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COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Reference: Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2011

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SENATE COMMUNITY AFFAIRS

LEGISLATION COMMITTEE

Monday, 18 April 2011

Members: Senator Moore (Chair), Senator Siewert (Deputy Chair) and Senators Adams, Boyce, Carol Brown and Furner

Participating members: Senators Abetz, Back, Barnett, Bernardi, Bilyk, Birmingham, Bishop, Boswell, Brandis, Bob Brown, Bushby, Cameron, Cash, Colbeck, Coonan, Cormann, Crossin, Eggleston, Faulkner, Ferguson, Fierravanti-Wells, Fielding, Fifield, Fisher, Forshaw, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Ian Macdonald, McEwen, McGauran, Marshall, Mason, Milne, Minchin, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Boyce, Colbeck, Siewert and Xenophon

Terms of reference for the inquiry:

To inquire into and report on:

Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2010

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Subcommittee met at 9:04

ACTING CHAIR (Senator Siewert)—I declare open this public hearing and welcome everyone who is present today. The Senate Community Affairs Legislation Committee is inquiring into Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2010. Today is our first public hearing for this inquiry and we will be holding another one in Melbourne tomorrow. Before commencing, I acknowledge the attendance of His Excellency the High Commissioner of Malaysia and I thank him for his time.

I welcome our first witnesses. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. If you need a brush up, we have a copy for you.

[9.05 am]

CARNELL, Ms Anne Katherine (Kate), Chief Executive, Australian Food and Grocery Council

MAHAR, Mr Tony, Director, Sustainable Development, Australian Food and Grocery Council

ACTING CHAIR—Welcome. We have your submission No. 264. I invite you to make a short statement and then we will ask you some questions.

Ms Carnell—I will hand over to Mr Mahar, our director of sustainability, to make an opening statement.

Mr Mahar—The Australian Food and Grocery Council is the peak industry body for the food, beverage and grocery manufacturers in Australia. We do not represent the retailers, although we increasingly work with them on a range of issues—both sustainability supply chain and health and nutrition issues—from an industry point of view.

Just as an opening comment, the food and grocery industry in Australia is facing what can be described as a bit of a perfect storm. We have a whole range of increased regulation, particularly around sustainability and the environment area; increases in cost from packaging, production, energy costs and a range of other areas; and a high Australian dollar is reducing the competitiveness of many manufacturing firms in Australia who are constantly and regularly looking at their viability of maintaining production facilities in Australia. We think that viable food, grocery and beverage manufacturing in Australia is critical to the Australian economy.

Specifically in relation to the proposed Food Standards Amendment (Truth in Labelling—Palm Oil) Bill, the AFGC does not support the proposed bill for a range of reasons, the first of which being that we are of the view that the approach fails to adhere to the Council of Australian Governments' agreement on the process for development of appropriate policy regulation and attempts to override state and territory laws.

Secondly, we support mandatory labelling of food and grocery products that inform consumers as to the ingredients of a product where they relate to health and safety. From a health and safety perspective it is obviously important for consumers to know how much and what type of ingredients the products contain. Pursuing the adoption of mandatory labelling for ingredients such as palm oil for environmental reasons that do not impact on the health and safety of a consumer product would lead to the amount of information on each label being so large and so confusing that there is a high potential for the more critical information relating to health and safety to be compromised.

Legislation calling for mandatory labelling of palm oil and food and grocery products is, in our view, an ad hoc response, at best, to the significantly larger issue of deforestation and accordingly is unlikely to be a panacea or a silver bullet to this issue. A proactive and strategic response working with local communities, governments and business to improve the situation is where we see the most value. It is important to remember that deforestation is occurring for a range of reasons and occurred long before the advent of palm oil as a major ingredient in the food and grocery industry.

In our view the food and grocery industry cannot possibly meet each and every information need for consumers all of the time, except in relation to the health and safety of the product. Moreover, it is certainly not incumbent upon governments to mandate the availability of available information on food labels unless there is a clear public health safety need and strong evidence that labelling can address more cost effectively than any alternative measures.

I am happy to take any questions or comments on those opening statements.

