

UNEDITED TRANSCRIPT

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY
MARKETS AND PRICES MET IN COMMITTEE ROOM 2,
PARLIAMENT HOUSE, HOBART, ON 4 APRIL 1997.**

Mrs PETA GEORGE, MANAGER (TASMANIA), SGS AUSTRALIA LTD
WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS
EXAMINED.

ACTING CHAIRMAN (Mrs Bladel) - Perhaps we could start by you
telling us a little about the organisation you represent.

Mrs GEORGE - Okay. What I have here is a little presentation that I
thought I would just go through. I will very briefly go over SGS and an
introduction to myself and what the company does. Then I will go over
HACCP because I think you will notice from the submission we talk a lot
about the HACCP programs that we are involved in, and I will go over what
HACCP stands for and broadly what it is.

From your terms of reference - your terms of reference seem extremely
large, and I suppose at this point I would like to say I do not know - I
believe where we can fit in is as far as the HACCP, QA, Clean and Green
part of the program.

SGS is the world's largest independent inspection and testing company. It has been around for 114 to 116 years. The headquarters are in Geneva. It employs over 35 000 people and has lots of laboratories and so it is a big company.

ACTING CHAIRMAN - Is it Australian based?

Mrs GEORGE - Yes. As far as Australia goes, we are based in Australia and have been in Australia since 1949. We have over 22 offices and employ over 600 people. We have over 20 laboratories around Australia as well as offices. We have been in Tasmania for about 10 years and are currently based at the Technopark - I do not know how many people know we are there.

The group itself is independent, does not trade, does not manufacture and has no financial interests which would compromise our independence. This goes for employees to a degree as well; we cannot be working with companies that we have major interests and will have interests in.

This is really what we do in various and different ways which I will go through. We do testing with our laboratories obviously, analysis of different foodstuffs and different types of things. We do inspections. One of the most well known contracts that we have is with the Indonesian Government and which is actually currently coming to an end.

We have contracts with over 40 different governments where we do customs supervision. We do inspections of cargo prior to it leaving to check whether it is up to quality and quantity specifications. We also do that commercially as well for exporters when they are looking at, say, sending goods: customers such as Australian Hop Marketers is one of our examples where they want to check that their goods are up to specifications. Another example is Boag's Brewery when they were having trouble in Japan, we did

an independent inspection before the goods left that the good left in good quality.

Calibrating and also auditing. We audit to HACCP and also to ISO quality standards. And with that, training, sampling, appraising, servicing, consulting.

Some examples of what we do is we work with the Victorian Meat Authority in raw - I suppose in uncooked, unprocessed meats. So therefore you can see that they obviously still need to do some work in the processed meats department. What we do there is an independent inspection body as far as HACCP goes. One of the big problems there has been reporting back to the Government bad news and then it is therefore the responsibility of the VMA to act on that as the legislators and that has caused some problems.

The Meat Hygiene Unit in South Australia. After Garibaldi they got very interested in having QA into their smallgoods areas and we are involved in firstly, doing audits to see what the state of the situation was and then involved in doing training for operators and helping them set up HACCP QA systems to ensure that there is safe food.

Qantas flight catering. We do all of the audits for Qantas flight catering around Australia. Spotless Catering is another industry where we just move in to help them as far as HACCP QA goes, and they have over 600 sites around Australia. Another example, I suppose, of a complete service is PNG forestry; we are involved there in monitoring the logging, monitoring the forests and tracking where the logs and so forth come from.

I will not go through these in detail at all except to say that in Australia, we have agricultural services, mineral services as far as the coal industry goes. We do testing and analysis in most of the coal situations around Australia. Petroleum petrochemical, we do analysis of oil, fuel calibration of tanks. Consumer goods services, we have the largest consumer electrical lab in Australia, based in Melbourne, where we do energy ratings of washing machines, of irons - we do the safety testing. Industrial services where, for

example, auditing the Olympic rail project at the moment in Sydney. NDT, which is Non Destructive Testing, we did have the contract with the submarines. We also are involved in America with the NASA space programs as far as that goes - I am not personally, other members are. Certification, which I mentioned, and also as I say the 33 governments which I have covered. These are some of the major clients we have - Woolworths, Qantas, Panasonic, Phillips - I will actually submit a copy of this.

I thought I would cover what is HACCP, where it came from, why use it and what food hazards and also then the seven principles. I will not go into any detail unless you want more detail.

ACTING CHAIRMAN - If people want it they will ask.

Mrs GEORGE - HACCP really stands for Hazard Analysis Critical Control Point. I recently went to a conference - the first international conference - and the World Health Organisation, one of their recommendations, was that we introduce the word 'and'. So Hazard Analysis and Critical Control Point so that is probably what it will be known as soon. It is a system for prevention; it really is a documented quality assurance system which can be independently audited. What it really does is identify the hazard and then note what the preventive action could be so it is really a system of identifying what the food hazard could be. It is recognised and used internationally, I think. Everyone would be aware of the fact that it is now, as far as importing or exporting fishery products into the US, a mandatory requirement as of the end of the year and countries such as China are also starting to look at it as being mandatory for all foodstuffs.

It was developed by NASA and the army. Obviously food, as far as astronauts - there are some great statistics as to how long you can live in a spacesuit after you have been ill, I think it is less than a minute. So therefore food as far as that went was quite critical so they started to develop a system that would ensure safe food. It was based also on engineering system favouring those defect analysis, risk analysis, and once again quality assurance went into airline catering, hospital catering, fast foods outlets and food processors. So your higher risk people have started to develop this

further. In the nineties, as I say, it is now widely promoted by the World Health Organisation USDA Code X and it is also an easy directive as far as having HACCP in place. It is needed because obviously I think it is now regulatory as far as other countries go. If you are looking at how we are going to future exports then people are going to have to have a system in place because customers require it. We all want safe food, I think that it is fairly pertinent one.

It also provides manufacturers with self confidence, assurance and brand protection. If we are looking at, say, promoting Tasmania as a clean and green, there is not much point in promoting Tasmania as clean and green and then someone getting ill from eating one of our food products. If you are promoting a brand of, say, clean green, then you only need one person behind the clean green to - I think Garibaldi was a good one in the smallgoods industry; the whole smallgoods industry suffered, not just Garibaldi.

HACCP is verifiable and auditable; it provides evidence in litigation as far as due care and due diligence goes. It is also recognised by insurance companies - they have less premiums in some insurance companies, such as Zurich.

ACTING CHAIRMAN - - Do you work with agricultural industries?

Mrs GEORGE - Yes.

These are some major incidences as far as food poisoning goes. I do not know that we really need to read those out, I think we have enough of our own. Worldwide, there was benzene as far as Perrier mineral water, and that caused a worldwide recall. In the US there was botulism, which was a change in starch of a product and it caused a national recall and then of course we have - I think we could change our list now for Australia and probably have some of the biggest ones worldwide as far as promotionals; I think our smallgoods industry is probably the biggest one. Of course there is Kraft peanut butter and those types of issues.

So as far as food hazards go, there are basically four types of hazards. There is biological, chemical, physical and operational hazards. Biological hazards are micro-organisms, so they are your salmonella and bugs that cause illness if ingested. Decrease also the shelf-life of products - so you are talking about quality of products - and cause the food to have that off-flavour, cause the food to taste funny.

Then there are chemical hazards. We talk in here and there is a belief that they really cause poisoning or accumulate - I think we are all aware of these types of hazards. We are talking about pesticides, we are talking about residues of pesticides, antibiotics, insecticides within our fruit and meat products and we are talking about food additives also. So you are starting to identify these in your HACCP system as being a hazard and then behind that you are putting in a control point to control, say, either the level of pesticide or the use of legal pesticides and these types of things.

Mrs HOLLISTER - Where do genetically-altered foods fit in?

Mrs GEORGE - Genetically-altered food, if manufactured correctly and safely, does not - that is the whole idea - it does not really control that as in whether or not it is legal. Is that what you are saying?

Mrs HOLLISTER - I was just wondering, does that fit in with your brief?

Mrs GEORGE - As in controlling it? The same system can be applied to genetically manufactured or if there is a control in there saying there should not be any or there should be then that could certainly be built in.

So of course there are physical hazards, foreign objects such as glass, wood, all these types of issues, which obviously cause trauma and injury if

swallowed. I suppose probably the biggest one is glass in baby food. Baby food in the food industry is one of the very severe products.

ACTING CHAIRMAN - Why is that?

Mrs GEORGE - Because if one baby dies -

ACTING CHAIRMAN - I mean is the food more prone to having some contamination?

Mrs GEORGE - A lot of baby foods are in glass also, so it is there; also it is very processed. Say you go and buy some vegetables, then you are going to cook them, whereas baby food has been sitting in a glass jar and you are just going to sit it in a pot of lukewarm water - you not even going to heat it above a hot temperature - so if there is anything there, you are then going to just feed it straight into a baby who then has a low immune capability. So that is why baby food has a very high risk.

Then of course there are operational hazards such as when people forget to follow the system that is in place or there is an operator who is not trained in food hygiene or in food handling. I think operational hazards, such as bad health practices such as in salad bars, mixing up the different things in salad bars and cleaning them. These types of issues are all operational-type hazards.

ACTING CHAIRMAN - So these foodhalls would be very strictly monitored?

Mrs GEORGE - They should be very strictly monitored. In my experience a lot of them are not very strictly monitored but, yes, they definitely should be as far as these types of issues.

ACTING CHAIRMAN - Yes, one wonders if one walks through a foodhall about five o'clock in the afternoon what is happening to all those pots of food.

Mrs GEORGE - A lot of my staff do not eat out a lot. It is one of these things, once you start to be aware of different things. Things like setting things below a certain temperature when you look at foodhalls - I do not want to digress too much - but if something is sitting below 65° for a period of a couple of hours, all it is is creating an environment for anything that is in there to actually grow.

So briefly those seven principles. Identify the hazards. Then identify the critical control points; so in other words, identify then what you can do. If it is pesticides or if it is the temperature, identify the fact that the bain-marie must be above 65 and that will stop the growth of that particular hazard. Then establish the critical limits: what will we do? What level of bugs are we prepared to have or what level of pesticide is okay and what level of different residues are okay. Establish a monitoring system to monitor that the levels are in fact okay. Establish corrective actions: what are we going to do if it goes out of those limits. And establish preventative actions to prevent it from happening again and then keep records.

