

Supermarket Pricing Inquiry

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Committee Secretary

Supermarket Pricing Select Committee (committee)

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SUBMISSION TO SUPERMARKET PRICING SELECT COMMITTEE

Torres Shire Council (Council) is pleased to submit to the House of Assembly's Supermarket Pricing Select Committee Inquiry and notes that on 7 March 2024, the Legislative Assembly agreed to a motion to establish the Supermarket Pricing Select Committee, with the following terms of reference (ToR):

(1) A select committee, known as the Supermarket Pricing Select Committee (committee) be established to:

- a. examine the causes and effects of increased supermarket prices; and*
- b. identify opportunities to increase transparency in the supermarket sector for consumers and producers.*

(2) In undertaking the inquiry, the committee consider:

- a. rising grocery prices in Queensland and discrepancies between retail and wholesale and farmgate prices, including different-sized businesses;*
 - b. the variability in supermarket offerings and pricing across the state, particularly in regional Queensland and in remote Aboriginal and Torres Strait Islander communities;*
 - c. the long-term trends in profits accruing along the supply chain for perishable produce, with particular regard to impediments to the profitability of primary producers;*
 - d. the conduct of retailers in negotiations with Queensland producers, and the prevalence and effects of information asymmetry between these parties;*
 - e. improvements to Queensland's policy environment to increase transparency for producers, including what data will reduce information asymmetry, and/or reduce prices for consumers; and*
- any other reviews or inquiries occurring in Australia regarding this matter, with a view to complement these analyses by focusing on potential Queensland Government responses.*

(3) The committee:

- a. has the power to call for persons, documents and other things;*
- b. must present a report to the Legislative Assembly by Friday, 31 May 2024;*
- c. ceases upon the tabling of its report to the Legislative Assembly; and*
- d. consists of six members.*

Council has submitted to parliamentary inquiries and to the Queensland Government on this matter over several years. Council notes that it was instrumental in calling for the Premier of Queensland's Cost of Living Summit that was held on the 20th March 2023, here in the Torres Shire. Prior to this Summit, Council called for such a summit and an examination of the cost-of-living pressures in our shire, with particular reference to those matters germane to this Select Committee examination – notably ToR 1 and 2, in its submissions to both the House of Assembly and the Queensland Government on 26th May 2020 and on 5th and 6th September 2022.

Council focus

Council wishes to focus on two matters in this submission, given the time constraints imposed by less than 3 weeks' notice for submissions. Council is pleased to appear before the Committee, should the Committee require, to further elaborate our concerns regarding ToR 1 and 2, on behalf of the communities in our very remote region comprised predominantly by First Nations people who comprise the poorest quintile in Queensland.

Council notes that the region's supply chain and grocery chain are constrained by monopolisation. The irony is that these monopolies are creatures of the Queensland Government – either in the form of a wholly-owned Government corporation in the case of the shipping company *SeaSwift* or, as previously mentioned, a statutory authority in the case of CEQ.

This submission responds to ToR 1 (b) *opportunities to increase transparency in the supermarket sector for consumers* and ToR 2 *especially as it impacts regional Queensland and remote Aboriginal and Torres Strait Islander communities*.

The submission *focuses on* the Queensland Government's own supermarket and goods stores (CEQ), a statutory authority trading here in the Shire under the name "IBIS" and the Queensland Government's wholly owned freight and logistics corporation trading under the name "SeaSwift". Amongst a range of concerns, Council wishes to highlight the absence of/complete lack of any visibility of the Queensland Government as a regulator in the Shire so far as particularly food and groceries are concerned (particularly the Office of Fair Trading, Queensland Health and more broadly QCA).

Monopolisation

So far as monopolisation is concerned, Queensland Treasury advises that:

"The Queensland Competition Authority (QCA) is responsible for the technical economic regulation of declared monopoly business activities under the *Queensland Competition Authority Act 1997*. The QCA is also responsible for conducting competitive neutrality complaint investigations relating to relevant state and local government businesses and providing advice to the government agencies on these matters". The QCA's role is as economic regulator. "We are Queensland's economic regulator. We help prevent monopoly businesses from inappropriately using their market power—and we do that by setting or monitoring prices, or through other arrangements. The businesses we regulate own or operate vital infrastructure in Queensland, such as railways and ports, or they deliver essential services, such as water and energy. Because of regulation, prices are competitive, and those who need to use infrastructure can do so fairly"¹.

