a couple of weeks—rather than spinach and other vegetables that will wilt. Up there it is very warm and unless you stick them in the fridge they do not look too healthy after a couple of days. Those are the types of vegetables that we drop our price on. Our meat is fresh meat. We run our own cattle on the Atherton Tablelands, so we try to bring the price down. When the price of meat fluctuates because of how much Japan is buying or because of how much Brazil is selling we do not factor that in. We just say, 'Okay, we're going to sell rump at \$7 a kilo.' That is how much it stays at. It does not matter that the price of meat elsewhere bounces up and down.

Ms REA—When you say 'our cattle', what do you mean by 'our'?

Councillor Elu—The council. We have brought a block up in the tablelands and we run a few head. Sometimes we do not have any cattle so we have to buy from Townsville or from Teys Bros and others. That is when the prices bounce up.

Ms REA—Do you sell that meat elsewhere or is it just to your stores?

Councillor Elu—At the moment we can only sell it at our stores and around Bamaga. There is a motel that buys it off us and a few other people. It is probably not making us a lot of money but at least it is giving us a stable price.

Ms REA—So it keeps the price down.

Councillor Elu—That is right. Right now the price of meat is right down and we will have to drop it a bit more.

Mrs VALE—Do you have an abattoir system?

Councillor Elu—Yes.

Mrs VALE—So you have your own abattoir?

Councillor Elu—We have an abattoir in the Seychelles but we do not use it because when it is too dry it is too dry and we do not take cattle up. We took live cattle up last year and killed up there. We use a local abattoir on the Atherton Tablelands. They kill for us. We take the meat to a butcher shop in Malanda that prepares it and bags it and all of that and sends it up to us.

Mrs VALE—Do you have any access to freshly grown market garden fruit and vegetables at all in any way?

Councillor Elu—Not at the moment but we are planning on it. We have asked the state government to give us some money to reopen our farm at Bamaga. There was a farm there before. It tried to grow leaf vegetables and tomatoes which were not grown locally. My idea is that we will go back to the traditional vegetables that we grew up there: cassava, sweet potato, yams and all those types of things that the locals grew before we had shops.

Mrs VALE—Do you have any opportunity to train young people in horticulture?

Councillor Elu—We have but it has just been for parks and gardens and stuff like that. But we could switch that to growing fruit and veggies. Most people have backyard fruit trees—limes, lemons, bananas and mangoes.

ACTING CHAIR—Thank you very much, Joseph. That has been so insightful; thank you so much for your insights. We appreciate that you have come so far and have made the time available for us.

Resolved (on motion by **Mrs Vale**):

That this committee authorises the publication of the evidence given before it today, including publication on the parliamentary electronic database of the proof transcript.

Committee adjourned at 9.56 am