This is the basis of HACCP; it is a documented quality system to ensure that the hazards are identified and you have something in place to fix it if it goes wrong and that you are monitoring it. It sounds commonsense but in a lot of industries it is not happening. So once again that is just some methodology of how to do it, have strategic groups, HACCP training, develop a code of practice. The Supermarkets to Asia Group - my NCE, national chief executive, is on that committee - is talking now about developing a code of practice as far as clean and green goes for Australian-type issues. So whether or not that could be relative of this committee, I am not sure.

So develop a code of practice and then obviously build up your audits. Start auditing and then provide training for the industry. Some examples of this

code of practice - generally industry based codes of practice at this stage where an industry body, such as the smallgoods industry, will get together, develop a code of practice for the smallgoods industry and implement it. Then go through that but deliver the training.

Step 12 is to certify. So you certify that these systems will in fact produce certified-safe foods and once again you are starting to back up a claim, that if we have 'clean green food' this means this to us and we have a system in place that manages this and ensures that this will happen and that our image or brand protection name will be maintained.

Just briefly, I will go over some of the services that we have elsewhere. This one, Agro Control, is actually in Holland. It is a system that I looked at very recently when I was over there. It is an environmental monitoring system and this is a 10 hectare greenhouse of tomatoes - 10 hectares is pretty amazing - and it is one of the largest greenhouses in Holland. This is one of the environmental monitoring systems and you will see it is just a little sticky card and it goes on the tomatoes and what it does is it catches the mites and then they monitor that, so rather than just spray or just use something they actually monitor on, say, a fortnightly basis: what bugs do we have, what levels are they, is that a hazard - back to your HACCP table - and then only spray really if necessary or if they have to. They use things like bees to pollinate; it is really neat being in there and you have all these biological controls and they are producing insecticide free tomatoes at this level.

ACTING CHAIRMAN - That is amazing.

Mrs GEORGE - That is pretty amazing. Our involvement in there is to independently inspect against the Dutch Government's specifications to what gets the mark. We are involved in helping set up the specifications, such as using fertilisers in a controlled way. We take samples of the soils and of the crops - five visits per year - and monitor that these people are not using pesticides as soon as people walk out the door and these types of issues.

Mrs HOLLISTER - And are those tomatoes then labelled as to -

Mrs GEORGE - Yes, they are labelled as pesticide-free tomatoes. They can get taken off them, though. I have been to one recently - this one here - and they had to take it off for the whole season because they had to use a particular one on one of these things - they caught something that they had to use a pesticide for, so they had to take the label off for the period of that year.

ACTING CHAIRMAN - What is their market attraction?

Mrs GEORGE - Their real market attraction, to be fair, they say that it is something that is growing. They are not seeing any major benefit from the consumer as yet, however their export markets is where they are really seeing it because they can sell the fact that they have these pesticide low organically -

ACTING CHAIRMAN - So it is a matter of domestic education for their domestic consumers?

Mrs GEORGE - Yes.

ACTING CHAIRMAN - And is there a cost variation with -

Mrs GEORGE - People are paying a premium price for these - these are definitely a higher price item.

Just briefly, another example which I think could be of interest as far as that goes, is as far as flowers go - as far as floriculture goes. Once again, the

Dutch Government is very, I suppose, proactive as far as selling clean green and they have also got salinity problems, so they have a real reason to put these systems in place. This is a system that has over 6 000 participants as far as people with greenhouses and growing different ranges of floriculture goes. These are gerberas - and it was very nice going into these amazing greenhouses just full of beautiful flowers. Anyhow, it has over 6 000 participants but once against the pesticides used is monitored; biological controls are used. The system is based on a points system; we go in and look at how much pesticide they have used simply by looking at what they are ordering, what they are using, what is still in the store and these types of issues. I mean, surely there is some degree of honesty but it is like any accounting system where you are checking on these things.

The results are actually published publicly. The 6 000 participants have a code name and publicly, every three months, the whole rating of what they are using and how their successes and what chemicals and whatever are used are published - which I found probably interesting, the fact that they are prepared to do it publicly. But they feel that it is good because they are benchmarking themselves about pesticide and organic use and these types of issues. And, once again, the mark - the SGS mark - is used on the box and on the carton to say that these are grown in these conditions.

Mrs HOLLISTER - Can I just ask a question there. The 6 000 growers, who are the floriculture people, are prepared to do that publicly but your fruit and vegetable growers, while some of them are actually getting the seal of approval - your tick -

Mrs GEORGE - Yes.

Mrs HOLLISTER - does your tick that I can see at the bottom there - the SGS tick - that goes on -

Mrs GEORGE - That goes on those things. What we really do is we work for people - we are independent, so we do not set up the system. We are involved in helping set up the system let us just say, for example, the

Supermarkets to Asia. If they are looking at setting up a system as far as clean green goes saying that we will have low pesticide. If they are to say, 'These results shall be published three monthly' then the results get published. If they say the results will not get published then the results do not get published. So we do not get involved in saying, 'You will publish your results'.

Mrs HOLLISTER - I was looking at the results being open for the public to see but whereas food and vegetables which we consume - it is a different kettle of fish, is it not?

Mrs GEORGE - Yes, it is interesting. There is a lot of interesting things happen, I suppose, in the food industry once you start to get involved in it.

So other things really, I suppose, that we do as far as we audit different things as far Heinekin - Heinekin is a good example - where we look at auditing their off-shore sites as far as their product meet the specifications and then feedback.

So, in summary, really that is about all I wanted to say about what we are doing. I really wanted to provide some input into if you are looking at clean green and QA, as far as your terms of reference goes when you are looking at, if you need any further assistance there or anything like that. But I really wanted to say that if we are going to have a clean green and that is going to be something that we look at marketing then we need to have something to back that up because without backing up clean and green it really will not work.

ACTING CHAIRMAN - It is rhetoric, isn't it.

Mrs GEORGE - Yes, and then as soon as your clean green, you put all this money behind, say, a logo a campaign, and then something happens then your whole market has gone.

ACTING CHAIRMAN - That is right. So that quality assurance, the clean green benchmark, has to reach into every aspect of our food production in this State. That is what you are really saying, so that would cover the aquiculture industry and agriculture, floriculture and processed foods as well.

Mrs GEORGE - Yes. If you look at export and you look at what Tasmania already has and the successful people that we have, they are all trying to capture that. And if a system can come behind that to help them capture all of those ideal things then -

ACTING CHAIRMAN - So you are suggesting that your organisation would be prepared to assist in defining what that benchmark should be?

Mrs GEORGE - Yes.

Mrs HOLLISTER - As you know the main pursuit of this committee when we started off, before the reference was extended, is to look at the price of groceries. By being certified and giving the quality assurance checks by your company, is there a price component there? How much does your assessment affect the price?

Mrs GEORGE - This is a very interesting thing. It depends really on the studies, it depends on the criticalness of the food and the awareness of the consumer. There are certain consumers who want to cheapest product and then there are other consumers who actually are going to look at different things, so if that product is there and it is saying yes it is clean green - say, for example, the tomatoes - it is there, it is saying this statement and they are getting a higher price so you can definitely increase your margins by having a Vac system but that system has to be auditable, it cannot just be a tick.

Mrs HOLLISTER - I notice some of your customers, of course, are the big food chains like Woolworths and Coles Myer.

Mrs GEORGE - Woolworths are putting in a system where all their suppliers will have to have a HACCP system in place by the year 2000. So once again it is something that, if the committee is looking at some sort of system, then it makes sense that you look at something that the big guys are doing so that the poor person out there supplying to Woolworths and supplying to Coles can come in and put all of that together and incorporate the clean green and increase their prices and do all of these things all at once.

ACTING CHAIRMAN - How do we go with eggs? Do you monitor eggs as well - egg production?

Mrs GEORGE - We do have some involvement as far as the eggs go. I have only talked briefly to the egg board here. Like all boards they have different things but they were certainly looking at quality issues.

ACTING CHAIRMAN - And the usual range of things that you test for, for instance pesticides, artificial hormones

Mrs GEORGE - You can test for all of those. You can test for freshness. One of the interesting things we do strike with eggs is to actually check if they are free range. Not in Australia but in other places we validate when someone is saying that they are free range. Let us give a definition of what a free range is firstly and then audit and say yes they are free range. So they are independently verified as being free range.

ACTING CHAIRMAN - And you would can give your tick of approval for that?

Mrs GEORGE - Yes.

ACTING CHAIRMAN - What do you classify as free range?

Mrs GEORGE - That is what I am saying, this is a thing where we are independent. The classification of what is free range has to come from an authority or a legislation.

Mrs HOLLISTER - With international treaties and agreements now, for example the GAT situation and the problems we have had with bringing in salmon that has been considered to be exposed to diseases that we do not have in our clean industry here, will that make your job more difficult?

Mrs GEORGE - No, I can probably not use the salmon as an example. I went to the Californian citrus industry conference; it was quite good because they were arguing about Australia. They were talking about bean thrip - we do not have bean thrip in Australia - and they are sending fruit which actually has bean thrip. As an example, it does not make our job harder, what it means is that, say, a hazard - they have to identify over there bean thrip as a hazard and then put in controls to measure and monitor. It means that if you are looking at exporting to a country you need to be aware of what their requirements are before you start producing. A lot of people produce or manufacture and then try to fit it into a market, rather than identifying what the market requirements are and then manufacturing putting in a system that ensures that these things are monitored.

Mr CHEEK - What sort of percentage of volume of major supermarkets today would you think the clean green category is? It

seems to me they are very much price driven in major supermarkets so not many people would be prepared to pay a premium on products.

Mrs GEORGE - I think that is changing worldwide and slowly in Australia. I am the account manager for Woolworths, so not wanting to share that, that is why they are putting the system in: to produce save food. But once it is up and running they currently have 500 people or so and once they are through they will start to market a superior clean brand. They believe that this will provide a market, a competitive edge.