¹ <https://www.qca.org.au>

Unfortunately, these assertions are not correct in our region. The apparently arbitrary and often opaque pricing practices applied by *SeaSwift* must be addressed by the Committee if it seeks to ensure *increased transparency in the supermarket sector for consumers and producers*; and address *the variability in supermarket offerings and pricingparticularly in regional Queensland and in remote Aboriginal and Torres Strait Islander communities*. Council has numerous examples of price gouging and poor customer service that it is willing to share with the Committee in the interest of drastically improving the supply chain and service in our region. Prices for basic staples at the supermarket are 170% higher than for the same goods sold in other regional supermarkets (such as Woolworths in Chinchilla) The examples provided in the cited annexure go to quality, reliability and transparency of pricing.

Competitive Neutrality

Queensland Treasury further advises:

“We also promote the principle of competitive neutrality—so that public sector businesses compete with private sector businesses on an equal basis and do not have a competitive advantage just because they are government-owned”. Both a local government and the Queensland Government are statutorily required to adhere to the principle of competitive neutrality.

CEQ now includes a state-run supermarket, now comprising a “chain of various sized IBIS supermarkets across the region and with three such supermarkets on Thursday Island alone, all of which sell the same products with diminutive variance in prices (in numerous cases by cents not dollars , to create a gossamer-like impression of competition), a white goods store (Col Jones, previously a local business), with marginal price differences of the same or similar goods to that of IBIS, a dress/clothing ware shop (Mona’s – previously a local business) and Mitre 10 (previously a local franchise). The business practices of this CEQ chain requires a separate examination.

Council called for this analysis at the aforementioned Cost of Living Summit in the following terms:

“,,,,,conduct an inquiry into, and make recommendations to overcome, the adverse economic and personal cost of failure of competition in the Torres Strait, and specifically:

1. The Commonwealth and Queensland Productivity Commissions will undertake the inquiry
2. The Inquiry will:
 - review legislative and regulatory provisions that currently are outdated or do not achieve the objective of regional competition – in the Torres Strait and NPA region; and
 - make recommendations for amendments, where required, to both the Commonwealth and Queensland Governments to achieve the objective of fair and competitive pricing for goods and services in the Torres Strait and NPA; and
 - examine in detail anti-competitive practices (including monopolisation and regulatory red tape) and drivers of high prices and cost of living pressures on the communities of the Torres Strait and Northern Peninsula broadly and business, consumers, providers, governments specifically in shipping and logistics, food and retail, telecommunications, passenger and goods transport, energy, inter-governmental service delivery; and
 - propose a 1-5 Year Plan of measures that must be introduced to alleviate the identified drivers of impoverishment, economic instability, financial/operational/economic atrophy, and the current hand brake impacting on growth.
3. Ken Henry (or similar expert) be engaged as Special Advisor to the Inquiry.

4. The Inquiry commence within the last quarter of the current FY 2022-2023 and reports to both the Queensland, Commonwealth and regional local governments on 1st September 2023.
5. A representative of the regional local governments will be seconded to assist the Inquiry.
6. Once this Inquiry presents its report, the Queensland Government and Commonwealth Governments and, where applicable, local governments of the region, pursue the recommended measures, to the extent of their powers, within the timetable suggested”.

So far as food prices were concerned, Council proposed the following:

1. Queensland Government will provide preliminary financial assistance for the CEQ (Statutory Authority) Board, assisted by an agreed expert - to prepare a business plan aimed at driving down prices in our region. This plan will include:
 - competitive pricing,
 - improved logistical, freight and storage strategies to drive down these costs and improve the quality and price of food and other grocery items; and
 - identification of either inhibitive regulatory arrangements or the absence of effective regulation; and
 - consideration of bi-or tri-partisan agreements between the Queensland Government, the Local Governments of the region and the private sector; and
 - Such other recommendations as deemed appropriate to meet the brief of driving down costs and reducing prices.
2. The business plan be completed and tabled by the Premier by June 30, 2023, a copy of which will be presented to the Regional Organisation of Councils of the Northern Peninsula and the Torres Strait and then acted upon in the 2023-2024 FY”.