Ms Carnell—I would like to add a little to that. We are not in any way opposed to voluntary labelling of palm oil, and many companies have decided to go down that path. It was interesting that the recently released Blewett review suggested that a hierarchy should exist; right at the top health and safety issues should be mandatory and right at the bottom community issues, issues that are not related to the product like this one, should be voluntary. In between was preventative health and so on, which was a hierarchy going from mandatory to co-regulatory to voluntary. In the Blewett review it has been suggested that these sorts of issues that do not relate to the health, safety or the contents directly of the product should be voluntary and we would support that approach.

Remember that products already have on the label the amount of saturated fats in the product, so the reason we are saying that this is not a health issue is that the health issue surrounding palm oil is that it is a saturated fat. There are a number of saturated fats, of course, and they are part of food products, so the total amount of saturated fats has to be on the label now. So the health issues are covered. It is one of those 'funny' things that the reason that palm oil has increased in usage so much over recent years is that the industry has moved away

from trans fats. Australia has moved significantly away from trans fats, which obviously have a health issue and, of course, there has also been a bill surrounding the labelling of trans fats in the Senate. By the way, we have supported the Blewett approach on trans fats. The reason palm oil has increased in usage is an effort by industry to move away from trans fats, which is a good outcome.

At this stage we say there is no health issue here because saturated fats are already on the label. This is a social issue. It is an issue surrounding deforestation, orangutans and the viability of the orangutan population in many tropical forests, something that we support greatly. That is the reason that the Australian Food and Grocery Council is a member of the RSPO, the responsible Roundtable on Sustainable Palm Oil. We are encouraging our members to use RSPO certified palm oil, and a number of our major members, such as Unilever, Nestle and so on, have made commitments to transition to sustainable palm oil by 2015, and we will continue to push for that move. We think that is a proactive approach to this and significantly more appropriate than a mandatory labelling approach.

ACTING CHAIR—Thank you. Senator Xenophon.

Senator XENOPHON—Thank you for your submission. You said that you are facing a perfect storm and I take it that is the context of remarks that were reported in *The Australian* today about the issue of carbon tax, so you are concerned about the impact that could have on your businesses. Are you suggesting that the labelling of palm oil is in the same scheme of a burden to your business as a carbon tax?

Ms Carnell—It is just another one.

Senator XENOPHON—So it might push you over the edge?

Ms Carnell—No. I think a carbon tax might do that. Any mandatory labelling requirement, particularly in an area like palm oil, has an ongoing effect on the industry. In terms of formulation of a product, the amount of vegetable oil that is used is tied to the recipe in the product. What vegetable oil is used, whether it is palm oil, soy, grape seed or sunflower, can vary from time to time depending on the cost, availability and so on of that oil. That is the reason that it is currently labelled as vegetable oil, because what sort of vegetable oil can vary. Mind you, what sort of vegetable oil has to comply with the amount of saturated fat and unsaturated fat in the product, so you need to keep that solid, but what vegetable oil can change, so you do not want to change labels all the time because it costs money.

Senator XENOPHON—Do you support recommendation 12 of the Blewett review in relation to palm oil?

Ms Carnell—No.

Senator XENOPHON—You do not?

Ms Carnell—No.

Senator XENOPHON—Many out there thought that the Blewett review was actually too mild in its recommendations. It simply said:

That where sugars, fats or vegetable oils are added as separate ingredients in a food, the terms ‘added sugars’ and ‘added fats’ and/or ‘added vegetable oils’ be used in the ingredient list as the generic term, followed by a bracketed list (e.g., added sugars (fructose, glucose syrup, honey), added fats (palm oil, milk fat) or added vegetable oils (sunflower oil, palm oil)).

What is wrong with that?

Ms Carnell—We think that it is at odds with Blewett’s own recommendations right at the front of the report for the hierarchy that I spoke about earlier, where he suggested that issues that were community type issues, issues that might be about environment, fair trade, animal welfare or issues that—

Senator XENOPHON—You are speaking to an old lawyer. If there is a specific recommendation that overrides the general recommendations then you go to the specific recommendation. That is basic statutory interpretation.

Ms Carnell—I think that is an overstatement in a report like the one that we have got, which of course the government has not responded to. The reason that we do not support it is putting vegetable oil and then having to put the oils that have been used in the vegetable oil on the label means that every time you change that you have to change the label. It is that simple and you do not add anything.

Senator XENOPHON—You are part of the RSPO.

Ms Carnell—Yes.

Senator XENOPHON—What is your understanding of what that means?

