

ALPA Submission to the ACCC Supermarkets Inquiry

The Arnhem Land Progress Aboriginal Corporation (ALPA) welcomes the opportunity to provide information to this inquiry. ALPA would like to thank the Treasurer, the Hon Jim Chalmers MP for directing the ACCC to hold an inquiry into pricing and competition in Australia's supermarket sector.

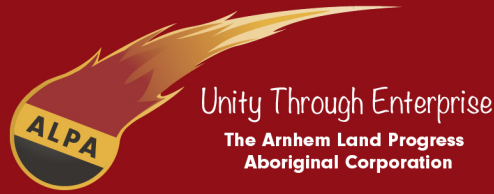
We encourage the ACCC and Federal government to work alongside First Nations organisations like ALPA to improve access to affordable and nutritious food in vulnerable communities. We hope that a collaborative approach with manufacturers coupled with a government freight subsidy scheme will help Aboriginal and Torres Strait Islander people living in remote Australia, by improving food security and affordability across Australia.

ALPA has been working tirelessly with suppliers to reduce the prices of essential foods for our communities. We have had minimal success when working with large manufacturers to provide an even playing field when it comes to pricing for remote communities. Major supermarket chains have dominant market power with suppliers and manufacturers resulting in significantly cheaper wholesale costs that smaller retailers cannot get. We believe the market dominance and power of the large supermarket chains to "squeeze" suppliers and manufacturers push the same suppliers to charge more to smaller retailers. This results in lower prices for urban supermarket shoppers compared to remote shoppers. Remote retail like ALPA are however constantly compared to major supermarkets. We believe a level playing field for at the wholesale cost price is needed across Australia with manufacturers working closely with smaller retailers such as ALPA that provide food security in remote communities.

About The Arnhem Land Progress Aboriginal Corporation:

The Arnhem Land Progress Aboriginal Corporation (ALPA) was formed in 1972 as a collective of community-controlled stores in East Arnhem Land. Since that time ALPA has been financially independent, owned by Yolŋu members and governed by a Yolŋu Board of Directors. The modest surplus funds generated from store operations benefit the community, providing financial assistance for cultural ceremonies, nutrition programs, education support, medical escorts, and community events.

In 2002 ALPA expanded outside its member stores to operate, client stores on behalf of, and in partnership with other Indigenous community organisations. This partnership approach allows these communities to maintain ownership and control of their retail business but with the expertise and support of an experienced Indigenous business partner.



We currently operate in 24 remote communities across a 1.2 million km² footprint. ALPA has over 1200 employees with over 90% being Aboriginal and Torres Strait Islander people in our retail operations. In the last financial year, the ALPA group returned over \$46 million to our member communities in the form of wages for First Nations team members, community governed benevolent programs, community sponsorships and capital upgrades. A video sharing the full ALPA story can be found [here](#).

Our mission is to operate successful and responsible businesses, emphasising local employment, training, career pathways, customer service and safety. We strive to improve the health, quality of life, and economic development of our members, giving primacy to cultural heritage, dignity, and desire for opportunity and equality with fellow Australians.

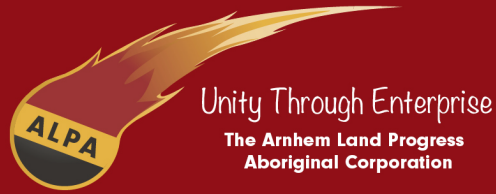
The foundation of ALPA was to ensure reliable access to food and essential goods as a basic human right. ALPA has done this for more than 50 years with little or no government funding. We are acutely aware of the significant role we play to support food security in the communities we service. Under the leadership of the ALPA Board of Directors, our team strive to improve access to sufficient, safe, and nutritious foods. Improving affordability, whilst maintaining financial viability, continues to be a key focus for our team.

We are confident Governments do not want to abandon remote First Nations people and believe if we work together, we can improve the delivery of food and essentials to remote communities. We applaud the ACCC's investigation into supermarkets and we are optimistic that by working together with manufacturers we can create a more competitive environment around the affordability of essential foods and other commodities in supermarket retailing.