Mr CHEEK - And increase their margins too probably?

Mrs GEORGE - Yes. The example would be Tesco we are working with Tesco as far as tagging beef. A chip is put in the ear of a calf within 24 hours of the calf being born - this is in England - and then monitor all their DNA, we monitor all their profiles. Once it is slaughtered they keep the ear so that if a piece of meat is found on the shop floor they can actually trace it back to what beast it was. The idea of trialing this is so that they can come out with BSE-free beef, certified BSE-free beef. Then you are talking about premiums - that is what I was picking up on - they believe they will be able to charge what they want because the public will buy BSE-free beef. So, yes, I think the public will pay, and I think they all would have paid after the peanut butter. If someone had had come out with an independently certified peanut butter at that particular point, I know most people probably would have bought that brand. I personally buy Kraft now because I know they are going to double their controls.

Laughter.

Mrs GEORGE - After having a big scare like that, you know you can quite safely eat their product.

Mr GOODLUCK - The mind is boggling; some of these foodhalls you go to, especially in Asia.

Mrs GEORGE - I do not dare.

I went to the Taste of the Huon - this is off the record here, and it is just my personal belief. I was there eating and all of a sudden you think, 'Those people ate a pork roll, didn't they'. One guy just did not wake up - 27 years old.

ACTING CHAIRMAN - Let me say that I am secretary of the committee of the Taste of the Huon, and while you have been talking I have been thinking.

Laughter.

Mrs GEORGE - I was eating a spring roll at the time and obviously it had pork in it, and I was there thinking. I said to my husband, 'Do you want this spring roll?'

Mr CHEEK - Did you enjoy it?

Mrs GEORGE - No.

Mr GOODLUCK - My wife will not eat in a foodhall; not at all.

ACTING CHAIRMAN - We have the council health and environmental officer do a big briefing beforehand and also is on the field; we have her on the ground all day checking, and if anyone is not complying with the health

requirements we close them down. So we have no hesitation - and it has only happened once that we have had to close someone down and ask them to leave - and that is over five years. So we take all those precautions, and it is necessary. When you are selling food in the open, you have to make sure that you have the proper environment in which that food is going to be sold -

Mrs GEORGE - Or, alternatively, where did it come from? With, say, the foodhalls a lot of it is pre-prepared, so it might be fine while it is in there; it might be sitting in a sanitised container, but how is it manufactured.

ACTING CHAIRMAN - All those sort of things have to be taken into account.

Thank you very much for coming along.

THE WITNESS WITHDREW.

UNEDITED TRANSCRIPT

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY
MARKETS AND PRICES MET IN COMMITTEE ROOM 2,
PARLIAMENT HOUSE, HOBART ON 4 APRIL 1997.**

**Ms PIRET REILJAN WAS CALLED, MADE THE STATUTORY
DECLARATION AND WAS EXAMINED.**

CHAIRMAN (Mr Benneworth) - Thank you for coming in and we thank you for making a submission. The normal procedure is you just talk to your submission, if you like, or just talk to the committee and say whatever you would like to say.

Ms REILJAN - I probably represent the majority of people that I come in contact with just about every day. They are all complaining about the prices of food here compared with interstate, and that is the basis of my submission, I guess. My children have just returned from interstate and you might say, 'Well, if she's rich enough to send her children interstate what is she complaining about'. But everybody has friends and relatives interstate and you do visit them occasionally. Whenever I go interstate, or the children go interstate, we do not go to the fancy shops; we go grocery shopping because, quite frankly, everything is cheaper on the mainland than here. We do not bring back fruit and vegetables; we bring back grocery items that we can store in the cupboard. Normally we take an empty suitcase with us just for that purpose. Interstate people just laugh at me and say, 'Righto, I'm

going grocery shopping' and they just laugh and I say, 'Well, everything here is cheaper'.

The main item that I have noticed is just incredible. This is Homebrand which is the same as Homebrand Woolworths interstate; Purity here is Woolworths. Interstate you can buy these packets for 18 cents. I have never ever seen them on sale here. Their normal price here is 32 cents. I ask you to weigh that packet and tell me that that extra cost is justified on each packet.

Mrs BLADEL - Well, I use a lot of these. I cannot say I always buy Homebrand, but I would buy between 34 and, say, 45 cents a packet on the ones I buy.

Ms REILJAN - On the brand names.

Mrs BLADEL - Yes, on the brand names.

Ms REILJAN - The brand names are also cheaper interstate.

Mrs BLADEL - Yes. Some times you are lucky enough to get a packet of them as a special for a dollar something for half-a-dozen packets. They work out, I suppose, then about 30 cents.

Ms REILJAN - 32 cents is the cheapest you will ever get on any brand of noodles. There is never a price lower here, and yet 18 cents is the normal price interstate.

Mr GOODLUCK - Normal price, is it; not special price?

Ms REILJAN - No, normal price.

CHAIRMAN - Do the Homebrand products ever get run as specials?

Mrs BLADEL - No, I do not think they do.

Ms REILJAN - I do not know.

Mrs BLADEL - I have never seen -

Ms REILJAN - But the point is those sort of things, those two minute noodles, they are the sort of things that schoolchildren will have as a snack when they come home. My kids will have them at lunchtime on Saturday when I do not feel like cooking, and they are the sort of things that children eat frequently.

Mrs BLADEL - That is right.

Ms REILJAN - It is the same with things like breakfast cereals. Breakfast cereals on a whole are a dollar a packet cheaper interstate - a dollar a packet. Now they are light-weight items, it cannot be the heaviness of the freight because they are so light. I notice my son has just bought interstate plain M & Ms; 250 grams for \$2.36. Try to get those for less than \$3 here. Just about everything is priced more. He has bought a can of creaming soda at Woolworths, which is the same as Purity. Because it is called creaming soda it must be the brand product; the other product is called something else - 89 cents. You cannot get them for less than \$1.50 here.

I just cannot see the justification in that kind of price difference. Obviously it has a lot to do with there being no competition between the two big sellers. I did write to Mr Kent last year about this. He did not reply personally; one of his other people replied. They just fobbed me off. They had no explanation for why things are so much dearer here; in fact they kind of denied that they are dearer here. But they are, because I go grocery shopping interstate and I know the prices.

Mrs BLADEL - Piret, where do you normally shop here?

Ms REILJAN - Eastlands usually, because I live fairly close there, and I can comparison shop between the two big retailers. That helps a little, but still the prices just amaze me here.

CHAIRMAN - What is your solution to the problem?

Ms REILJAN - Bring in someone else like Franklin's, for instance, to provide them with some competition. Franklin's is not a fancy place; you will not find anything fancy in their stores but the prices are wonderful.

Mr GOODLUCK - They did have competition here, as you realise, but they pulled out. They had a third one, Davids, but they pulled out.

Ms REILJAN - I did not know about that.

Mrs BLADEL - That would be about 1988, 1989?

CHAIRMAN - It was after that report, so it might have been very early 1990, I reckon.

Mrs BLADEL - It might have been 1990, was it, Tony.

Mr GOODLUCK - But you are absolutely right. There are places in Melbourne, for example, where you buy a lot cheaper cat food and so forth. Melanie, my daughter, when she comes home at Christmas time or Easter time, that is what she brings home.

Ms REILJAN - Cat food is another one. Thank you for mentioning that, Mr Goodluck. Cat food, Homebrand, is 84 cents here - I bought some this morning - and it is 69 cents interstate regular price - not special price, regular price.

Mrs BLADEL - I do not think you get specials in Homebrand; I doubt if you do.

Mr GOODLUCK - They have a price in Melbourne quite different than here.

Mrs BLADEL - Yes, but I think their Homebrand price structure is to compensate for no specials.

CHAIRMAN - It probably is, I reckon.

Mrs HOLLISTER - The shelf price.

Mrs BLADEL - I think the specials are usually in a brand name, so what you are buying there would be the usual price.

Ms REILJAN - This may be a little bit off the topic but last year my son who is fifteen wrote a letter to the editor, which was not published, complaining about the manager of one of the retail companies here spending his time and effort getting alcohol into the supermarkets rather than spending his time and effort on getting us better prices. We have the lowest per capita income in Australia, the highest unemployment and yet our prices, I think only Darwin - according to *Choice* magazine - has higher prices for groceries than we do. It is just so unreasonable.

CHAIRMAN - I think the committee shares your view but, quite frankly, I think the committee cannot order a Franklins to come in nor can you, I think, reasonably expect government price control. I think the way we are working and perhaps what we are hearing, particularly from people like you, is to suggest that maybe we should almost try to embarrass the big companies -

Ms REILJAN - Yes, I was going to say that.

CHAIRMAN - publish and keep publishing -

Ms REILJAN - Yes, and publish and keep publishing -

CHAIRMAN - and I think we have certainly talked about that.

Ms REILJAN - I think I am going to Melbourne in May. I am quite happy to purchase some things there and bring them back and waltz into the *Mercury* with the comparable price here and show them if they will publish that sort of thing. It is just a disgrace.

Mrs BLADEL - Are you prepared to take half a dozen shopping lists with you, Piret?

Ms REILJAN - Yes.

Mr GOODLUCK - Go to that supermarket opposite the South Melbourne market - you will get the shock of your life.

Ms REILJAN - I do not know whether I will get to the South Melbourne market.

Mr GOODLUCK - You will get the shock of your life. There is a supermarket there on the left-hand side.

Mrs BLADEL - Whose supermarket is it?

Mr GOODLUCK - I do not know.

Ms REILJAN - Are you talking about Victoria Market?

Mr GOODLUCK - No, the South Melbourne market.

Ms REILJAN - Well, I can certainly go and check it out - I will have Saturday free.

Mrs BLADEL - One could propose a boycott, I suppose, but where would you end up.

Ms REILJAN - Where would you go?

Mrs BLADEL - I shop at Ralphps. Occasionally I drop into one of the big names if I cannot get to Ralphps but Ralphps has always been open on Sundays and that has been the day when I have had to do my supermarketing.

Mr GOODLUCK - Have you tried Ralphps?

