

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

Select Committee on Territory Food Prices

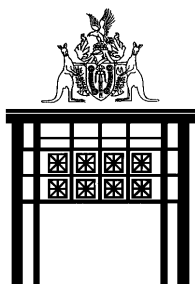
Price, Quality and Choice: Striking a Fair Balance

**Inquiry into Food Prices
in the
Northern Territory**

Volume 1

August 1999

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in the
Northern Territory**

Volume 1

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MEMBERS OF THE COMMITTEE

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Mr John Ah Kit, MLA

Mr Stephen Balch, MLA

Mr Philip Mitchell, MLA

Mr Sydney Stirling, MLA

Committee Secretariat:

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Ms Emma Mortlock (June to present)

Committee Support:

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Mr Peter Ward Department of Industries and Business

Consultants to the Committee:

Mr Chris Kent Ernst and Young
Mr Leslie Harley Ernst and Young

TABLE OF CONTENTS

VOLUME 1

CHAIRMAN'S PREFACE

CHAPTER 2 SUMMARY OF FINDINGS

CHAPTER 3 SUMMARY OF RECOMMENDATIONS

CHAPTER 4 INTRODUCTION

CHAPTER 5 A NORTHERN TERRITORY BASKET OF GOODS AND COMPARABLE LOCATIONS

CHAPTER 6 FACTORS CONTRIBUTING TO HIGHER FOOD PRICES
IN THE NORTHERN TERRITORY

CHAPTER 7 REMOTE CENTRES AND COMMUNITIES

CHAPTER 8 ANALYSIS OF THE PRICE OF FOOD AND OTHER HOUSEHOLD GOOD
IN THE NORTHERN TERRITORY

CHAPTER 9 MINORITY REPORT

CHAPTER 10 APPENDICES

10.1. COMMITTEE TERMS OF REFERENCE

10.2. SUMMARY OF DELIBERATIVE MEETINGS

10.3. LIST OF INDIVIDUALS APPEARING BEFORE THE COMMITTEE

10.4. LIST OF WRITTEN SUBMISSIONS RECEIVED

10.5. A NORTHERN TERRITORY BASKET OF GOODS

10.6. TERRITORY HEALTH SERVICES – SUBMISSION NO. 55

10.7. ASSEMBLY DEBATE ON TERRITORY FOOD PRICES – 18 FEBRUARY
1999

VOLUME 2

WRITTEN SUBMISSIONS RECEIVED

(SUBMISSIONS 1 – 58)

VOLUME 2

HANSARD TRANSCRIPTS OF PUBLIC HEARINGS

CHAPTER

1. ALICE SPRINGS REGION.
2. BARKLY REGION.
3. CANBERRA.
4. DARWIN REGION.
5. EAST ARNHEM REGION.
6. KATHERINE REGION.

VOLUME 1

VOLUME 1

CONTENTS	PAGE
CHAIRMAN'S PREFACE	1
CHAPTER 2 SUMMARY OF FINDINGS	3
CHAPTER 3 SUMMARY OF RECOMMENDATIONS	9
CHAPTER 4 INTRODUCTION	11
4.1. Establishment and terms of reference	11
4.2. The Need for an Inquiry	11
4.3. Conduct of the Inquiry	12
4.4. Membership of the Committee	13
4.5. Functions of the Committee	14
4.6. Sub-Committee Membership	14
4.7. Hearings and Meetings	14
4.7.1. Public Hearings	14
4.7.2. Deliberative Meetings	15
4.7.3. Briefings	15
4.8. Taking of Evidence	15
4.8.1. Evidence in general	15
4.8.2. Evidence received <i>In-Camera</i>	15
4.9. Committee Expenditure	16
CHAPTER 5 A NORTHERN TERRITORY BASKET OF GOODS AND COMPARABLE LOCATIONS	17
5.1. Overview	17
5.1.1. Comparison to Interstate Capitals	17
5.1.2. Comparison to Other Locations	18
5.1.3. Development of an Appropriate Basket of Goods	19
5.1.4. Identification of Average Expenditure Levels	19
5.1.5. Selection of Food Items to be Surveyed	20
5.1.6. Conducting the Survey	21
5.2. Findings	21
5.3. Recommendation	22

CONTENTS	PAGE
CHAPTER 6 FACTORS CONTRIBUTING TO HIGHER FOOD PRICES IN THE NORTHERN TERRITORY	23
6.1. Prices in the Northern Territory	23
6.1.1. Overview	23
6.1.2. Findings	25
6.1.3. Recommendation	25
6.2. Cost of doing business in the Northern Territory	26
6.2.1. Overview	26
6.2.2. Findings	29
6.2.3. Recommendation	29
6.3. Local food producers	31
6.3.1. Overview	31
6.3.2. Findings	32
6.3.3. Recommendations	32
6.4. The national supermarket chains in the Northern Territory	33
6.4.1. Overview	33
6.4.2. Findings	35
6.5. Restricted Trading Hours	36
6.5.1. Overview	36
6.5.2. Findings	37
6.5.3. Recommendation	37
CHAPTER 7 REMOTE CENTRES AND COMMUNITIES	38
7.1. Overview	38
7.2. Findings	40
7.3. Recommendations	40
CHAPTER 8 ANALYSIS OF THE PRICE OF FOOD AND OTHER HOUSEHOLD GOODS IN THE NORTHERN TERRITORY	42
8.1. Overview	42
8.2. Price Comparisons – Darwin v Cairns	44
8.2.1. Basket of Goods	44
8.2.2. Dairy Product	45
8.2.3. Bakery & Cereal Products	45
8.2.4. Meat	46
8.2.5. Fruit and Vegetables	46
8.2.6. Confectionery & Other Foods	47
8.2.7. Non-Alcoholic Beverages	47
8.2.8. Household Non-Durables	48
8.2.9. Toiletries	48

CONTENTS	PAGE
8.2.10. Branded Item v House Brand Items	49
8.3. Price Comparisons – Alice Springs v Mount Isa	49
8.3.1. Basket of Goods	49
8.3.2. Dairy Product	50
8.3.3. Bakery & Cereal Products	51
8.3.4. Meat	51
8.3.5. Fruit and Vegetables	52
8.3.6. Confectionery & Other Foods	52
8.3.7. Non-Alcoholic Beverages	53
8.3.8. Household Non-Durables	53
8.3.9. Toiletries	54
8.3.10. Branded Item v House Brand Items	54
8.4. Price Comparisons – Katherine v Broome	55
8.4.1. Basket of Goods	55
8.4.2. Dairy Product	56
8.4.3. Bakery & Cereal Products	56
8.4.4. Meat	57
8.4.5. Fruit and Vegetables	57
8.4.6. Confectionery & Other Foods	57
8.4.7. Non-Alcoholic Beverages	58
8.4.8. Household Non-Durables	58
8.4.9. Toiletries	59
8.4.10. Branded Item v House Brand Items	59
Price Comparisons – Katherine v Darwin	60
8.5.1. Basket of Goods	60
8.5.2. Dairy Product	61
8.5.3. Bakery & Cereal Products	61
8.5.4. Meat	62
8.5.5. Fruit and Vegetables	62
8.5.6. Confectionery & Other Foods	62
8.5.7. Non-Alcoholic Beverages	63
8.5.8. Household Non-Durables	63

CONTENTS	PAGE
8.5.9. Toiletries	64
8.5.10. Branded Item v House Brand Items	64
8.6. Price Comparisons – Nhulunbuy v Darwin	65
8.6.1. Basket of Goods	65
8.6.2. Dairy Product	66
8.6.3. Bakery & Cereal Products	66
8.6.4. Meat	67
8.6.5. Fruit and Vegetables	67
8.6.6. Confectionery & Other Foods	67
8.6.7. Non-Alcoholic Beverages	68
8.6.8. Household Non-Durables	68
8.6.9. Toiletries	69
8.6.10. Branded Item v House Brand Items	69
CHAPTER 9 MINORITY REPORT	70
CHAPTER 10 APPENDICES	73
10.1. COMMITTEE TERMS OF REFERENCE	75
10.2. SUMMARY OF DELIBERATIVE MEETINGS	79
10.3. LIST OF INDIVIDUALS APPEARING BEFORE THE COMMITTEE	83
10.4. LIST OF WRITTEN SUBMISSIONS RECEIVED	87
10.5. A NORTHERN TERRITORY BASKET OF GOODS	91
10.6. TERRITORY HEALTH SERVICES – SUBMISSION NO. 55	95
10.7. ASSEMBLY DEBATE ON TERRITORY FOOD PRICES – 18 FEBRUARY 1999	109

Chapter 1 CHAIRMAN'S PREFACE



This Report represents the culmination of six months investigation into food prices in the Northern Territory.

The Committee was charged by the Legislative Assembly of the Northern Territory to inquire into and report on whether or not prices of food, groceries and household items are substantially different to those in comparable locations elsewhere in Australia. Furthermore, if the Committee did find that prices in the Northern Territory were higher, then it was charged to identify the reasons for the variations in prices.

The Committee adopted two lines of investigation, namely assessing the impact of prices with the Territory's urban centres and secondly investigating the impact of food prices in remote communities.

Given the broad nature of the Terms of Reference, the Committee was motivated by the need to formulate positive recommendations so as to encourage a better understanding of the reasons behind the price variations and the nature of the market sources that result in higher prices.

At the culmination of the investigation the Committee identified some fifty-one Findings relating to:

- Prices in the Northern Territory;
- Cost of doing business in the Northern Territory;
- Local food producers;
- The national supermarket chains operating in the Northern Territory;
- Restricted trading hours; and finally
- Remote centres and communities.

Furthermore, recommendations were formulated through these findings and they are reflected in Chapter 3 of the Report.

The Committee chose to make a series of recommendations that should assist the community in providing various mechanisms and approaches to combat higher food prices in the Northern Territory.

The recommendations in this Report, if taken up by Government and Industry, will enable Territorians to shop healthier and wiser and consequently save money or buy more for their money.

This Report would not be possible had it not been for the many people, private citizens, wholesale and retail traders, primary producers and corporations who willingly and generously shared their information with the Committee.

I wish to formally record my appreciation for the assistance that the Committee had received in preparing this Report.

The Member for Arnhem, Mr John Ah Kit, the Member for Jingili, Mr Steve Balch, the Member for Millner, Mr Phil Mitchell and the Member for Nhulunbuy, Mr Sydney Stirling were all very helpful with the hearings and deliberations of the Committee.

The efforts of the support staff of the Committee were most valuable, in particular my thanks on behalf of the Committee go to Mr Rick Gray, the Secretary and to Ms Emma Mortlock, the Administrative Assistant/Research Officer.

The Committee also had the assistance of many government officials who provided their respective expertise. They contributed to the knowledge pool of the Committee from which this Report derives. The Northern Territory Treasury also provided the Committee with Mr Joe Yick, on secondment to the Committee for the last 2 months, who helped us with the work of assessing the detailed information that we received from the Territory's two main retail chains.

Consultants to the Committee were officers of Ernst & Young and Associates, represented in the main by Mr Chris Kent – Partner, Director Consulting and Corporate Finance and Mr Leslie Harley – Senior Manager. Their accounting expertise, which members of the Committee did not have, were very much appreciated, to work out the finer detail. The simple way that the information is provided in this Report attests to the understanding they had in the matter.

I also wish to express my appreciation for the assistance received from the officers of the Australian Parliament who gave up their time to us in holding public hearings within those precincts.

Finally, to the many organisations and individuals who appeared as witnesses and provided the Committees with submissions and information.

This Report owes much to their contribution.

DR RICHARD LIM, MLA
Chairman

Chapter 2 SUMMARY OF FINDINGS

The view of the Committee is that the findings of this inquiry are of equal importance to the recommendations outlined in Chapter 3, Summary of Recommendations.

In response to its Terms of Reference the Committee found that:

- Prices charged in Darwin appear reasonable when compared to Cairns and those charged in Alice Springs appear reasonable in comparison to Mt Isa. The Committee did not find evidence to sufficiently justify the price levels found in Katherine and Nhulunbuy.
- Food prices in the Northern Territory will only decrease, without regulatory intervention, to a comparable level to that of capital cities and other locations elsewhere in Australia when the Territory's population reaches a level where substantial economies of scale and infrastructure would allow the market to become more conducive to a higher level of competition.

The Committee also found that:

A Northern Territory 'basket of goods' and comparable locations

1. Due to the Northern Territory's relatively small population and economies of scale, it is not in a position to benefit from nationally competitive pricing that is afforded to regions elsewhere in Australia. Therefore care must be taken when comparing food prices in the Northern Territory with capital cities and other locations elsewhere in Australia, as they could be misleading.
2. Darwin does not have many of the cost advantages of those capital cities elsewhere in Australia, including:
 - (a) the economies of scale allowed by the population size of most other capital cities when compared to Darwin;
 - (b) proximity to the major distribution centres operated by the national supermarket chains;
 - (c) proximity to major fruit and vegetable producing areas; and
 - (d) the cooler climates in other State or Territory capital cities allowing cheaper storage and longer shelf lives for perishable goods.
3. Given the differing economies of scale behind the grocery pricing regimes in capital cities and other locations elsewhere in Australia, it is far more appropriate to compare food prices in the Northern Territory with comparable locations in Australia that have similar demographics and infrastructure. The locations selected were:
 - (a) Darwin with Cairns;
 - (b) Alice Springs with Mt Isa;
 - (c) Katherine with Broome;
 - (d) Tennant Creek with Derby; and
 - (e) Nhulunbuy with Wyndham.
4. Conducting the survey of prices based only on the information provided by the major supermarket chains impacted on the inquiry in the following ways:
 - (a) the Committee was unable to perform price comparisons for Tennant Creek, as neither supermarket chain has a store in this location;

- (b) the Committee had to compare Nhulunbuy to a location other than Wyndham because neither supermarket chain has a store in this location. The Committee therefore compared Nhulunbuy prices to Darwin, and tried to explain identified differences; and
 - (c) the Committee had to rely on the information provided by both major supermarket chains. Given the time constraints for this Committee to report by 19 August 1999 the survey was not independently checked, and much of it was historical information.
5. Price surveys conducted with a limited range of items in a 'Basket of Goods' could be open to manipulation and potentially mislead Territorians about the true nature of food prices. The Committee notes that the risk of distortions and manipulation in small sample size surveys could be largely overcome by increasing the sample size and that the cost of undertaking a regular survey of this size could be expensive.

Prices in the Northern Territory

6. Prices charged in Darwin appear reasonable when compared to Cairns and those charged in Alice Springs appear reasonable in comparison to Mt Isa. This could be partly due to the local competition between Coles and Woolworths in these centres. The Committee did not find evidence to sufficiently justify the price levels found in Katherine and Nhulunbuy.
7. Food prices in the Northern Territory will only decrease, without regulatory intervention, to a comparable level to that of capital cities and other locations elsewhere in Australia when the Territory's population reaches a level where substantial economies of scale and infrastructure would allow the market to become more conducive to a higher level of competition.
8. One feature of the stores in Katherine and Nhulunbuy is the comparative lack of competition, where a 'non-competitive premium' appears to apply.
9. Apart from fresh food, the 'gap' in food prices between Darwin and other capital cities has decreased steadily since 1996. In the case of fresh food, the gap has increased, with a peak in March 1998, and a downward trend since.
10. Since December 1998, food prices generally have steadily dropped in all of the major centres in the Northern Territory, including Nhulunbuy where food prices have dropped marginally.
11. The remote, small and decentralised population of the Northern Territory (191,400) has the effect of increasing prices.
12. The nature of competitive pricing in the grocery industry is based upon the movement of volumes and is subject to the principles of supply and demand.

Cost of doing business in the Northern Territory

13. In terms of the food distribution and purchasing policies of the two national supermarket chains operating in the Northern Territory, the Northern Territory is not regarded as a large enough region to justify a distribution centre attracting 'free into store' (FIS) prices as occurs in capital cities and other locations elsewhere in Australia.
14. There have been instances where locally produced food has been transported to 'southern distribution centres' and subsequently returned to the Northern Territory for sale in the local supermarkets.
15. Once groceries have left a distribution centre there is still a significant range of costs to be recovered by the retailer, some of which contribute to higher food prices in the Territory. These costs include:
- (a) Transport from warehouse to individual store;
 - (b) Stock spoilage (particularly fresh produce);
 - (c) Administration;

- (d) Wages, superannuation, payroll tax, workers compensation insurance;
 - (e) Advertising;
 - (f) Electricity (particularly refrigeration and air-conditioning);
 - (g) Rent;
 - (h) Depreciation;
 - (i) Stock holding costs (stock/turnover ratio);
 - (j) Trolley collection and cleaning contractors;
 - (k) Security, money transportation;
 - (l) Local government rates (for garbage collection and other services); and
 - (m) Insurance, public liability cover and other occupancy expenses.
16. As a percentage of the cost of good delivered in to Northern Territory stores, freight accounts for 5.0% in Alice Springs, 7.2% in Darwin, 6.1% in Katherine, 17.3% in Nhulunbuy and higher in remote centres and communities.
17. The two national supermarket chains operating in the Northern Territory benefit from advances in electronic technology.
18. The two national supermarket chains operating in the Northern Territory have a considerable advantage over small retailers through their ability to purchase and install their own EFTPOS hardware and software.
19. In response to the comment by the ACCC that the two national supermarket chains operating in the Northern Territory are able to negotiate favourable terms and conditions with the banks over EFTPOS facilities in the following manner
- (a) the banks tend to charge small retailers 20 cents for every debit transaction;
 - (b) the chains receive around 15 cents per debit transaction from their bank.
- One chain responded that the income received from the banks for EFTPOS transactions represents an offset to the sorts of incurred by the chains in providing EFTPOS facilities.
20. Territory taxes, such as Payroll Tax, were cited as a contributor to higher food prices in the Northern Territory.
21. Wholesale Sales Tax on the freight component of certain goods was a factor that contributed to higher food prices. The Committee noted that with the introduction of the Goods and Services Tax (GST), the Wholesale Sales Tax (WST) would be phased out.
22. Based on the 'Basket of Goods' developed by the Committee, the implementation of the GST would have a minimal impact on food prices. The total basket in Darwin pre-GST costs \$141.35 and post-GST costs \$139.32, which represents a saving of \$2.03 (-1.4%). It is still unclear how the GST may impact on food prices in the remote centres and communities in the Northern Territory and warrants further investigation.
23. Electricity usage and price were cited as contributors to a higher food price in the Northern Territory. For climatic reasons, the Northern Territory requires more electricity compared with the rest of Australia for store air-conditioning and refrigeration.

Local food producers

24. Food producers in the Southern and Eastern seaboard have comparative advantages of economies of scale, lower overheads, cheaper transport costs, ready access to major markets and lower inventory costs.

-
25. Opportunities are limited for local food producers to compete on a 'level playing field' nationally.
 26. Delivery of produce into 'Southern' stores is on a daily basis whilst into Darwin Stores is on average three times a week.
 27. A number of local food producers are dependent for their livelihood upon the two major national supermarket chains operating in the Northern Territory, which results in exposure of the small local operations to the competitive advantages of the scale of economies generated elsewhere in Australia, particularly within the Southern States.
 28. The sale and supply of local produce directly to the two major national supermarket chains operating in the Northern Territory is negotiated on an ad-hoc basis, with limited guarantees of continuation from the chains to receive that produce.
 29. Given high costs of production, local food producers have found it difficult to compete at the national level. Produce elsewhere in Australia is provided on a more continuous basis and usually at a more favourable price to the consumer.
 30. There is considerable opportunity for growth in the Northern Territory's horticulture industry, but it is fragmented in nature with a lack of infrastructure that hinders continued development.
 31. Local markets are smaller and more disparate than those established in the States and the Australian Capital Territory.

The national supermarket chains in the Northern Territory

32. The two national supermarket chains operating in the Northern Territory, irrespective of the contribution they make to the local economy, are in business to make a profit and provide a return to their shareholders.
33. Only two national supermarket chains, namely Coles Myer Supermarkets Australia Ltd and Woolworths Supermarkets (SA) Division operate in the Northern Territory.
34. Should a new major supermarket competitor wish to commence operations within the Northern Territory, it would find it very difficult, principally due to the infrastructure establishment costs. The establishment of a new major supermarket competitor to the Northern Territory would be a commercial decision, determined entirely by the demands of the market.
35. The two national supermarket chains operating in the Northern Territory have acquired a significant market share. This has come at the expense of the local independent supermarkets.
36. The competition between the two major national supermarket chains operating in the Northern Territory benefits the consumer by providing convenience through access to:
 - (a) a wide variety of goods;
 - (b) quality food, in particular meat, fruit and vegetables; and
 - (c) a consolidation of complementary retail services, for example, butchery and bakery services, newsagency and fast food outlets.
37. There appears to be adequate safeguards in respect of monitoring trading hours and market competition already in place under the authority of the Australian Competition and Consumer Commission (ACCC). The Committee noted that the ACCC would be closely monitoring the implementation of the GST.
38. Consumers want to have the services and convenience of shopping in either the major national supermarkets or at a local independent supermarket.
39. There is a lack of educational and promotional awareness programs from the grocery industry, which would assist the consumer in making an informed choice.

40. There was strong support within the community for greater consumer awareness of competitive food prices and variations in the Northern Territory, through the re-introduction and regular publication of price comparisons.

Restricted trading hours

41. The local independent supermarkets favoured restricted trading hours and a cap on market share.
42. There was strong consumer demand for retaining unrestricted trading hours as it has become a way of life in the Northern Territory.

Remote centres and communities

43. Some of the major centres and all of the remote communities in the Northern Territory are disadvantaged in terms of price, variety and quality of food supplied, particularly perishable foodstuffs.
44. Due to the absence of economies of scale in remote centres and communities in the Northern Territory, higher costs tend to be incurred for the transport of goods by sea, air and road to those centres and communities.
45. There is no significant difference in terms of stock spoilage between the major centres in the Northern Territory and stores in other comparable locations elsewhere in Australia. However, stock spoilage (particularly fresh food and meat) was a major contributor to higher prices in remote centres (including Nhulunbuy) and communities.
46. There were a number of models as to how remote Aboriginal Communities establish and maintain the running of the 'Community Store'. These models reflect the following:
- (a) Community Stores that are controlled and operated by the local community government;
 - (b) Community Stores that are established as incorporated bodies, separate from the local community government;
 - (c) Community Stores that are established as incorporated bodies, separate from the local community government but return their profits to the community; and
 - (d) Community Stores that are run as private organisations.
47. The Community Store Manager plays an important role in regard to the quality, quantity and availability of foods in remote communities, and eventually the nutritional health of a community.
48. In some remote Aboriginal communities the Community Store may not be regarded as an economic enterprise, but rather a convenient source of funds for other community interests. This may have a detrimental effect in regard to providing reasonable food prices, namely that:
- (a) the store manager may refrain from making commercial decisions that would preserve the viability of the store;
 - (b) the threat of insolvency may result in an even higher mark-up on food and other items; and
 - (c) the wholesaler when dealing with a community store may see such a store as high risk and therefore charge accordingly.
49. Higher food prices in Community Stores in remote communities do affect peoples' buying patterns.

50. The incidence of diet related ill health is higher in remote Aboriginal communities. These concerns were raised by Territory Health Services in its submission to the Committee which estimated:

approximately 95% of food eaten in Aboriginal communities is food purchased in the store, with traditional foods now contributing only a small amount to peoples' dietary intake. Poor diet is a major risk factor for chronic diseases such as coronary heart disease, diabetes and renal disease, all of which are of higher prevalence in the Aboriginal population, along with low birth weight and undernutrition in early infancy.

51. The introduction of local food enterprises such as the development of market gardens in some of the remote centres and communities, has the potential to reduce food costs and provide food of high quality and nutritional value.

Chapter 3 SUMMARY OF RECOMMENDATIONS

A Northern Territory Basket of Goods and comparable locations

1. The Committee recommends that the Government (in consultation with industry and consumer representatives) develops guidelines necessary to monitor grocery prices across the Northern Territory and that the results be published on a regular basis.

Prices in the Northern Territory

2. The Committee recommends that retailers provide consumers with the unit price of goods together with the price payable and that these be adequately reflected on the shelf label.

Cost of doing business in the Northern Territory

3. The Committee encourages the Government to continue its present policy of reducing commercial electricity tariffs, with further reductions being made as soon as possible until commercial tariffs are in line with the 'all-States' average. It further recommends that the Power and Water Authority continues to publish in its annual report, the inter-city comparisons of electricity tariffs.

Local food producers

4. The Committee recommends that the Government develops a feasibility study on the food supply system in the Northern Territory, and that in doing so the study should take into account:
 - (a) the identification of the factors influencing the distribution of food;
 - (b) the strategies to address factors that impact upon food supply;
 - (c) to identify how those strategies in item (b) above can be implemented; and
 - (d) the viability of establishing a wholesale market or food co-operative that will serve the Northern Territory and South East Asia.
5. The Committee recommends that local food producers within the Northern Territory organise themselves into coherent and representative bodies that can readily compete with major producers elsewhere, by establishing a competitive regime to sell local produce to the major national supermarkets operating in the Northern Territory and South East Asia.

Remote centres and communities

6. The Committee recommends that an inquiry be undertaken:
 - (a) to review the operation and management practices of stores within remote communities;
 - (b) to identify ways to assist those stores to effectively meet community aspirations; and
 - (c) to assess the overall impact of the GST on food prices in remote communities.
7. The Committee recommends that the Government facilitates sponsored trainee programs for remote community stores staff on all aspects of managing and handling food and produce.
8. The Committee supports the development of an award system for stores in remote communities, to foster and promote best business and management practices in meeting community aspirations.
9. The Committee recommends that the Government facilitates programs that will allow for the establishment and the development of local food enterprises and ventures, such as market gardens in remote centres and communities, that will reduce food costs and provide food of high quality and nutritional value.

Restricted trading hours

10. The Committee does not support the call to regulate prices nor restrict trading hours.

Chapter 4 INTRODUCTION

4.1. ESTABLISHMENT AND TERMS OF REFERENCE

On 18 February 1999, the Legislative Assembly established the Select Committee on Territory Food Prices.

The Select Committee was to inquire and report to the Legislative Assembly on or before 19 August 1999 on:

- (i) whether or not prices of food, groceries and household items are substantially different to those in comparable locations elsewhere in Australia; and
- (ii) if so, identify the reasons for the variations in prices.

Appendix 1 shows the full text of the Committee's Terms of Reference.

4.2. THE NEED FOR AN INQUIRY

The need for this inquiry arose from the belief that Territorians pay higher prices for food and grocery items in the Territory than in other areas of Australia.

In January 1999, an article in the *Business Review Weekly* raised again the public debate on food pricing. That article reported on studies conducted in August and September 1998 by two research companies funded by *Life, Be In It* and the apple and pear industries. One of the important findings in the study was that food-shopping costs vary according to where people live and that the presence of significant competition rather than the availability of local produce influenced these costs as a key determinant.

The Chief Minister, the Hon. Denis Burke, MLA commented in the debate in establishing the Committee that:

There is no doubt that people feel strongly about high prices and the committee's task is to find the facts and thus arm Territorians – consumers - with the best possible information so that consumers can make an informed choice on how best to minimise the effect of high prices on their lives. It is not to recommend interventionist action of government and not to try to second-guess business operators on how to operate their business.

Given the broad nature of the Terms of Reference, the Committee was motivated by the need to formulate positive recommendations so as to encourage a better understanding of the reasons behind the price variations and nature of the market forces that result in higher prices.

The view of the Committee is that the findings of this inquiry are of equal importance to the recommendations. The matters that are dealt with in this report are a consequence of the operation of market forces, which drive the competitive nature of doing business in the Northern Territory, it would be inappropriate for the Committee to recommend direct intervention. The Committee saw its role as one of highlighting matters of concern in order that market forces may address them.

4.3. CONDUCT OF THE INQUIRY

The Committee called for evidence in a series of advertisements in the Northern Territory's daily and regional newspapers including the Committee's Internet 'Homepage' under the Northern Territory Legislative Assembly¹.

In addition, letters setting out the scope of the inquiry and inviting submissions addressing the Terms of Reference were sent to relevant organisations and companies and selected individuals. Subsequently, persons and organisations that had provided the Committee with a written submission were invited to appear before the Committee to address and respond to questions put by the Committee.

During the course of its deliberations a number of issues arose that required the further invitation of witnesses to appear before the Committee to address specific areas of concern and interest to the Committee.

The Committee resolved to follow precedent established by past investigations conducted by other Committees of the Legislative Assembly that the hearing of evidence would be open to the public and the media. However, when there was a requirement to hear evidence *in-camera* accordingly, the public, including the media, was asked to leave the hearing.

The Committee engaged the professional accounting firm of Ernst & Young as consultants to assist it in identifying whether food prices in the Northern Territory Northern Territory are higher than in comparable locations elsewhere in Australia. The primary purpose of engaging Ernst and Young was to utilise that organisation's resource to assess whether price variations identified during the course of this inquiry appeared reasonable or justified.

¹ Committee's Internet Homepage - <http://www.nt.gov.au/lant/committees/sctfp>

4.4. MEMBERSHIP OF THE COMMITTEE



Dr Richard S H Lim, MLA (Chairman)
 Country Liberal Party
 Member for Grotorex
 First elected: 4 June 1994
Parliamentary Position: Chairman of the Environment Committee
Other Committees: Public Accounts, Environment



Mr John L Ah Kit, MLA
 Australian Labor Party
 Member for Arnhem
 First elected: 7 October 1995
Parliamentary Position:
Other Committees: Standing Orders, House, Environment



Mr Stephen J Balch, MLA
 Country Liberal Party
 Member for Jingili
 First elected: 30 August 1997
Parliamentary Position: Chairman of the Subordinate Legislation and Publications Committee
Other Committees: House, Legal and Constitutional Affairs, Standing Orders



Mr Phillip A Mitchell, MLA
 Country Liberal Party
 Member for Millner
 First elected: 4 June 1994
Parliamentary Position: Chairman of Committees
Other Committees: House, Environment, Subordinate Legislation and Publications



Mr Sydney J Stirling, MLA
 Australian Labor Party
 Member for Nhulunbuy
 First elected: 27 October 1990
Parliamentary Position: Deputy Leader of the Opposition
Other Committees: Privileges, Standing Orders, Legal and Constitutional Affairs

4.5. FUNCTIONS OF THE COMMITTEE

The Committee derived its authority from the *Northern Territory (Self Government) Act 1978* and the *Legislative Assembly (Powers and Privileges) Act*. Under its terms of reference, the Committee was empowered to appoint sub-committees and to refer to any such sub-committee any matter that it was empowered to examine. Four members of the Committee constituted a quorum of the Committee whilst two members of a sub-committee constituted a quorum of that sub-committee.

The Committee or any sub-committee also had the power:

- (a) to send for persons, papers and records;
- (b) to adjourn from place to place;
- (c) to meet and transact business in public or private session;
- (d) to sit during any adjournment of the Assembly;
- (e) to print from day to day such papers and evidence as may be ordered by it; and
- (f) unless otherwise ordered by the Committee, a daily *Hansard* shall be published of such proceedings of the Committee as they take place in public.

4.6. SUB-COMMITTEE MEMBERSHIP

In taking on this task the Committee resolved to form sub-committees to take evidence throughout the Northern Territory.

4.7. HEARINGS AND MEETINGS

4.7.1. Public Hearings

Hearings were open to the public, including the media. The media was able to report any public session of the Committee, unless otherwise ordered by the Committee.

The Committee held public hearings at the following locations:

Date	Location	Date	Location
18/05/99	Finke	22/06/99	Nhulunbuy
18/05/99	Alice Springs	23/06/99	Ngukurr
19/05/99	Yuendumu	23/06/99	Borroloola
19/05/99	Tennant Creek	24/06/99	Darwin
20/05/99	Ali Curung	25/06/99	Darwin
21/06/99	Port Keats	13/07/99	Canberra
21/06/99	Katherine	19/07/99	Darwin (in-camera)
22/06/99	Maningrida		

The Committee, under its Terms of Reference, was able to authorise for the televising of hearings under such rules as the Speaker of the Legislative Assembly determined. *Hansard* produced transcripts of the proceedings.

During the course of its inquiry, the Committee conducted fourteen (14) public hearings and meetings.

4.7.2. Deliberative Meetings

This format was used for private meetings of the Committee where "confidential" matters and the proceedings of the Committee were discussed, together with general administrative business. Deliberative meetings were recorded in the Minutes of Committee Proceedings.

The Committee held fourteen (14) deliberative meetings. Appendix 10.2 summarises the main items the Committee addressed at these meetings.

4.7.3. Briefings

Briefings to the Committee were used as a tool in gathering particular and pertinent information that was required by the Committee. Briefings were not open to the public and were generally of a confidential nature.

4.8. TAKING OF EVIDENCE

4.8.1. Evidence in general

Like all parliamentary committees, the Committee's effectiveness was largely reliant on the type and content of information developed, gathered or submitted during its deliberations. The source and content of information, in a number of the written and oral submissions received by the Committee was generally of a high standard, professional and specialist in nature on specific subjects. Others submissions promoted or presented particular attitudes, trends and ideas.

Eighty-five (85) people gave direct oral evidence to the Committee at its public hearings throughout the Northern Territory. Appendix 10.3 lists the individuals that appeared before the Committee.

The Committee also received 58 written submissions. Appendix 10.4 lists those submissions received.

For further reading of the evidence submitted to the Committee, the reader is referred to Volume 2 Part A - *Written Submissions Received* and Part B - *Hansard Transcripts of Public Hearings*.

4.8.2. Evidence received *In-Camera*

Although hearings are open to the public, there were a number of occasions during the course of its inquiry when the Committee resolved to go *in-camera* to receive evidence that was of a 'confidential nature'. The Committee resolved to go *in-camera* ten times.

4.9. COMMITTEE EXPENDITURE

The Committee's salaries and administration expenses for the period of the inquiry were as follows:

- Salary and Allowances: \$40,465
- Administration Expenses: \$76,565

The following Table provides a cost break up attributed to the Committee's activities.

ITEM	\$
Salaries/Allowances	40,465
Motor Vehicle Expenses	1,394
Advertising/Communications	6,670
Information Technology Services	750
Consultants	40,000
Document Production	4,500
General Expenses/Consumables	3,746
Official Duty Fares	16,648
Travelling Allowance	2,857
Total	117,030

Table 1: Salary and Administration Expenses

The following figure provides a percentage break up of item expenditure by category of cost.

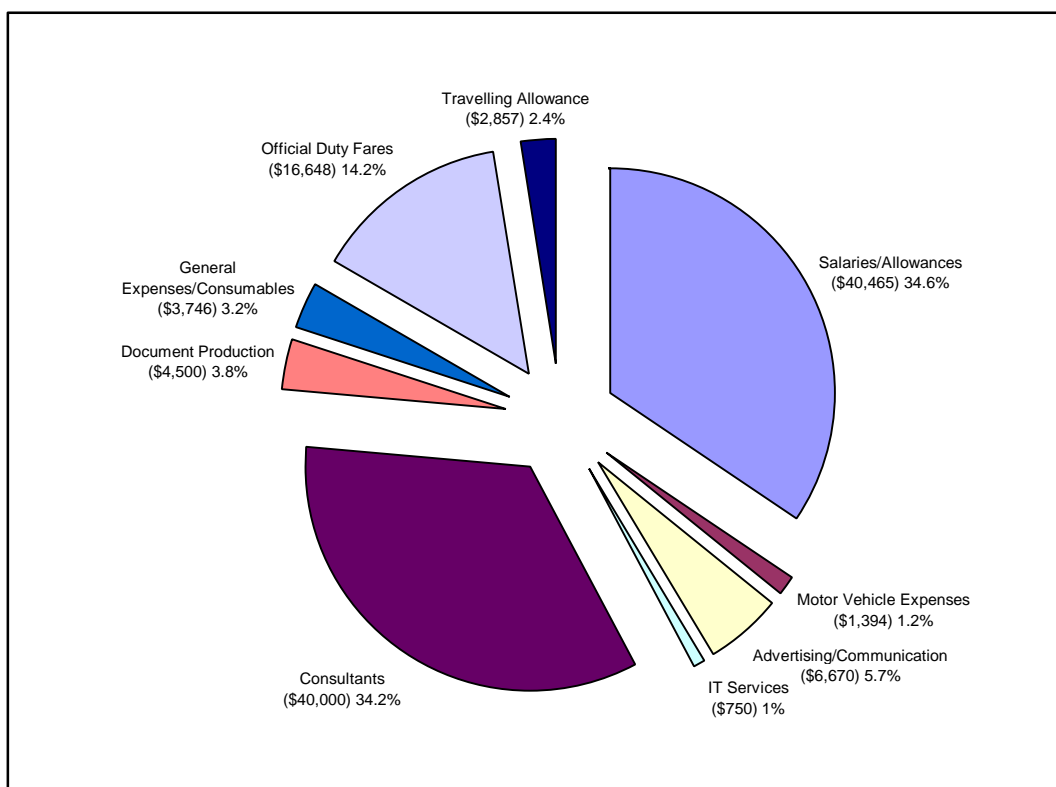


Figure 1: Item Expenditure by Category of Cost

Chapter 5 A NORTHERN TERRITORY BASKET OF GOODS AND COMPARABLE LOCATIONS

5.1. OVERVIEW

In accordance with Paragraph 1 of its Terms of Reference¹ the Committee's starting point was to determine which locations should be chosen to allow a comparison of prices with major NT regional centres, and to develop a basket of goods to be surveyed.

In addressing this task the Committee found that comparisons between Darwin and Alice Springs with the cities on the Southern and Eastern seaboard, were inappropriate. The Northern Territory's relatively small population and economies of scale, do not place it in a position to benefit from nationally competitive pricing that is afforded to capital cities elsewhere in Australia.

Given the differing economies of scale to the grocery pricing regimes in capital cities elsewhere in Australia, the Committee considered that it was far more appropriate to compare food prices in Northern Territory locations with comparable locations elsewhere in Australia that have similar demographics and infrastructure.

The Committee considered how this task should be approached, and determined on the following basis for the review:

- the price survey would be limited to major urban regional centres within the Northern Territory;
- remote locations within the Northern Territory would be dealt with as a separate issue;
- as the majority of people shopped at the major national supermarket chains, the review of prices would be limited to these stores;
- prices would be surveyed over the last 18 months to two years, in order to establish whether any trends could be identified in prices over that time;
- once price variations were identified, information would be obtained from the national supermarket chains which would allow the Committee to compare the costs of doing business in the Northern Territory with that of doing business in other States or Territories; and
- the Committee would establish and report upon whether the cost differentials identified adequately explained any identified price variations.

5.1.1. Comparison to Interstate Capitals

Much of the recent debate on food prices in the Northern Territory was based on comparisons to other State capital cities. The Committee determined that this was an unfair comparison due to their very different nature and that it was not a worthwhile exercise to compare Northern Territory prices to locations where it was inevitable that prices would be cheaper overall.

The Committee was aware that Darwin does not have many of the cost advantages of those capital cities elsewhere in Australia, including:

¹ 1 (a) whether or not the prices of food, groceries and household items across the Territory are substantially different to those in comparable locations elsewhere in Australia; and
(b) if so, identify the reasons for the variations in prices

- (a) the economies of scale allowed by the population size of most other capital cities when compared to Darwin;
- (b) proximity to the major distribution centres operated by the national supermarket chains;
- (c) proximity to major fruit and vegetable producing areas; and
- (d) the cooler climates in other State or Territory capital cities allowing cheaper storage and longer shelf lives for perishable goods.