ALPA's responses are below to the ACCC Supermarkets Inquiry Issues Paper for the following sections 2. Grocery Retailing and 3. Grocery Supply Chain are:

2.1 Competition dynamics

It is well documented operating remote stores is significantly more expensive than urban locations, which directly impacts the final sell price of goods to remote communities across the country. At ALPA the operating costs are estimated to be 40% (28% expenses and 12% freight). Notable differences in expenses in remote locations include but are not limited to; freight, labour, insurance, housing, security, repairs and maintenance.



Price differential between major supermarkets and remote retailers starts with our smaller buying power. We are unable to purchase products at the same price from wholesalers compared to major supermarkets, who are sourcing directly from food manufacturers.

The cost of doing business in remote locations is heavily influenced by higher freight and operational expenses. ALPA are facing increased operating costs such as insurance, power and water which have increased 30% on last year alone. Repair and maintenance costs are also significantly higher when compared to Darwin. For example, pumping a grease trap in Darwin costs \$1,000, whereas in Galiwinku it cost \$18,000. The variance in cost is due to the mobilisation of plant and equipment to complete this basic task. Another example was the replacement of a roller door which cost \$10,850, whereas in Darwin the approximate cost would be half of that.

Freight varies between stores depending on the mode of delivery. For stores that can be reached via road the freight is 9%. Locations that are only accessible via sea receive deliveries by barge and freight costs can be as high as 39%. We would like to highlight several remote communities are inaccessible by road during the wet season and the only mode of receiving essential goods is via air freight. As an example, in March 2023, Lajamanu road was cut-off following the devastating flooding of the Victoria River. The air freight cost to the community store was in excess of \$19,000 per flight (noting the maximum weight per flight is 1000kg of goods) in comparison to a road freight delivery where a trailer can carry 22ton of freight. This stores average weekly supply is approximately 40ton a week.

Example of Remote Pricing:

Assuming two identical products are purchased, the difference in sell price between major chains and ALPA can be as high as 140%. The example below of plain flour gives the breakdown of expenses. Major chains negotiate a higher 'discount off list' and impose a range of fees that our wholesalers simply cannot negotiate, due to the difference in volume and buying power. These fees allow major chain supermarkets to buy products at a lower cost. Manufactures build in negotiated fees into the cost of their goods knowing they will have to be passed on to major chains. Not all these fees are passed on to independent wholesalers, resulting in manufacturers making a higher profit from independent wholesalers. Supermarkets can charge multiple fees which generally get paid as a rebate back to their business. Fees such as product placement where manufacturers pay to display products in certain facings as well as ranging fees to support a particular brand engagement, marketing and promotional funding are just some examples that changes the balance of an equal operating baseline. To explain this pricing concept further, we have provided an example below regarding the different prices in urban markets versus remote communities:

Manufacturer List Pricing

Major Chains Vs Wholesale – example only

Cost Of Goods	Major Chain Supermarkets	Wholesale
Manufacturers List Price	\$10	\$10
Discount Off List Price	-20%	-10%
Ranging Fee	-3%	N/A
Positioning Fee	-5%	N/A
Rebate	-5%	-3%
Marketing Funds	-5%	-5%
EDLP Fee	-5%	-5%
Deranging Fee	-2%	N/A
Total Discount Applied	45% discount	23% discount
Freight Expense	+1%	+12%
Buy Price	\$5.50	\$7.70 (+40% difference)
Landed Cost (Inc Freight Expense)	\$5.56	\$8.63 (+55% difference)
Sell Price	\$5.56 + 12% Markup	\$8.63 + Wholesale Markup 10%
Chain/Wholesaler Final Sell Price	\$6.23	ALPA cost price \$9.50
Additional costs for remote retail locations		
Additional Freight Cost for Remote Stores		(12% freight) \$10.64 ALPA Landed Cost
ALPA Mark Up		50% (40% cost of doing business, 10% gross profit)
ALPA Sell Price		\$15.96

