UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON TUESDAY 27 MAY 1997.

Mr ROGER HUGHES, CO-ORDINATOR, COMMUNITY NUTRITION UNIT, DEPARTMENT OF COMMUNITY AND HEALTH SERVICES, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED:

CHAIRMAN (Mr Benneworth) **-** Thank you for agreeing to come along and state your case. Would you like to do exactly that; just tell the committee what you would like to say?

Mr HUGHES - I guess the crux of the submission that I put in was to argue the importance of the groceries market in relation to the health of Tasmanians; not only the economic importance and the importance for consumers, but the effect that it has on the health of Tasmanians.

I am sure you are all aware of the Tasmanian food and nutrition policy which endorses the concepts that the food we eat has enormous potential to influence our health and well-being. There are close links between our health environment and the economy in that all Tasmanians have a fundamental right to good health, which includes the right to have access to safe, nutritious and accessible food.

I guess, as a nutritionist and as a public health practitioner, I am arguing that the grocery markets can have a significant impact on the health and well-being of consumers as it is a major supplier of food. Approximately two-thirds of all food is consumed inside the home and comes from the groceries market. I guess I am arguing that any review of the Tasmanian groceries market should include a review of its impact on health.

From this perspective there is a number of features of the groceries marketplace that can act as barriers to healthy food choices, which in turn affect Tasmanian consumers' health and well-being. These barriers, I would suggest, should not be considered as trivial given the cost of diet-related disease in Australia generally, but specifically in Tasmania.

The other point to make in relation to that is the factors that seem to influence the cost and the availability and quality of food for Tasmanians tend to lie outside the span of influence of the health system, so that as health workers we have a limited capacity to influence price, availability and quality of groceries. That suggests that we need to have more intersectoral collaboration and action in this sector.

CHAIRMAN - How would you envisage that happening?

Mr HUGHES - I guess a good example at the moment is that in Tasmania we are one of the few States where we have an intersectoral group - the Nutrition Promotion Taskforce - which includes representation across all sectors, under the framework of the food and nutrition policy, to address nutrition issues that are relevant to Tasmanians. That framework, to me, seems an ideal opportunity to address some of the problems that relate to the groceries market relevant to nutrition for consumers.

So, having industry reps, having consumer representation and having health education people involved in collaboratively coming up with solutions seems to be the sensible way to do it rather than health saying, 'This is a problem' and expecting industry to respond to that, because history shows that they do not; they need to be involved. It seems to me that this committee is going to pull out a lot of useful information that can help identify some of the strategies that may overcome some of those problems.

I know that the committee is specifically looking at price, but one of the things that I wanted to suggest is that quality and availability are important variables as well which also influence price, and to point out that not only is the comparison between Tasmania and other States in Australia important, but also the differences between different sections of the Tasmanian population.

Rural communities tend to pay more for their food; they have less access to a range of foods. Their quality of food, particularly fruit and vegetables, seems to be less than the urban population, which seem to have a bigger market and have a bigger range of different food outlets, and so there is inequity between the marketplace in rural-versus-urban communities. That has come through very clearly in consultation we do on a regular basis with different groups of the Tasmanian community.

That in itself raises a number of issues relating to health and nutrition because it is the rural populations who tend to be also disadvantaged in terms of their health status, particularly those relating to nutrition: heart disease, diabetes, et cetera. I guess we are drawing the link between the groceries sector and the groceries market and the effect that it can have in this area. It is obviously only one of the factors that influences differences in health status, but it is potentially a major factor.

I guess the other thing I have not put in the submission is just to inform you that there has been a recent comprehensive review of the food supply in Queensland. It was a comprehensive review of the factors that influence the differences in price, quality and availability of food in Queensland. I guess there is a lot of information that can be drawn out of that that would not be lost in the Tasmanian situation. So there is research in Queensland which I can provide, or summarise, for the committee that would be relevant to the considerations of the committee.

CHAIRMAN - What is that document called because I would like it on the record, and I actually would like to request it, if the committee could get it.

Mr HUGHES - Yes, sure. It is the Queensland Food System, a description of the distribution marketing and access. I can either get a photocopy for you or get a copy sent to you.

CHAIRMAN - That would be great.

Mr HUGHES - It was commissioned by Queensland Health through the University of Queensland nutrition program.

CHAIRMAN - Did you say you would provide the committee with a synopsis of it?

Mr HUGHES - I could do that, yes.

CHAIRMAN - That would be very helpful.

Mr CHEEK - How old is that report?

Mr HUGHES - It is 1997 - just out. The project was a six-month or so project, which I was involved in when I was in Queensland. It went over six months in 1996 and has just been released. That involved a lot of consultation with both the retail sector, consumers and health workers. I guess it is looking specifically at the effect on prices, availability and quality of food. That is obviously only a section of what you are looking at in this committee, but there may be some useful information in that that can be relevant to Tasmania.

The other point to make is that the sort of information that this Queensland group has done is something that we do not have in Tasmania, and there may be some good justification in doing some sort of selective investigation, using similar methodology that they have used, for Tasmania. One of the things that the Community Nutrition Unit - which I am responsible for - is to look at the differences in price and availability and quality of food, particularly fruit and vegies, in different parts of Tasmania. That is something we are planning to do, and obviously we would be looking to do it in different seasons - for example, winter and summer - and hopefully make that part of that monitoring and surveillance system that can keep track of how things are going and what effect that has on the diet of Tasmanians.

Mrs HOLLISTER - That is an excellent idea. I thought there had been a survey done in the last twelve months looking at the amount of fruit and vegetables that school children consume, and the figures were pretty abysmal. Am I right?

Mr HUGHES - Yes, they were. The Eat Well Tasmania survey has been conducted every year for the last couple of years. That was an initiative funded out of the Tasmanian Health Promotion Council to fund the Eat Well Tasmania campaign. I understand that Deb van Velzen from Eat Well Tasmania is going to be presenting evidence this afternoon.

But the survey basically was a community survey of about 1 000 Tasmanians to find out their reported consumption of fruit and vegetables. They were well below recommended levels for good nutrition. That is obviously a concern for us as health workers because it suggested we needed to put a lot more effort into promoting fruit and vegetable consumption, being a strategy to improve nutrition and health generally.

Mrs HOLLISTER - You mentioned the rural situation where the health figures are really not very good and there is probably less consumption of fruit and vegetables. It is a vicious circle, is it not, because we have been hearing from the last people who gave evidence that in many of the rural areas the condition of the fruit and vegetables in small stores, because there is not a fast turnover, that deteriorates. So you are probably not getting top-quality ingredients, and that is going to once again perhaps give people lesser motivation to purchase fruit and vegetables.

Mr HUGHES - It is an additional barrier to choosing healthy food. If the quality of fruit and vegies, for example, is not that great at the point of sale, the fact of having old fruit and vegies on the supermarket shelf are that people will choose biscuits or something that is more palatable at the point of sale.

The Queensland work and the observations we have had in Tasmania so far are that although a lot of the fruit and vegetables in Tasmania is produced in rural areas, the distribution system seem to come down to central markets in Hobart or Launceston and then go back to the community where they originated from. So there is something wrong with the system where we cannot eat and produce food locally where it is appropriate.

Obviously there is an imperative for export markets and getting to the bigger markets but there needs to be consideration of strategies to keep food locally where it is appropriate, or keep a section of the fruit and vegies in the groceries market that is produced locally.

Fruit and vegies is obviously only one section of the groceries market; there is also the processing and all that sort of thing as well. So I guess the link between poorer diets in rural areas and the barriers that are created by the aspects of the groceries market are considerable from a nutrition point of view.

The other interesting thing, and based on some of the discussion I was listening to with previous evidence givers, was the discussion around the difference in cost of freight and petrol. Some of the results from the Queensland study show that that is not the total picture. It seems that consumers can have a significant effect on competition and bringing prices down. It seems that if we can educate and skill-up consumers to be better consumers, be more demanding consumers, then the market will adjust according to demand from consumers.

I guess there is strong argument to support initiatives that empower consumers to be better consumers and not to accept prices and the range of products that are in a supermarket, but to be more discerning and be more demanding of the retail sector. It is about giving power back to the consumer rather than the consumer being a slave to the market.

Mr GOODLUCK - You do not have tax on petrol in Queensland.

Mr HUGHES - I am sure there are valid reasons for differences in price.

Mr GOODLUCK - Yes, sure.

Mr HUGHES - I guess what I am trying to suggest is that we may need to accept that there are valid reasons for a difference in price between Tasmania and the rest of the States, but we need to look internally and see why rural communities are disadvantaged compared to urban consumers, and that there are lots of incentives, from a government point of view, for us to be doing that, given that we estimate something like $50 million a year is the cost of diet-related disease in Tasmania in direct and indirect costs. That is based on 1989 figures from the Australian Institute of Health and Welfare, extrapolated on a head basis for Tasmania.

Mrs HOLLISTER - What role does the advertising of what you would probably call unhealthy foods play in determining what young people are eating. Just from a personal point of view, I get really horrified by the diet of many young people and a lot of it is based on advertising for fast foods, which is full of salt, it has preservatives and additives to it. It is a bad foundation for health and for later eating habits. The advertising area plays a huge role in determining what those young people are going to eat and their habits later on. Would you comment on that?

Mr HUGHES - Certainly advertising obviously has an impact on consumer behaviour otherwise industry would not invest in it. There are studies that demonstrate that it influences not only point of sale - say, advertising in the shop, and the different strategies that supermarkets might use to sell different products - but the TV advertising and mass-media advertising does affect brand purchasing and brand selection as much as it does the type of food that is purchased.

Part of the challenge from a nutrition point of view is to, I guess, make healthy food choices easy choices for consumers. Advertising for less healthy food items makes it harder for a consumer to pick out what is the best thing for me from a health point of view. I think it is widely accepted that advertising does have a role otherwise industry would not invest the millions and millions of dollars that they do into the area, because they get returns on it.

So, yes, it is a definite factor. Because of the amount of investment that goes into it from an industry perspective, it is hard for government to compete using the same sort of tactic. We need to use other tactics and strategies, I guess, to promote good nutrition rather than compete with the advertising that happens in the marketplace.

CHAIRMAN - What is government's role in this?

Mr HUGHES - In relation to?

CHAIRMAN - Nutrition - well, the lot: nutrition, price and quality.

Mr HUGHES - The food nutrition policy spells it out pretty clearly, I think. Nutrition is a whole-of-government responsibility, and the rationale being is that it incurs phenomenal costs to the economy and society generally if we let it go and absolve government of responsibility for nutrition, because it is a key platform in overall health of Tasmanians. Different sections of government, such as Consumer Affairs, Health Department, Education Department - even Primary Industry has a significant role to play in improving the nutrition of Tasmanians.

CHAIRMAN - In your opinion is that happening in Tasmania?

Mr HUGHES - Very much so. It is very much starting to happen and I have to say, being a recent addition to Tasmania - or a recent convert to Tasmania - that Tasmania is leading the way in a lot of ways in relation to government policy around food nutrition, and Tasmania's food nutrition policy is, in a way, the gold standard for other States to follow. So there is a lot of opportunity, and that is part of the reason for putting the submission in, that this is an issue that can be addressed quite effectively by using this all-of-government approach; it is spelt out in the food nutrition policy. The grocery sector, because it has a significant role to play in an area like nutrition, can be addressed in this fashion if the will and the resources are there to do that.

CHAIRMAN - What role does Coles or Roelf Vos or Purity or Four Square play and where do they fit into the equation?

Mr HUGHES - My view would be that in this intersectoral nature we need to be looking at how we get a win-win; how do we get a win for industry? There is a lot of consumer demand for healthy products; there is a consumer demand for healthy food, and that demand is increasing. So industry can benefit from meeting the demand for healthy food and they can maintain their profits and maintain their patronage by meeting the demand for healthy food. I guess there are opportunities to collaborate between health workers who have a vested interest in improving the health of individuals and industry that has an interest in making profits and maintaining market share. So although I do not have the answers, I think there are lots of opportunities and lots of capacity for that sort of activity to happen.

Mrs HOLLISTER - I think, as a State, we miss out on farmers' markets here. I think a lot of people would change their eating habits if there was easy access right around the State to good - I just use the term farmers' markets, where you go and rather than spend the money on food that has dubious nutritional value, because it is on special at a supermarket, if there was the availability of families going and purchasing potatoes in bulk, all their vegetables in bulk and their fruit grown locally, I think you change the way those eating patterns develop. Do you have any comment? Just a prime example, I guess all of us when we go to Victoria we always go to the Victoria Market and you see families going home with huge amounts of produce that will be the staple part of their diet for that next week. Would you comment on availability of fresh markets?

Mr HUGHES - I think if that could be encouraged and that could be implemented that would be a great initiative and make a significant impact, particularly in rural communities where there could be an emphasis on buying what is produced locally at a cost that is appropriate to the real cost to produce that food and consume it locally.

There have been some projects specific to nutrition that are focused on developing cooperative buying systems for consumers and they work very well. They have particularly been used in lower socio-economic areas who do not have the resources to buy - where the proportion of their total weekly budget spent on food is a significant part of their total budget, and therefore there is an imperative for them to choose and buy food that is cost effective for them.

That sort of principle could be applied to the consumer generally if those sorts of outlets and those sorts of market places were available. At the moment most Tasmanians get their fruit and vegies from major supermarkets like Purity and Roelf Vos and Coles. If there was more encouragement for primary producers, for example, to sell their product at the farm gate, or some comparative term, then there would be greater opportunity for consumers to get better quality fruit and vegetables because they are skipping that transport and the deterioration in quality et cetera that goes with transport.

Mrs HOLLISTER - What about the community garden projects? Is your group supportive of this type -

Mr HUGHES - Yes, very much so. There are some community gardens that have been initiated in Tasmania. There is one in the north that has been initiated through a health relation funding. In other parts of the country they are working very well. Particularly in Aboriginal communities the market garden concept has worked very well.

If there is incentives for communities to get in and do those sorts of things then they can have a major effect and impact. Not only are they getting good quality food but they are getting people in the community working together to achieve a common goal and they are learning something as well about getting back to the skills that we seem to have lost over the last couple of decades.

The co-operative buying and the farm-gate purchasing of food is something that seems to have happened 30 or 40 years ago and that has slowly been culled out of our marketplace. So a return to that sort of system may be a solution. The challenge is getting the community support to do that, and that is why I suggested earlier that we need to be investing in getting consumers to be more empowered about being good consumers and being more demanding and taking some responsibility for what they accept in the marketplace.

CHAIRMAN - Are you getting good support from the Tasmanian retailers?

Mr HUGHES - Yes. It is early days for the task force and the Eat Well Tasmania campaign but there is a lot of interest. I think at a government and at a community level we have to start getting some runs on the board so that industry sees some benefit in this collaboration. I guess one of the challenges is putting the right amount of resources together that is seen to be worthwhile. We can tinker around the edges and have a lot of discussion and enthusiasm, but unless that enthusiasm is sustained by good outcomes, it can fall away pretty quickly. That would be my view, based on my experience.

It has been very encouraging in Tasmania and that is one of the real opportunities we have down here in that, compared to other States, we are a small market, we are a small population and we are small geographically and there is a lot more opportunity for us to work together to solve some of the problems that we have.

CHAIRMAN - Is the Government funding you well enough - resourcing you well?

Mr HUGHES - I think if you asked that of anyone, they would always say no. But the Government has instituted a number of good initiatives to promote nutrition. Eat Well Tasmania, for example, is a good example of seeding funding that has got this up and running.

My own view would be that if that initiative and that momentum that has been generated through the existing level of funding that we had dropped off then we would go backwards. I guess my view would be that we need to encourage further activity in this area to get runs on the board and show that it is sustainable and that there is interest and to generate interest in other sectors.

It is not just the responsibility of the Health department to address the nutrition issues; the more we spread the responsibility across the whole of government and the whole community the more effective we are going to be. That is consistent with, I guess, best practice in public health, that responsibility should not just be with the Health department but should be with Primary Industry and the retail sector and the consumer sector. It is in all of our interest to get this stuff right.

Mrs HOLLISTER - Does it surprise you, as someone who has come from another State to live here, that we can claim to have the cleanest air in the world, probably the best agricultural produce and aquiculture produce in the southern hemisphere almost, a certain quality of life without a mad pace, and yet we have pretty appalling health statistics?

CHAIRMAN - Cop that!

Mr HUGHES - It does not surprise me.

Mrs HOLLISTER - This is a very important issue to me because this is a problem that I have all the time. I come from the north-west coast. It is a most magnificent area. We have a quality and a pace of life that should not be stressing us out too much, clean air, clean water and great products. What has gone wrong? We have the highest level of heart disease in Australia. We have obese people. We have people who are depressed. We have a high level of youth suicide. I do not think we eat well for a start, and it really worries me the trends with young people, what patterns we are establishing. This is probably outside what we are doing here, but I am interested in your ideas.

Mr HUGHES - There is obviously a whole range of factors. One of them would be the socio-economic situation for a lot of Tasmanians. There is unemployment, poverty, limited educational opportunities for certain sections of the community, which all contribute to this inequity in health status. That is consistent across all health issues, whether it be sexual health or smoking or whatever. So the social economic fabric of Tasmania probably contributes to that.

In relation to nutrition, things like the groceries market would contribute. The takeaway or the convenience food markets would contribute as well. Attitudes of Tasmanians seem to be different to other States, or there seems to be some unique attitudes that are Tasmanian. So there is a whole range of factors, and I guess one of the things that the food nutrition policy has clearly spelt out is that we need to have a whole range of strategies to address nutritional health in Tasmanians.

If we concentrate just on educating people about what to eat it will not work, and that has been shown not to be effective. We also need to impact on the food supply. We need to have some sort of control or understanding of the impact of things like advertising in the media; government policy and how that affects the food supply and consumer behaviour. So there is a whole range of things and it is hard to answer that without writing a 300-page document on it.

One opportunity that I think we have in Tasmania is the rhetoric is clean and green but we should also be flogging clean, green and healthy; that Tasmania is the food bowl for a lot of the southern part of Australia and export markets. We produce a lot of good healthy food in Tasmania and why not market to Tasmanians but also to other people that we produce a lot of good healthy food and we pride ourselves on making good healthy food. The aquiculture, the fruit and vegies, you cannot beat it.

Ms GIDDINGS - There seems to be some confusion out in the community as well that the traditional meat and three veg diet is almost ridiculed nowadays, 'Is that all you have' sort of thing. But certainly if you are supplementing your diet with more exotic dishes, which are just as healthy and it is fantastic, but do you think it is almost a confusion that 'Oh, well, meat and three veg isn't entirely correct either' and so what is pizza for dinner sort of thing or takeaways.

Mr HUGHES - One of the big challenges is the consumer misinformation and confusion about what is healthy nutrition. I guess the messages that have come out from nutritionists particularly is that the traditional Australian diet of big slabs of meat, a few vegies - not a lot of different sorts of vegies - as a staple diet is not particularly healthy because it is high in fat.

One of the key messages, and the primary message for nutrition, is the importance of variety. Probably the best thing we can do as consumers of food and for our health is to get a whole range of different foods and not eat too much of the one thing. So there have been messages that have been mixed up, and we still have a hell of a lot of work to do to get the message right and use the right strategies to get through to consumers.

As a simple measure, if we could increase the consumption of fruit and vegies across all Tasmania, we would significantly reduce diet-related disease problems, and the evidence suggests that. So the groceries market has a potential impact on that, particularly if the groceries market is throwing up a whole range of barriers to people choosing fruit and vegetables, for example.

Mr GOODLUCK - Have you done much research on the myriad of tablets that are available now, like vitamin E and vitamin C and so forth?

Mr HUGHES - Yes, certainly from a nutrition point of view there are benefits of different sorts of vitamins, but the benefit comes from the food and not particularly from the individual vitamin. There is so much that is still unknown about the effects of a particular vitamin, and most of the studies are coming from population studies that are looking at whole populations consuming foods that are high in vitamin E, for example, as opposed to taking a pill of vitamin E.

So the message we should be promoting is to eat more fruit and vegetables that contain those protective nutrients because that is the best way to get them, and the most efficient for society too because we are not paying lots of money out for vitamins and minerals that we can get from food.

Mr GOODLUCK - It seems to be a boom business.

Mr HUGHES - It is a growing business.

Ms GIDDINGS - What is the nutritional value of frozen vegetables then?

Mr HUGHES - Almost as good. Frozen and canned vegetables and food items are almost as good nutritionally. For a lot of rural communities - and thanks for reminding me - a simple strategy that we can use to improve access to groceries and fruit and vegies and healthy food in rural communities is to promote the fact that frozen and canned fruit and vegies are good alternatives to fresh produce. If you cannot get fresh produce use frozen or canned produce.

So, yes, they are almost as good; in some cases better quality because usually the best quality fruit goes into tinned fruit. It is rarely you open a can of tinned fruit and find a piece of peach that is bruised; it is always the best quality stuff that goes into those products.

Ms GIDDINGS - From the consumer's point of view, fresh fruit and vegetables seem to be more expensive than frozen vegetables. From the eat well healthy point of view, you do need some more education of consumers on that.

Mr HUGHES - The thing with education of consumers is that it needs to be ongoing; it needs to be sustained. We can spend a lot of money on doing a glitzy media campaign for a month this year; next year people will have forgotten about it. It needs to be sustained. It needs to be ongoing. We need to be using different strategies to get the message across.

That is the consistent message from campaigns that have been done all over the country, and in fact all over the world, that reliance on the media as a strategy in short-term bursts is not effective in changing consumer consumption and behaviour. That is why industry has a continual supply of different sorts of ads on TV, because they know, they have cottoned on early, that consumers will listen to a message once and then will want to move on.

Consumer education is only one aspect. The Government has an opportunity to impact on the food supply generally by encouraging primary production of healthier foods.

CHAIRMAN - Just finally, are you a discrete output unit within the Health budget?

Mr HUGHES - In the existing structure, which is changing in June, we are part of the Child and Family Support Service.

CHAIRMAN - And after June?

Mr HUGHES - After June we will be in the Community and Rural Health Division.

CHAIRMAN - That is the right spot for you, I would have thought.

Mr HUGHES - Yes. In a sense the State Nutrition Officer, Judy, who was planning to be here today as well, she is the State Nutrition Officer who sits in Health Advancement Output Division and we will be in Community and Rural Health. So nutrition is being split across the two divisions.

There is some rationale in that in that we are the operational arm of nutrition in the community, so we are out there developing programs for the community whereas the State Nutrition Officer role is doing the policy monitoring surveillance roles. But obviously we are working very closely in an organisation like the Health department.

CHAIRMAN - Have you got your own budget?

Mr HUGHES - A small budget, yes; to work as a unit, yes.

CHAIRMAN - And staff?

Mr HUGHES - We are staffed with - the full-time equivalents is about - it is not a lot. There is 3.5 full-time equivalent nutrition positions in my area, which is community nutrition, and which has responsibility for implementing nutrition programs.

Ms GIDDINGS - How long has that unit been in operation?

Mr HUGHES - The last three or four years, it has sort of evolved. I think it started back around the time of the food and nutrition policy development in 1993.

Ms GIDDINGS - Are you aware of cutbacks in the budget over that period of time?

Mr HUGHES - I am not aware of cutbacks specifically with our budget at this stage, but I am aware of the budget imperatives in the Health department at the moment.

CHAIRMAN - Mr Hughes, thank you very much for addressing the committee. From my point of view you opened my eyes, and I am pretty sure that has happened with everyone else. Thanks very much.

Mr HUGHES - Can I clarify what further information you need from me?

CHAIRMAN - Yes, indeed.

Mr HUGHES - I can do a summary of the Queensland study for you. Do you want me to summarise the stuff that is relevant for Tasmania; are you happy for me to pick out what I think is relevant?

CHAIRMAN - Yes, 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 TUESDAY 27 MAY 1997.

Ms DEBORAH VAN VELZEN, EXECUTIVE OFFICER, EAT WELL TASMANIA, AND **Dr DAVID WOODWARD**, UNIVERSITY OF TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIRMAN (Mr Benneworth) **-** Thank you very much both of you for attending and for taking an interest in the select committee's hearings. Could you, just by way of background, introduce yourselves for the record and the organisations you represent and maybe just a brief sketch of the purposes of the organisation?

Ms VAN VELZEN - Certainly. I am Deborah Van Velzen. I am the Executive Officer of the Tasmanian Nutrition Promotion Task Force, which is running the Eat Well Tasmania campaign. It is a coalition between the food industry, health organisations and community groups to promote healthy eating to Tasmanians, and especially Tasmanian produce wherever possible.

Dr WOODWARD - I am David Woodward from the University of Tasmania. I am not an official university representative, I would hasten to add; I am here mainly in the fact that I have been engaged in nutritional research around the State for quite a few years, and providing by numbers some back-up for some of the things that Deborah is going to be saying.

CHAIRMAN - Thank you. We had Roger Hughes with us this morning, and I can now immediately get the tie-up so I feel happy. Would you just like to speak to the committee about whatever you would like to speak about?

Ms VAN VELZEN - Certainly.

CHAIRMAN - These notes of yours, will you be putting them in as evidence?

Ms VAN VELZEN - They have been included in the submission we have already given.

CHAIRMAN - Okay, thank you.

Ms VAN VELZEN - I think the first point I wanted to make was that food obviously is really an important component of the cost of living and Tasmanian households are estimated to spend about 21 per cent of their household income on food and food-related items per year, and that is why it is really great that we are having this focus on grocery markets and prices. But any changes to grocery markets and prices obviously will not only affect the food industry and the economy but also the community.

If we look at food as a part of the overall food system and related to the economy - that just brings to your attention; it is from the food and nutrition policy that the Tasmanian Government financed in 1994. So despite having a great environment and producing some really good food - and a higher standard of living - Tasmanians still do not really reap the full benefit of what we produce, and that can relate to the health costs which are quite a burden on the family individual and the community.

But there are strategies that we can use to maximise positive benefits of all sectors of the food industry and have more long-term success when we take into account all the different motivations of the different sectors, so the different motivations are the primary producers, the retailers, the processors and the Tasmanian consumer. So rather than just looking at the market - the grocery market sector - it is part of a wider system and it is interconnected.

Where I come in is that Eat Well Tasmania is promoting this whole-of-food system approach and looking at working together on how we can facilitate the local food economy and looking at ways we can do that. One of the long-term strategies that we have identified, and are now proving that it is a successful way to help support the local food industry, is through promoting healthy food choices. So what we are doing is using a whole-of-community approach to link the issues between health and the food sector.

By working with the Tasmanian consumer, because that is where the whole of this outcome is, we can look at some of the things that facilitate consumers making healthy choices and some of the barriers that hinder them making healthy food choices, and that linking back, of course, to the health costs and therefore back into the economy.

If we can find information about what Tasmanian consumers are eating and how they are choosing those sort of things and how they work within the grocery market and feed that information back to the food sector, the food sector obviously stands to gain by this understanding. What Eat Well Tasmania has been doing as part of that strategy is we are working with a range of different sectors in doing an annual survey on Tasmanian eating habits because they have not been done in a sort of general sense across the wider adult population of Tasmania.

What we have been doing is gathering information about what Tasmanians are eating, where they are buying it from, what barriers there are, how much they are eating - things like that - attitudes to different types of food, and we are feeding that back, not only to researchers but also to the food industry, so that they can use that information to market what they are doing and do what they are doing better.

So if we use fruit and vegetables as an example - I will just put up this overhead - one of the first questions we asked people was, where did they buy most of their fruit and vegetables? What we found was that obviously supermarkets come up very high in that. So if we are looking at any changes to the grocery markets and prices, that is going to be reflected in these figures.