5.1.2. Comparison to Other Locations

A more valid comparison would be to look for locations which were as similar as possible to the various NT major regional centres, and to assess whether prices in these locations compared favourably or otherwise to NT prices. If appropriate locations could be identified, price variations should be far less, and it should theoretically be far simpler to explain any identified differences.

On this basis, the Committee identified a series of demographic and physical criteria upon which to select possible comparable locations. The criteria that were selected are set out below:

- (a) the similarity of the population size;
- (b) whether the location was in a similar climatic area;
- (c) the estimated distance of the location to its nearest Capital city;
- (d) the average age of the population;
- (e) the average household income;
- (f) the average overall household expenditure; and
- (g) the average household expenditure on food and non-alcoholic beverages.

The criteria were all given equal weighting. A ranking was developed for all possible comparable locations against each of these criteria, and a total score established based on the ranking of each comparable location for each the criteria.

Using these criteria, the Committee identified the following comparable locations for each of the major NT regional centres:

NT Regional Centre	Comparable Location
Darwin	Cairns, Queensland
Alice Springs	Mount Isa, Queensland
Katherine	Broome, Western Australia
Tennant Creek	Derby, Western Australia
Nhulunbuy	Wyndham, Western Australia

The Committee had hoped that it could compare Tennant Creek with Derby and Nhulunbuy with Wyndham. However, it was unable to do so as retail prices were not readily available at those centres. Furthermore, none of the national supermarket chains operating in the Northern Territory have stores in Tennant Creek or Wyndham.

5.1.3. Development of an Appropriate Basket of Goods

The Committee recognised at the outset that it was not going to be possible to develop a basket of goods which was acceptable to everyone. No basket of goods would be able to reflect individual shopping preferences. However, the Committee determined that a Northern Territory weighted basket should be developed, as objectively as possible. This would allow a comparison to be made of prices over a period of time, and between stores and locations, which at least takes into account the shopping preferences of the average Territorian.

All advice the Committee received suggested it needed to develop a standardised basket of goods for the Northern Territory. The 'Northern Territory Basket of Goods' was selected based on:

- the top 500 sale items from Coles;
- the top 200 sale items from Woolworths;
- the top 20 sale lines of fruit and vegetable at Woolworths;
- the top 10 sale lines of fruit and vegetable at Coles; and
- the top 10 sale lines of meat at both Woolworths and Coles.

The Committee therefore determined to use information regarding average Northern Territory expenditure levels, combined with information regarding the best selling items in the Northern Territory, to develop the basket of goods.

In addressing the issues in regard to pricing surveys and to the size of the 'basket of goods' that would result in a fair reflection of food prices, Coles submitted that a small basket of goods sampled from supermarkets runs the risk of being manipulated by the retailers being surveyed

In similar surveys conducted by the Australian Consumers Association (publishers of Choice), some retailers knew when the survey was to take place and dropped their prices on key items to appear the 'cheapest' supermarket in the survey. Other retailers followed the lower market prices down. Despite Coles pleas to Choice to undertake the survey unannounced, the annual practice (and published results) continues.

A similar survey in the Territory would be manipulated in the same way and potentially mislead Territorians about the true nature of food prices. This is why we supplied the Committee with a 2000 item grocery basket. The risks of distortions and manipulation in small sample size surveys are largely overcome by increasing the sample size. Unfortunately the cost of undertaking a regular survey of this size is expensive².

5.1.4. Identification of Average Expenditure Levels

The Committee obtained information from publications issued by the Australian Bureau of Statistics regarding average expenditure levels in the Northern Territory.

Based on the 1993-1994 *Household Expenditure Survey of Detailed Expenditure Items in Australia (6535.0)*, which was the latest available information, the average household spent the majority of its weekly income on a category of expenditure known as "food and non-alcoholic beverages". Such expenditure amounted to approximately \$111.00 nationally or \$127.07 in the Northern Territory (Darwin).

² Submission No. 46

However, this category included the sub-category of 'meals out and takeaway food'. For the purpose of this basket, this sub-category was excluded. This reduced the average total expenditure levels as follows:

- the national average weekly household expenditure on food and non-alcoholic beverages to \$81.51; and
- the Northern Territory (Darwin) weekly average household expenditure on food and non-alcoholic beverages to \$89.72.

Furthermore, to reflect the fact that this Committee was reviewing the price of food and 'other' household items, it chose to include two additional categories, being

- Household Supplies & Services, such as detergents, polishes, cleaning agents and paper products³; and
- Personal Care Products or Toiletries, such as toothpaste and toilet soaps.

This increased the average expenditure levels for the Northern Territory to \$109.66.

These average Northern Territory (Darwin) weekly household expenditure figures related to 1993/1994 prices and were therefore adjusted to take account of CPI, by category. The results of this process are summarised below, which also outlines each of the sub categories or groups of food items were used in the survey.

Category or Group	Average Household Expenditure (1993/1994)	Estimated Average Household Expenditure After CPI to March, 1999
	\$	\$
<i>Food Group</i>		
Dairy Products	12.44	13.82
Bakery & Cereal Products	10.69	13.24
Meat & Seafood	18.78	20.32
Fruit & Vegetables	15.23	18.96
Confectionery & Other Foods	20.38	24.09
Non-alcoholic Drinks	12.20	13.82
Total Food Group	89.72	104.26
<i>Household Services Group</i>		
Household Non-Durables	13.55	14.92
Total Household Group	13.55	14.92
<i>Personal Care Group</i>		
Toiletries	6.39	7.05
Total Personal Group	6.39	7.05
Total Household Expenditure	109.66	126.23

Source: The average household expenditure has been taken from ABS Household Expenditure Survey of Detailed Expenditure Items (6535.0)

5.1.5. Selection of Food Items to be Surveyed

The Committee requested from the national supermarket chains operating in the Northern Territory a listing of the most popular brands and sizes of particular grocery items sold in the

³ Paper products include items such as tissue paper, toilet paper and serviettes

Territory. Using these listings, the Committee developed a basket of goods which was weighted in accordance with total dollars spent in each category of the Household Expenditure Survey of Detailed Expenditure Items, as adjusted for CPI.

In selecting food, grocery and other items to represent each of the categories, the Committee attempted to use as many items as possible in order to develop a broadly cross representative sample.

The detailed basket, made up of 45 items is set out in Appendix 10.5

5.1.6. Conducting the Survey

Once developed, the Committee requested from each of the national supermarket chains, details of the price of each of those items included in the basket, at seven dates approximately three months apart, over the last 18 months to two years. If an identical item was not available, the Committee requested the price of the nearest equivalent item.

In order to make a comparison of the price of branded goods with house branded items, the Committee also asked the major chains to provide it with the prices of the equivalent house branded items to those items selected in the basket of goods, wherever possible.

Data for some locations were incomplete. In order to maximise the number of items for analysis, missing data were estimated using averages of available data and best judgement.

5.2. FINDINGS

1. Due to the Northern Territory's relatively small population and economies of scale, it is not in a position to benefit from nationally competitive pricing that is afforded to regions elsewhere in Australia. Therefore care must be taken when comparing food prices in the Northern Territory with capital cities and other locations elsewhere in Australia, as they could be misleading.
2. Darwin does not have many of the cost advantages of those capital cities elsewhere in Australia, including:
 - (e) the economies of scale allowed by the population size of most other capital cities when compared to Darwin;
 - (f) proximity to the major distribution centres operated by the national supermarket chains;
 - (g) proximity to major fruit and vegetable producing areas; and
 - (h) the cooler climates in other State or Territory capital cities allowing cheaper storage and longer shelf lives for perishable goods.
3. Given the differing economies of scale behind the grocery pricing regimes in capital cities and other locations elsewhere in Australia, it is far more appropriate to compare food prices in the Northern Territory with comparable locations in Australia that have similar demographics and infrastructure. The locations selected were:
 - (a) Darwin with Cairns;
 - (b) Alice Springs with Mt Isa;
 - (c) Katherine with Broome;
 - (d) Tennant Creek with Derby; and
 - (e) Nhulunbuy with Wyndham.

4. Conducting the survey of prices based only on the information provided by the major supermarket chains impacted on the inquiry in the following ways:
 - (a) the Committee was unable to perform price comparisons for Tennant Creek, as neither supermarket chain has a store in this location;
 - (b) the Committee had to compare Nhulunbuy to a location other than Wyndham because neither supermarket chain has a store in this location. The Committee therefore compared Nhulunbuy prices to Darwin, and tried to explain identified differences; and
 - (c) the Committee had to rely on the information provided by both major supermarket chains. Given the time constraints for this Committee to report by 19 August 1999 the survey was not independently checked, and much of it was historical information.
5. Price surveys conducted with a limited range of items in a 'Basket of Goods' could be open to manipulation and potentially mislead Territorians about the true nature of food prices. The Committee notes that the risk of distortions and manipulation in small sample size surveys could be largely overcome by increasing the sample size and that the cost of undertaking a regular survey of this size could be expensive.

5.3. RECOMMENDATION

The Committee recommends that the Government (in consultation with industry and consumer representatives) develops guidelines necessary to monitor grocery prices across the Northern Territory and that the results be published on a regular basis.

Chapter 6 FACTORS CONTRIBUTING TO HIGHER FOOD PRICES IN THE NORTHERN TERRITORY

6.1. PRICES IN THE NORTHERN TERRITORY

6.1.1. Overview

The Committee sought and received statements from both Coles and Woolworths in respect of their pricing policies for the Northern Territory:

Coles Pricing Policy

*Coles has a standard pricing structure in each State and Territory designed to provide good value to our customers and a satisfactory return to the business. This pricing structure varies in each location according to structural costs, local competition and the scale economies achieved. Store managers have the discretion to lower prices on key lines, in order to meet local competition, but **not to undercut** local competition. Store managers do not have the authority to raise prices above Coles standard structure¹.*

Woolworths Supermarkets (SA) Pricing Policy

Within Woolworths Supermarkets (South Australia) the decisions relating to pricing, ranging of stores, promotional activity etc. are made at a local level. Each state is responsible for its own operation with strategic and policy guidelines being provided from a national office in Sydney.

Woolworths' pricing policy in supermarkets is to sell competitively. That is, Woolworths' competitive prices ensure that customers see value form for their grocery dollar in addition to the other non price benefits that Woolworths offers. Such benefits include a wide range, convenient locations and extended shopping hours. Research shows that choice, convenience and safe food are also important attributes in choosing where to shop, in addition to price.

Competitive price checking

To maintain a competitive pricing policy Woolworths has a monitoring programme of major competitor prices. This is used by each Woolworths State Office to ensure that they trade competitively. A similar monitoring exercise is no doubt maintained by Woolworths' competitors for the same purpose.

In addition to the monitoring of prices at State Office level, managers of individual stores monitor local competitors to ensure that they are competitive on key products.

Managers may seek authorisation to match prices in their local area on certain items².

The Committee determined to compare the prices at the two major supermarket chains over a series of seven dates spread over the last 18 months to 2 years. The comparison was made based upon an NT basket of goods, details of which are set out in Chapter 5 of this Report.

The survey of prices established that, on average, Darwin prices were 5.1% higher than the prices of equivalent items in Cairns, and the Alice Springs prices were actually 0.5% less than the equivalent prices in Mt Isa. The survey also indicated that Katherine prices were 12.4% higher than its comparable location, Broome.

¹ Submission No. 45

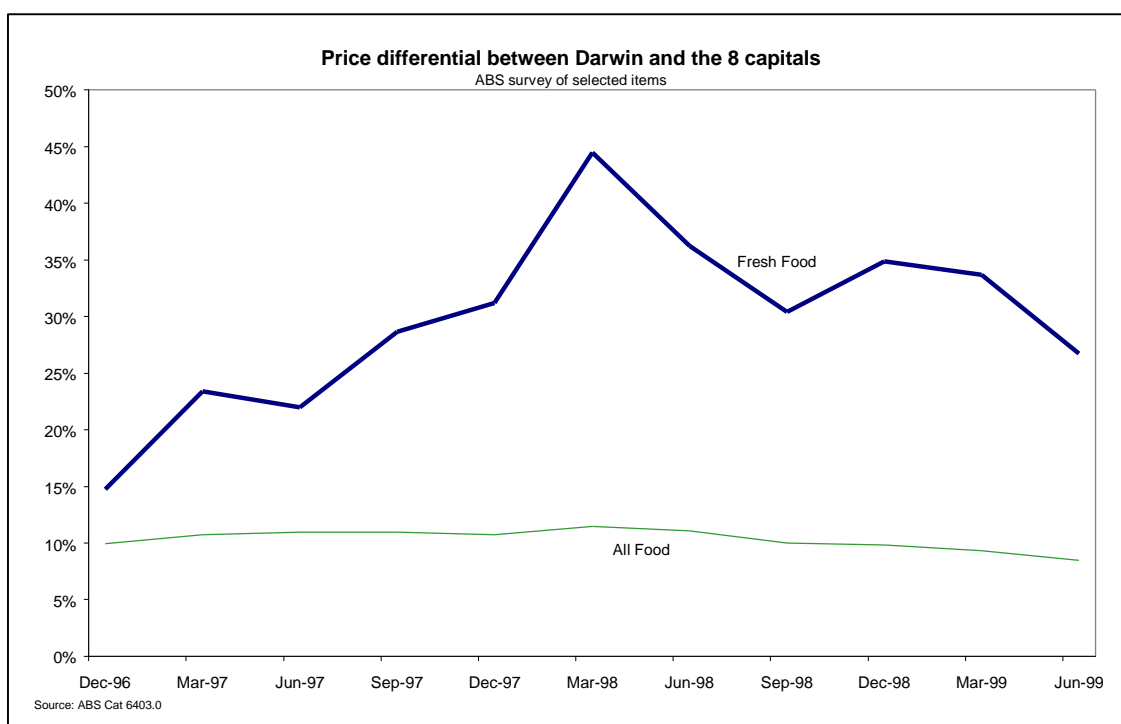
² Submission No. 48

The Committee chose to compare Nhulunbuy prices to those in Wyndham. However due to the lack of a major supermarket chain in that location, it was unable to make such a comparison. It therefore chose to compare prices in Nhulunbuy to its nearest major service centre, Darwin. Nhulunbuy prices were 27.3% higher than those in Darwin. The detailed review of prices is set out in Chapter 8 of this Report.

In those locations with competition between the major stores (ie between Woolworths and Coles) the price differences noted above appear to be reasonable, given the extra costs of doing business in the Territory (see 6.2 below).

Although the Committee found that operating in Nhulunbuy was expensive, including in particular the costs of freight, the price differential could not be entirely explained by the extra costs of doing business in this location. Similarly, the Committee did not find enough evidence to support the higher prices in Katherine. It was also apparent that only one of the major chains operated a store in these locations.

The graph below has been produced by NT Treasury. It shows the price differential in respect of "All Foods" and "Fresh Food" as defined by the Australian Bureau of Statistics.



The graph shows that the price gap for 'All Food' between Darwin and the 8 capital average is narrowing.

In respect of 'Fresh Food' however, the price gap has increased considerably over the last two and half years, with a peak in March 1998 where the gap reached as high as 45%. The price gap for 'Fresh Food' has reduced to approximately 26% in June 1999.

The Committee also noted during its investigation that there is a wide variety of the same item with different unit weights at different prices. There appeared to be no one common denominator. The Committee is aware that the consumer has a choice as to what item he or she may want to buy off the supermarket shelf. But, the Committee noted that it is often difficult to calculate the underlying 'value for money' given the often numerous sizes of packaging available. The Committee believes that the technology exists for supermarkets to easily

provide shelf labels on unit prices for many goods, and that technology should be used to allow Territorian consumers to make intelligent and informed shopping.

The Committee recommends that retailers take on this initiative so as to provide consumers with the unit price of the goods together with the price payable for the item and that this be adequately reflected on the shelf label.

6.1.2. Findings

1. Prices charged in Darwin appear reasonable when compared to Cairns and those charged in Alice Springs appear reasonable in comparison to Mt Isa. This could be partly due to the local competition between Coles and Woolworths in these centres. The committee did not find evidence to sufficiently justify the price levels found in Katherine and Nhulunbuy.
2. Food prices in the Northern Territory will only decrease, without regulatory intervention, to a comparable level to that of capital cities and other locations elsewhere in Australia when the Territory's population reaches a level where substantial economies of scale and infrastructure would allow the market to become more conducive to a higher level of competition.
3. One feature of the stores in Katherine and Nhulunbuy is the comparative lack of competition, where a 'non-competitive premium' appears to apply.
4. Apart from fresh food, the 'gap' in food prices between Darwin and other capital cities has decreased steadily since 1996. In the case of fresh food, the gap has increased, with a peak in March 1998, and a downward trend since.
5. Since December 1998, food prices generally have steadily dropped in all of the major centres in the Northern Territory, including Nhulunbuy where food prices have dropped marginally.
6. The remote, small and decentralised population of the Northern Territory (191,400) has the effect of increasing prices.
7. The nature of competitive pricing in the grocery industry is based upon the movement of volumes and is subject to the principles of supply and demand.

6.1.3. Recommendation

The Committee recommends that retailers provide consumers with the unit price of goods together with the price payable and that these be adequately reflected on the shelf label.

6.2. COST OF DOING BUSINESS IN THE NORTHERN TERRITORY

6.2.1. Overview

The Committee heard evidence from the two national supermarket chains operating in the Northern Territory in the public hearings held in Darwin on 24 June 1999, where they commented on their respective positions regarding the cost of doing business in the Northern Territory:

The following are excerpts from those proceedings:

Coles Myer Supermarkets

Mr WILLIAMS: We believe we are operating in a highly competitive market in both Australia and in just about every area we operate. Australia has got the third cheapest basket of groceries in the OECD and that's something that shouldn't be overlooked. We do definitely make a lesser return here than we get out of other areas, there is no question about that. There is absolutely no cross subsidisation and we have been accused I think of using high prices in the Northern Territory to subsidise the activities that are done in New South Wales or wherever. As I said before, it is a small market and I think Darwin represents about 1.3% of our total distance and really mathematically it's impossible for us to cross subsidise any major area from here.

It is more expensive to do business here. We believe we are an ethical company. We believe we provide quality jobs and we believe we do actually value the community. We spend around about \$50m a year running our business up here which stays in the Territory. Approximately half of that is in expenses we incur which includes rent, wages, services including costs such as electricity, rubbish removal. We buy approximately \$25m of product locally. Now that might be just like it was coming through wages. We send back south to our national group nearly \$7m worth of fresh produce that we purchase up here to go back... We purchase \$2m worth of fresh produce that we sell here locally.

We are actively encouraging whatever supplies we can to produce products. Although it is very hard on a small scale to compete with what's happening in some of the other growing areas, and some of the other producing areas. But we think there is some valued added products that we can assist with. We are committed to the Territory. We have been here for a long period of time.

Woolworths Supermarkets

MR ORGIAS...Woolworths Ltd is a national retailer represented in all states of Australia with approximately 1,450 retail outlets. The business is made up of Supermarkets, (selling a combination of fresh food, groceries, general merchandise and liquor), Big W's and Variety stores, (selling predominantly general merchandise and some consumable lines), specially retail outlets, which include Rockmans and Dick Smith Electronics and more recently Woolworths Plus Petrol.

This submission is made on behalf of Woolworths South Australian Supermarket Division which comprises 37 supermarkets within the state of South Australia, 8 supermarkets in the Northern Territory, two supermarkets in Mildura, and one in Broken Hill. Within Woolworths Supermarkets (South Australia) the decisions relating to pricing, ranging of stores, promotional activity etc. are made at a local level. Each state is responsible for its own operation with strategic and policy guidelines being provided from a national office in Sydney. Within the South Australian Division the company employs between

6,500 and 7,000 employees. Of these, 1,200 are employed in the Northern Territory with an annual payroll of approximately \$20 million and payroll tax of approximately \$1.5 million.

I think it's important just to understand perhaps the different environment in which we operate in the Northern Territory as compared to South Australia. Obviously having responsibility for both states and there are clearly some very significant differences in the Northern Territory...Most noticeable, distance of our warehouses which are located in Adelaide to the stores in the Northern Territory needing very high levels of staff turnover significantly higher overhead costs...but particularly costs that relate to freight is clearly one, others being power and occupancy costs. The fact that we need to transfer significant numbers of managerial staff from Adelaide to the Territory and from an operational point of view the obvious extremes of weather and the impact of that are transportation and storage of perishable items.

Woolworth further comments in its submission in respect of its 8 stores in the Northern Territory;

MR ORGIAS...Woolworths South Australian Supermarket Division currently provides a service to 8 stores in the Northern Territory. These 8 stores unfortunately attract a number of very significant costs, which do not necessarily apply to the same extent in other locations. In particular, freight, light and power, occupancy costs, and personnel costs add significantly to the cost of doing business. The fact that competition in all NT locations is also very keen, which in turn maintains prices at very competitive levels, results in individual store profitability and overall Northern Territory group profitability being less than all other states. Any suggestion that high prices in the Northern Territory lead to the company making excess profits and ripping off customers is totally unfounded.

Both Coles and Woolworths argued that the higher prices in the Northern Territory are as a result of higher costs, particularly freight, electricity, employment, spoilage and occupancy costs. The Committee obtained information which allowed it to consider how such costs compared to the various comparable locations selected.

The Committee found in evidence supplied, in particular in an Access Economics report supplied by Coles, that there are a range of costs which impact on the price of goods in the Northern Territory. These categories of costs included:

- (a) Transport from warehouse to individual store;
- (b) Stock spoilage (particularly fresh produce);
- (c) Administration;
- (d) Wages, superannuation, payroll tax, workers compensation insurance;
- (e) Advertising;
- (f) Electricity (particularly refrigeration and air-conditioning);
- (g) Rent;
- (h) Depreciation;
- (i) Stock holding costs (stock/turnover ratio);
- (j) Trolley collection and cleaning contractors;
- (k) Security, money transportation;
- (l) Local government rates (for garbage collection and other services); and
- (m) Insurance, public liability cover and other occupancy expenses.

Only some of these costs were noted as being higher in the Northern Territory than in other states.

Freight

Both chains use distribution centres to consolidate their purchases from suppliers. Goods are then picked and transported to the various stores in the region served by the distribution centre, in accordance with each store's own demands.

This can mean certain produce is transported from its area of production or purchase to the distribution centre, and then shipped to stores that may be in that same area of production or purchase. Whilst this may seem inefficient, the major chains have set up the distribution centres because they allow economies of scale in terms of bulk purchasing, stock handling, holding costs, and infrastructure costs. These economies of scale allow for more effective competition between the major chains.

From evidence received, both the major chain stores obtain the bulk of their products from distribution centres located in Adelaide. No distribution centre exists in the Northern Territory as there is an insufficient population here to justify it.

The effect of this practice is that NT consumers bear the full impact of the additional freight from the distribution centre to the retail outlet. This is not the case for some interstate regions which attract "free into store" prices.

In the case of remote locations, an additional freight component is added to cover the costs of transport from Darwin or Alice Springs. For example, this does explain some of the difference in price levels between Nhulunbuy and Darwin.

The Committee's analysis of freight costs showed that the freight component of the cost of goods is almost double that of comparative interstate locations. As a percentage of the costs of goods delivered in to store, freight costs represent 5.0% in Alice Springs, 7.2% in Darwin, 6.1% in Katherine and 17.3% in Nhulunbuy.

The reasons for this mainly relate to the remoteness of the Northern Territory, the lack of transport infrastructure other than roads, and the volume of produce which could be transported interstate on the return trips (known as backloading).

Electricity

Both Coles and Woolworths commented that electricity costs were significantly higher in the Northern Territory than in comparable interstate locations. The Committee noted that the difference represented a combination of usage, because of the climatic conditions in the Northern Territory, and price differences.

The information provided by Coles and Woolworths did not allow the Committee to isolate these two factors.

However, the comparative tariffs at the time of this report are:

Location	Cents per KW	Comments
Darwin, Katherine and Nhulunbuy	15.05	
Cairns & Mt Isa	14.06 11.40 4.98	First 10,000 KW Per Month Monday to Friday, 7 AM to 9 PM Thereafter Monday to Friday 9 PM to 7 AM Saturday and Sunday all day
Broome	15.98	For the first 822 units per day, then rises to a maximum of 20 cents. Negotiated arrangement can be made.

It therefore appears that both price and volume contribute to the higher price of food in the NT, although it needs to be recognised that these represent only a small percentage of the overall sales price of food and other goods.

Spoilage

Spoilage costs do contribute to the higher costs of doing business in the NT, but there is not a significant difference in the costs incurred compared to other states, and in some cases they are actually less than for the comparable locations chosen.

6.2.2. Findings

1. In terms of the food distribution and purchasing policies of the two national supermarket chains operating in the Northern Territory, the Northern Territory is not regarded as a large enough region to justify a distribution centre attracting 'free into store' (FIS) prices as occurs in capital cities and other locations elsewhere in Australia.
2. There have been instances where locally produced food has been transported to 'southern distribution centres' and subsequently returned to the Northern Territory for sale in the local supermarkets.
3. Once groceries have left a distribution centre there is still a significant range of costs to be recovered by the retailer, some of which contribute to higher food prices in the Territory. These costs include:
 - (a) Transport from warehouse to individual store;
 - (b) Stock spoilage (particularly fresh produce);
 - (c) Administration;
 - (d) Wages, superannuation, payroll tax, workers compensation insurance;
 - (e) Advertising;
 - (f) Electricity (particularly refrigeration and air-conditioning);
 - (g) Rent;
 - (h) Depreciation;
 - (i) Stock holding costs (stock/turnover ratio);
 - (j) Trolley collection and cleaning contractors;

- (k) Security, money transportation;
 - (l) Local government rates (for garbage collection and other services); and
 - (m) Insurance, public liability cover and other occupancy expenses.
4. As a percentage of the cost of good delivered in to Northern Territory stores, freight accounts for 5.0% in Alice Springs, 7.2% in Darwin, 6.1% in Katherine, 17.3% in Nhulunbuy and higher in remote centres and communities.
 5. The two national supermarket chains operating in the Northern Territory benefit from advances in electronic technology.
 6. The two national supermarket chains operating in the Northern Territory have a considerable advantage over small retailers through their ability to purchase and install their own EFTPOS hardware and software.
 7. In response to the comment by the ACCC that the two national supermarket chains operating in the Northern Territory are able to negotiate favourable terms and conditions with the banks over EFTPOS facilities in the following manner
 - (c) the banks tend to charge small retailers 20 cents for every debit transaction;
 - (d) the chains receive around 15 cents per debit transaction from their bank.

One chain responded that the income received from the banks for EFTPOS transactions represents an offset to the sorts of incurred by the chains in providing EFTPOS facilities.
 8. Territory taxes, such as Payroll Tax, were cited as a contributor to higher food prices in the Northern Territory.
 9. Wholesale Sales Tax on the freight component of certain goods was a factor that contributed to higher food prices. The Committee noted that with the introduction of the Goods and Services Tax (GST), the Wholesale Sales Tax (WST) would be phased out.
 10. Based on the 'Basket of Goods' developed by the Committee, the implementation of the GST would have a minimal impact on food prices. The total basket in Darwin pre-GST costs \$141.35 and post-GST costs \$139.32, which represents a saving of \$2.03 (-1.4%). It is still unclear how the GST may impact on food prices in the remote centres and communities in the Northern Territory and warrants further investigation.
 11. Electricity usage and price were cited as contributors to a higher food price in the Northern Territory. For climatic reasons, the Northern Territory requires more electricity compared with the rest of Australia for store air-conditioning and refrigeration.

6.2.3. Recommendation

The Committee encourages the Government to continue its present policy of reducing commercial electricity tariffs, with further reductions being made as soon as possible until commercial tariffs are in line with the 'all-States' average. It further recommends that the Power and Water Authority continues to publish in its annual report, the inter-city comparisons of electricity tariffs.

6.3. LOCAL FOOD PRODUCERS

6.3.1. Overview

The Committee noted throughout the review that little was said by the local food producers in the Territory. The local food producers who spoke to the Committee were concerned that if they spoke out publicly there would be reprisals upon them by their purchasers. Therefore, many of the submissions were held *in-camera*. In general, many of local food producers were consistent about their views on the Territory's horticultural industry and each other's relationship with the national supermarket chains. A number of local food producers are dependent for their livelihood upon the two major national supermarket chains operating in the Northern Territory.

In its submission to the Committee, Australian Competition and Consumer Commission (ACCC)³ commented in some detail on primary producers and retailing.

Historically, some retail chains have had a direct ownership link to upstream production in various industries. In this way, retailers have been vertically integrated into agricultural industries, resulting in the upstream operations of the retailer competing directly with other primary producers or manufacturers in that market for the supply of product to that particular retailer.

The Committee found no evidence of this in the Northern Territory.

Looking at this in a positive way, through their dealing with the major chains, small local operations in the Territory are exposed to the competitive advantages of the scale of economies generated elsewhere in Australia, particularly within the Southern States. In dealing with the major chains there is the opportunity for local food producers to sell and supply their produce directly to either of the two national supermarket chains operating in the Northern Territory.

However, the down side is that the sale and supply of local produce directly to the two major national supermarket chains operating in the Northern Territory is negotiated on an ad-hoc basis with limited guarantees of continuance from the chains to receive that produce.

The Committee noted that produce not sold locally is sent to the wholesale markets in the Southern States. There have been instances where locally produced food has been transported to Southern distribution centres and subsequently returned to the Territory for sale in the local supermarkets.

In its submission to the Committee, Territory Health Services⁴ comments on food supply in the Northern Territory:

The Territory relies heavily on an imported food supply. The vast majority (90%) of the foods Territorians eat are transported from interstate and overseas. 85% of the NT horticultural produce is exported interstate or overseas because of the shorter, earlier growing season, the small local market and the higher prices obtained for produce outside the NT.⁵

³ Submission No. 26

⁴ Submission No. 55

⁵ "Vegetable Production from Horticulture in the Northern Territory", Background Papers to the NT Food and Nutrition Policy, Vol 1: The Food Supply, Territory Health Services.

Furthermore, the Committee noted that given the Territory's small economies of scale and infrastructure it was difficult to base any sort of industry on the local market and so the quantities of products that are sold locally are insignificant. The Committee found that there were limited opportunities for local food producers to compete on a level playing field with their national competitors. In a submission forwarded to the Committee from the Department of the Chief Minister⁶ in part comments on the Alice spring region:

...the current regional producers are unable to keep up with local demand and I propose that is also the case in Darwin. This means consumers of fresh produce in the Territory do not have the range of produce outlets enjoyed by big city consumers and, of course, where supply exceeds demand, prices are lower. Big city consumers are also prepared to make a special trip even direct to the producer in order to realise cost savings or quality in their choice of produce and they also have any number of choices in relation to retail outlets. Unfortunately in the Territory we do not have these options.

This issues was further elaborated in the ACCC's submission⁷ to the Committee

Buyer power can be exercised against processors (with flow-on effects to primary producers) as a result of vertical integration. It may still be possible for the chains to exert market power over some suppliers, generally those operating in relatively competitive markets and with limited avenues for disposal of their products. For example, some farmers' groups have argued that processors, possibly under pressure from retailers, are able to unilaterally reduce the prices they pay for produce. There is a concern that there is pressure up the supply chain as first the supermarket chains and then the manufacturers/processors seek to attract higher returns. This is ultimately felt by those who have the least options and are the weakest participants - the primary producers. The options available to producers are relatively few in these circumstances - they may be able to bypass the system of supply to the chains if they have export capabilities (for goods which do not require processing). An example of such goods might be fruit and vegetables, but not meat or dairy products which require processing before moving further along the supply chain.

The horticultural industry in the Northern Territory is in its infancy and it would appear, in the Committee's view, that there are great opportunities in creating an environment that would be conducive to the development of that industry and a market that has opportunities to supply South East Asia. The Committee is further of the view that these opportunities in the long run could impact on the availability of local fresh fruit and vegetables within the Territory and therefore should lower food prices.

6.3.2. Findings

1. Food producers in the Southern and Eastern seaboard have comparative advantages of economies of scale, lower overheads, cheaper transport costs, ready access to major markets and lower inventory costs.
2. Opportunities are limited for local food producers to compete on a 'level playing field' nationally.
3. Delivery of produce into 'Southern' stores is on a daily basis whilst into Darwin Stores is on average three times a week.
4. A number of local food producers are dependent for their livelihood upon the two major national supermarket chains operating in the Northern Territory, which results in

⁶ Submission No. 44

⁷ Submission No. 26

exposure of the small local operations to the competitive advantages of the scale of economies generated elsewhere in Australia, particularly within the Southern States.

5. The sale and supply of local produce directly to the two major national supermarket chains operating in the Northern Territory is negotiated on an ad-hoc basis, with limited guarantees of continuation from the chains to receive that produce.
6. Given high costs of production, local food producers have found it difficult to compete at the national level. Produce elsewhere in Australia is provided on a more continuous basis and usually at a more favourable price to the consumer.
7. There is considerable opportunity for growth in the Northern Territory's horticulture industry, but it is fragmented in nature with a lack of infrastructure that hinders continued development.
8. Local markets are smaller and more disparate than those established in the States and the Australian Capital Territory.

6.3.3. Recommendations

1. **The Committee recommends that the Government develops a feasibility study on the food supply system in the Northern Territory, and that in doing so the study should take into account:**
 - (a) **the identification of the factors influencing the distribution of food;**
 - (b) **the strategies to address factors that impact upon food supply;**
 - (c) **to identify how those strategies in item (b) above can be implemented; and**
 - (d) **the viability of establishing a wholesale market or food co-operative that will serve the Northern Territory and South East Asia.**
2. **The Committee recommends that local food producers within the Northern Territory organise themselves into coherent and representative bodies that can readily compete with major producers elsewhere, by establishing a competitive regime to sell local produce to the major national supermarkets operating in the Northern Territory and South East Asia.**

6.4. THE NATIONAL SUPERMARKET CHAINS IN THE NORTHERN TERRITORY

6.4.1. Overview

The Committee found that competition between the two major national supermarket chains operating in the Northern Territory benefits the consumer by providing convenience through access to:

- (a) a wide variety of goods;
- (b) quality food, in particular meat, fruit and vegetables;
- (c) a consolidation of complimentary retail services, for example, butchery and bakery services, news-agency and fast food outlets.

Convenience, quality, range and price are now the key determinants of consumer preference. Consumers who shop in one of the major chains regularly still want the convenience of the corner store, which is close-by and easily accessed for top-ups. Specialised or niche items are more readily available at the small independent stores than in the supermarkets. The

Committee also noted that if the consumer is prepared to shop around, he or she will find many opportunities to reduce their shopping bills and may also buy higher quality produce.

The market will determine the extent to which benefits will be provided to consumers, principally through considering the increased revenue to retailers against the costs of providing the benefits. The Committee did note however, that these complex issues may require the education of the consumer to assist them to make an informed choice on the products that are available to them and to where they will shop so as to gain the best return for value.

A group of local independent supermarkets represented by Mr Allan Morris, The 5 Star Banner Group, commented in its submission⁸ that:

A monopolistic situation has developed over the past decade in the grocery retailing sector of the Darwin Market, with the significant market dominance by two corporate retailers Woolworths and Coles including Bi-Lo. These corporate retailers are trading under many other names and in many other areas of retailing. The chain stores are also now attempting to deregulate the market place for newspapers, magazines and chemist only pharmaceuticals this would have a disastrous effect on another two traditional small businesses chemist's & newsagents...Without controlling legislation against the retail monopolies the corporate chain stores will have market share of over 95% of the grocery retail within 2 years this is not conducive to better prices for the consumer.

The Committee noted Woolworths comments in its submission⁹ in regard to the changing face of retailing:

The food retailing sector comprises three major retailers, Woolworths, Coles and Franklins, smaller chains of retailers, numerous independent grocery retailers and convenience stores. Competition in the sector is driven by the three major retailers in their efforts to remain relevant to consumers with changing preferences and needs. In recent years, the three major retailers have introduced new concepts in food retailing to better meet the needs of consumers. Extended product ranges, increased fresh food departments, and concept stores such as Woolworths Metro are all part of this move towards providing customers with the retailing experience they desire. In particular, Woolworths pricing policy in supermarkets is to sell competitively, that is Woolworths competitive prices ensure that customers see value for the grocery dollar in addition to the other non-priced benefits that Woolworths offer. Such benefits include a wide range of convenient locations, extended shopping hours and research does show that choice, convenience and safe food are also important attributes in choosing where to shop in addition to price.

Coles in its submission¹⁰ commented on the dynamics of the retail industry:

Food and grocery prices in the Territory (or anywhere else in Australia), are determined by the cost of supply and competition between retailers. In the absence of any demonstrable impediments to competition, food prices are a reflection of the cost of provision, which includes a fair return to retailers...Store specific activity is based on protecting our existing business from competitors. At a local level Coles promotes the value, quality and range of our local retail offer and matches competitors' prices on key lines. Coles' pricing and marketing activities compete primarily with the offer of our

⁸ Submission No. 30

⁹ Submission No. 48

¹⁰ Submission No. 45

major chain competitors in each market as they have a broadly similar offer and target the same customer. Customer traffic generated by Coles also brings customers to neighboring retailers, most of which are smaller retailers. The structure of modern retailing suggests that this clustering of retailers, in locations such as shopping centres, presents a dynamic and diverse retail environment to the benefit of all retailers and customers.

The Committee noted that, if consumers are looking for the convenience of the one stop shop, where they can park their car out of the sun, shop in airconditioned comfort, and visit many of the other speciality shops in the shopping precinct, then the national supermarket chain stores do provide that service.

The Australian Competition and Consumer Commission¹¹ sums up the issue very well

As the chains expand their lines of products and services, from offering flowers, news agency and pharmaceutical lines to photo processing and dry- cleaning services, "one-stop" weekly shopping is likely to be favoured by an increasing number of consumers. In addition, demographic, transportation and income changes have resulted in consumers favouring one-stop shopping. The marketplace appears to be very dynamic, although the dynamism is most apparent in the operations of the chains. The fact that the chains are grouping a larger range of products can benefit consumers beyond availing them of one-stop shopping. For instance, with increased sales comes the opportunity to spread overheads further, potentially enabling lower prices. As each of the chains moves into areas which traditionally have been the domain of speciality shops, there is the potential for margins to be squeezed as the chains compete against each other in these speciality areas, leading to lower prices for consumers than the specially stores charge. Whether cost savings are actually passed through depends on the competitive pressure to which the chains are subject.

6.4.2. Findings

1. The two national supermarket chains operating in the Northern Territory, irrespective of the contribution they make to the local economy, are in business to make a profit and provide a return to their shareholders.
2. Only two national supermarket chains, namely Coles Myer Supermarkets Australia Ltd and Woolworths Supermarkets (SA) Division operate in the Northern Territory.
3. Should a new major supermarket competitor wish to commence operations within the Northern Territory, it would find it very difficult, principally due to the infrastructure establishment costs. The establishment of a new major supermarket competitor to the Northern Territory would be a commercial decision, determined entirely by the demands of the market.
4. The two national supermarket chains operating in the Northern Territory have acquired a significant market share. This has come at the expense of the local independent supermarkets.
5. The competition between the two major national supermarket chains operating in the Northern Territory benefits the consumer by providing convenience through access to:
 - (a) a wide variety of goods;
 - (b) quality food, in particular meat, fruit and vegetables; and

¹¹ Submission No. 26

- (c) a consolidation of complementary retail services, for example, butchery and bakery services, newsagency and fast food outlets.
6. There appears to be adequate safeguards in respect of monitoring trading hours and market competition already in place under the authority of the Australian Competition and Consumer Commission (ACCC). The Committee noted that the ACCC would be closely monitoring the implementation of the GST.
 7. Consumers want to have the services and convenience of shopping in either the major national supermarkets or at a local independent supermarket.
 8. There is a lack of educational and promotional awareness programs from the grocery industry, which would assist the consumer in making an informed choice.
 9. There was strong support within the community for greater consumer awareness of competitive food prices and variations in the Northern Territory, through the re-introduction and regular publication of price comparisons.