Ms REILJAN - Yes, I have. I think the quality of their fresh produce is not the best. That is another thing to mention here in Tasmania: we grow a lot of the produce here and yet, you know, you go to the fresh vegetable area and you pick up a stick of celery and it is shrunk and the silverbeet goes shunk and my kids just make fun of it as they walk around, 'Oh, this is fresh, is it?' - it is just awful.

We have got Cadbury here and I would be very interested to know if we ever are able to buy Cadbury chocolate cheaper than on the mainland. I have heard that some of the things that are manufactured here - and not especially Cadbury - are taken to a central distribution area on the mainland and then they come back to Tasmania and then of course they can add their freight costs.

Mr GOODLUCK - Your argument - and I am not disputing it is true - but you mentioned highest per capita income and so forth but house prices are so much cheaper here and there are lots of things cheaper compared to the mainland which compensate -

Ms REILJAN - Yes, but while you are busy buying your groceries at higher prices you cannot afford to buy a house - I cannot buy a house at the moment - so there you go.

Mrs HOLLISTER - Obviously you were talking about your friends expressing their concern and anger over the prices in the supermarkets here, do they share the same feeling with you about bringing in a third competitor - do they see that as a way of dealing with this problem?

Ms REILJAN - Well, the ones who have had a chance to travel interstate and have used some of those stores - I think Franklins has just made it to Victoria but in the past Franklins has been Queensland-based and then they moved down as far as New South Wales, so if you did not go grocery shopping in Queensland you would not know just how well Franklins compares. But in Victoria they have a place called Jewell which is also very cheap and very similar to Franklins, sort of no frills in the store but very good prices. So if they go grocery shopping they would certainly know that these other chains are much cheaper.

Mrs BLADEL - Was there not a no-frills supermarket here? What happened to that - that sort of disappeared?

Mrs HOLLISTER - That was bulk.

Mr GOODLUCK - We have only got 500 000 people - I am not trying to say that your argument - you realise that you have 3 million people in Melbourne and they have a fair bit more competition.

Ms REILJAN - That is the thing, the competition.

Mr GOODLUCK - Yes, we have not got that competition here.

CHAIRMAN - Thank you for coming in. I think it is nice to have that sort of evidence on the record.

Mr GOODLUCK - Do not forget to go to that supermarket I mentioned, you will get the shock of your life.

Ms REILJAN - All right, I will get my friends to take me.

Mrs BLADEL - But actually I really think that publication of these price differentials is important, even if it is just nuisance value and embarrassment value. It does occur to me, Tony, that we could have well done with someone from Cadbury here, like Ted Best or someone, because you are right about Cadbury, they do not supply direct here, as I understand, they do go through their central distribution point. If they supplied to the retail outlets directly from the factory outlet - think how many Cadbury things now are manufactured, the drinks and the chocolate biscuits and the chocolates - in fact, we ought to go out to Cadbury and face them - then that surely would reduce the price. Why not? What is the overwhelming argument to say that things produced in Tasmania should not be distributed in Tasmania at a cheaper price.

CHAIRMAN - We will go and see them, not a problem at all.

Mrs BLADEL - Why do we not go and find out what their marketing strategy - are we right in supposing that and what is the argument - let them justify it.

Mr GOODLUCK - Then we start the ball rolling, everything that is produced in Tasmania should be cheaper.

Mrs BLADEL - Yes, that is right.

Ms REILJAN - Well, it should be.

Mrs BLADEL - There should be some advantage of them being here.

CHAIRMAN - Look what you have started.

Mrs BLADEL - A revolution.

CHAIRMAN - Okay. Thank you very much indeed.

Ms REILJAN - The manufacturers in Victoria have factory outlets. Cadbury have their own shop but you do not get anything much cheaper in the shop unless it has passed its use-by-date Why can't these people have factory outlets where Tasmanians can buy the product cheaper.

Mrs BLADEL - Exactly.

CHAIRMAN - Thank you.

THE WITNESS WITHDREW.

UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON 4 APRIL 1997.

MR BRUCE JACKSON, PRESIDENT (TASMANIA) NATIONAL ASSOCIATION FOR SUSTAINABLE AGRICULTURE AUSTRALIA LTD WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIRMAN (Mr Benneworth) - Mr Jackson, welcome to the committee. I do not think you have met Mrs Bladel, you have certainly met the other members of the committee.

You have given us a written document today, in fact two written documents: one is a submission to the Tasmanian select committee on grocery markets and prices and the other one is, what will we call this 'standards'?

Mr JACKSON - Operating standards.

I have a little bit to say here. I do not really know how I can help, excepting maybe pass the small amount of knowledge I have on to you about our organisation. I would like to thank you for this opportunity; it is a quirk of fate that finds me here. It is not a role that I would have willingly chosen myself, but here I am.. I am probably here because of what I believe. I believe our limitations are self-imposed and our capabilities are only limited by fear of change and the unknown. There is a direction for all of us to achieve and it will be necessary for us to put our fears to one side and consider the possibilities that currently exist.

Tasmania enjoys a reputation for producing high quality food and Tasmanian producers are highly regarded by their peers worldwide. Tasmania is considered a centre of excellence in both production and practice. Current indicators point towards organic-style farming being the way of the future. Current market indicators identify organic produce as becoming the preferred choice of consumers. The market share grows annually worldwide.

Premium prices are paid for quality organic produce, both processed and fresh. There are many examples, Uncle Tobys being one of them.

Mrs BLADEL - Are they organic?

Mr JACKSON - Yes. If you look on the bottom of a Vita Brit packet you will see an organic NASAA label - we certify that.

Mr GOODLUCK - No wonder I feel good.

Mr JACKSON - I do not know why it moved from the side of the packet to the bottom of the packet, but there will be some sort of political thing no doubt about that. Probably they do not want to advertise us or something. Whatever it is, I do not know.

I have a vision for Tasmania as a leading producer within Tasmania for organically-produced food, both for local, interstate and international markets. Action, not words, is what is required. An example of Tasmania being left behind can be seen recently with Victorians becoming a supplier of hemp to the Ukraine. Tasmania was a leader in Australian research and development of this product. As a result, we have lost this major employer creator or at least an alternative crop for broadacre farmers. In the current economic circumstances I do not think we can afford to pass these opportunities up.

CHAIRMAN - We had some gentlemen in this morning - Dr Phillips and Mr Healy from Kookaburra Enterprises - are we talking the same language?

Mr JACKSON - Who were they representing?

CHAIRMAN - They were very much into organic farming and very much into bringing the organic farmers together and very much into forming a co-op to market organically produced goods.

Mr JACKSON - There are other certifying bodies and NASAA, I would say, would have to be the premier organisation in Australia; we are internationally recognised.

CHAIRMAN - The point I am making is - and I do not mean to butt in - I got the impression that they were endeavouring, through our committee, to bring all the organic farmers of Tasmania together. Are you one of those?

Mr JACKSON - This is something that I have been trying to do in my role as President of NASAA (Tasmania) for two years. There has been some reluctance by growers within the State to accept newly-formed

organisations. We have a policy that we accept bona fide certifying bodies. In Tasmania at the moment I think there are two other organisations, BFA and TOP - Tasmanian Organic Producers - who are bona fide certifying organisations. We accept them.

Mrs HOLLISTER - One of those gentlemen was a TOP person.

CHAIRMAN - Is it true to say then that there are a number of organic farmers in Tasmania who are all struggling in a big market that may in fact be better off if they got their act together and started not only producing but planning and marketing their products under one banner?

Mr JACKSON - It is my opinion that the organic community - growers, in particular - at the moment cannot possibly meet the demands of the international marketplace, that we of all perhaps alternative people - small farmers who have made a go of it, some of us successfully, some of us not. So you have a situation where we would be considered small farmers. What I am talking about here, and what I would like to get over, is that we need now to spread our wings. We are not in a position to plant 80 acres of potatoes that are required for the marketplace. But there are some very good farmers out there, proven over many years of production, that I feel need encouragement of some sort to change to meet this market. This is why I am here.

Mrs BLADEL - But why is it that there are these organisations that seem to be fellow spirits, if you like; they all have the same ideas, they all want to produce organically-grown vegetables and fruits, and yet there seems to be this fragmentation rather than this consolidation of growers? You say that some of the growers do not like to accept -

Mr JACKSON - Some growers have difficulty in accepting new certifying organisations. This has been the case in Tasmania. This is a question that has got me at the point where I just do not know what to do next about it.

Mr GOODLUCK - What do you mean by certifying? What does that mean?

Mrs BLADEL - It is saying what the production means are - the organic -

Mr JACKSON - Yes. We work to strict criteria that are laid down in that book that you have there.

Mr GOODLUCK - Would there not be a lot of petty jealousy - that is the reason they do not want to all come together; they all want to run their own ship?

Mr JACKSON - I do not know. Perhaps in some cases with some individuals you may find that this is the case, but I could not say that for the whole industry here in Tasmania. We are not talking about a huge industry here; we are only talking about maybe twenty farmers with NASAA and the same amount with Tasmanian Organic Producers; I think BFA has a lesser amount. So maybe you are talking nearly 50, 60 growers in the State.

BFA have philosophical differences with NASAA organic growers, and this has always been the problem with bringing together these two organisations. It is a problem that we are dealing with at a national level, and we have been trying for some years to bring together some form of amalgamation and are making good steps towards doing that, because NASAA sees the joining together of the organic community - and growers in particular - as the single-most important step towards putting Australia as a force in organic agriculture on this planet.

CHAIRMAN - What is the overseas experience telling you? The European and North Americans, for example, have they got it all together?

Mr JACKSON - In France there are 125 different certifying bodies and it seems to work quite well. There are some people who say to me, 'It's healthy to have this competitive-type thing going on'. Maybe it is. Personally I do not really feel it is, particularly in a small State like Tasmania.

Mrs HOLLISTER - Bruce, those bodies - for example, in France, as you mentioned - like the appellation scheme for the chicken breasts, these special chickens who are free-range, they are premium chickens, the eggs are premium eggs, they get a premium price, and they are acknowledged right through France and probably all through Europe. Would that be one of the groups you are talking about?