So far as transport and logistics were concerned, Council advises as follows:

Council appreciated the Minister for Transport and Main Roads correspondence of 29th September 2023 advising of the \$64M freight funding package. Council noted that this funding is to capture 67% of applicable goods with a discount of 5.2% at the cash register, along with funding two freight coordinators to coordinate the scheme (something that no participant at the Summit called for and at a cost of \$1M).

Council’s view is that if the costs in the food supply chain are lowered through an equalisation scheme, and this lower cost is then augmented by a CPI calibrated price subsidy, some real and tangible benefits may result in lower food and grocery prices that will flow to the community. Council has also agitated for cold storage and warehousing facilities to be constructed at Horn Island and Seisia, which will enhance the quality of food, cost and reduce wastage.

One issue that Council is most disappointed by is the fact that the tri-partite meeting of Commonwealth, State and Local Government,² to discuss a possible freight equalisation scheme (designed for Torres Strait conditions but similar to the Bass Strait freight equalisation scheme) has not materialised.

² promised at the Summit.

Council was concerned that no detail was received as to how these Queensland Government monopolised food and goods stores and freight and logistical shipping company “will benefit from the subsidy scheme – either indirectly through the freight coordinators so far as *SeaSwift* is concerned or at the cash register so far as CEQ is concerned (by offsetting any loss as the prices of these goods are discounted by 5.2% and passed onto the consumer)”. This correspondence was prescient. The tax invoices at the IBIS cash registers now reveal: (1) the application of the subsidy; and (2) marginal increases in prices passed on to the consumer. Council also advised that no dividend has been passed onto the consumer by this monopolised freight provider despite its business model being marked by skyrocketing prices and no efficiency dividend is being passed onto consumers by CEQ. The subsidy will reduce the cost at the cash register from 170% above comparable mainland prices to 164.8% above comparable mainland prices. Without a transparent exposition as to how this scheme is designed and its interplay with both the *SeaSwift* and IBIS business models and ledgers, it is impossible to properly assess the initiatives. Council sought an “exposition as a matter of urgency in the public interest”. Despite an enormous amount of good will by all parties, there are still unanswered questions.

State monopolisation (other than in area where privatisation should not occur, such as in energy supply because of both public interest and economic reasons) will always pose an unequal advantage over any smaller, locally run food, grocery or goods supplier.

In the most basic of terms, CEQ has adopted similar business practices in our region to that of the duopoly of Woolworths and Coles elsewhere in Queensland. Whilst the Queensland Government has begun to address food pricing with a proposed food subsidy (paid at the cash register), the drivers of food insecurity and price instability have not, as yet, been addressed.

Legislation

Council notes the *Stronger Futures Northern Territory Act 2012* (Cth) (Part 4) defines food security as “... a reasonable ongoing level of access to a range of food, drink and grocery items that is reasonably priced, safe and of sufficient quantity and quality to meet nutritional and related household needs”.

The Council of Australian Governments (COAG) has defined food security as “the ability of individuals, households and communities to acquire appropriate and nutritious food on a regular and reliable basis using socially acceptable means”³.

The *Food Act 2006* (Qld) primarily focuses on food safety and does not effectively address food security and the Queensland Food Regulation 2016 likewise does not address food security. The Committee may wish to consider this statutory deficiency in its recommendations.

The *Report on food pricing and food security in remote Indigenous communities*, House of Representatives Standing Committee on Indigenous Affairs, November 2020, Canberra (the **Report**) provides valuable references from both a medical/health, social, economic, and logistical perspective of the impact of food insecurity on Aboriginal and Torres Strait Islander communities. It also points to considerable research on food security undertaken over many years that is worthy of further examination by the Committee.

³ Australian National Audit Office (ANAO), *Food Security in Remote Indigenous Communities*, Commonwealth of Australia 2014, p. 11.