6.5. RESTRICTED TRADING HOURS

6.5.1. Overview

The Committee had indicated at the outset of this inquiry that it was not in favour of legislating on prices or to restrict trading hours. However, a number of submissions to the Committee highlighted these issues.

The main contender in favour of restricting trading hours was from Mr Alan Morris, the representative from the 5 Star Banner Group¹². His main contention was that extended trading hours eroded the viability of the small business operators and that it is a contributor to higher prices; he comments in part:

Extended trading hours is another reason for the increase in prices in the NT a business cant run for 24hrs without additional costs and that is passed onto the consumer. The viability of the small stores has been eroded due to the advent of this in 1992 in Darwin. When the small business operators told Government if extended trading hours were allowed prices would rise the Chief Minister of the day decided in his wisdom to ignore the warnings, we now have a situation of extraordinary prices in particular for fresh vegetables.

To alleviate this problem he recommended to the Committee that:

Urgent legislation to restrict the trading hours of the major corporate grocery retailers 8am to 6pm 7 days a week and 1 late night shopping to 9. 00pm their choice Thursday or Friday (this would reduce the market share of the chain stores by about 8 to 10% immediately)

On the other hand, the Committee received evidence at its public hearing on 25 June 1999 from Ms Carol Frost, General Manger of the Northern Territory Chamber of Commerce confirming its position to the retention of extended trading hours; an excerpt from the transcript in part reads:

...the Territory is a service industry, it's been interesting in talking to members and doing the track trek which we all do from time to time, driving from Darwin to Alice and back again, is seeing how the regional centres do service their regions. So, Alice Springs services Tennant Creek and a huge remote and rural area down into South Australia and Darwin services Katherine, Nhulunbuy...it's those people who look to the

¹² Submission No. 30

2 major centres for servicing and one of those is the retail industry and they do provide that service on weekends to a lot of residence who use the fact that the shops are open. It's one of the reasons that we would be against any sort of regulation of trading hours because we feel that it would be detrimental to employment, it would be detrimental to the investment that small business people have made in going into some of the business they have that revolve around the major shopping centres and certainly detrimental to investment because why would you build any new infrastructure shopping centres and have restricted trading.

The Committee noted Coles Myer Supermarket's position to the reintroduction of regulations governing shop trading hours as a possible solution to the predicament of the small retailer. Coles Myer Supermarket submits that placing new restrictions on trading hours would be a backward step for consumers, employment and tourism:

Restricting trading hours would only serve a small number of retailers who, for lifestyle or anti-competitive reasons, prefer to have certain trading hours to themselves. Such restrictions would be a major inconvenience for Darwin workers, particularly service industry employees, along with the multitude of interstate and international visitors. Trading hour restrictions would also reduce employment opportunities, restrict consumers' choice and their access to competitive prices. In Coles' experience, it is more expensive to close and re-open stores each day than keeping them open. Costs associated with rent and outgoings, refrigeration, power and lighting, do not stop because the store is closed. By remaining open Coles can offset these costs with sales to customers who choose to shop at times convenient for them¹³.

The Committee noted, that prior to the deregulation of trading hours in the Northern Territory, the independent retailers had the ability to trade over extended hours, provided those retailers with a competitive advantage over national supermarket chains.

However, the Committee notes in the submission from the Australian Competition and Consumer Commission¹⁴ that deregulation of trading hours has removed this competitive advantage from independent retailers and once it is removed:

...this advantage is unlikely to be regained, While the impact of deregulated trading hours may raise socio-economic concerns, the pro-competitive nature of deregulation is unlikely to raise competition concerns. Deregulation of trading hours has provided consumers with a broader range of choice of retail venues and when faced with this choice, consumers appear to be favouring retail chains. Thus the decline in market share of independent retailers attributed to deregulated trading hours may simply be a result of market adjustment.

6.5.2. Findings

1. The local independent supermarkets favoured restricted trading hours and a cap on market share.
2. There was strong consumer demand for retaining unrestricted trading hours as it has become a way of life in the Northern Territory.

6.5.3. Recommendation

The Committee does not support the call to regulate prices nor restrict trading hours.

¹³ Submission No. 45a

¹⁴ Submission No. 26

Chapter 7 REMOTE CENTRES AND COMMUNITIES

7.1. OVERVIEW

The Committee conducted a series of public hearings in the remote communities of Aputula (Finke), Ali Curung and Yuendumu in the central region while in the Top End, the Committee had hearings at Wadeye (Port Keats), Maningrida, Ngukurr and Borroloola. The Committee selected these communities because of their distance from the Territory urban centres, which compelled consumers to shop mainly at the local community store.

The hearings in the remote centres and communities revealed a number of issues that the Committee had insufficient time to deal with in depth. The fact is that the Committee just barely scratched the surface of the complex problems, which do exist in the remote Aboriginal communities. The Committee received an excellent submission from Territory Health Services¹ regarding the implications of food prices on health in the remote communities. That submission is incorporated into this Report at Appendix 10.6

The evidence received from the remote Aboriginal communities together with the submission from Territory Health Services revealed the great disadvantage those communities have compared to urban centres in the Northern Territory. Compounded by the disadvantages that the Northern Territory has to bear in relation to food prices, the impost to the remote communities in the Territory is multiplied. As an example the Committee noted that welfare income is the same whether the recipient resides in remote Northern Territory or in Sydney. The Committee noted Territory Health Services' submission that for an equivalent healthy food basket for three adults, one teenager and two children, the cost is approximately \$155 in State capitals, \$180 in the Territory's urban centres and \$240 in remote communities.

The impact of freight costs of goods to remote centres (such as Nhulunbuy) is a significant contributing factor to higher food prices in the Northern Territory. Freight represents 17.3% of the cost of goods delivered to stores in Nhulunbuy² and it is higher in the remote communities.

Apart from the cost of freight in the Territory, the Committee noted that, the quality of meat, fresh fruit and vegetables is greatly affected by the time taken from date of purchase to the time it arrives on the shelf, whether it be in an urban centre or remote community. Stock spoilage and short shelf life are major contributors to higher prices in the Territory, more so in remote centres and communities. The quality and variety of food is severely limited. Although there has been complaints from consumers in the major centres of the Territory that quality, freshness and variety of food is poor compared to other capital cities elsewhere in Australia, the Committee noted that consumers in the major centres along the Stuart Highway have not suffered to any degree when compared to what is on offer within the remote communities. Consumers in remote communities are severely disadvantaged.

During its investigation the Committee noted that in some remote Aboriginal communities, the community store may not be regarded as an economic enterprise, but rather a convenient source of funds for other community interests. This may have a detrimental effect in regard to providing reasonable food prices.

In elaborating on this dilemma the Office of Aboriginal Development in its submission commented that:

¹ Submission No. 55 -Territory Health Services, Nutrition Section

² For Nhulunbuy, goods can only be flown or barged in.

In remote communities the store is commonly not regarded by its owners as an economic enterprise, but rather a convenient source of funds for other community interests:

- *so preventing the manager from rational commercial decision making that would preserve the viability of the store;*
- *some community stores consequently become insolvent, others compensate by an even higher mark-up;*
- *suppliers consequently regard dealing with such stores as high risk, and charge accordingly.*

The Committee noted that these factors would impact upon higher food prices in remote communities.

During the course of its investigation the Committee identified four models of store ownership and control management. One model has the community store run by a store manager who is a direct employee of the local community council. The Executive Committee of that local community council has a direct input into the manner in which the store is managed. The Committee noted that the community council determined that there was minimal mark-up on essential items, and that the overall mark-up would only be sufficient to cover all operating costs of the store. Based on this principle, the limited welfare income is maximised for the purchase of food and other basic essentials.

In a second model, a community elected committee governs the store. The store is an asset of an incorporated association, which is independent of the local community council. A person employed by the incorporated association manages the store. The community elected committee determines the policies of the store. The Committee noted that item prices are marked up significantly higher than the first model. The community elected committee decides on the management of the profits from the store. In this case, the profits from the store, which can be substantial, are used to better every household in the community, for example by purchase of white goods for every household. The Committee also noted that the community treats the store as a de facto bank and is prepared to pay higher prices for goods, knowing that in the longer term, the store profits are returned to the community in the form of other benefits. However, the decision as to what is purchased for the community appears to be in purview of the store manager and the committee.

The Committee noted that like the second model, ownership of the store is the same for the third. However, in this model profits are taken up in paying royalties to the "power brokers" of the community, whether they are traditional owners or other personalities of significant influence. The Committee noted that very little is returned to the community unless that person or group of persons were related to or associated with the 'power brokers' who then benefit from varying degrees of largess. Those who are not linked to the 'power brokers' feel that they do not benefit from the enterprise and also feel helpless to make any changes to the system.

The fourth model is one where the store is leased by the community to private enterprise. In this instance, management is entirely for profit. The Committee noted that while lease payments may benefit the community, it often happens that the lease payments are controlled by the traditional owner rather than the community, and therefore only provide a minimal benefit to the community as a whole.

The Committee felt that it was not able to enquire deeply enough into the management of community stores. The Committee noted that some store managers were not forthcoming with information when responding to questions from Committee members. Some flatly refused to attend

the hearings. At almost every community, the Committee heard from people who complained about the high cost of food and the poor quality of perishables.

The Committee observed that there appeared to be a lack of proper training of local staff in all aspects of store management and operation. Some store committees seem totally dependent on store managers, losing all control over how the stores are managed and how store profits are used.

The remote communities also present a completely different set of challenges in respect of providing an effective and efficient retail service. For example, by maintaining an intact cold chain in the transport and handling of perishables. Training staff on this process would greatly improve the quality of fresh food and extend its shelf life.

The Committee received a copy of correspondence to the Chief Minister indicating the willingness of Coles Supermarkets to offer assistance in the training of local staff and store management.

The Committee welcomes Coles offer as it sees merit in such a venture of this type. Training could provide retail expertise to employees and store managers. Training programs in areas such as fresh food safety and handling, best practice advice on cost control and inventory management of groceries can only improve the delivery of service to consumer in remote communities.

To give further support to this type of training program the Committee is of the view that a competition could be set up for community stores, much in the same vein as the Territory Tidy Towns competition. The criteria for the competition could be in terms of store cleanliness, health index of the food sold, pricing policy, store management practices, cold chain management and the like. A cash prize for the winner of the competition could add to the attractiveness of the competition.

7.2. FINDINGS

1. Some of the major centres and all of the remote communities in the Northern Territory are disadvantaged in terms of price, variety and quality of food supplied, particularly perishable foodstuffs.
2. Due to the absence of economies of scale in remote centres and communities in the Northern Territory, higher costs tend to be incurred for the transport of goods by sea, air and road to those centres and communities.
3. There is no significant difference in terms of stock spoilage between the major centres in the Northern Territory and stores in other comparable locations elsewhere in Australia. However, stock spoilage (particularly fresh food and meat) was a major contributor to higher prices in remote centres (including Nhulunbuy) and communities.
4. There were a number of models as to how remote Aboriginal Communities establish and maintain the running of the 'Community Store'. These models reflect the following:
 - (a) Community Stores that are controlled and operated by the local community government;
 - (b) Community Stores that are established as incorporated bodies, separate from the local community government;
 - (c) Community Stores that are established as incorporated bodies, separate from the local community government but return their profits to the community; and
 - (d) Community Stores that are run as private organisations.

5. The Community Store Manager plays an important role in regard to the quality, quantity and availability of foods in remote communities, and eventually the nutritional health of a community.
6. In some remote Aboriginal communities the Community Store may not be regarded as an economic enterprise, but rather a convenient source of funds for other community interests. This may have a detrimental effect in regard to providing reasonable food prices, namely that:
 - (a) the store manager may refrain from making commercial decisions that would preserve the viability of the store;
 - (b) the threat of insolvency may result in an even higher mark-up on food and other items; and
 - (c) the wholesaler when dealing with a community store may see such a store as high risk and therefore charge accordingly.
7. Higher food prices in Community Stores in remote communities do affect peoples' buying patterns.
8. The incidence of diet related ill health is higher in remote Aboriginal communities. These concerns were raised by Territory Health Services in its submission to the Committee which estimated:

approximately 95% of food eaten in Aboriginal communities is food purchased in the store, with traditional foods now contributing only a small amount to peoples' dietary intake. Poor diet is a major risk factor for chronic diseases such as coronary heart disease, diabetes and renal disease, all of which are of higher prevalence in the Aboriginal population, along with low birth weight and undernutrition in early infancy.
9. The introduction of local food enterprises such as the development of market gardens in some of the remote centres and communities, has the potential to reduce food costs and provide food of high quality and nutritional value.

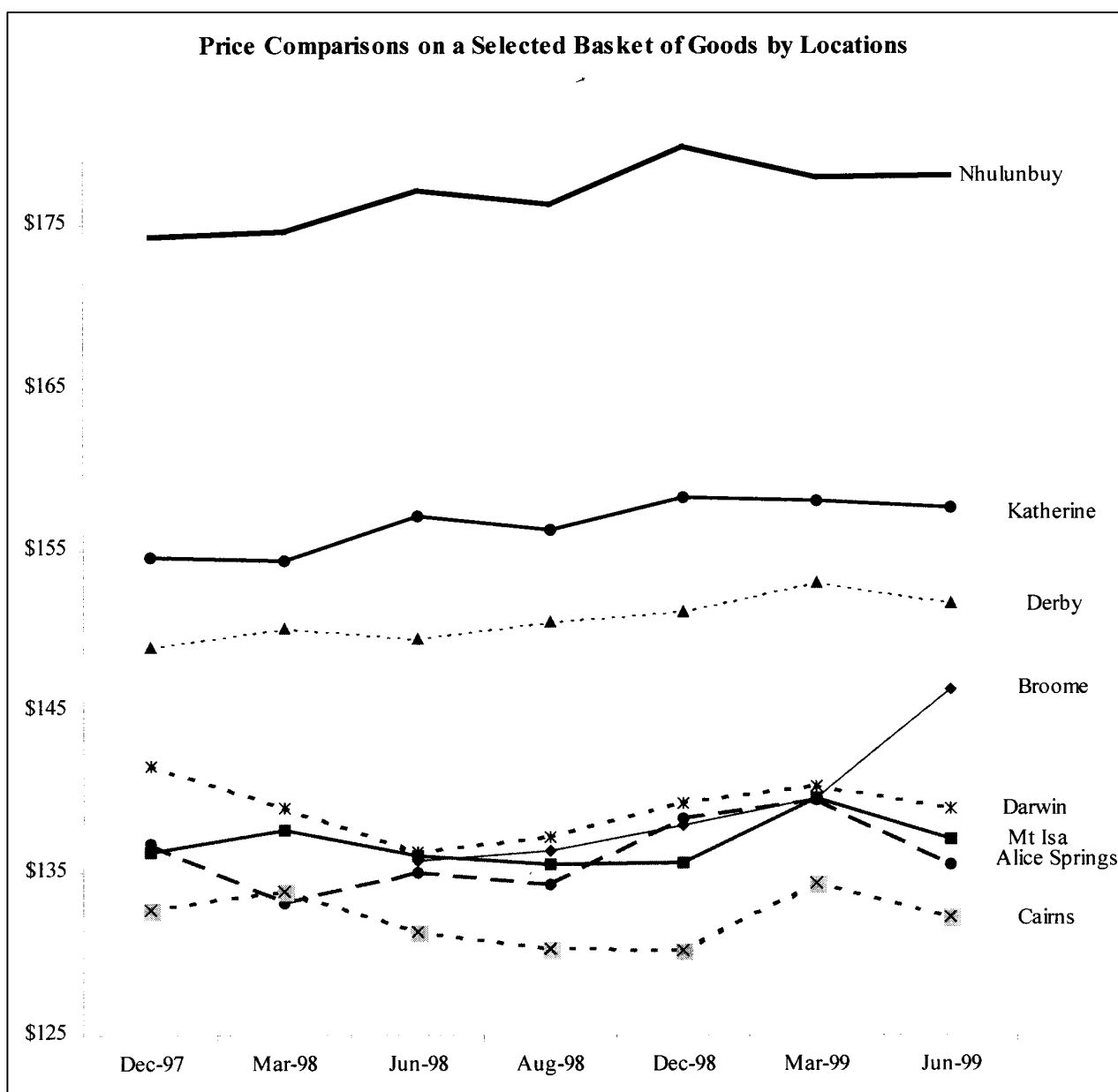
7.3. RECOMMENDATIONS

- 1. The Committee recommends that an inquiry be undertaken:**
 - (a) to review the operation and management practices of stores within remote communities;**
 - (b) to identify ways to assist those stores to effectively meet community aspirations; and**
 - (c) to assess the overall impact of the GST on food prices in remote communities.**
- 2. The Committee recommends that the Government facilitates sponsored trainee programs for remote community stores staff on all aspects of managing and handling food and produce.**
- 3. The Committee supports the development of an award system for stores in remote communities, to foster and promote best business and management practices in meeting community aspirations.**
- 4. The Committee recommends that the Government facilitate programs that will allow for the establishment and the development of local food enterprises and ventures, such as market gardens in remote centres and communities, that will reduce food costs and provide food of high quality and nutritional value.**

Chapter 8 ANALYSIS OF THE PRICE OF FOOD AND OTHER HOUSEHOLD GOODS IN THE NORTHERN TERRITORY

8.1. OVERVIEW

The results of our survey of food prices, which was conducted by relying on information provided by the major supermarket chains, are summarised, by location, below: The graph summarises the total price of the selected basket of goods by location, over the seven dates requested. Where the location includes a number of supermarkets, the total price of the basket represents the average of those stores.



It can be seen that Nhulunbuy is by far the most expensive place out of the NT locations, followed by Katherine. Darwin and Alice Springs are similar to each other, although Alice is slightly cheaper overall.

In the table below, the average total price of the basket of goods is set out for the major NT locations as well as a range of comparable locations.

<i>NT Location</i>	<i>Average Price</i>	<i>Comparable Location</i>	<i>Average Price</i>	<i>% Variation</i>	<i>Price</i>
Darwin	138.95	Cairns	132.15	+5.1%	
Alice Springs	136.11	Mt. Isa	136.82	-0.5 %	
Katherine	156.54	Broome	139.25	+12.4%	
Nhulunbuy	176.85	-	-	-	

It can be seen from this that there is very little price variation between Alice Springs and Mt Isa, although Darwin prices are 5.1% higher than its comparable location, Cairns.

Katherine is considerably higher than its comparable location.

The difference between prices in Katherine and Nhulunbuy, and those in Darwin, their nearest Capital City. Katherine prices were on average 12.7% higher than Darwin prices, whilst Nhulunbuy prices were 27.3% higher than Darwin prices over the period surveyed.

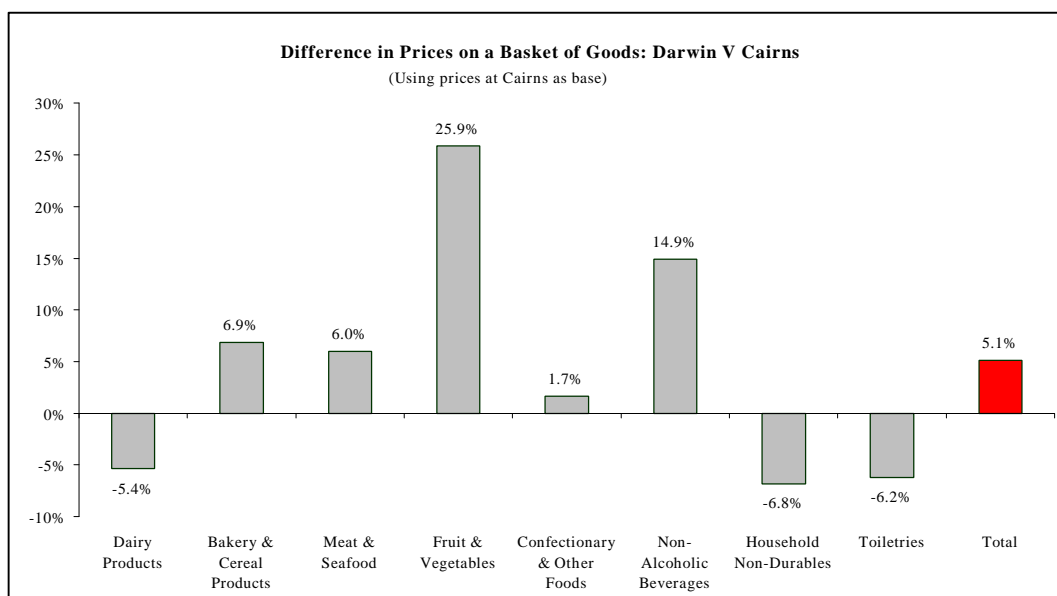
The remainder of this chapter provides a much more detailed analysis, by ABS grouping, of the following NT locations, compared to the locations indicated:

NT Regional Centre	Comparable Location
Darwin	Cairns, Queensland
Alice Springs	Mt Isa, Queensland
Katherine	Broome, Western Australia
Katherine	Darwin
Nhulunbuy	Darwin

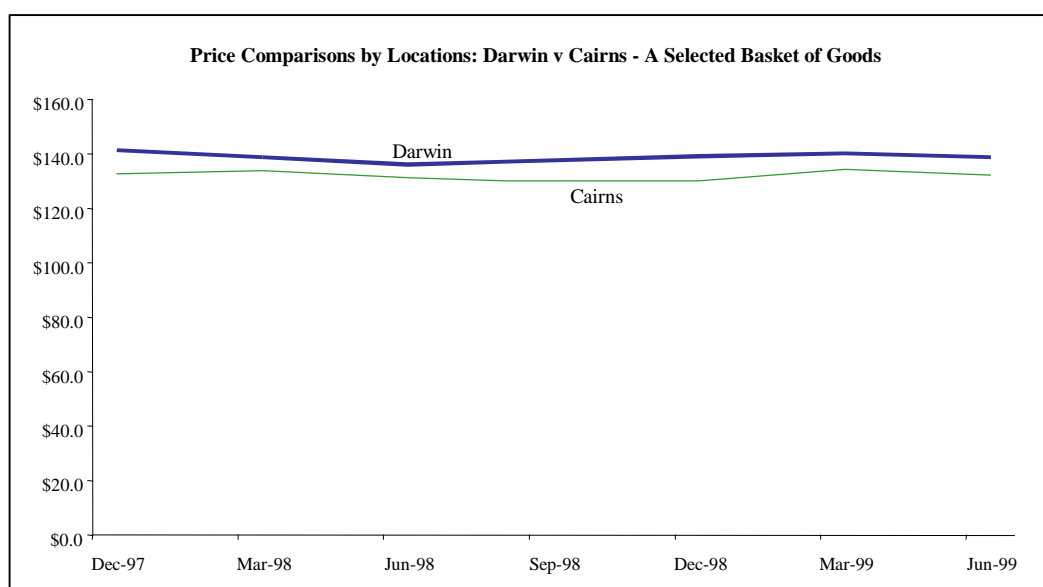
8.2. PRICE COMPARISONS – DARWIN v CAIRNS

8.2.1. Basket of Goods

On average, Darwin was 5.1% more expensive than Cairns over the seven-quarter period. Most products were dearer in Darwin with the biggest difference in price being for Fruit and Vegetables at 25.9%, followed by Non-Alcoholic Beverages at 14.9%, Bakery & Cereal Products at 6.9%, Meat at 6.0% and Confectionery & Other Food at 1.7%. Household Non-Durables, Toiletries and Dairy Products were cheaper in Darwin by 6.8%, 6.2% and 5.4% respectively.

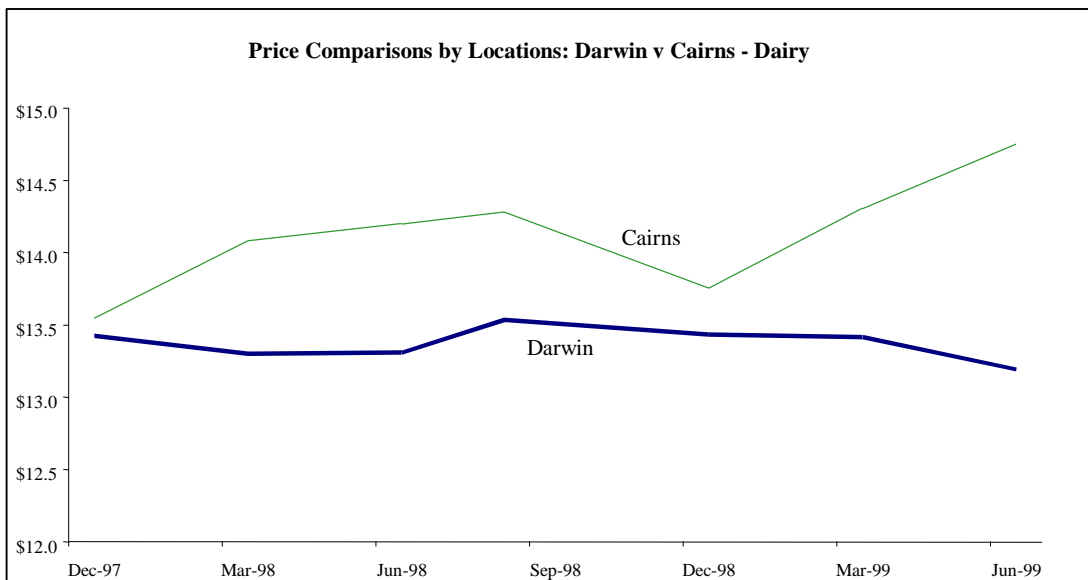


Over the seven-quarter period, the price difference on the basket of goods between Darwin and Cairns remained fairly stable. Prices decreased slightly in both cities during this period.



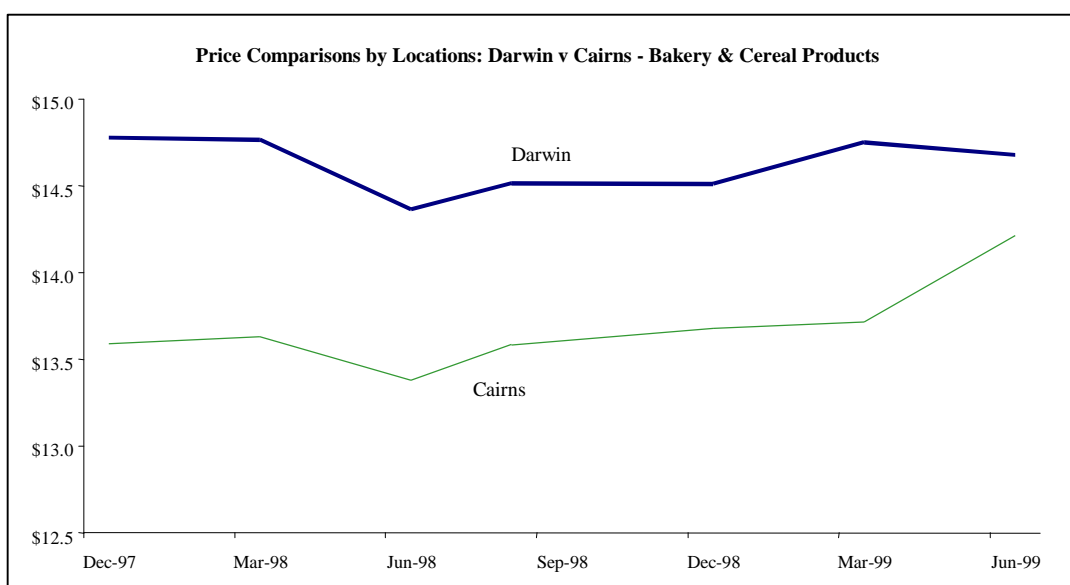
8.2.2. Dairy Product

Dairy Products were 5.4% cheaper in Darwin than Cairns over the seven-quarter period. In percentage terms, the large differences in price related to Iced-Coffee and Skim Milk which were at 16.0% and 11.3% more expensive in Cairns. Prices for Dairy Products in Darwin were decreasing while prices in Cairns were volatile and increasing during this period.



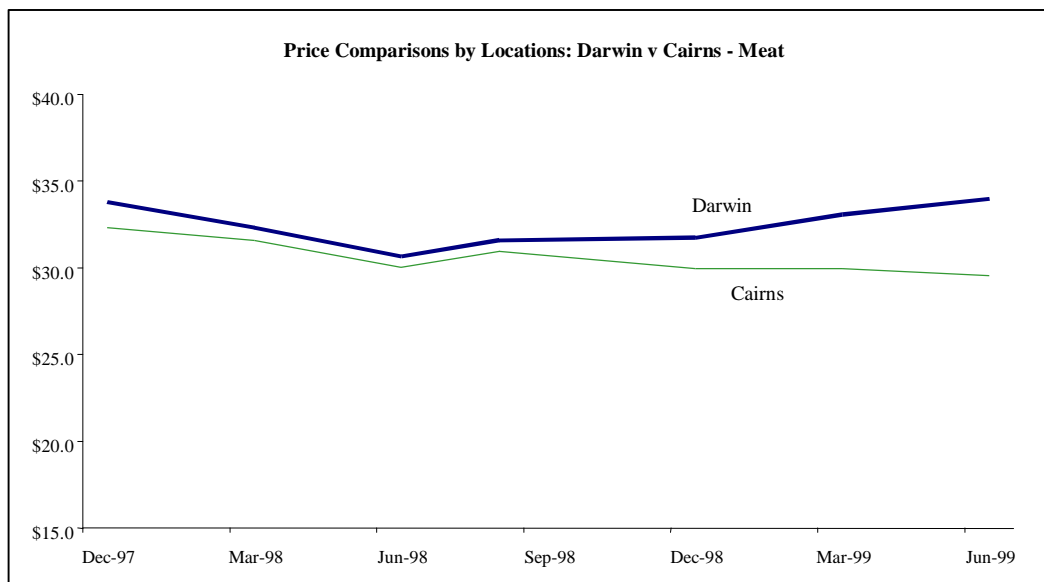
8.2.3. Bakery & Cereal Products

With the exception of Tim Tam biscuits, all Bakery and Cereal Products from the basket of goods were more expensive in Darwin. The biggest price difference in percentage terms was Shape Savoury Biscuits at 35.7%. This was followed by Weetbix at 7.9%. Tim Tam biscuits were 8.2% cheaper in Darwin. Overall, Bakery & Cereal Products were 6.9% more expensive in Darwin. It is interesting to note that apart from the June quarter 1999, in which Cairns prices increased sharply whilst Darwin prices marginally decreased, the price movements in both places were virtually identical.



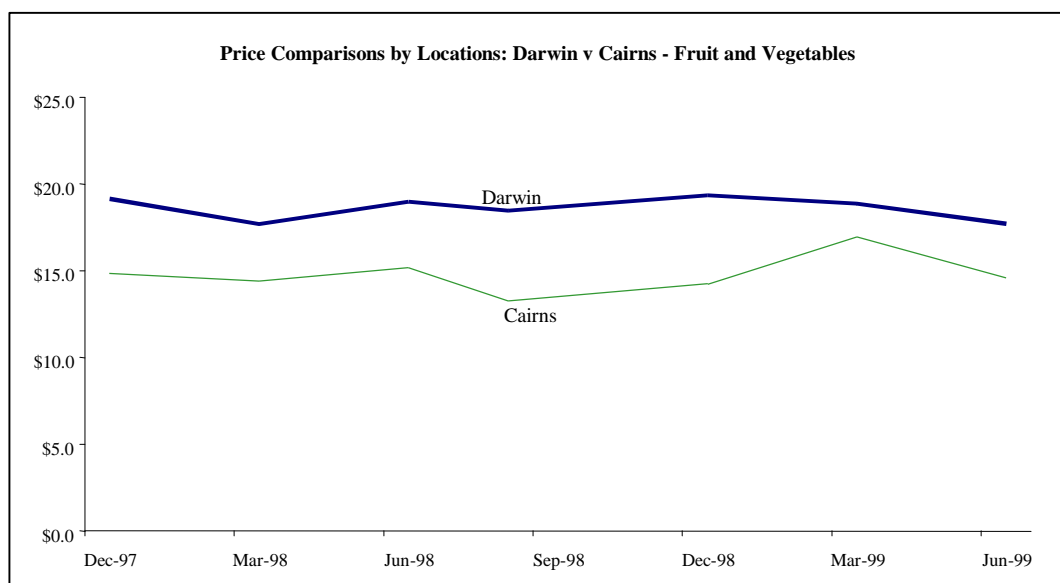
8.2.4. Meat

Meat prices were 6.0% higher in Darwin than Cairns primarily due to the much higher prices for Rump Steak at 14.3%. Prices for Chicken Breast and Beef Mince were also higher in Darwin at 4.1% and 1.6% respectively. Corned beef was marginally cheaper in Darwin at 1.5%. Over this period, meat prices in Cairns decreased considerably while Darwin prices decreased initially but increased back past the December 1997 prices by June 1999.



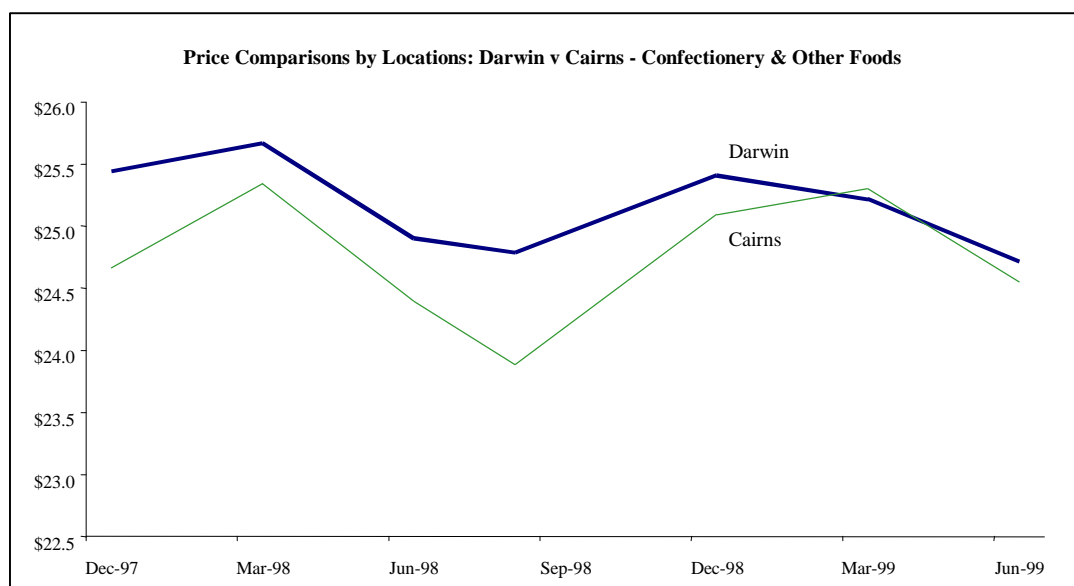
8.2.5. Fruit and Vegetables

Every item of Fruit and Vegetables was significantly more expensive in Darwin with Tomatoes recording the largest difference at 45.0%, followed by Bananas at 38.0%, Carrots at 23.6%, Lettuce at 19.0% and Potatoes at 16.7%. The differences were fairly consistent over the seven-quarter period with some minor fluctuations due to the seasonal nature of some Fruit and Vegetables.



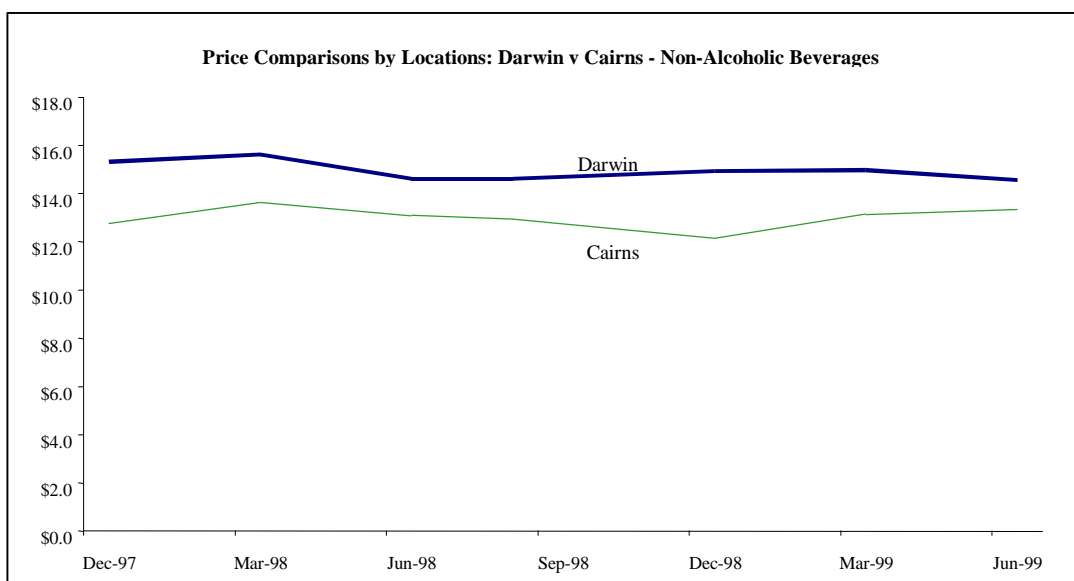
8.2.6. Confectionery & Other Foods

In relation to Confectionery & Other Foods items, Darwin was 1.7% more expensive than Cairns. Of the eleven items in this category, three were cheaper in Darwin: Milo (7.5% lower), Tea Bags (4.7% lower) and Instant Coffee (2.7% lower). Other items were more expensive in Darwin: Yowie (14.8% higher), Sugar (13.7% higher), Tomato Sauce (12.9% higher), Canned Soup (9.1% higher), Spaghetti in Tomato Source (7.2% higher) & Vegemite (6.8% higher). The price movements for both cities were fairly similar over the course of this period. This could be a result of the application of a national pricing strategy by which prices are determined for all stores across Australia.



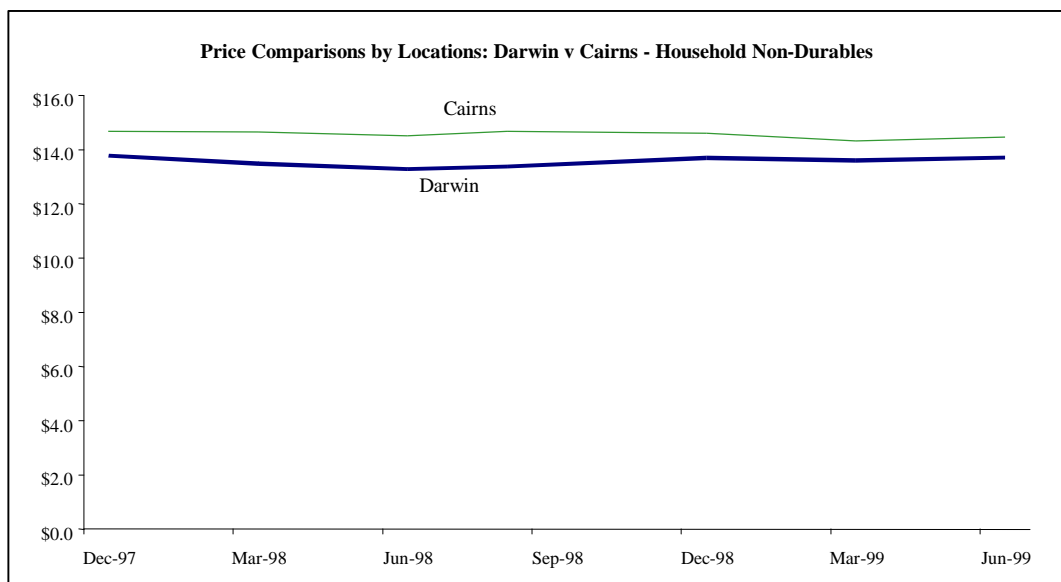
8.2.7. Non-Alcoholic Beverages

Non-Alcoholic drinks were more expensive in Darwin for every item included in this category. The large price differences were for 2 Litre Coca-Cola at 23.7% and Fresh Squeezed Orange Juice at 22.8%. The smallest difference was for Berri Orange Juice at 3.1%. Over this period, prices for Non-Alcoholic Beverages in Darwin decreased slightly while prices in Cairns remained steady with some minor fluctuations.