Mr JACKSON - If they have organic methods of production. Europe is streets ahead of us and how they are dealing with this organic question - well, clean-food question really when you think about it all - because their pollution problems are very apparent every time they step out their doors. Here in Australia we do not see those problems so readily and therefore it is not much of a concern.

You have an organic industry in Europe which is moving a lot faster; you have organic supermarkets; you have government policy that is helping farmers to become organic, giving them tax breaks, giving them cash payments for doing it. There is this sort of thing going on around the world whereas in Australia we are a bit slow, I think, to pick up on these things. I guess it is because they have so much problem that creates this marketplace that I am talking about, that we should endeavour to feed.

Mrs HOLLISTER - It is necessity that is causing them to do that.

Mr JACKSON - Yes, it is necessity, and I think this is knee-jerk response stuff that human beings so often get.

Mrs HOLLISTER - Bruce, is it because the organic farming itself is so labour-intensive that perhaps the people working in that area are so busy with the actual physical work of organic farming that they are less likely to have the time for marketing or promoting themselves or even coming together as a body to do some cooperative marketing?

Mrs JACKSON - This is sort of what I found. I have been President of NASAA Tasmania for two years now; our meetings are few and far between. Yes, I would agree with you - and it is my experience. I am very busy on the farm. We have a vibrant, successful business. We sell saladmix in the north of the State and grow apples and all manner of produce, and you can imagine how much time and effort that takes to do. We are largely ground-breakers within Tasmania with this type of thing too, so a lot of the development stuff has to be done off our own bats.

Mrs BLADEL - But there would be a shared philosophical basis, I guess?

Mr JACKSON - Yes. Luckily we have the standards and therefore we know our path, but how we work within those standards and how we go about our farming practises vary from farm to farm, quite dramatically in some cases.

Mr GOODLUCK - Exactly what was said this morning.

Mr JACKSON - No farmer is the same. We have different soil types and different areas. In Tasmania, in particular, you could have a farm next door with a different soil type to the farm across the road.

Mrs BLADEL - Perhaps regional differences explain the multiplicity of accreditation in France and so on - the accrediting bodies.

Mr JACKSON - Yes. Well, I had a thought about that particular question you have asked, that it may well be that the person who is likely to become an organic gardener or farmer is a person who does not necessarily follow the same path as his fellow human beings, and therefore has a set path. That type of person maybe finds it difficult to work with others in a group. This may be the case; I really do not know.

CHAIRMAN - What is your one message to this committee, Bruce?

Mr JACKSON - That we need to find some way to encourage processors and farmers - they are already well-qualified farmers that we have - and government to work together to meet this world demand and do it quickly. Victoria is gearing up to cash in to the tune of \$70 million this year in this industry. We are lagging behind. I do not know whether it is our fault as an organisation for not having the capabilities to be able to get the message out. I feel there is a certain stigma perhaps involved. We are alternative-type people who have long hair and maybe this does not fit within the criteria of another farmer.

What I would like to happen from this is that we could find some way for the three of us to work together and have something good happen. The time is ripe for organic potato chips, the time is -

Mr GOODLUCK - Do you think governments should get more involved, Bruce?

Mr JACKSON - I feel there is a role. I have some ideas perhaps on how that could happen, in particular in addressing this fragmentation issue where the Government may be able to help. It need not be a full-on frontal assault either; it could be a sideways movement. I think the whole organic industry in Australia, we need to work under one banner, we need to work under one logo - all of us - whether we be BFA, TOP, NASAA, DMETA - whoever. AQIS actually certifies us and audits us as certifying bodies. I feel this is where that could come from, once we are certified or once an organisation - because I have a feeling there is going to be more new organisations coming

up. I do not know how you could stop it.

Mr GOODLUCK - Is finance important?

Mr JACKSON - I would not say that NASAA is cashed up or anything. We utilise our funds for the promotion of the organic industry - is this what you are asking me?

Mr GOODLUCK - Yes.

Mr JACKSON - for the promotion of the organic industry and the coffers are empty every year and we start again. For twenty years NASAA has been involved in this arena, and the more people who are certified by us the more income is made and the more we put it out in the hope of eventually making the changes necessary to keep the health of our planet. This is the primary -

CHAIRMAN - You talk in your initial submission about meeting the international market. What about the local market? Is it fully serviced or maintained?

Mr JACKSON - I think slowly over the years people such as myself, who have seen the opportunity and taken a grasp and been successful at it, this will keep on going; this is small farm arena. Although the carrots, the potatoes and the onions of course there is always the spin-off from supplying international markets. I do not feel there should be a farmer set up just to grow carrots for the domestic market. He would go broke. He needs to set up to grow organic carrots for either processing or international markets, and then there is a spin-off for him to feed the local market. If someone set up just to feed the local market, he would not be able to make any money doing it; it just would not work.

Mr GOODLUCK - How do your prices compare?

Mr JACKSON - I do not look for a premium, but I do achieve it.

Mr GOODLUCK - How do you compare with the non-organic?

Mr JACKSON - There are some things I get a premium on. I get \$1.20 a kilo to the wholesaler for apples and they sell apples for 99 cents a kilo from the mainstream, so there is quite a considerable amount there. With salads, at times my prices are the same. I do not mind to change it around a bit to suit the particular customer, depending on how much he buys.

CHAIRMAN - Who is your market?

Mr JACKSON - I have until recently been dealing with Roelf Vos Supermarkets - Woolworths - but I have unfortunately lost that market. I have a feeling it is more due to the mishandling of the product from their perspective. I was running my product fresh daily into Launceston. It would go from there to Devonport, then they would distribute it and then they would tell me that my product was going bad and what was I going to do about it. This seems to be the way. The general trend with these large buyers are that they do not want to take the responsibility themselves for anything and they will put it on you every time. I do feel that the Tasmanian farmer is getting a bit of a rough trot.

Mr GOODLUCK - Who got the market - do you mind me asking. Do you know the person?

Mr JACKSON - Hewson's here in Hobart have been supplying them also. It is to their credit Woolworths has organic sections in their supermarkets, although they are pitifully small. It would give you some idea that the

produce is just not there. Because of this reason I was told they no longer wanted my produce. But the door is still open. In spring I will approach them again.

Mrs BLADEL - You talked about value-adding, is that a concept that NASAA is embracing?

Mr JACKSON - I think we all as farmers are embracing that. There is a market for diced carrots. I got a fax last year for apple puree - 205 litre drums of organic apple puree. So there is always the way to deal with the product that cannot make the supermarket grade, if you will. There is always a way to deal with that product. What I am saying is, if it were to be that there was some large apple orchard encouraged to begin the process to change to organics, there is obviously going to be some hiccups in the two to three years before it becomes A-grade certified. This is the time when he, as a businessman, is going to chew his nails; so this is the time he needs some help - whether you guarantee him rock bottom prices regardless of what happens. I feel that once one or two growers in all these fields - apples, cherries - one or two growers is all we need in these fields then we will begin to see other interests taking place. Of course there has to be back-up, back-up from the Ag department with research and development.

Mrs BLADEL - Is that happening?

Mr JACKSON - Yes, I feel that already horticulture research and development - I actually went along to the meeting in Ulverstone not long ago, six months ago, and was quite impressed by the number of dollars being inputted into organic-type controls, pests and soil problems, and fungus. It seems to me that, without recognising that we exist, that they still manage to take from our areas of research and work - or maybe we are just working on the same track but going like this, I do not know.

CHAIRMAN - Just excuse my ignorance, but if I have an orchard of apples, can I convert those to organically farmed apples?

Mr JACKSON - Yes.

CHAIRMAN - And that would take me, what, three years; is that what you are saying? To wean them off chemicals -

Mr JACKSON - Yes, a three-year conversion period. This seems to be the question I get asked most: 'I have been spraying my apples for 20 years and my ground is going to be so contaminated that you are not interested in certifying me', so they do not even bother. From our viewpoint, unfortunately everywhere on this planet is polluted, everywhere; you find residues everywhere. There is no place that is considered clean, nowhere. That is a pretty sobering fact, is it not.

Mrs BLADEL - So if we have that contaminated ground and we say, 'Okay, I am convinced now. I want to get rid of these practices. I don't want to spray my crops any more so I am going to now devote this part of my orchard or this section of my orchard to trying to become an organic producer. I won't spray any more'. But the apple trees growing in that ground, would they get certification or would they get, 'No, no, that ground has been used so much before it is full of residue'.

Mr JACKSON - Soil samples are taken as part of the preliminary process. If chemicals are found that will pass from the earth to the plant and hence to the fruit and those chemicals are going to be harmful to us, there would have to be a lot of research and stuff go into how we are going to rectify that particular problem, because if that is the case, then it is happening now.

CHAIRMAN - Would I be incorrect, Bruce, in saying that every farmer out there would like to farm organically if he could, if it was economical? Surely there are not farmers out there who want to pour chemicals on things.

Mr JACKSON - There are both. There are all sorts of people out there and I think that some farmers just do not give a damn. Other farmers would if they could or if they were shown the way.

Mrs HOLLISTER - Some times they are caught up in financial situations whereby if they are borrowing money they have to guarantee a certain production outcome, and that means using chemicals that will boost production so they can actually pay off the loans. That is how I have heard it from some farmers over previous years.

Mr JACKSON - This can be a problem. Once you are on that treadmill it is difficult to step off it for the conversion period.

Mrs HOLLISTER - Yes.

Mr JACKSON - Once you are locked into it you are there and you cannot get out. This is business management. It is not a position that I would put myself in as a -

Mrs HOLLISTER - New Zealand has been an interesting country to look at organic food production, as I understand it, because for some time successive governments have encouraged a percentage and really put resources into encouraging organic farming practices in New Zealand, which was seen as virtually a leader in this area in this part of the world for some time. But it appears now that Victoria, from what you were saying -

Mr JACKSON - Victoria is picking up.

Mrs HOLLISTER - is now picking up.

Mr JACKSON - There is something we need to possibly clarify about certification. This is an international thing and to talk about it on a State level or a national level now we are beginning to go beyond that. I think it will not be very long - it is already happening - that you will see farms that are certified by American certifying organisations because they come within the same criteria as we do with IFOA - International Federation of Organic Agriculture - on agricultural movements. So we are all audited by this one particular organisation and provided you are certified with this organisation, then you can certify anywhere on the planet. So it may well be that we could see (inaudible) coming here. I do not know whether it is what we want; I do not know whether it is a bad thing or a good thing, I do not know, but it may happen. It just may happen.