If we look at how much fruit and vegetables Tasmanians are supposed to be eating - they are supposed to be eating two serves of fruit and five serves of vegetables every day - this is the figure that we have come up with, so obviously Tasmanians are not eating enough fruit or vegetables. If we look at people eating fruit together with vegetables, then a proportion of Tasmanians are actually meeting that recommendation, but it is only about 19 per cent. So about 19 per cent of Tasmanians are actually eating the amount of fruit and vegetables they should be eating.

So the point I would like to make is obviously that amount of fruit and vegetables can be increased, and that can obviously be pushed towards the Tasmanian produce and Tasmanian products, and that is where it leads back to the economy. Because one in three Tasmanians actually do want to eat more fruit and vegetables, so there is a linkage there where we can encourage these Tasmanians to eat more fruit and vegetables, but also make them Tasmanian, and by working with the whole of the food sector, we can do that in a coordinated sense.

Some of the barriers to eating more fruit and vegetables were: not enough time; the availability in terms of their ability to access fruit and vegetables; and also the perception that it costs too much. So obviously what I want to point out is there are ways where we are proving in Tasmania, and we are actually breaking ground in terms of these sort of strategies in Australia - it has not really been done in Australia - we are breaking ground to create widespread support for local industry by decreasing the risk of diet-related health problems and the otherwise related burden to the community. So there is a clear link between working within the grocery market sector, but looking at the wider issues and how we can do that in a coordinated sense throughout the whole-of-food sector.

I would like to hand over now to Dr David Woodward who is going to take a closer look at some of the regional issues, and also the future eating trends that might inform the committee when they are making their decisions.

CHAIRMAN - Just before you sit down, Deborah, one question - you said a 'perceived' price problem.

Ms VAN VELZEN - Yes.

CHAIRMAN - 'Perceived' being from your research? Is it an actual or is it not an actual, or is the word 'perceived' used because it is research-based?

Ms VAN VELZEN - It is a bit of both - I am getting more croaky. It is a perceived perception because when you work with health professionals and look at the raw costs of buying your pasta, fruit and vegetables, and things like that, as compared to pre-prepared meals, the cost of raw ingredients is much, much less than people buying pre-prepared fast foods, takeaways and things like that. So sometimes people think that if they spend $20 on a fruit and vegetable basket, that they can go out and spend $20 and feed the family in one go. There sometimes is a gap between the perception and the actual costs and how far that will go in terms of the household budget.

CHAIRMAN - Whose problem then is it to break down that perception?

Ms VAN VELZEN - Well, I think it is in the interests of the range of sectors in the food industry. It is in the interests obviously of the primary producers - the potato growers and the vegie growers - just to say that we are cost-effective. It is also in the interests of retailers; they want to sell more, and if we can help the retailers sell more fresh produce and cold food type of things, then that is in their interests. It is obviously in the consumers' interests to get the best value for their money, and so there is a whole linkage there.

Mrs BLADEL - Deborah, I can remember when I was teaching - and I have not been teaching formally in a classroom for ten years now - but quite often we did discuss food and nutrition. I taught at Bridgewater High the last nine years, and so many children did not ever eat vegetables or fruit - they just did not like it - and those who did eat vegetables ate fried chips or peas. They quite liked peas, but that was generally the extent.

In that area there are five or six fast-food shops, ranging from McDonalds to various other pizzas, Kentucky Chicken, and then local fish and chip shops and hamburger shops and so on. Now have you done any research in those areas with regard to availability, cost and so on?

Ms VAN VELZEN - I might touch on something that Roger Hughes might have touched on this morning but we included it in our submission as well. Roger coordinated with us a survey on take-away foods basically - although it was not in Bridgewater; it was done in Glenorchy as a similar area. What they found was that Tasmanian consumers were saying that they wanted healthy take-away choices, but there was a perception amongst the retailers who were selling the foods that there was not this demand. So there was actually a gap between what consumers wanted and what retailers were selling.

What we are doing is getting that sort of information and feeding it back to both the retailers, but also to the food processors, because there is obviously a gap in the market there and there is opportunities for food practices - and they can be Tasmanian - to develop those products and then sell them through the take-away market.

Mrs BLADEL - I was not here this morning so I do not know whether this came up, Mr Chairman, but school tuckshops -

Ms VAN VELZEN - Yes, we are working with them as well.

Mrs BLADEL - and canteens are a bit of a worry too, because although there is a school canteen association -

Ms VAN VELZEN - Yes.

Mrs BLADEL - I think they are obviously trying to bring a few changes in. I have noticed that on some of the - and my grandson is at one of the primary schools in Hobart and I thought they did pretty well, but when I look at their daily menu it is all pastries - pastry goods - and there is nothing fresh; there is no salad. And yet his family - I always say that, 'If mother could put bean sprouts in the ice cream she'd do that' - and they are very nutrition conscious. But the choices at the school tuckshop are very, very limited and very much in the fast-food line.

Ms VAN VELZEN - Yes. I think historically a lot of canteens went down that avenue simply because a lot of canteens were stuck in a situation where they had to make profits to buy school equipment and things like that. But now they are actually turning canteens completely around where canteens, such as the Clarendon Vale Primary School in the Rokeby area, are proving that they can sell healthy foods to lower socio-economic areas and make a profit. They have become a really exemplary school and their canteen system for the whole of the State, and a lot of canteens are now looking to Clarendon Vale and working on their ideas and their canteen's system. That is starting to spread through word of mouth, and the School Canteen Association is working to make that happen, and we are working with them to then spread the word.

Also we have just launched a fruit and veg campaign and we are working very closely with the schools and the school canteens to give them ideas about different ways of promoting and highlighting fruit and veg and healthy eating through school canteens because obviously the kids are where it starts all happening. If we can get a similar movement that the recycling movement had where schools and children caught onto the idea of recycling and brought that back to the home and then changed practices in the home, if we can get kids choosing healthy foods within the school and then influencing that through their parents when they go shopping through the supermarket, then we can get that same flow-on effect.

Mrs BLADEL - That is great, thank you.

CHAIRMAN - Could I just ask you to stand on this side, Doctor, because apparently the microphones are having a bit of trouble picking it up if you are over there.

Dr WOODWARD - Okay. I am going to follow Deborah's theme on a bit further focusing particularly on fruit and vegetables because I think they are one area which everybody recognises, and particularly healthy sort of products because of the vitamin content. We all know of the days of people going down with scurvy due to lack of vitamin C in the last century down here in Tasmania. But there is more particularly things like fibre, which is known for its very beneficial effects, not just in terms of bowel movements but a whole range of other areas, and the new sexy area like antioxidants, which are now being pushed quite strongly, is helping to prevent both cancer and heart disease. They are not the only factors involved, but they are fairly important in that regard.

So fruit and vegies seemed a logical place to have a look at, particularly as Eat Well Tasmania are engaged in quite an active campaign to encourage people to eat more fruit and vegies anyway. So I pulled out the data from the 1995 study, just to give you an idea of what the questions looked like and the answers.

First of all I guess we can look at what people were doing; secondly, do they want to change; thirdly, the barriers, and more particularly, do those depend on what sort of person you are. Are Tasmanians uniform or are they really a very diverse group? We have all got our own speculations, I suspect, about that but anyway.

The first question simply asked: 'Did you eat any potatoes yesterday?' We asked them not to include things like chips and potato wedges - straight potatoes. We gave them a range of answers, but the average response was just once. We asked the same sort of question about a salad, and the average response was just once - that is, just once in the day. And apart from potatoes: 'Did you eat any cooked vegies yesterday?' On average about one serve -

Mrs BLADEL - Does that include potatoes?

Ms VAN VELZEN - No.

Dr WOODWARD - And, 'Did you eat any fruit yesterday? Again we came out at about one serve on average - beating the system jargon we use for average nitrates, so I do not think that is a worry too much.

When you add all that - Deborah has quoted figures in terms of the percentage eating the recommended amounts of fruit and vegies - what it comes out at is on average people are consuming about two serves of vegetables and one serve of fruit, which is well below the four to five veg and two fruit that the experts are currently recommending.

I promised we would look at how Tasmanians differ - or do they? Just for those four questions - and I admit they are fairly limited questions, but you have got to start somewhere looking for figures - we find that women are more likely to be eating salad than men; they tend to eat more salad. That is the only gender difference we get.

Potatoes - and perhaps not surprising to those of us who deal with young people more often - potatoes tend to get less popular in the younger generation than the older generation - we are looking at people from about 20 up to 65 to give you the picture of the range we are looking at. But that is the only age difference we have found.

The regional difference is a bit fascinating in a way. The northerners - that is the (03) 63 region - is a bit more inclined to eat salads but then the other vegetables do not differ. The north westerns just were almost on the edge of being significantly different in regard to potatoes, which again was a fairly unsurprising sort of result; it did not quite make the statistical cut-off.

There were no urban rural differences, but I think it is fairly important that the people in the urban areas like Burnie, Devonport, Launceston and Hobart are not different to the people in the smaller places.

Socio-economic status: people from higher socio-economic status tend to eat more fruit and they eat less potato - which, I guess, comes back to the sort of question you were asking about Bridgewater a little while ago. In the lower socio-economic areas, it is proved it is less consumed. Whether that is price or other things I cannot totally answer, but I suspect there might be something there.

Deborah has already presented this figure. We asked: 'Would you like to change the amount of fruit and vegetables you eat; how often they could eat more, eat less or no change?' 31 per cent said they wanted to eat them more. So as Deborah said, we have got about a third of Tasmanians saying they want to eat more fruit and vegies. This should be great news for the producers and the retailers, but are there any sort of little pockets of resistance to this trend?

Again we compared the groups. There are no gender differences. Interestingly the younger people seem to have a greater desire to eat more fruit and vegetables than the older ones, so the younger people are, perhaps, a bit more conscious of these things.

The Launcestonians and their sort of hinterland actually came out wanting to eat more fruit and vegies as well. Urban rural differences: again there is no difference, and it is particularly interesting - I think again with the Bridgewater story - there was no difference between people of different socio-economic status. So with the exception of a little bit of regional variation, a little bit of age difference, most Tasmanians have a fairly uniform desire to want to eat more fruit and vegies. There are no huge pockets of resistance hanging around that to that idea.

We asked them, 'What's stopping you from making this change?' - and I just focus on the people who wanted to eat more fruit and vegetables - and the decreasing order of prevalence these are the reasons they give: lack of availability, something like 20 per cent; lack of time to deal with them is about the same; cost is around about 10; and these are getting down around about 5 or 6. This is the percentage of people who actually want to make the change.

So the big things I guess showing up are: people wanting to make a change; eat more; availability; and cost of the things, which I guess the retail sector can address to some extent. To a lesser extent, quality and lack of variety could also be the problem. Not enough time, not liking them, would probably be some of the things that would be outside the capacity of the retail sector to do a huge amount about.

In terms of those barriers, do they differ? Are there people who are facing particular problems in trying to realise this desire to eat more fruit and vegies? There is no difference between males and females; no age differences; no urban rural differences; no differences in socio-economic status. It is pretty uniform across the way, but what I am covering up is perhaps the interesting thing at a sort of lower regional level.

By and large quality, variety, were not big issues; there were only a fairly small percentage of people affected, but I tend to be focused and think of the regions. Do not worry about the south there for the moment, but up in the north poor quality and high costs were much more likely to be seen as barriers in other parts of Tasmania, so quality and cost -

Mrs BLADEL - Poor quality in the north?

Dr WOODWARD - Yes. The people in the north were more likely to claim it was poor quality and high cost that was stopping them eating more.

In the north-west, a particular bug up there seemed to be a lack of variety, so while there was not a great deal in the barriers, I think these are areas which do show up the interesting regional variations, and I would imagine it is something that some of the retail people from every side of the trade will be seeing that they can do something about.

I thought I would just throw in for completeness a set of results I got from a study a couple of years ago from teenagers around Tasmania. This one, I think, hit the media at one stage last year. Some of you may have seen the results before but I apologise in that case.

We looked at about 2 100 high school students around Tasmania. Compared to the urban students, the rural students ate meat pies, hot chips, soft drinks more frequently. This is our country area; we grow a lot of fruit and vegies down here. The country kids were eating less apples, less tomatoes, less orange juice. We only asked about four fruit and veg all the way, and the kids in the rural areas were actually eating less of almost all of those. The rural kids were actually eating more of these things - the takeaway sort of area.

We found a somewhat similar pattern if you compare the regions. The north west was most like the rural students here, and the southern region was more like the Tasmanian region as well - the Hobart area.

So we do have, I think, as seen here that there seems to be a greater degree of variation in behaviour between regions - between parts of Tasmania - among school kids than there is among the adults. I think that is something that is not a good message for the future because it suggests that for whatever reason these kids elapse into habits which, in future years, are probably going to have a fairly major impact on the health of Tasmanians.

I think most of you would be aware that we already have the dubious distinction of having the highest heart disease death rate in Australia. So stuffing yourself full of these on a regular basis is not going to help that particular response, and abstaining from apples and other fruit and vegies is not going to be a terribly good idea either if you want to reduce the health risks later on. So it is a bit of a hint that we - maybe the younger generation - storing up troubles which are going to filter through into our health cost system in subsequent years.

I guess just to finish off, the important point I think is the food that we eat is not just a matter of cost - and I know that is what the committee is looking at; that is perfectly understandable - but it has wider costs. If we eat inappropriately, it increases ultimately our personal health costs, and also the community's health costs. So I think it is important for the retail sector not just to be providing food but to be making sure that the healthy options are also available at a reasonable price, or else what we save in the supermarket this weekend may come off your and my tax in a few years' time. So I think it is fairly important then.

If I could just make a suggestion that when putting the report together subsequently you may, rather than just looking at the cost of a packet of basket foods - this is a standard thing that *Choice* magazine does in airing things - perhaps also give the costs of a basket of healthier-type foods to see, in fact, how that compares around the State, even between here and interstate.

CHAIRMAN - Thank you. If you were to make an intelligent guess, how far back does this go - this trend?

Dr WOODWARD - How far back does the habit?

CHAIRMAN - Yes. Where are these habits coming from?

Dr WOODWARD - Comparing foods, comparing diet between here and the mainland is fairly hard; there is not all that much information on Australia generally going back that far. I did a major dietary survey on school kids in 1979, and that was the first big study that had been done in Australia since the Second World War; there was a big gap in terms of filling the holes.

My guess is that Tasmanian habits have been fairly conservative for a long time back, simply just as a stereo-type base and what I know of the island over many years' residence, that we tended to reproduce the dietary patterns of the British, Irish, et cetera ancestry of this part of the world. Certainly by the mid-eighties we were tending to be a more conservative Anglo Saxon type diet than the rest of Australia. We were slower to take up the input of the migrants in terms of new foods and so on.

The other clue we have is that Tasmania's heart disease death rate has been higher than the mainland average now for at least the last 30-odd years, which is as far back as we have figures that can be compared readily. I think we are sort of facing a fairly long-established habit, if you like, in terms of what we are doing.

There are signs of change; they are probably slower here than they are elsewhere. Sorry, have I gone off the topic?

CHAIRMAN - No, you did not. So where is the solution to this, Doctor? Is it government coming down very heavy and making some almost edicts over the schoolchildren? Where do you suggest this committee points its recommendation on this area - which is very important; I think we all recognise this severe problem.

Dr WOODWARD - I think we come down to a number of areas. I think education is important, both in schools and educating the wider community. I think it is important that reliable information does get out to the wider community, but I do not think that on its own is going to make an enormous impact. Certainly the study we have done on school kids shows that the kids actually had a fairly shrewd idea of how good different foods were; it did not seem to have much impact on what they actually did. Education in its own right will not achieve much.

I think there is room for some carefully conceived health promotion at a much more elaborate level than we have done. At a conference I was at about two weeks ago, Margaret Viller from the Health department in Western Australia showed some marvellous advertisements that had been set up, targeted at school kids, to encourage consumption of fruit and vegetables. To my mind they were actually really competitive; the Coca Cola and Pizza Hut and so on ads, they were really good, and I think there is room for something like that in promotion.

There is also, I think, a degree of price sensitivity here that if healthier foods are substantially more expensive then a lot of people will not buy it, so if there is some way of encouraging - I do not think we are going to come down too heavy handed on this because they will not wear it - supermarkets perhaps to discount some of the healthier produce, this might help to increase sales for them. That is an economic question, not a nutrition question, but I think that is certainly part of it - that pricing public education and nutritionists, such as myself, sort of occasionally bagging this around the media, as I do any way.

CHAIRMAN - I find it almost disgusting to read last week that six of the eight top-selling cereals are unhealthy. I almost find it ridiculous that we, as a country, are letting them get away with that. It is almost obscene, is not it? Am I over-reacting; I do not think I am. But I want to know, where does it start? Does the Federal Government come down and say, 'You shall not put this sort of garbage on the market' or -

Dr WOODWARD -Well, food standards legislation is basically a Federal act because of its effects now in international spots because we are harmonised with New Zealand. I do not know totally how you get the answer to this. It has been clear that the food standards regulations, if they were framed in a certain way, would certainly forbid you selling breakfast cereals above a certain level of saturated fat or salt or whatever it be. I think politically that would be very difficult to push through.

Some countries, I think Norway in fact, developed a system in trying to discourage consumption of saturated fat at the sales tax - or BAT as it is over there on a lot of foods - was adjusted according to the fat content of the food, so that full-cream milk was more expensive then than the lower-fat milks, that margarines that had a lot of saturated fat had a heavier tax than margarines that had a lower saturated fat level. Differential sales tax, or GST as it will probably be tomorrow, there may be some rift(?), but I think that would require a certain degree of political courage to bring that in.

CHAIRMAN - We do it with petrol, do not we?

Dr WOODWARD -Yes.

Ms VAN VELZEN - We are also using healthier food choices as a marketing tool. We are working with take-away operators, like the smaller take-away operators - we have not hit the McDonalds of the world yet. But what we are doing is we are helping them use the Eat Well logo as a marketing tool, so that when people see the logo they are saying, 'Okay, we can either get a healthy food choice there, or good information about healthy eating'.

We are working down in Kingborough at the moment as a start and we have developed some chalk-boards for the different take-away operators, who then come on board with this healthy food system. What we are trying to do is promote that they have healthy food choices - they are delicious, they are the same price as other things - and use it as a marketing tool, so if they start picking up customers then the other take-aways around them will say, 'Well, I've got to do the same thing to keep up with it'. So it is using it as a marketing tool to support their business. That is one way of getting around it, but it is very difficult with the Coca Cola advertising budgets and things like that.

Tasmania is coming on board with some of the health promotion campaigns that Western Australia are leading Australia with, but because we are on a much smaller budget - we have started our fruit and veg campaign, for example, with $5 000 whereas Western Australia has hundreds of thousands. We have been using some of their really colourful cartoons, characters and things like that. But what we have done is we have got the food industry to come on board as partners, so the food industry, for example, has provided money for fridge magnets to bolster the money that is going into healthy food promotion.

So what we have been doing is identifying and then refocusing some of the money that is going in to promoting different types of food, but making it fit in with what we are wanting to promote, which is healthy eating and Tasmanian healthy products wherever possible, and then making that really come out to benefit Tasmanian consumers.

I will just give you another example. With Coles, for example, they spend tens of thousands of dollars producing different recipe cards. What we did was we went through these and made some of them healthy. They put our logo on it; they produced them; they spent hundreds of thousands of dollars producing glossy pamphlets. They distribute them and display them in their stores, but it means that specifically for Tasmania - this does not happen anywhere else in Tasmania. We have Coles as a corporate body producing healthy recipe cards specifically for Tasmanians.

We do not have the money to produce these sort of things, but what we are trying to do is through collaborative work we can change the corporate sector and get them to do the healthy food promoting things, so we can then - because these are all recipes that promote fruits and vegetables that are grown in Tasmania only. So what we are doing is not only getting the corporate sector to pick up the tab to promote that, but we are also working to promote Tasmanian producers to get their products bought. So it is working out different ways of coming together without the really big cost, but maximising on some of the effort and the resources that are already going in there. It certainly needs to be pushed along, but it has certainly been picked up very widely in Tasmania because they have to be more innovative down here.

Mrs BLADEL - Can I go back, Mr Chairman, to something David said about the costs in foods in lower socio-economic areas and so on? In Gagebrook, in Rokeby - Rokeby has a little supermarket; Gagebrook has a couple of shops, both up on the top side and lower side; and Clarendon Vale has a shop. In those areas I have noted, because I am very aware of what they are selling and price and so on, that often the fruit and the vegetables is of a very poor standard and very expensive.

In Bridgewater in the major supermarket there, or the major shopping complex, Cove Hill Fair, the fruit and vegetables are often quite expensive. So if say bananas - I am very fond of bananas - bananas to buy - one banana, say, for a family of four; one each for a family of four - might be much more costly than to buy a can of -

Dr WOODWARD - Soft drink or whatever.

Mrs BLADEL - Yes, whatever. Also I have often pondered the question about takeaways rather than cooking food because it is cheaper to cook - although someone pointed out to me that if you have had your power cut off, or you think it is more expensive to use your oven than to nick along to the shop and buy a dollar's worth of fish and chips, then there is no equivalent argument. I think there are a lot of factors that intrude onto choices that people make about nutrition, and also from training children from very early childhood to prefer a sweeter taste. I have seen some young mothers - and not such young mothers - doing some terrible things with babies sucking bottles of cordial syrup - tiny babies.

Ms VAN VELZEN - Or honey on the dummy and things like that.

Mrs BLADEL - Yes. So that the child is already trained from a very tiny age to respond to a sweet taste and so therefore it is very hard to wean them away.

You have not mentioned prepared fruit, like sultanas and raisins. I have often noticed that children who will not eat fresh fruit will eat sultanas and raisins, and also will eat cooked things like apple pie where they will not eat a fresh apple, or they will eat a baked apple with sultanas or whatever in it, where they will not eat a fresh apple. Do you have any comment on that? How does that measure up nutritionally? I suppose not as well as a fresh product.

Dr WOODWARD - Tinned and frozen fruit and vegetables by and large are not too bad in fact.

Mrs BLADEL - Well, there is Baker's Choice; you know that one. That is solid pack and no syrup.

Dr WOODWARD - Yes. Those things are generally not too bad.

Ms VAN VELZEN - We do not differentiate between fresh or canned or frozen in our fruit and veg promotion -

Mrs BLADEL - You do not.

Ms VAN VELZEN - because often in rural or remote places the frozen and the canned ones can be a lot more nutritionally sound than the shrivelled apple on the shelf.

Dr WOODWARD - The main thing that comes from the dried ones is that they tend to be rather lower in things like the vitamin content of dried fruits - and vitamin C is worth mentioning - and some of the antioxidants may go off as well in that. But it certainly still contributes to fibre. Dried fruits have a place but not as a sole source. Variety is great when the variety goes deeply in there.

Just coming back, Tony, to the question of policy if I can for a moment. It does seem that one area that is coming out of my results of looking at the kids was rural areas; there were real problems there. Yet it does seem to be one area that might be within the powers of government is perhaps to show a little more generosity towards rural schools in terms of resources, particularly in relation to health education. At the moment they seem to be largely funded on a per capita basis, and if you are at a smallish country school that means you just do not have the same range of resources available. Probably the lower socio-economic areas too I think there again, but schools where there are greater demonstrated problems may need more resources put into health education.

The other area which strikes me in regard to school canteens, which again Fran has brought up, is that it is very, very dependent, in my experience over the years, on the school principal. Obviously if you have a supportive principal all sorts of miracles can be worked in terms of changing the way the school operates, be it the canteen or anything else. If the principal does not see things as important, then it is a real struggle for anybody else in that school community to get things up and running.

Mrs BLADEL - I would agree with that, David, but I would say even more important in this area, Tony, than the school principal, is the phys ed department, because often it is the phys ed teachers who are role models for children - and as we all know, Australians love sport, kids love sport. I have noted in the schools that I have taught at that it has always been the phys ed teachers who have a very strong rapport with children who might be on the bit of the troublesome kind - who are not as biddable, shall I say, as other children. So where the phys ed teachers are very strongly conscious of exercise for their bodies and so on, you will get a great following amongst kids.

So, yes, I would say the school principal is very important in the school, but I think phys ed teachers have a very strong part to the play in this, and where you will see the phys ed teachers eating a couple of pies, the kids are going to eat a couple of pies. At one school I taught at where there were salads made every day and you could order a salad - and I believe that was introduced because of the phys ed teachers. They said, 'Well, look, we really want to have salads at lunchtime'. So the canteen - and we are going back a few years, Tony - started to make salads and then all the teachers started wanting salads and then the kids wanted salads. It does spread; there is a ripple effect, but I think if you talk very strongly to the phys ed teachers and get them on side, I think you have got a very big weapon to wield with regard to good nutrition.

Dr WOODWARD - I think - and again this is outside the committee - the Education department, I gather, is forming up to making health education a very big promotion area for next year.

CHAIRMAN - They are, are they?

Dr WOODWARD - Apart from anything else, I think Fran's comment about teachers' role modelling is very, very important. I think it has a wider ripple effect than that because, as those of us who are parents know, kids come along and ask, 'Can we have this, can we have that; I have seen it on

TV' or whatever. If you can get at the kids and get them to persuade some changes through the school system, you may well have a ripple effect onto the wider community as the kids put pressure on their parents as well.

Mr GOODLUCK - Do you eat good healthy food, David? You have got a happy face.

Dr WOODWARD - I do in fact, Bruce; I try to be pretty good in that regard. I think what is more, I have managed to bring up two sons who are now just on the edge of adulthood and who not only eat good food, they cook good food as well.

Ms GIDDINGS - That is the important part.

Laughter.

Mr GOODLUCK - Do you think people are getting lazy today?

Dr WOODWARD - I think it is partly laziness, but I think it is a question of time and skill. I think those two are quite an issue. Many people in employment are working longer hours and you do feel pretty wrecked when you get home at eight o'clock at night and you do not feel up to doing it - preparing a proper meal. That is part one. This is why I have spread the job in my house - to make all four members do it to make life easier.

But the other thing I think is skill, and my comment about my sons learning to cook I think was deliberate then, because I think a lot of people - particularly males - have never learnt to cook very effectively, and therefore it is a sheer lack of skill. They fall back on takeaway because it is much easier. Skills, that can come through the school system obviously, but males learning to cook I think has a great benefit there.

Mr GOODLUCK - I was just thinking about washed potatoes. Today they can buy washed potatoes and just stick them in the pot, instead of peeling potatoes and things like that.

Mrs BLADEL - I do not peel potatoes actually.

Mr GOODLUCK - You do not peel potatoes?

CHAIRMAN - And you are probably looking at someone who does not do a lot of either.

Mrs BLADEL - I do not peel them; I just wash them and cook them with peels on.

Mr GOODLUCK - I beg your pardon. I am talking about potatoes that are already ready to put in the pot that you can buy now.

Mrs BLADEL - Yes, and you can buy dehydrated potato and all sorts of stuff, too.

CHAIRMAN - Can I just come right at the crux then; I am looking for a bit of a summary. One is, have you got enough staff to do the job that has got to be done? The second is the budget. Do you want to comment on the budget that you have been given by the department - and please be assured that this is a non-political committee, so we want you to give us a recommendation. And three is, what is the recommendation you would like to see come from this committee?

Ms VAN VELZEN - If I just talk about the Nutrition Promotion Task Force, there is one person employed by this task force - and that is me. But the task force has high level representatives from a number of different sectors, but we do not have dedicated workers. What we do is we work through their networks. Certainly we could do with more staff.