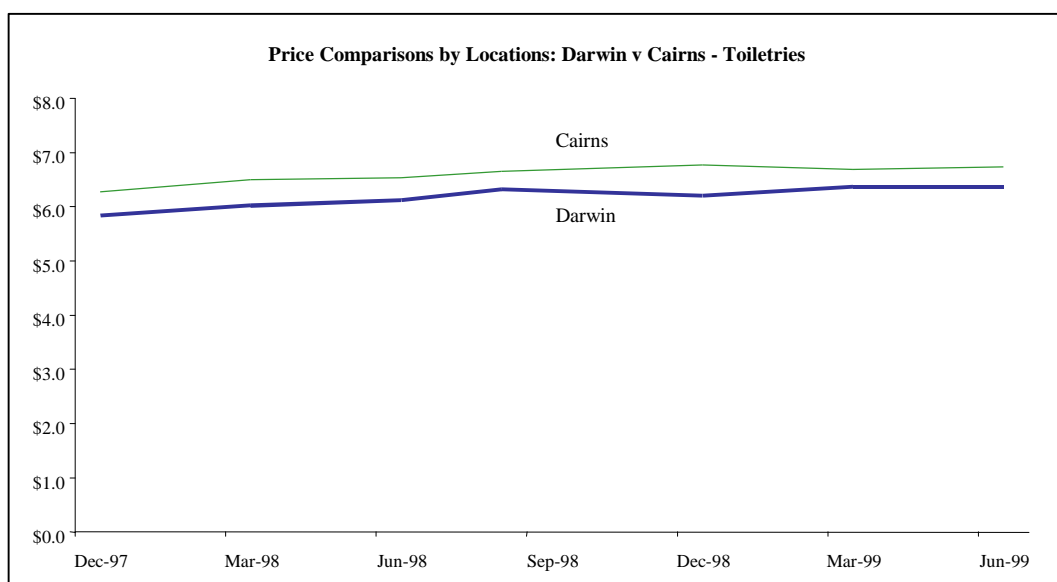
8.2.8. Household Non-Durables

Household Non-Durables were 6.8% more expensive in Cairns primarily due to a 13.4% higher price for Pre Washing Aid (Napisan Plus). Fabric Softener and Toiler Rolls were also more expensive by 6.6% and 0.6% respectively. There was little change in prices for Household Non-Durables in either city during this period.



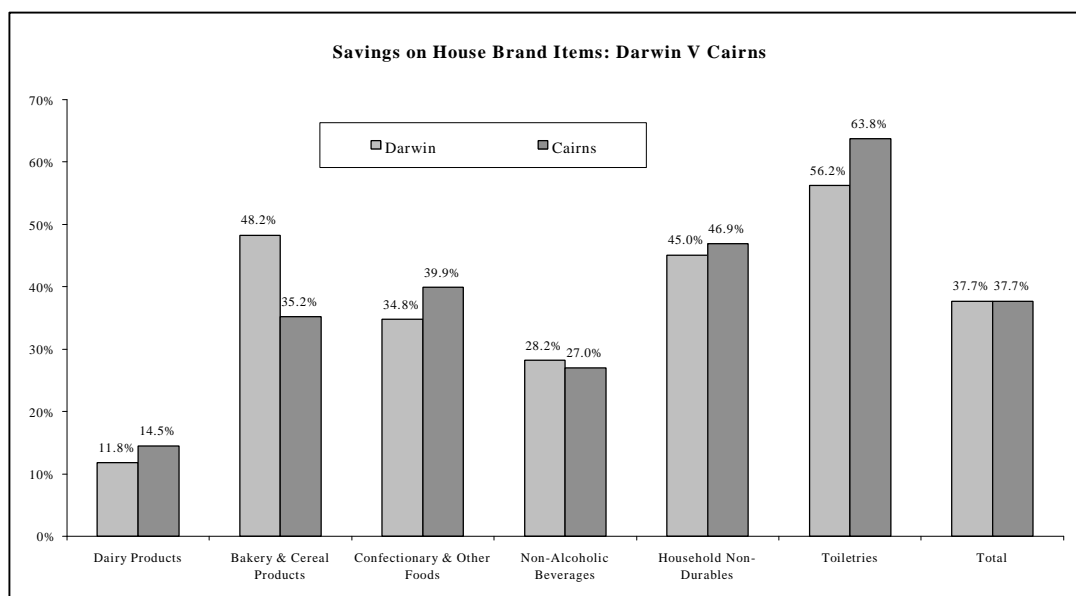
8.2.9. Toiletries

Toiletries were more expensive in Cairns by 6.2%. Toothpaste was 13.6% more expensive and Medicated Toilet Soap was 0.3% dearer in Cairns. Prices in both cities increased slightly over the course of this period.



8.2.10. Branded Item v House Brand Items

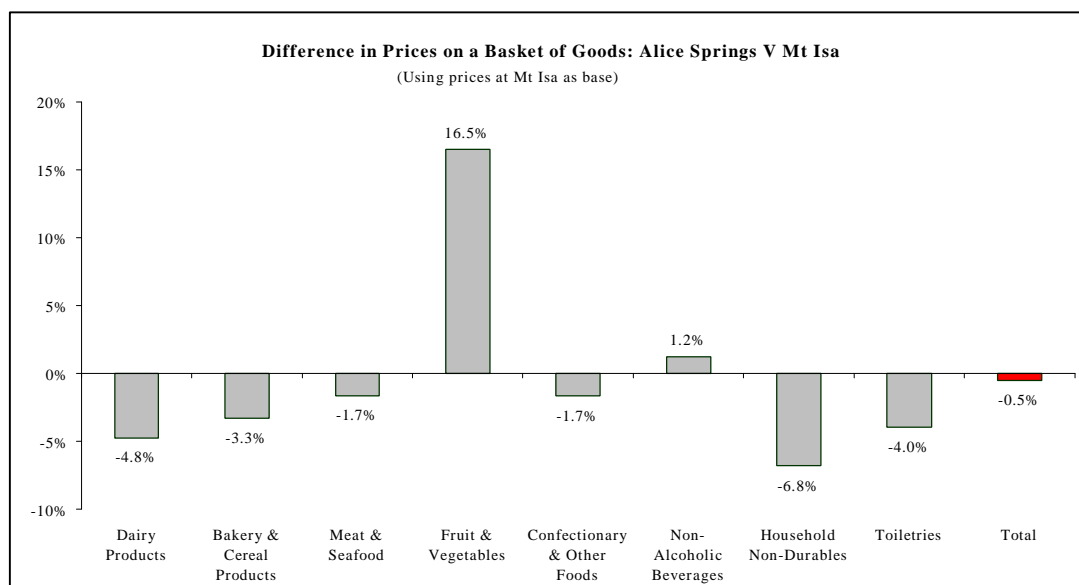
There was only a very limited range of items available for comparison of branded and house brand items. Coincidentally, in both Cairns and Darwin, a saving of 37.7% could be made by buying all the available house brand products instead of branded products. As shown in the diagram below, larger savings could be made on Bakery & Cereal products and Non-Alcoholic Beverages in Darwin while savings were greater in Cairns for all other products.



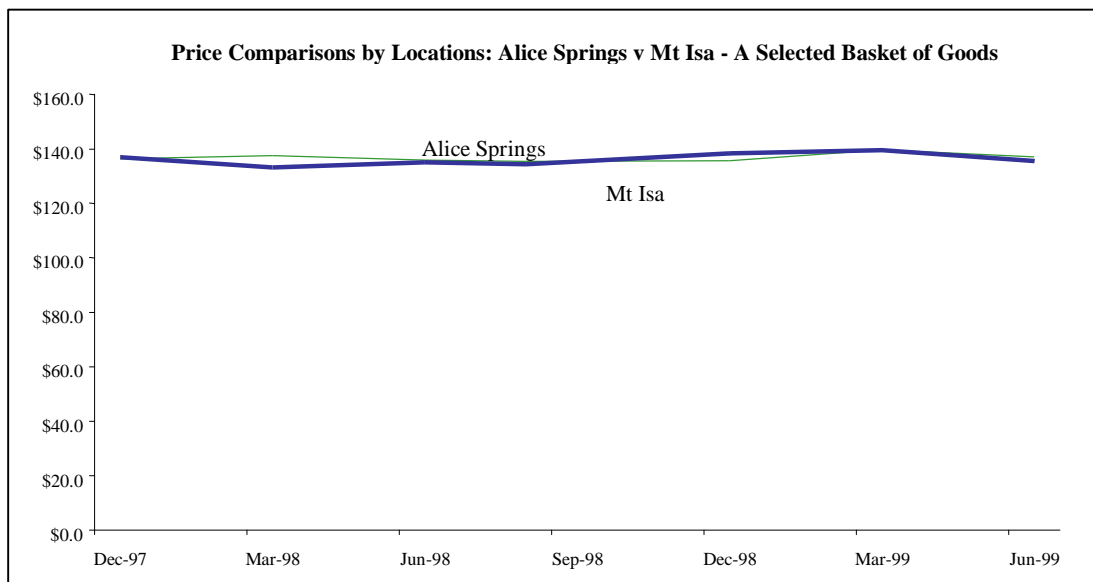
8.3. PRICE COMPARISONS – ALICE SPRINGS v MOUNT ISA

8.3.1. Basket of Goods

All products except Fruit & Vegetables and Non-Alcoholic Beverages were cheaper in Alice Springs than Mount Isa. Household Non-Durables were 6.8% cheaper, Toiletries 4.0%, Dairy Products 4.8%, Bakery & Cereal Products 3.3%, Meat 1.7% and Confectionery & Other Foods 1.7%. Prices for Fruit and Vegetables were 16.5% higher in Alice Springs compared to Mount Isa. The net result of these price variations is that the price for the basket of goods was 0.5% cheaper in Alice Springs.

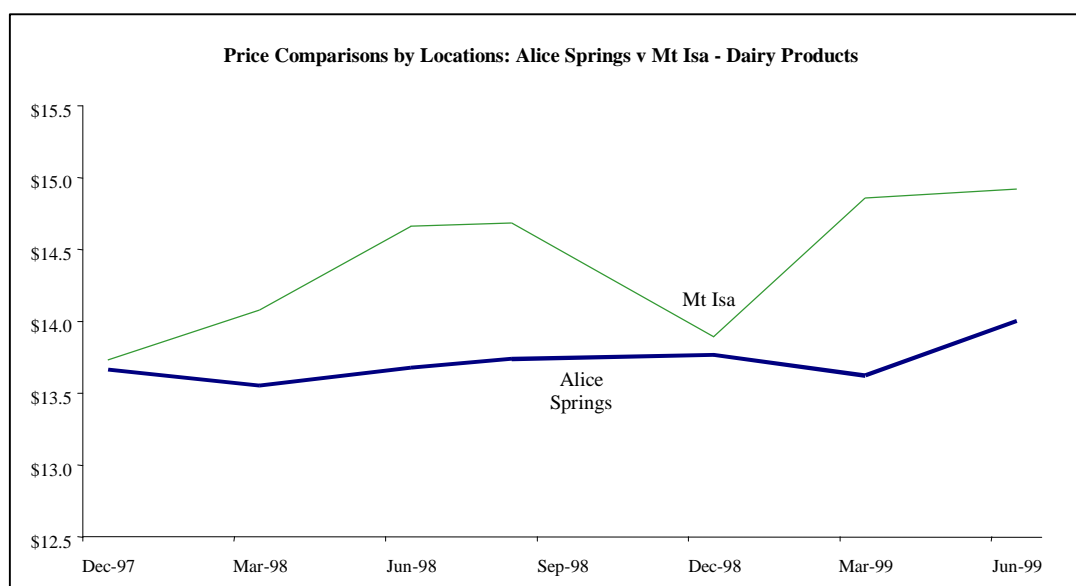


As demonstrated in the chart below, there was hardly any difference in price on the whole basket of goods over the seven-quarter period. Prices in both cities remained steady with Alice Springs experiencing a slight decrease, whilst Mount Isa increased marginally.



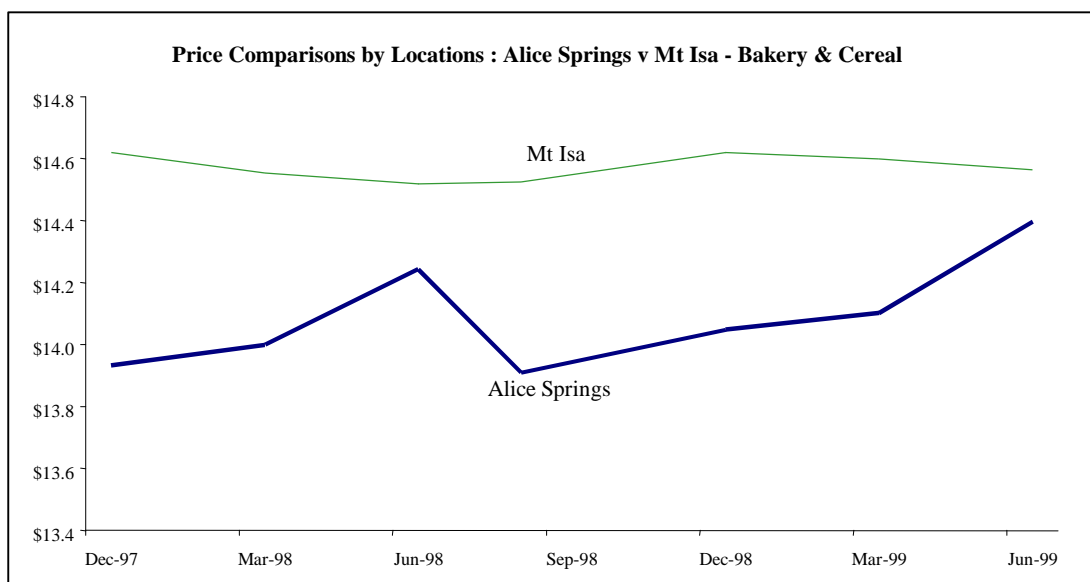
8.3.2. Dairy Product

Dairy Products were 4.8% cheaper in Alice Springs than Mount Isa over the seven-quarter period. This was due principally to the 20.2% cheaper price for Iced-Coffee in Alice Springs. There were little differences in price between the two cities for all other items in this category. Prices for Dairy Products in Alice Springs increased slightly while prices in Mount Isa were volatile and increasing during this period.



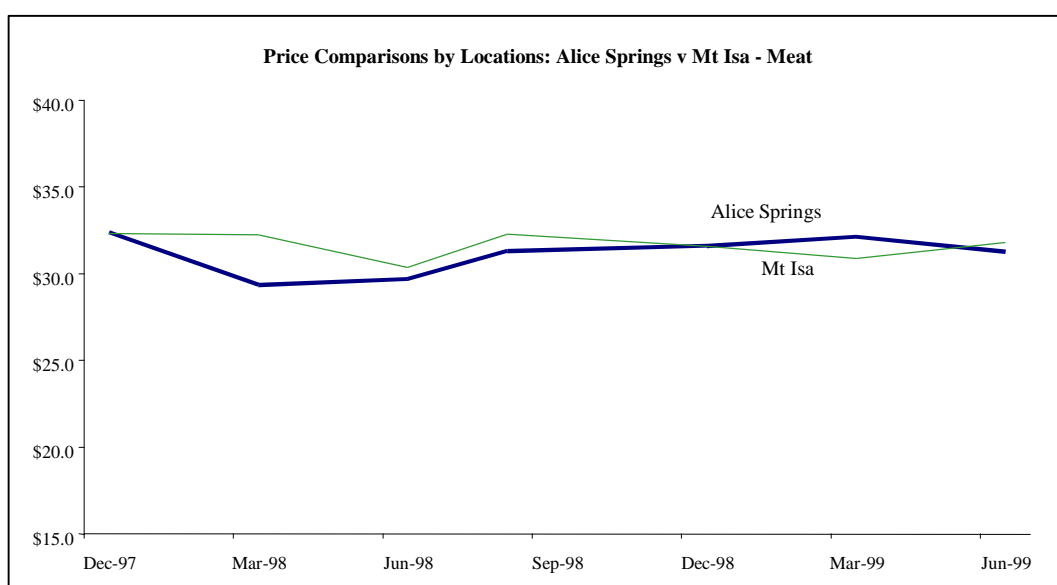
8.3.3. Bakery & Cereal Products

Most Bakery & Cereal Products were cheaper in Alice Springs than Mount Isa. White Bread was 12.0% cheaper, Tim Tams 6.1%, Rice and Two Minutes Noodles were both 2.9% and Shape Savoury Biscuits 2.4%. Weetbix was the only item in this category that was more expensive in Alice Springs. Overall, Alice Springs was 3.3% cheaper than Mount Isa for Bakery and Cereal Products. However, prices in Mount Isa were decreasing while Alice Springs prices increased over the course of the review period.



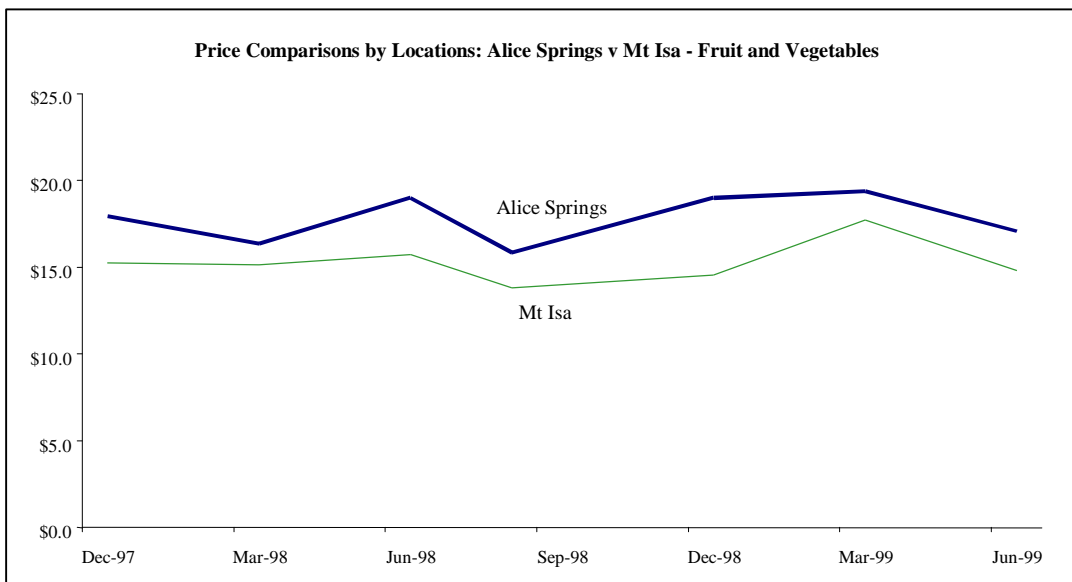
8.3.4. Meat

Meat prices were marginally cheaper in Alice Springs by 1.7%. This was due primarily to cheaper prices on Chicken Breast at 6.9% and Beef Mince at 5.8%, offset by more expensive prices on Rump Steak which was 6.5% higher. During the seven quarters, Alice Springs prices were more expensive in two quarters and cheaper for the remaining five. This indicates that there is no significant difference in Meat prices for the two cities overall.



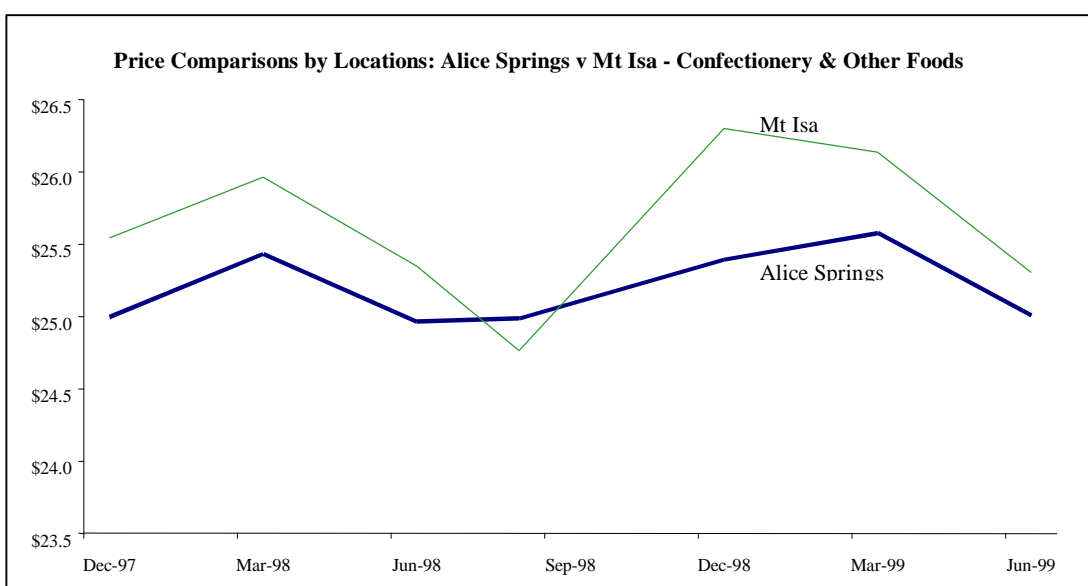
8.3.5. Fruit and Vegetables

Fruit and Vegetables were significantly more expensive in Alice Springs than Mount Isa by 16.5%. Bananas recorded the biggest difference at 39.5%, followed by Tomatoes at 36.2%, Lettuce at 6.8%, Carrots at 6.4% and Potatoes at 4.1%. The difference in prices remained fairly consistent over the seven quarters with price variations reflecting the seasonal nature of some Fruit and Vegetables.



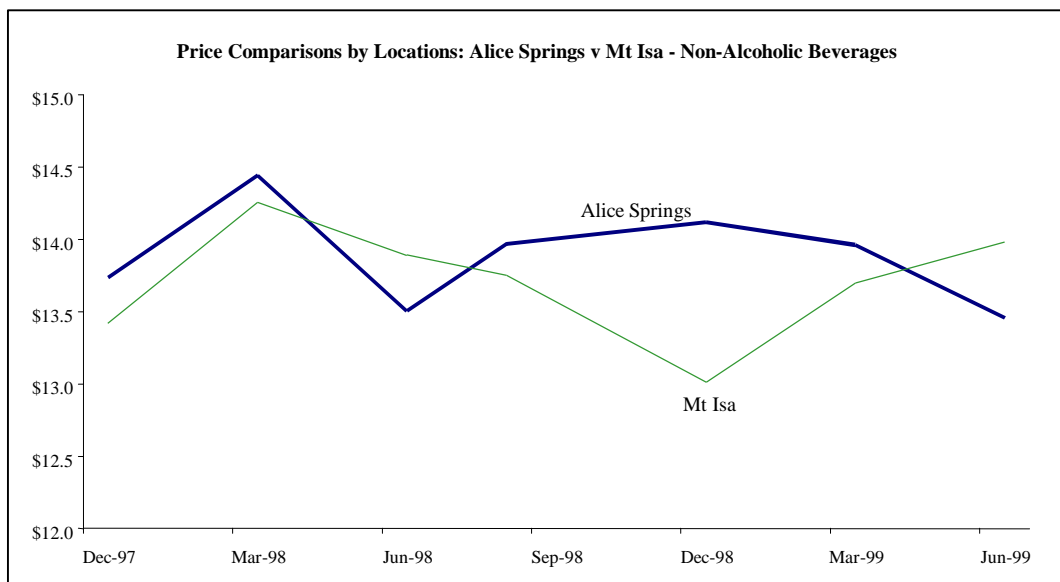
8.3.6. Confectionery & Other Foods

In absolute terms, there was a difference of no more than 20 cents in price on any items in this category. Four out of eleven items were more expensive in Alice Springs and the remaining were more expensive in Mount Isa. The net result is that Alice Springs was 1.7% cheaper for Confectionery & Other Foods. There were some similarities of price movements between the two cities.



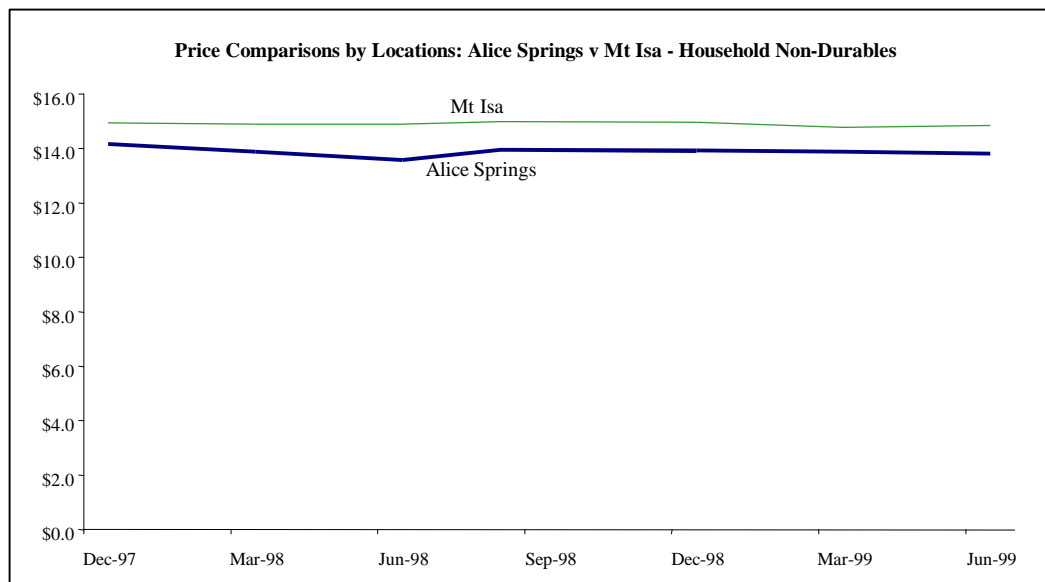
8.3.7. Non-Alcoholic Beverages

Non-Alcoholic drinks were marginally more expensive in Alice Springs by 1.2%, primarily due to a 12.4% higher price for Fresh Squeezed Orange Juice, offset by cheaper prices for Soy Drink at 6.0%, 1.25 Litre Cola at 4.2% and Orange Juice (Berri) at 2.8%. Price movements on Non-Alcoholic Beverages were inconsistent between the two places.



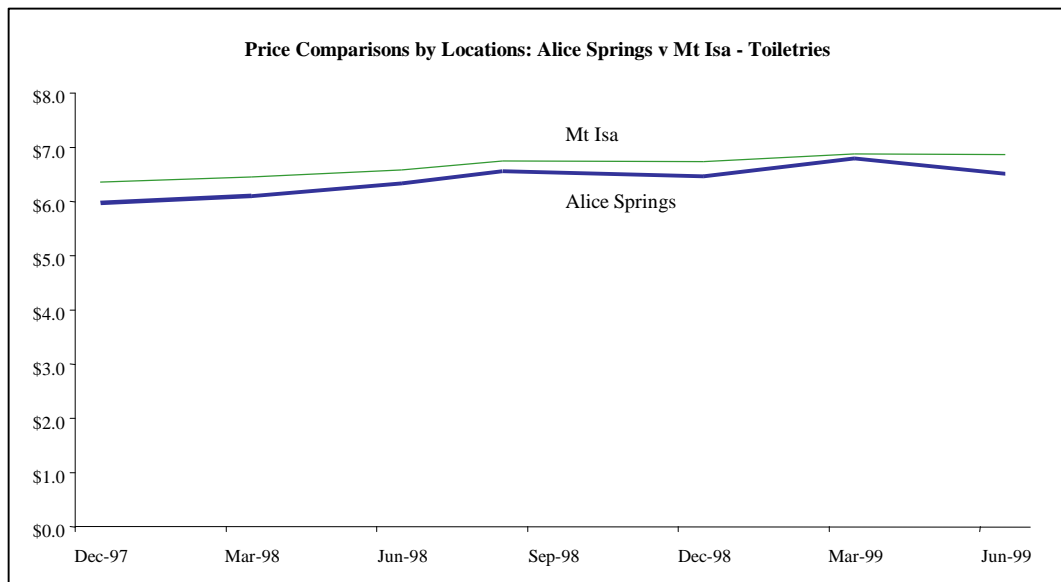
8.3.8. Household Non-Durables

All Household Non-Durables were cheaper in Alice Springs. Pre Washing Aid (Napisan Plus) was 12.0% cheaper, followed by Fabric Softener 8.8% and Toilet Rolls 1.7%. There was little change in the prices of products in this category for either cities.



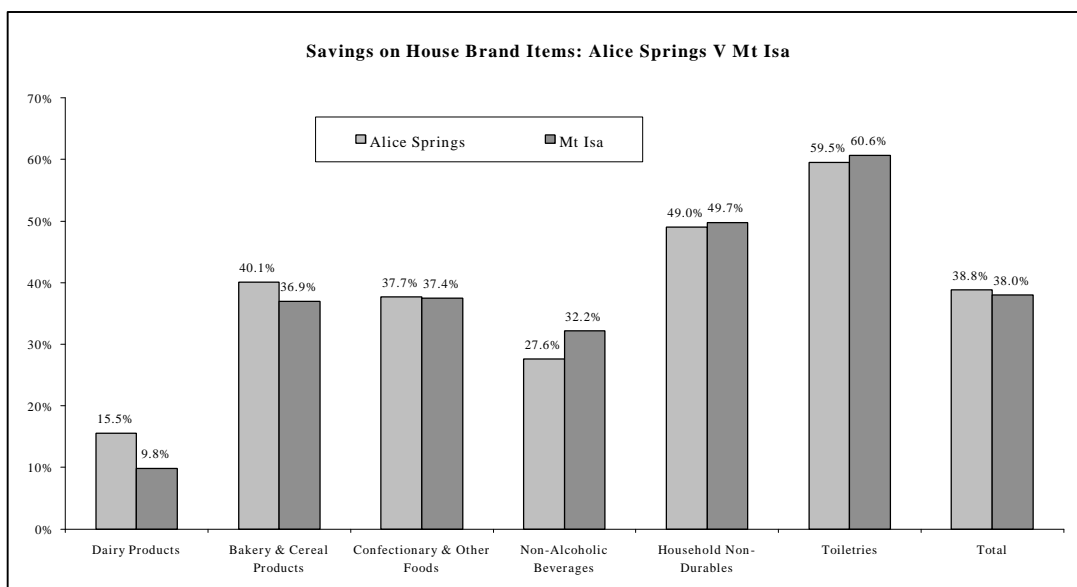
8.3.9. Toiletries

Toiletries were cheaper in Alice Springs than Mount Isa by 4.0%, principally due to cheaper Toothpaste prices at 8.7%. Prices for Toiletries increased slightly in both cities over the course of this period.



8.3.10. Branded Item v House Brand Items

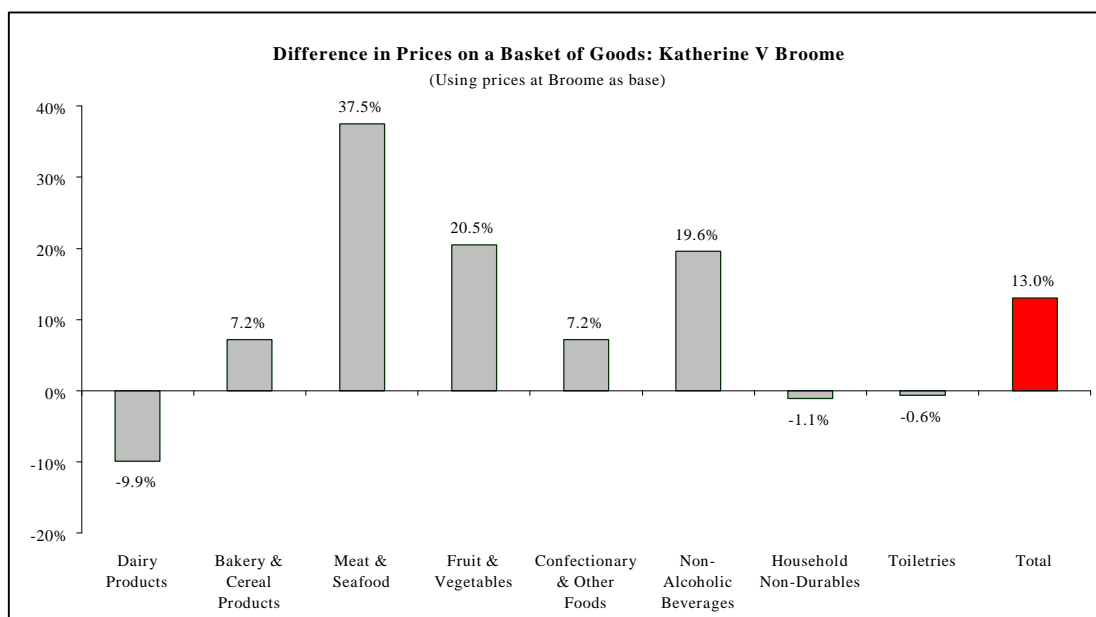
Overall, a saving of 38.8% could be achieved by purchasing house brand items as substitutes for branded items in Alice Springs, compared with a saving of 38.0% in Mount Isa. As shown in the diagram below, larger savings could be made on Non-Alcoholic Beverages, Household Non-Durables, and Toiletries in Mount Isa, while savings were greater in Alice Springs for all other products



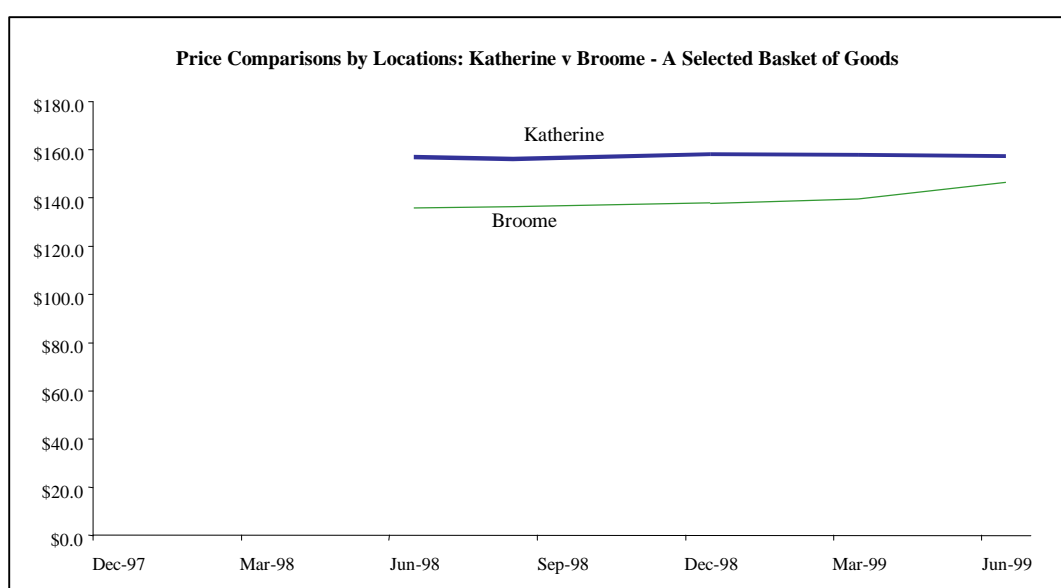
8.4. PRICE COMPARISONS – KATHERINE v BROOME

8.4.1. Basket of Goods

Comparable prices for these two localities were unavailable for the December quarter 1997 and March quarter 1998. The average price for the basket of goods was 13.0% more expensive in Katherine over the five-quarter period. The more expensive products in Katherine were Meat 37.5% higher, Fruit & Vegetables 20.5%, Non-alcoholic Beverages 19.6%, Confectionery & Other Foods 7.2% and Bakery & Cereal products 7.2%. Dairy Products, Household Non-Durables and Toiletries were cheaper in Katherine by 9.9%, 1.1% and 0.6% respectively.

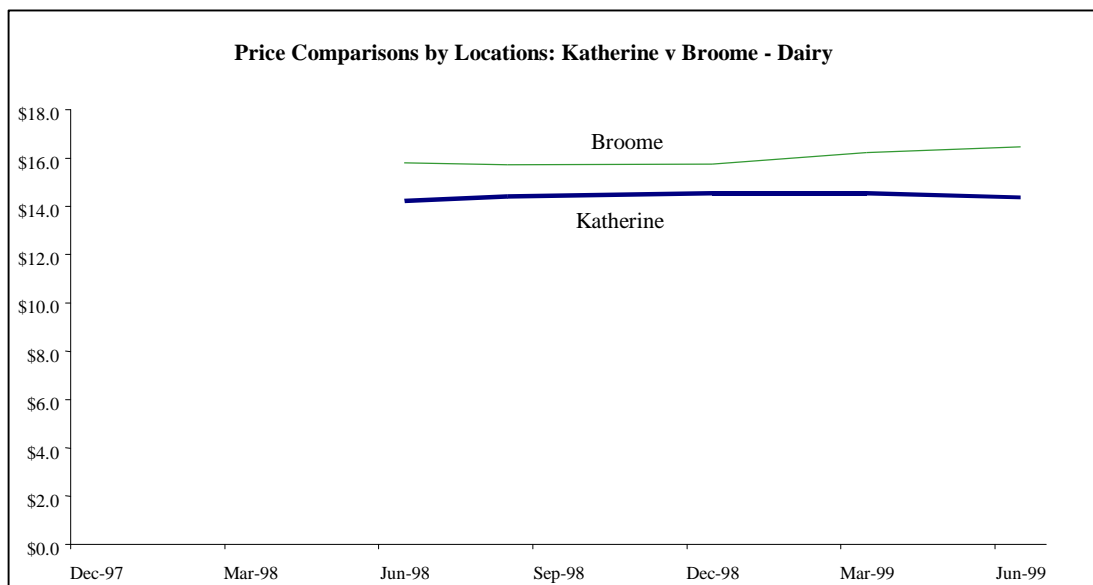


Over the five-quarter period, there were little movement in prices in Katherine, whilst prices in Broome rose sharply, in particular over the last two quarters. As a result, the price difference between the two localities reduced considerably over this period.