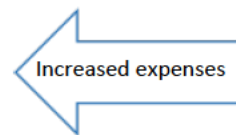


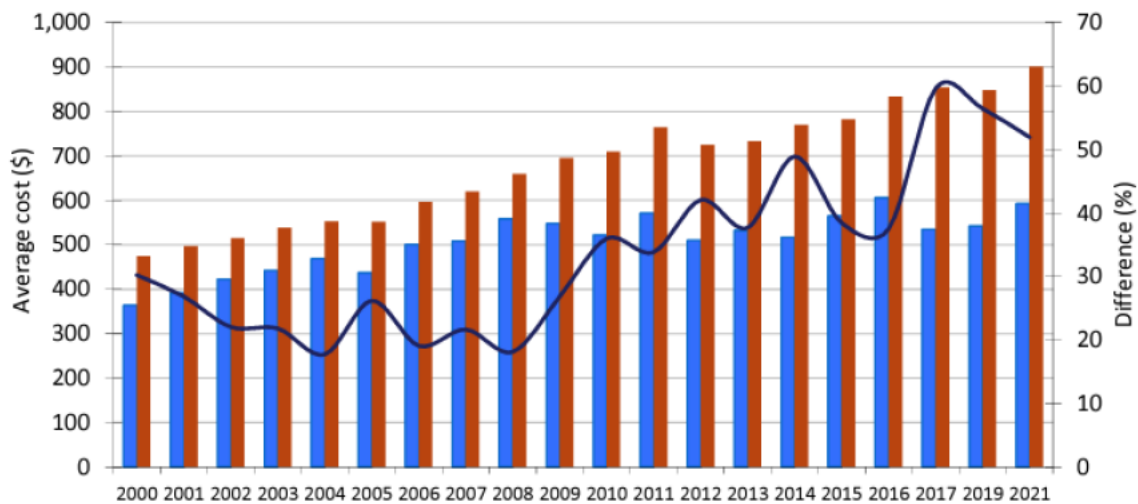
Figure 1. Pricing example only: Major supermarkets vs ALPA

2.1.1 Price and non-price competition – Factors determining pricing for groceries, including policies and strategies for setting discounts and promotions

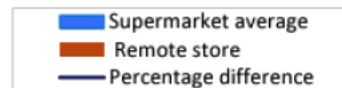
The entire ALPA retail group revenue is the equivalent of two Coles or Woolworths stores. It is important to put our need in context to appreciate that to level the playing field isn't hard. We require will and commitment from the already established groups and authorities. Government, manufacturers, wholesalers and national supermarkets have the solution, it simply needs facilitation to reach the right outcome for Indigenous communities. If we get the right leaders around the table, no one will disagree, but everyone needs to give a little to achieve the level playing field.

The price differential between urban and remote stores is longstanding and unacceptable. We have seen the price gap between urban and remote stores increase over the last 20 years in the Northern Territory Market Basket Survey (MBS).

Cost of the Healthy Food Basket, remote stores compared with NT Supermarkets, 2000-2021



The cost difference between remote stores and the district centre supermarkets was the highest in 2017 when the Health Food Basket cost 60% more in remote stores. In the 2021 the Healthy Food Basket cost 52% more in remote stores than district centre supermarkets.



Reference: Northern Territory Market Basket Survey results 2021 <https://hdl.handle.net/10137/12272>

The ALPA Board of Directors understand the link between diet and disease and prioritise health in their Health and Nutrition Strategy and Policy. ALPA strives to provide affordable healthy options to customers and self-fund a freight subsidy in the member stores on a range of healthy fresh, frozen, chiller and grocery items.

ALPA have implemented a freight subsidy on fresh fruit and vegetables to support consumption. We use two methods to implement this freight subsidy. In our member stores, based on sales, stores are reimbursed the proportion of freight for subsidised items, which equated to \$750,000 in FY24. Within ALPA, nutrition subsidies have been in place since the 1980s. Our freight subsidy is completely independent of government funding. The subsidy now extends to canned and frozen vegetables, and fresh dairy. For client stores, freight is removed from the price calculation for fresh fruit and vegetables. The cost of the fruit and vegetable freight is spread across the remainder of the range, particularly targeting less healthy products.

3.4 Other factors impeding or supporting efficient supply or pricing

Over the last three years impact on food security due to severe weather events has become challenging, resulting in higher costs to remote stores which indirectly equates to higher prices to the community.

One example of these costs is that this year to date the Lajamanu store has had to charter several planes and specialised trucks costing in excess of \$450,000 to ensure food and essentials reach the community. We expect this to continue until the road can be repaired allowing normal deliveries to resume. Road infrastructure and lack of grading and maintenance of roads continues to be an issue year on year in the Northern Territory. Freight is a massive cost associated with the pricing of goods in remote communities. Without well maintained road infrastructure, significant increases are added to pricing as a result of having to find alternative ways to get essential foods and goods to stores which we explain further down in this submission.