I would like to point out that what the task force is looking at is facilitating and looking within the local Tasmanian food market whereas there are whole departments - whole other departments or agencies looking at exports in terms of a market - but there seems to be just us looking at what is happening within the Tasmanian market and how that affects Tasmanian consumers as opposed to consumers on the mainland and overseas.

We have a few concerns about the quality of food that is staying in Tasmania, the cost and how that gets around in terms of social equity and distribution. So I think there could be perceived as some sort of imbalance in the amount of resources and focus within those different markets.

I think we have proved in the two years that we have been operating that we can, and there is a momentum to have a cooperative effect throughout the whole food industry to make it better for all the little sectors of the food industry, and certainly I think that momentum should be capitalised on. We operate on a very minimal budget. I get a computer from here and a desk from there and things like that because it is a partnership. We work on less than $70 000 a year, and certainly we could do with a bit more than that.

Certainly if we want to look at some of the health promotion strategies that David was doing and really capitalise on some of the things that have been thrown at us, our main problem now is being able to take up on the opportunities that are being thrown our way because some of the bigger players, as well as the smaller players, all want to come on board with this campaign because they see it as something that is starting to snowball and really will be helping them in their marketing and the way they do work.

What was the third part?

CHAIRMAN - Before you go to the third part, what is the nexus then between the Community Nutrition Unit, Department of Community and Health Services, and yourself? Should it be closer? Is that where this work should be undertaken?

Ms VAN VELZEN - Within the Community Nutrition Unit?

CHAIRMAN - Yes.

Ms VAN VELZEN - No, I do not think so. The task force has been set up because it is independent and it is non-profit. It is a coalition between government and non-government whereas community nutrition is purely a government function. There are definitely benefits in being independent from the Health department. But we work very closely obviously with the Health department because we do not employ our own dietitians, so we get a lot of advice from the Health department. But because I am separate from it, then I can work very freely with the food industry and work up different angles of working around some of the barriers that we have in Tasmania. So that, I think, is a real bonus and that is why what we are doing is ground-breaking for not only Tasmania but also for Australia. So I think it is important that we maintain that independence.

CHAIRMAN - My final point then was, what would you leave this committee with by way of major recommendation?

Ms VAN VELZEN - I think we would have to look at some of the future trends that David has brought up in terms of the way some of the younger people are starting to choose different foods and look at how the market affects that, and also look at the work that we are doing in terms of working with the whole of the food sector to counteract some of those eating trends that are being set up with the younger people.

Dr WOODWARD - I am not disagreeing with you, Deborah, but it seems to me that my concern really comes back to those areas of disadvantage, like the rural area, the lower socio-economic areas. There are limits obviously to what can be done, certainly I think to try to ensure that a reasonably generous allocation of funding goes into health education, schools and those areas, to make sure that schools are adequately funded - not just on a strict per capita basis, but rather more generously than that. I think that is point one.

Point two - and I toss this in as a slightly more controversial thought - is there is some case for perhaps a government subsidy in a way to make some of these things, like fruit and vegetables, a little cheaper in some of those areas, to try to build things up to the stage where people get more into the habit of using fruit and vegetables routinely because if they have gotten out of the habit of doing it, because they perceive it is costly and so on, then you have to break that cycle somehow.

Now whether this is government subsidising of the local supermarkets or even - as I remember being suggested about Clarendon Vale on one occasion - a bus be provided to bring people in from Clarendon Vale to Eastlands so they had access to a larger shop. It would be a fairly cheap operation, but would allow for them to have access to a good range of cheap quality vegetables and fruit, and running a bus once or twice a week from Clarendon Vale to Eastlands could be a relatively cost-effective way of doing things, rather than subsidising costs, say, to the Clarendon Vale local shop.

Mrs BLADEL - Community buses would be of great benefit because a lot of people have to take taxis as the bus service now is so limited in those outer areas.

Ms VAN VELZEN - And certainly with carrying groceries and things like that.

Mrs BLADEL - That is right. So they tend to get taxis if they do not have their own cars. So shopping is a bit of a problem. And, as I said, the local shops rely more on confectionery lines and so on than they do on good quality fruit and vegetables, or a range - even a range of things. You see a few bunches of wilted carrots; no one is going to buy those.

But greater promotion in those shops too, I think that is one of the things that is lacking. Those shops do not seem to promote the kind of graphics that Deborah has shown us, or even talked about.

Ms VAN VELZEN - We also help them to make slight changes to their sandwich or whatever to make them healthy without extra cost.

Mrs BLADEL - Yes, but I am talking about general produce that they are selling to people.

Ms VAN VELZEN - Yes.

Mrs BLADEL - You do not walk into a shop and you see a poster about eating right or the benefits to your baby of providing it with a carrot stick instead of a lolly stick.

Dr WOODWARD - Just as a thought, if we are going to take this more generally through the small business unit - we now call it part of the government system - providing accessible training for people running small shops, be they corner groceries or take-away shops or school canteens, to provide them with, among other things, training and promoting healthy food effectively.

Mrs BLADEL - Perhaps that is where the subsidy could come into the school canteens because - if I dare another anecdote, with your tolerance, Mr Chairman - when we were at Bridgewater we had a couple of terrific women who ran the canteen and they used to get chooks from the school farm and make wonderful chicken and vegetable soup in the wintertime and there was a range - in fact they used to make that soup for a couple of terms; there was not much market for it in the summer term but in those other terms it was popular. There was also egg and bacon rolls and things. We provided breakfast to a number of children, for instance.

But they did seem to be very particular in trying to cater for better dietary needs than what was the usual sausage rolls and pies and pasties. And kids went for those things; they really liked them. Ham rolls and salad rolls were very popular with cheese and salad and so on; they were very popular. They took a little longer to prepare and if you do not have the volunteers or whatever in the canteens to do all this work, it is so much easier to get the - and pizzas and all these things now are being promoted and they are being promoted by the manufacturers. The schools, I think, get a little bit of a gift along with them. There is some benefit back to the schools if you buy so many trays of our pizzas. So there is a bit of a marketing ploy there.

Apples and pears and things, well yes, but generally if there were other things the children would - although there were certainly enough apple cores whizzing around the classroom so perhaps they were buying them, I do not know.

Ms VAN VELZEN - Certainly we are talking to some of the smaller producers, like some local pie makers, on producing healthier pies with lower fat pastries and in child-size portions for the local market. So we are certainly trying to link those food processors in with the canteen system, which is a great sitting market; they are a huge turnover for a local producer.

CHAIRMAN - We will bring it to a close. I must say - talking about anecdotes - that I do not think I have had, since I left primary school, a glass of milk because at primary school it was terrible stuff - hot bottles outside. So those early memories are absolutely lasting.

Thank you both for your input; it has been very valuable, and I am sure that the committee has heard it loud and clear. Thank you very much.

THE WITNESSES WITHDREW

UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON TUESDAY 27 MAY 1997.

Mr LES BAXTER, MANAGER, HORTICULTURE BRANCH, **Mr HUGH GRIFFITHS**, INDUSTRY DEVELOPMENT OFFICER, AND **Mr DUNCAN FARQUHAR**, HORTICULTURIST, DEPARTMENT OF PRIMARY INDUSTRY AND FISHERIES WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED:

CHAIRMAN (Mr Benneworth) **-** Gentlemen, thank you very much for making yourselves available and for the submission that you have given to the committee. The normal way that we run the committee is that you speak to your submission and then anything else that you would like to say and then the committee will, or may, ask questions.

Mr BAXTER - Thank you, Mr Chairman, I will lead off. I am Les Baxter, manager of Horticulture Branch of the Department of Primary Industry and Fisheries. I am supported by Mr Hugh Griffiths, who is an industry development officer with the Industry Support Branch of the department, and Mr Duncan Farquhar, who is a horticulturist with the Department of Primary Industry and Fisheries. We are here representing the Honourable Bill Bonde, Minister for Primary Industry and Fisheries.

We are here today to talk about two issues. One is the involvement of the Department of Primary Industry and Fisheries in organic food production, which I will talk about briefly. Mr Hugh Griffiths will then talk about our quality assurance programs, which the department is currently undertaking. Then we will field questions, if that is okay. Mr Duncan Farquhar is actually the department's liaison person and acts as the first point of contact with organic growers and organic producers so he is in a support role and also to help us to field any questions that you might have. I would like to start with a brief presentation on our involvement in organic food production. I have some notes here - I only have one copy but I can leave those behind for the committee.

CHAIRMAN - Yes, they can be tabled and they will be circulated.

Mr BAXTER - The Tasmanian Department of Primary Industry and Fisheries recognises the existence of the Tasmanian organic food industry and we are also aware that the industry has a potential to grow, both domestically and internationally, and this has been made aware to us by a number of visits that we have had from trade delegations and also through routine contacts that we have with other industries.

It needs to be recognised though that the current Tasmanian organic food industry consists mainly of small producers and these producers mostly are marketing in niche markets or in specialist markets and they are mostly of an intensive nature. We are not currently aware of any major proposals by processing companies or large agri-business companies, although we are aware that those companies have a general interest in the area of organics by virtue of the fact that those areas are likely to develop later on.

We also know that any major developments in organic production in the State, they need to be market driven rather than as at the present moment there is a bit of a tendency towards people to produce and then look for the markets. Any major increase would need to be market driven and need to rely on premium prices; because organic production quite often results lower yields or certainly higher inputs they rely on a premium price structure. Also, it would require a critical mass of produce to produce those markets. For example, if one were to access the Japanese market then one would need to ensure that one had the critical mass and the reliability of supply to supply that market and that would mean that that would necessitate either some big operators entering that production system or a cooperative effort by a number of smaller people or a company such as Webster Horticulture acting as a company that consolidates the shipments and makes up the volume.

There is also a need for involvement of professional marketing groups, because whilst some of these larger markets exist for this type of produce, there is a need for professional marketing from groups such as perhaps Roberts or Websters or Harvest Moon. Some of that infrastructure already is available in the State but it needs that to be brought together.

We believe it is also a necessity for external consultants for the conversion. So where we have existing conventional production systems then there is a need to convert over to organic production and there is a need for some external consultants to be involved in that as well.

If you look at the current involvement of the Department of Primary Industry and Fisheries in organic food production, it is not always easy to identify what we do that is exactly aligned with the organic food production system - which is why there probably is some opinions in some sectors that we do not do a lot. That is on account of the fact that most of our programs are driven by industry, so it tends that we have an apple industry program and we have an extensive animal production program or we have a vegetable program rather than having a program for, say, organics. So we are more driven by industry than we are by function.

However, if you actually look at our activities there are seven identifiable areas of our current work which directly or indirectly benefit the organic food industry. If we just look at the first overhead. That is a list of the seven identifiable areas where we really are involved in the organic food industry: farm hygiene, quarantine, integrated pest management, pesticide residue testing, market access, quality assurance - and Mr Griffiths will elaborate on that later on, land care and a watching brief coordination role. If we just look those individually and flesh them out a bit more -

CHAIRMAN - These are not organic specific. These are -

Mr BAXTER - These are programs that we are currently in that actually have direct or indirect benefit to the organic production sector. So if we just look at how they impact. What our farm hygiene program seeks to do is actually prevent pests, diseases and weeds from entering on properties. So in that program we are actually putting in place a range of measures that will stop diseases, pests and pest diseases from getting on to properties and therefore actually reducing the need for chemical inputs.

CHAIRMAN - Can I just pick you up again?

Mr BAXTER - Yes.

CHAIRMAN - We are not talking organics specific here, are we, or are we not?

Mr BAXTER - We are talking about things that the department are in that actually impact on the organic system, because you need to recognise that it is a total system and we do not have any programs that per se are totally organic programs. So there is no organic apple program. But what we do have are a number of the aspects of the work we are doing that do impact directly on the organic production. These things we are doing in these seven areas actually support the organic production.

Mrs BLADEL - But they are not organic specific?

Mr BAXTER - Yes.

CHAIRMAN - So if Mrs Bladel's organic farm and my standard apple farms were in the same region, you would in fact be doing the same for both of us; is that what you are saying?

Mr BAXTER - Yes.

CHAIRMAN - Right, okay.

Mr BAXTER - Yes, I will come to where that fits in later. So the first program is farm hygiene. The second program is quarantine. Our quarantine programs are fairly well known but basically we are looking at preventing the spread of exotic pests and diseases throughout Tasmania. We are looking at a certification where we can actually certify that the produce that we are producing is free from pests and diseases. Also we are looking at granted area freedom from overseas countries. So we have, for example, tobacco blue mould area freedom in Tasmania, fruit fly area freedom which actually give us a marketing advantage over our mainland States.

The third area is integrated pest management, which is probably the biggest area that impacts on organic production. We have been working with a range of low impact control measures. Dr James ... looked at a product called limal which is a commonly available calcium compound that actually controls black spot quite nicely and that has been taken up by a number of organic growers because that product is consistent with organic production. When we look at the low impact chemicals, some of them are consistent with the organic production. So organic production has a range of chemicals which are certified and allowed to be used and a range which are not; the one we have been working on is called limal which is actually quite good for that.

The second area we are working in is mating disruption. What we do is we have chemicals that imitate the natural mating compounds and we put those through the orchard and it disrupts the mating of the insects and so the insects cannot go through the second cycle.

The third area is biological control which is used extensively in organic production and that is where we put in things like predatory mites to control pest mites. So we put in a predatory insect to control another insect.

Mrs BLADEL - Is that the bumble bee?

Mr BAXTER - No, the bumble bee is actually a beneficial insect.

Mrs BLADEL - Did they come in to control something else?

Mr BAXTER - No, they just came in.

Mrs BLADEL - I thought they came in to control wasps.

Mr BAXTER - No, they were introduced accidentally and they have tended to be a very good pollinater.

Mrs BLADEL - Great.

Mr BAXTER - Yes. What we do have is a thing called the Chilean mite and that has turned out to be quite a good control measure for two-spotted mite on apples, for example. If you look at another example, which is the white fly in glasshouse tomato production, they can introduce a little wasp called encarcia wasp and that actually kills the white fly and there is no need to spray at all for that. That has been quite successful as well in -

Mrs BLADEL - Does it do anything else?

Mr BAXTER - No, it is quite specific.

Mrs BLADEL - When you say the bumble bee was introduced accidentally, that is very frightening.

Mr BAXTER - Yes.

Mrs BLADEL - How did it get in accidentally?

Mr BAXTER - We have quite a range of pest diseases that come in one way or another. I guess all you need is one fertile queen to come in in a container or something like that and you have the basis.

Mrs BLADEL - From New Zealand?

Laughter.

Mr BAXTER - Another area we are looking at is monitoring and trapping where instead of just going out and spraying you actually go out and monitor the pests and use traps, sticky traps and things like that. So that area is particularly relevant and particularly useful for organics.

The fourth area is pesticide residue testing. What we are doing now is we are putting in place a testing system where we go and take fruit and consciously assess it for its pesticide residues. What we should be able to do is certify that products are free from pesticide residues or free from pesticide, which is something that we need to do to certify that the produce is organic because it has to be underpinned by a certification system. We can also look at freedom from specified chemicals. Some of our markets will not allow certain chemicals and we need to be able to specify that they are free from those.

The fifth area is in market access. We are on the strongest market access as we were, and a lot of this work is carried out in conjunction with the TDR. The work we can do is identification of new markets; defining what the market requirements are and looking at the market entry protocol, what sort of things we have to do to produce to get into those markets.

The sixth area is in quality assurance. I will not talk too much about quality assurance because Hugh will talk about that in a minute. Quality assurance allows us ultimately to incorporate international standards for organics into quality assurance standards so that they are part of the production system. It also allows us to use uniform standards and, as I will talk about in a minute, one of the problems with organic production is some contradiction in definition and some problems with uniformity.

There is some land care work being done to look at organic production systems and look at how they fit into the sustainability issues. So part of our land care work is involved there as well.

The final area that we are working in is we have an allocation of resource towards what we call a watching brief and coordination. So part of Duncan's role - and albeit at this point in time, a small role - is to monitor the industry and to keep an eye on what is happening so that he can provide information to government, and also to be a first point of contact for liaison with governments. Say, for example, an organic body might contact Duncan to find out where to go for something else. There is also the potential for us to coordinate DPI activities in all the different areas and bring them together.

There are a number of areas for potential additional involvement. Part of the problem has been that whilst we have some good information out of these programs, it really has not been packaged specifically for the organic food industry. So, rather than packaged up and into systems for organic production, mainly what we have done is to concentrate on resource management and sustainability in conventional industries. For example in the apple industry we have a pesticide charter where we have to reduce the use of pesticides in apples by 75 per cent by the year 2000 and a lot of our work has actually been revolving around that.

Mrs BLADEL - Is that an international protocol?

Mr BAXTER - No, it is a national one. The Apple and Pear Growers Association signed the charter with the Australian Consumers Association that they would undertake to do that. So we are well on the way to doing that. Perhaps what we need to do and one area that we could be involved in is actually getting the information we have - we have a lot of information that is of interest to organic people - and packaging it up into packages specifically oriented to the organic food industry.

The second area is industry development plans. The department now is pretty well run by what we call industry development plans where we facilitate planning with industries, where industries look at the limitations and opportunities to development within their industries and on that basis we allocate our priorities. There is not an industry development plan for the organics industry and perhaps what we need to do is to facilitate a plan with them so that they can get together and decide as a group what they see as their opportunities, what they see as their limitations and as to how the various government organisations can be involved. That is certainly a step that we could do.

We can also provide extension and consulting services. The department has pulled out of a lot of these services and so the policy of the department would be that if these services are provided by the private sector, then we would not be involved. If we are on a one-to-one basis then we would probably charge a fee for service, unless it benefited the whole industry.

The final area where we could be involved is to assist the organics industry in the preparation of funding applications. There are a number of bodies, such as the Rural Industries Research and Development Corporation, who appear keen to support work in this area and certainly we have the expertise to help in the preparation of applications for funding in those areas.

It is also important, I think, to look at the limitations to our involvement in the organics industry. The first of our limitations is expertise. Whilst we have expertise in individual areas, it is important to realise that we do not have a lot of expertise in integrated organic production systems. We do not really have many people who have actual experience in total organic production systems but there is a considerable amount of expertise out in the commercial sector. So we can actually underpin that with specific support in the various disciplines.

The second limitation we have is a funding and resource issue in that there is just a physical limitation to the amount of resources that we have. We have a finite budget and therefore the amount of funds that we have that we can allocate to that area is limited at this point in time.

The third limitation is really related to the second one; that is competition with other programs. When you look at the organic food industry currently, it is low value compared to most other rural sectors and unfortunately our resources have been allocated on a value basis or on a perceived basis of opportunities within the individual sectors. That has meant that we have not put in as many resources in this area as we have in others. Also it needs to be noted that DPI activities, as I have said before, are driven by industry development plans and there is no plan for the organics industry and that is probably something that needs to be done in the fairly near future.

The fourth limitation is really one of coordination definition. It is very hard to actually pin down what organics means. So whilst there is an international standard for organics, within the State there is a number of bodies that would claim to be organic the bodies do not necessarily interact with each other. There is fragmentation and the appearance of disorganisation. So that means that there is no one body that can really necessarily speak for the whole industry. For example, there is organics; there is bio-organics; there is a whole lot of these things. Some of them are very professional; some of them are rather interesting to deal with. Really what we need to do is to get some agreement on definition and actually try to get one body which represents all these people so that we know who we are dealing with. That would certainly help their cause.

The fifth limitation is one of methodology and philosophy. Whilst many of the techniques and philosophies that are embraced by the organic food industry are quite sound and consistent with what we are doing, others are not. There are certain recommendations and practices which do not necessarily have a very sound technical basis and for an organisation such as ours that creates some problems. So unless we are able to sort of sort those out then that actually presents some problems. For example, if you look at some of the practices - and we actually went about recommending those - then we would have some problem maintaining our credibility as a technically-independent organisation.

So what the department is really about at this point in time is sustainability and economic development and that is consistent with the organic approach, but the problem we have as an organisation is that we have conventional agriculture over here, organic production over there and it is an interesting challenge to bring to the two together at this point in time, but that is something we need to work with.

So, in conclusion, what we would say is that there is considerable opportunity for growth in Tasmania's organic food industry. It is hard at this point in time without a full market study and without good information to actually quantify that but we are led to believe that there are opportunities, but it relies on a proper marketing approach, critical mass, market demand and having the right price structure because if there is not the price structure then really the returns are not going to be there.

The second point, I guess, is that the DPIF does currently provide inputs through its farm hygiene, quarantine, IPM, pesticide residue, market access, QA, landcare and watching brief programs, but perhaps what we need to do is to pull out the information and to repackage it in a form that is readily useable by those sectors of the industry.

There is some potential to increase our involvement through extension programs. Fee for service work and assessment with preparation of funding applications and also with facilitating an industry development plan, however there are limitations at this point in time into the amount of involvement that we could put in that industry.

Mrs BLADEL - So you say that your resources do not really take in organic growing beyond the areas that you have just explained to us? If there was a dedicated section of DPIF, say, or an officer or so on working purely on organic growing, do you think that would benefit that industry?

Mr BAXTER - My personal feeling is that other than a coordination role, probably not. I would think that probably - and Hugh may have a good idea here as well because he used to export market in the industry development division, but I would see there are probably three or four things necessary. One is that there needs to be some coordination of the industry to bring it together -

Mrs BLADEL - Right, and you talked about two dispirit groups.

Mr BAXTER - At least two dispirit groups, so there -

Mrs BLADEL - Is that NASA and -

Mr BAXTER - NASA and TOP. So what needs to be is the bringing together of those to form a body. The second thing I think is that we probably need an industry development plan to look at where they are at, where they want to be and look at the limitations and opportunities. What we have found the industry development process does is it identifies a whole heap of issues, some that the DPIF can influence and some that other bodies like TDR and the Department of Transport - one of the things that came out as a consistent issue in other programs as being labour issues and transport issues, for example, that we have been able to deal with outside our system. So I believe an industry development plan is necessary. The third thing is really to tidy up the marketing because the whole thing used to be market driven and I believe at the moment that the market intelligence and the market development work has not been done all that well.

The thing is that there is already quite a bit of information on organic production out there in the private sector, so there is already a fair degree of expertise. If that can be harnessed and utilised then we can also bring in the individual expertise for disciplines that we have. The department is really more suited to being involved in individual projects - for example, if there was a development plan that identified that there was a certain issue, because we are a technical organisation we would be better to support that with our technical expertise than to say that we will have an organic program. It would be better to be industry led.

Mrs BLADEL - Right.

CHAIRMAN - Are there any other States and/or their own departments of DPIF working in the organic field?

Mr BAXTER - Yes, there are.

Mr FARQUHAR - Victoria and Western Australia seem to have the biggest involvement that I can see. There is a fair bit of sustainable agriculture conversion-type work happening in New South Wales and Queensland as well, but I guess proportionately it is still a very small part of State Government Primary Industry's budgets.

CHAIRMAN - This fragmentation of the organic industry - which I think is probably a nice way of putting it - was very apparent to this committee. What are they doing in other States to get 'their act together'?

Mr FARQUHAR - Nationally there has recently been a conference which was hosted by the Rural Industries Research and Development Corporation and I quote from the Rural Industries Research and Development Paper No. 97-13 and I attended this conference. It produced a strategic plan for the national organic agricultural industry and any strategic planning that we do at a local level should wait on the outcomes of the national strategic plan and fit in with that. The Rural Industries Research and Development Corporation I would see as being one of the leading government agencies for developing organics and in Tasmania there may well be a possibility with the larger organisations that Les was talking about - the Webster horticulture, the Roberts horticulture, that type of organisation - for exportable quantities of organic produce as an industry joint-funded development. So there might be opportunities in those areas for development of some scale which would make involvement worthwhile.

At this stage there are a lot of studies being done on marketing and on the conversion for what is a fairly small industry in the State.

Mr BAXTER - Part of the problem is that there is a sector of the organic industry that really has turned into almost a religion, I guess, and an alternative-type lifestyle that really has not done a lot for the credibility of the organic production system - I hope I am not being too hard there. But what would happen is if you had the involvement of a large company such as Webster horticulture or Roberts then those sort of companies have the background and the marketplace and the expertise to actually add some credibility to the whole system and there are some good things being done out there and there certainly is a demand for organic production. So if we can get some of the larger players on board, some of the more traditional companies, even in a marketing sense to embrace this, then that would add a lot of credibility.

At some stage there is going to have to be a sorting out of the people who really are sort of farming by folklore to those who really do have a serious bent towards organic production in its defined form.

Mr GOODLUCK - Who initiates your industry plan? That seems to be your key recommendation to this committee, does it not, the formation of.

Mr BAXTER - As a department we believe that our role has been to facilitate those. We believe that the plans need to be driven by industry and adopted by industry but what we have done is we have adopted a facilitatory role and organised them, facilitators and brought the people together, and then let them go from there and they have been quite successful and we now have them up to probably - what, six or seven -

Mr GRIFFITHS - Nine, that is in total because marine industries as well.

Mr BAXTER - And our role is to facilitate and then to stand back and then generally there is an identified role for the department and then roles for other agencies such as TDR, maybe Transport, maybe the university and other bodies as well. They have been quite good in identifying issues such as opportunities and what the problems are as well.

Mr GRIFFITHS - And really, adding to that, just building the industry commitment to do the job because often we do not have the resources, particularly in the market development area. We would be dependent on the specialists that Les mentioned, like Webster Horticulture and Forth Farm Produce and professionals like that.

Mr GOODLUCK - How long has this been in the fermenting stage?

Mr BAXTER - The industry development planning process?

Mr GOODLUCK - Yes.

Mr BAXTER - We actually have been going with those for about two years now - a bit over two years and it is really a question of working around the industries. So we started off with a number of industries - and I guess we picked what we considered to the major industries at the time, such as the red meat industry, the wool industry, some of the fisheries industries, the apple industry, the viticulture industry and we are gradually working through those industries. We have not finished that process for existing industries and it is a matter of where we would fit this in, so yes. If it is a priority we certainly could look at that in the near future I would think.

Mr GOODLUCK - Would governments have to initiate it? I mean you have initiated it but would they have to be involved?

Mr BAXTER - In what way?

Mr GOODLUCK - You said it has been going on for - I am talking about the horticulture industries - two years and some would say it has gone on too long.

Mr BAXTER - No, what I mean is we have been doing plans for the individual industries as we go.

Mr GOODLUCK - Yes.

Mr BAXTER - So the unfortunate reality is that the programs cost a bit to run because what we have to do is get a facilitator in and all that, so we have been doing it as our resources allow. We have been trying to do one or two horticultural industries a year and the other branches would be doing one or two for their sectors as well. So across the department, we are probably doing four or five a year.

Mr GRIFFITHS - At the moment those nine plans cover over 90 per cent of the total value of production in the State. So we are already covering and we have aimed to cover the major income earners. The other aspect that limits the growth or the expansion of these plans is that we are dependent on getting the champions of industry involved so that we get the commitment of the companies. There is obviously a certain limitation on the time that you can draw on from the managing director of Roberts and all the other companies. We need that top level commitment to make the plans work.

Mrs BLADEL - If, as you say - I think Les said it - that there is a perceived enthusiasm for organic products, or there is a growing awareness perhaps of organic products and so on, how hard would it be then to sell it to your captains of industry?

Mr GRIFFITHS - I think if it could be demonstrated that there was a sizeable market and it was market driven and there was good returns from it, and those returns were going to be higher than from existing markets, I think the existing companies would readily take it up.

Mrs BLADEL - But it need not supplant, need it? I mean initially it would not supplant; one would hope would hope that eventually it would become a major industry but as a fledgling industry they would not be prepared to take it on.