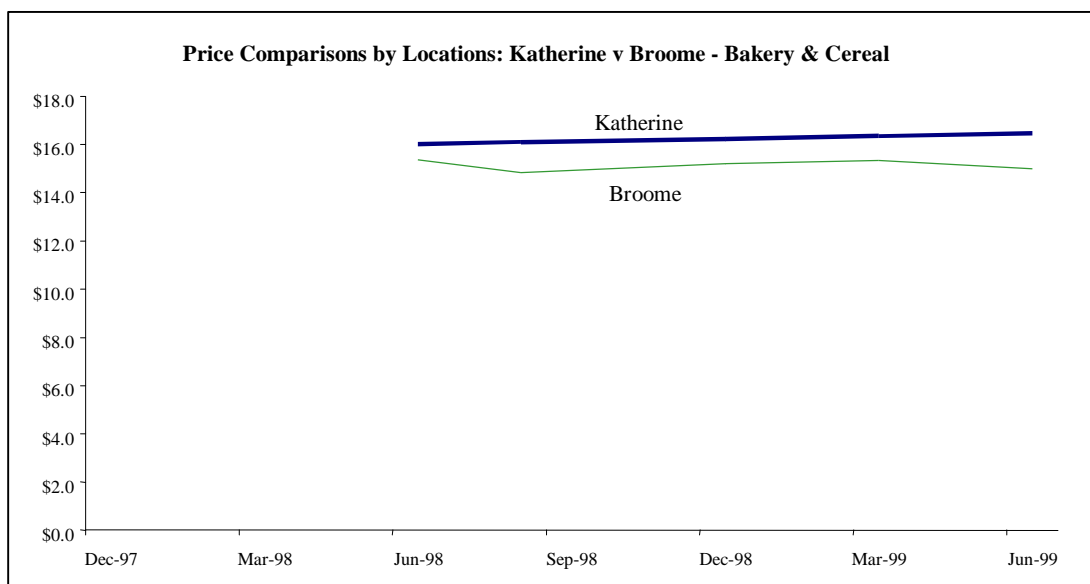
8.4.2. Dairy Product

Overall, Dairy Products were 9.9% cheaper in Katherine compared to Broome. This was due mainly to much cheaper prices for milk products in Katherine ranging from 10.2% for Reduced Fat Milk to 27.0% for Rowlands PVC Full Cream Milk. Eggs and Margarine were dearer in Katherine by 7.0% and 4.2% respectively. Prices for Dairy Products increased slightly in Katherine while prices in Broome rose sharply over the course of this period.



8.4.3. Bakery & Cereal Products

Bakery and Cereal Products were 7.2% dearer in Katherine than Broome over the five-quarter period. Katherine prices for Tim Tams and Shape Savoury Biscuits were 19.8% more expensive, followed by Two Minutes Noodles 10.8%, Rice 2.2% and White Bread 0.6%. Weetbix was marginally cheaper in Katherine at 1.7%. Katherine prices increased slightly while Broome prices recorded a small decrease over this period.

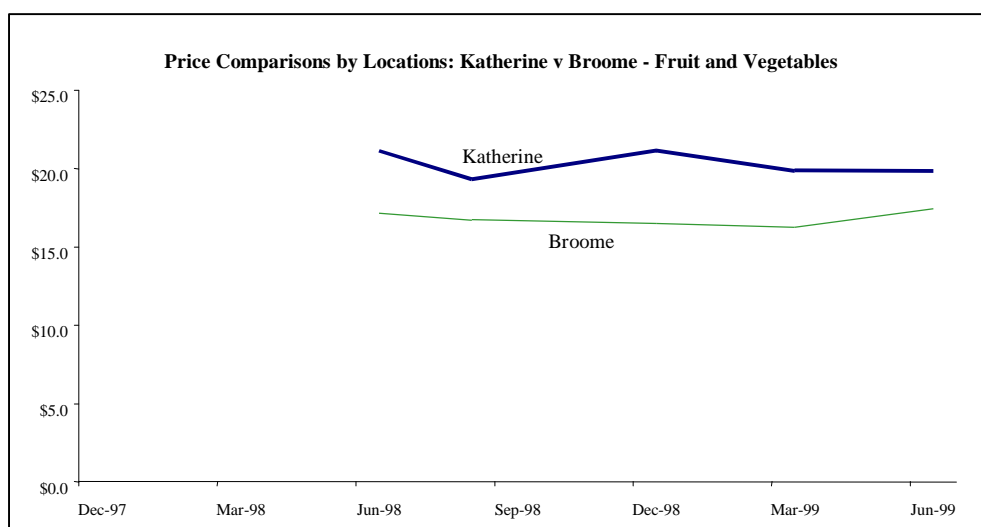


8.4.4. Meat

Meat prices were not supplied for Katherine and therefore had to be estimated for the purposes of the total basket. No detailed analysis of meat prices is therefore provided here.

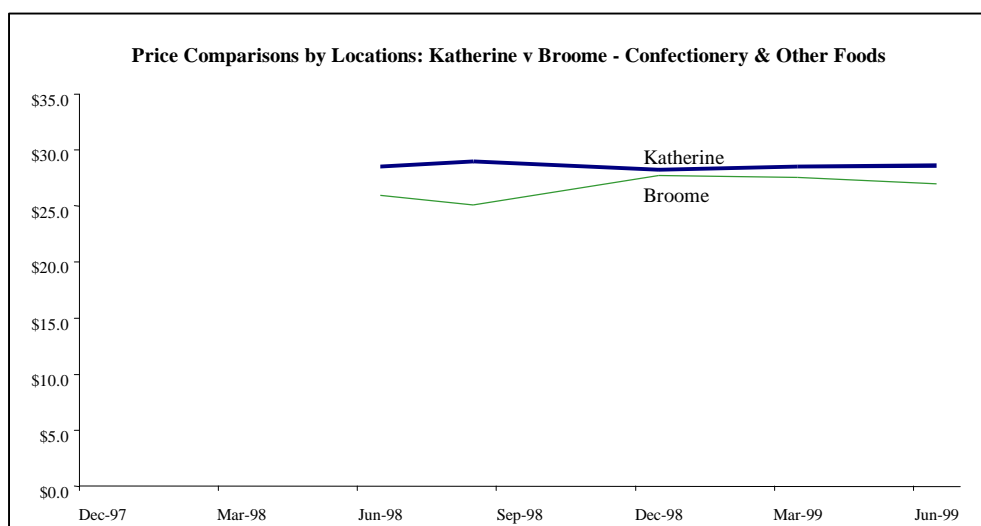
8.4.5. Fruit and Vegetables

All Fruit and Vegetables items were significantly more expensive in Katherine. Carrots were 57.9% dearer, Washed Potatoes 47.8%, Lettuce 44.5%, Tomatoes 18.4% and Bananas 1.9%. Overall, Katherine was 20.5% more expensive than Broome for Fruit and Vegetables. Prices in Broome remained steady for the first four quarters but increased considerably in the June quarter 1999. Katherine prices decreased slightly with minor fluctuations over the course of the five-quarter period.



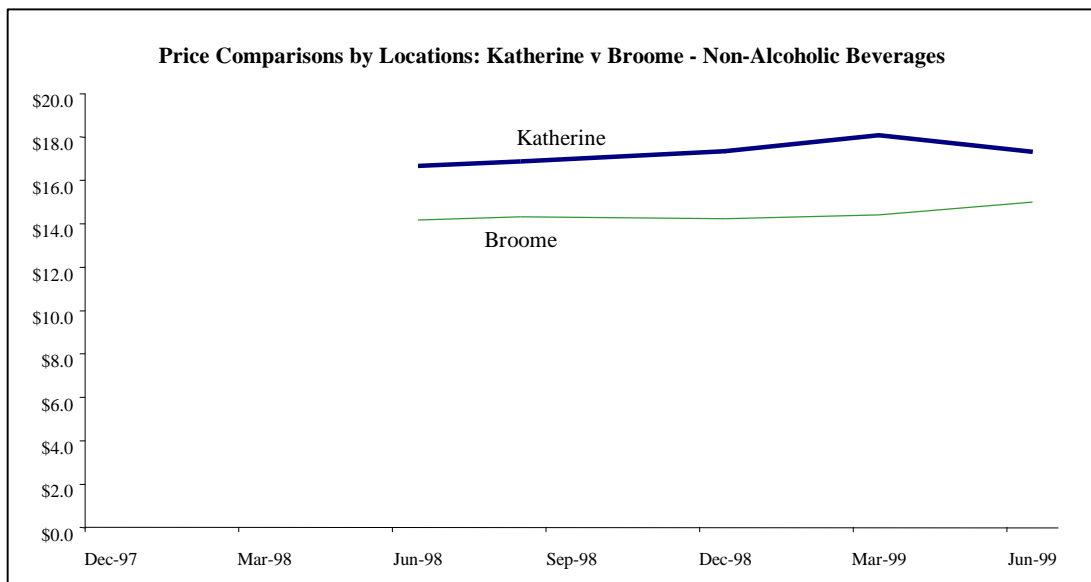
8.4.6. Confectionery & Other Foods

Katherine was 7.2% more expensive for Confectionery & Other Foods than Broome. Eight out of eleven items were more expensive in Katherine. The price differences for most items were between 12.0% to 17.0%. Tea bags, Milo Drink and Yowie were slightly cheaper in Katherine by 6.1%, 1.6% and 1.3% respectively. Over the course of this period, prices in Katherine almost remained unchanged while prices in Broome rose significantly resulting in a reduced price gap between the two localities.



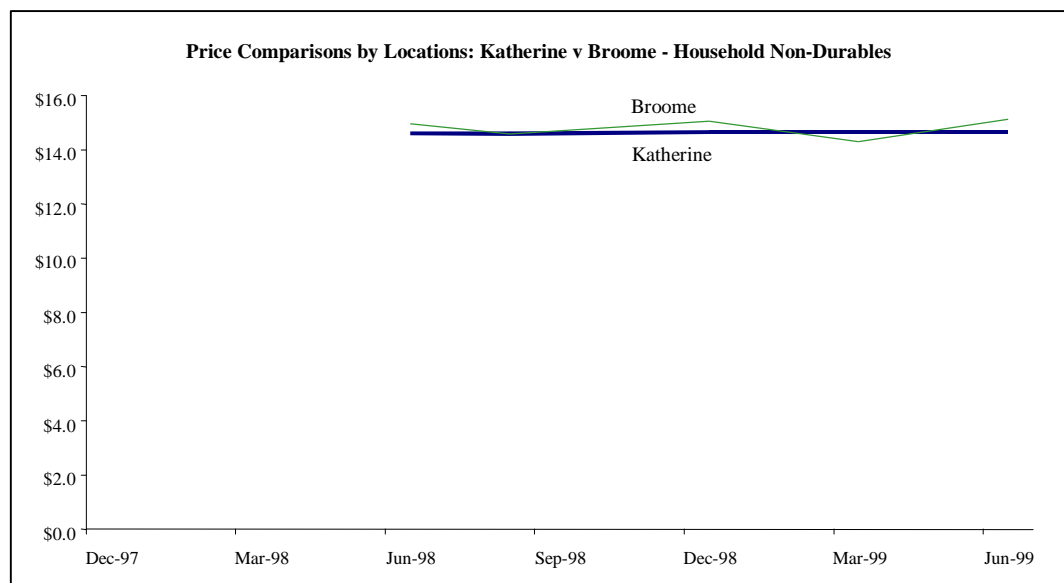
8.4.7. Non-Alcoholic Beverages

Non-Alcoholic drinks were much more expensive in Katherine at 19.6%. The largest difference in price was for 2 Litre Cola at 50.3%, followed by Berri Orange Juice 24.2%, Soy Drink 20.2% and 1.25 Litre Cola 17.7%. Prices for Non-Alcoholic Beverages increased slightly in both places over this period.



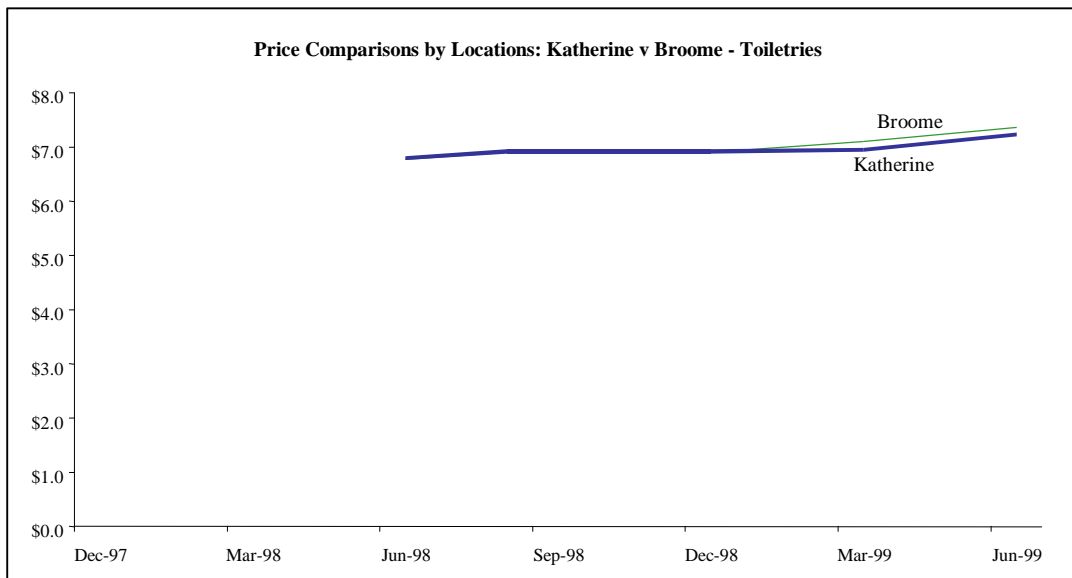
8.4.8. Household Non-Durables

Price differences for Household Non-Durables between Katherine and Broome were negligible ranging from 10 to 20 cents in absolute terms. On average, Katherine was 1.1% cheaper than Broome. Katherine prices remained unchanged, whilst prices in Broome fluctuated slightly over the course of the five-quarter period.



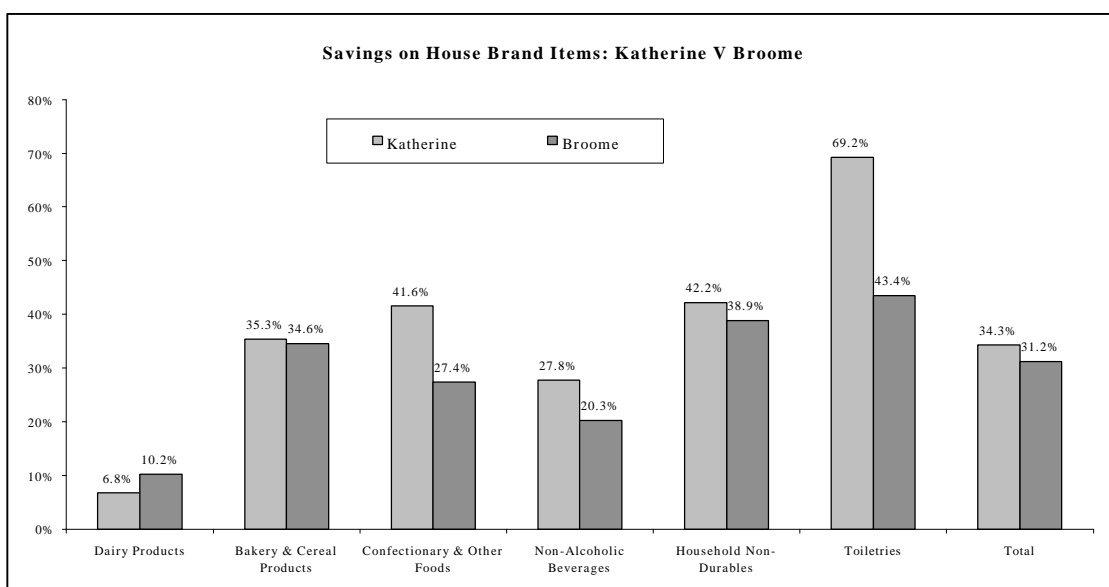
8.4.9. Toiletries

There were virtually no price differences for Toiletries in Katherine and Broome for the first three quarters. During the last two quarters, Broome prices rose more sharply than Katherine resulting in an overall 0.6% higher prices for the five-quarter period.



8.4.10. Branded Item v House Brand Items

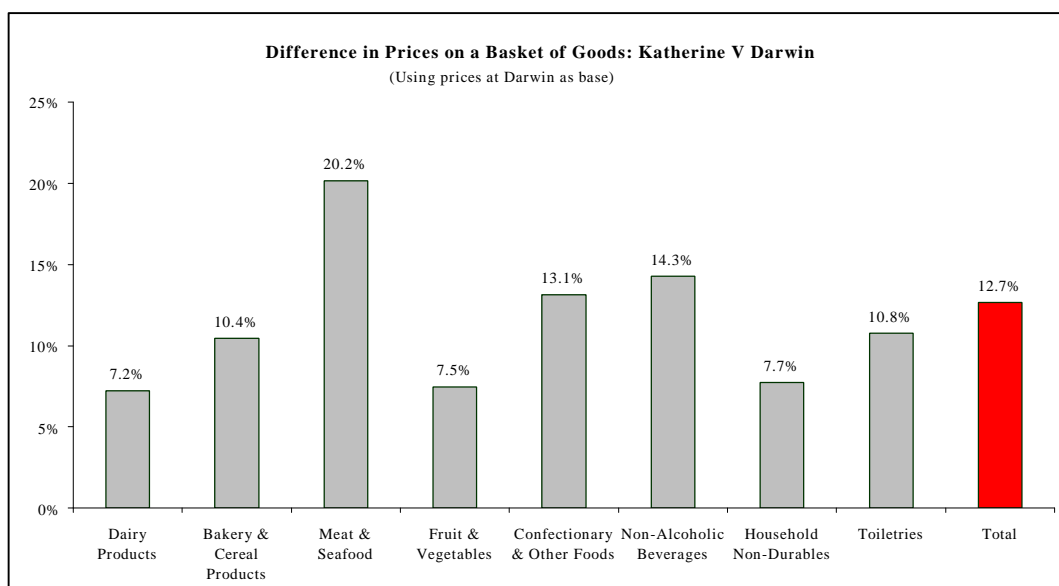
With the exception of Dairy Products, bigger savings could be made in Katherine than in Broome by buying house brand products as substitutes for branded products. Overall, a saving of 34.3% could be made on house brand items in Katherine compared with a saving of 31.2% in Broome.



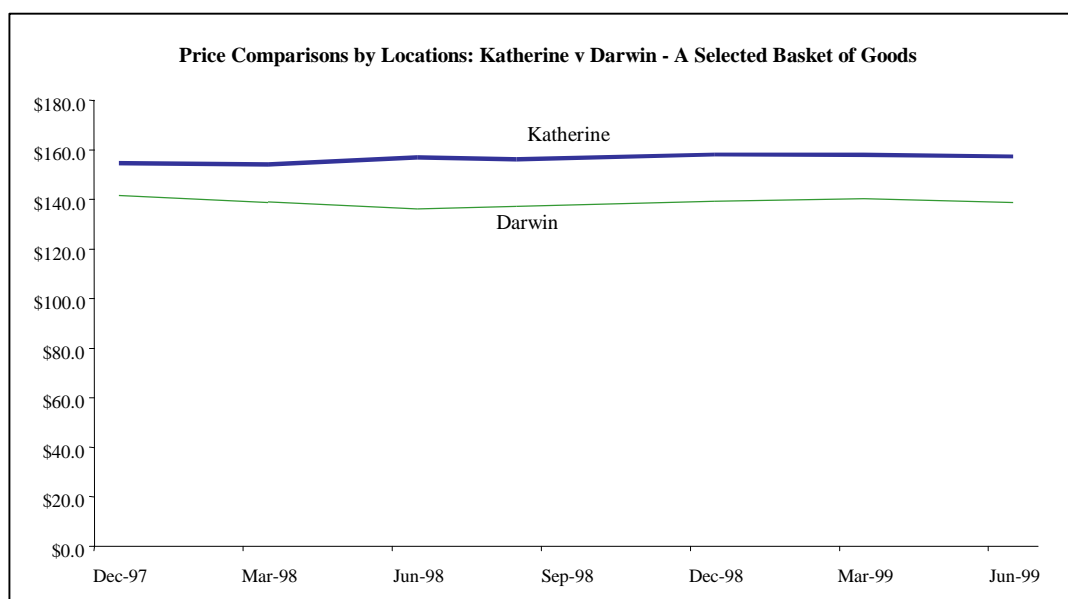
8.5. PRICE COMPARISONS – KATHERINE v DARWIN

8.5.1. Basket of Goods

The average price for the basket of goods was 12.7% more expensive in Katherine than in Darwin over the seven-quarter period. Katherine prices were more expensive on all categories of products ranging from 7.2% to 20.2%. The largest difference in price being for Meat which was 20.2% higher, this is followed by Non-Alcoholic Beverages at 14.3%, Confectionery & Other Foods at 13.1%, Toiletries at 10.8%, Bakery & Cereal Products at 10.4%, Household Non-Durables at 7.7%, Fruit & Vegetables at 7.5% and Dairy Products at 7.2%.

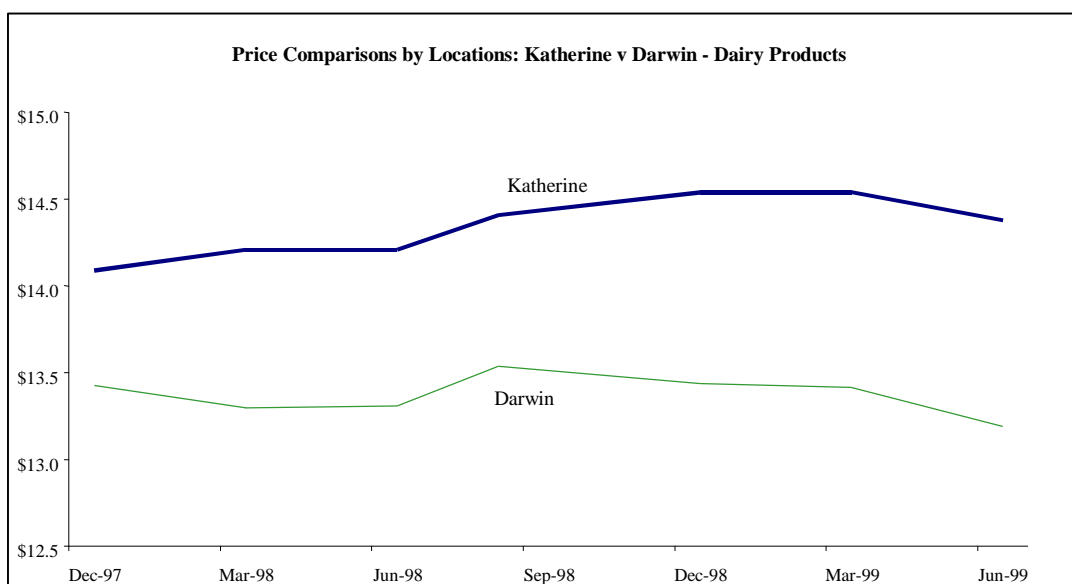


Over the course of the seven-quarter period, Darwin prices for the basket of goods decreased slightly while Katherine prices increased between March 1998 and June 1998 and then stabilised for the remaining quarters.



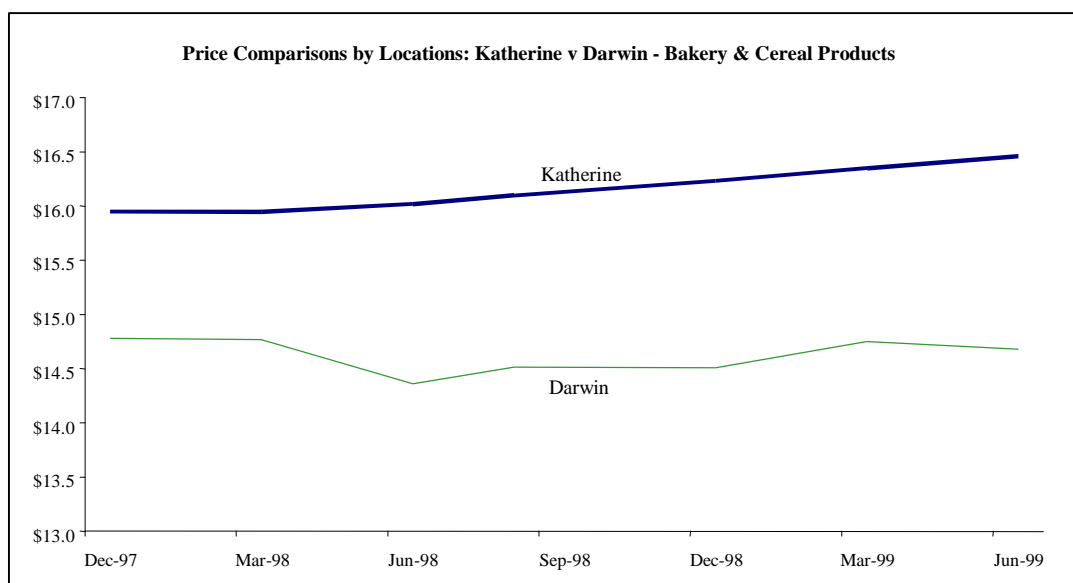
8.5.2. Dairy Product

On average, Dairy Products were 7.2% more expensive in Katherine. Every item of Dairy Products was dearer in Katherine with the biggest difference in percentage terms being for Margarine Spread which was 14.8% more expensive, this was followed by Reduced Fat Milk at 8.6%, Rowlands PVC Full Cream Milk at 8.1%, Eggs at 6.1%, Ice Coffee at 5.9% and Entee PVC Full Cream Milk at 0.8%. Over the seven-quarter period, Darwin prices were decreasing while prices in Katherine were increasing. As a result, the price gap on Dairy products between Darwin and Katherine has widened.



8.5.3. Bakery & Cereal Products

Bakery and Cereal Products were 10.4% dearer in Katherine due mainly to higher prices for Tim Tams (28.0% higher), Shape Savoury Biscuits (15.3% higher) and Two Minutes Noodles (16.6% higher). Other items were also more expensive in Katherine: Rice 4.8%; Weetbix 3.1% and Bread 1.2%. Katherine prices increased significantly while Darwin prices decreased slightly with some minor fluctuations over this period.

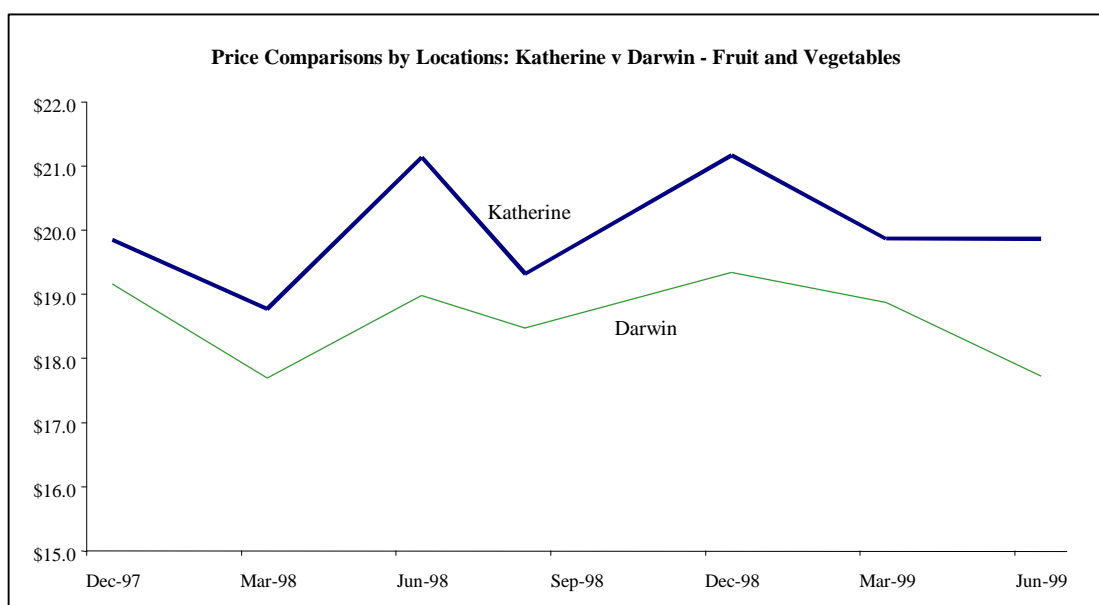


8.5.4. Meat

Meat prices were not supplied for Katherine and therefore had to be estimated for the purposes of the total basket. No detailed analysis of meat prices is therefore provided here.

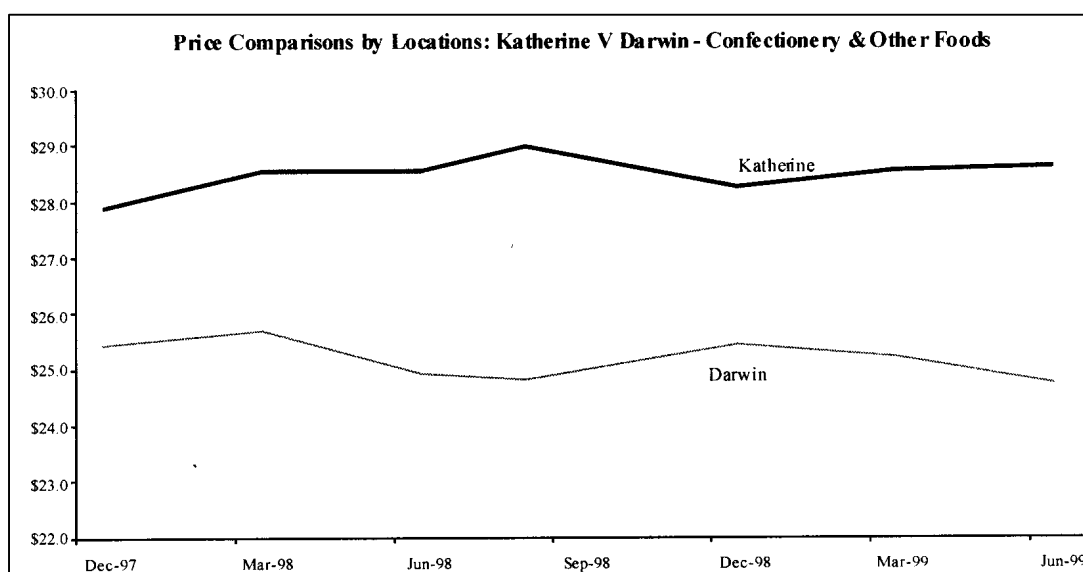
8.5.5. Fruit and Vegetables

Overall, Fruit & Vegetables were 7.5% dearer in Katherine. All items except Carrots were more expensive in Katherine. Bananas and Lettuce were 13.4% dearer, Potatoes 11.8% and Tomatoes 3.9%. Carrots in Katherine were 2.5% cheaper than in Darwin. Prices in Katherine remained unchanged with seasonal fluctuations while Darwin prices decreased considerably over this period.



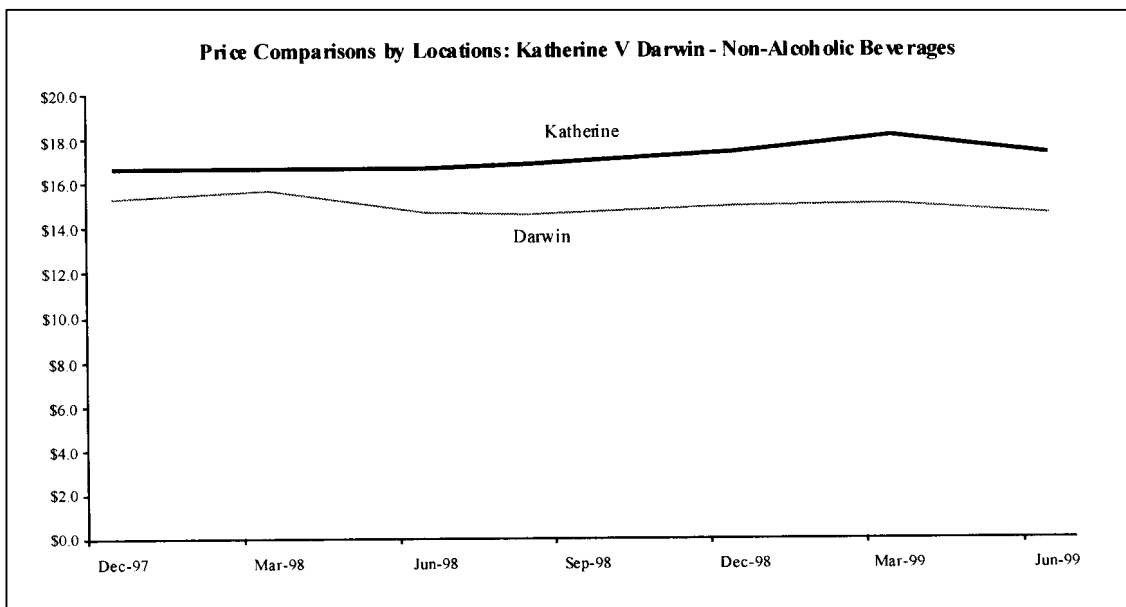
8.5.6. Confectionery & Other Foods

All eleven items of Confectionery & Other Foods were more expensive in Katherine, ranging from 1.5% for Yowie to 24.1% for Instant Coffee. Overall Katherine prices was 13.1% higher than Darwin. Darwin prices were decreasing while Katherine prices were increasing over the course of the seven-quarter period.



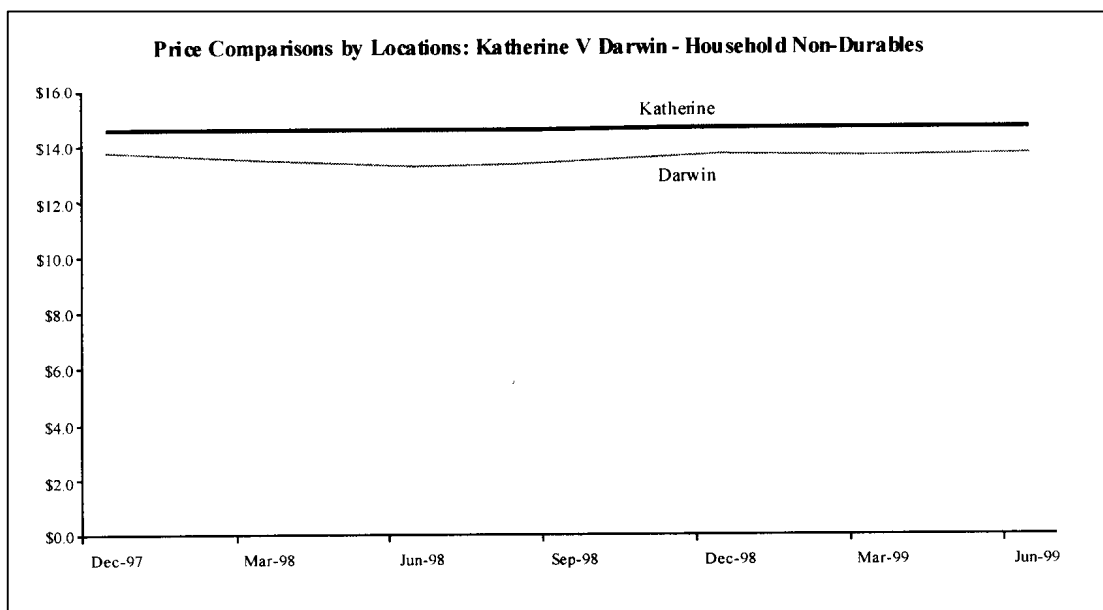
8.5.7. Non-Alcoholic Beverages

Non-Alcoholic Beverages were more expensive in Katherine by 14.3%. The largest difference in price was for Orange Juice (Berri) at 21.3%, followed by 2 Litre Cola at 21.0%, 1.25 Litre Cola 19.1%, Soy Drink 7.6% and Fresh Squeezed Orange Juice 5.4%. Over this period, prices for Non-Alcoholic Beverages in Darwin decreased slightly while Katherine prices increased steadily but fell considerably at the June quarter 1999.



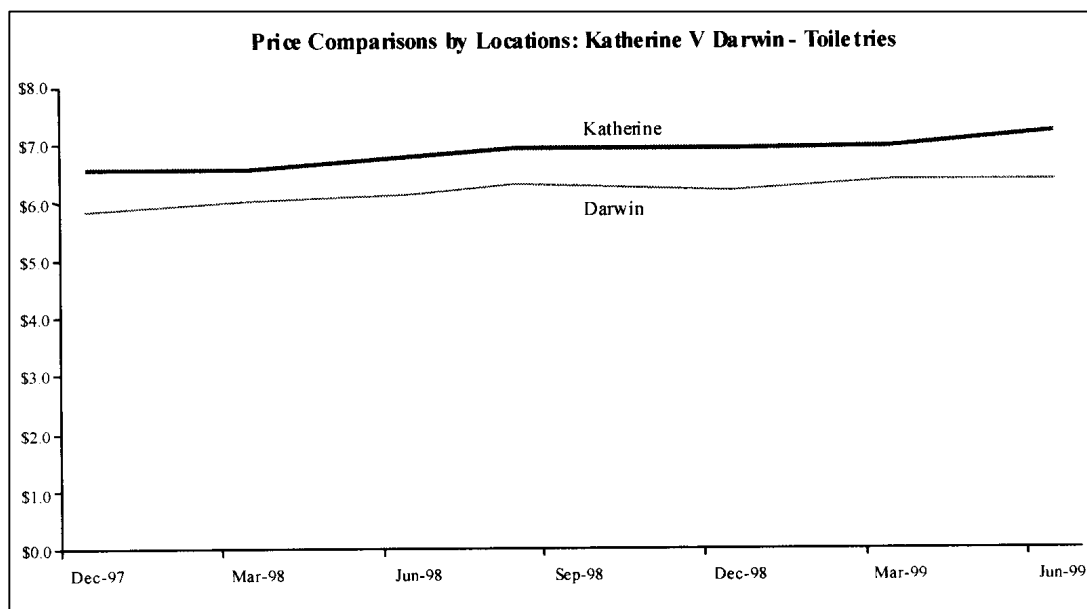
8.5.8. Household Non-Durables

Katherine was 7.7% more expensive than Darwin for Household Non-Durables. Prices were higher in Katherine on every item. Pre Washing Aid (Napisan Plus) was 12.9% higher; Fabric Softener was 10.0% higher and Toilet Rolls were 3.1% higher. Over this period, the price difference between Katherine and Darwin remained steady.



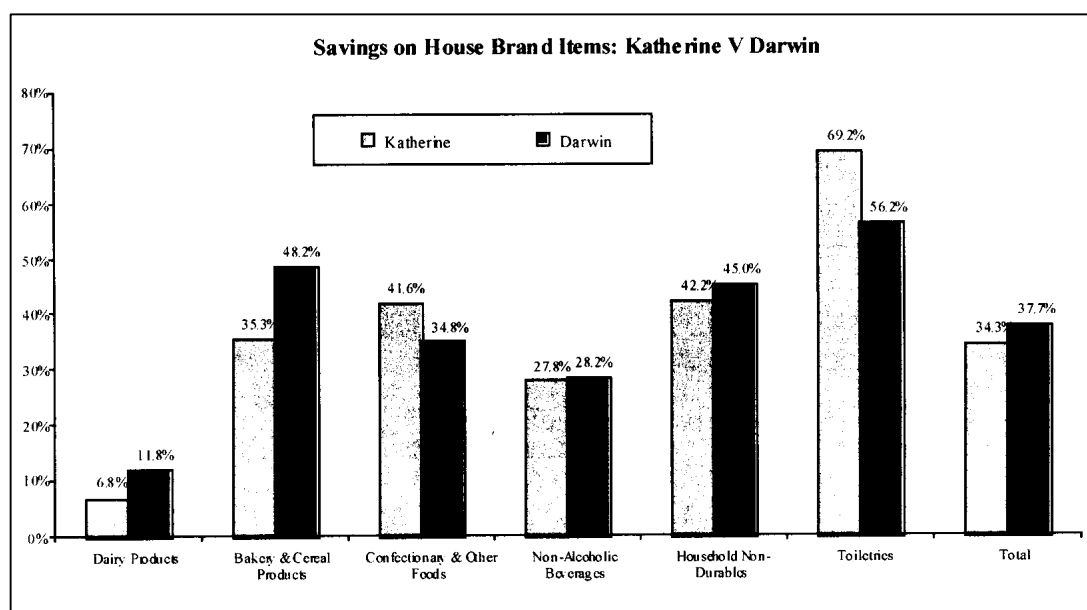
8.5.9. Toiletries

Toiletry products were 10.8% dearer in Katherine. Toothpaste was 21.5% more expensive and Medicated Toilet Soap 3.4% dearer. Price movements were fairly consistent between Katherine and Darwin for the first six quarters. During the June quarter 1999, prices in Katherine increased considerably while prices in Darwin remained unchanged.