Mrs BLADEL - Bruce, what is the likelihood of a niche export market; is that happening now for -

Mr JACKSON - It exists now, today.

Mrs BLADEL - In what products?

Mr JACKSON - Apples, potatoes, onions, carrots; everything that we can grow here.

Mrs BLADEL - Blueberries?

Mr JACKSON - Blueberries, everything.

Mrs BLADEL - So what kind of money are we looking at here that is involved in that; would you have any idea?

Mr JACKSON - As I have said, the Victorians are gearing up to cash in on that to the tune of \$70 million.

Mrs BLADEL - What about Tasmania?

Mr JACKSON - I think annually we do about \$3 million worth of business a year.

Mrs BLADEL - But we could do more.

Mr JACKSON - There is 65 per cent of organic produce sold in Tasmania that is imported from Victoria.

Mrs BLADEL - I see. So what we ought to be really looking at is some of the niche marketing programs to turn that around and developing more of those niche market export opportunities for Tasmanian organic growers.

Mr JACKSON - Yes. As I say, the local market is the cream for the big exporters. The guys who are prepared to invest the millions of dollars and set up the 80 acres of blueberries or whatever and do it organically and get the European markets; well, the local market is the cream for them.

Mrs BLADEL - What about Japan? Are the Japanese markets interested?

Mr JACKSON - Japan, Korea, Singapore. From Victoria a few months ago a container went over with mixed organic produce to Singapore and was very well received.

CHAIRMAN - Is there an export company specialising -

Mr JACKSON - Yes.

CHAIRMAN - There is. And where is that coming from?

Mr JACKSON - There is a Sydney-based company who also have an office in London.

CHAIRMAN - So Australian organic farmers are channelling through him?

Mr JACKSON - Yes. There are now NASAA, BFA - not so much BFA - and DMETA producers who are exporting. Perhaps also I think BFA producers too exporting now. The demand of course is greater than the supply - outstrips supply. That does not necessarily mean to say that we should immediately just jump in and grow anything. If there was going to be encouragement to the Tasmanian farmer to change and begin to work towards a market, we are looking at a three-year time span. This is a good thing. It gives us three years to figure out, 'Okay, where can we work the best; what is the best way to go here; what market can we' -

Mrs BLADEL - But there is always a thin end to the wedge, is there not, and there is always someone who starts. I am thinking about, for instance, Glen Huon Mushrooms; Michael Brown at Glen Huon with his mushrooms. I do not know if they are grown organically. I have been down there and looked through it. It seems to me that growing mushrooms must be a pretty disease-free sort of a thing; they are exporting mushrooms. Getting in on the petticoat of an established industry because it must cost money too to start that export cycle.

Mr JACKSON - Yes. There are probably a lot of things that need to be done; a lot of work that needs to be done. I think anybody who is exporting now has a lot of work to do if they are a domestic producer or exporting over there and then decide to become an international exporter. I think there is a lot of stuff that has to be done to bring it up to levels that they require overseas for their food.

Mrs BLADEL - What I am getting at is, let us say you find an opening in an export market so you want to start exporting your blueberries, carrots, tomatoes or whatever. Is that an extra investment for you to have to get into that market with packaging because if you are going to get into an Asian market they are very keen on the packaging sort of thing. So what extra investment does that involve for the -

Mr JACKSON - Probably quite considerable. As I say, I do not feel at the moment that there is any organic farmer in this State who is ready to even think about going. I mean, 65 per cent of our produce here is brought in. So what I am saying is that really there are farmers out there producing now who are well-qualified and are already probably exporting. These are the people we need to - the market is enormous. My little 50-acre farm will not do it.

Mrs BLADEL - What help do you get from places like TDR? Do you consult with that body?

Mr JACKSON - At the end of last year I was going for a loan through the TDR but that did not happen.

Mrs BLADEL - What, they all got retrenched?

Mr JACKSON - Well, fortunately my business is good and the banks are backing me. This is sort of an indicator perhaps of how the wheels are turning.

CHAIRMAN - That is actually a very good sign. It is very encouraging.

Mrs HOLLISTER - Bruce, this morning when we were taking evidence and we were dealing with other people who were coming from an organic background, they were looking at setting up a cooperative that would deal with a domestic market. It is very interesting to hear you talk about the other side, which is the export market component. Following on from that, they talked about a symposium that they want to hold in August where they are going to try to bring together all organic growers, plus representatives from the university and department of Primary Industry, just sort of to try to bring people together. Would that be of interest to the people you work with?

Mr JACKSON - Although I do not like hearing things like that second-hand; it would be better to come straight from the people themselves.

Mrs HOLLISTER - They are just working on it.

Mr JACKSON - I would like to say again that NASAA for many years has been trying to organise the amalgamations of certifying bodies. All the talk has happened; it always comes to this closed door. We have decided to move on. We are not going to get involved with - I will go along, sure, but we are not going to wait around for something to happen like that; we need to move on. We need to get involved with this. We have the Victorians, the South Africans, the South Americans, getting into this. For the benefit of this State we should just get stuck in.

Mrs BLADEL - What do you need to move on? What needs to move it?

Mr JACKSON - That is a hard one; perhaps that is what all of us could work out.

Mr GOODLUCK - It would be true to say too that the group we spoke to this morning, with great respect to them, they were pushing their own barrow.

Mrs BLADEL - I just wonder how much we should talk about them.

Mr JACKSON - Well, I would prefer - and I have often said to these people - that when I stand and talk to people I talk for the organic industry. To me we are all doing the same thing; we have the same path. Forget all the nonsense, we are the organic industry. So as soon as their minds can get around that one, I think everything is going to be all right.

Mrs BLADEL - I am sure that people are all interested in joining in a mainstream - uniting and getting people together - to try to formulate an organic industry that will be more powerful, because it is a united group rather than fragmented groups working as individuals but not getting anywhere.

Mr JACKSON - There certainly merit in it. I would say that three years ago when this new organisation started up in Tasmania I spent quite a bit of time trying to encourage these people to set up Tasmanian Organic Producers - great! Let us encompass everybody in Tasmania under Tasmanian Organic Producers but keep away from certification. Why reinvent the wheel? How are you going to get a guy who has been 10 years certified with NASAA to automatically jump off and go with somebody who has no recognition.

Mrs BLADEL - But surely once you are certified, that is all you need. Do you have to certify with everybody? It is like Christianity; do you have to become a Morman as well as a Protestant, as well as a Baptist -

Mr JACKSON - Yes, I can understand - that is a good one, because that is the way I feel about it. We are an organic industry and regardless of whether you are top or whatever, if we just think like that and move together like that there are not going to be any problems.

Mrs HOLLISTER - I am sure for all of us hearing that, we absolutely agree with you too.

Mr JACKSON - Well, there we go!

Mrs BLADEL - What could government do - I think this has been raised before - to help you achieve those goals? What is the task or is there a role for government in this?

Mr JACKSON - In as far as encouraging mainstream farmers to begin the change to organics, I feel is where the Government could do some very good work in particular, and it could be in many forms. At the moment there is an officer - and this is to the Government's credit - who spends 3 per cent of his time in the Ag department; which only is one-and-a-half hours a week after all, but it is something. Okay, we chip away at it, little by little. Perhaps if there was a person given a full-time charter to begin to gather this information to show the farmers in Tasmania what is happening out there - put it in their lap -

Mrs BLADEL - That is a good idea.

Mr JACKSON - and utilise this guy to maybe do a number of tasks, but have his primary one as encouraging the change.

Mr GOODLUCK - You did answer it, and I listened intently because this committee is really set up to determine whether or not the consumers of

Tasmania can buy cheaper produce - that is, vegetables fruit, groceries. You did say that you could compete with the non-organic prices?

Mr JACKSON - I do.

Mr GOODLUCK - Hypothetically, if we could say if we supported organic growing and organic associations they could produce cheaper vegetables and cheaper fruit, we would have a hook.

Mrs BLADEL - That is a bit wishful.

Mr JACKSON - I think perhaps, Bruce, in the form that we take at the moment, we are not going to have much credence with the farming community.

Mr GOODLUCK - No.

Mr JACKSON - I think we need somehow to change - in particular in Tasmania - so that we do have some credence. How this comes about, maybe you can help.

Mr GOODLUCK - You are going to have all the petty jealousies; I can see that sticking out a mile.

Mr JACKSON - It is human nature.

Mrs BLADEL - It is the means of production; that is where the cost is. What about eggs - the nutrition that is involved in that one egg. In a lot of my electorate I see people wrongly nourished, I see gross obesity, I see people hooked on sugar and cigarettes and instant coffee and over-processed food and takeaway foods have replaced proper nutritious cooking. They have never heard of Irish stew or - God, I am mundane.

Mr GOODLUCK - No, you are not; I have it every week.

Mr JACKSON - I can see your point. There is always another way to go about something. Maybe it would be best to look at this fast food stuff and make it more nutritious. Maybe we should have a Big O instead of a Big M.

Mrs BLADEL - Of course; I would go for that. But can you produce eggs, non-battery eggs?

Mr JACKSON - Yes, we have criteria for that. There is a producer in Melbourne, Victoria.

Mrs BLADEL - Is there anyone in Tasmania? I know that there are two quite significant egg farmers who produce their eggs by the deep litter method.

Mr JACKSON - I do not know that they are certified. I do know that one of our members does produce some eggs but a small quantity. I think also you must look at this: we are not saying simply by being organic puts us in a position to say that how you grow your chickens is bad. What we are saying is that by having this criteria that the consumer can know that produce in the shop is right. So Mrs Brown, the farmer down the road from me, grows beautiful eggs and she is a fantastic vegetable gardener and she does not use pesticides and herbicides. Her hubby does on the farm, but he has a business to run.

We are not in the position to stand here and say that you are bad and we are good. This is not it; this is not the whole thing. What we are here to do is to try to encourage a change in agriculture for the betterment of the health of the Australian people.