Mr BAXTER - Part of the problem is that the current - just say you develop a market for organic produce and you think to yourself, 'Now where can I get this produce?' the number of suppliers is fairly finite. They are mostly small growers, they are fairly spread out and it is hard to get the critical mass together.

Mrs BLADEL - That is right, and I suppose the variety over the period too.

Mr BAXTER - Somebody like Webster may go to Japan, for example, and develop an enormous market but then if they cannot fill that market then they know they are in trouble. It is a bit of a chicken and egg situation and unfortunately, because of the requirements of organic production, you cannot all of a sudden change midstream from conventional agriculture to organics; there is a bit of a lag -

Mrs BLADEL - What about new players coming in; people who want to set up as organic farmers? Are there any possibilities of those people getting some kind of an incentive to set up?

Mr BAXTER - That is something that a plan like this might bring out by bringing these people together.

Mr FARQUHAR - What sort of incentive? A subsidy or -

Mrs BLADEL - Well yes, some kind of carrot for them to -

Mr GOODLUCK - The apple subsidy.

Mr GRIFFITHS - If I could just come back to the market driven nature that Mr Baxter has talked about. It is often difficult to differentiate between produce for the local market - and often people pushing the organic barrow are advocating that - and product for the export market. We need a diversity in our markets and operators need that flexibility so they have a number of outlets for their produce and introducing an organic component further complicates the issue because that is further fragmentation of the market. We are already fighting huge battles with our exporters - or our exports are facing huge problems in freight, marketing and those things because simply they do not have the level of throughput that a lot of our competitors do.

The other aspect, particularly in a market like Japan, is that the requirements for organic produce are fairly difficult to define, so you have that problem as well. You have not only the problem of definition of organic for the local market, but you have to also meet that overseas market requirement as well. It is a fairly difficult one but we see the answer as being driven through professional marketers like Webster Horticulture and Forth Farm Produce that have a long-established reputation and a very well-respected reputation throughout Australia.

Mrs BLADEL - If we are going to promote the clean green image that we are always talking about, surely this is an area that is worthwhile pursuing with regard to Websters and so on.

Mr BAXTER - The issue of clean and green is a fairly complex one and certainly the majority of the department's resources I would say now are really moving towards what we call sustainable production. Some of the organic techniques are not always sustainable in that - we would argue with sustainability that if you are producing you should leave the ecosystem in better condition or at least the same condition as you found it. We would say that in some situations organic production does not go far enough.

Mrs BLADEL - In what sense?

Mr BAXTER - In the sense that, for example, if you look at the addition of nutrients you really should be knowing how much nutrient you are removing and how much you are adding rather than just saying, 'Oh well, I'll use animal manures' which may not necessarily give you the right match. You really need to be measuring it and actually knowing what you are doing. You need to be measuring the water, the level of nutrients in your water, the run-off and those sorts of things as well and they are things we are working towards. What we would say is, that hopefully the track we are on, traditional agriculture and organic agriculture at some stage in the future will actually come together and be indistinguishable.

Mrs BLADEL - There is still a lot of work to be done.

Mr BAXTER - There is a lot of work to be done. In some of our sectors the experience is that organic production is good for small areas but when you start getting to large areas of intensive production, it is not always easy to have the same level of input. But nonetheless that should not stop us from doing it. As you say, organic production certainly is consistent with our clean green image that we are working hard to keep going.

Mr GOODLUCK - Have Victoria hopped on the bandwagon with exports of organic?

Mr FARQUHAR - The president of the new national organics body, the interim steering committee to drive this national strategic plan, is Victorian and is exporting carrot juice to Japan. They are starting to move, they are exporting a little bit.

Mr BAXTER - Perhaps you might like to comment on New Zealand as well.

Mr FARQUHAR - There are New Zealand imports of organic carrots and peas into Australia from the Canterbury Plains.

Mrs BLADEL - Interesting.

Mr FARQUHAR - They are a few steps ahead of us, I guess, in developing techniques to produce large-scale organic carrots and peas for packing in frozen packaged foods. So that is an area where I would think that a joint RIRDC-funded project with Webster Horticulture or one of those guys could really benefit. There are big moves internationally towards organic agriculture. There are subsidies in a lot of European countries to convert conventional farms to organic farms.

Mr GOODLUCK - It is the in thing; the trendy thing in Europe, isn't it?

Mr FARQUHAR - Yes, it is. They would have much bigger pollution problems and they have much bigger sustainability problems which organic agriculture seems to be able to address. A lot of their standards seem to be quite closely aligned to sustainability. There has recently been developed a national standard for organic and biodynamic produce by the AQIS, our federal quarantine service, and that is for exports of organic products. It is hoped that a similar standard will be accepted by the Codex Alimentarius Commission for international trade in organic products which will level the playing field internationally and hopefully reduce some of the problems of market access by having a uniform international standard. So there are some moves nationally.

Mrs BLADEL - But we are trailing. The message is we are trailing here in Tasmania because of different things.

Mr BAXTER - Yes. I would say if you look at our input into agriculture as a State, if you just look at the size of our Department of Primary Industry compared to other States, the unfortunate reality is that we have to be fairly strategic and we just do not have the resources that some of those States have.

Mrs BLADEL - You mean people on the ground?

Mr BAXTER - And areas. One of the areas that we seem to be deficient in is marketing; one of the areas we are having problems in is market intelligence. Whilst TDR has a role in market development, actual market intelligence is an area that we really find difficult. If you look at States like Victoria, New South Wales - well, every other State - they actually have a group of people who would be dedicated to being involved in the gathering of market intelligence and how to use that. That is really a deficiency we have. And whilst the TDR has an active role in market development, the intelligence gathering that we have is really a problem for us.

CHAIRMAN - I am conscious of the time and I do want to talk about quality assurance. Are there any further questions? It is a shame our colleague, Mrs Hollister, is not here because this was one of her pet subjects but I think we might have covered everything she wanted to know.

Mr GOODLUCK - How does the New Zealand Department of Primary Industry operate? They seem to be smart; they seem to be quick off the mark.

Mr BAXTER - There are advantages in being one country.

Mr GOODLUCK - Yes, but we are one State.

Mr BAXTER - But all their infrastructure is centred around one organisation whereas we go Federal, State -

Mr GOODLUCK - Yes, sure.

Mr GRIFFITHS - I would just like to spend ten minutes talking about quality assurance, particularly drawing on the recent initiative as part of the future Directions for the State. We are all very aware of the clean green image that we have established in Tasmania and I think that speaks volumes for the contribution of industry and government working together to develop that reputation, combined with our island status and our isolation from a number of major pests and diseases that afflict our competitors, our clean environment, our fertile soils and clean water. But worldwide we are facing a further competition and eroding of that clean and green image because our major competitors are all hopping on the same bandwagon.

There are increasing concerns about food safety - and we are all aware of the recent Press, particularly coming from Victoria - the quality aspects of our produce and management at all stages and they are something that the consumer is concerned about. That concern is flowing right back through the chain from the consumer, retailer, processors, right through to the grower. Now, for instance, our major supermarket chains are requesting that their preferred suppliers actually have approved quality assurance schemes in place. Last week there were training sessions for the Purity suppliers in the State. They are quickly moving in that direction. I think in time, if people do not have approved quality assurance schemes in place, then their marketing options are going to be more limited.

The development of quality assurance in the past has traditionally happened on a company by company basis. What happens in the vegetable industry in one company may not be consistent with what happens in another company. Similarly, some QA schemes have been developed that are specific to an industry such as flock care or cattle care and generally there has been a proliferation of quality assurance schemes. There are about three specific ones that are in place for industry groups such as flock care, cattle care and in the wool industry, Tasmanian quality wool.

Then there are the generic quality assurance schemes such as safe quality food which is emanating out of Western Australia but is being adopted more widely throughout Australia, through to the ISO - International Standards

Organisation - series ISO 9000 and now 14 000 which picks up on environmental issues. The end result, particularly at the farm level, is a potential for confusion about who is responsible, where you access the information about which is the relevant scheme for you and which is appropriate for your industry to adopt, and similarly, what levels of quality assurance your consumers are demanding.

We have identified, particularly at this stage, that the implementation of on-farm QA is really a priority for the State. The confusion, proliferation and all those other factors I have talked about, I think, has generally inhibited the implementation of on-farm QA as well as the cost, which is a major concern for farmers.

So with that sort of background, where do we go from here in order to maintain our competitive status because we really have to be at the cutting edge if we want to maintain that price premium. Our experience is that people have to get that price premium if they want to be competitive in the markets.

The quality assurance initiative is to assist the coordination and integration of quality assurance throughout our industry, particularly at the farm level at this initial stage. The Government has allocated $300 000 in order to establish a framework, and we see this framework as coming together to coordinate particularly the development of on-farm QA. Through that program we will be providing a coordinator who is familiar with standards and can assist industry adopt appropriate schemes. We are particularly keen to promote QA schemes that are internationally recognised so that we maintain our international competitiveness and working towards ISO accreditation. ISO accreditation is inherently very expensive so we want to promote schemes that are effective and cost effective at working towards that.

We are particularly keen to develop a one-stop-shop approach so that, particularly at the farm level, people can go to one person and get information about quality assurance schemes for the wool industry; similarly if they are producing prime lambs for that sector of the industry and is particularly relevant on diversified farms that we tend to have a lot of in

Tasmania.

We see this initiative as having a big potential to reduce costs, particularly at that farm level again, because at the moment if you have to engage an auditor for Tasmanian quality wool, that quality assurance scheme, then it would be nice to have somebody with the same skills who can audit flock care or cattle care or one of the other schemes so you are not dealing with a varying number of auditors. Similarly, you have one person who can advise you on the various schemes and the recording systems that are required. As I mentioned a moment ago, a single link working towards ISO accreditation rather than each commodity group working towards ISO accreditation so we will have that level of coordination there.

The next issue was the paddock-to-plate approach. At the moment, as I mentioned a moment ago about the fragmentation that has happened in the implementation of quality assurance, we see this initiative as addressing that problem. One of the problems that occurs now is that all the right things can be done on the farm but when, in the case of cattle, they are loaded on to the truck the farmer often loses the contact or the control of that stock. So we want to see a fully-integrated approach to quality assurance so that when stock are transported, or whatever the nature of the produce - it might be salmon out of Tasmania - there will be similar systems in place and the transporters and everyone else will share that responsibility and commitment to our produce.

Lastly, we see the initiative as providing greater opportunities for identification and marketing of Tasmanian produce under a quality assurance banner. I think this is something that is down the track; we will not be able to initiate it immediately but it is something that I think will offer our producers in the State a really tangible benefit if they can identify produce. One of the interesting examples of that problem at the moment is that with oysters the Tasmanian oyster growers were locked out of the market with the Wallis Lakes disaster. If they are able to identify and maintain that identity in product, then they will have greater marketing opportunities.

I just wanted to make a note really to distinguish between quality assurance and quality control because often there is a lot of misconception about quality assurance. I have some broad definitions of what quality assurance involves. It describes the processes which sets the standards under which the products are produced, processed and handled. Quality assurance schemes describe many of the details relating to the way our activities are undertaken and the records, audits and procedures are handled. It is really a system of continuous improvement.

At the other end of the spectrum we have quality control which is really a matter of describing the quality and specification schemes where the product is examined at its point of production. The standards and specifications which apply to such schemes describe the product tested, they are not determined at the production processes. It is a slightly different aspect; it is really an accept or reject approach. So really at this stage we are very keen to develop that former concept.

Mr Baxter has identified a number of the activities that go on in the department and a lot of these activities have been happening for a number of years but I would just like to indicate how the quality assurance initiative is going to be integrated with our existing activities. We have a number of activities such as the clean food environment program, our quarantine work, disease and pest management and resource management and protection work. That is a major activity which is underpinning our clean and green image and it is essential that we maintain that work. It is a major activity in the agency and takes up about $5 million of our budget each year and across the agency it involves about 90 full-time equivalents.

Part of that work that I have identified is the clean food initiatives which have a number of aspects and those are identified there in terms of responsible farm practices; legislation and codes of practice for control of use of chemicals; promoting reduced chemical usage through the initiatives that Les mentioned in terms of integrated pest management and the apple industry commitment to reduced chemical usage; benchmarking chemical usage and it is happening in the apple industry and also in the vegetable industry - the vegetable industry on the north-west coast is well advanced in that area. That information is linked to the international market requirements. All our overseas markets, as well as the Australian market, has published residue requirements in the form of maximum residue limits for our produce.

Lastly, why I mention this work is that that is really underpinning our QA code developed as well. All this work is leading to greater market access and product image development. I have a two-page handout on that initiative if people want that.

Mrs BLADEL - It is quite a big thing relatively, isn't it.

Mr BAXTER - Yes.

Mr GRIFFITHS - The particular initiative that has been announced of $300 000 is a small amount of dollars in relation to what we are doing but it is certainly adding value to what we are doing and it has a large potential particularly if it gets into the brand image development.

Mr GOODLUCK - Do you have enough staff?

Mr GRIFFITHS - It would always be nice to have bigger dollars to do something like, particularly when we compare our activities with our interstate counterparts, we have got very modest programs. But I think in reality we have just announced this initiative, we have set up a firm budget and we have planned to deliver within that budget.

Mrs BLADEL - But the potential is there for growth. I think that is what you mean, Bruce?

Mr GOODLUCK - Yes.

Mr GRIFFITHS - I think the area that does cost a lot of money and is beyond the scope of the immediate task and that is in brand image development. That is a complex issue because it is not a simple matter of just developing a brand and putting it on all Tasmanian produce because the reputation, the image and all the work that has been done by our companies such as Blue Ribbon Meats and Gilbertson's Meat Industries and those people. They do not want to interfere with that image and development; they have to be able to work together.

Mr GOODLUCK - There is a realisation now after the problems in Victoria of how important it is for quality assurance and so forth.

Mr GRIFFITHS - Yes.

Mrs BLADEL - Yes, I guess the consumers are much more aware now than ever before the results are frightening if you do not have it.

Mr GRIFFITHS - That is particularly flowing through now from, as you mentioned in Victoria, but now Coles and Woolworths nationwide are saying that their preferred suppliers will have quality assurance schemes in place. They have stopped short of saying that if you do not have a quality assurance scheme -

Mr GOODLUCK - You do not sell to us.

Mr GRIFFITHS - we do not buy. It is only a matter of time before those people who have the preferred schemes in place will have a better market opportunity.

Mr GOODLUCK - There are a couple of companies that have gone out of business now. I think Don have gone out of business.

Mr GRIFFITHS - Yes.

CHAIRMAN - Thank you, gentlemen. Can I just ask one question which I do not think is related to either of those, and that is that Mr Purity this morning - Mr Kent - suggested to the committee and in fact gave evidence to the committee that Tasmanian produce is indeed dearer than mainland produce and that if he wants to look after the Tasmanian producers then Tasmanian retailers are going to pay more. Is there anything the department can do about that? Is the department aware of the fact that our producers are ostensibly dearer than their mainland counterparts?

Mr BAXTER - Did he offer any reason as to why he thought Tasmanian produce was dearer?

CHAIRMAN - No. We did not push him on it, it was just -

Mr BAXTER - Just thinking about some of our industries, I would have thought, for example, that apples would have sold fairly much for the same price domestically as they sell for in the Brisbane and Melbourne markets.

CHAIRMAN - I did not even push him on specifics, but he did make the point - which at the time I thought was very pertinent - that if he wants to promote Tasmanian producers, his company policy is to buy Tasmanian but it costs more. He said, 'I could buy it cheaper on the mainland and sell it cheaper in Tasmania'.

Mr BAXTER -I guess there is a couple of issues. One is that certainly for some products, by virtue of our climate, we are relatively higher cost producer in that our climate is not quite as good for some products as others by virtue that we do not have as many heat units. One of the things we are looking at is what we call 'benchmarking studies'. We are actually looking at the cost structure and as to how they relate to other places and as to how we can reduce those, and we do get a number of those. There has been some interesting work there. But perhaps the fact that he can buy produce cheaper interstate is probably a function of the availability of it and the fact that people are likely to reduce the price to get rid of it so he can source it cheaper. I think it is a complex issue and I guess it would need to be looked at.

CHAIRMAN - It is probably quite unfair of me to ask without you having a look at it.

Mr GOODLUCK - We did not ask for specifics today. I was only thinking about potatoes and onions and carrots; you could not buy those cheaper outside.

Mr BAXTER - The reality is that at the end of the day 400 000 people do not eat that much, or 500 000 people do not eat that much and the majority of our produce is exported at least to the mainland where we compete quite well. It should cost more on the mainland because of our freight costs and I would have thought we would have been selling our produce in Tasmania for at least the same price or lower than we would sell it interstate. So if he is buying produce interstate it could be the - I have to say that Woolworths and Purity sometimes do not have a good reputation as to how they source their produce. When I was with the Queensland department they used to drive a pretty hard bargain with buying produce on the (inaudible) belt, for example, and I guess there is more competition there so growers were willing to take a slightly lower price.

Mrs BLADEL - I have heard that with the tomato growers too.

Mr BAXTER - But it certainly would need some investigation, I think.

CHAIRMAN - And now is not the time. Thank you very much, gentlemen, for the evidence you have given us.

Mrs BLADEL - It was very interesting.

CHAIRMAN - It was indeed.

Mr BAXTER - Please let us know if you need some more information.

CHAIRMAN - Yes, thank you, and you have some information you are going to table now.

Mrs BLADEL - It will be good to see the organic industry develop and grow but, as you say, you have two bodies there and they are not all that friendly; they are very competitive.

Mr BAXTER - We have brought less friendly bodies together.

Mr FARQUHAR - Yes. Both bodies were present at the national strategic plan and they managed to agree there.

THE WITNESSES WITHDREW.

UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON TUESDAY, 27 MAY 1997.

Mr JAMES MORRIS WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIRMAN (Mr Benneworth) - Mr Morris, welcome. We have received a submission from you. Our normal process is to simply ask you to speak to that submission or to tell the committee what you would like to tell them.

Mr MORRIS - Really, I do not think I have much to add to that submission, except to perhaps say that I would expect you have already been told by other people in the retail trade how bigger is much better and how they can promise that they will give lower prices if they get more volume and all these sort of things. Personally, I feel that that is a very disputable argument; it is one which is very much open to interpretation as to how they are going to achieve that thing. I question how the bigger mainland-controlled supermarket chains can operate much more efficiently than the small local business.

I think we have to accept that Tasmania and other areas distant from the source of manufacture of any product are going to pay somewhat more for their products - well, grocery products because that is what we are talking about at this stage - than the people in Melbourne or Sydney who live next door to the factory where it is made, and we cannot do anything about that.

One of the first points that I think I tried to make in the submission was how Tasmania and other distant locations are disadvantaged by the policies of the Federal Government in their application of the sales tax legislation - I think I have already detailed that - and since writing that I think there has again been a lot of - well, there has certainly been a lot of promotion through the trade on the discrepancies, I suppose, of this legislation, particularly how it applies to freight and distribution costs.

I think it is inevitable that the Federal Government will move to a consumption tax at some stage in the future and, hopefully, committees such as yours, and the people in the remote areas, will be able to influence that decision at least to the extent of removing the cost of distribution from that proposed consumption tax if it does come.

Other than that, I think I would just like to thank the committee for the opportunity of making a submission, and I am happy to answer any questions or talk to you on any subject that I can. If there is anything in that submission, which no doubt you have had, that you feel is incorrect or can be clarified or anything, I am happy to answer what I can for you.

CHAIRMAN - What percentage is distribution adding, in your opinion, to your costs over the top of, say, a Four Square Store at North Hobart?

Mr MORRIS - To our costs, nothing. Being part of a group - the Value-Plus group, which is irrelevant, but we are - we pay 1.2 per cent, just freight charge out of Launceston, which is the same as all stores in that group, irrespective of whether they are in Prospect - which is next door to that Launceston warehouse - or anywhere else. That part does not affect us as distinct from anyone else in that field.

What does affect us is the difference. Because we buy from that Launceston warehouse, we pay a cost to them which is based on their cost of the goods in Melbourne, the delivery to them, and the tax on top of that. There are one or two stores in Tasmania - independent stores, I am saying - who buy from a Melbourne warehouse, who pay that Melbourne warehouse price. They pay sales tax on that Melbourne warehouse price and they pay freight extra on top of it. So in fact they are not paying tax on that freight component whereas because ours - and the vast wholesale cost is ex-Launceston - we are paying sales tax on that freight component.

CHAIRMAN - We have had evidence given to us that Roelf Vos actually pays the same as you do but Purity does not. Because Roelf Vos buys out of a warehouse, the same as you do, it then pays sales tax at the store door, but Purity in fact pays its sales tax at the warehouse door.

Mr MORRIS - Well, being as Purity and Roelf Vos are both owned by Woolworths Australia, I cannot see that they would - I do not know; I do not know the inner workings of these companies - but being as they are both owned by Woolworths, although trading under different names, I cannot imagine they would have a different pricing structure than they do. I do not know.

CHAIRMAN - The committee has been told that that does exist. I think that is the law, is it not? The fact is that Roelf Vos, Newstead, buys out of a warehouse and then must put the sales tax on whereas Purity, Sandy Bay, does not buy out of the warehouse; it actually gets deliveries out of a warehouse.

Mr MORRIS - They buy out of a distribution centre.

CHAIRMAN - Correct.

Mr MORRIS - True, yes.

CHAIRMAN - But I think the committee hears what you are saying about sales tax; there is no doubt about that. In fact, we have actually had a debate this morning with Michael Kent from Purity on this very same point.

What happens under a GST arrangement? You are actually saying if you had a GST then you would take out the freight component -

Mr MORRIS - What I am saying is that I do not know how - we do not know - no one, I understand, knows exactly how a consumption tax would work. But the system in other countries is that it is effectively a percentage of the actual retail price - the price the consumer pays - which includes all distribution costs, all margins and everything else they include in getting that cost to the consumer.

Obviously, that would mean that in the case of Tasmania where, just for example, the freight component is 10 per cent, that gets added into that cost and the percentage of the consumption tax goes on top. We find that in other countries - and I assume the same thing will happen in Australia - that as it goes up the chain, you are allowed to deduct any amount of consumption tax which has been added on to that in the process from the amount that is ultimately remitted to the Government.

But because it is a percentage factor, it means that the further the way you are away from the place of manufacture, the more costs there are in that distribution. That applies to the smaller stores as well - perhaps not ours, but some of the smaller stores around the suburbs and corner places - who perhaps buy through two or three distributors, each of whom has to add on their bit of a margin. That percentage of that consumption tax at the end rate, although it is still 2, 3, 5 or whatever per cent, of *x* dollars is more in actual money than the percentage is on a lower cost at a mainland centre, say. Have I explained myself?

CHAIRMAN - Yes, that makes sense. How do you determine your prices at Swansea in Morris' Store?

Mr MORRIS - How?

CHAIRMAN - Yes.

Mr MORRIS - Two ways: the grocery products, or the majority of grocery products, we buy through the warehouse. We accept the price recommended by the distribution chain, which is Tasmanian Independent Wholesalers in our case. The other products which we do not buy through them, I use a formula based on the into-store cost, plus a percentage which I calculate is going to cover our operating costs.

CHAIRMAN - Just back onto the recommended retail price that the warehouse sends out to you -

Mr MORRIS - The warehouse makes, yes.

CHAIRMAN - recommended retail mark-up, does that make you competitive with your competitors in Swansea?

Mr MORRIS - It makes us competitive with the business that is in Swansea. We are told - and I have not personally done a survey - that it makes us very competitive with our opposition, which, in fact, is Purity, Glenorchy, and Purity, Sandy Bay.

CHAIRMAN - Right, that was actually my next question. So Mr and Mrs Smith who do the shopping at Swansea in your store would be just as well off as Mr and Mrs Smith who shop at Purity?

Mr MORRIS - Overall, I am told that they will be very competitive. It does, of course, vary according to what brand of soap powder *x* has on special one week or the other, and possibly there is a small discrepancy related to the fact that we cannot buy as cheaply as Purity. But that is a point.

CHAIRMAN - My last question is - and I have hogged the floor - is there a good living to be made as a retail outlet, a major grocery outlet, in a country town? It is a nasty question, is it not?

Mr MORRIS - No, not a nasty question. There is a living to be made out of it in a country town provided there is enough volume achieved in it and depending on the - I cannot speak for other people. We do not make a lot of money out of it. That is probably because the business has been there for 150 years and we choose to follow the traditions of some of the older country stores - in fact, we run charge accounts, we run home deliveries - many things that are not in modern-thinking profitable. Any store that set up a new operation without these overheads would obviously do much better than we do, so the fact that we are not making big money out of it is in a way a personal choice.

The other thing is that we are the general store; we have been there for a long time; we have a very broad range of stock and, in fact, some of the other products do tend to subside the grocery side of it to a certain extent. Again, that is a personal choice, a business choice, or whatever you would like to say. Different people will no doubt tell you that they do very badly or do very well. It depends, I think, on the philosophies of how they want to run a business.

Ms GIDDINGS - How many lines would you run?

Mr MORRIS - How many -

Ms GIDDINGS - Lines of products do you have.

Mr MORRIS - I have 37 000 items on the computer file, but they are not all in stock at the moment. I would guess probably 20 000, 25 000.

Ms GIDDINGS - Which is more than Purity in fact in that respect.

CHAIRMAN - It is just a general store, I presume, you are talking about.

Mr MORRIS - That is right throughout the store, which includes -

Mrs BLADEL - Hardware?

Mr MORRIS - hardware - nails and swimwear and sunglasses and watches and groceries, fruit and vegetables and all the other things that go with it, yes.

Mr GOODLUCK - It has been there 150 years?

Mr MORRIS - 1868 the family bought the business.

Mr GOODLUCK - Not you, I mean, but the shop.

Mr MORRIS - I feel as though I have.

Laughter.

Mr MORRIS - The family bought the business in 1868 and they had been working in it before that.

Ms GIDDINGS - We have had evidence - which no doubt you have seen or heard in the media as well - that was given to us by the Independent Wholesalers that the independent stores do tend to be cheaper than Purity and Coles. Would you agree that there is still a perception that the smaller stores are more expensive, and would consumers in Swansea say, 'Oh well, we're going to Hobart or Launceston and we'll stock up on our shopping while we're there' and just use you as a -

Mrs BLADEL - A convenience store.

Ms GIDDINGS - A convenience store; that is right.

Mr MORRIS - Yes, I would certainly agree there is a perception there. The point I tried to make earlier was I do not believe we are necessarily cheaper; I believe we are very competitive with the other stores. But there is a perception amongst the community that some of the other outlets are cheaper, probably promoted by advertising, because we do not have the national advertising account that they do. And I would agree, certainly, that there are people who - amongst our customers there are three groups of people: one who are fairly loyal to a local distribution chain for whatever reason they choose, whether they decide that it is more economical for them to stay at home and enjoy themselves rather than trudge to Hobart.

There are those who, as you have mentioned, may want to come to Hobart for some other reasons - and, unfortunately, they have to, if they want a specialist doctor, if they want to see a bank, if they need to see a solicitor - there are many reasons why they have to come to Hobart. If their children need educating beyond primary school they have to come to Hobart. I do not agree with that thing, but it has to happened. In that case they might well say, 'Well, I'm going to be there once a month. While I'm there, I'm going to drive around to the supermarket and buy my groceries, but I'm not going to make a special trip to do it'. And the third group, of course, are the people who do make a special trip to Hobart once a week to do it. That happens.

CHAIRMAN - But there is no point in that, is there? There is no point in them doing that because in fact -

Mr MORRIS - There is no point in them doing it.

CHAIRMAN - So that is a real education thing that maybe we have got to promote.