8.5.10. Branded Item v House Brand Items

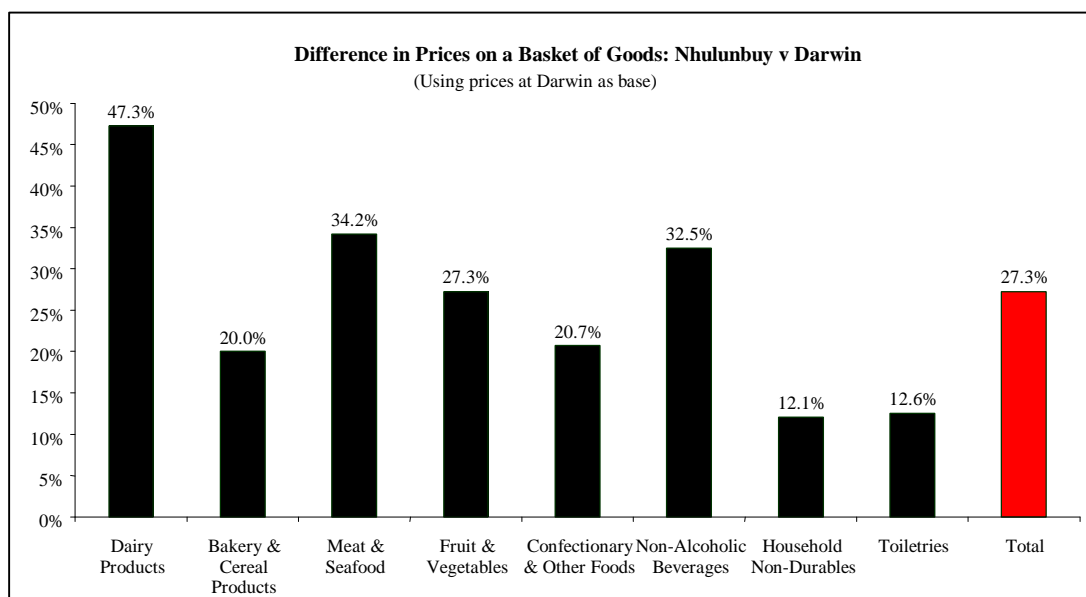
Purchasing house brand items instead of branded items in Katherine would result in a saving of 34.3% compared with a saving of 37.7% in Darwin. Bigger savings can be made on Confectionery & Other Foods and Toiletries in Katherine while savings were greater in Darwin for all other products.



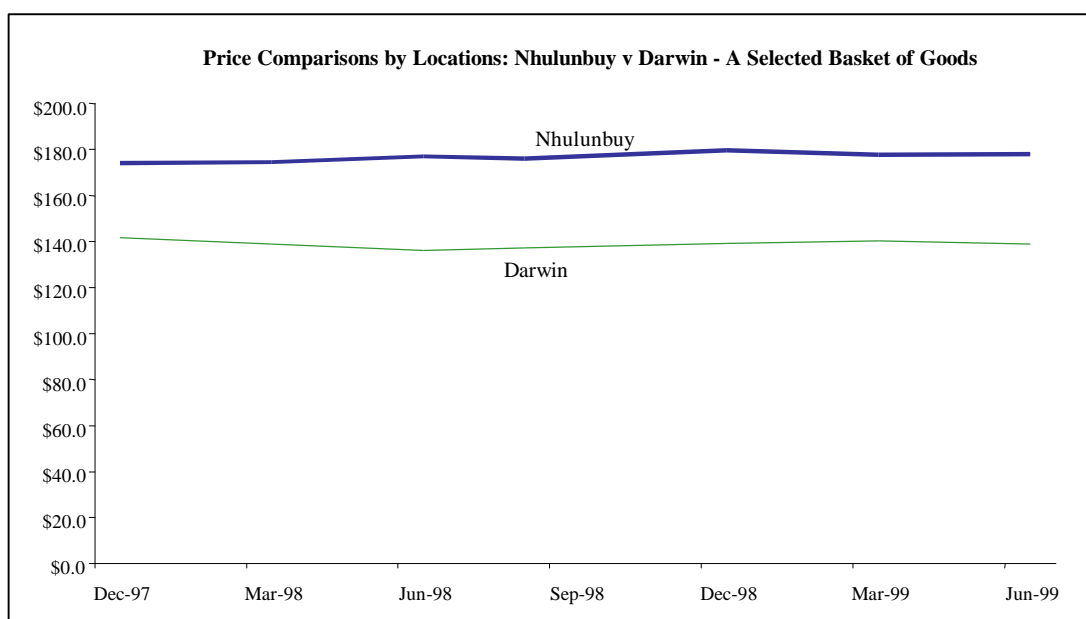
8.6. PRICE COMPARISONS – NHULUNBUY v DARWIN

8.6.1. Basket of Goods

On average, prices for the basket of goods were much higher in Nhulunbuy by 27.3% over the seven-quarter period. Nhulunbuy prices were dearer on all categories of products ranging from 12.1% to 47.3%. Dairy Products were 47.3% higher, Meat at 34.2%, Non-Alcoholic Beverages at 32.5%, Fruit & Vegetables at 27.3%, Confectionery & Other Foods at 20.7%, Bakery & Cereal Products at 20.0%, Toiletries at 12.6% and Household Non-Durables at 12.1%.

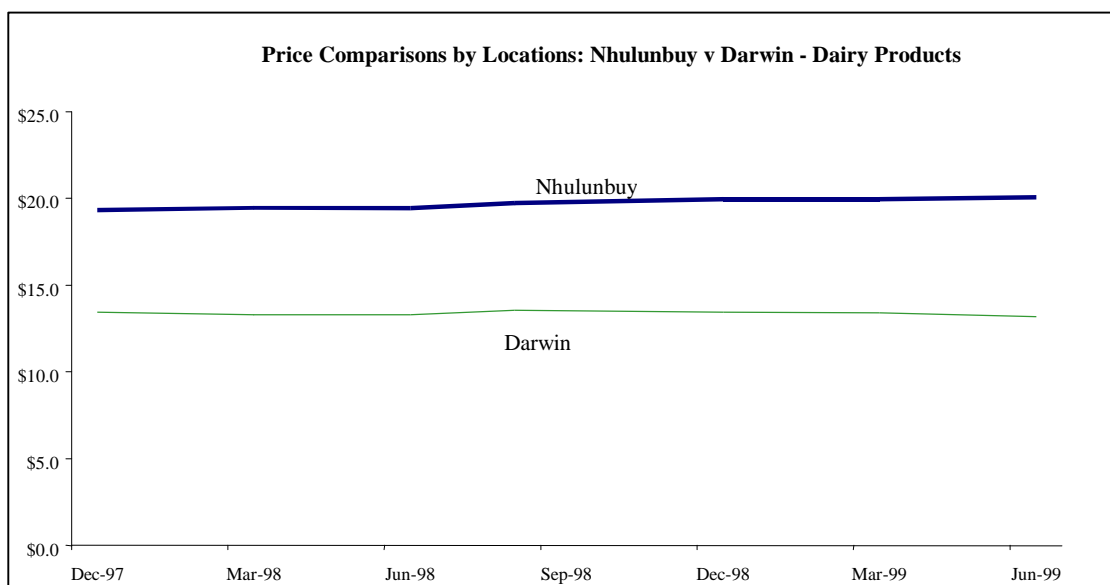


Over the course of the seven-quarter period, Darwin prices decreased slightly while prices in Nhulunbuy increased considerably. As a result the price gap between these two places has widened.



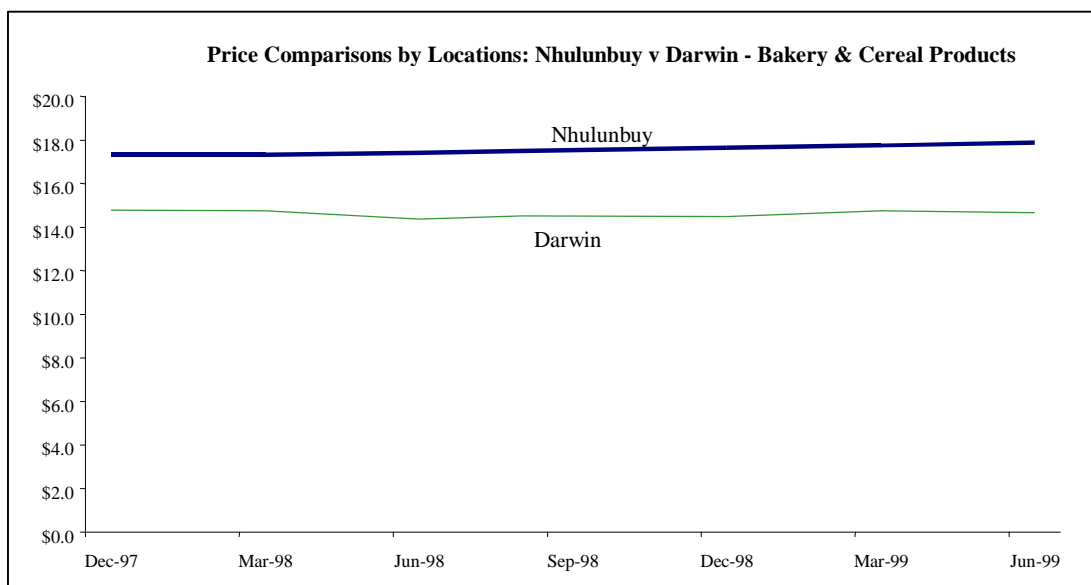
8.6.2. Dairy Product

Dairy Products in Nhulunbuy were 47.3% more expensive than in Darwin. The two different brands of Full Cream Milk and the Reduced Fat Milk were over 60% dearer, Iced-Coffee was 46.1% more expensive, Margarine Spread was 38.5% dearer and the price for Eggs was 19.6% higher. Over the seven-quarter period, Darwin prices decreased slightly while prices in Nhulunbuy rose.



8.6.3. Bakery & Cereal Products

Prices were 20.0% higher in Nhulunbuy than Darwin for Bakery and Cereal Products. All items were more expensive in Nhulunbuy. Tim Tams were 33.8% higher, Rice 21.8%, Shape Savoury Biscuits 21.7%, Bread 21.6%, Two Minutes Noodles 20.3% and Weetbix 10.6%. Nhulunbuy prices recorded a small increase while Darwin prices decreased slightly with some minor fluctuations over this period.

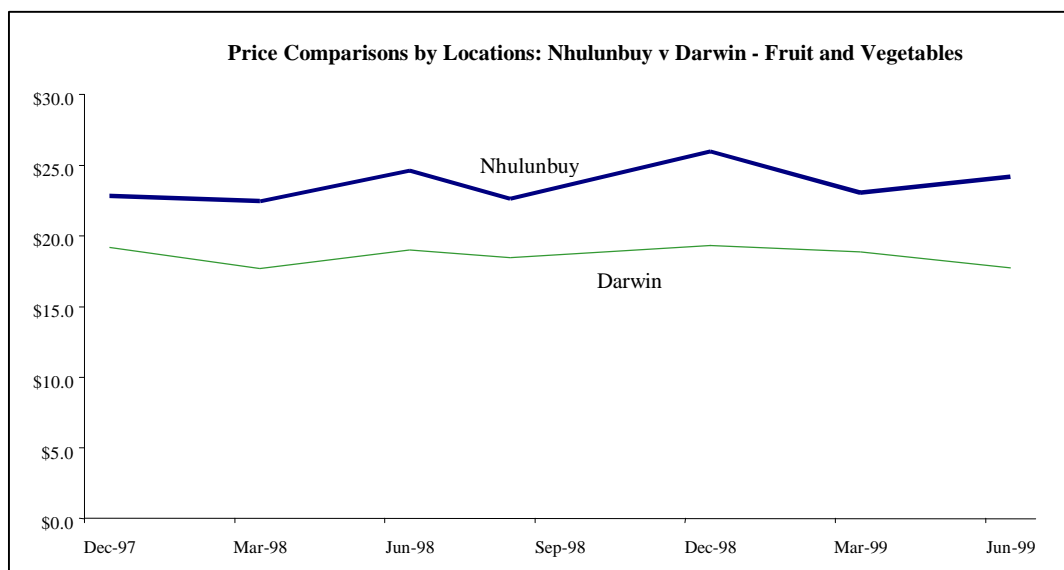


8.6.4. Meat

Meat prices were not supplied for Nhulunbuy and therefore had to be estimated for the purposes of the total basket. No detailed analysis of meat prices is therefore provided here.

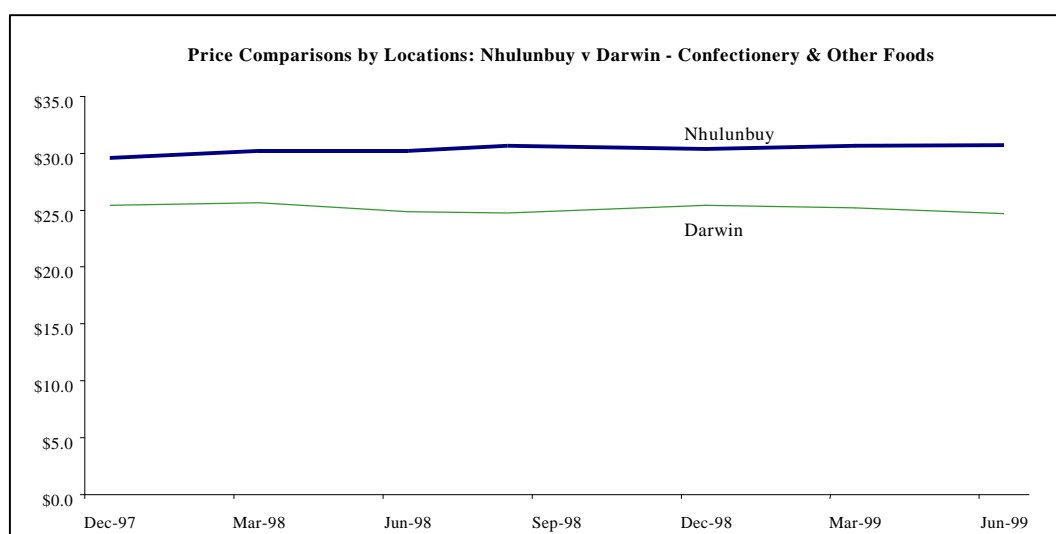
8.6.5. Fruit and Vegetables

Overall, Fruit & Vegetables were 27.3% dearer in Nhulunbuy. All items in this category were more expensive in Nhulunbuy with the largest difference being for Lettuce, which was 52.3% dearer, followed by Washed Potatoes at 40.4%, Bananas at 32.2%, Carrots at 26.0% and Tomatoes 21.7%. Prices in Nhulunbuy increased considerably with seasonal fluctuations while Darwin prices decreased over this period.



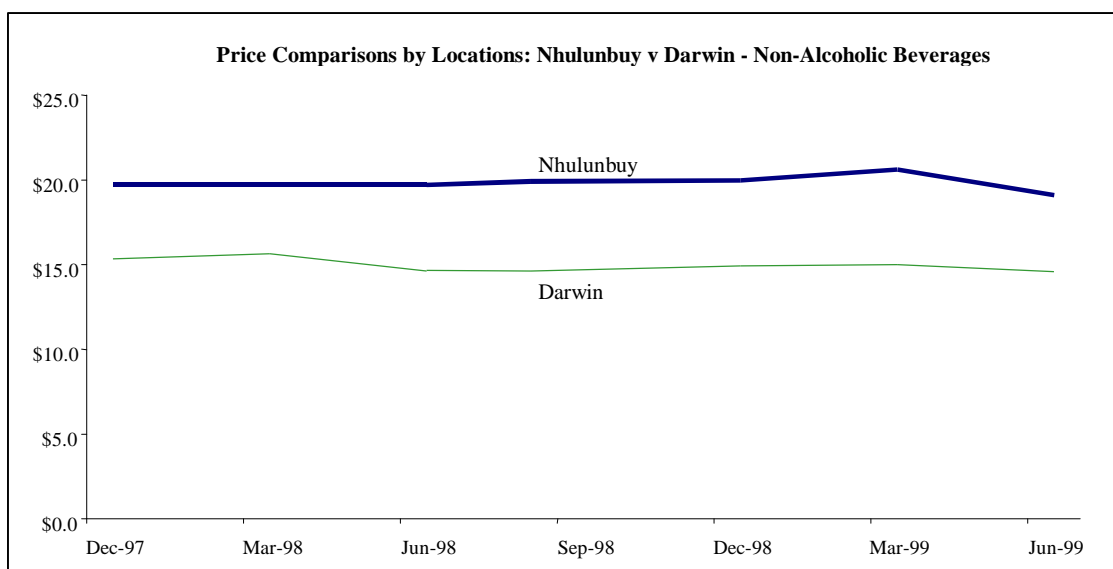
8.6.6. Confectionery & Other Foods

Every item of Confectionery & Other Food was dearer in Nhulunbuy, ranging from 5.3% for Yowie to 48.3% for Sugar. Overall, Nhulunbuy was 20.7% more expensive than Darwin for Confectionery and Other Foods. In absolute terms, the largest difference in price was for Instant Coffee which was one dollar and sixty cents (25.3%) more expensive, this is followed by Tea Bags which was seventy cents (21%) dearer and Sugar at sixty cents (48.3%). Over the course of the seven-quarter period, the price gap between Darwin and Nhulunbuy widened.



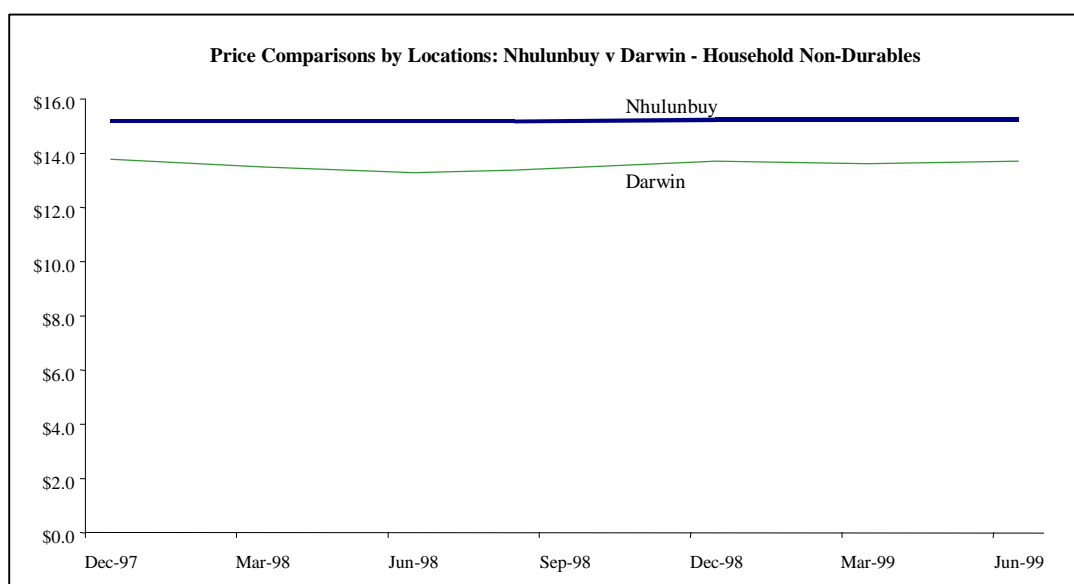
8.6.7. Non-Alcoholic Beverages

Non-Alcoholic Beverages were significantly more expensive in Nhulunbuy by 32.5%. All items were dearer in Nhulunbuy ranging from 10.1% for Soy Drink to 43.7% for 2 Litre Cola. Over the course of the seven-quarter period, prices in Darwin decreased slightly while Nhulunbuy prices had been increasing for the first six quarters and then fell sharply at the June quarter 1999.



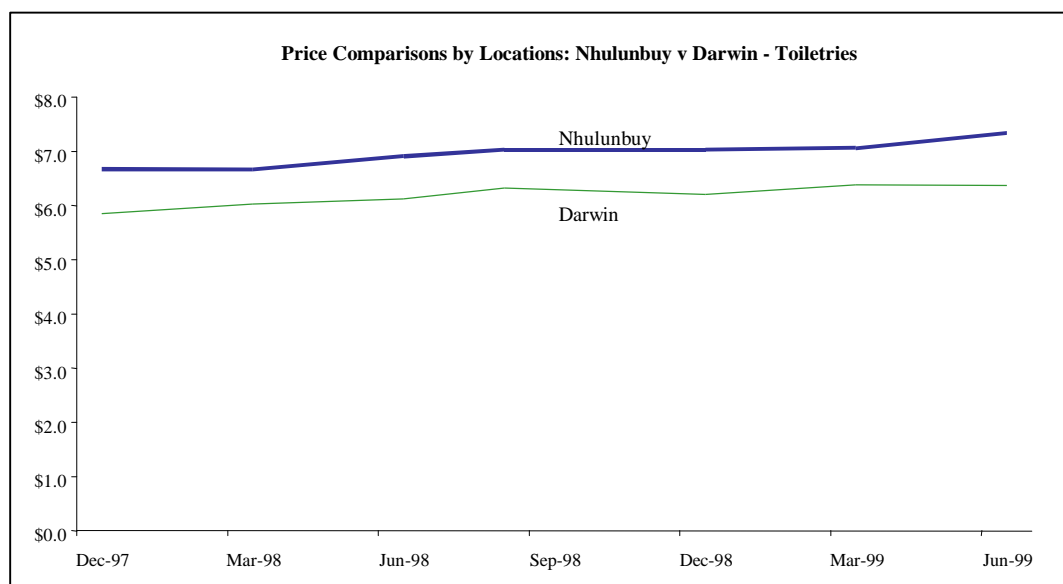
8.6.8. Household Non-Durables

Over the seven-quarter period, prices for Household Non-Durables remained unchanged in Nhulunbuy while prices in Darwin decreased slightly. On average, prices were 12.1% higher in Nhulunbuy, due to higher prices on all items in this category ranging from 7.1% for Toilet Rolls to 18.1% for Pre Washing Aid.



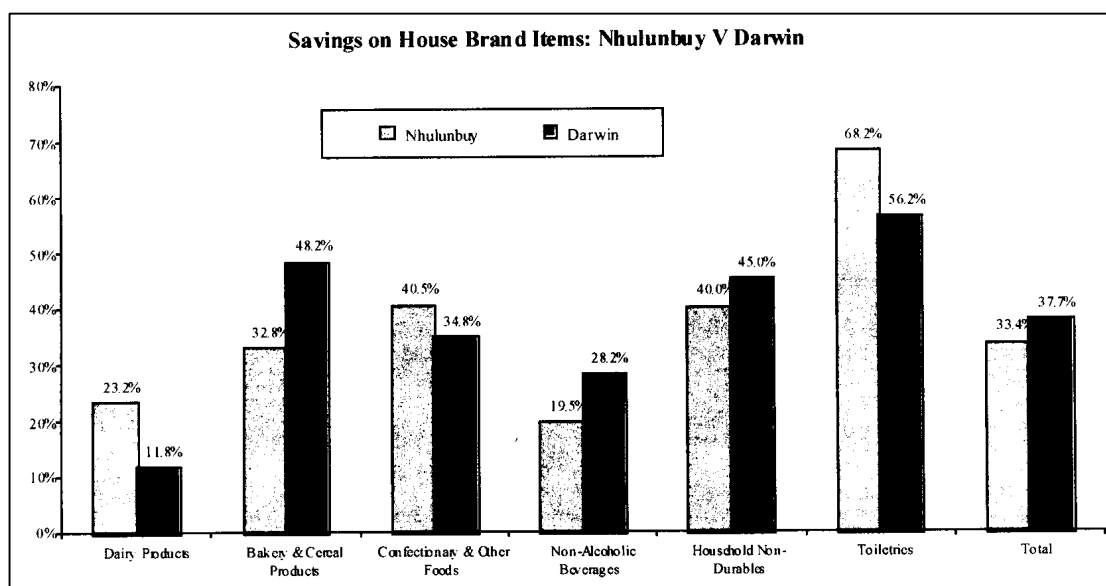
8.6.9. Toiletries

On average, Toiletry products were 12.6% dearer in Nhulunbuy for the seven-quarter period. Toothpaste was 22.8% more expensive and Medicated Toilet Soap was 5.5% dearer. With the exception of June quarter 1999 in which prices in Nhulunbuy increased markedly, whilst Darwin prices remained constant, price movements were fairly consistent between Nhulunbuy and Darwin during this period.



8.6.10. Branded Item v House Brand Items

Purchasing house brand items instead of branded items in Nhulunbuy could result in a saving of 33.4%. Doing the same in Darwin the saving would have been 37.7%. Bigger savings can be made on Confectionery & Other Foods, Dairy Products and Toiletries in Nhulunbuy. Savings were greater for all other products in Darwin.



Chapter 9 MINORITY REPORT

The following minority Report is submitted by Mr Sydney Stirling, Member for Nhulunbuy and Mr John Ah Kit, Member for Arnhem.

The need for a minority report arose out of the unacceptability of two key recommendations to the majority of the committee relating to commercial electricity tariffs and payroll tax.

The Chamber of Commerce made strong representation to the Committee on electricity costs and payroll taxation. In its submission the chamber stated that it,

consider that the costs to business are too high in such areas as power generation, payroll tax...

and further;

the direct cost of electricity to business has been identified as a major issue by Northern Territory business in a survey done in June '98

Under payroll taxation the chamber submission stated that it

has identified Northern Territory payroll tax as uncompetitive for Northern Territory business in comparison to our neighbouring States:

and moreover

the Chamber's position is that if the abolition of payroll tax is not achievable in the short term the Northern Territory Government should have a comparable tax system with other States.

In relation to power costs, evidence before the Committee from one of the major chains demonstrated that a store in Adelaide of the same size and layout, the same amount of fridges and freezers, lighting and air-conditioning cost \$700 per day in Adelaide in power costs and \$1200 per day in Darwin.

Whilst the Darwin store uses more power, the power it uses is more expensive than in Adelaide.

It is a cost to the store and chain that has to be recovered and is recovered in the form of higher prices on the shelf.

Both major chains in evidence pointed to the cost of electricity in the Northern Territory.

We believe that a committee of the Northern Territory Parliament charged with looking at food prices in the Northern Territory had to look closely at these factors over which the Northern Territory Government had control.

The Northern Territory Government has little or no direct control over freight costs, occupancy costs or spoilage.

It does have however, direct control over power prices and Government taxes such as payroll tax.

Accordingly, we framed 2 recommendations:

(1) Commercial Electricity Tariffs

The Committee recommends a significant reduction to commercial tariffs to be introduced by the end of calendar year 1999. Further reductions be made until commercial tariffs are in line with the all states average by end of calendar year 2002.

(2) Payroll Tax

The Committee recommends that reductions in payroll tax be instituted to move them closer into line with other jurisdictions both in terms of the rate of payroll tax and the threshold at which it applies.

As the Committee did not accept the need for time frames in relation to electricity tariff reductions for commercial users, or the need for a recommendation on payroll tax at all, it has been necessary to provide both recommendations in the form of a minority report,

.....
MR SYDNEY STIRLING
MEMBER FOR NHULUNBUY

.....
MR JOHN AH KIT
MEMBER FOR ARNHEM

Chapter 10 APPENDICES

10.1. COMMITTEE TERMS OF REFERENCE
18 FEBRUARY 1999

TERMS OF REFERENCE**AS CONTAINED IN THE RESOLUTION OF THE LEGISLATIVE ASSEMBLY****18 February 1999**

- (1) a committee, to be known as the Select Committee on Territory Food Prices, be appointed to inquire into and report on:
 - (a) whether or not the prices of food, groceries and household items across the Territory are substantially different to those in comparable locations elsewhere in Australia; and
 - (b) if so, identify the reasons for the variations in prices;
- (2) unless otherwise ordered, membership will comprise Mr Balch, Dr Lim, Mr Mitchell, Mr Stirling and Mr Ah Kit;
- (3) the committee or subcommittee shall have power to send for and examine persons, papers and records, to sit in public or in private session, notwithstanding any adjournment of the Assembly, and to adjourn from place to place;
- (4) the quorum of the committee shall be three;
- (5) unless otherwise ordered the committee shall report to the Assembly on or before 19 August 1999;
- (6) the committee have power to appoint subcommittees and to refer to any such subcommittee any matter which the committee is empowered to examine.
- (7) two members of a subcommittee constitute a quorum of a subcommittee.
- (8) the committee or a subcommittee be empowered to publish from day to day such papers and evidence as may be ordered by it and, unless otherwise ordered by the committee, a daily Hansard be published of such proceedings as take place in public;
- (9) the committee be provided with all necessary staff, facilities and resources and be empowered to appoint persons with specialist knowledge for the purposes of the committee with the approval of the Speaker;
- (10) the foregoing provisions of this resolution, so far as they are inconsistent with the Standing Orders, have effect notwithstanding anything contained in the Standing Orders.
- (11) if the Assembly is not sitting when the select committee has prepared its report for presentation, the committee may provide the report to the Speaker, and, in that event -
 - (a) the report of the Select Committee on Territory Food Prices shall be deemed to have been presented to the Assembly;
 - (b) the publication of the report is authorised by this resolution;
 - (c) the Speaker, Deputy Speaker, as the case may be, may give directions for the printing and circulation of the report; and the Speaker shall lay the report upon the Table at the next sitting of the Assembly.

10.2. SUMMARY OF DELIBERATIVE MEETINGS

SUMMARY OF DELIBERATIVE MEETINGS

Date	Key Agenda Items	Date	Key Agenda Items
23 February 1999	• Election of Chairman	11 May 1999	• Comparison Criteria
	• Review of terms of reference		• Committee Program Southern Region Travel
	• Methodology of Inquiry	10 June 1999	• Basket of Goods
	• Budget constraints		• Top 200 Lines from Woolworth's
	• Provision of Background Materials		• Top 500 Lines from Coles.
	• Identification and call for submissions		• Acknowledge Submissions
	• Consultancy		• Committee Travel – Northern Region
24 March 1999	• E&Y proposal	21 June 1999	• Proposed Witness List
• Community visits	• Basket of Goods – Survey		
• Budget	• Darwin Public Hearings		
• Briefing from ABS	• Visit to Canberra to meet with the Joint Committee on the Retailing Sector		
14 April 1999	• E&Y Proposal	25 June 1999	• Public Hearings – Top End
28 April 1999	• Background papers	12 August 1999	• Canberra Hearings
	• Committee Program		• Treatment of In-Camera evidence
	• Draft Charter		• Committee Report (draft)
	• Comparable Locations	16 August 1999	• Approval of final Findings
	• Basket of Goods		• Approval of final Recommendations
	• 1989 Study of Food Prices		
	• Committee Travel		

10.3. LIST OF INDIVIDUALS APPEARING BEFORE THE COMMITTEE

LIST OF INDIVIDUALS APPEARING BEFORE THE COMMITTEE

Date	Location	Name	Date	Location	Name
18/05/99	Finke	Mr Bill SOUTH	21/06/99	Port Keats	Mr Felix BUNDUCK
18/05/99	Alice Springs	Ms Michelle. MALONEY			Mr Leon MELPI
		Ms Deb FRY			Mr Theodore NARNDU
		Mr Peter TURNER			Mr Terry BULLEMOR
		Ms Liza BALMER			Mr Peter SARGENT
		Mr Chris LILLICRAP			Mr Xavier DESMARCHELIER
		Ms Sue GOUGH			Mr Lesley GARNER
		Mr Roy PRICE	21/06/99	Katherine	Ms Teresa CUMMING
		Mr Des ROGERS			Mr Steve DUKE
19/05/99	Yuendumu	Mr Albert WILSON			Mrs Di LEO
		Ms Kay SMITH			Ms Tracey CHAVASSE
		Ms Lyn SIMS (NORA)			Ms Janenne BROWN
19/05/99	Tennant Creek	Ms Lyz BRYCE			Ms Kate FINLAYSON
		Mr Glenn BENNETT	22/06/99	Maningrida	Ms Judy DICKSTEIN
		Mr Gavin CARPENTER			Mr Robert TOTTEN
		Mr Michael HARVEY			Mr Warren NUNN
		Mr Nigel RUSH			Mr David BOND
		Mr Erich SCHOPPE	22/06/99	Nhulunbuy	Ms Michelle CHILLER
		Mr Paul RUGER			Ms Heidi LEHMANN
20/05/99	Ali Curung	Mr Bruce McCRAE			Mr Klaus HELMS
		Mr David CLARK			Mr Bruce McCLEARY
		Ms Sandy CLARK			Ms Sue-Ellen McLEAN
					Mr Colin LANE
					Mr Brian GEUE

Date	Location	Name	Date	Location	Name
22/06/99	Nhulunbuy (cont'd)	Ms Christian FOWLER	25/06/99	Darwin	Ms Marcia DWONCZYK
		Mr Stuart BLAIR			Mr Peter FISHER
		Mr Rodney NEIL			Ms Jenny STACEY
		Mr Karen COLE			Mr Chris EDWARDS
		Mr David MITCHELL			Mr Frank MANNIX
		Mr Maureen NEIL			Mr Graham COOK
		Ms Janette CAMPBELL			Mr David DJALANGI
23/06/99	Ngukurr	Mr Steve CHAMPBELL	13/07/99	Canberra	Professor Alan FELS
		Mr Phillip BUSH			Ms Rhonda SMITH
		Mr Ray JEFFERIES			Mr Hank SPIER
		Mr Ishmal ANDREW			Mr Tim GRIMWADE
		Ms Vena OLIVER			Mr Allan McKENZIE
23/06/99	Borrooloola	Ms Christine SAUER			Mr Lynal RICHARDSON
		Ms Robyn DITTON			Mr Michael KOVAS
		Mr Steve McVAY			
24/06/99	Darwin	Mr Bob BEADMAN			
		Mr Neville JONES			
		Mr Danny BALDWIN			
		Mr Steve CHAPMAN			
		Mr Tim ORGIAS			
		Mr Alan MORRIS			
		Mr David BATH			
Ms Carol FROST					

10.4. LIST OF WRITTEN SUBMISSIONS RECEIVED

LIST OF WRITTEN SUBMISSIONS RECEIVED

Sub.No.	FROM	ORGANISATION
1	Paul Venturin	(Private Citizen)
2	Mr David Hawkes	Office of Commissioner for Public Employment
3	R E Kennedy	Office Status of the Family
4	Stefania & Jan Fikus	(Private Citizen)
5	Jennifer Gallagher	(Private Citizen)
6	Mr Ian Irvine	Jabiru Town Council
7	Mr M. Hindle	Nhulunbuy Town Board Inc
8	Mr Brian Ely	Department of Asian Relations and Trade
9	Mr Alan McKenzie	NARGA Australia Pty Limited
10	Senator the Hon. Grant Tambling	Australian Parliament
11	The Clerk	Naiyu Nambiyu Community Government Council
12	Mr Barry Bamford	(Private Citizen)
13	Ms Carole Frost	Northern Territory Chamber of Commerce and Industry
14	A & P Allan	Royal Darwin Hospital
15	Mr N. Harman	DARWIN
16	Mrs M. Kohlman	(Private Citizen)
17	Ms Stacey Omberg	(Private Citizen)
18	Ms Kathleen Parker	(Private Citizen)
19	Mrs Di Leo	(Private Citizen)
20	Ms Ann Wallace	(Private Citizen)
21	Ms Marilyn McVeigh	Senior Citizens Association
22	Mr T.C. Lovegrove, MBE	(Private Citizen)
23	Mr J. Williams	(Private Citizen)
24	Mr Stewart Blair	(Private Citizen)
25	Anglicare Top End Katherine Financial Counselling	
26	Mr Hank Spier	Australian Competition and Consumer Commission
27	Mrs Carol Cornock	(Private Citizen)
28	Mr P. Oliver	Areyonga Community Inc
29	Mr Jan Fikus	(Private Citizen)
30	Mr Alan Morris	5 Star NT Group

Sub.No.	FROM	ORGANISATION
31	Mr Brian Bates	(Private Citizen)
32	Ms Dawn Schwarze	(Private Citizen)
33	Ms Shirley Pendlebury	(Private Citizen)
34	Mr David Mitchell	(Private Citizen)
35	Ms Janice Jessen President	Northern Territory Council of Social Service
36	Mr Frank Mannix	Arnhemland Progress Association Inc
37	Dr Howard Dengate	Department of Primary Industry & Fisheries
38	Ms Lyn Callanan	(Private Citizen)
39	Mr Bruce McCleary	NABALCO Pty Limited
40	Mr R Beadman	Office of Aboriginal Development
41	Mr & Mrs Sing Eng and Willy Pedersen	(Private Citizens)
42	Mr Paul Venturin	Foodland – Alice Springs
43	Ms J. Cailler	Cailler Distributors - Alice Springs
44	Mr H.A.S. McClelland	Policy & Coordination – Department of the Chief Minister
45	Mr Ted Moore	Coles Myer Supermarkets Ltd
46	Mr Chris Lillicrap	Independent Grocers – Alice Springs
47	Mr Ross Smith	(Private Citizen)
48	Mr Steve Chapman	Woolworths Ltd
49	Mr John Habusta	(Private Citizen)
50	Mrs Gail Martin	(Private Citizen)
51	Mr Ian Dwyer	Telstra
52	Karl Henggeler	(Private Citizen)
53	Ms Carolyn Marriott & Ms Stella Kirk	(Private Citizens)
54	Ms Sue-Ellen McLean	(Private Citizen)
55	Ms Vivienne Hobson	Territory Health Services - Nutrition Section
56	Mr Ron Spencer	(Private Citizen)
57	Mr Michael Martin	Territory Health Services
58	Mr Jon Jansen	Pine Creek Mini Mart

10.5. A NORTHERN TERRITORY BASKET OF GOODS

BASKET OF FOOD

NORTHERN TERRITORY

BASKET Inquiry into Food Prices						
Item	Brand Name	Popular Size	Price \$	House Brand	Closest Size	Price \$
Dairy Products						
(1) Milk Full Cream	Rowlands PVC	2 Litres				
(2) Milk Full Cream	ENTEE PVC	2 Litres				
(3) Milk FLV Iced Coffee	Pauls Dairy PVC	600 ML				
(4) Milk Reduced Fat	Pauls Trim PVC	2 Litres				
(5) Eggs - Large (54g)	Fresha	1 Dozen				
(6) Margarine Spread	Flora	500 g				
Bakery & Cereal Products						
(1) 2 Minute Noodles (Chicken)	Maggi	85 g (5Pk)				
(2) Bread - White	Country Bake	700 g				
(3) Shape Savoury Biscuits (BBQ)	Arnotts	200 g				
(4) Cereal - Weetbix	Sanitarium	1 Kg				
(5) Rice Long	Sunwhite	1 Kg				
(6) Rich Chocolate Biscuits (Tim Tam)	Arnotts	200 g				
Meat & Seafood						
(1) Chicken Breast Boneless/Skin Off	N/A	500 g				
(2) Beef Mince - Lean	N/A	500 g				
(3) Rump Steak	N/A	1 Kg				
(4) Corned Beef	Hamper	340 g				
Fruit & Vegetables						
(1) Bananas - Large/Semi	N/A	1 Kg				
(2) Potatoes - Washed	N/A	1 Kg				
(3) Carrots	N/A	1 Kg				
(4) Tomatoes - Medium	N/A	1 Kg				
(5) Lettuce Iceberg	N/A	1				
(6) Corn Kernels	Edgell	310 g				
(7) Peeled Tomatoes	Siena	400 g				
(8) Frozen Peas & Corn	Watties	500 g				
Confectionary & Other Foods						
(1) Baked Beans in Tomato Sauce	Heinz	420 g				
(2) Spaghetti in Tomato Sauce	Heinz	420 g				
(3) Milo Drink	Nestle	375 g				
(4) Yowie Chocolate	Cadbury	27 g				
(5) Coffee Granules - Instant	Nescafe Blend 43	150 g				
(6) Corn Chips - Cheese	Doritos	230 g				
(7) Vegemite	Kraft	115 g				
(8) Tea Bags	Lipton	100 Pk				
(9) Sauce Tomato	Rosella	600 ML				
(10) Sugar	CSR	1 Kg				
(11) Soup Canned (ie. Tomato)	Heinz	420 g				
Non-Alcoholic Beverages						
(1) Cola	Coca Cola	1.25 Litres				
(2) Cola	Coca Cola	2 Litres				
(3) Juice Orange (100%)	Daily Juice	2 Litres				
(4) Juice Orange	Berri	2 Litres				
(5) Soy Drink	So Good	1 Litre				
Household Non-Durables						
(1) Pre Washing Aid	Napisan Plus	1 Kg				
(2) Toilet Rolls - White	Kleenex	9 Pk				
(3) Fabric Softner (ie. Jasmine)	Fluffy	250 ML				
Toiletries						
(1) Toothpaste - Regular	Colgate	140 g				
(2) Toilet Soaps - Medicated	Sapoderm	3 Pk				

Source:

Items in the basket have been taken from Coles top 500 selling items list, Woolworths top 200 selling items list, Woolworths top 20 line of fruit & vegetable, Woolworths & Coles top 10 lines of meat and Coles Top 10 line of fruit & vegetables

10.6. TERRITORY HEALTH SERVICES – SUBMISSION NO. 55

TERRITORY HEALTH SERVICES
SUBMISSION TO THE LEGISLATIVE ASSEMBLY OF THE NORTHERN
TERRITORY SELECT COMMITTEE ON TERRITORY FOOD PRICES

INQUIRY INTO TERRITORY FOOD PRICES

APRIL 1999

1. INTRODUCTION

Food supply in remote communities has been a major concern of the Territory Health Services Nutrition Program for several decades. It has been estimated that approximately 95% of food eaten in Aboriginal communities is food purchased in the store, with traditional foods now contributing only a small amount to peoples' dietary intake. Poor diet is a major risk factor for chronic diseases such as coronary heart disease, diabetes and renal disease, all of which are of higher prevalence in the Aboriginal population, along with low birth weight and undernutrition in early infancy.