Mr Mahar—We joined the RSPO as a measure to try to encourage and support the production and use of sustainable palm oil.

Senator XENOPHON—Your mission statement states:

Our mandate is to ensure there is a cohesive and credible voice for the industry, advance policies and manage issues to help member companies to grow their businesses in a socially responsible manner.

Do you regard the production of palm oil, in its current form where it involves deforestation and the destruction of orangutan habitat, as being socially irresponsible?

Mr Mahar—I would say that deforestation is a very complex issue. There is a range of economic, social and environmental issues when we talk about deforestation.

Senator XENOPHON—Of rainforests?

Mr Mahar—Of deforestation generally.

Senator XENOPHON—Is deforestation of rainforests socially irresponsible?

Ms Carnell—Deforestation occurred a long time before palm oil, so to assume that palm oil was the driver of deforestation in tropical rainforests would be a significant jump.

Senator XENOPHON—I am about to get to that. Mr Mahar made the point that deforestation occurred long before palm oil, and I do not think there is any dispute about that, but to what extent do you concede that there is a link or a nexus between the increased production of palm oil and increased rates of deforestation?

Mr Mahar—I would say that palm oil is one of a range of crops that have contributed to deforestation.

Senator XENOPHON—That was not my question. My question is: do you acknowledge that the increased harvesting of palm oil has led to increased risks of deforestation?

Ms Carnell—Australia uses 0.3 per cent of the palm oil that is used in the world.

Senator XENOPHON—That is not my question.

Ms Carnell—No, it is, because the vast percentage of palm oil that is used globally is used in biofuels, so putting palm oil on the label of Australian food and grocery products simply will not save one tree or one orangutan.

Senator XENOPHON—My question is: do you accept that the increased use of palm oil has led to increased levels of deforestation?

Ms Carnell—We honestly cannot answer that question, and I do not think anybody can. The issue of deforestation—

Senator XENOPHON—How can you say that you cannot answer that when you are a member of the RSPO?

Ms Carnell—We believe that sustainable forest management and sustainable palm oil are the way to go. We are not for a moment suggesting that all approaches to palm oil plantation development in the past met the highest standards required. We believe it needs to in the future and that is the reason we are taking the approach that we are.

Senator XENOPHON—You are a member of the RSPO for sustainable palm oil production.

Ms Carnell—Yes.

Senator XENOPHON—Is it not an underlying tenet of that organisation—and I will dig up their mission statement in a minute—that it acknowledges the harm caused by the production of palm oil with respect to deforestation and other environmental impacts?

Mr Mahar—It acknowledges that palm oil can be produced more sustainably, and that is what its mission statement is about, getting collective and cooperative agreement to certifying and accrediting palm oil production because of the range of concerns around production of palm oil.

Senator XENOPHON—You have acknowledged—

Mr Mahar—We have acknowledged that we are a member of the RSPO on the basis that it supports a sustainable production of palm oil and that we encourage our members to do that.

Senator XENOPHON—Does that not implicitly mean that if there are more sustainable ways of harvesting palm oil it implies that the current ways of harvesting palm oil, at least to a significant degree, are

unsustainable? Does the membership of your organisation with the RSPO not implicitly acknowledge that more can be done in terms of sustainability of palm oil production?

Ms Carnell—Yes.

Senator XENOPHON—Thank you.

Ms Carnell—More can be done, but we do not think labelling will do one thing to achieve any of that.

Mr Mahar—This sounds like a cliché, but sustainability really is a journey. We encourage sustainable production here in Australia on all agricultural products because we think that there is still room to be made to produce products more sustainably. If we are talking about an agricultural product here in Australia—wheat, for example—we encourage more sustainable production of wheat.

Senator XENOPHON—You can give yourselves a pat on the back. You have joined the RSPO, but you do not want to do anything that would advance sustainability.

Mr Mahar—We think joining the RSPO is going to advance sustainability.

Ms Carnell—We think that companies like Nestle, Unilever and increasing amounts of others saying that they are going to move to sustainable palm oil by 2015 is a significant step in the right direction. When you look at legislation like this you need to look at a cost-benefit analysis, the cost of doing it versus the benefit of what would happen if you did do it. Australia uses 0.3 per cent of the palm oil that is produced in the world, so it is not an awful lot. Australia is already moving to greater use of sustainable palm oil. The cost of a labelling change is not insignificant. Does the cost-benefit work? We would say that it does not.