Mr MORRIS - Yes. The other point I think, too, is the fact that because of the employment in Swansea, and no doubt in many other country areas, is rather limited, which means that if a husband is working away, which a lot of our people do; in forestry industries and other industries they are probably working away all the week. They come home Friday night with their pay cheque. They buy their carton of beer, they fill their car up with petrol and have a weekend at home and they go back to work the next week, and their wife is stuck at home with a car full of petrol and bored stiff. Why would she not want to go to Hobart - go for a drive? It is a natural human philosophy, I suppose.

Mr GOODLUCK - They get bored easily, do they not?

Mr MORRIS - They can do.

Laughter.

Mr MORRIS - They can do. I can understand it, yes. It does not help country business, but I can understand it.

Mr GOODLUCK - Yes, so can I.

Ms GIDDINGS - Just as a side issue on that, what has been the impact of the poker machines on your business?

Mr MORRIS - At the moment we have not got any poker machines in Swansea so I cannot comment on it. I believe that in some areas it has had quite a significant effect - this is just what I have been told in talking to other people in the trade. But personally I cannot really comment; I do not know.

Ms GIDDINGS - You mentioned some independent stores actually buy their goods from the mainland and freight it over at their own cost, I would imagine -

Mr MORRIS - Yes.

Ms GIDDINGS - Is it more cost effective for them to do that? Why would they not go through a process like the Independent Wholesalers that you use?

Mr MORRIS - Two reasons, I think. Cost effective - I did a brief study on it and, to me, it was not cost effective, simply because the volume that we would have purchased would have made the relative freight cost more expensive. But some of the others tell me that is not so; they are able to buy cheaper and the freight component - in talking to people at St Helens I have spoken to on the subject, they tell me that they can buy enough at a lesser price in Melbourne, that the freight component averages out about the same.

The other thing is, I think again a bit of human nature, that now there is only one, I suppose, warehouse which will supply independents in Tasmania - and they are controlled 60 per cent by Woolworths - and they have a marketing company, Tasmanian Independent Wholesalers, who market for the people who buy out of that warehouse, and it is human nature that some people do not get on particularly well with that marketing company or that warehouse. So they think, 'Well, if I've got a choice I'll go somewhere else'. It is the same choice that the actual people out in the street make - and no doubt you make - whether you are going to go to Coles, Riteway, Purity or whatever - for personal reasons, whatever reasons.

Mr GOODLUCK - How many would there be that buy from the mainland - many?

Mr MORRIS - I think about fifteen or sixteen, but I would not guarantee that.

Mr GOODLUCK - Were they the ones dealing with David's when they were here?

Mr MORRIS - They were the one that started off dealing with David's.

Mr GOODLUCK - So they are still dealing with David's over there?

Mr MORRIS - And they are still dealing with David's or they -

Mr GOODLUCK - The reason David's got out is because they did not have any storage facilities. Well, they had them but there was not -

Mr MORRIS - I understand the reason that David's got out - and this is again - I cannot - the reason David's got out is that they were unable to achieve sufficient volume.

Mr GOODLUCK - Yes. Are you a shareholder in Independent Wholesalers?

Mr MORRIS - Minority, a very minority shareholder, yes.

Mr GOODLUCK - Does it worry you the set-up with Woolworths? Mr Kent is going on the board, so do you think that will worry you in the future?

Mr MORRIS - It worries me what effect it will have and whether, in fact, my concerns are simply biased and whether or not - I do not know.

Mr GOODLUCK - What if Woolworths bought out the balance of Independent Wholesalers? They have a monopoly on the board, have they not?

Mr MORRIS - They have got a monopoly on the board. They could - again I understand that under the articles of the agreement, they cannot buy out the lot. My understanding is that the independent group - Tasmanian Independent Wholesalers - have the option, if Woolworths want to take over the whole warehouse, of setting up an entirely separate and independent operation to supply the independent stores in Tasmania. Whether or not they would be able to achieve sufficient volume to make a viable and competitive operation out of that is a matter again of individual opinion. I think they probably could, but certainly I do not know.

Mr GOODLUCK - Are you familiar with Ralphs Supermarket - much the same as yours?

Mr MORRIS - Yes.

Mr GOODLUCK - Do you know the Caterers Market next door to Ralphs?

Mr MORRIS - I know of it, yes.

Mr GOODLUCK - I went there the other day and I said, 'Where are all the boys?' and they said, 'They're out at Glenorchy now, Bruce; that's been bought by Woolworths'.

Mr MORRIS - That has been bought by Woolworths, yes.

Mr GOODLUCK - So it leads me on to that question, when will they take over the 40 per cent that you have?

Mr MORRIS - When will they take over the 40 per cent of the warehouse that the independents have?

Mr GOODLUCK - Yes.

Mr MORRIS - I believe they will eventually, yes - or will try to take it over.

Mr GOODLUCK - Try to?

Mr MORRIS - Yes. When we will they take over the 25 or so per cent that the independent stores have throughout Tasmania, again is another question. It seems to be a trend - throughout Australia from what I read - that where a major chain or group feels that they can achieve improvement in their volume and sales by purchasing an independent operation they will do so. They will not be able to do it completely, but they will get a large proportion.

Mr GOODLUCK - You have got a bigger share than Coles. I did not realise that until today - that is, the independents throughout Tasmania have got a bigger share than Coles. We are always talking about Woolworths and Coles, but there you are; you have more.

Mr MORRIS - I think they have a bigger advertising crowd.

Mr GOODLUCK - Yes.

Mrs BLADEL - Do you buy locally, Mr Morris, your fruit and vegies, or where do you mainly get your fruit and vegies?

Mr MORRIS - The majority of our fruit and vegetables comes from Launceston - from a distributor in Launceston. We do buy a very little bit locally but, again, we are not in an area of prime production of fruit and vegetables like, say, the north-west coast or somewhere like that. There have been a lot of farmers in our area over the last two or three years diversifying into crops of vegetables and things, but they are primarily growing for seed rather than for actual distribution. So what we buy locally is very little, simply because it is not readily available - more so perhaps that it is not readily available. I think if the opportunity was there we would be happy to buy more locally, but the opportunity is not there.

Mrs BLADEL - There is nothing seasonal like strawberries or anything like that?

Mr MORRIS - There is one back-yard, I suppose you could say, producer of strawberries. We buy a few from her during the peak of the season, but there is not enough. Grapes seem to go into bottles rather than go into mouths.

Mr GOODLUCK - Is it still windy down Swansea?

Mr MORRIS - Yes, it was windy coming down, yes.

CHAIRMAN - You have got a little bit of heaven to live in out there anyway, have you not?

Mr MORRIS - Yes.

CHAIRMAN - I would like to thank you very much for coming in. I know you have made the trip in especially and it is appreciated. In fact it is good to hear from an independent, may I say small retailer, because we have not had one before, and I think all the committee is very happy that you have made the effort. Thank you very much indeed.

Mr GOODLUCK - And one who is surviving against all obstacles.

CHAIRMAN - I am sorry to do this, but could you tell us what percentage you pay either to the bank, or the bank to you, with regard to Eftpos facilities? You certainly do not have to.

Mr MORRIS - No, that is not a problem. Eftpos facilities at this stage is costing us $1 500 per year flat, and on top of that we pay 2.6 per cent on credit card transactions.

CHAIRMAN - 2.6 per cent on credit card -

Mr MORRIS - That is our business, yes.

CHAIRMAN - And then you pay $1 500 per annum -

Mr MORRIS - Per annum as an access fee -

CHAIRMAN - As an access fee.

Mr MORRIS - and that gives us an unlimited number of debit card transactions - that is, the debit cards which immediately come out of such as your savings account or whatever.

CHAIRMAN - Is that an advantage to you?

Mr MORRIS - Is it an advantage?

CHAIRMAN - Yes, to have that extra cash available.

Mr MORRIS - To have the -

CHAIRMAN - The fact that people can actually spend cash and you have got it then in your hand.

Mr MORRIS - Have the Eftpos available?

CHAIRMAN - Yes.

Mr MORRIS - It is another service which I thought we should provide, particularly because of the number of mainland visitors we get coming through Tasmania who cannot understand that there is no bank outside Hobart or Launceston.

CHAIRMAN - Are you aware that Purity actually gets paid 2 per cent?

Mr MORRIS - I am aware that they get paid; I do not know how much they get paid.

CHAIRMAN - And have you put it on your bank?

Mr MORRIS - We have made an approach to the bank -

CHAIRMAN - And what did they say?

Mr MORRIS - and they say, 'Well, we don't know about that; that is a head office decision'.

CHAIRMAN - And could you name your bank?

Mr MORRIS - ANZ, the bank that the Eftpos is with. We do have other bank accounts but the Eftpos is with ANZ.

CHAIRMAN - And when you first put it in, did you have to pay up-front costs, or did they pay them?

Mr MORRIS - We bought the terminal which cost us about $3 000 - $3 500.

CHAIRMAN - And any dedicated line?

Mr MORRIS - The arrangement we had when we first put it in, which is maybe five years ago, we paid an up-front cost of $3 400-something, I think, which included the terminal and the installation costs, which included the phone line. All the other ongoing costs, which include the phone line and things, are included in the $1 500 annual fee.

CHAIRMAN - Okay. Have you found that you have turned yourself into the local bank?

Mr MORRIS - We are finding an increasing number of people doing transactions through the Eftpos. I feel that we have probably been a de facto local bank for many years by the fact of cashing their cheques and things when the cheque was the normal method of getting money out of a bank account and we would always cash our customers' cheques. It is something that has been going on for a hundred years.

CHAIRMAN - Maybe just one more then. The very fact that you have not got a local bank now in Swansea, does that cost you money?

Mr MORRIS - Yes, I think it does.

CHAIRMAN - And do you transfer your money - cash - around by Armaguard, or do you go actually physically - in fact, you probably do not want to answer that question, and I should not have asked it perhaps on the record.

Mr MORRIS - Because we have not got a dedicated bank in Swansea, we run three business bank accounts: one with Westpac, who do come to Swansea as an agency for four hours a week, so that gives us a chance to deposit money and get change; we have an account with ANZ, who provide the Eftpos facility, and we have a banking account with the Commonwealth Bank because that lets me deposit money through the post office. That is our set up.

CHAIRMAN - Very wise.

Mr MORRIS - And because we have got too many bank accounts, I think that is probably costing us money, but it seems the only effective way I can come up with to work.

CHAIRMAN - Again, Mr Morris, thank you very much indeed.

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 TUESDAY 27 MAY 1997.

Mr BARRY TITMUS, GENERAL MANAGER, EGG MARKETING BOARD, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIRMAN (Mr Benneworth) **-** Barry, thank you for the formal written submission which the committee has received. It is normally our policy to ask witnesses to speak to that and then elaborate any further, so I will just handball it to you and then the committee may well want to ask some questions.

Mr TITMUS - Do you want me to actually run through the paper or just sum it up?

CHAIRMAN - I want you say whatever you want to say to the committee.

Mr TITMUS - Assuming that we have all had a look at the paper, I will just run through the points I am trying to make, I guess. My main point is to do with micro-economic reform. I do not have a problem with micro-economic reform as such, but at the moment we have got competition - very strong competition in the supermarkets - and I believe that micro-economic reform, if it is taken to the nth degree, could be the end of processing industries in Tasmania - such as eggs and chicken, flour and whatever - because logically you would locate these industries close to the raw material, close to transport, population, efficiencies and so forth, and if that is taken to the nth degree well, obviously, you would not have eggs produced in Tasmania; you would produce them near the wheat belt somewhere. So that is the main thrust of the paper.

Perhaps I could just run through briefly and tell you what the egg board is about. In 1988 we consolidated about three acts of parliament and we established the Egg Industry Act, and from then on producers have set their own prices, negotiated with shops. The egg board sets production levels through a quota scheme. We take surplus eggs which we manufacture into egg products and we sell to bakeries and caterers, and we are into generic promotion, food safety; that is probably about it. We are a small organisation with five permanents and three casuals and so we are only a fairly small organisation.

The chook farmers sell direct to the marketplace and these prices I just handed around compare Tasmania with a particular shop in Victoria. The only reason that shop was chosen is because it happens to be where one of our producers was at about a couple of weeks ago and he managed to get those prices for me. But you can see that comparing the Tasmanian prices at supermarket level with Coles, Victoria - this Taronga branch - that the prices are pretty close. The Victorian ones look to be marginally dearer but it is because their nearest grade size is slightly larger than ours, and in actual fact the per gram price is almost identical for each one.

So if you bear in mind that we are paying an extra $100 a tonne for wheat and, say, 3 cents a carton for packaging because of Bass Strait and different climatic conditions, different scale, disadvantages and so forth, our producers or our system is doing very well to get those prices into the shops equivalent to Victoria.

The future direction of the egg board: at the moment we are getting right into food safety because obviously that is a very contentious and a very important point at the moment, particularly with what has been going on in Victoria. We are setting up quality assurance programs on each farm and food safety is the major thrust in those programs. We are doing HAZAP programs on food safety.

In two years' time our act comes up for review, and under micro-economic reform I would say we would be looking pretty sick because in pure economic terms, we create a barrier to entry because of the quota system. So at that time we will have to establish that public good outweighs barriers to entry, which we would argue through our food safety programs in particular, and the fact that we get second-grade eggs out of the marketplace and convert them into pasteurised egg product, which is another food safety factor.

So what I am saying is we face a pretty rough road as an egg board system, and I believe that without the quota system that our producers will virtually go by the wayside and eggs will be brought in from interstate.

I have had a go at relating some of your terms of reference to the egg industry; that is all documented.

CHAIRMAN - Could I just hold you up, Barry, for one second and just get you to explain in more detail the quota system and how it works in Tasmania?

Mr TITMUS - Tasmania is virtually one big backyard as far as egg production is concerned, and there is a big difference between summer and winter quota. We have about 40 to 50 per cent of egg production in the backyard in non-commercial flocks whereas the interstate level is probably about 10 to 15 per cent on average. So we run a two-quota system of, say, 180 000 chooks between March and August, and about 160 000 chooks between September and February. It is done on hens, not eggs, so we allocate hen quota, and the chook farmers can grow as many eggs as they like up to that quota level. They sell direct to the marketplace and any eggs they cannot sell we are committed to take for processing. So we have to get the quota levels pretty right otherwise there is huge losses on surplus production. We can sell surplus production interstate if we misfire too much, but it is only a recovery exercise.

We have previously sold to Japan. That worked out at about 50 cents a kilo or something, which is about 20 cents a dozen, and if you have already paid a floor price around a dollar a dozen, well, that is not a viable exercise. So the quota system keeps production just within a manageable level. You know you have a perishable product, and if you are 5 or 10 per cent over, the eggs virtually either have to go into the product market or onto the tip, so I guess that is why we have managed to keep the quota system going for so long.

I do not want to bury my head in the sand. Victoria, New South Wales and South Australia no longer have quota systems, but their egg prices have not got any cheaper in the meantime. The New South Wales Government, for instance, paid out about $60 million to deregulate their industry. We have already done most of the deregulation with the exception of quota; in other words, we are not involved in pricing. The egg board is not involved in pricing in any way.

CHAIRMAN - So you are saying that the State of Tasmania may, indeed, go into this totally deregulated market, and by doing that you are saying that our egg producers would be out of business? Why is that?

Mr TITMUS - Well, mainly because I believe it would become a hobby industry. There was an experience about five or six years ago when quota was going to be given out free for free-range production. We had about 50 000 birds worth of applications before it even got off the ground, so if you add that many chooks to the local industry there would not be enough left in the local commercial industry to be viable. We would end up with a State hen population - commercial hen population - of about 100 000 or something, and bearing in mind that we have got interstate a million-plus, it just would not be viable. Eggs would become a cash crop; there would be no contribution to the tax system. I just do not see that it would be in the best interests of the State to be that way.

Mr CHEEK - How do they get a quota now? Do they just have to apply to you for a quota and you just -

Mr TITMUS - No, the quota just trades in the marketplace, like abalone or taxis or whatever else, and so the only way to get into the quota system is to buy some from an existing quota holder.

Mr CHEEK - What are they going for at the moment?

Mr TITMUS - Around about $7 or $8 - probably less than. There is the prospect that quota could be wound up in two years' time. At one stage it was about $30 and then when the free-range idea came in, they went from $30 down to $10 overnight, and now it is down to about $8 or $7. If it was up to me, I would pay about $1, $2.

CHAIRMAN - Per bird.

Mr TITMUS - Yes.

CHAIRMAN - Sorry to butt in, but I did not know anything about it.

Mr TITMUS - I mentioned the partial deregulation had already happened in 1988 when we consolidated the legislation. Producers do all the negotiation with shops. We have six major producers who supply Coles and Woolies between them. Coles and Woolies have, say, 70 per cent of the grocery market in eggs and you have six suppliers, so it is very hotly contested - those plum markets. People obviously prefer to sell to Coles and Woolies rather than one-box markets on the corner store. They are all valuable markets but Coles and Woolies are the ones they go for.

That is why you might have noticed in this presentation, I noted that during the time that wheat prices were skyrocketing, Tasmanian eggs went up 1.4 per cent, I think it was, and 1.5 per cent, and Sydney went up about 30 per cent, I think; Brisbane was 35 per cent, so there were huge increases interstate because they had got single-desk sellers who can push the price up. But in our case we have got these eight or so producers supplying the two major organisations, and they are actually not in a very strong negotiating position. So from the point of view of consumerism, that is good, healthy stuff; it is competition, but from the point of view of getting the price up, our producers find that pretty tough.

The egg board, of course, does not get involved in minimum pricing any more as we used to before 1988, because the ACCC would not look too kindly on the central body. With the Allfood's experience and various other experiences, obviously that part of it is left to the producers.

Basically I think I have just about said as much as I need to say about the paper. Could I take questions?

CHAIRMAN - Before you do, perhaps if you could just give us your message. What is your message to this committee?

Mr TITMUS - My message to the committee is that the egg industry is very efficient, and that is demonstrated by those prices I have handed around at retail level; they are very similar to Victoria. We could quantify about 25 cents per dozen production cost disadvantage compared with Victoria. That has been soaked up in the system somehow, probably to do with supermarket margins, to some extent.

So I am saying that our system is efficient. We have gone down the deregulation path in a proactive way without it being pushed on. I am saying we are urging that deregulation does not happen down the track, just for the sake of deregulation. I know under micro-economic reform there will be a lot of pressure to do so. And particularly with mutual recognition under the Mutual Recognition Act, any good or service recognised in one State can be sold in another State obviously. So there is no barrier to entry as there used to be. We used to be able to pull eggs up at the wharf and regrade them, which was just a cunning barrier - nothing else. But that is not allowable any more. So it is a common market and if we are not efficient under the system we have, we will go under anyway.

CHAIRMAN - Are the major chains buying mainland eggs or are they sticking with the local producers?

Mr TITMUS - No, they have not been. Some egg product comes in - pasteurised egg product - but very seldom; just a few consignments of eggs have come into the State. Basically that is because of the strong network, I guess, of our producers selling direct and so they build up a good rapport with the shops. It is not an arm's-length exercise, as it would be with one single seller. I guess they have just been strong enough to hold it together, plus they are asked to match quite often now. Purity, say, can dial up egg prices all over the world, and particularly interstate, quite easily, and they can say to the local producer, 'These eggs cost such and such here and there; what are you doing'. So the producer will always match rather than lose the market.

We just had a farm in Victoria who is just in the hands of the receiver now - I think about $7 million worth - by the name Svarc. He had 70 per cent of his market with Safeway - which is Woolies Victoria - and you would assume that would be a plum market. They squeezed him to such an extent that he has gone under. You would think you would be licensed to print money, but it is not the case.

CHAIRMAN - Michael Kent told the committee this morning that his company's policy is to support the local producers, but I think, in a backward sort of way, he did tell the committee that indeed that forces prices up a little bit. Would you agree with that, or would like to make a comment on that observation?

Mr TITMUS - I would certainly agree that he supports local production. All things being equal, he would always buy from the local supplier. Coles have their buyer located in Melbourne now; we do not have a Tasmanian buyer for Coles. That is a bit more arm's length, but I think there is still a bit of loyalty there for the local Tasmanian community. But it is certainly the case with Purity and with Roelf Vos too, for that matter.

CHAIRMAN - Would you care to comment on the second part of the statement that I made - that he claimed to the committee that -

Mr TITMUS - The price difference.

CHAIRMAN - by buying locally actually forces his prices up a little?

Mr TITMUS - Traditionally our egg prices have been higher but we have come back to the field. I guess the egg prices have been higher because he has bought locally. There are times, particularly since New South Wales has been deregulated, when you get into a real surplus situation, you have to give eggs away just about. So there are times when you could bring eggs in probably for $1.20 a dozen perhaps. It has not been the case for over the last two years, but prior to that there have been times when you could, and they have not done so. Bit by the same token, that would only be short-term supply because it would probably cost you a $1.80 or so to produce an egg, and it would not be sustainable to sell at that price.

Mr CHEEK - I just did not catch what you said earlier. I thought you said something about one producer somewhere being 20 per cent below elsewhere, and that it was soaked up in supermarket margins. Did you say something along those lines? I did not quite catch what you said.

Mr TITMUS - What I was saying, I was talking about our negotiating disadvantage with the shops compared with interstate. We have eight producers supplying Coles and Woolies, and during the time the feed prices skyrocketed, our producers only managed to get the price up 1.5 per cent - and that is demonstrated in those ABS figures - whereas the single desk sellers interstate managed to get the price up 30 per cent. I only threw that other business in about margins because the margins might distort that comment a bit. But on the face of it, that is how much the price has moved.

Mr GOODLUCK - Those eight producers, they sell direct to Purity?

Mr TITMUS - Yes.

Mr GOODLUCK - Are they battery hens?

Mr TITMUS - We have roughly about 72 per cent in cages and about 25 per cent or so in various forms of deep litter or high rise and so forth - in other words, pens.

Ms GIDDINGS - Is that a static market, or is it increasing - the free-range market?

Mr TITMUS - The free-range market is increasing a bit. It is about 3 or 4 per cent of production.

Mr GOODLUCK - They would not be able to cope with the demand.

Mr TITMUS - Producers would adjust. If there is more free-range demand they will supply the eggs because there is a margin there. But unfortunately the consumer who votes for free-range production in a survey does not necessarily vote in a shop when you are required to pay the extra 50 cents or whatever. But our producers have certainly adapted. Pam Clarke has done them a favour in many ways and created a niche market there and they are supplying it.

Mr CHEEK - And you get higher margins because of it.

Mr TITMUS - Yes..

Ms GIDDINGS - All the feed for chooks comes from interstate, does it?

Mr TITMUS - No, just the grain. About 70 per cent of the ration is wheat and Tasmanian wheat is not hard enough, or there is some technical reason why Tasmanian wheat is no good. If you use local wheat, you have to add too much protein to it to get the right protein level, so we have that 70 per cent or so of the feed ration brought in from interstate. There are some attempts, I think, to produce a winter wheat crop which will be closer to the mark, but that is still at the teething stage.

Ms GIDDINGS - You said each producer sells straight to stores anyway. Do you know at all what roughly their prices are, that they are selling to the stores at?

Mr TITMUS - No.

Ms GIDDINGS - I guess that is confidential anyway.

Mr TITMUS - Sometimes I have an idea but there are so many promotional little bits and pieces that cloud the issue. If it was $2, there would be another figure of settlement discount and so much thrown in for promotion. If the supermarkets run a page in the dailies and include eggs, they ask the producer to throw in a few thousand dollars towards the cost. But I am not allowed to know what the wholesale price is or Mr Fels will be after me.

Ms GIDDINGS - Because we are meant to be more expensive here in producing our own local product, it would be interesting to know what the mainland - in Melbourne or somewhere - the eggs can be sold at a wholesale price compared to here at a wholesale price. If there is much of a difference, how much are our local producers, when they are being asked to match mainland prices, a disadvantage at? How much have they been beaten down in order to do that.

Mr TITMUS - I cannot really answer the question. I suspect the margins are higher interstate because when the New South Wales Egg Board was deregulated, for instance, the egg board was costing about 30 cents a dozen, and when the deregulation happened the prices only came off very marginally.

In our case our egg board system is still down; it is about 9 cents a dozen. That gets all the B-grade eggs off the market and processed into pasteurised form, and it runs a generic promotion program and so forth in that figure.

CHAIRMAN - Are eggs sold farm dollar to the wholesaler or to the retailer?

Mr TITMUS - It is a bit of both. We have farm-gate sales if the consumer wants to come along and pick them up at the farm. We also have wholesale sales and retail sales. There are a couple of distributors around who create an extra layer in the cake, who receive eggs from producers and then they sell to, say, Banjos or wherever. I mention Banjos because that is the case there; there is an extra player in that one. In, say, Coles and Purity and so forth, the farmer sells direct to them so it is going straight to retail.

CHAIRMAN - How many eggs are we chomping our way through per year in Tasmania?

Mr TITMUS - Just over 4 million dozen.

Mr CHEEK - How much per chook?

Mr TITMUS - How many eggs per chook?

Mr CHEEK - Yes.

Mr TITMUS - About 22, 23 dozen. They do a good job; they are all women, you see.

Laughter.

CHAIRMAN - Does a chook produce - what is his or her egg-laying cycle. Does she produce all year, or is she like a cow?

Mr TITMUS - They lay all year. They come into lay about 22, 23 weeks and they lay until about 78, 80 weeks - something like that - so it is just around about a year. But just depending how supply is going. If an over-supply is looming they are processed a bit earlier, or if they is a shortage, they are held on a bit. A chook gets up to about 90 per cent rate of lay when it peaks, which means nearly an egg a day - nine-tenths of an egg a day - and by the time it gets down to about six-tenths of an egg a day, it is no longer viable, the poor thing. I know this sounds very mercenary, but they get processed at that stage. So about twelve months; they get about twelve months lay.

Mr GOODLUCK - What is the role of the board actually, Barry?

Mr TITMUS - The role of the board is supply management through the quota scheme -

Mr GOODLUCK - Supply management.

Mr TITMUS - Yes, food safety, quality assurance on farm, generic promotion and taking B-grade eggs off the market and processing them into pasteurised form to get rid of the salmonella - whatever problems that might arise. They would be the major functions.

Mr GOODLUCK - Where do they do the processing?

Mr TITMUS - At the premises out at Moonah.

Mr GOODLUCK - You do it out there, do you?

Mr TITMUS - Yes. We produce whole egg pulp; we have a separator. We do whites for, say, Swan Lake Pavlova, and we do yokes for Big M or whatever.

Mr GOODLUCK - I see.

CHAIRMAN - Okay. Barry, thank you very much for presenting your evidence.

Mr GOODLUCK - It was very interesting.

Mr TITMUS - Thanks for the opportunity.

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 TUESDAY 27 MAY 1997.

Mrs LINLEY GRANT, HONORARY SECRETARY, AND **Mrs ROSEMARY CRAMP**, CONVENOR, HOME ECONOMICS AND CONSUMER AFFAIRS COMMITTEE, NATIONAL COUNCIL OF WOMEN, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIRMAN (Mr Benneworth) **-** Thank you very much for attending, ladies. Could I just ask, in starting off, for you to state your name and who you represent just for the record and then I will hand it over to you to speak to us about whatever you wish. If I could start with Mrs Cramp.

Mrs CRAMP - Perhaps I should say to you that on the electoral roll you will find me as Patricia Mary Cramp. I am not going to tell you the story of why I am usually called Rosemary, but I ought to say that.

I am here representing the National Council of Women. I am the convenor for home economics and consumer affairs; that is a standing committee of the National Council of Women.

Mrs GRANT - I have just relinquished my post as president and I am now the honorary secretary for the National Council of Women.