Mrs BLADEL - Especially when the health care costs are escalating and so much of health care funding goes into people's bad eating habits and bad living habits. That is where the -

Mr JACKSON - I think there could be spin-offs to this. If this was embraced by the farming community here in Tasmania the tourism numbers would rise dramatically. The Europeans would flock here if they knew that they could buy fresh organic produce here all year round, they would be here in droves.

Mrs BLADEL - I agree with you, Bruce.

CHAIRMAN - It has been incredibly interesting and very well put together too, if I can say that.

Mr JACKSON - Thank you very much.

CHAIRMAN - Thank you for giving us your time.

Mrs HOLLISTER - You make us feel very good and you have certainly made us think about things, but your approach is a really good approach too, Bruce.

Mr JACKSON - I think we are all working towards the same thing, are we not? That is how I go to sleep all warm and fuzzy at night. I do not think there are bad people, I just think that we are misguided.

THE WITNESS WITHDREW.

UNEDITED TRANSCRIPT

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY
MARKETS AND PRICES MET IN COMMITTEE ROOM 2,
PARLIAMENT HOUSE, HOBART, ON 4 APRIL 1997.**

**Mr STEPHEN ESTCOURT, BARRISTER, WAS CALLED, MADE THE
STATUTORY DECLARATION AND WAS EXAMINED.**

CHAIRMAN (Mr Benneworth) - Good morning and thank you very much for coming along. We do appreciate it indeed. Mr Estcourt, you are the author of the Prices Inquiry Board report of 1989 - a long time ago; almost ancient history by now.

Mr ESTCOURT - 31 March 1989 - it is a long time ago.

CHAIRMAN - You are aware that the House of Assembly has asked us to look into a number of matters regarding grocery prices, one of which is prices of grocery items. We thought it would be certainly in our interests for you to come back to maybe talk about your report briefly or give us an opinion of what has happened since then or give us an overview. I know there are members who have questions but if you want to start off.

Mr ESTCOURT - I understand what you ask of me. All I can say is that in my view nothing has changed since 31 March 1989. One of the major recommendations of the report was that both a third major grocery retailer and a third major grocery wholesaler should be encouraged. My committee rejected the view that there was not sufficient population to support a third retailer and a third wholesaler. Of course nothing has happened in that respect; we still have two major multinationals competing against each other with a very lack-lustre performance in so far as competition is concerned. So I would say that the report is still valid today.

CHAIRMAN - I have a number of questions that I would like to talk through with you. In the submission which has come in from Purity they have been somewhat critical of the 1989 report, and in fact they have challenged some of the findings. I would like to bounce some of those off you; are you quite happy to go through that?

Mr ESTCOURT - Yes, I am.

CHAIRMAN - Could Mr Estcourt have a copy of Purity's submission.

Mr ESTCOURT - Mind you, I should say that I am not at all surprised that Purity is critical of it.

CHAIRMAN - No, I am not either.

Mr ESTCOURT - Nor Coles for that matter. I recall the witness who was called to give evidence for Coles was either the managing director, or certainly the chief staff in Tasmania, told the committee that yes, they acknowledged that grocery prices were higher in Tasmania, but that did not mean that they were excessive. They were the true price of the goods but the fact was the true price could not be achieved anywhere else except in Tasmania because there was too much competition everywhere else. They said that the Tasmanian operation of Coles was the jewel in the company's

crown.

Mr GOODLUCK - You said about a third - one did come in for a short time, I think, Davids.

Mr ESTCOURT - Yes. They never really made a start; did not get off the ground at all. Davids was one that my committee had in the back of its mind. I forget the other one - Food for Less.

Mr GOODLUCK - I think only Davids came in.

Mr ESTCOURT - Can I just say - while I am waiting for a copy of that document, Mr Benneworth - the argument is that although there is a population base here which might support a third player in the market and although Bass Strait does not really contribute to the extra cost of goods in Tasmania, Bass Strait still is a worry in the sense that shop owners here will not support a wholesaler who does not have a warehouse operation in Tasmania because of the vagaries of Bass Strait. The fears in those days of strike and interruption to supply and so on meant that nobody would swing over to a wholesaler who did not have a warehouse base in Tasmania and they would tell us that Tasmania's population does not support the capital cost of setting up a warehousing operation, as well as a distribution chain.

So that is probably the reason why Davids' little exercise did not get off the ground. I think they got a couple of smaller stores interested but basically, I think, shop owners get very windy about being guaranteed supply and they do not feel that they have that guarantee unless the wholesaler is holding goods in its warehouse.

CHAIRMAN - Both Purity and Coles claim that there is, of course, a third retailer in Tasmania - which is the Independent Group - and in fact statistics show that the Independent Group is technically second with 28 per cent of the market. Do you accept that? Did you accept it then and do you accept it

now?

Mr ESTCOURT - No. Coles and Woolworths simply watch each other and mimic each other's operations in the market place down here. They do not concern themselves at all with what the independents are doing because the independents are just that: small and independent and they cannot constitute a threat in terms of the two major retailers having to watch them in order to pitch their prices; they just watch each other.

CHAIRMAN - Very closely, I gather.

Mr ESTCOURT - Absolutely, to the extent of having spies in each other's stores on a daily basis openly watching the prices and going and making alterations.

CHAIRMAN - Can I ask you to go to page 28 of that report, which is probably the pertinent part. What he does then for the next five or six pages is really challenges the 8 per cent differential that you found.

Mr ESTCOURT - Can I ask who the author of this document is?

CHAIRMAN - Yes. It is signed by Michael Kent, general manager of Purity Supermarket, and put out by Purity and Rolf Vos. From page 29 onwards he really does challenge that 8 per cent calculation, maybe summaries it, follows it and then challenges it through.

I would really like to get you to comment on each of these items, if I could. He claims that only 63 items of 14 000 items were sampled during your investigation and therefore he claims - and I use the word 'he', referring to Vos, Purity and Woolworths - that the 1989 report is fundamentally flawed because it is inaccurate.

Mr ESTCOURT - Can I preface all my remarks in response to your questions by saying that if it is at all possible the committee should invite Dr Nicholas Grundwald to come along and give evidence to it, because Dr Grundwald was the extremely well-qualified economist who was responsible for our weightings and calculations. I think he is still about at the university; if not I am sure he could be secured easily. An inquiry to the university would find out where he is now if he is not still there.

As to the first point that is made, as I recall it, the committee's findings in relation to percentage price differentials related different percentages to different items, so I cannot see the relevance of a comment that only 63 of 14 000 product lines were sampled when one is not saying that all goods in a supermarket are 8 per cent higher in Tasmania; only those that were identified as being 8 per cent higher.

CHAIRMAN - Fine. Point 2 - I just think we have to tick these off; that is all, because as far as I am concerned, it is important.

Mr ESTCOURT - The only basis for legitimacy in that remark would be, I suppose, if they were arguing that the other 13 900-odd were all cheaper -

CHAIRMAN - And they are not arguing it.

Mr ESTCOURT - and it is not likely to be true. So I cannot see the relevance of that remark.

'Prices were sampled only at a single point in time' - 15 May 1987 was the latest ABS data that was available, as I recall it. We did not go out and actually price goods in a supermarket; we thought that was a bit pedestrian. The data we obtained was from the Australian Bureau of Statistics. As I

recall it - and Dr Grundwald will be able to confirm - that seasonal variations were something that were reflected in the data that we obtained from the ABS. For instance, it would be idiotic to argue that the price of tomatoes in May 1987 was excessively high in Tasmania as compared to mainland States because tomatoes are not in season in May; you are buying Queensland tomatoes, which of course would be much higher in price. That sort of very pedestrian or basic remark is not something that is likely to have escaped us.

CHAIRMAN - Point 3, I think, is something we could certainly take up with Dr Grundwald. Point 4, he is accusing you of -

Mr ESTCOURT - Can I just say, why would the board wish to challenge the weights supplied by the Australian Bureau of Statistics?

Point 4, that is just rubbish, with respect. 'Ordinary shelf prices are generally lower in mainland States and because a higher proportion are sold on special in Tasmania, ordinary shelf prices are higher as a result.' It is exactly what I said a moment ago: that ordinary goods are cheaper on the mainland because of the competition. I urge you to seek out that evidence from Coles, which was quoted verbatim in my committee's report, about their operation being the jewel in the company's crown.

Mrs BLADEL - Or the goldmine in the sky.

Mr ESTCOURT - Yes, that is right. The fact is they cannot achieve the prices elsewhere that they achieve in Tasmania.

'A properly-based comparison requires the following characteristics' - I sincerely believe that is an unjustifiable nonsense, but you would need somebody with Dr Grundwald's qualifications to point out why.

CHAIRMAN - That is why I wanted to give you the opportunity to comment on this.

Are you disappointed in the reaction to your report from 1989, or the lack of action on your report of 1989? Could you comment on that?

Mr ESTCOURT - Yes, I am. I might also say that no such document as detailed as this was presented to my board in 1988. To the best of my recollection, the only evidence that was given by Purity was given by Michael Kent himself in an off-the-cuff way; that is to say, no document was supplied, he simply came along and chatted, as it were. So it is all very well to come up with a second draft; it is easier to pick somebody's work to pieces after it has been done than it is to come up with something in the nature of an original document. So certainly they did not give this sort of consideration to their position when they appeared before the board and, to the best of my recollection, neither did Woolworths for that matter.

Mrs BLADEL - Do you think they took it very seriously, Mr Estcourt?

Mr ESTCOURT - Not Purity, no, they did not. Coles appointed a mainland silk who appeared, a QC, whose name escapes me now - a lady who is the daughter of a family court judge who was killed, who was murdered, Opus - Mr Justice Opus' daughter - Lyn Opus, QC appeared for Coles throughout the whole of the hearing so they did take it seriously, but Purity were a bit sort of casual about the whole thing.