Senator XENOPHON—I would like to go back. I am conscious that I will run out of time soon. You are a member of the RSPO. The RSPO's aims would be entirely consistent with this bill; would you agree with that?

Mr Mahar—No.

Senator XENOPHON—You disagree.

Mr Mahar—I would not agree because membership of the RSPO is a voluntary arrangement. What we are suggesting is that voluntary agreements or arrangements are best placed, in the first instance, to respond to these issues. Mandatory labelling is something that we oppose.

Senator XENOPHON—We have mandatory labelling on a whole range of things. We have the colour, the codes and all of those sorts of things.

Ms Carnell—When it is a health and safety issue we totally support that.

Senator XENOPHON—So you do not think that there is a health issue in terms of palm oil as a saturated fat?

Ms Carnell—No, because saturated fats are already labelled on the container. The amount of saturated fat in the product is already there.

Senator XENOPHON—You do not support trans fatty acids being labelled either, do you?

Ms Carnell—That is actually not true. In our interim response to Blewett we suggested that we are more than happy to work with Blewett. We have changed our position on that over time. We can see that with setting a baseline, as Blewett suggested, we need to obviously discuss what that might be to avoid the issues of naturally occurring trans fats in things like dairy products and so on. We have suggested in our interim response that we are more than happy to work with government on what that might look like.

As you would be aware, the industry in Australia has moved away from trans fats and now the amount of trans fats in our diet is almost half of what the WHO recommendations are, so we have done very well in that space. We certainly indicated that we are happy to work with government to see if the Blewett recommendation can be made to work.

Senator XENOPHON—I am running out of time so I would like to drill down on the issue of costs. If there are members that say that this is certified sustainable palm oil—because that is what the RSPO is about, trying to encourage certified sustainable palm oil—would that be entirely consistent with your membership of that organisation, that there is a label that says 'certified sustainable palm oil' for a product?

Mr Mahar—I do not understand the question.

Senator XENOPHON—The RSPO is about sustainability in palm oil production; is that correct?

Mr Mahar—Yes.

Senator XENOPHON—Presumably you have a number of protocols in place—and you could take that on notice, given your membership—as to the sustainability of palm oil production.

Mr Mahar—Yes.

Senator XENOPHON—If those protocols and criteria are fulfilled what difficulty would there be for your members, for Nestle, Kraft and others, to say that this is produced with certified sustainable palm oil? Would that, in itself, not advance the aims of the RSPO, of which you are a member?

Mr Mahar—It certainly does and we have no problem with them. In fact, we obviously encourage them to source sustainable palm oil. The issue we have is that it is a mandatory requirement for them to say so.

Ms Carnell—If you go down a path of suggesting that we are going to mandate food labels to be a battlefield for every issue in the universe, whether it is fair trade and so on—

Senator XENOPHON—No—

Ms Carnell—But once you go down this path you do that.

Senator XENOPHON—Are you saying that it is opening up a Pandora's box?

Ms Carnell—We are saying that food labels are for a particular purpose, and they must be. Food labels have a very large amount of information on them already, and we know it is important—

Senator XENOPHON—Are you saying consumers would not be able to absorb another piece of information, whether it is palm oil or not?

Ms Carnell—We are saying that in terms of food labelling it is important that the rules around what we use food labels for are clear. We use food labels to give people information on health and safety and what is in the product as a mandatory requirement. What happens voluntarily over and above that, some of that is set by requirements around FSANZ and some are voluntary approaches. We think that issues that are not about preventative health and not about health and safety should be voluntary.

Senator XENOPHON—Chair, if there is time at the end I would like to ask a few more questions.

ACTING CHAIR—Senator Boyce.

Senator BOYCE—Some of the submissions have made the point that palm oil should not be considered a vegetable oil because it comes from a fruit. Could you perhaps advise us if this is the only oil that is being 'dishonest' in that way?

Mr Mahar—I would probably have to take that on notice. I know that there is a whole range of vegetable oils, or oils that are labelled as vegetable oils, like olive oil, sunflower oil and so on. I do not think there is a strict definition of whether it is a fruit or a vegetable.

Senator BOYCE—It has not been made in the past. Is there anything in writing about this or is it just an accepted industry norm about what constitutes a vegetable oil and what does not?