Each year ALPA puts up to 5 months of stock into stores classed as “wet season stores” that are cut off, orders are based on the previous year’s average demand. We also increase stock levels where possible to 6 weeks in stores that are not classed as “wet season stores” that do not become cut off. Unfortunately, we are seeing increased weather events stretching out for longer periods of time which is affecting more non wet season stores. Stores are often limited by suitable infrastructure to store stock over the wet season, in particular, dry goods and freezer stock (e.g. bread) due to limited freezer space.

We take this opportunity to highlight in more detail some of the challenges faced by remote stores during the wet season, with the aim of working together on solutions.

The capacity to hold stock in remote stores during the wet season is now becoming an obstacle for the store to keep food supply reliable during weather events.

We have broken this down to three areas:

1. “Wet Season” stores we know will be cut off each year that lack capacity to hold 5 months stock.
 - a. **Nganmarriyanga store** – require a purpose-built facility as currently perishable lines stored in shipping containers which make it difficult to manage stock with high incidents of breakdowns. This year we lost 2 containers worth of stock to date in the current wet season.
 - b. **Adjumarllarl store** - needs a refurbishment and upgraded freezer and dry storage facilities to ensure reliable food storage over the wet season.
2. Stores that have not been classed as “wet season stores” in the past that now need to be and need to hold 5 months stock in future wet seasons.

Warliburru Store – This store needs to be reclassified as a full wet season store as this site gets cut off yearly for at least 6-8 weeks. Infrastructure is now insufficient with additional storage required, currently goods are stored in shipping containers and holds at maximum an average weekly sales of 3 weeks stock on hand.

Lajamanu Store - now also needs to be classified as a “wet season store” as dry and freezer storage is insufficient for the weeks the community is cut off (last year the store was cut off from road access for 14 weeks). We believe this store needs to have infrastructure to hold 20 weeks stock to adequately supply the community during the wet season.
3. Stores that become cut off for up to 4 weeks and lack sufficient infrastructure for storage.
 - a. **Kalkaringi** – This store has seen recent devastating floods with the store often cut off for a 2 – 3 week period consistently over the wet season and cannot hold sufficient stock levels across freezer, dry and perishables.
 - b. **Malandari store** – requires extension in freezer and dry storage capacity to sufficiently store appropriate stock levels during the wet season.

Roads are key to the supply chain, but each year we face the same challenges:

1. Road works on main supply routes scheduled during the wet season when it could be done during the dry. The results of this impacts the supply of food and essentials for several weeks. This year an example is the work being done on the Carpentaria highway impacting Borroloola deliveries.
2. Preventative maintenance not being completed before the wet season that would limit interruption to food supply. The poor condition of both the Lajamanu and Hodgson Downs roads are good examples that have resulted in scheduled deliveries being cancelled this year for 11 weeks to date for Hodgson Downs and last year 14 weeks for Lajamanu alone. DIPL do not seem to want to upgrade roads but are rather opting to do patch jobs that fail at the earliest rains!

The flow on effect is the cost of doing business (\$450,000 plus for Lajamanu year to date) increasing significantly due to freight, as produce flown in via light aircraft is the only option.

Sea freight is also being impacted due to the NT Government's poor maintenance of barge landings. A recent example is that recently the Barge that services Milingimbi was heavily damaged due to the landing. The resulting repairs necessitated the Barge being dry docked and unavailable, impacting the entire top-end scheduled services and putting additional pressure on other assets. Weekly delays are not only impacting the ALPA group but all top end communities and businesses. These delays can cost businesses significantly in loss of product, due to the expiry or spoilage of products as a direct result of these delays. To recoup these costs, products prices can be impacted.

This year especially we have had more interruption to supply by barge due to weather events and break downs impacting supply to all communities.

Access support for remote communities outside of a "declared emergency" continues to be a major challenge. It would seem the Emergency Operations Centre (EOC) and the NTG are hesitant to declare emergencies in time to assist remote communities. The failed response to cyclone Megan to support the residents of Borroloola is the most current example. If the weather event is not a "declared emergency" by the state or federal government, no one is willing to assist getting essential foods into remote communities. The onus then lies on the small Aboriginal corporations to pay for stock to get flown in which is a very costly exercise that impacts pricing of the goods in remote communities. If roads were maintained properly each year by the government, roads should be passable most of the year and Aboriginal corporations would not be forced to fly in stock which is **very** costly.