Access to an adequate supply of affordable nutritious food is thus critical to good health of people in communities. High prices of foods may have a negative effect on peoples' buying patterns and may limit consumption of an adequate diet. Local food enterprises such as market gardens, fishing, and small killer "herds" which are starting to take off in some communities have the potential to reduce food costs and provide food of high quality and nutritional value. Such ventures needed to be encouraged and supported.

One of the major priority areas for action identified in the NT Food and Nutrition Policy 1995 is to *improve the quantity, quality and affordability of the food supply in remote Aboriginal communities*¹

2. BACKGROUND

Over the past five years there have been extensive consultations with Aboriginal communities, Aboriginal organisations, other government and non government organisations and the food industry on food supply issues. Much of the information contained in this submission was obtained during these consultations.

For over fifteen years nutritionists have attempted to monitor the food sold through remote stores on an annual basis. As well as monitoring food costs, the availability of healthy foods and the quality of fresh foods have been other issues of equal concern. Historically comparisons have been made between remote stores and regional centres within geographical districts, but until recently it has not been possible to make comparisons between stores or regional centres in other districts because of different survey tools used.

The NT Food and Nutrition Policy recognised the need to be able to measure and monitor various aspects of the food and nutrition system in order to make appropriate interventions to improve food security and evaluate the performance of programs. A relatively simple tool for monitoring prices, availability and quality of food in remote areas was developed in 1998 and the first NT wide survey of

¹ Northern Territory Food and Nutrition Policy 1995

stores was conducted using this standardised survey tool. Forty five remote stores were surveyed and comparisons were made with costs in regional centres and in Australian capital cities²

In the early days before sealed roads and rail links, the cost of food was related to the distance it was transported. Transport links have improved, however consumers are still often given the standard answer that foods costs are high because of freight charges. Consultation for the NT Food and Nutrition Policy found that freight charges were commonly perceived and used as a reason for the increased food prices in both the urban and remote areas of the NT. A large proportion of the concerns during this consultation were about transport issues which had impact on the quantity, quality, cost and availability of foods. Many of these issues are common to urban and remote areas but tend to be more extreme in remote communities.³

Subsequently a project officer was employed to investigate this claim related to food transport and propose strategies to minimise the impact of freight costs on food prices.⁴ The findings from this investigation suggest reasons why food prices are high and are summarised in the body of this submission.

Much of what is contained in this submission is concerned with issues in remote areas as there are other agencies (e.g. Pricewatch, Consumer Affairs Council) that monitor prices in the urban areas.

3. TERMS OF REFERENCE 1

EVIDENCE OF HIGHER FOOD COSTS IN THE NORTHERN TERRITORY

3.1 Food prices in the Northern Territory

Public health nutritionists, Aboriginal nutrition workers, and environmental health officers carried out the first standardised survey of food prices, variety, quality and availability in remote communities in the Northern Territory. In addition information was collected on store ownership and management, date and method of last supply of food and Aboriginal employment in the store. Information collected was fed back to respective communities (including Councils and store managers) to increase their understanding of food supply issues.

This submission contains more detailed information about the relative costs of different groups of food such as breads and cereals, fruit, vegetables, meat, etc. The information has been derived from the 1998 THS market basket surveys⁵, however the composition of the basket has been recalculated and the values are different to those reported in the survey report.

In 1997 the Queensland Department of Health also conducted a survey of the cost of a healthy food basket in a number of rural towns and communities in the northern half of the state (Queensland Health 1997). The Western Australian Department of Health also monitors prices of foods regularly in rural towns and communities in the northern part of the state.

² Survey of NT Remote Community Stores 1998, Territory Health Services

³ Northern Territory Food and Nutrition Policy 1995, Territory Health Services

⁴ Hughes, R., 1996, *Report on factors which influence food transport to remote communities in the Northern Territory*, Territory Health Services

⁵ Survey of NT Remote Community Stores 1998, Territory Health Services

Method

The THS Community Market Basket survey form consists of a set list of foods which would, when aggregated and the relative proportions adjusted, meet 100% of the nutrient, and 95% of the energy requirements of a 'hypothetical' family of 6 people. The NH&MRC Core Food Groups 1995⁶ were used as a guide for the development of the 'basket'. The foods listed on the survey form are ones which are commonly found in both rural and remote communities and in urban centres in the Northern Territory.

A copy of the survey form is attached as an Appendix.

The hypothetical family of six were chosen to represent a cross-section of people who had important nutrient requirements because of their age and sex and consists of:

- a 60 year old grandmother
- a man aged 35 years,
- a woman aged 33 years,
- a male aged 14 years,
- a girl aged 8 years, and
- a 4 year old boy.

In addition arrangements were made (through various state universities) for the same survey to be conducted in the capital cities of each state in Australia so that comparisons could be made between urban prices for the NT and the rest of Australia.

Results

A healthy basket of food for a family of 6 people in Northern Territory remote communities costs on average \$479, whereas it costs \$361 for people living in the main regional centres. The average cost of the same basket of food in the state capitals was \$309.

In other words families living in remote communities, most of them Aboriginal, would pay on average \$170 per fortnight more than an equivalent family in a state capital city for a basket of food that would meet their **basic** nutritional needs. Families who live in one of the Northern Territory main regional centres would pay an extra \$52 per fortnight more than their 'southern' counterparts.

Comparison of the proportional cost of different food groups relative to the average cost in the state capital cities in Table 1 shows that the average cost of fruit and vegetables is between 62% and 64% more in remote communities than in southern cities. Even in the main regional centres fruit and vegetables are between 23% and 24% more expensive than in the south. (Table 1)

The cost of meat, dairy products, and margarine and sugar are more than 58% higher on average in remote communities than in the capital cities, while these products are generally around 19% more expensive in the regional centres. Breads and cereal products appear to be about 5% more expensive on average in the regional centres than in the capital cities, while in remote communities these products cost 45% more on average than in the capital cities.

⁶ NHMRC 1995, *The Core Food Groups; The scientific basis for developing Nutrition Education Tools*

Table 1. Comparison of the average relative cost of food, by food group, for the main regional centres in the NT, and remote communities when compared to Capital City food prices

	Breads & Cereals	Fruit	Vegetables	Meat & Alternatives	Dairy	Margarine & Sugar
Capital city average	\$ 50	\$ 78	\$ 64	\$ 51	\$ 53	\$ 13
	%	%	%	%	%	%
Main regional centres	105	124	123	110	116	119
Remote Communities	145	162	164	146	153	158

Tables 2 and 3 provide a more detailed breakdown of the average relative costs of different foods for the main regional centres and remote communities when compared to the southern capital cities.

Overall the cost of the basket of food in the town of Alice Springs and Darwin appears to be 10-11% greater than that paid in the southern capital cities. Fruit is the most expensive food group being 28% and 23% higher on average in Alice and Darwin respectively than the southern cities. (Table 2)

In Katherine and Nhulunbuy the cost of fruit and vegetables are all much higher than in the southern cities. The cost of food in Nhulunbuy was generally higher than the other main regional towns.

Table 2. Comparison of the average relative cost of food, by food group, for the main regional centres in the NT, when compared to capital city food prices

	Breads & Cereals	Fruit	Vegetables	Meat & Alternatives	Dairy	Margarine & Sugar
Capital city average	\$ 50	\$ 78	\$ 64	\$ 51	\$ 53	\$ 13
	%	%	%	%	%	%
Darwin city	99	128	104	103	111	106
Alice Springs town	108	123	109	102	109	99
Tennant Creek	96	112	119	113	122	123
Katherine town	93	134	119	107	118	122
Nhulunbuy	130	124	166	127	119	146

A similar pattern emerges when the average relative prices of the basket of food are compared for remote communities in each regional district and the southern capital cities. Families in remote communities would have to consistently pay more in order to meet the family requirements for fruit and vegetables. This is dramatically illustrated by the cost of vegetables in Katherine and East Arnhem remote communities being at least 70% more on average than the cost of vegetables in the southern capital cities. In other remote communities the situation is only marginally better (Table 3).

Bread and cereal products are relatively less expensive. There does not appear to be much variation between districts in the relative cost of these foods, except for East Arnhem communities where the average cost of bread and cereal products are on a par with fruit.

Table 3. Comparison of the average relative cost of food, by food group, for remote communities when compared to capital city food prices

	Breads & Cereals	Fruit	Vegetables	Meat & Alternatives	Dairy	Margarine & Sugar
Capital city average	\$ 50	\$ 78	\$ 64	\$ 51	\$ 53	\$ 13
	%	%	%	%	%	%
Darwin remote	145	161	156	145	151	156
Alice Springs remote	131	129	162	140	155	152
Barkly remote	137	161	146	151	165	155
Katherine remote	147	173	172	142	145	159
East Arnhem remote	162	161	179	158	158	167

4. TERMS OF REFERENCE 2

REASONS FOR PRICE DIFFERENCES

Why are foods so much more expensive in remote communities than in the regional towns and capital cities? A number of factors are perceived to contribute to the large cost differential, though there is little specific quantitative evidence to support these perceptions. The Select Committee should endeavour to collect quantitative as well as qualitative evidence that either supports or refutes the perceptions.

An attempt is made in the remainder of this submission to present some of the reasons thought to contribute to the high food prices. These reasons are based on simple deductions, but also on the experience and observations of a number of public health community nutritionists, feedback from community members and store managers.

4.1 The Effects of Transport

The Territory relies heavily on an imported food supply. The vast majority (90%) of the foods Territorians eat are transported from interstate and overseas. 85% of the NT horticultural produce is exported interstate or overseas because of the shorter, earlier growing season, the small local market and the higher prices obtained for produce outside the NT.⁷

Road transport is the most popular means of carrying food in the Territory. Rail reaches Alice Springs from South Australia but after that the majority of food is carted by road. Top-End coastal communities rely on barge transport, especially during the wet season whilst air freight plays a minor role used mainly for highly perishable produce and in emergencies. It is estimated that over 160,000

⁷ Vegetable Production from Horticulture in the Northern Territory", Background Papers to the NT Food and Nutrition Policy, Vol 1: The Food Supply, Territory Health Services

tonnes of food is imported into the Territory by road with more than 50% food requiring freezing or chilling during transit. Approximately 1% of food still comes by sea freight.⁸

From the store survey there is no clear correlation between distance from southern states and food price. However, Alice Springs is notable in that it has the lowest food costs overall, and has rail access, as well as being physically closer to the 'source' than all the other locations covered in the survey. Road access is severely restricted to some remote communities at certain times of the year which means that perishable items must be flown in to the communities.

There may be a lack of sufficient competition between transport companies in offering competitive freight rates.

Factors affecting food prices include:

- *High wastage.* Fruit and vegetable produce is delivered in the Territory early in the week.

This has presumably been purchased from markets late in the previous week and can be of a poorer quality. Many consumers returning from interstate report that they have compared the "superior" quality of fruit and vegetables in southern shops and markets to that offered in Territory stores. Consumers have also commented on the "short shelf life" of fruit and vegetables bought from local supermarkets. The main assumption they have made is that the produce was of a lower quality before it left the interstate markets. There have been reports of food products arriving in remote communities damaged, defrosted, adulterated, or decomposed. A number of reasons for this have been identified. These include:

- a) *Long time span between supplier and consumer.* This has been proven to happen elsewhere in Australia.⁹ Although fresh produce can arrive in the Territory within one day of dispatch, foods are often warehoused in southern capitals. The time span can vary between one week to 3-4 months according to the type of food product. Add to this the transit time between warehouse and the Territory wholesaler, between 3-10 days, then the time between wholesaler and customer, 1-14 days
- b) *The condition of the roads.* Many remote communities are serviced by poorly maintained unsealed roads. Responsibility for most local roads on Aboriginal land rests with the communities concerned. Transport vehicles have to travel slowly, have shorter lifespans, are more expensive to maintain and more expensive to run.
- c) *Incorrect loading of the vehicle* Combination of bad roads, high temperatures and a lack of knowledge about loading transport vehicles can result in food products damaged so badly that they are inedible. This especially applies to delicate items such as tomatoes and some fresh fruit.
- d) *Temperature.* Due to the hot Territory conditions, the temperature of frozen and chilled foods is harder to maintain. Freezer/chiller units are designed to maintain a given temperature.

⁸ Hughes, R., 1996, Report on factors which influence food transport to remote communities in the Northern Territory, Territory Health Services

⁹ Leonard, D., Geilin, R. & Moran, M., 1994, *Kakai bio umi, A report on the food supply to the people of the Torres Strait and Northern Peninsula area*, Tropical Public Health Unit, Peninsula and Torres Strait Region, Queensland Health, Cairns

Some transport operators do not have refrigerated vehicles. One of the major causes of food deterioration is break down in the cold chain where the temperature of food rises. Territory Health Services Environmental Health Officers have recorded many cases of spoiled foods due to the failure to maintain correct temperatures during transit.

- e) *Poor handling of foods.* After delivery, if there are delays in refrigeration or general poor handling of perishable foods as often occurs, this can result in spoilage.

All of these above mentioned factors contribute to higher wastage which may result in higher prices to recoup losses.

- *Financial Risks.* Transport operators and wholesalers are affected if the store or council become insolvent. Consequently food suppliers and transporters will often not operate without a guarantee of payment. For some, supplying to communities is a high-risk business and gives reason to make higher charges.

4.2 Other Issues

- *Operating costs in the Territory are higher than elsewhere in Australia.* One report estimated the cost of living in Darwin at 3% higher than Sydney and 6% higher than Perth.¹⁰ However, consultations have revealed that the costs of power, equipment/machinery, transport and spare parts, fuel and food range from 13-50% higher than Sydney.
- *Capital city pricing.* Capital city pricing describes price equality for the same product between state capitals in Australia. It is an unwritten price convention which manufacturers and suppliers adhere to in order to increase market share for their products. Lower prices convert to increased sales. Passing on lower costs for Territory buyers was not seen as an economic way of increasing market share because of the Territory's small population base.

5. OTHER ISSUES SPECIFIC TO REMOTE COMMUNITIES

5.1 Storage facilities

Flat-rate freight charges to remote communities can present barriers to the supply of food. Limited storage space in remote stores, in some cases, means a necessity to order supplies more regularly. Thus, the freight component of their order would be proportionately greater and is reflected in the food prices.

Foods like fruit and vegetables are highly perishable items, which if handled poorly or not stored adequately will not be fit for consumption. Consequently there are potentially high levels of wastage which must be compensated for and recovering costs may involve keeping prices of food high. Furthermore, the cost of storing these products on communities require special conditions such as chillers and cool stores, which can only be provided if communities have the resources to invest in this infrastructure. The cost of maintaining the infrastructure is high particularly when maintenance people must be flown in, as are the power bills to run the equipment.

Meat and dairy products require similar storage conditions, but are not so susceptible to poor handling. Consequently losses are not expected to be as high.

¹⁰ Committee on Darwin 1995, The Report of the Committee on Darwin, AGPS, Darwin

Bread and cereals tend to have better storage properties, and are less likely to be damaged. There is a high turnover of items like bread which also means that storage is not such a major problem.

5.2 Stores management

A good store manager may have a powerful influence on prices, availability, quality and variety of foods sold. Aspects such as stock control, ordering strategies, management of store staff etc. are critical to keeping prices low. In a study of some Top End communities Lee concluded that store managers can also have an impact on the nutritional quality of food sold in the store.¹¹ There are many communities that have good store managers, however, there are some who are poorly served by their store manager. There is a rampant folk-lore of embezzlement by unscrupulous managers. Unfortunately, a few spoil it for the majority of decent managers. When a poor manager takes control of the store it often means the store runs into debt and higher commodity prices are used to recover that debt later on. The same situation exists in remote areas in other states in Australia. A report to the Health Department of Western Australia¹² concluded that there was a need for "greater scrutiny in regard to quality of management and accountability" and "that the supply of food must be treated as a major health responsibility" especially now with the rising cost of health care delivery for the management of chronic diseases such as diabetes and renal disease.

There appears to be a relatively small pool of experienced, qualified store managers. Communities sometimes have little choice in their selection of a store manager. Many government agencies have involvement with community stores. THS is able to give specialist advice on nutritional issues and food safety but lacks expertise in stores management practices.

The report prepared by THS¹³ examines the association between food prices and store management committees and store policies. The evidence suggest that food prices tend to be lower and the quality of fresh food better in situations where the community has some involvement in the management of the store. To this end THS has attempted to assist communities to have more input into the operation of their local community store.

5.3 Book up

Book-up or bookdown is a system of consumer credit, usually not attracting any fixed interest, however some traders may deduct a fee. Many communities depend on this system because of the absence of an alternative such as banking facilities. Some members of communities may use the system to full advantage to ensure access to food for the family and to limit opportunities for family money to be spent on alcohol or gambling.

Book-up operates mainly in remote communities, however, it is also used in the urban community. There are many remote stores which operate book-up and a 'credit' provider can be any person or business.

¹¹ Lee, A. 1994, "The effect of retail store managers on Aboriginal diet in remote communities", Background Papers to the NT Food and Nutrition Policy, Vol 4: Food and nutrients in remote Aboriginal communities.

¹² George, K. Nanga Services Pty. Ltd. 1996, *Community Stores and the Promotion of Health - An assessment of community stores and their functions in the promotion of health in Aboriginal communities.*

¹³ Survey of NT Remote Community Stores 1998, Territory Health Services

Although the theoretical application of the book-up system is both advantageous and necessary in most Aboriginal communities, concerns have been expressed about situations where families are locked into the 'system' resulting in the total dependency of the consumer and the credit provider. Many community stores run book-up without any restrictions on the credit limit given and without any documentation provided to the customer.

Book-up in stores means that the cash flow is reduced and managers must compensate for this reduction by increasing prices.

5.4 Community income

In many communities the community store is the only revenue -generating enterprise in the community. Improvements to the infrastructure in the community such as maintenance of roads in and out of the community and provision of community vehicles need to be funded through store generated income. Stores also often contribute directly to other community institutions and activities, including schools, sporting teams, clubs, resource centres etc. This is generally achieved by a percentage mark up on items sold in the store. While this is an internal community consideration and is beyond the scope of government to change, it is a factor that needs to be considered when assessing and comparing food items in remote areas.

Stores provide an important source of employment for Aboriginal people in their communities. At times the higher employment rates may cost a little more, but is probably considered of great benefit to the community.

5.5 Changes in consumer consumption patterns

Television advertising has contributed to changing food consumption patterns in both urban and remote areas. In remote areas this has had the effect of contributing to higher prices as consumer demand for foods sold through the take-away increase eg food items such as chickens and meat pies that require refrigerator/freezer units on transport. Transport using a freezer/chiller component increase freight charges by more than a third which has to be recouped with increased food prices.¹⁴

In the past the main items transported were dry goods such as potatoes, tea, sugar, flour and onions that did not require refrigeration.

5.6 Brand loyalty

Because of low levels of literacy, people tend to buy products that are recognised by the appearance of their labels and are reluctant to change to alternate brands that may be cheaper and just as nutritious. This "brand loyalty" means that generic brand foods which are popular in urban areas do not sell well in remote areas and contributes to overall higher food prices.

5.7

¹⁴ Hughes, R., 1996, *Report on factors which influence food transport to remote communities in the Northern Territory*, Territory Health Services

Lack of free enterprise

Most communities run a monopoly situation with only one community store. The nearest point of alternate food supply could be as much as 450 kilometres away. This lack of competition maintains high prices for individual food items. It is not clear whether all communities are large enough to support more than one store.

5.8 Competitive discounting

Competitive discounting of food items is a commercial practice in urban centres where special deals include discounting of selected high volume items. Remote community stores have limited opportunities to take advantage of promotions because of lack of competition, low volume sales and delay between ordering and receiving goods.¹⁵ Also remote communities cannot enjoy the benefits of bulk buying of commodities which would serve to lower prices, as occurs for the supermarket chains.

5.9 Door-to-door trading and Hawkers

Other important issues such as unscrupulous door-to-door trading and hawkers who charge exorbitant prices for their wares also have an affect on the cost of goods for remote consumers. Door-to-door trading sales sometimes involves the provision of credit to consumers who are pressured into purchasing goods by highly polished and unconscionable salespeople. When debts are not repaid, simply because these families could not afford the goods in the first place, companies get debt collection agencies to 'follow-up'. Consumers are then faced with the prospect of becoming bankrupt or having a bad credit rating.

To help alleviate high prices on hawkers goods a possible solution would be to tighten and have stricter control on hawkers licenses and substantial penalties (currently a \$20 fine for breach of the Hawkers Act -Section 4). Anecdotal evidence suggests that these traders can sell their wares at whatever cost they feel like and being 'out-of-sight, out-of-mind' provides the opportunity for this to occur. It is not known how well policed this activity is.

On the one hand, remote consumers are probably happy to have a service of some type which can deliver household goods to their doorstep. On the other, they cannot afford to buy food to use the pot they bought.

5.10 Pilfering

Money lost through pilfering has to be re-couped and this may mean increasing prices in the store.

¹⁵ McMillan, S., 1991, "Food and nutrition policy issues in remote Aboriginal communities: lessons from Arnhem Land", *Australian Journal of Public Health*, Volume 14, No. 4

APPENDIX 1

Foods and quantities of food in the hypothetical basket for a family of 6 for 14 days

Food Item	Amount
Flour	4 x 1 kg packets
Bread	14 loaves
Weetbix	1 kg packet
Rolled Oats	1 kg packet
Long Grain Rice	1 kg packet
Canned Spaghetti	7 x 425g cans
Apples	50 Apples
Oranges	55 Oranges
Bananas	55 Bananas
Orange Juice	7 litres
Canned Fruit	7 x 400g cans
Potatoes	8 kgs
Onions	3 kgs
Carrots	4 kgs
Cabbage	3 kgs (1large)
Pumpkin	3 kgs
Fresh Tomatoes	2 kgs
Canned Tomatoes	6 x 420g tomatoes
Canned Peas	6 x 420g peas
Canned Beans	7 x 440g beans
Baked Beans	7 x 425g baked beans
Corned Beef	7 x 340g cans
Meat and Vegetables	7 x 450g cans
Fresh/Frozen Meat	1.5 kgs
Fresh/Frozen Chicken	1 kg
Eggs, 55's	1 dozen
Powdered Milk	7 x 1kg tins
Cheese	3 x 250g packets
Margarine	4 x 500g packets
Sugar	4 x 1kg packets

**10.7. ASSEMBLY DEBATE ON TERRITORY FOOD PRICES – 18 FEBRUARY
1999**

Eighth Assembly First Session - 16/02/99 - Parliamentary Record No: 14**Topic :** SELECT COMMITTEE ON TERRITORY FOOD PRICES**Subject :** Terms of Reference**Date :** 18/02/99**Member :** Mr BURKE (Chief Minister)**Status :** Chief Minister**Information :****Mr BURKE (Chief Minister):** Mr Speaker I move that:

- (1) *a committee, to be known as the Select Committee on Territory Food Prices, be appointed to inquire into and report on:*
 - (a) *whether or not the prices of food, groceries and household items across the Territory are substantially different to those in comparable locations elsewhere in Australia; and*
 - (b) *if so, identify the reasons for the variations in prices;*
- (2) *unless otherwise ordered, membership will comprise Mr Balch, Dr Lim, Mr Mitchell, Mr Stirling and Mr Ah Kit;*
- (3) *the committee or subcommittee shall have power to send for and examine persons, papers and records, to sit in public or in private session, notwithstanding any adjournment of the Assembly, and to adjourn from place to place;*
- (4) *the quorum of the committee shall be three;*
- (5) *unless otherwise ordered the committee shall report to the Assembly on or before 19 August 1999;*
- (6) *the committee have power to appoint subcommittees and to refer to any such subcommittee any matter which the committee is empowered to examine.*
- (7) *two members of a subcommittee constitute a quorum of a subcommittee.*
- (8) *the committee or a subcommittee be empowered to publish from day to day such papers and evidence as may be ordered by it and, unless otherwise ordered by the committee, a daily Hansard be published of such proceedings as take place in public;*
- (9) *the committee be provided with all necessary staff, facilities and resources and be empowered to appoint persons with specialist knowledge for the purposes of the committee with the approval of the Speaker;*
- (10) *the foregoing provisions of this resolution, so far as they are inconsistent with the Standing Orders, have effect notwithstanding anything contained in the Standing Orders.*

- (11) *if the Assembly is not sitting when the select committee has prepared its report for presentation, the committee may provide the report to the Speaker, and, in that event -*
- (a) *the report of the Select Committee on Territory Food Prices shall be deemed to have been presented to the Assembly;*
 - (b) *the publication of the report is authorised by this resolution;*
 - (c) *the Speaker, Deputy Speaker, as the case may be, may give directions for the printing and circulation of the report; and the Speaker shall lay the report upon the Table at the next sitting of the Assembly.*

We are establishing this inquiry because it has been reported widely now that Territorians are paying the highest prices in the country for food and grocery items. Such reports don't come as a great surprise to most people. It is widely known that we pay more for many food lines and other products.

The public debate on food pricing was most recently re-raised by an article in the *Business Review Weekly* reporting on studies conducted in August and September 1998 by 2 research companies funded by Life, Be In It and the apple and pear industries. The nation wide study of 50 stores compared prices across Australia on the same day for a basket of fresh fruit and vegetables and grocery and dairy lines. The purpose of the study was to make a case for the exemption of healthy food from GST, a theme since taken up by the Labor federal member and no doubt by members opposite in the fullness of time. But, as the Chief Executive of Life, Be In It Colin Benjamin, says: 'What the study shows is that it, the GST, issue doesn't matter'. The key, according to this report, is competition or the lack of it. Food shopping costs vary according to where people live and are influenced more by the presence of significant competition than the availability of local produce according to the report.

It's also interesting that certainly the Coles supermarket's managing director, Mr Alan Williams, was at pains to say that in his opinion the sampling by the Life, Be In It/*Business Review Weekly* survey was a poor sample. But that's something that I'm sure the inquiry will take into account in its deliberations.

Essentially, the local media have since become involved quite strongly, enthusiastically reporting over the last few weeks price anomalies in Darwin in particular, and also reporting explanations through Letters to the Editor and other anecdotal information. Essentially, it is things such as if people have to spend more money to eat, they have less left over to buy grog. That sort of fairly unsubstantiated and useless comment, and also emotive headlines such as 'NT Food Rip-off'. There has also been editorialising with such comments as: 'It is unforgivable that big business treats us shabbily just because we are small'.

Arising from that, the Coles Supermarket managing director, Alan Williams, in his conversation to me said - I don't know whether he said it in the press conference but he certainly said it to me - that he considered it the most serious threat to the integrity of Coles that they have had in his memory with Coles, and they take the allegations that have been made in the media extremely seriously. In talking to me, he argued that power, freight and other costs create high prices and that Coles' profit margins are, in fact, quite minimal.

The issue, essentially, is who is right in this argument? The questions are as follows: Are Territorians being treated shabbily by monopolist enterprises? Or, are high prices an inevitable consequence of living away from the populous south-eastern seaboard? That is what this committee is charged to find out.

There is no doubt that people feel strongly about high prices and the committee's task is to find the facts and thus arm Territorians – consumers - with the best possible information so that consumers can make an informed choice on how best to minimise the effect of high prices on their lives. It is not to recommend interventionist action of government and not to try to second guess business operators on how to operate their business.

The terms of reference are quite broad, but I hope those broad terms of reference will be taken up quite responsibly by the committee; by an assessment of the time they have to complete their report and to analyse what are the most important factors to derive from that report. They are the issues that Territorians are concerned with. There may be other issues that impact on prices that they believe need further investigation and of course that should be the subject of certain recommendations in their report. But I certainly wouldn't see this report ranging so widely that you never get to the bottom of what is a factual presentation of the situation to Territorians. If it achieves that objective in the short term, it will have done an excellent job.

Ms MARTIN (Opposition Leader): Mr Speaker, this side of the House welcomes the inquiry. On 5 February this year, I called for a parliamentary inquiry into grocery prices to be established.

Mr Coulter: As far back as that!

Ms MARTIN: Absolutely. It is a good sign from this new Chief Minister that he responded to that and was prepared to work in a bipartisan way

I felt the inquiry needed to be broadened from fresh food to the whole range of groceries that you get at the supermarket. Again, I welcome the Chief Minister's response to that. This issue is a bipartisan one. Among us we all represent every corner of the Territory and there is no doubt that the cost of food, of grocery items, of the things that we need to sustain our lives, are very high in the Territory. As the Chief Minister just said, what this inquiry is about is getting the facts and figures.

It is interesting what has happened after the recent burst of media attention and the Life, Be In It survey on our cost of living and particularly the cost of food. In our household, I do the weekly shopping. I go to the supermarket every week and have been doing so for innumerable years. I can't afford to let my husband go, it costs too much! It is interesting, in the framework of the media comment and the general comments, going back to the supermarket and doing the shopping, you could almost feel that palpable sense of 'Are we being ripped off in the supermarket'? It is something that I think many of those who do the shopping in Darwin understand.

There is a general acceptance in Darwin, Alice Springs - wherever in the Territory - that when you go to the supermarket you are choosing to go somewhere that you believe has good prices, and when you go there and carry with that a feeling that there could be a rip-off component in it, it does make you angry. We are prepared to wear the fact that we are a long way from where these goods are produced - most of them - and that there is going to be a freight component and there are going to be other associated components, but when you realise that maybe part of that is a rip-off, it does make you very angry.

That is why I share the Chief Minister's viewpoint on this. What this inquiry is about is working our way through the myths, the non-myths, whatever is involved, and getting the facts. Finding out where are the costs. What are the costs that are simply not negotiable in getting the food to either Alice Springs, Darwin, Ngukurr, Numbulwar, Papunya, wherever. Whatever it takes, let us look at what the costs are so that we as consumers, and we as the legislators, do know the facts.

The figures that have come out are very bemusing such as the one that was done which compared Woolies prices between Darwin and Newcastle. You look down the 2 lists of what we pay for a white loaf of bread. I know the member for Blain can tell me how much it is down at Coles at Palmerston, but in Darwin a loaf of bread at Woolies is \$1.99 on average, and in Newcastle it is \$1.68. If you look at, say, Sunwhite rice - something basic for all of us, it is on average \$1.31 in Darwin and 89¢ in Newcastle. Look at orange juice - \$4.92 to \$4.55. Coffee - \$4.98 to \$3.93, so there is a difference of more than a dollar in a 100 gram jar of Nescafé between Newcastle and Darwin. The initial response is to ask how can they justify that, and that is what this inquiry is about - working out how that cost is reached, and how much of that is simply because we live in the Territory and we expect to pay more and so we pay more. It is a self-fulfilling prophecy.

It is interesting, when you go down this list comparing Darwin and Newcastle, that in some areas there are great differences, and in others the price is quite similar – for example carrots are \$2.79 per kilo in Darwin and \$2.99 in Newcastle - there we have it the other way round, there we're winning. So it is a very confusing pattern. There is no doubt we do pay more in Darwin, but the patterns of prices and the differences in an area like Newcastle are frankly, bewildering to any consumer. This inquiry has to get to the bottom of that. If we think in the major towns and city in the Territory that we're doing badly, it doesn't take long to look through a list of remote communities and the prices they pay to realise that we're doing very well.

When I said that a cooked chook in Darwin is going to cost up to \$8, the member for Nhulunbuy said that on Elcho Island it is \$24 for a cooked chook. I am sure that at other remote areas round the Territory you would see those same kind of prices. In the Territory Health Services survey the average cost of a family basket in Darwin, which includes bread, cereals, fruit, vegetables, meat, dairy items and some other foods, is \$329 per fortnight for a family of 6 in Darwin. If you go to, say, east Arnhem, that goes to \$525 per fortnight for a family of 6. In Alice Springs it is \$335, so it is a fairly comparable price to Darwin. If you go to the Barkly it is \$464 for that same basket of goods and in the remote areas of the Katherine region it is \$507.

Although we know that in Darwin or in Alice Springs it's tough, and much worse than if you were shopping in Sydney, Melbourne, Adelaide or Newcastle, our remote communities are very hard hit and to get the facts and figures on what is happening there will be a major task for the inquiry. Of course, Territory Health Services does this survey of remote communities so that they can get an idea of the health implications, and the implications for our effectiveness and primary health care dollars are massive.

One of the problems for the Territory is that we are a small market. When you talk to the retailers they say they simply cannot compete, they don't have the turnover. In a Coles supermarket in Sydney or Adelaide or Perth, the turnover is higher; there simply is not that turnover in Darwin. That accepted concept that we are a small market and therefore we must pay higher costs is something the inquiry must tackle.

Like the Chief Minister, I talked to the managing director of Coles, Alan Williams, and he was very up-front about the costs they have. He said there is no doubt that freight is a problem and he gave the example of a company like Kelloggs. He said Kelloggs, which is based in Sydney, will charge the same amount to deliver a packet of cornflakes in Perth, Sydney, Melbourne or Adelaide but they don't include Darwin or Alice Springs in the loop. So they charge separate rates for that and it costs more.

Now that is a challenge for the inquiry. Why is it that our major companies will only do those deals for locations between Brisbane and Perth but do not include the Territory? Is that a realistic approach from those companies? Can it be changed? In my view, Perth is remote from Sydney, so why is the

Territory considered differently? Again, this is another challenge for this inquiry. So getting back to it - for supermarkets we have freight, we have power and we know that for supermarkets' electricity is double the national average of 7.64c/kilowatt hour and that we are double that here, and of course in an area like Darwin you have greater reliance on refrigeration. The committee must look at that. It must look at the responsibility of this CLP government that, after 25 years, costs are simply double and more for doing business in Darwin, whether you are a supermarket, a hotel or whatever. In the commercial area costs are more than double and for many businesses that is crippling.

Of course there is an issue that Coles also raised – the one of rents. Because we don't have any retail tenancy legislation framework, rents here don't have any foundation. We know that Lend Lease here in Darwin charges the highest rents per square metre of any Lend Lease property in Australia. That lack of retail tenancy legislation, what kind of component does that add? This is a key issue for Territorians. I believe it is a disincentive for people to stay in the Territory, to stay in Darwin, to stay in Alice Springs, to stay in the remote areas - because it is so expensive.

Everyone here knows there are constituents who struggle, who are not on high disposable incomes. I know the previous Chief Minister said it was not a problem about the cost of food, because here in Darwin we have the highest disposable income in the country. Well I know many thousands of people who don't have that high level of disposable income. People who are retired, who are on pensions, who are on some level of disability pension, who are with young families. The prices they pay for food are serious disincentives to living in the Territory. We have to turn that around. We want to build the Territory, and the cost of food must not be a disincentive for staying here.

This side of the House wanted to have fuel considered as part of this inquiry and I have spoken to the Chief Minister about it. I think he indicated that he was aware of the impost of fuel, and it is an issue that we have seen cause a vast amount of angst in the Territory along with demands that something be done. The previous Chief Minister rattled around a bit and nothing changed in the end. The Chief Minister told me that he felt that this was making this inquiry too broad, and that we do have the current terms which are for food, grocery and household items across the Territory and that to add fuel would make it too broad and unmanageable. He did say that fuel would come into the consideration of the committee in terms of looking at freight and said that if the committee considered that a separate inquiry was warranted he would listen carefully to that. I put the Chief Minister on notice that we will take you at your word on that, because the cost of fuel is important. It is a great impost on business here and an additional impost on the cost of food and the basics of life, particularly in remote communities in the Territory. We don't want fuel to fall off the parameter here, but I will accept your word that you are concerned about fuel and that if this committee considers that fuel is an important aspect, and I am sure they will, you will consider it.

Finally I note that the Chief Minister made a reference to the GST and that perhaps the GST wasn't something that was a component in all this. That is extraordinarily naive. If you look at costs in remote communities and add a GST on those prices, I do not know how people are going to afford to live. If you look at prices in Darwin or Tennant, Katherine or Alice Springs and add a GST, I do not know how people are going to afford to live. The GST is a knock-out punch for the Northern Territory. It will make life for us so much harder and it is going to have to be one thing that this committee does make reference to, because we cannot simply close our eyes and say we will only look at price structures as they are now because we are going to be hit for six when that GST comes in.