CHAIRMAN - Thank you.

Mrs GRANT - The National Council of Women at the moment has delegates from 41 organisations, if they all pay their current affiliation fees, but some of them have not paid up yet, so we are never quite sure of where our numbers are going though. Those 41 organisations we know cover over 4 000 women in the south of the State, and we have mixed with the rest of the NCWs in the other parts of the State as well.

Mrs CRAMP - Women of course are particularly interested in grocery prices because even in this enlightened age I guess it is the women who generally do the shopping. We have heard a lot of reasons presented for why grocery prices are higher in Tasmania, and I think it would be true to say, Linley, that we are not entirely convinced by them.

Mrs GRANT - Not at all.

Mrs CRAMP - The ACA did a survey last year that indicated that Hobart and Launceston are dearer than even Darwin, Perth, Whyalla, Tamworth, Wagga and a whole lot of other places.

Freight is blamed a great deal for this, but one has to wonder if it is more expensive to get items to Tasmania than to Darwin, that is in itself a question that needs to be answered as to why that should be so.

Competition, or lack of, is also blamed. To be honest, I find it rather fascinating that the big supermarket operators would put that forward as a reason because it seems to admit that if somebody else came in they would be prepared to lower their prices. So is their margin higher now?

I think there are reasons why Tasmania has some difficulty. It seems to me that with a smaller volume of trade that probably leads to a higher staff ratio. It maybe that if I were shopping in Melbourne I would not get through the supermarket quite so quickly, and I think that probably is a valid thing. We are told that our State taxes are higher but, I think you would agree, Linley, we do not really see why Tasmania should be so much higher.

I did a little exercise yesterday just looking at butter. It is not that I have any particular interest in butter; it was just as easy thing to look at it. I went to Coles in Sandy Bay. I found that the Tasmanian butter, Duck River, was retailing at $2.15 - this is a normal price; the normal price for Lactos was $2.22 for 500 grams - although it is currently on special at $1.99 - and for Ringarooma butter, that normal price is $2.35.

All this butter is produced in the UMT factory. There is only one butter producer in Tasmania. Of the mainland brands, Farmland normal price is $2.29 - although it is currently on special at $1.99; Devondale was $2.19; Western Star was $2.23, and Savings was $2.26.

This raises quite a lot of questions in my mind. Since freight is blamed for higher prices, why is Tasmanian butter as expensive as its mainland counterparts - and this is consistently so; in fact one of those brands is quite a bit more expensive. Is Tasmanian butter shipped to Melbourne warehouses and brought back to us again? We understand that that is so with some products. I cannot see why it should be with this one. Its bar code is on its label, so I do not know whether it is or not.

Do the supermarkets put a bigger margin on Tasmanian butter? Is UMT as a monopoly operator inefficient, or does it put a bigger margin on its product? Is butter more expensive to produce in Tasmania? After all, we have very good dairy country, so why should it be? Why are the prices for the various brands, all from UMT, so different? One of them, Duck River, does actually bear the UMT name on it.

That is just questions that arise from one product. If I had the time I probably could have found some others. But I think there are issues raised there that need to be looked at. I think it is not as simple as the big supermarkets would have us believe.

CHAIRMAN - Is there a solution in your opinion?

Mrs CRAMP - I think we need more information before we know what the solution might be. For instance, how many products - the question about Tasmanian products, I would really like to have an answer on that. How many of them do go to big warehouses and come back to us? And if they do not do that, why are they not cheaper?

That would be very beneficial for us in Tasmania, if our own products were a bit cheaper than the ones that are freighted in at huge expense, would it not? So I think that there could be some questions and that that would give us some information that might lead to improvement.

Obviously we need to have the greatest efficiency possible at our ports. When one hears comparisons with our costs and in other places, that is obviously something that needs to be looked at.

The differences between stores in different parts of the city are puzzling - why people in some places pay more than others.

Mrs GRANT - Our council, at the previous government inquiry, did our own survey before this Choice survey was done. Unfortunately the copy is archived and it is somewhere between Glenorchy and the city library, so I could not access a copy for you, but the Choice survey was virtually the same sort of thing. We asked our counterparts in other States to go through a whole range of prices using Duncan Kerr's list - a Pricewatch list - and the prices from everywhere except Lorne were consistently cheaper than they were here in Tasmania. We asked people in all the townships and cities around Tasmania to give us costs, and so we had a reasonable comparison.

There was no reason - and Michael Kent said this before when he was talking about freight. There were some very big questions - the sorts of questions Rosemary has just asked you - that really have never been answered from that time, and when we have been waiting patiently for those answers. I think we all gave up when the other inquiry was just put aside and nothing happened.

A lot of people now are hurting and a lot of people are unemployed, and if we could buy Tasmanian groceries at a reasonable price it would help the unemployed, it would help those who really do not have a lot of money in their pockets for basic groceries.

During the war we had fixed profit margins on basic commodities - on practically everything - to prevent profiteering. Now we have had years and years of profiteering by certain groups; they have obviously made money. They can afford the expensive cars and so on at the expense of the Tasmanian community, because although they employ 200, they are maybe preventing another 200 farmers from making a living, or 200 other people from buying those groceries because they cannot afford them.

Our council would be really pleased if this committee would have a look at this and see why the money is being syphoned into the big supermarkets at the expense of the whole community, and jobs in other directions.

Mrs CRAMP - I think the problem in suggesting a solution is that there are so many unanswered questions about the situation; that the things that are blamed do not seem to us to add up to represent the whole situation, especially when we look at the comparison. You would not really expect Whyalla - well, perhaps that is my ignorance - but I would not really expect a place like Whyalla to be heaps cheaper than Hobart and Launceston. But, in fact, on the brand-name basket you could buy it in Whyalla for $98.05; that is the cheapest price. The cheapest price in Hobart was $122.33. Now that is a very big difference.

Mr CHEEK - Through you, Mr Chairman - Mr Kent did point out that there is cut-throat competition in South Australia which is driving prices down there below cost, and he was predicting a couple would go broke pretty soon because of it, so I think that is probably a factor.

Mrs GRANT - But they have not gone broke, have they - no; they have made money.

Mrs CRAMP - I think Mr Kent is probably saying that any smaller competitors in that would be at risk at the moment.

Mr CHEEK - No, there is fairly fierce competition in South Australia at the moment between the majors as well as the independents.

Mrs CRAMP - Mind you, this is not at the moment; this is September 1996 - and it would have been considerably before that because it went to print in September 1996, so there must be competition over a longish term. But then in Darwin the cheapest brand-name basket was $115.48, and in Hobart, $122.33. So that seems -

Mrs GRANT - Perth?

Mrs CRAMP - Yes, Perth, $104.51 was the cheapest; Wagga, $106.26.

Mrs GRANT - And you cannot blame transport costs because it is further from Melbourne to Perth than it is from Melbourne to Hobart.

Mrs CRAMP - And Darwin again is a relatively small population. It is quite apparent that there would be differences in big cities where there is the volume. You only had to go into the supermarket here to know that there is not so many people going through; the money is not coming in as quickly.

CHAIRMAN - Are you calling for fixed government prices?

Mrs GRANT - No.

CHAIRMAN - Or profit -

Mrs GRANT - If there were anything at all you would want, just on basic commodities, fixed-profit margins. We considered this before and we said that this would be one of the only solutions that might be feasible and reasonable to make sure that the majority of people, particularly those on lower incomes, are not disadvantaged by the lack of competition. If lack of competition is the major factor in these price differences, that would be the only possible solution that would be reasonable. We need some answers first before we come to something like that.

Mrs CRAMP - And in the present climate of competition policy, even if one thought it might be a reasonable thing to do, it might not be a great deal of use asking, I would imagine.

Mrs GRANT - No, it would not.

CHAIRMAN - Has the National Council of Women ever taken the initiative to speak to a Michael Kent or a Coles state manager and establish what their reasons for these differences may be?

Mrs GRANT - We did before - when we did this study before - and we told it was freight. Yes, we did, but that is some years ago now. Again, we felt that was not conclusive and we are still not convinced that that is the real answer.

Ms GIDDINGS - One of the things that came out of our discussion with the last witness was that the problem of the economies of scale down here, that there is just not the population to have that competition. One of the things is that our supermarket lines are stocking, for example, 14 000 different styles of products for our market. If they were to stock a lesser number of brands and things, then I understand that the competition would increase and prices would come down because of that. Do you think that would be wrong for Tasmanian consumers, to have less choice and things, or do you think that would be a positive move to lessen the amount of choice in order to get lower prices? You are starting to dictate to the consumer what choice they will have, but do you think that is worthwhile having if it leads to lower prices?

Mrs CRAMP - I think it would be worth looking at. I think that consumers would complain if it were a decision that was just made and imposed on them. No, I think I could imagine consumers saying, 'We don't want Michael Kent to decide what we're going to have to choose from in our supermarkets'. I think it is worth looking, at but I think it would need to be looked at in a cooperative way with some information about what the likely result would be. I think it is sounds reasonable. I think it would have difficulties in that people would say, 'I have the right to have this'. But maybe one has to consider at what point the right to have everything gets too expensive in a small community.

Mrs GRANT - And basically it is Michael Kent who decides now what he will have in his supermarket. If *x* brand is not there and you ask why, if it has been there for years and it is not there, because it is too expensive to stock or something else, there is always a reason. They do that choosing now. If they want to keep their profit margins up no doubt they will cut things without asking us - cut the variety without asking.

Mrs CRAMP - Well, of course, a product has to sell a certain amount to retain its place on the supermarket shelf now.

Mrs GRANT - And they have cut, have they not? I can think of quite a number of brands that supermarkets have stocked over time and they do not stock, particularly Tasmanian things.

CHAIRMAN - Michael Kent and all other major retailers that have appeared before the committee have openly said that our prices in Tasmania are approximately 5 per cent dearer than the mainland. That was established in 1989, and it appears that there has been no change to that situation in the ensuing years.

At what stage would Tasmanian housewives, represented by the National Council of Women, be satisfied with the pricing structure? Is 2 per cent, or is 1 per cent, or is 3 per cent, is there a figure that you would be satisfied with, that we could live with in this State of Tasmania?

Mrs GRANT - I think that most of the women that we represent would be looking at parity, or reasonable parity, with some of the bigger - like cities like Ballarat and Bendigo; those sorts of places, where you have a comparable population size or something else, and you would say, 'Yes, you'd expect Sydney and Melbourne to pay a little bit less because they're a huge population by comparison'. So if you have cities of comparable size and within a distance of Melbourne, and we are still paying more, then I think people would - this is what gets people very upset. But if there was more equality that way that people would feel happier.

Mrs CRAMP - According to the ACA survey, there is about 5 per cent. Hobart would be about 5 per cent higher than Bendigo now - I just looked at those. That seems a fairly big difference. There is a Franklin's in Bendigo I notice, which would be significant, but the difference from Melbourne is more than - there is not much difference between Melbourne and Bendigo actually.

I think that prices comparable with cities in similar circumstances would be difficult, without a good deal of reduction of choice and so on, to achieve parity, say, with somewhere like Melbourne, where the warehouses are going to be and where the volume of trade is so much greater. But I think it could be seen that people in similar circumstances could be similarly placed.

Mrs GRANT - Yes, I am sure. That is what our delegate said before when we asked about it. They just felt that the sorts of prices we were paying were unreasonable, particularly on Tasmanian items, where that was very clearly stated.

Mrs HOLLISTER - I think you have summed it up in your conclusion in your submission, and that is that there needs to be a third competitor in the market to bring the prices down. That is what we are finding with most people who have come to give evidence to the committee. In fact, I wrote down Mr Kent's words because I thought they were very succinct. 'Competition forces prices down' was a comment that he made in the last evidence given, and realistically it is that third chain entering that will, with the competition flowing from that, bring our grocery prices down.

We have been told that there was a third chain that entered into the Tasmanian marketplace - that was David's - but unfortunately it did not stay, so we are back with the two major chains and the independent group, which occupies about 24 or 25 per cent.

Short of a third competitor coming into a marketplace where we have a small population base that is centralised population spread, what are some strategies that might help a consumer in judging best what type of deal they are getting from their supermarket chain?

Mrs GRANT - Duncan Kerr had Pricewatch for a long time. Although in a sense it was always too late to be of real value, and although it was based on the same items all the time, so that there seemed to be some evidence that those items were kept down and other items were increased in price to cover those - that they knew which items to keep down - it still helped to know that Glenorchy was cheaper than Sandy Bay and so on, and so people went shopping in those directions because of that. If we do not have a third competitor, then maybe we do need something that helps people to know how to shop and where to shop, particularly not just those who had access to a small publication like Pricewatch, but something in the papers regularly that helped people more.

Mrs HOLLISTER - So it maybe beneficial if this committee had a recommendation at the end of its hearing that there was an ongoing price watch that could inform consumers the best prices right throughout the State. Do you think that that would possibly be of some assistance, short of a third major chain entering into the marketplace?

Mrs CRAMP - It would be of some assistance. Whether the differences between localities are sufficient to make you drive your car further and desert your favourite supermarket. Also not everyone is able to move, and the poorest people are usually the least mobile.

CHAIRMAN - Did you hear Mr Kent's reasons for that store-to-store price difference this morning?

Mrs CRAMP - I could not hear it well because he was not speaking very loudly.

CHAIRMAN - What he said really was this: that on a Monday morning at nine o'clock when the stores opened, all the prices are the same, but from then through the week they will bounce around, depending upon the competition in the area of the store.

In other words, what he is saying is, when he opens the doors at Sandy Bay and at New Town, the prices are the same at nine o'clock on Monday morning, but by ten o'clock if someone next door to the Sandy Bay store has moved down in price, he will go down to match it.

Mrs CRAMP - I know they do have their agents going from place to place -

CHAIRMAN - That is right.

Mrs CRAMP - but I really would be very interested to know whether they were the same at nine o'clock on a Monday morning; I do not think they would be.

CHAIRMAN - Frankly, we have had him under oath saying that they are, so the committee, I guess, has to take his word for it.

Mrs CRAMP - Well, yes, that is right, I guess, if he said that.

Mr GOODLUCK - In his submission he said, 'We acknowledge that prices, not only grocery prices, in Tasmania can be higher than on the mainland; this is a historical fact'. Yes, we agree with that. Then he mentions freight - and we have talked about freight - and then he mentions petrol prices.

I have just been calculating in my mind, over the last twenty years - I go back about twenty years - that the average monthly bill for petrol that we paid in Tasmania would be in excess of what we would have paid for groceries as compared to the mainland.

I am not disagreeing with what you are saying but -

Mrs CRAMP - No.

Mr GOODLUCK - I am finding it very hard, just to talk about butter, 20 cents and 30 cents -

Mrs CRAMP - Yes, and I have no particular interest in butter.

Mr GOODLUCK - from what you are saying. It seems inconceivable to me that this should occur, but then when I make comparisons - electricity; he mentions a bill of electricity. In my mind I am just trying to work out Tasmania, 450 000, we are making comparisons with the mainland all the time. I have three daughters that live in Melbourne - what they pay in rent over there, what they pay for a block of land, what they pay for a house as compared to Tasmania. Do you think we are getting things out of perspective a bit?

I have talked about petrol ad infinitum over the years, and I have worked out what it is costing the average motorist a month as compared to groceries.

Mrs CRAMP - It is always unsatisfactory to look at one thing in isolation from others.

Mr GOODLUCK - Sure, it is. That is why we are finding it very difficult. We had Mr Kent under oath, we are talking to Coles, we have talked to the independents, and we are getting the same answers; there is always a good answer to it - do you know what I mean, a good answer - without specifically being able to get to the hub of it.

We had a lady here one day. She came in and she came from Melbourne. She said, 'I go over to Melbourne to buy my groceries'. That is what she told us: 'I go over to Melbourne'. And running through my mind are the same points I just mentioned to you. She would go over there and buy her groceries - airfares to go over and so forth, you work that in your mind - and she mentions how much it saved. And I thought to myself - she came from Melbourne and she bought a house in Lindisfarne. I made comparison with what the house would cost where she came from - it might have been South Melbourne, it might have been St Kilda; they pay about three times as much, do they not, for the house.

Mr CHEEK - How often does she fly to Melbourne to get her groceries?

Mr GOODLUCK - Well, literally, she goes over to visit her daughter and so forth. That is why we are finding it very difficult. It is easy to make a comparison with a packet of cornflakes and say, 'It's dearer here', but the whole picture is becoming very difficult. Would you agree, Mr Chairman?

Ms GIDDINGS - But then, Bruce, we do not earn as much either as mainland people, so the comparisons are not that easy to make in terms of the whole standard of living.

Mr GOODLUCK - That is what I am saying; it is very difficult.

Mr CHAIRMAN - Order. We do not want a debate here at this table.

Mr GOODLUCK - Sorry.

Mr CHEEK - You are very philosophical there.

Mr GOODLUCK - I am a Tasmanian and proud of it, but I think some times we are damned stupid.

Mrs CRAMP - I am very sorry, but I have an appointment with the ACCC and I have to go.

CHAIRMAN - Thank you very much indeed. I think we have got a couple of more questions anyway.

MRS CRAMP WITHDREW.

Mr GOODLUCK - You are both Tasmanians?

Mrs GRANT - Very much so.

I just wanted to say that the cost of petrol and so forth has to be added on to the farmer's costs, added on to the cost of each item that we buy, and certainly that would be a factor that probably is as instrumental as anything to the basic product. But the cost of petrol and so forth in Darwin and the cost of freighting goods to Perth where they are flown in, you have high octane fuel to get them to Perth more than we have; we use our ferry more than that.

So we need to go into this whole basic underlying cost structure; that is where the whole problem is. We are flying in the dark all the time, and we did not get to the answers with the previous inquiry; it was just left. If this inquiry can get to the bottom of why we are paying more and not just the superficialities, then it will have done something really good, and that is what our council would really like us to ask to see happen. If you want a copy of that Rosemary took her - you have probably got the -

CHAIRMAN - We will certainly take it into evidence, so if you would like to table it.

Mrs GRANT - And that is the little thing about the butter that Rosemary did yesterday.

CHAIRMAN - Thank you. I think Ms Giddings has a couple of questions.

Ms GIDDINGS - Yes. One of the points that came up also in the last lot of evidence was in relation to specials and that in Tasmania we have 30 per cent more specials than the mainland, who average about 20 per cent, which is what we were told. My understanding therefore is that our normal price of goods is higher in a way to account for the more specials that we have. How much do you think the consumer that you know of would actually spend their time searching for specials and making good use of that 30 per cent?

Mrs GRANT - I think a lot of the National Council of Women do try to shop. We have heard them saying, 'Oh, did you know *x* is a special in Sandy Bay?' This is when we are preparing for the luncheons or whatever else - for the shopping that we do. At a meeting they will say to me, 'If you go there the wine is on special this week' or the things we need for our luncheons - our soup and so on. Yes, I think they are very aware of that.

In the National Council of Women the delegates are maybe constrained by having to catch buses and so on, so they cannot shop in big quantities - some of those older women in the council. There are a lot of them who have to use buses; they cannot drive or will not drive any more. So they might not be able to take advantage of specials but they know about them.

Ms GIDDINGS - So do you think it would be - not that I can really see any way of us addressing the problem - but we could put pressure on the companies now to perhaps reduce their normal shelf price and have less specials. Do you think that is a positive move then, or do you think it is more positive to have more specials on?

Mrs GRANT - I think that although it might be one way around it, it obviously suits the supermarkets to have those specials. It helps bring people in and so on, and I do not think we can ask them - if we had greater overall equity for various reasons with some of the mainland cities, as we have suggested, and less specials, people would be happier, but I do not think we would get there; I just do not think the supermarkets would play that game with us the way things are at the moment.

Ms GIDDINGS - The other question I had was in relation to the perception of the independent stores. We were given evidence to say that in reality the independent stores are cheaper than Coles or Purity - or Roelf Vos, for that matter. But the problem with the independent stores is perhaps their range of choice is not so great. My feeling was there was a perception that independent stores tend to be more expensive?

Mrs GRANT- It depends where they are.

Ms GIDDINGS - Yes. But my perception is that independent stores are more expensive and that you would only go down there to get your carton of milk and your newspaper on a Saturday morning, but you would save up and go to a supermarket and do the majority of your spending there because it would be cheaper. But, as I say, evidence that we have received is to the contrary.

Mrs GRANT - Then that needs to be published and that would help the independent stores and it would also help the consumers.

Ms GIDDINGS - And increase competition.

Mrs GRANT - Yes, if that is a fact. The other big problem is not only their smaller range but quite often their stocks are not as fresh. There is that perception also, that you have got to be careful whereas you know when you go into the big supermarket, particularly with the scares over the meat and things like this, then people say, 'You know the turnover is great', so they will go to the supermarket that they feel safe with, and that is something that has to be very carefully considered. The supermarkets have built up that respect in respect of safety over some time, and that is a very important issue for a lot of women.

CHAIRMAN - Just by way of information, in the 1989 report Coles was quoted as saying, 'that despite the competitive rates K-Mart is able to negotiate the cost of shipping from Melbourne to Hobart by sea ... is 382 per cent dearer than shipping the same stuff by road to Brisbane'. We will obviously follow that line further through this inquiry. But that is 373 to Sydney, 334 per cent dearer to Perth. So I think they are saying - and they are certainly saying in 1989 and I am pretty sure they are going to be saying now - that the cost of Bass Strait is in fact the killer. Not the cost of freight; it is the cost of Bass Strait. But we will, I can tell you without any doubt, go further into that as this inquiry undertakes.

Mrs GRANT - I think is what we were saying about the actual efficiencies on the wharf and so on, just where that hidden cost is we do not know.

CHAIRMAN - We will try and identify it and have it in the report.

Mrs GRANT - Thank you.

CHAIRMAN - I think time is killing us. I would like to thank you, Mrs Grant, on behalf of the committee for attending and for your report. Thank you very much.

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 TUESDAY 27 MAY 1997.

Mr MICHAEL KENT, GENERAL MANAGER, PURITY SUPERMARKETS, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIRMAN (Mr Benneworth) **-** Welcome, Mr Kent. Thank you for giving up your time, I do realise how important it is and I do apologise that we are five minutes late in starting. Mr Kent, the committee is, as you are aware, looking into a number of issues, one of which is the grocery prices in Tasmania. I presume you have a copy of the terms of reference. We have a very detailed submission from you and we do thank you for that. It is our normal practice to ask you if you want to speak to your submission and then committee members will ask questions.

Mr KENT - Thanks, Mr Chairman. Yes, if you would not mind, I have some written documents that I would like to read from, just so I get all the points across. A few weeks ago I had a phone call from the Nixon Inquiry and by and large, 'Why haven't you made a submission to that inquiry?' and my response to that was that I have been too busy on yet another submission to the Government inquiry on grocery prices. So the document you have before you has been very carefully researched with the help of my own senior executives and expert economists. In my opinion, the entire effort has been a waste of time. We have come to the same conclusions as were drawn in 1989 in the previous inquiry and I predict now that nothing will come out of this exercise that will be of any benefit to Tasmanian business or Tasmanian shoppers. I suspect that you also know in your hearts that nothing is going to come out of this either. Can I quote from your committee's chairman who told WIN TV on 4 April, 'Ultimately I think if people are looking for our committee to come out with a solution to the slightly higher prices in Tasmania I do not think it is there, it is there if we can find another 2 or 3 million people'. Mr Benneworth, I could not agree more with you.

Before I go on to talk about the facts that make Tasmania different, let me just go back to the last price inquiry. Its central finding was that a third operator should be encouraged to come to Tasmania. You may or may not know that David Holdings actually attempted to do this in the early 1990s but they left the State after a short time because of our small consumer base, the population simply was not there. And, incidentally, it was Davids who subsequently came to us and asked us to pick up their pieces, employ their people, as they exited the State.

Factors that make us different: it is historical fact that the prices in Tasmania are generally higher than the mainland. That is not just groceries but goes right across the board and I cannot help wondering why this particular inquiry has restricted itself to grocery prices. Here are some of the things that make us different and contribute to the different prices between Tasmania and some mainland centres.

Physical location: clearly we are physically remote, next stop Antarctica. Population distribution within the State: Tasmania is a highly-decentralised State, the bringing of goods and services to the community can be quite difficult. Nevertheless, if you look at the supermarket infrastructure that people enjoy in relatively small towns by Australian standards I think we are doing a pretty good job prepared to the equivalent communities on the mainland. Small and stagnant population: we represent less than 3 per cent of the Australian population and at the same time our population growth is stagnant; we are a very small market.

Workers compensation: workers compensation premiums in this State in the retail grocery sector constitute almost 3 per cent of our total wage bill compared to other States where the level is 1.5, in effect half of what we face.

Payroll tax is a significant disincentive to business and employment in this State. Power charges and fuel prices: fuel prices remain higher in Tasmania than in most other parts of the country. At Purity we also pay more for our electricity; when we compared electricity prices we found that Purity Roelf Vos were paying 26 per cent more than equivalent supermarkets in Victoria. This represents an additional cost of $1 million per annum.

Local production costs: when we buy local products we often pay more because of the cost associated with delivering the goods to our supermarkets compared to a more efficient system of supplying to our major distribution points on the mainland.

No Sunday trading: without getting on my old hobby-horse, trading hours in this State remain highly restrictive. On the mainland supermarkets can operate twenty-four hours a day, seven days a week in many parts of the country. While our stores are closed we are still paying fixed costs ranging from power for refrigeration, to rental, taxes and charges. Put simply, their costs are lower on the mainland because they can maximise the use of their assets.

In summary, there is much that makes us different to other centres, ranging from a geographical location right through to laws which prevent the full utilisation of our resource.

The services we provide to Tasmania: in targeting grocery prices I do not think that you are paying due recognition to our commitment to this State. Our relationship goes much deeper than simply one of a retailer serving customers. For instance, we directly employ 3 200 Tasmanians; we indirectly employ another 8 180 Tasmanians. This is an equivalent wage bill to $268 million per annum. Our payroll tax contribution alone equals $4 million per annum. We have a very strong policy of supporting Tasmania and Tasmanians. To this end we purchase Tasmanian product to the value of $106 million per annum. We are in fact the largest buyer of Tasmanian goods. So I get a bit cross when politicians try to take an unfair swipe at us over grocery prices when our contribution to the State is both diverse and an enormous benefit to Tasmania.

Just let me make another point while we are talking about supermarket prices. A supermarket is the first point of contact between a product and its customer. It is easy to blame the supermarket for the price when the customer is unaware of all the costs associated with bringing a product to the stage where it is ready for sale. Let us be honest, the price of product reflects your own contribution as politicians when it comes to things such as taxes and charges and government policies which impact the marketplace.

I would now like to mention some specific matters for your consideration. Grocery price increases: we asked Dr Bruce Felmingham to do some figures for us. He went through the ABS statistics and they show, as you will see in our submission, that grocery prices are increasing at a much slower rate in Hobart than in any other capital city.

Previous inquiry concerns about supplying independents: the 1989 inquiry raised a number of concerns about the independent stores buying their goods from Purity-owned warehouse in Hobart. While it must be said that these people were dealing with Purity on their own volition, the question was raised as to whether it was in their best interest of the independent group to deal with Purity. The committee should be aware that we have since sold this business to Tasmanian independent wholesalers who are now supplying these southern independent stores from the Prospect warehouse facilities that they own a substantial part of. I think it is a positive move for the independents in this State.

Major food retailers in Tasmania: in most reports in relation to the Tasmanian grocery market politicians and the media refer to Coles and Woolworths as the big two. This is not factual and deserves correction. The Tasmanian independent wholesale group in this State is indeed a larger entity than Coles Supermarkets group. As outlined in the highly-respected

Retail World magazine, the independents have a 25 per cent share in Tasmania as opposed to Coles with about 21. They are continually referred to as a minority party when in fact the independents are a major buying group in the State.