Mr Mahar—I am happy to take that on notice and get back to you.

Senator BOYCE—Do you think that there is any attempt to mislead involved in labelling palm oil as a vegetable oil?

Ms Carnell—No. I have a suspicion the same people might have a problem if we called it fruit oil, too.

Senator BOYCE—Ms Carnell, you have spoken a little bit about the use of palm kernel oil as a biofuel.

Ms Carnell—Yes.

Senator BOYCE—What is driving the increases in the growth of oil palms?

Mr Mahar—There is a range of issues that are driving the increased production of palm oil, biofuel being one of them. In South America and in Europe the increased use of vegetable oils for production of biofuel has increased over the last decade or so and our expectation is that will continue to increase as a whole range of others impact on the supply of crude oil. That is driving it.

Ms Carnell—There are government subsidies around that, too.

Senator BOYCE—From the producing nations, so to speak.

Ms Carnell—Yes, from the using nations too, such as the EU and so on.

Senator BOYCE—So there is an increasing percentage of the oil being used in biofuels, and I will not continue to make that distinction between palm oil and palm kernel oil. I know this has happened in a number

of other areas. Would we end up with food palm oil as a by-product that was unused if it were to be taken out of food? I am making the point that if we keep increasing its use as a biofuel are we going to end up with a lot of palm oil, whether we have uses for it or not?

Mr Mahar—Lots of different products are being used in biofuels. Corn production is linked, as Ms Carnell said, to subsidies for different production. As to whether palm oil would be predominantly used for biofuel and food uses would be a secondary food and grocery issue, I am not sure. The characteristics of palm oil lend themselves very well to production of food and I suspect there will always be a requirement for that. I think it will depend a little bit on the technology around the development of biofuels.

Ms Carnell—It is always important to remember, as I am sure you know, that palm oil is a very environmentally sound product because you can produce a whole lot more oil from a lot less land than is the case for its competing products like soya bean, grape seed, sunflower oil and so on. First off, this is a really good environmental product. We will aim at having more palm oil produced in a sustainable manner. We certainly would not want to move away from palm oil because we can produce it so efficiently out of so little land and in areas where there are a lot of people who desperately need the income.

Senator BOYCE—You have spoken about the voluntary changes that have happened in terms of use of trans fats, for instance, in food. I noticed on the news last night that a number of the major manufacturers are moving away from using phosphate in detergents.

Ms Carnell—That is right.

Senator BOYCE—Could you talk a little about the impact of voluntary changes in food and grocery patterns compared to mandating change?

Mr Mahar—I was up here the other day appearing before a Senate committee into product stewardship. A specific example that jumps to my mind is in relation to the management of packaging waste and voluntary arrangements, or actually a co-regulatory arrangement, with all Australian governments in relation to managing packaging waste. Industry has taken it upon itself to do better and put in place practices and policies that will improve the use and management of packaging wastes. That is an industry-driven recognition of the need to be more responsible and take more ownership of some of those externalities, I suppose, that historically they have not been asked to look after. That is one that is working really well. There is a range of other voluntary measures again around product stewardship—

Ms Carnell—Maybe I could just talk about food as well. The Food and Health Dialogue is an approach that the industry has with the federal government along with the National Heart Foundation, CSIRO and public health associations to voluntarily reduce the amount of saturated fat and salt in a range of products. We have already got agreement and movement from the industry with regard to salt—salt in bread, salt in cereals, salt in simmer sauces—and fat in processed meat. We are now doing chicken products, soup and so on. This is all voluntary work, sitting around a table together with those groups seeking targets with industry moving voluntarily. Some companies can move quickly simply because of where they are up to in their processing space. Others take a little bit longer but we have got time frames, we have got targets and it is working. It is working in a very collaborative way.

Senator BOYCE—Some might argue that all this cooperation is simply to avoid legislation, that it is only under the threat of legislation that this has happened. What would be your response to that?

Ms Carnell—There is always I suppose a bit of the carrot and the stick approach, but really it is because consumers are after these sorts of changes. They are after healthier food availability. As an industry, we believe we have a responsibility to be part of the solution for preventative health, so less salt in food that is available in this country, lower levels of saturated fats and better front of pack labelling. We have done a whole range of those things voluntarily. One reason for that is because it is our social responsibility and the other is that consumers want it.