I do welcome the inquiry. I think it has a big job but it has a very important job. Just a couple of points about it. I note that a quorum is 3 members - one of those members must be a member of the opposition to preserve the inquiry's integrity - and that the level of quorum for both committee and any sub-committee would not be satisfactory if it was just 3 members of the government. That would simply undermine this bipartisan approach that we are taking, so a quorum must include at least one

member of the opposition. I am confident that the member for Nhulunbuy and the member for Arnhem will do a great job on this committee. They come from areas with higher prices than we have in Darwin and they have a strong and ongoing commitment to making sure we can manage our cost of living in the Territory. I welcome the inquiry. This is a bipartisan inquiry and let's get the facts and figures. Let's dispel the myths, let's tackle what the prices are, what are the components. Realistically, it's not good for the Chief Minister to say don't expect any intervention. We do expect intervention if it is shown by this committee that there are costs that the government can do something about. I would say now that power is top of the list.

Mr ADAMSON (School Education): Thank you Mr Speaker. I certainly support the Chief Minister in his position in setting up this particular inquiry. In fact it is good to hear that at least at this stage we appear to be having some form of bipartisan support for the starting of this particular inquiry.

Mr Stirling: It was our idea, you goose.

Mr ADAMSON: That's probably about the most productive contribution the member for Nhulunbuy has made all day, but I do trust in fact that he will make a good contribution ...

Mr Stirling: Why wouldn't it be bipartisan when he accepted our proposal.

Mr ADAMSON: I must compliment the honourable member for wearing the red shirt today. I think he probably wore that because yesterday his face contrasted very greatly to the colour of his shirt at the stage when we mentioned the superannuation. At least today when his face goes red he won't be quite as distinctive as he was yesterday.

I think that we do have a mechanism here that will provide us, hopefully, with a very accurate snapshot of where we are in terms of prices in the Northern Territory. There is no doubt that there are a number of causes for whatever the ultimate price we pay at the cash register and the check-out is. What we have here in the Northern Territory is in some instances, wide instances, the price of many of our day to day products are higher than elsewhere. Although one observation I would certainly have made in say the last 10 years is that it's my initial feeling that the quality, particularly of a lot of our fresh food, while it is still nowhere near comparable to down south, again considering the transportation distances, appears to be at least somewhat better, even if we have quite a long way to go compared to some of the southern destinations. But the variety of prices is something that I think also should be taken into account. It is very easy - and I do not for a second say that it is misleading - to quote prices between say, here and Newcastle. I know those comparisons were made, for example \$1.99 for a loaf of bread up here, but the fact of the matter is that if you do shop around, you can get cheaper prices. I think that is also important when we are looking at some of these comparisons. I do not, in any way, say that to try to defend the situation up here, but simply making a straight across-the-board comparison is not always the most accurate.

In terms of the competition up here, I think that is also something we need to take into account. There are effectively the 2 major operators, I guess, if you look at Coles and Woolworths. Even in my patch, the major retail area, not only of Darwin but the Northern Territory, even the other major stores like the Bi-Lo's really are - or they do in fact, come under the Coles umbrella.

Mr Speaker, what I would like to see out of this is a very close look at even a day-to-day or a week-by-week comparison. For instance, you may have one store offering some pretty steep prices in some areas, but it is par for the course that in the same week you might find one of the other stores, if you did do a bit of shopping around, where the prices were a little lower. If it is shown, for instance, that there was any price matching in that particular area, any sort of collusion, then I think that is something quite serious, and is something that should be looked at. I guess you could at the moment say there is a duopoly operating, and that is not just exclusive to the Northern Territory. The major retailers in

Australia have narrowed in terms of the number of them, and they certainly have become a lot more powerful. I am certainly not pointing the finger of blame at any of them. But I think it is certainly worth looking at, because it has been done in other jurisdictions, in fact, even in this jurisdiction in some other areas of commerce.

We do - as the Chief Minister pointed out particularly the other day in terms of looking at the prices - need to look at a very detailed list of a basket of goods. The fact that it has been pointed out that there are some very high volume goods, and the stores can very quickly reel off those statistics and give you the top 100 or 1000 or 2000 for that matter, is something that is worth looking at. I think this inquiry needs to have a level of sophistication, probably greater than is often seen in areas of some of the newspaper surveys, or even the CPI statistics, because it is a relatively small, be it a useful benchmark to go by. So, I think, the sophistication of this particular inquiry is important and, I think it could go a long way to looking at what we're particularly doing.

I know certainly about the GST, the opposition raised that. But I think the other point, and I know I'm drifting off the issue there, but what I've noticed with this entire GST debate so far, is we still haven't had one convincing argument from our opponents as to why such a major part of the Australian economy should remain untaxed. We are talking about a part of the economy that is probably greater than 50% and what we're saying is that we're quite content to have part of our economy taxed and to have another major part of the economy untaxed. I am yet to hear a convincing argument as to why that should be allowed to continue. It is unfair, it is inequitable and there are some very big down sides even here in the Northern Territory. I think the way it's been put in some rather crude terms in terms of sophistication is quite misleading.

I'm sure that out of this we will find some individual cases where eyebrows will certainly be raised, but it's my hope that whatever comes out of this, and if ultimately we've found that there is something government can do about it, that's fine, and I would certainly support that. But I certainly hope that whatever comes out of this is an accurate snapshot in terms of where we are in the Northern Territory.

In terms of fuel, it is very easy to talk about high fuel prices, but I think very quickly you can say that 2 of the major impacts of fuel prices, or one of them is an impact Australia wide, and the extra one here in the Northern Territory, obviously the biggest impact of the lot is federal government excise, that in excess of 50% of what goes through the petrol pumps in terms of the cash is going into some government office somewhere in the country, and that is something that no inquiry needs to spend too much time on.

The other factor, and the major factor up here, is the simple fact that we really do not enjoy the level of competition in the marketplace as southern jurisdictions. I think those are the 2 biggest factors that will probably account, I would say, to between 80-90% of whatever cost variations there might be in the price of fuel. So, I'm not saying in any way that the price of fuel should be discounted from this but I think we can beat up something on it where a lot of the facts are already known.

I certainly welcome this particular inquiry. I hope that at the end of this all Territorians are far better informed about the situation. The make-up of the committee gives a good cross section of members representing different electorates with different interests. I certainly hope that we can see some useful information come out of this particular inquiry. We do need to stick to the facts, we do need to be clear and hard headed about what we're doing. But at the same time we shouldn't be defending any of these practices that are going on if they cannot be defended. So I certainly commend this particular inquiry and support the Chief Minister's intention.

Mr STIRLING (Nhulunbuy): Mr Speaker, I welcome the opportunity to participate in the debate at this stage as the first member of the committee to stand in the Chamber. My hopes have risen that I

may indeed be elected chairman of the committee at its first meeting but we'll wait and see for that to take place. I do welcome the opportunity to be involved.

I have had as local member, and before that as candidate for the Nhulunbuy electorate, 9 or 10 years history of talks with South Australian management over the Woolworths Nhulunbuy store. At different times in the past the prices of Woolworths have created much community angst and it's been necessary to get on the line and at different times meet with South Australian management over these issues.

Nhulunbuy, of course, has always paid much higher prices than Darwin, probably in the order of 15% to 20% higher. I can say that with some reliability going back to the time when Warren Snowdon's office used to run the price watch and my office was involved in collecting the prices. It was done within a certain time, within a certain number of hours, against the selected items. So it was a pretty accurate survey and we're able to look at just where we were in relation to other centres on a monthly basis.

The most bitter criticism probably at that time, 7 or 8 years ago, was the shelf life of the fresh fruit and veg coming through Woolies. We were paying top dollar and they looked fine on the shelf but you would get them home and no sooner than 2 or 3 days later, and you might have only eaten 1 or 2 pieces, you would have to turf the lot out. The shelf life just wasn't there for the price that was being paid and that led to great community uproar over the years. I think the member for Casuarina was saying a similar thing in relation to Darwin, the quality has improved out of sight. Shelf life has improved and that has reduced criticism from the community which does reasonably expect to pay more than a centre like Darwin because of the fact of where we are at the end of a quite long freight line.

The difficulty with Woolworths Nhulunbuy, as I understand it from those discussions over the years, is this question of double handling. More stock has to be held on hand because of the weekly barge service and that means additional storage, additional air-conditioning, fridge and freezer costs coming on top of the additional freight costs in getting the produce to Nhulunbuy in the first place. Over the years in varying numbers consumers have ordered direct from Darwin with claimed savings and good quality of produce and I don't dispute that. It is probably correct that they do get a saving because it avoids the double handling and the storage that Woolworths as a store faces. So you would expect that there ought to be some savings. It is a hassle of course because you have to have transport and be able to get out to the Perkins Barge to pick up the delivery yourself when the barge is in. But it is of course not so easy to return to the store if you are dissatisfied with the quality of the goods as you so obviously can with a Woolworths purchase which is just straight down the street.

Foodland Nhulunbuy has always maintained a good quality of fresh fruit and veg but it is a much smaller store, has a much reduced range compared to Woolworths and its prices have always been higher than Woolworths. For many locals it is a convenience store rather than the main point of purchasing. Allegations were made recently in the *Arafura Times* and on ABC radio regarding Woolworths. One particular one was that Woolworths faced competition in grog products from the Arnhem Club and the local hotel. So, the alcohol prices Woolworths had were always going to be very competitive and perhaps Woolworths placed a higher mark up on food goods and household items to compensate. I opposed bitterly Woolworths application for that liquor licence. I remain opposed to it, and I have not, in the 7 or 8 years that that liquor store has operated, ever stepped foot inside it. But I don't, however, believe that Woolworths do cross subsidise the price of alcohol by marking food prices up. I don't think it is something that they would even entertain doing. That allegation is drifting out there. I invited Woolworths to respond because it was made in the public forum. I wrote to the manager in South Australia suggesting that they could equally respond through the pages of the *Arafura Times* and put that fairly ugly allegation to rest. But I have not at this stage heard back from South Australia.

The situation in Aboriginal communities is far more chronic with much lower incomes having to cover extremely high food prices. Aboriginal community stores can be community owned, privately owned or owned, as in the case of Galiwinku and Gapuwiyak in my electorate and a couple of others, by the Arnhem Land Progress Association.

A Territory Health Service survey of remote community stores in 1998 stated:

The cost of the total basket average for all remote community stores was \$484, which was 47% more expensive than in Darwin and 44% more expensive than in Alice Springs. East Arnhem district community stores had the most expensive basket of \$525. Community stores with the lowest average cost were in the Alice Springs district.

I direct the committee's attention to this report, because I believe it provides a comprehensive background to pricing structures in Aboriginal communities. I also direct the committee's attention to another document prepared for ATSIC entitled *Impact of the Government's Plan for a New Tax System on Rural and Remote Indigenous Communities*.

This report centres mainly on the effects of the forthcoming GST, which is not directly relevant, of course, to this committee, but it does provide useful statistical information on household expenditure patterns in remote Aboriginal communities. I think that will give the committee a useful insight into just how the money is divided up. I seek leave to table both those documents for the benefit of the committee.

Leave granted.

Mr STIRLING: In relation to the work ahead, I think the fact finding will be relatively easy. It should include an historical perspective on pricing across the Northern Territory as well, a point that was made to me by the member for Nightcliff, in fact, in discussions whilst we were waiting for a committee meeting just the other evening. I think that would provide a time line perspective to show where we are now, and where we were 15 or even 20 years ago. I do not know how far we can go back on that, but I would encourage the committee to take the furthest possible point it can.

Coles seemed to set an example of honesty and accountability in their meetings with both the Chief Minister and the Leader of the Opposition a few weeks ago. I have no doubt that other retailers will be no less forthcoming. I certainly never had any difficulty getting to speak to Woolworths' management in South Australia, who are responsible for the Nhulunbuy store, as I said.

Freight will be a part of those investigations. Part of that will be the cost of fuel, not directly a focus of the terms of reference, but nonetheless bound to play a role in the committee's findings.

The cost of power, so much higher in the Northern Territory and other jurisdictions, will also bear investigation, as will rents. As I said, this part of the committee's work, I think, will be relatively easy to work through, although very early in the terms of reference, I think the first or second paragraph, it talks about comparable locations elsewhere in Australia. That puts the mind to some sort of test, I think, in terms of ...

Mr Bailey: Where you are going to go.

Mr STIRLING: I do not think New York.

But it does test the mind in terms of just what would be as comparable a location as you could get - not just for Darwin, but we are talking Tennant, Katherine, Alice Springs, Nhulunbuy, and then of course, the rural and remote Aboriginal communities.

The difficulty in the exercise, I would have thought, would be the response of government to the report. The response, of course, will depend in part on the report, but I think government will need to be very measured in its approach. But, at the same time, it has to assist in, if it can on the basis of the report, bringing prices down. I look forward to the job ahead, notwithstanding my present membership of the Legal and Constitutional Committee which is proving very time consuming over the past and next few weeks. I don't believe it will be a high travel committee with a quorum of 3. As long as the member for Arnhem or myself are there at any time the committee can go on with its work. As I said, I look forward to the task ahead and welcome the Chief Minister's motion put forward today.

Mr HATTON (Nightcliff): Mr Speaker, I rise to support the motion that is before the House at the moment and wish the committee members well in what, I believe, is going to be a very, very daunting task. We've heard a lot of brave comments about this, but I wonder whether the honourable members realise exactly what they are walking into in this particular inquiry.

I think it's timely and worthwhile, particularly given the public comment that is currently taking place and it may give a good and, hopefully, a realistic picture of exactly what are the circumstances that lead to prices in food and grocery items in Australia generally, and particularly in the Northern Territory. What are the influencing factors on those prices and, realistically, what can or cannot be done to influence the relative cost of grocery items in the Northern Territory generally.

I look at the terms of reference 1(a): The committee is charged with the responsibility of inquiring into whether or not the prices of food, grocery and household items across the Territory are substantially different to those in comparable locations elsewhere in Australia. That, in itself, will be a challenge - comparing the prices of groceries and food and other household items in Ngukurr, Lajamanu, Kintore, Santa Teresa, Elcho Island and Galiwinku compared to Darwin, Katherine, Tennant Creek and Alice Springs, and then comparing those prices to comparable locations in Australia. I'm not sure where Darwin would be compared with. Our comparable location I presume won't be Sydney and Melbourne because they are hardly comparable locations ...

A member: Newcastle, I heard.

Mr HATTON: Maybe Newcastle.

But I think the general perspective is there. Even looking across the different locations in the Northern Territory we start to identify some of the dynamics on pricing that do exist. The real challenge is going to be in 1(b), having identified if there are differences in prices - and I think there is a presumption in the minds of all members of this Chamber that there are differences in prices in comparable locations - the identification for the reasons for the variation in prices is where the real challenge will lie.

We have heard commentary publicly and in the House this afternoon, for example, about the relative power costs and, yes, that can be an influencing factor. Obviously because you pay more per kilowatt an hour for electricity, that is a factor that can influence the cost of operation in any establishment. We've heard the GST mentioned and, yes, there are some influencing factors there. Freight, transport, and fuel costs. But I also suggest some items for the committee members to address and one is the issue of time.

I use the term 'time' because my experience indicates that one of the most critical determining factors in the actual price margin that is being charged by any establishment is directly related to volume. The larger the volume the more fixed overhead costs such as rent, electricity, fixed assets, depreciation and even staffing costs can be disbursed over a much larger range of products, and therefore the marginal costs of a fixed component on the goods is lower if you have high volumes in a particular establishment.

I give an example. I would ask the committee that when they are examining, for example, the various stores to find out from when the goods are paid for, what is the time before they are delivered and arrive at their establishment, there is a financial cost with that, what is the average length of time that they are held in storage in the warehouse area, and what is the average time items spend on the shelf. If goods are turning over very quickly, then one would expect that the fixed cost components would be relatively low. If they are carrying stocks for longer periods of time, then clearly there are going to be higher fixed cost components to the total cost of providing goods into an establishment.

In that respect, particularly in the fresh fruit and vegetable area, the fresh food area, stock turnover time and source of supply and delivery times are critical. I ask the committee to also explore the extent of shrinkage in the retail industry; that is the extent to which the proportion of fresh produce has to be disposed of and not sold because of deterioration due to exceeding the shelf life or passing below a particular quality standard. If, for example, one had to throw away 20% of fresh fruit and vegetables then those goods that are sold would have to be priced at 20% higher just to cover the cost of the goods paid for and thrown away. It is a very important determining factor to look at in terms of the relative cost of fresh produce, particularly given the tendency for us to eat temperate zone vegetables and fruits which are being carted right across Australia.

If the turnover through the stores is not high, I would imagine the shrinkage factor in the Northern Territory would be significantly higher than what we would expect to find in the major capitals close to the source of supply. With high-volume turnover and, unless those issues are analysed properly, one will not get a genuine picture of the dynamics of the relative price. Of course, that situation applies far more significantly in the rural and remote communities. With much smaller volumes of produce being provided into the areas, turnover is much lower and the risk of shrinkage, or even damage in transport, is so much higher. The cost of transport is so much higher - for example, air-freighting or other if that's ever required. I am sure it is at some times of the year in some locations where the weather may make road transport not possible yet there is still a need for fresh produce to be delivered. I would ask for those types of issues to be addressed.

We have listened to debates for some time in this House of the complaints that Woolworths and Coles, for example, are engaging in practices making it impossible for the small shops in the Northern Territory to survive. The member for Wanguri has a particular retailer in his electorate who has very often been commenting on the uncompetitive position that small shops have been placed into because of the 24-hour trading of Woolworths and Coles. They are obviously running on very fine margins, and they are finding it very difficult to compete on price with Coles and Woolworths. If you argue down the price of Coles and Woolworths, how many small businesses are you likely to drive out of business in the process? That in itself is going to be a challenge for the committee.

Mr Bailey: There are also all those arguments about the big 4 or 5 that have ...

Mr HATTON: A whole lot of arguments. I think the members of this committee are very courageous people taking on a task of having to come up with a rational answer in 6 months. A very courageous decision to take on this task.

I just raise this – GST is an interesting factor, and I raise it for this purpose: One of the difficulties that small retailers have is that they are obviously obtaining most of their produce through local wholesale distributors. The current sales tax on most foods - except for fresh fruit and vegetables - most grocery items are subject to some level of sales tax. I addressed that during the GST debates last year. Now when they purchase goods locally, obviously the sales tax is at the point of final wholesale. The goods are purchased out of Darwin, the cost of transporting and shipping the goods to Darwin becomes part of the cost factors on which the sales tax is charged. Coles and Woolworths avoid that by working out of their major wholesale distribution points in Sydney and Melbourne – and, in some cases, in Adelaide - using capital city prices into those locations and paying the sales tax at that point of final wholesale, so the costs of their goods being transported to the Northern Territory are not subject to sales tax. That does give them a competitive advantage, but it makes it more difficult for the smaller businesses to compete.

So you have a real double whammy here. On the one hand, people are complaining about the price of goods in Coles and Woolworths, they continue to shop in Coles and Woolworths because of the convenience. You can go and shop when you want to and buy what you want to in one stop-off point, rather than going to several other shops to chase out the goods. I mean, the consumers have been voting with their feet in this respect because they still walk into the shops and buy the goods. They are not shifting to the smaller establishments to purchase, and there is no evidence, and I would be interested to see what the price comparison evidence is between the small retailers and the large retailers.

But the GST clearly will have some impact on those prices because both Coles and Woolworths and the small retailers will be facing the indirect tax cost equally. In fact, it will be an advantage to the small retailers *vis a vis* the Coles and Woolworths large retailers because of the ability of the large retailers to avoid some component of sales tax at the moment.

I ask also the committee to examine what I would call monopoly practices, and whether in some - particularly in really small and remote communities - there are monopoly practices taking place, taking advantage of a monopoly circumstance and in some cases an enforced monopoly which is enabling prices way beyond what is reasonable to be charged and to examine whether there are any breaches of the *Trade Practices Act* occurring in small communities or breaches of the ACCC. They are issues which should be examined, particularly in very small and remote communities, where there is commentary of the price of a cooked chook being \$26 and all these sorts of issues, which seem to be way out of kilter. I would ask that the committee have a close look across the range, and to see whether there are some structural factors in those communities which are preventing competition developing in retailing to avoid any monopoly practices in those small Aboriginal communities particularly.

I look forward with some interest to the outcome of that investigation, and the courage of the members to speak honestly, and honestly address the reasons for these higher prices in some of those communities. I wish the committee well. There are many more issues that obviously have to be wrestled with.

It is true that an historical perspective on relative costs is important; and it can go back, because the first ABS statistics for Darwin and a consumer price index started in 1981. I will seek to recover some comparative cost-of-living research which I carried out in 1981 on food prices, when we, in fact, priced on the same day, the same basket of goods which was consistent with the CPI basket of goods in every capital city of Australia, to do a comparative cost-of-living analysis between Darwin and the major capitals around Australia in a particular industrial relations case to do with district allowances. That was cross-examined and held up to be valid by the full bench of the Industrial Relations Commission.

It may give some base information to then run the indices from that point forward to 1999 to see whether there has been a shrinking over that period of time in the prices. But in doing that, also look at the populations at different stages and the total retail floor space that has been available at different stages to see what level of the population and retail floor space. Is there more competition today than there was then, per head of population? Or is it comparable? What is the reality of the situation? Let's not go on guesswork. Do the homework. Do some serious research. Come up with some honest answers and not a bit of political hyperbole that might read good for one day in the newspaper and achieve no conscious end. See if you can't identify the economic factors that influence price so that future government directions can be geared to, in reality, where they're going.

On electricity prices, the members opposite here raised them. If it turns out that electricity cost is a factor, I'll be interested in the comments from the members opposite on their responses to the Planning for Growth exercise which is exhibiting how we can reduce the cost of electricity generation through either partial or total privatisation of the Power and Water Authority and whether there is any ideological conflict on the part of the members opposite between protecting public service jobs or reducing the cost of electricity to the voters.

Mr AH KIT (Arnhem): Mr Speaker, I look forward to my role on the Select Committee on Territory Food Prices. All the members of this House can, and do, acknowledge that the food prices are a real concern to Territorians and have been for some years.

In fact back on 12 November 1992 I had reason to meet with Ram Badlu who was then the president of the Retailers and Wholesalers Association and who I understand today is still the president - whether that's been continuous, or whether he's had a break in between, I'm not too sure. He wrote to Mr Hatton, who at the time was the Minister for Industries and Development, and when you read through the concerns that the industry raised then, there's no wonder we're here today and the Chief Minister has appointed a committee to look into the cost of living or the food prices especially in the Northern Territory.

This correspondence to the then minister Hatton raised concerns about taxes and charges, the industry in regards to Retail and Wholesalers Association, their contribution to the community, legislative protection in other parts of Australia. In fact, when you got to the Northern Territory, on page 2, he says: 'We are the only state in Australia which allows unfettered trading'. There are other headings in the paper - businesses losses through extended trading hours, high employment and its consequence, their rights to seek protection and assistance, huge chain stores versus small stores.

This group of members of the association brought it to the notice of the government back in 1992. I suppose why I touch on it is that they forecasted and predicted a lot of the problems that we have with us today. What they argued - and I was able to meet with Ram Badlu about this time last week and whether their arguments are right or not is something that we would have to look into as the committee - but they argued that in regards to the electricity prices they said then it was too high. They still complain about that today, but in respect of themselves. But in regards to the Coles and Woolworths, the bigger stores, they argue that the electricity costs that they have to pay is brought about a lot more so nowadays, because they are able to trade for the 24 hours. So the electricity is non-stop in regard to that trading. That is important when you think how it impacts upon the smaller supermarkets.

I have watched supermarkets grow throughout the years. I have had pleasure in shopping at supermarkets, especially on weekends. When we see this 24-hour trading it obviously has impacted on those supermarkets and some of them are finding it really, really hard to keep their heads above water. In fact, in many situations, they have been tip-toeing for quite some time. And when you go to a supermarket in the northern suburbs especially, and you have a look around at some of them, the quality and quantity isn't on the shelves as it used to be 10 years ago. That's because they are finding

it hard, as I said, to keep afloat. In other cases, the quality is great and prices are comparable with the bigger supermarkets. In some cases its cheaper, and that's something that they had raised with me, that people aren't really aware that they can get better prices in the local supermarket in terms of food, especially perishables.

They also argue that there wouldn't be much drop in regards to the staff that they hire because staff will still be employed throughout the week, but they argue strongly, obviously, against the 24 hour trading. Now I don't know whether this is good or bad, we need to check into that. It is certainly something that we will, as a select committee, receive representation on from both the smaller retailers and wholesalers and also no doubt the bigger companies such as Coles, Woolies, BigW etc. Those arguments were raised with me and I thought I would raise them here today.

When we look at what the inquiry is charged with, its self evident. The 2 questions (a) and (b) - whether or not the prices of food, groceries and household items across the Territory are substantially different to those in comparable locations elsewhere in Australia. Well we all know the answer to that and I suppose we need to go through the processes of the inquiry so that we are able to come back and report. We also know what the answer is to (b): 'if so, identify the reasons for the variations in prices;'. Well some of that we do know.

I would like to have thought that the Chief Minister would have given us a bit more responsibility and I certainly hope that when we do come back and report as a committee that the report and recommendations of the committee will be taken on board and seriously addressed by the government and especially the Chief Minister. The situation with outback stores in remote areas speaks for itself when you look at the *NT News* Wednesday 18 November 1998. The article is by Rebecca Whitfield and is titled 'Who's minding outback stores - what you pay in the bush' \$4.24 for 1.25ml coke, frozen chicken - \$18, local bread - \$3, 2 litre Berri grapefruit juice \$7.20, diesel \$1.05 litre. You know that in some of these communities prices may go up in the wet season because people are cut off, especially in 9 communities in my electorate where they are completely cut off by road and in a lot of cases the air strip goes out. \$4.20 for a bag of ice. Those prices are a shocking indictment on this government which has been in power for the last 20 odd years, which hasn't been able to, or refuses to, address the high cost of living concerns in the Territory community. One has to just quickly run through their mind and give some thought to these types of prices and why people pay them in the bush in remote areas in remote communities. And there is no choice. You either buy at the price that is put there or you go without.

When you look at many of the Aboriginal people in remote communities around the Northern Territory, you have a look at the unemployment and underemployment problems, and you weigh that up against the pension or social security benefit that they may receive from fortnight to fortnight, you do not need to exercise too much thought into wondering how in the hell some of these people do survive from fortnight to fortnight. And it is obvious, and I am glad that many people do go hunting on the weekends, which is something that they are akin to and enjoy, but it also supplements their lifestyle in terms of food that they have to - not so much put on the table because in many cases people do not have tables - but put on the camp fire when the opportunity arises.

The committee also has to turn its mind, I would think, and address seriously how this can be turned around, but it has to be done, I think, in conjunction and in consultation with the communities and with wholesalers and retailers that provide the communities. I know ALPA is a big organisation that has 5 stores. They manage another 6 in some of the areas. They are looking to assist with their professional management skills in being able to show community councils, if they are responsible for community stores, or the store committees, shop committees, progress associations etc, how the shop can be run and should be run so that it is making a profit.

Rebecca Whitfield is spot-on when she mentions the whole range of reasons why a community store is not doing too well. You know, bad managers, people who genuinely come in to an Aboriginal community to work in the store, who in a lot of cases have not had shop experience, but find themselves becoming the manager of that progress association or that shop and therefore, seeing how trustworthy Aboriginal people are and how they can win that trust and then work out that there are no checks and balances on how this manager does the till each day and the banking each week. In most cases, and I've witnessed this time after time, where Aboriginal community councils or their associations such as the progress associations are ripped off, there is nothing short of that, just blatantly abuse. I would like to think that there would be something, not so much that the committee does, but Aboriginal community councils should be getting together to talk about how they stop some of this stuff happening. Because in many instances the store manager that ripped off a store at Yuendumu, for example, could quite possibly end up a week later at Mount Allen or Numbulwar as the storekeeper there, so you have this sort of situation that just continues to go from one place to another.

The discussion we will be participating in later in terms of the Leader of the Opposition's amendment to the motion, will be discussed when we come to that point. Sorry, there's no amendment I'm told. Thanks for letting me know.

Excuse me while I collect my thoughts.

Mr Lugg: It'll take a while.

Mr Elferink: Shouldn't take too long, should it?

Mr AH KIT: I'll take the opportunity of climbing onto some of the interjections by some of the members of government, because I think it's the right opportunity to do that, given that we have members on the committee who, as I understand it, are not speaking today. Ah, we now have one extra, additional speaker.

Mr Speaker, as I understand it, the chair of this committee will be the member for Greatorex. Is that right or wrong? He's not here today, so he doesn't see this as being a very important topic that he should be contributing to. I may have missed something this morning, but I didn't hear any apologies for him, or that he was off somewhere else. I certainly hope it's not a sign of how he is going to treat this inquiry, and that it's established as a political exercise and not a serious ...

Mr LUGG: A point of order, Mr Speaker!. The member knows full well that he must not reflect on members' presence or otherwise within the Chamber.

Mr SPEAKER: Quite correct, but I think he was just indicating the fact that he has been away. A member can be away for a day without having to receive permission to be away, so I would ask you not to reflect on that.

Mr AH KIT: Point taken, Mr Speaker.

I also would like to take issue with the other member on the committee, who I understand is not talking also. I am alarmed that this is not taken seriously. We don't have any big guns on this committee. We have the chairman of the chairmen of committees. We have a member who has definitely been demoted. We don't have their young guns, the vital people who ask the questions at Question Time, the dorothy dixers.

Mr HATTON: A point of order, Mr Speaker! It would be really good if the member for Arnhem actually spoke on the motion rather than reflecting on who may or may not speak in the future. We

have in this Chamber the opportunity for any member to get up and speak. He shouldn't be prejudging who is going to speak in this debate in advance. It would be interesting to hear what he actually has to say on the subject, rather than slanging across the floor.

Mr SPEAKER: There is no point of order, but I ask the member to stick to the detail of the motion.

Mr AH KIT: I thought it was protocol for people coming onto a committee to get up and talk about the committee and the inquiry they are going to participate in and at least give some indication of their interest. But we don't seem to have that. It does ring alarm bells as to whether this is going to be taken seriously. I don't see any senior member or office holder of the government on this. That does give an indication that it may be a political exercise. I certainly hope not. I hope it is taken seriously.

Mr MITCHELL (Millner): Mr Speaker, I assure the member for Arnhem that we on this side of the House take this matter very, very seriously. In fact, there was quite a few of us jumping over each other trying to get on the committee because we see the importance that it has. As for his reflection on who is what in the pecking order, over on this side we are all equal when we get into that party room and we all have our say, as I'm sure they do on his side. Notwithstanding any of that, we're big boys in here - and girls - and we can take a bit of criticism. That's fine. I sincerely hope that, as we get into the full processes of this committee and as we look into exactly what it's all about, we do get into a bipartisan mode. I'm sure we will, despite the shenanigans just a minute ago.

I've been in the Territory most of my life, almost 40 years. I've grown up in the Territory, and I suppose I'm one who has been a little blasé about the prices. You just take it as a given that you're always going to be paying a lot more than down south. But in recent years things have changed - the roads, everything has changed so much. To me it's inconceivable these days that we continue to accept distance as an excuse. There may well be good reasons for the prices they have on the shelves these days. I don't really know. That's why I welcome this committee going ahead.

Some of the things I hear disturb me a little. There's a national freight company that has a contract with a major retail firm. As part of their freight structure they will deliver a certain box - say a box of Weetbix - to any capital city in Australia, regardless of where it is, for \$20 or whatever. What disturbs me about that is that they don't regard Darwin as a capital city. They send it to Adelaide, the closest state capital, or Brisbane or wherever and then they tack on the extra freight from there. I put those outlets on notice that I am sure a lot of people will be concerned about that as a reason for increasing prices.

On the other hand, bananas are grown just outside Darwin where we have a big horticultural area. I believe that these local bananas are sold more cheaply in Brisbane than they are in Darwin. That is also of concern. There may be good reasons for it, I don't know. I hope that will all come out in the future as we get into the inquiry.

There may be other factors - for instance, wastage on the perishables that come up. I have heard there may be a fair bit of wastage and that's why they charge so much. There's a built-in loading, for want of a better word, because they have to keep fresh food on the shelves at all times. If it's there for a couple of days and doesn't sell, they throw it out and have to get fresh stuff out of their chillers. That may be part of the pricing structure they have here. I don't know, but, like I said, I hope to find out.

Another thing disturbs me a lot when looking at pricing structures around the place. You might look at a particular item priced at 99¢. Okay, why not say \$1? I think a few people would have seen in the newspaper a week or so ago a letter sent in regarding a particular item that was priced at \$1.01 per kilo, reduced down to 99¢ per kilo. That is just absolute rubbish, to do things like that. It really plays with people's minds. It's very disturbing when you see these types of things coming out.

Competition is a great thing. That's what the retail industry is all about. A lot of smaller shops around town have come out openly and said they can sell tomatoes much more cheaply than the major outlets. That's disturbing. These are all the types of things that we will get into. I am very happy with the team, despite what the member for Arnhem may think. I'm quite happy for him to be there, as I am for the member for Nhulunbuy, because it gives a good cross-section of members from across the Territory. We have the 2 bush people, one from Alice Springs and then 2 from the urban areas of Darwin.

As I said, a lot of people on this side were really jumping at the chance to get on this, because we really want to get to the truth of what's going on. For far too long, we have been told that freight is the problem or something else is the problem. It will be really interesting for us to get down to tin tacks and have a good look at it. I do, as I said, welcome the chance to work with the member for Nhulunbuy and the member for Arnhem and assure them that it is very serious to us on this side of the House. I look forward to their support.

Mr TOYNE (Stuart): Mr Speaker, the former Chief Minister, in a debate on this matter some time late last year, asserted that we don't have to worry about prices in the Territory because we have such high disposal incomes. The further comment that the Leader of the Opposition made in her response to this motion identifies a problem that I hope the inquiry will take on. The most important aspect of an inquiry into prices is to get some assessment of how they impact on the people who are most vulnerable to the level of prices.

Quite clearly, in our community there are many people who are wealthy enough to not worry about the level of prices for basic goods. But equally, there are many people in our community who do have to worry because of the level of their income. Those people on welfare or pensions, in very low paid jobs or on unemployment benefit are good examples of that. As well as looking at the actual structure that leads to prices, I think there needs to be a component in the inquiry that looks at the degree of impact on target groups within our community.

There has been some talk about the remote communities, which have a particular combination of problems. There is intrinsically more cost involved in getting goods out to them, so prices are likely to be, and certainly are, higher. But you also have a lot of poor people out there who are going to be impacted on particularly in the basic goods that they rely on.

I commend to the committee that they use some sort of systematic measure of a particular community's degree of isolation - something along the lines of the Griffiths isolation index - which looks at, as well as the freight cost, the actual economic strength of the community and other factors about the community's function and functionality. They are going to be like multipliers on the effect of those prices on those people. So, I think it would be wise to look at the communities which have been identified as being either the most isolated or least isolated or having the least number of waged or salaried jobs in them, the highest level of welfare payments or no payments at all. In other words, put it in context as to how those prices are going to impact into that part of the Territory population.

Similarly, in the urban centres, there are things that old people buy specifically. There are things that young mothers or mothers with young babies buy specifically out of the items that are in a supermarket. That would be a way of identifying particular impacts on parts of our population. There are things that young people buy specifically. I think that it would be a good exercise to maybe do a few case studies as part of the enquiry; case study an old age pensioner or an elderly pensioner and the types of things that they tend to buy. I'm sure there are studies around that show, in a broad sense, the kind of consumer habits of the age groups that we have here.

The fact of the matter is that, if we're having this sort of general price level impacting on our community, potentially it's going to impact on, say, the urban centres to the point where young people, old people aren't properly represented in our community. I'm certainly aware of a lot of elderly people going into retirement who just simply move to a cheaper part of Australia so they can live more readily off their pensions, both in terms of the property rental costs and in the terms of cost of consumables that they'll need to have for the rest of their life.

I think if we could get that kind of targeting into the inquiry it's going to make it a much more valuable exercise, because really that's what the public are concerned about. They're concerned about the people they see amongst them, or that they may be one of them themselves, if they are speaking up about it where they are really feeling the pinch. I think we have to look beyond the fairly large number of fairly well-salaried people who live in the Territory. I quite agree with the assertions that come from the government side that there are a lot of good jobs and good incomes to be made in the Territory. I am not denying that at all, and I think that that part of the population is most able to look after itself. We have to look at where the prices are impacting on the rest of the Territory population.

I think I will conclude with that. They are just some suggestions as to how the inquiry might form a framework around its work simply beyond looking at the structural components of a particular price.

Mr RIOLI (Arafura): Mr Speaker, I will be brief. I rise to also make a contribution. I believe the committee is something that we welcome on this side and certainly take it very seriously. Certainly prices of food in Darwin and prices in community stores are something which people have raised in conversations with myself and in general discussion.

We see the committee will be travelling around throughout the Territory listening and talking to various people in public, no doubt hearing the reasons why there are big differences in prices compared to southern states. No doubt one of the reasons we will hear about is that freight costs have been the main reason behind the high prices for food and items in the Darwin and urban shops and they're very high.

Members based in Darwin and Alice Springs and the major centres throughout the Territory consider them very high – but, if we think they're high, have a look at what people are paying in remote communities. In some communities they're paying virtually 60% on top of what we pay here in Darwin on essential items. For luxury items, they can be almost double. In one store which I was able to speak to the last couple of days, 80% has been added to the wholesale price of that they call luxury items - for example, biscuits, soft drinks, canned foods. They are seen as luxury items, and the increase in prices is almost 80%. So you can see what we're looking at when we talk about the high prices of food out in communities and consider that in most of those communities those people are on low incomes.

When I talk about low incomes, the majority of those communities are on CDEP wages, which are very low. In some cases, I've seen some of the workers pull out about \$120 on a Friday morning or on pay-day from their pay packet. That doesn't last long when they walk out of the shop after paying if they've ever booked up during the week to survive. So hopefully the committee will be able to identify the reasons for the variation in prices and, hopefully, there will be some things done about those variations.

Now, I know in some cases, people in remote communities think they may be getting things cheaper by ordering in Darwin. In some cases, individuals or families have ordered their weekly groceries from a store in Darwin. That usually comes in 2 large cartons of fruit boxes. Now, I do not know whether they come out in front after doing their calculations, compared to what they can buy in their local store. But certainly when you look at - and I have had people who have asked for me to send some shopping

over - about 2 cartons or fruit boxes, on top of what it cost for the shopping, the freight would amount close to \$80 to \$100 depending on how heavy the groceries are.

So, you really wonder. Maybe they think they are getting better quality. Perhaps they are, because in some cases, some of the consumable items, fruit and vegies, don't last. Sometimes they don't travel well by the time they are packed on the shelves in some of the communities, they are not in a very good state.

With that, I certainly hope that, from this committee, we do see something that we can do about the prices, not only in the urban centres, but also something about those communities out in the remote areas.

Mr BURKE (Chief Minister): Mr Speaker, I thank the honourable members for their comments, many of which were constructive; and I am sure those members of the committee who take heed of the comments will take those things into consideration.

I did note one comment with regards to a concern about the lack of detail in the terms of reference. Frankly, I would have thought members of the committee would see that as an advantage rather than a disadvantage. The idea is to give the members of the committee the objective, and they can figure out how they want to get there. That's the intent of the broad terms of reference. I wish the committee well and thank the members for their comments.

Motion agreed to.