The introduction of a third force and its likely impact on corner stores: as pointed out in our submission there are natural barriers to any new retailer entering our State due to the dispersed nature of the Tasmanian market and the competitively high infrastructure costs. I should acknowledge the obvious benefits of competition and state that I have never argued against the idea of a new competitor entering this State on the basis of the competition it would bring. I thrive on competition. At the same time, I have always said while ever incentives are offered to new players these should equally apply to existing players. The truth of the matter is that if a third retail force were to enter our State it is the independent stores that would suffer due to the resources available to the national companies.

Local produced brands: one issue touched on previously is the fact that local product items can in some cases be found cheaper in other mainland Australia. This I concede, the most recent example being Tasmanian Atlantic Salmon. The product is delivered direct into central warehousing facilities in each of the mainland States and then distributed along with other products in bulk to each of these stores. Here in Tasmania the product is delivered direct into our stores by an agent of the producer as we do not currently have a chilled warehouse facility capable of doing what the mainland States do. This, I am glad to say, is about to change as we will shortly be commencing construction of a new chilled and frozen warehouse facility in Launceston.

Price monitoring: it should be noted that the legislative price controls and price monitoring were considered by the previous price inquiry board. The board expressed the view that such controls were both theoretically flawed and practically difficult to administer and enforce. I would support this view and just add that I am still yet to see an accurate price check program. Many people have tried over the years but the results are generally not accurate given the constant movement in promotional prices within the supermarket environment.

Thank you for the opportunity to address you. I hope you can see the time and effort we have put into this to bring you our informed view of the Tasmanian grocery market and if, in the committee's opinion, there are some relevant and workable ideas worth pursuing I would be happy to cooperate. Thank you very much.

CHAIRMAN - We thank you sincerely for that. Michael, we acknowledge that prices in Tasmania are higher than on the mainland. What percentage do you estimate that difference is?

Mr KENT - From my indication it is anywhere between 5 and 8 per cent, depending on the products there are a range of differences.

CHAIRMAN - How is that measured? One of the things that the submissions we have received have not been able to come up with is an accurate measuring tool. How do you measure the difference?

Mr KENT - Well, obviously we determine a gross profit and go out into the marketplace and try to substantiate that gross profit. But of course the things that we have put in the submission that deter all that: the cost of getting product here, the cost of comparing prices with your competitor - if you want 20 per cent you may only end up with 15. So generally the gross profit that we try to obtain in Tasmania is the same anywhere else and I think it is an industry practice in the order of a gross profit of around 20 per cent.

CHAIRMAN - If this committee was to make the recommendation that price comparisons be published in Tasmania, perhaps half yearly, so that the consumer in the State can actually see the difference between a Purity and a Coles and a Four Square and a Roelf Vos, if necessary, how could that be done? I do not seem to be able to find a method and none of the submissions the committee has received has given us an accurate gauge of how that can be done. Is it possible?

Mr KENT - Well, I think it depends on the motivation of your committee. I think there have been politicians in the past to price check purely and simple for political motivation. I think one of the closest probably is the *Choice* magazine where they clearly come up and weight the products on what they believe the average family require and I think that is about the closest. I think the parameters need to be clearly defined in so far as the price checks on the products need to be done at the same time in the same stores, whether it is daily, weekly, monthly or yearly. There are too many fluctuations during the course of a week, too many things that happen in the marketplace; there are a number of changes that happen in the marketplace on a day-to-day basis. So clearly you have to have the people to go into the stores on a given day and then you have to determine whether you are going to take specials into consideration, temporary price reductions, all those issues that go along with it. So it can be done, there is no question about that, but it has to be done in a sequence.

CHAIRMAN - I guess the reason I asked that is that if this committee is to put out a recommendation, per item 4 on the terms of reference, to identify grocery prices or retail grocery prices in Tasmania, it may well necessitate us saying to Mrs Consumer in New Town that Purity is cheaper than Coles or Four Square is cheaper than Purity. It is a tough one, is it not?

Mr KENT - Well, it certainly is. I think the latest *Choice* magazine in September 1996 clearly says that the grocery prices in Hobart, as opposed to Launceston, are cheaper. Then you can talk to somebody else tomorrow or yesterday and they will tell you the opposite. You can talk about the prices in Sydney, so why is there a ten dollar difference between Sydney and Tamworth - what is the difference? I think it is how the individual companies want to run their business, how much of their general products they want to run as specials - I am sure you are very much aware that we stock in excess of 14 000 items so what do you want to do the price check on - the normal run-of-the-mill stuff. You can easily juggle a price comparison any day of the week, in my view.

Ms GIDDINGS - Normally do we not do our price checks on the goods that an average family would be buying from day-to-day, such as your breads, milks, toilet rolls and perhaps not the speciality items that make up the other 14 000?

Mr KENT - Well in those alone, a number of those items would be advertised by most major retailers every week - I might have butter and milk on this week and the opposition may have tea and coffee or whatever. It is that simple really.

Ms GIDDINGS - But the price checks would not be so much on the specials but what the normal price would be.

Mr KENT - Well, if you just take the shelf price on a day-to-day scenario and forget the specials, there is not a problem with that either.

Ms GIDDINGS - Can I just make one point also on the specials. In your submission on page 29, you say that 'in Tasmania we sell on average 30 per cent of our grocery lines on special compared to 20 per cent on the mainland'. Would the average consumer not be better off with less specials and what would be then lower shelf prices on an average level as in what I understand happens on the mainland? I have not said that all that clearly.

Mr KENT - I think I understand where you are coming from. I think, again, it is just clearly a matter of what your philosophy is in business - I cannot determine what our competitor wants to do and how he wants to run his business - but clearly, if you are in a competitive marketplace, then you are competing with your competitor and if that means that you have to have more specials or less specials, higher shelf prices or lower shelf prices, it depends on the marketplace that you are in.

Ms GIDDINGS - So in that respect you are saying that we have more competition down here than on the mainland in terms of specials?

Mr KENT - No, I would say that you have less. The only way, clearly, that you will get any form of reduction in prices in Tasmania is by competition. They have been and gone once because the demographics of the population and the number of people - what I am saying is what the companies are achieving in their businesses in Tasmania is a fair and reasonable return to the shareholders. Competition makes that difficult. Everybody goes out to make a fair and reasonable profit in business otherwise they would not be in business. If you go to South Australia, for argument sake, there are too many competitors in that market and they are all fighting for a small amount of the consumers' dollar, one or two of them will go out of business shortly because it is that cut-throat.

The Chairman is right, if we had a bigger population here then we can afford then to have another competitor here - competition if what drives the prices down. I have said that a hundred and one times. I think I have proven that in the liquor industry and I would like to be in a position shortly to do it in the petrol industry. It is all about competition and that is a fact.

Ms GIDDINGS - I can see how that relates to what I am saying but I guess my overall directional point I am trying to make here is: if you were a consumer who spends your days looking at what the special is for that day and you go around you can really get some great specials, I am sure of that, and save a lot of money. But if you are the average consumer, the people who are complaining to their politicians about the prices, you do not have that time to go around and check what is on special this week compared to next week and which store. So they are the ones who are suffering because of that, they are having to pay the higher prices. Would we not be better to be more in line with what the mainland is doing by having 20 per cent of their items on special rather than our larger 30 per cent on special?

Mr KENT - I do not quite know how you can convince the retailers of that. You would have to get all the retailers in a room and say that is what you want. Whether they accept that is another story because we are all in the marketplace competing for market share and the consumer dollar. So I might stand up and say, 'Yes' but if my major competitor goes out there and puts the opposite then I will be out of business. It is a competitive marketplace.

Ms GIDDINGS - But then if your competition was on what your normal price is rather than what your special price is, couldn't you go out and advertise your normal prices cheaper than what your competitive is, so therefore as an average consumer you would be better off?

Mr KENT - Then it is like saying, 'Well, you can't advertise in the *Mercury* any more because that will bring prices down'. It probably would but how do we -

Ms GIDDINGS - Well, advertise your normal price.

Mr KENT - People are not interested in normal price.

Ms GIDDINGS - They would be if it was cheaper than another store - a competitor store.

Mr KENT - Is anybody going to concern themselves about a 1 cent reduction per price over the board because it is from 25 cents to 24 cents, as opposed to a deal we could do with a manufacturer to reduce the product to sell more volume. That is what the manufacturer wants.

CHAIRMAN - Just on a similar line, how do we explain the apparent difference in prices between one of your stores and another store in the same city? That has been put to this committee.

Mr KENT - Well, clearly we go out in the marketplace each week, every store in the City of Hobart is exactly the same price. If you want to stand over the computers and visually see it, that is as it starts off but where it ends up by the end of the week is in no man's land.

CHAIRMAN - That is competition.

Mr KENT - That is competition because if there is a new guy comes to town - and an example would be the Festival store at Glenorchy that has taken over from an old Coles store - the first thing he wants to do is get some market share so the first thing he does, he endeavours to put more specials on at cheaper prices and reduce his shelf prices to let everybody know in that area that 'we are cheaper than whoever' and so we are effectively out in the marketplace to buy business. After he has bought a percentage of the business through that means he will eventually put his prices up where he is going to make some dollars otherwise he is going to go out of business.

CHAIRMAN - So there is no truth in the statement Purity Sandy Bay is dearer than Purity Bridgewater?

Mr KENT - Well, as I say, if you go to the computers they are all the same to start off with. There will be changes in the market, whether it is on fruit and vegetables, whether our competitor has reduced some of his lines best known to him for the reasons why. Nine times out of ten, depending on the products, we will match those products in that particular area - not all over. Again, if the guy in Glenorchy just opens we are not going to compete with him at Huonville, that would be stupid. But you will see those things on a day-to-day basis in various stores but certainly your starting off is the same price within the city, without any fear of contradiction.

CHAIRMAN - On page 22 of your report you talk about economies of scale - and this is where we have perfect agreement on one of our great problems obviously in the State. It has been put to us that one of the problems with the Tasmanian grocery market is that there are in fact too many square metres of floor space servicing the grocery industry in the State compared to the mainland. It is very hard to accept that argument and accept the other argument which is the exact contrary, so what I am putting to you is would Tasmanian grocery buyers be better off if some stores closed - in other words, if competition went down, would they be better off?

Mr KENT - I understand, Mr Chairman. Clearly, I think what has been said about Tasmania over the years that we have probably got the highest floor space in retail in the southern hemisphere. I think that is retail in general, not necessarily straight groceries. I think it is fair to say, clearly in my view, the supermarket scene as we know it in all probability is saturated almost now. There will not be another supermarket built in Tasmania that I can foresee, apart from one we have being built in Legana in Launceston. I certainly have not got any on my books and I do not believe our sister company in the north have - apart from Legana - and I cannot speak for our competitor. But clearly Tasmanian supermarkets - as we know supermarkets as opposed to food markets and convenience stores - are at saturation point almost now and I think it is fair to say that by the year 2000 the same applies to Australia. By the year 2000 supermarkets will be saturated in Australia.

CHAIRMAN - So is the ideal to actually get rid of a few of these stores? Is it forcing your costs so high because you have to service so thinly?

Mr KENT - Well, I doubt it. I think what has happened in the past and it is still happening throughout Australia, if there are very good successful independents out in the marketplace and they want to sell their businesses I think the national companies will pick them up. But, again, I think it is all related to population - the more people you have the more opportunities you have got in retail. I think the retail business in Tasmania over the last couple of years has been very, very flat and I have put a lot of that down to the disposable dollar and that is the disposable dollar is circulating the gambling industry as opposed to what it used to do, which is the retail industry. I think there is very clear evidence of that in Victoria with the Crown Casino. The retailers, irrespective of food, are finding it very, very tough because they are not getting the disposable dollar any more.

Mrs HOLLISTER - Mr Kent, in your submission you say on page 5 that the supermarkets represent the end of a production chain as far as the pricing component, that there are many issues that impact on the actual price of that item at the end of the day. It has been put to us that many manufacturers and producers throughout Australia look at Tasmania as the 5 per cent margin State, that you can achieve 5 per cent profit in this State on your items and that is over and above extra freight costs, distribution costs, et cetera. Would you comment on that statement that has been made to us?

Mr KENT - In general, I do not think it is correct. There would be products by and large that we would achieve a better bottom line than on other products but when you weigh them all in together and take the total picture I would say that we are getting a fair and reasonable return on shareholders funds within our business in Tasmania. I would go so far as to say that that is what they try to achieve on the mainland. The thing that depresses it on the mainland, from a business point of view, is the amount of fierce competition. That is the way it is, clearly. You have the demographics of your population where it is spread and how do you get - if there was a competitor on the mainland that would want to be here and achieve what you believe to be the case, why are they not here? If you think a business could come here and achieve 5 per cent better profits than on the mainland I am sure they would be here and why wouldn't they? It is population driven.

CHAIRMAN - Just on that matter that Mrs Hollister is saying, in the 1989 inquiry I think you said that Purity was the jewel in the Woolworths crown, is that still the case?

Mr KENT - Well, I would like to believe it is, yes. I think our businesses on the island, north and south, are doing very well as businesses. I think we have a fair amount of differences in costs of doing business as do our company anywhere else in Australia. We do not have in Tasmania in both businesses the infrastructures that they have in a Woolworths store in South Australia, Western Australia or wherever. So our costs of doing business are significantly lower than a Woolworths State, so it is not that we are getting an extra 5 per cent on top.

Mrs HOLLISTER - If I could just follow that on, so for the manufacturers to say that the item prices - the price they are receiving for their items, they are not receiving 5 per cent more on the items in Tasmania as they would be in other States of Australia?

Mr KENT - I am not quite sure what you are saying. Are you saying the manufacturer is selling to us 5 per cent dearer than he would in Victoria, for argument sake?

Mrs HOLLISTER - Yes. Do you believe that is the case?

Mr KENT - I think you get into an area now - a lot of mainland manufacturers add into their price a freight component. What the argument has always been in the past is that Tasmania have what the terminology in the marketplace is FIS - freight into store - free into your back door, if you like. And every time we compare with our sister in Victoria on the prices they pay as opposed to what we pay, there is a significant difference and my belief is that is part and parcel of they have jacked the prices up for Tasmania to put on the cost of freight for that company. So ten years ago it was Victorian-Tas price, ten years later it could be a Tasmanian price with freight loaded into the price - not all, but a larger number.

Ms GIDDINGS - On that, we had some evidence to say that Kellogg's, as a company, had this free in-to-store policy and, as I understand it, they sell at the one price regardless of where you are across the country, so why is it then that our packet of Cornflakes is more expensive in Hobart than it is in Melbourne where, when it comes from the manufacturer, it should be that one price.

Mr KENT - Again, I think it has been covered in so far as we have a lot of hidden costs - well, not so much hidden, we have costs in Tasmania which are higher than the State of Victoria. I think the examples were workers compensation; power - 26 per cent more, a million dollars more. All those costs go back to the product and the consumer ends up paying for it.

CHAIRMAN - Did you not just say that the cost of doing business in Tasmania is cheaper than the cost of doing business on the mainland?

Mr KENT - Well, what I am saying is we, Purity-Vos, internally our costs of doing business - our costs internally through infrastructures that we have which are totally different to what our sisters would have around the Commonwealth.

CHAIRMAN - Sorry, I misread that. Can I just come back to the business of the possible reduction of stores in Tasmania. Would that mean a reduction in price if there were less stores - in the ideal world?

Mr KENT - It is a bit like saying I suppose if we hypothetically took over all the independents, we would still go out in the marketplace and get a return on our investment. Then you would say, 'Well, if you are in a monopoly situation perhaps you may need some price monitoring controls to see what is a fair and reasonable return on your investment'. We may say it is 20 per cent and you may say it is 10, but if you are in a monopoly situation I guess you would need some controls there. But whilst we have what we have got I would very much doubt there would be a necessity for that. Let me go a step further, our companies in Tasmania, Vos and Purity, we are in the process of amalgamating those two businesses for the synergies of savings that we can get out of those two businesses. Does that mean we will be reducing the grocery prices in Tasmania - the answer is, no. What we will be doing is replacing within those two businesses the technology that is required - which will be in the vicinity of millions of dollars - to hook up into the national systems of our parent company. So we will amalgamate but there will not be cheaper grocery prices.

CHAIRMAN - What about the other argument that is listed in your submission of carrying 14 000 lines, which is obviously a very credible thing to do, but if you carried 10 000 would you be able to reduce the prices overall?

Mr KENT - I think you would, clearly on the basis of your money tied up, your stock holdings sitting in warehouses being unutilised and you have not got the stock turns. Again, I have to say you are in an area where it is a competitive market. If we go to ten and our major competitors have fourteen, we are out the door.

Ms GIDDINGS - So in all of this the consumer is suffering because of competition then. That is basically what it is, is it not?

Mr KENT - Yes.

Ms GIDDINGS - So competition is not necessarily a good thing for the consumer at the end of the day.

Mr KENT - Competition forces prices down.

Ms GIDDINGS - And up, in some respects.

Mr KENT - Well, I have not seen much evidence of that.

Ms GIDDINGS - Like in terms of, as you are saying, if you will not go down to 10 000 products because your competitor will not, therefore the end result of that is that prices remain high or higher than what they could potentially be.

Mr KENT - Yes, you could say that. That is a fair conclusion.

CHAIRMAN - Just on that then, the Statewide Independent Wholesaler, which is the big factory, is it not - the big warehouse -

Mr KENT - Yes.

CHAIRMAN - it carries, on evidence given to us, about three-and-a-half weeks of stock compared to a Victorian retailer who carries one week of stock. Where does Purity's wholesaler sit in there?

Mr KENT - Around about the same as Statewide. Again, we own 60 per cent of that business, the Tasmanian Independent Wholesalers own 40 per cent of that business, so by and large what Graeme Nott has given as evidence to this committee on the wholesaling arm of the business is exactly the same as ours. So in fact we may have four-and-a-half weeks supply of stock at any given stage - a decade ago we would have eight weeks. Theoretically, you would never be out of stock on a shelf providing the manufacturers were not out of stock. So if there was a strike, theoretically you would still have stock for eight weeks in your warehouses to be able to put into your supermarkets.

CHAIRMAN - And that obviously costs you more money and it costs the consumer more money.

Mr KENT - Absolutely. So by and large, I would agree we are somewhere in the same vicinity as Statewide Wholesalers, give half a week either way.

CHAIRMAN - Just while I am on warehouses, can I just talk to you about this vexatious little issue of sales tax.

Mr KENT - It is a bit out of my field, Chairman, but I will do my best.

CHAIRMAN - Can I put it to you that, according to Mr Nott, he does not pay sales tax at his warehouse door, he charges it out to each store and the store pays sales tax at the store door, which includes Roelf Vos. Now, as I understand it, Purity pays sales tax at the warehouse door and does not pay it at the store door, it does not have to. Does that not give you a 1.5 per cent across-the-board advantage over Roelf Vos?

Mr KENT - I do not believe so. I have been clearly trying to do the same as Statewide for a number of years and we have gone through various people - Peat Marwick, Deloittes, a number of people - to determine which way in business is the way to go and clearly, in any event, both ways you end up paying. So really, Chairman, to get to a 1.5 per cent difference by the way we are doing it, which is purely and simple distribution - so we buy it, we pay the sales tax, we sell it out and sales tax is charged in the price. At the end of the day I do not believe there is any difference, if there were we would change. I can take that on notice and supply you further information but clearly on two occasions - and we look at that situation every five years to see whether there are any changes.

CHAIRMAN - Well, let me tell you, the committee is very much of the view that it is a crazy system the way sales tax is charged but there is, I think, evidence to suggest that if it is not 1.7 per cent, just say at 1 per cent, that Purity Supermarkets themselves, buying out of their own warehouse, are better off than the Roelf Vos Supermarkets buying out of a warehouse where sales tax is not paid at the warehouse door. So I leave that with you.

Mr KENT - I will take it on notice and respond to that.

CHAIRMAN - Thank you. The last point I want to bring up is this business on page 39 of your report. One of the great things about the two Tasmanian supermarkets, and indeed Coles, is the fact that they look after the local producers and I think that is very commendable. But you claim, quite rightly, in there that in fact to look after the local producers you are indeed putting yourself and your customers at a disadvantage because Tasmanian prices are dearer at the producer level. The obvious question must be asked of Purity and Roelf Vos: is that in the best interests of the consumer? Clearly it probably is not and, if so, who makes that terrible decision - do you make it? Could you just -

Mr KENT - Expand on that, yes. I think a couple of clear examples would be Coca-Cola; we could freight their commodity out of Melbourne cheaper than we could buy it here. Inghams Chickens: we could buy Inghams Chickens in Victoria cheaper than we can buy them here. What do you do? The people who work at those manufacturing plants are Tasmanians and are, hopefully, customers of the retailers in Tasmania. If they have not got jobs they are not buying product. Clearly, my view was it was better to maintain a work force and buy them from the local producers. Coca-Cola and Inghams would claim the cost of their products to be dearer in Tasmania were due to the ingredients that they had to bring into the island from the mainland to produce their product, whether it is syrup, whether it is bottles, whether it is chicken food, fodder or whatever, that was the reasons for. Clearly, we could buy them through our own company in Victoria cheaper than buy them locally. As it has happened, irrespective to that at this point in time, Coca-Cola have moved out of Tasmania, so now we are getting the products ex-Victoria and hopefully we will see some differences there. I just only hope that people like Inghams Chickens do not pull out and do the same thing because we needs the jobs.

CHAIRMAN - What about this wonderful situation with Cadbury, for example, which makes chocolates at Claremont and sends them to Victoria and then you buy them back. Does that cost you money, cost of us money?

Mr KENT - My understanding with Cadbury - and I point out I think Edgells is no different - Simplot - they manufacture the product in Tasmania, send it out of the State and, quite rightly, we buy it back. Particularly with Cadbury, Cadbury have a national going in price around Australia, so it is all incorporated into their price across Australia. It is fair to say you can go into a supermarket in South Australia and buy Cadbury chocolates cheaper in South Australian than you can in Tasmania. That is the nature of the competition and the (inaudible) that the retail industry are in in South Australia. That is totally out of my control. If every manufacturing company in Australia had national prices in and out where you can buy a Holden car in Darwin or Hobart at the same price, I think there is an opportunity for a different ball game. But clearly we cannot tell Cadbury what to do or Mr Simplot what to do but, you are right, that is what they do, send it there. But the freight is incorporated in a national price, but they are only one of the few companies that have a national price.

Mr GOODLUCK - Michael, I sense that you think 'Bloody politicians nit-picking on you again'. You are seen as the face of Woolworths - when you think of Woolworths, you do not think of anything but Michael Kent, so you cop a lot, I agree. Being a politician, we have to answer to our constituents and they keep saying to us, 'Bruce, we can buy this cheaper in Melbourne' - you have heard this all before. There a lots of things that one could say and I have followed your submission fairly carefully and you mentioned other prices you could do an inquiry in - petrol prices, for example - and I agree too, but remember we have a job to do to answer - you understand that -

Mr KENT - I accept that.

Mr GOODLUCK - It is not a nit-picking exercise -

Mr KENT - No.

Mr GOODLUCK - There are a few questions I would like to ask, if I may. What percentage would you spend on advertising? Do you have control over that or do Woolworths?

Mr KENT - No, it is totally State run. In percentage terms, between 1 and 1.5 per cent of our turnover.

Mr GOODLUCK - And charitable, that includes -

Mr KENT - No, with a plus, plus, plus.

Mr GOODLUCK - Plus, plus, yes. You mentioned petrol prices, I note today that your biggest competitor - no, your second biggest competitor, Coles - are not going into the petrol market. They have said that they do not think it is necessary, they think they are well served in Tasmania as it is.

You know the price of petrol is much dearer in Tasmania as compared to other States - you know that. Michael, how do you intend to get your petrol across?

Mr KENT - Well, if we can spend a minute on it - I think everybody needs to clearly understand we are talking about four bowsers and a canopy; we are talking about customers servicing themselves; there are no services; there are no grease and oil changes - purely and simply - and as far as we are concerned it is part and parcel of a loyalty back to our customers as opposed to putting a petrol station on an artery road. These so-called bowsers will be on Purity-Roelf Vos car parks. So they are not artery roads, we are not asking for the passer-by to go off and run up into a Purity car park. What we believe, which has been in the UK for fifteen years now, is it is purely and simply a philosophy that we believe that the customers go to the supermarkets, they have spent their money on groceries, the next job in their mind is to go and buy twenty or thirty bucks worth of petrol. So we clearly saw a position there where we could see some opportunities in our business to give back to our customers a form of loyalty. It is the intention, and it is happening in Australia, that we go into the areas, we determine the cheapest bowser price in the area and then we give 2 cents a litre off that price to our customers that spend in excess of $30.

We cannot get, at this point in time, any storage facility in Tasmania so the issue is as to whether we pull the tankers over on top of the ships in the form of trucks and drive them off and distribute. It may well mean that we have to have more storage underground than the normal operator, but that is the intention at this point in time. Obviously the volume that we sell in the early stages - it will be one here, one there, whatever - so there will be small volumes until we get ten or twelve up. I think it is fair to say that Woolworths nationally will have 200 up by December next year. They are opening them at a rate of one a week.

Mr GOODLUCK - So it is not your decision, it is Woolworths' decision?

Mr KENT - It is a Woolworths' decision, not Michael Kent.

Mr GOODLUCK - It is part of their policy to do it.

Mr KENT - Yes, that is right.

Mr GOODLUCK - Do you think it is necessary in Tasmania? Will it be an incentive, do you think?

Mr KENT - It will certainly reduce the petrol prices in Tasmania.

Mr GOODLUCK - By 2 cents a litre. The others will have to compete?

Mr KENT - It depends on what the others want to do about it. Clearly it -

Mr GOODLUCK - You will go down, if necessary?

Mr KENT - Yes. We will be -

Mr GOODLUCK - So you will create -

Mr KENT - It is no different than the Cheaper Liquor, Bruce.

Mr GOODLUCK - Exactly the same?

Mr KENT - Yes. We will just keep going. It is not proven in mainland towns at this point in time that any of the oil companies or their representatives have taken on the Woolworths petrol scenario.

Mr GOODLUCK - They are competing with them?

Mr KENT - They are not.

Mr GOODLUCK - No, they are staying with them on the same price, are they - competing with the price?

Mr KENT - Just on the cheapest price within the area, but in most cases they are not coming 2 cents below that.

Mr GOODLUCK - So you do not believe what the oil companies are saying?

Mr KENT - The oil companies, at this point in time, have done nothing about it and they have done nothing in the UK and they have done nothing here in Australia at this point in time. Obviously they are very nervous because of the amount of petrol that has been sold by Woolworths, but that is all part and parcel of your competition.

Mr GOODLUCK - Are Woolworths importing their crude from overseas?

Mr KENT - They certainly are, yes.

Mr GOODLUCK - They are getting it outside?

Mr KENT - They are not going through the major oil companies as we know them - Shell -

Mr GOODLUCK - I just thought I would get these points clear. I am asking a lot of questions about it.

Mr KENT - No, it is fine. Burma Oil, incidentally, is the name of the organisation.

Mr GOODLUCK - Burma Oil?

Mr KENT - Yes.

Mr GOODLUCK - Michael, you mentioned electricity charges. You have heard about the selling of parts of the Hydro and so forth, what are your opinions on that? Is it a big cost?

Mr KENT - Well, it is a million bucks.

Mr GOODLUCK - A million dollars?

Mr KENT - It is a million dollars that we pay more than Victoria, clearly, for electricity - 26 per cent more.