Similarly with the palm oil bill, a number of companies are moving to sustainable palm oil and are happy to label that way, and that is a very good, sensible and cost effective approach to address this issue.

Mr Mahar—To add to that, it is coming from a range of reasons. Regulation is not the only issue that companies' business has to contend with. It is coming from the supply chain. In fact from a business point of view, companies are looking at sustainability as a way to improve efficiency. They are looking across their entire supply chain and saying, 'Where can we do better from an economic, environmental and social perspective?' What things they can do better is really being recognised much more within the business community.

Senator BOYCE—There has been some conversation already this morning on the topic of the ingredients list versus the nutritional information panel. Has the council done any research on how consumers use the information that is currently on the label?

Ms Carnell—We have, as has happened around the world where similar requirements exist. There is a percentage of people who read labels and there is a bigger percentage—

Senator BOYCE—I am one of them.

Ms Carnell—that do not. Those people who read the nutrition panel understand it and find it useful. We perceive though as an industry that having a front-of-pack labelling system that has kilojoules, saturated fat, fat, sugar and salt so that it is right on the front of the pack and in bigger letters was something that was missing, shall we say, because being able to have a quick look rather than looking at the back—

ACTING CHAIR—Especially if you have not got your glasses.

Ms Carnell—It is always a dilemma as to how big we want our supermarkets to—

Senator BOYCE—The more we put on labels, the more glasses we are going to need.

Ms Carnell—That is right. I have to say having stepped into that part of life and having a bit of trouble in the same space that I understand. As to who reads labels and who does not, yes, there has been research that has been done to suggest that a group of people read them, a group of people like front-of-pack labelling, and a group of people like the nutrition panel on the back. The fact is the information is there if you want it. I would love to say that it was a large percentage or a majority of people who read labels. It is not, but it is a growing—

Senator BOYCE—Do you know roughly what percentage it is?

Ms Carnell—We can give you the latest data. I think I do but I do not want to mislead you.

ACTING CHAIR—For the people who do not read labels, have you done research as to why? I have got some theories about why.

Ms Carnell—So do we.

Senator BOYCE—Apart from glasses.

ACTING CHAIR—Some of the information that is there is pretty hard to understand if you do not have a fairly good knowledge of nutrition and what is what.

Ms Carnell—Everybody has different needs, I suppose. There are going to be the people who are just really interested in the space and are actually interested in all of the information. If you are on a low-salt diet you might be interested in the salt, but only the salt. If your doctor has told you to reduce some saturated fats, that might be what you are looking at. For the vast percentage of us who read labels, though, what we are looking at is kilojoules because we are interested in our weight and the ever-increasing number of us who are overweight or obese are looking at that. So everybody is a little different. What we find is that people have a tendency to buy the same products time and time again. So you read the label once and decide this is a product that will suit me; I eat it; I like it and so they buy it time and time again. You only read that label once. A lot of labels are not read fundamentally because people have different reasons. They might just decide they will buy the product because they like the taste, and that is okay too. But the information is there if they want it.

Senator BOYCE—I think this question is possibly hypothetical but what effect, if any, would you expect to come about if it said ‘palm oil’ or ‘CS palm oil’ on a label?

Mr Mahar—As Ms Carnell said, purchasing behaviour is quite complex and consumers are quite complex. There would arguably be a percentage of the population that would be interested and may change purchasing behaviour, but there is a range of consumers and a number of consumers out there that are less concerned than others. As to what the percentage change in purchasing behaviour might be, I think it is anyone’s guess.

Ms Carnell—To be really honest, what a lot of companies are worried about is their products being used, I suppose, as a focus for maybe demonstrations and those sorts of things about something different, like the plight of the orangutans. Their concern is their products ending up being the focus for that, which would be incredibly unfair and unreasonable, but you can fully appreciate that those activist groups that are in that place will use what they can to lift the profile of their cause, understandably I suppose. But if a particular product ends up being targeted due to that, that is not really a fair outcome. Companies are worried about that. It has happened in the past as we all know. How do we stop that happening? We cannot if we go down this path.

If we think consumers are a bit confused at the moment, we have to ask ourselves would consumers understand the difference between CS palm oil and palm oil. We do not know. We have not done any research on that.