Council provided the attached table (Annexure 1) at the Premier's 20 March 2023 Cost-of-Living summit that provides a snapshot comparison of supermarket prices between the Thursday Island IBIS that has Woolworths goods on its shelves and Woolworths in Chinchilla. The situation has only deteriorated over the ensuing 12 months.

In our Shire and regional context, **improved interoperability of freight modes, large storage facilities at Seisia and Horn Island, freight and passenger equalisation through a tripartite agreement** between the Commonwealth, Queensland and regional local governments and the **breaking down of monopolisation with increased competition** will deliver real, exponential and tangible improvements in the short and mid-term, thus positively impacting on supermarket pricing and food security. **Regulatory changes** both in terms of **food-related** legislation and **anti-competitive practices** will create the necessary underpinning of the strategy in the region.

Torres Shire Council appreciates the opportunity to submit to this important Select Committee and is pleased to discuss this correspondence and food security with you further.

Yours faithfully



Dalassa Yorkston
Chief Executive Officer

Annexure 1

Product from Woolworths	Price Chinchilla Woolworths ⁴	Price TI IBIS	Price Difference
Moccona Coffee 100g (IBIS does not sell 400 gm - Chinchilla Woolworths price \$20)	\$5	\$11.95	239% at TI IBIS compared to Woolworths at Chinchilla and not available in larger units 400 gm jar at IBIS
KBs Prawn Gyoza dumplings	\$17	Not sold	Unable to compare
Uncle Toby's Oat Slice Pkt 4 140 g	\$4	\$8.25	206% at TI IBIS compared to Woolworths at Chinchilla
Connoisseur ice cream for 1 litre	\$6	\$13.99	233% at TI IBIS compared to Woolworths at Chinchilla
Arnott's Mint Slices and Wagon Wheels	\$2	\$6.44	300% at TI IBIS compared to Woolworths at Chinchilla
Strawberries punnet	\$2.50	\$6.99	279% at TI IBIS compared to Woolworths at Chinchilla
Protene Shampoo and Conditioner 900 ml	\$9.50	Not sold	Unable to compare
Lipton black tea bags pkt 100	\$2.90	\$7.04	243% at TI IBIS compared to Woolworths at Chinchilla
CC's corn chips 175g	\$2.15	\$7.18	333% at TI IBIS compared to Woolworths at Chinchilla
Jarrah Coffee 250g	\$3.50	\$9.53	272% at TI IBIS compared to Woolworths at Chinchilla
Continental Cup of Soup pk 2	\$1.20	\$3.54	295% at TI IBIS compared to Woolworths at Chinchilla
Farmers Harvest Canola or Vegetable Oil 4 litres	\$16	\$19.18	119% at TI IBIS compared to Woolworths at Chinchilla
Sun Rice Australian Medium Grain white rice 10 kg	\$19	\$35.00	184% at TI IBIS compared to Woolworths at Chinchilla

⁴ Woolworths Chinchilla = 100% (the comparative price) IBIS TI = amount greater than 100%

Fountain tomato sauce 2 litres \$3.75 or 19c per 100ml	(500ML=95c)	Sold in 500ML container \$4.44	367% at TI IBIS compared to Woolworths at Chinchilla
Weetbix blends 575gm	\$5	\$5.79	115.8% at TI IBIS compared to Woolworths at Chinchilla
Birds Eye deli chips 600gm	\$3.90	\$6.82	175% at TI IBIS compared to Woolworths at Chinchilla
Woolworths Butter Chicken	\$3.20	\$5.14	160% at TI IBIS compared to Woolworths at Chinchilla
Chicken wing nibbles 1 kg	\$7	\$9.57	137% at TI IBIS compared to Woolworths at Chinchilla
Western Star spreadable 500 gm	\$6	\$8.98	150% at TI IBIS compared to Woolworths at Chinchilla
Birds Eye New Zealand whiting 225-250g	\$7	Not sold	Unable to compare
Total of available comparable goods	\$99.80	\$169.83	170% at TI IBIS compared to Woolworths at Chinchilla