We recommend that Government consider setting up a fund to support communities where normal supply is impacted by weather events and food security is under threat. The EOC does not listen and the NTG generally tells remote stores “stock is your issue”, however, the roads and barge infrastructure into communities is the NTG’s responsibility and they are failing in this critical area.

Improved communication within the EOC and NTG to work together though challenges would go a long way to improving food security during the wet season. The EOC has become an information collection black hole offering little to no support. We need a single point of contact within government that we can work with to ensure accurate information flow. There seems to be a divide between the “Uniformed” members of the EOC and the Public Servants that support them in areas like critical goods and transport.

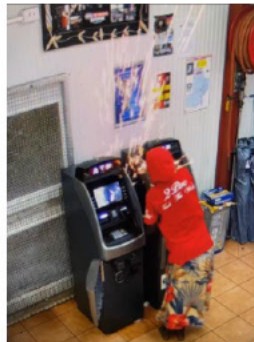
The following is a list of container and permanent storage required by sites at present in preparation for the 2025 wet season which starts for remote stores in November 2024.

Additional infrastructure needed for next year in remote communities in which ALPA services is needed to increase capacity to hold essential foods and reduce the need to fly stock out at a very costly fee (minimum international container storage):

1. Adjumarllarl - needs the shed with Freezer and Chiller upgraded.
2. Lajamanu – new large shed required with built in freezer.
3. Warliburru – needs a storeroom – with Freezer and Chiller room.
4. Aurukun – 1 freezer container; dry container.
5. Hope Vale – 1 freezer container.
6. Kalkaringi — needs a storeroom – With Freezer and Chiller room.

A further risk to Food Security is Anti-Social behaviour which we have seen significantly increase in recent months. This anti-social behaviour has seen our stores targeted for break-ins as well as violent attacks against our staff. Police are called for help, and at times there is no response or a severely delayed responses. We feel that this is unacceptable. This lack of response and help from the police needs to be addressed, or we face losing good managers, which in turn can leave communities with a risk to food security. The damages caused by the break-ins are costly to repair. In the last quarter, in our 6 ALPA Member Stores alone, the loss to the business is approximately \$200,000 spent on repairs, stolen goods and lost trade. These costs impact CODB and can affect pricing at stores.

Photos: Damage done to our stores



Other factors impacting Food Security

Many communities across the top end are solely dependent on Barge deliveries (sea freight). The fluctuating freight costs due to the price of fuel significantly impacts the landed cost of goods to each community. Each month our current provider Sea Swift review the price of fuel and adjust the fuel levy accordingly which, in turn, can see prices increase significantly, adding to the increases customers face from manufacturers and suppliers. In 2021 the fuel levy varied between 5% - 10% and in 2022 we saw the levy reach as high as 57%. This year, the levy has been between 27% - 31%. These fuel levy increases have had a significant impact to our base rate on which we then price our goods. Simply put, the higher the fuel levy is, the more a product will cost in store.

Example:

Base pallet rate \$400

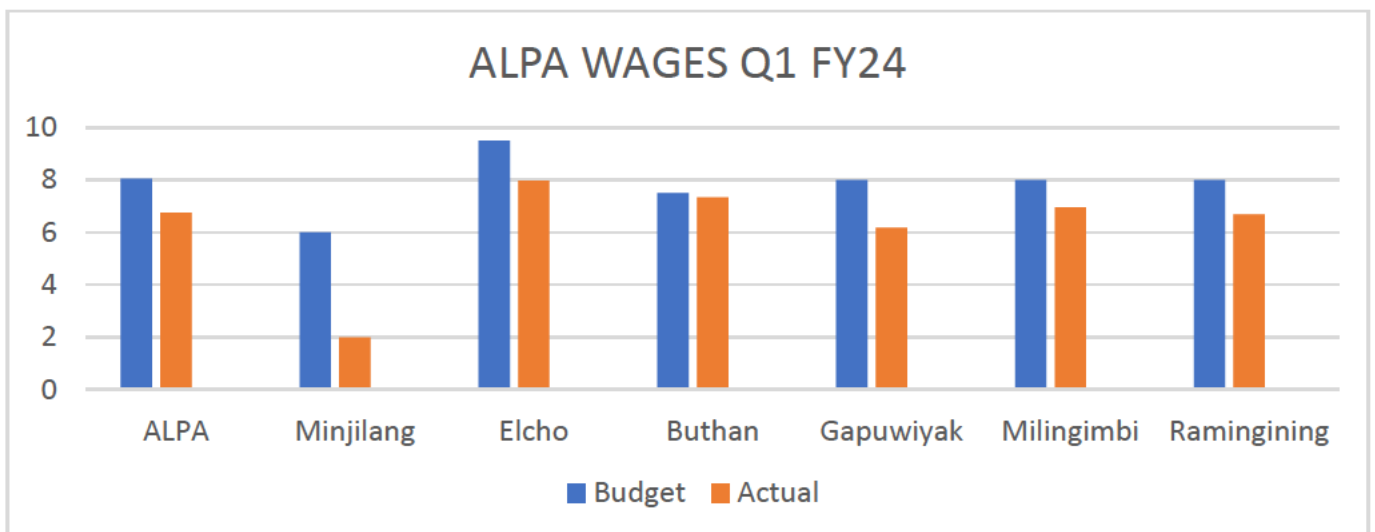
Fuel levy 31%

New pallet rate \$524

Our current sea freight provider contracts are expiring across the top end, we have been told that new base rates being offered are increasing by as much as double. These base rate increases, on top of the fuel levy increases, will substantially increase the landed cost of goods which will need to be passed onto customers. Given the limited income of the people in communities this, in turn, will reduce what they will be able to buy which will impact food security significantly.

Another contributing factor to food security in remote communities for consideration is staff attendance. Local staff are needed in all areas of the store operations, including unloading of barges, filling shelves, operating registers and preparing healthy takeaway food for our communities. Local employment is imperative to being able to run stores. Since the Covid pandemic, our stores have seen a significant reduction in staff attendance. This reduction in attendance may be linked to an array of things, including financial and numeracy, literacy, cultural and family obligations as well as dependence on social welfare payments and gambling.

To combat the lack of attendance, we have been working with our Board of Directors closely and are reporting staff attendance numbers to them quarterly. Please see the below graph which depicts our staffing numbers over Quarter 1 FY24:



The blue line shows the wage budget for each of our ALPA stores (money that was allocated to spend on local employment) and the orange line depicts actual wages spent (on local employment). Please note that none of our stores spent the wages allocated for local employment. **This is not an expense that we ever want to save in as part of the ALPA strategy is to create real, sustainable jobs in community.** One store, Minjilang, only spent 1/3 of the wages allocated for local team because the team simply did not come for their rostered shifts. As you can imagine, staff attendance issues make it very difficult to run our stores. Local staff attendance is vital to running stores and providing food security in remote communities.

Simply put, the commitment to coming to work is no longer seen as that – a commitment. Community staff are choosing when they want to come to work and do not see it as a priority and needs further investigation.

The pricing story for remote community stores is complex, influenced significantly by the limited buying power and influence of our market share compared with the major supermarket chains. ALPA provides a unique service through our stores group model, which allows us to have more influence and more resources than individual stores would alone, to, e.g. develop relationships with wholesalers, and identify reliable transport options, to ensure consistent supply. But compared to the major players we are at a huge disadvantage. Our stores' modest surplus supports capital works in stores, ensures financial independence, and funds our benevolent programs.

“If we have to drop our prices [at our own expense] we will be in big trouble, we need to be a viable business, we need to be able to pay for professionals to work with us, we need a surplus to invest in our stores, we need money to employ our nutritionists, we need to pay for our benevolent programs. If we drop our prices any further, to try and compete with Coles and Woolworths, we will be sacrificing our entire business. If we drop our prices anymore it will kill the future of ALPA, we will not be able to achieve our strategic plan of making self-determination a reality for our people”. - Djiniyini Gondarra, former ALPA Chairman

We therefore call for intersectoral support to level the playing field with the major supermarkets so smaller operators such as ALPA are not disadvantaged by manufacturers and wholesalers who need to recoup costs they are losing through the major supermarkets. This should include ACCC involvement, and we call for an inquiry into market powers of major retailers and the negative impact on consumer groups in remote and regional areas.

We also call for ongoing government-run freight subsidies especially to locations most disadvantaged such as barge-dependent locations and wet-season affected stores.

We welcome a national price monitoring tool. Grant funding programs for store infrastructure needs to be fairer. The remote public health nutrition workforce should be increased in numbers and capacity.

End