To answer your question, Mr Benneworth, as to whether I am disappointed about any lack of action on the report: the thing that I did seriously urge at the time was that the computer statistics that we had compiled be kept up to date because the situation could be monitored had that have happened; it would have been an easy thing to use our database and continue it because now, nine years later, you are asking, 'Have things changed?' Well, you would know exactly whether things had changed if somebody had entered those few statistics into a computer database each year, so that is the shame of it. The money that was spent on that report really has been wasted in a

sense in terms of it being an ongoing document or a document of ongoing value. In order to test its validity now you would have to do the exercise all over again. But, apart from that, what can one say, you can hardly blame the Government for not being able to get a third wholesaler and a third retailer into Tasmania, that is the forces of the market at work.

CHAIRMAN - I think I am not wrong in saying that your report highlighted the problems but did not really go into specific recommendations and, if I am right in that, were you saying then, and are you saying now, what can you do?

Mr ESTCOURT - It did make a major recommendation and that is that a third major grocery wholesaler and a third major grocery retailer should be encouraged into the market in Tasmania and that is the only recommendation one can make, in my view, because the problem is a problem of lack of competition.

Mr CHEEK - But we did get a third one in, did we not, with Davids.

Mr ESTCOURT - I was just talking to Mr Goodluck about that and they only started and were here for a very short time and then pulled out.

Mr CHEEK - Because they could not make a go of it.

Mr ESTCOURT - Well, the reason for that is that in order to get a foothold as a wholesaler you have to win customers and you would start with the independents because you are not likely to win Coles or Woolworths and the independent shopkeepers want some guarantee as to a continuing supply of product. They say to somebody like Davids, 'How can you guarantee us that you will be able to supply us all the time if you haven't got a warehouse in Tasmania? You can say that you will bring the stuff across in containers but you can't guarantee there won't be a strike or that the product is held up on the wharf'. And this is allegorical - this is not a matter of subject of

evidence - the shopkeepers were reluctant to commit to somebody without a warehouse operation and the operator on the other hand says, 'Well, Tasmania is big enough to justify a third player in the market but we don't think it's big enough to justify the capital and ongoing cost of a warehousing operation'.

Mr CHEEK - They received incentives, I think, from the Government at the time to come here.

Mr ESTCOURT - I do not know about that, they may have done, but obviously we were never privy to that if it happened.

Mr GOODLUCK - They are no fools, Davids; it is a wonder they did not foresee that, is it not? I understand that; it is a very good point that you have made about it and it is one that I never probably thought - well, I probably briefly thought of it - but the shipping at the time and the strikes and so forth had a great affect on that.

Mr ESTCOURT - Well, you would remember, Mr Goodluck, when shelves in shops were terribly depleted if there was a strike or shipping problems. You would find that the shelves were bare in some cases.

Mr GOODLUCK - That is right, so the shopkeepers would not want that on their plate, would they?

Mr ESTCOURT - I think we are probably a little calmer industrially now in 1997 than we were in 1987.

Mrs BLADEL - Through you, Mr Chairman - what assumptions did your committee come to about the parity of pricing that is maintained between the two monopolistic companies in this State? Were you able to draw any

conclusions, make any suggestions to them? If we are the jewel in the crown for Coles we must be the jewel in the crown for Woolworths, too.

Mr ESTCOURT - The assumption we made, and I think the finding we made, was that Purity and Woolworths simply do not try very hard to compete with each other because they do not have to. Coles says 'our operation in Tasmania is the jewel in our company's crown; we can achieve these prices in Tasmania that we cannot achieve elsewhere and this is the price'. Why would Purity want to compete terribly with that, there would no reason at all, so they do not. They might go under Coles on some items at some times and that is all the static but they are not going to go under very far and they are not going to lock themselves into a price war with each other. It is just nonsensical - two major operators who have control of the market will not cut each other's throats by going into a price war.

Mr GOODLUCK - And they do not like other competition either.

Mr ESTCOURT - Well, I do not see where they get it from, Mr Goodluck.

Mr GOODLUCK - No, they do not. They get a little bit on the side but they do not like that either.

CHAIRMAN - Coles claims in its submission to the committee that its fourteen stores have to carry a management staff of, I think, 24 or 25 whereas the same fourteen stores in Melbourne would carry the same management staff of 2 or 3. Are they saying to us there that their prices have to be a little bit higher here to carry that management staff than they would be in Victoria and is that justified?

Mr ESTCOURT - It is not something I ever recall being put to the board that I chaired. Do they say why it is so - because we are so regionalised, is that the point?

Mr CHEEK - What - to have the management there?

Mr ESTCOURT - No, that they need more people - perhaps they are saying that -

Mr CHEEK - They are saying they are maintaining a head office here and not doing it from Melbourne, which they probably could if they really wanted to.

Mr ESTCOURT - I do not see why they could not if they wanted to. The only argument that I can see is that because we have a decentralised population in Tasmania that there is a need for more stores in the various regions whereas one store would service a far greater population area -

Mr CHEEK - They say the freight costs are higher here; they come into Launceston and they have to go to the north-west coast and Hobart -

Mr ESTCOURT - We dealt with that and we took the view that freight costs are not a real factor saving except that the cost of petrol in Tasmania is higher - petrol and diesel.

CHAIRMAN - If I may just quote from the report: 'However, Coles continues to operate a state office to ensure its standards of quality, customer service, staff development and overall competitiveness are maintained at the highest level. The Tasmanian manager is supported by a staff of 30, including area managers and product specialists such as meat and deli managers and fresh produce managers. Staff numbers are marginally less in other larger States but other State offices service a far greater number of stores. In comparison, a similar set of fourteen stores in Victoria is supervised by two'.

Mr ESTCOURT - Well, I think that is spurious as an argument - that is like your child sitting down and writing out why they love their mum and dad. It is really pedestrian.

Mr CHEEK - A bit of a catch-22 situation, isn't it - we do not want to have people moving out of here, that is what we try to prevent: moving the head offices back to Melbourne and treating us as a branch, so we want them to stay here with their head office. I am sure if they did move it all to Melbourne it would not make the slightest difference to prices anyway; they would not cut prices because of it because it is only a small margin in that.

Mr ESTCOURT- But I am sure they have other regional offices and State offices - I cannot see that there is any validity in that argument.

Mr CHEEK - Very little.

Mr ESTCOURT - This is a sit down and justify your own position, sit down and justify your own existence and you would not expect them to be giving you anything else, to be quite frank; you would not expect the truth.

Mr GOODLUCK - They cannot have it both ways, can they?

Mrs HOLLISTER - Mr Estcourt, it has been put to us that many manufacturers regard Tasmania as the 5 percent-margin State, that it is considered by those producers that this is the State where you can get a markup anyway. And added to the statement that you just told us about the jewel in the crown - which we were not aware of until you have just mentioned that to us - that ties the whole thing up that we are seen as an area where people can recoup much more.

Mr ESTCOURT - That is exactly right. And I repeat: Coles said 'the prices we achieve in Tasmania are real prices but we cannot achieve those real prices or proper prices in mainland states because of competition'.

Mr CHEEK - They actually used those words 'the jewel in the crown'?

Mr ESTCOURT - Yes. It is in the report.

Mrs BLADEL - That is an extraordinary statement, is it not, they are 'real prices'? Who does the pricing?

Mr ESTCOURT - That is a euphemism for saying 'they are the prices we would love to be able to achieve everywhere but we cannot'.

Mrs HOLLISTER - What can we do? With those statements, what on earth can we do to get those grocery prices down?

Mr CHEEK - Without competition, nothing.

Mrs HOLLISTER - Without the competition -

Mr CHEEK - Nothing, unless you want to bring in price controls.

Mr ESTCOURT - That is right and price pegging in Victoria just did not work. It might scare them.

CHAIRMAN - Can I just get your comment on the record on price control? Is there a role in government for price control?

Mr ESTCOURT - We went to Victoria and talked to the people who are running the price peg program they had over there. It gave the illusion of working but it does not work in the long term and it is too difficult to administer; you have to create a bureaucracy to administer it.

Mr GOODLUCK - The same as petrol.

Mr ESTCOURT - There is a segment in the report, I think, dealing specifically with price pegging. You have a copy of the report?

CHAIRMAN - Yes, we have.

Mr ESTCOURT - There was one many years ago - I forget who did it now. Are you aware of a report in the sixties into prices?

Mr CHEEK - We had another one in the sixties did we, do we have one every decade, do we?

Mr ESTCOURT - I forget who it was. It might have been Fred Mitchell - the late Fred Mitchell.

CHAIRMAN - Are they the dust gatherers, that is the problem.

Mr ESTCOURT - That is what I say, I was disappointed that somebody - and I suggested at the time that it could have been done through Consumer Affairs - did not keep the database up to date.

CHAIRMAN - And you would be basically going on almost embarrassment syndrome just putting it up in front of Coles or Woolworths all the time, 'We are too dear', almost getting the public walking the streets demanding that they pull their prices down.

Mr ESTCOURT - That is right. That was no doubt Duncan Kerr's strategy with his continual exposures. It was the same thing over and over again but at least it kept people aware of the problem and it kept the players aware of the fact that they were being watched.

Mrs BLADEL - That is right and it also increased the level of bile in people like Michael Kent.

CHAIRMAN - Is there any role for right back at the start, back at the manufacturer, to play in this or is he squeaky clean through this exercise?

Mr ESTCOURT - No, he is certainly not squeaky clean. That is a whole area of marketing science in itself. The relationship between manufacturers, wholesalers and retailers, especially in the supermarket industry, has occupied the minds of committees all over the world, particularly in the United States. The one which they market is very complex - the discounts that are given and the use to which that discount is put and so on is a separate area of science. You could ask Dr Grundwald about that if you can pin him down. It was almost suggested in America, for instance, that it was dishonest, that the series of kickbacks and discounts that operated between that end of the market were dishonest. I do not think anybody ever got the bottom of it. A lot of the kickbacks are said to be passed on to the retailer

for use in marketing within the store and in the media at the time that the particular product is specialled and so on. You would certainly be biting off more than you could chew, I think, if you started to look at that.

CHAIRMAN - Thank you very much for coming. Can I just suggest to you, and I think you have probably realised it anyway, that the document in front of you is privileged at this stage and that things discussed in here must stay within the privy of the meeting until the report comes out.

Mr ESTCOURT - Very well. Thank you.

THE WITNESS WITHDREW.