Mr GOODLUCK - 26 per cent more!

Mr KENT - Yes.

Ms GIDDINGS - What about in comparison to New South Wales or Queensland or somewhere else?

Mr KENT - Just in Victoria because basically everything, by and large, comes out of Victoria. It is a Victorian-Tasmanian situation with manufacturers so it was purely and simply done on Victoria. I think it is fair to say that since the introduction of more sellers in the marketplace in Victoria on power that has forced the power prices down - competition. I think that is what everybody is talking about here, if there is somebody else here being able to supply petrol, as opposed to the Hydro, are we going to get it cheaper? The answer is probably, yes - for how long, who knows? As to whether we sell the Hydro, or part thereof, I would just like to see a lot more debate on that, Bruce, because this State does have a huge deficit. It always worries me that if we get that $407 million, how long will it take us to be back in debt and what do we sell next time around? If we sell proportion of the Hydro, what proportions do we sell and for the reasons? I am not sure I have got a grasp of all that so I have a very, very open mind. What I would have preferred to see is some overseas consultants come in, take it out of the hands of the politicians and -

Mr GOODLUCK - You do not go much on politicians?

Mr KENT - Oh, well I think they have all got a job to do, but obviously if they start affecting my business, well, I will have my two bobs worth back.

Mr GOODLUCK - Will you get involved in the political issues, Michael; for example, the Hydro is going to be a hot political issue - will you get involved in that? You seem to say that you believe that competition will create cheaper electricity prices.

Mr KENT - Well, it certainly has in Victoria at this point in time - certainly it is 26 per cent cheaper there.

Ms GIDDINGS - I think it would be interesting to know what a comparison is with some of the other States as well, purely because they also have cheaper prices than we do and if that is a component of the cost then it is important that we know in comparison to other prices. I do not expect you to go to this depth but obviously time is money for you as well, but it would be interesting to know the comparison pre-privatisation in Victoria compared to post-privatisation on that issue if you are going to have a debate on that complex argument -

Mr KENT - Well, I do not think it is a debate, it is there, it is a reality. Irrespective of what it was previously it is clearly a million dollars cheaper in Victoria than it is here and you cannot get away from that fact, irrespective of what it was before. And, again, I have to reiterate - and I think the Chairman knows only too well - the manufacturers, by and large, that what we purchase, comes out of Victoria - probably 80 per cent of what we get. Tasmania, from a manufacturer's point of view, is a Vic-Tas relationship; it is not a Vic-Queensland issue. I take your point on the Hydro but we are not buying anything out of Queensland apart from Golden Circle and some fresh produce, everything else comes out of Victoria - Heinz, Nestles and so it goes on.

Mr GOODLUCK - Sales tax is a can of worms and we just touched on it very lightly about the 1.5 per cent out of store and so forth, what about the GST?

Mr KENT - The goods and service tax?

Mr GOODLUCK - Yes.

Mr KENT - User pays. I suppose we will have a form of that at some given stage, I think.

Mr GOODLUCK - I am not leading you into the political debate but I followed you with the shop trading hours and you said that it was going to increase jobs and so forth - better trading hours - has it?

Mr KENT - It certainly has as far as we are concerned. We are well over 3 200 employees in Tasmania.

Mr GOODLUCK - You would like to see it even go further? It is 24-hour shopping in Melbourne now, is it not - Coles are open twenty-four hours.

Mr KENT - Yes. Again, if we cannot make any money out of it, why would we do it?

Mr GOODLUCK - You are making money out of it, it has improved your turnover?

Mr KENT - Yes, and it has also changed the culture of the Tasmanian consumer. I think it is fair to say a lot of the customers now shop twice a week instead of once - clearly our figures prove that.

Mrs HOLLISTER - I am going to congratulate you for your move to label your products more effectively for the consumer so you have a comparison on the cost per kilogram of your items. I think that is an excellent move. I also like the fact that you are going to indicate where products are

Tasmanian grown. I am just wondering are you also looking in the future at putting some type of dating on fresh products, say, for example we have apples that have been -

Mr KENT - Cool stored or not.

Mrs HOLLISTER - Yes, cool stored or picked three months ago or six months ago or last week, are you intending to move on that line so consumers can be aware of a freshness indicator?

Mr KENT - I will certainly take it on notice. I am not sure where we are with fresh produce but let me say it is clearly our intention to have what the customer requires and that is, those products 52 weeks of the year wherever they come from. The customer demands are for cherries 52 weeks a year, plums, peaches, apricots, strawberries, raspberries, whatever is a 52-week a year request. I think the clear one is Navel oranges out of California. When the Valencios come in in Australia the consumers do not buy them because they are not sweet, so we buy them out of California by container direct into Sydney and tranship to here. The orange may cost you $1, maybe in our Navel season you can buy three for a dollar but the demand is by our customers that they want those products 52 weeks of the year, no matter how much they cost and no matter where they come from.

Mr GOODLUCK - Did you watch Ray Martin last night?

Mr KENT - Yes.

Mr GOODLUCK - Did you see that program on the rice?

Mr KENT - Yes.

Mr GOODLUCK - What is Woolworths' policy on that?

Mr KENT - I think clearly Woolworths will be having a few words with Mr Riverina. That is certainly -

Mr GOODLUCK - You do not subscribe to that sort of thing?

Mr KENT - No.

Mr GOODLUCK - What about other products? Do Woolworths import very much from overseas?

Mr KENT - Yes, they certainly do. But it would be clearly Homebrand would be some of those products. It would clearly state - again, the only way that you could get products at a competitive rate from time to time is bring them in from overseas and say to the local Australian person, 'Well, this is what we could buy there. If you can't compete you are forcing us to buy offshore' - we are doing those for the benefit of the Australian consumer. So that in itself creates competition whereby the local manufacturer will fall into line.

Mr GOODLUCK - Di, I thought we were going to get stuck into him and you praised him up.

Mr KENT - I will not forget that.

Mrs HOLLISTER - No, I think that is a really good move and it is something that we have pushed through in another committee that we are working on and that is great. It happens in European countries, particularly it happens in France, and it lets the consumer know what they are buying and a comparison of prices. So I think that is a very positive move for consumers in Tasmania.

Mr GOODLUCK - Do you give Tasmanian producers every priority?

Mr KENT - Certainly.

Mr GOODLUCK - You do?

Mr KENT - Yes, without doubt.

Mr GOODLUCK - Like if I came to you and Bob came to you as a Victorian and we offered a price to you, you would deal but you would give the Tasmanian the priority?

Mr KENT - I am a born and bred Tasmanian -

Mr GOODLUCK - Yes, I know that.

Mr KENT - and I do it at the expense of Woolworths from time to time, for which -

Mr GOODLUCK - Can you do that?

Mr KENT - Yes, I can and I get a bit of criticism for it, but we do it.

Mr GOODLUCK - So you are the jewel in the crown for Woolworths?

Mr KENT - The Chairman has asked that and I still like to believe that is so, yes - and our company in the north, obviously.

Ms GIDDINGS - There are obviously a lot of good things that Purity have done and I do not want to seem as if we are negative the whole time, but I guess you tend to be a bit negative when you are trying to nut out what the nuts and bolts of the reasons are, so I apologise if I am doing that too much for you, Mr Kent.

Mr KENT - No, that is fine.

Ms GIDDINGS - My three questions that I have now are a bit scatty from what you have said before and you may end up having to go over things again but please bear with me for that. But you made the point that locally produced goods are more expensive and I think generally the consumer would accept that on perhaps the grounds of the economies to scale as well, that your Island Fudge or whatever the product might be is not going to be making the quantity in Tasmania as it is on the mainland. But one of the concerns that comes out is that when things like your Island Fudge or you used an example that I used earlier was the Royal Tasmanian Smoked Salmon, the fact that that is produced here but is more expensive when it is sold here than it is on the mainland. You mentioned that the reason for that was that on the mainland they have a central distribution point and that they keep the costs down there. I want to know can you give me a bit more detail on why that is so because, from my basic understanding of it all, I would have thought that driving a truckload of salmon to a shop in Hobart would not cost you as much as driving a truckload of salmon up to Launceston or to an airport or wherever and then shipping it or flying it and then trucking it to a central distribution point to then truck it to stores. It just does not make sense to me.

Mr KENT - Yes, well nobody would be trucking a truckload of salmon anywhere, there would not be the volume in the first place. What we are saying is, in Victoria - if we just settle on Victoria or any of the other States - they have chilled and frozen facilities whereby the manufacturer can here ship them direct into those facilities. What happens here is they put them in a truck and deliver them to 30 supermarkets. That is clearly the difference. There is a huge cost in a small van delivering one product, which happens to be salmon, to 30 supermarkets across the island of Tasmania. If they delivered, hypothetically, that salmon to our warehouse, our warehouse trucks go daily with 14 000 other items. There is the cost saving. It would cost anywhere between 10 and 15 per cent to deliver to all supermarkets around the State six packets of salmon.

Ms GIDDINGS - So you are saying - and I think you have mentioned it here, too - that once your chill freezer is built in the north of the State -

Mr KENT - It will all go into there, be distributed by our trucks with everything else, so it is not just one item.

Ms GIDDINGS - So we should see a reduction in prices -

Mr KENT - Well, there are more than the distribution costs. You may have in a State - Sydney, for argument sake, in New South Wales - fifteen competitive products in the salmon industry from overseas; in Tasmania we may have two. In Tasmania we may have decided, 'Well, it is better to look after the local industry than bring in fifteen more competitors'. Competition keeps prices down. So if we put in fifteen varieties of salmon, the local salmon industry will suffer. It is no different than Coca-Cola and Inghams. The price that we are getting in Tasmania for the salmon is a fair and reasonable return on moneys invested in the State.

Ms GIDDINGS - And how much has the Fine Food label helped that aspect of it? My perception is that Tasmanian products on the mainland, such as your salmon - they have got this Fine Food element or Tasmanian food is seen as the 'in-thing' at the moment, that it is not having to compete on the same level as perhaps an imported salmon which does not have that -

Mr KENT - It depends on the retailer and how he sees it. That is your view. I think I agree it is a cottage industry situation. I think there are examples out of King Island with King Island brie and cream and all the rest of it. Terminology, you could probably buy that more in the yuppie-type areas of New South Wales than you will in the supermarket. You will get a higher price, sure, but when you are in a volume situation, again I think - and I do not know whether I have said it there - but we can buy Devondale cream and get it into Tasmania cheaper than we can get our own local product and why is that? Well, you talk to the manufacturers that produce those things. We can buy Western Star butter out of Victoria cheaper than we can get our own produced in the State - what would you like me to do? There is a balance and if you say that, clearly, do not worry about the employment or those companies here and just get in the cheapest possible commodity at the expense of employment - well, fine - but at the moment I am walking down the line.

Ms GIDDINGS - No, I certainly do not say that all.

Mr KENT - No, no, but you understand what I am saying.

Ms GIDDINGS - Yes, I understand what you are saying. My second point, Sir, comes back a bit to that specials issue that we were talking about before. We had evidence to say that consumers tend to stick to a product, a brand name, regardless of whether it is on special or not, so if they go to the coffee aisle they will buy their Nescafe even if International Roast is on special. Do you agree with that?

Mr KENT - No, it depends on the consumer and depends on the family. I know a number of customers who buy both, they will buy the cheap commodity for their kids if the kids drink coffee and they will keep the expensive one for themselves.

Ms GIDDINGS - And the final question I have is in relation to you saying that workers compensation and payroll tax all are problems for you here. Do you have any idea of how much of the total cost they would be in comparison to other States and things?

Mr KENT - Yes, I do, but I do not have it with me. I would be happy to -

Ms GIDDINGS - Would you mind getting that information, thank you.

Mr KENT - I mean the terminology 'payroll tax' fullstop, without going any further, is a disincentive to employ people. We have got to pay our payroll tax to employ somebody. I do not know what you call it because the Government will not give it -

Mr CHEEK - But every State has got it though.

Mr KENT - Of course they have.

Mr GOODLUCK - Statewide Wholesalers - I cannot quite understand it - it is competition yet you are going on the board, are you not?

Mr KENT - Yes.

Mr GOODLUCK - What does that really mean? What is your relationship with Sam Richardson?

Mr KENT - I think what you see in the newspapers.

Mr GOODLUCK - It all seems peculiar to me, you are all in it together and yet you are all -

Mr KENT - I think the issues are really competition.

Mr GOODLUCK - Competition?

Mr KENT - Yes, if you want the bottom line **-** I think the petrol scenario, he would seem that as competition. If we have a bowser on our supermarket car park and he has not we have an opportunity to draw some of his customers.

Mr GOODLUCK - So it is really to draw the customers, ultimately?

Mr KENT - Yes, it is competition. I think most people would agree if the independents wanted to get stronger than they are now they have to build equivalent-size supermarkets.

Mr GOODLUCK - How will you get on with the board? How will the decisions be made? Will they go to the bowsers or it depends?

Mr KENT - Well, they have got to swallow the pill -

Mr GOODLUCK - You have just got one vote on the board?

Mr KENT - That is right.

Mr GOODLUCK - It just seems odd to me but, anyway, that is Tasmania, I suppose.

Mr KENT - Yes, maybe so. But if the suggestion is that we buy their 40 per cent, fine, I am happy to do that. If they want to buy our 60 per cent I am happy to go down that line, too. They see it, from an independent's point of view, that there is insufficient business in the State to warrant them go out and doing their own thing, so they would dearly like to continue to retain the servicing of supply, particularly in the north and north-west, to the Woolworths-owned Roelf Vos Supermarkets, because without that Statewide would not be there.

CHAIRMAN - Is there a perception, though, that it could be an anti-competitive measure, you going onto the board of Statewide Independent Wholesalers?

Mr KENT - What is it that you think one vote could do?

CHAIRMAN - No, no, I am just talking about a perception. Is there a perception building that this could be anti-competitive?

Mr KENT - I am not quite sure. There are three Woolworths-employed directors of that board, that is the 60 per cent, and there are two for the 40 per cent.

CHAIRMAN - And you are just replacing one of the Woolworths' people.

Mr KENT - That is right.

CHAIRMAN - Okay.

Mr KENT - So the Woolworths' guy that comes down from Sydney head office he will no longer be coming, there is no necessity - it is a waste of time - so they are just with the local bloke.

CHAIRMAN - That actually clears up a problem that I had, I did not realise that. Thanks for that.

Mr KENT - No, that is fact.

Mr GOODLUCK - It needed clarifying.

CHAIRMAN - Just while we are on that, do you ever see the time when Purity would in fact come out of that warehouse - in other words, would that warehouse become the major distribution point? Is it cost inefficient for you to have a warehouse here and one in Launceston?

Mr KENT - No. I think the answer clearly was if you were looking in from the outside and had the opportunity to start again you would do it completely different to what it is. What we have is two businesses - Purity sold to Woolworths in 1981 and Vos in 1982, so on the acquisition of those businesses that is what you get. But if this was a State with nothing, you would come in and say, 'Righto, we'll centralise everything, hypothetically, closest to the sea ports or Oatlands or wherever you like' and there would be one huge warehouse facilitating everybody who wanted to be facilitated on the island. We are not in that situation because of acquisition. The closest we are going to get in the foreseeable future is Vos and Purity coming together, still at this point in time, retain the identity of Roelf Vos in the north and north-west and Purity in the south, that will take the synergies of savings out of both businesses. We do not have to send two general managers to conferences in New South Wales; we do not have to send two produce managers to New South Wales; we do not have to send two merchandise managers and variety managers and so it goes on.

CHAIRMAN - That is about to happen?

Mr KENT - That is in the process of happening, yes.

CHAIRMAN - Is there a name change in the wind?

Mr KENT - No.

CHAIRMAN - It would not save money?

Mr KENT - No. I suppose the example would be FitzGeralds and Harris Scarfe - the experts in the industry say roughly three years before people really forget the previous name. I think my age group would still see FitzGeralds there for ever and a day -

CHAIRMAN - Yes, I still go to Fitzies.

Mr KENT - Yes, but I think the younger generation see Harris Scarfe and forget about Fitzies.

Mr GOODLUCK - On the board of Statewide Wholesalers, Woolworths would have the monopoly now, would they not?

Mr KENT - Always have had, ever since day one.

Mr GOODLUCK - So would you ever think about buying them?

Mr KENT - Yes. But clearly I say under the way that -

Mr GOODLUCK - Coles would like that, would they not?

Mr KENT - I do not know. Why?

Mr GOODLUCK - You would have the stranglehold of everything in Tasmania then, would you not?

Mr KENT - Whilst you have got independents I do not know how - if the independents thought they could do a better job at accessing the product that they required they would be out doing it. All I am saying is, they have not got a sufficient number of independent retailers out there. They need a company like Vos to be able to give them the volume - purchasing power - to get the very cheapest possible prices and if they have not I think you will see a significant difference in pricing.

CHAIRMAN - Just summing up, if I could. Just a couple of quickies that I just want clarified. Do you have a commercial contract with the Hydro as Purity or does each store just buy independently?

Mr KENT - I would need to check that. I think we have in some areas. We have in some stores heat reclamation which means the motors turn back the heat into the stores and it is cheaper in that store than one that has not. I think we do have scenarios with the Hydro, but obviously an open policy by other people here selling hydro power it will reduce the price.

CHAIRMAN - There is a lot of talk about people like yourselves, who have points distributed all over the place, cannot get into these major buyers, the Hydro. Do you see any benefit in being able to combine and, say, 'Purity buys 10 megawatts a year, why can we not get a contract?'

Mr KENT - Yes.

CHAIRMAN - And are you moving along that line and you are pushing that all the time?

Mr KENT - Yes.

CHAIRMAN - The Frequent Shopper Club, is it an absolute benefit to the consumer or absolute benefit to Purity?

Mr KENT - Absolute benefit to the consumer. It is a loyalty program and it is a way that we see, as a retailer, that we can retain our customers by giving something back to our customers. So we see it as a benefit. Clearly, within a month of introduction we had in excess of 100 000 members in southern Tasmania and we still have those 100 000 members today. Clearly the customers see it as a benefit and I do not think it will be very much longer throughout Australia if there is not a form of a loyalty program put in by our major parent company of some form. I think, again, we talked about petrol - I am convinced that is a form of loyalty to Woolworths' customers; if it was not they would have the thing on artery roads where they would pick up the truck driver going past and all those issues.

Mr CHEEK - So is Tasmania the only place where the frequent shopper program operates?

Mr KENT - In southern Tasmania, yes.

Mr GOODLUCK - Did you introduce that?

Mr KENT - I did.

Mr GOODLUCK - You are not on the board of Woolworths?

Mr KENT - No.

Mr GOODLUCK - Will you be?

Mr KENT - No, not as far as I know.

CHAIRMAN - Finally, Mr Kent, it has been put to us on several occasions that we have to educate the Tasmanian consumer. I can never understand whether we have to educate the Tasmanian consumer to accept higher prices or what that actively means. Could you help me at all with that?

Mr KENT - I think even if we were the cheapest State in Australia we would be too dear in the eyes of the purchaser. I was nearly going to relate it to euthanasia and I do not think you can do that. I think euthanasia, really, the more people concerned about that are the people close to that problem internally with families or whatever. So it is probably wrong to even try that. But clearly it does not matter how cheap you are, everyone will want it cheaper. It does not matter how cheap the petrol is, they will still want it cheaper. So you are just going to have that problem for ever and a day. If you wanted to put price control in I would suggest we, as retailers, could possibly be better off because we would say to you, 'Well, we want 20 per cent across the board and you'll agree with that because we'll be able to put up all the reasons to justify it and then you've got no competition'. So nobody advances, nobody goes backwards.

Mr GOODLUCK - Has the growth of Chickenfeed affected you at all - worried you as a competitor?

Mr KENT - Again, we are in the supermarket business which is by and large bottles, packets and cans and the fresh food department. I think Chickenfeed is a discount operator that can pick up some odds and sods and -

Mr GOODLUCK - It has had a remarkable growth in Tasmania?

Mr KENT - Yes. Obviously if they were not there the rest of the retail industry would be getting the dollars that were being spent there. I think that is fair comment.

Mr GOODLUCK - Yes, I saw a packet of Aspro brand - not Aspro - a good brand that was in Coles at one price and in Chickenfeed the same packet at a much lower price and I just wondered. A brand, too, it was.

Mr KENT - Yes. But you can go and buy Heinz soup at Chickenfeed for a dollar but it is Heinz Corn Soup, you cannot buy Heinz Tomato Soup there. If a company produces a product and it fails in the marketplace discount operators pick it up.

Mr GOODLUCK - They go and buy it.

Mr KENT - Of course. That is what they do. I am certainly not saying that there is a use-by-date problem but, in some instances, the lifespan of those products - I am not saying which products, I would not have a clue, but are limited. The quickest place to get them out and gone in the marketplace is in these discount operations and good luck to them.

CHAIRMAN - One of the other little nigglers that have come across the committee's desk is this system of Eftpos where I understand that if you are a small retailer that will cost you money but I also understand that if you are Purity, Roelf Vos or Coles the major banks will pay you 2 per cent to use their Eftpos facilities. Is that accurate?

Mr KENT - I do not think that is accurate. I am not sure on your percentages margins there. It is again like everything else, volume - I would not argue with the volume aspect of it - it is a bit like groceries, the more you buy the cheaper it is, to a point. I do not see that any different with Eftpos at all.

CHAIRMAN - I think I bring that up on behalf of the little retailer who reckons he is a bit unfairly treated.

Mr KENT - It would not surprise me at all but I think his TIW in this State, that is part of their responsibility to look after those fellows to get the best possible price. That is why they joined Banners and Banner groups, it is not to the individual because he would never be able to get in the marketplace with the amount of volume that he would put through in an Eftpos. And let us fully understand, from my point of view, in southern Tasmania at least there are no supermarkets apart from Coles and Purity - and if there are, please tell me - because there would be one doing $100 000 a week in turnover, the rest are purely and simply convenience stores or food markets as opposed to supermarkets. Supermarkets are clearly fully-fledged one-stop shops where you can buy your meat, your fruit and vegetables, your bakery, your fish and so on. Food markets are by and large bottles, packets and cans. An example would be Glenorchy, New Town, Sandy Bay, Shoreline - we employ in those stores in excess of 200 people. You are not going to believe that because you will never see 200 in there at any given time, the fact is that is what we do. They are there at night-fill, all those issues that come into it. Take me to another supermarket that you think is a supermarket in southern Tasmania and count the employees - different businesses.

CHAIRMAN - Just a final comment. Mary Smith at Nunawading and Mary Smith at Newstead, at Newstead she is probably paying about 5 per cent more but everything else is the same, she is getting good service - in other words, are our consumers, apart from price, as well looked after as they are in Victoria?

Mr KENT - I would like to believe they are better looked after, particularly in our company stores. I believe our customers believe that we are doing a fantastic job as far as service is concerned and, quite frankly, I think we have to continue to do that to retain their custom because if you buy a car for $20 000 you want a fair amount of service. Our customers are spending up to and in excess of $20 000 on groceries per annum, they need to be looked after and that is what we intend to do.

Mr GOODLUCK - Just a point that has suddenly come to mind, you could put paid to the lie - well, I do not know whether it is a lie but it has been mentioned several times to me that sometimes it is based on socioeconomic areas - for example, one area, say, is very low socioeconomic, a richer area - you do not base your prices accordingly?

Mr KENT - No, Sir.

Mr GOODLUCK - Definitely not?

Mr KENT - No, definitely not. I said to the Chairman earlier that at any stage your committee could come out, they start off every store the same. What makes the change is competition within any of the areas.

Mr GOODLUCK - So in an affluent area you do not put the prices up?

Mr KENT - No.

Mr GOODLUCK - I did not think you did but I just wanted to make sure.

Ms GIDDINGS - I have just have one question. Your example of your 200 jobs - and I am loathe to say it because we have got such high youth unemployment particularly anyway - and in some respects it is probably a good thing that your 200 jobs are spread over a number - what I would like to know is how many jobs is that in real terms like in the public service -

Mr KENT - Full-time jobs.

Ms GIDDINGS - full-time jobs, because 200 people might work for you but it might only be 50 jobs and they are sharing 50 jobs amongst 200 people - not that that is necessarily a bad thing - but part of that then, does that mean that you have higher workers compensation costs, payroll tax costs, et cetera, because of the number of employees you are employing for what could otherwise be a fewer number of full-time jobs than casual?

Mr KENT - My understanding is not so much the number of employees, it is the amount of salaries that you pay out. So clearly that is what you are paying your workers compensation premium on, the dollars that you pay irrespective to the number of people you employ.

Ms GIDDINGS - And what about the payroll tax?

Mr KENT - It is the dollars that you pay out which determines payroll tax.

Ms GIDDINGS - Right. So if you have five people filling in the one full-time position it is not going to affect your payroll tax or your workers compensation?

Mr KENT - Not that I am aware of.

Mr CHEEK - It is only on dollars.

Mrs HOLLISTER - Michael, I would like to ask you whether you have had increasing demand for organic foodstuffs. I believe your company has a line of organic fruit and vegetables. Are you intending to increase that line? Are you finding it difficult to source those organic products from Tasmanian growers and are there any incentives that you have in place that may encourage greater market share for Tasmanian organic growers within your stores?

Mr KENT - We certainly do stock it where we can get the products in the stores that we can put them in obviously. I think that you would have to understand, from a marketing point of view, we get more complaints about shoddy merchandise in the fruit and vegetable department because the majority of people really do not understand that the appearance of those products are quite different than the appearance of non-organic products, whether it be carrots or whatever the case may be. So you put the sign up and you say, 'Organic products' and a lot of customers do not read the sign and they walk out and say, 'Purity have got shocking carrots today' or shocking whatever the organic product is, because the product visually is -

Mrs HOLLISTER - Probably not perfect in shape, colour and -

Mr KENT - All those sorts of things. And that is a deterrent from the majority of customers. So, yes, we stock it wherever we can get it from. I cannot answer you whether there is sufficient organic people growing but the volume we sell would be very, very minimal by comparison.

Mr CHEEK - Just one last question. I have not been asking too many questions because I must admit I pretty much agree with everything Mr Kent has been saying. But just for interest, have Woolworths ever given any thought to introducing a shareholder discount like Coles-Myer and Harris Scarfe?

Mr KENT - Well, I suppose the answer to that is, no. They do not see it in the best overall interest and I suppose from my personal point of view that is probably a situation that once you get into how do you get out? Let us say you fall on bad times and both companies, Coles and Woolworths, have fallen on bad times, as we all know. I think one has to be careful in the marketplace. So the answer, as I understand it, clearly from Woolworths is no.

Mr CHEEK - It tends to put a bit of a floor under the share price, I guess, at some stage but that is another matter altogether. And one last question, when I was working as a rep for the 3M Company twenty-five years ago and

I used to sell nearly ten cartons of Scotch-brite scouring pads and gave you a free one, why did you not bring the price down?

Mr KENT - We probably were not making enough in the first place.

Mr GOODLUCK - I used to take the other one.

Mr KENT - Well, all you gave us the free one for was to make sure that we sold the ten, so obviously the price came down otherwise we would not have sold the ten.

Mr CHEEK - That used to take twelve months.

Mr KENT - Yes, exactly.

CHAIRMAN - On behalf of the committee, thank you very much indeed for your very forthright and honest answers, as we expected from you. I do appreciate the comment you made earlier and I think the committee appreciates the comment you made earlier in the sense that this is not an easy brief, but I do not think it does any harm, frankly, to have a relook at it. Let me tell you that your contribution makes our job a heck of a lot easier, so thank you very much indeed, Michael.

THE WITNESS WITHDREW.