Senator BOYCE—Even to know what the ‘CS’ stands for; it would only be people who are already informed on the subject who would find that useful.

Ms Carnell—I know this is just in detailed form, but currently palm oil has to be labelled under vegetable oil. If you have to label it as well, are you labelling it twice? I do not know. We are not sure what that means.

Senator XENOPHON—That is not what Blewett says, though.

Ms Carnell—But if you put it the way Blewett says, you could understand it. But if you put it as a separate line, with palm oil labelled separately, it would impact upon what is in the vegetable oil currently. So it just depends on which way you would go.

Senator BOYCE—I would like to go a little bit more into what you said around the topic of health and safety being the priority for labels. Palm oil is already covered in the nutritional panel as a vegetable oil. What other ingredients in any product are there for reasons other than health and safety? Are we going into new waters, so to speak, if we were to put palm oil separately on a label for the reasons that have been proposed?

Ms Carnell—It would be a new approach. That said, we are required to label GM food where there is more than one per cent, so I would take it that we would put it into that space as well. Mind you, that has not made some people happy. There are a lot of people who still are—

ACTING CHAIR—That is the afternoon’s inquiry.

Ms Carnell—So from a mandatory perspective this has not happened. We are not mandated to have to talk about issues surrounding animal welfare, how products are tested, fair trade, environmental techniques or any of those things. Of course there are lobby groups that suggest that they should have information about a whole range of things around food and grocery products. To mandate something that has nothing to do with health, the product safety or the ingredients of the product as such is quite a huge step and does change the role of a food line.

Senator XENOPHON—You have got concerns about the issue of labelling. You have said that in your submission. Are you saying that food manufacturers should be required to put on their websites firstly whether or not there is palm oil in the product and secondly whether or not that palm oil is certified sustainable? In other words, let us leave the issue of labelling to one side. Should consumers know, firstly, whether what they are consuming contains palm oil and, secondly, whether that palm oil is certified sustainable palm oil?

Mr Mahar—I think that there is a role for companies to do that on a voluntary basis. If they feel that their consumers are interested in that and they can make that information available, not necessarily in a label way—as you say, let us leave that aside—but in a mandatory way, if the business will respond to the consumer issues—

Senator XENOPHON—But if you are concerned about a regulatory burden—and I do not accept that, but let us leave that to one side—what would be wrong with putting on a manufacturer’s website saying, ‘This product contains palm oil and it happens to be sustainable palm oil’? Given that your members have signed up to the RSPO and their statement talks about promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders, surely as to sustainable oil palm products, people knowing whether a product has sustainable palm oil in it would be entirely consistent with the RSPO of which you are a member?

Mr Mahar—Absolutely. I think that the main issue that we have is that it is a mandatory requirement.

Ms Carnell—We would encourage our members to do that.

Senator XENOPHON—Basically, is there not a fundamental inconsistency? If you are a member of the RSPO would you not say that their members, at the very least, should tell consumers whether or not it is sustainable palm oil?

Ms Carnell—We will certainly encourage our members to make that information available and we will also encourage our members to use sustainable palm oil, which is absolutely what the RSPO suggests we should do.

Senator XENOPHON—It sounds like a cop-out to me. Thank you.

CHAIR—Thank you very much.

ROUSE, Mr Andrew, Acting Head of Sustainability, World Wildlife Fund

GASKELL, Miss Lydia, Global Forest and Trade Network Manager, Australia, World Wildlife Fund

[9:46]

ACTING CHAIR—Welcome. I understand that information on parliamentary privilege and the protection of witnesses and evidence has been provided to you.

Mr Rouse—Yes.

ACTING CHAIR—We have your submission that is numbered 249. I would like to invite one of you or both of you to make a short statement and then we will ask you some questions.

Mr Rouse—Thank you for the opportunity to present WWF's view on the proposed Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2010. Worldwide, palm oil production has increased tenfold since 1980. Much of the growth in production has occurred in Indonesia and Malaysia, who now account for about 85 per cent of global production. These countries are also home to some of the planet's most biodiverse and important forests, essential habitats for species such as orang-utans and tigers.

Expansion of oil palm plantations is now the primary cause of permanent forest loss in Malaysia and Indonesia. The Food and Agriculture Organisation estimates that palm oil production will double between 2000 and 2030. Should this expansion arise from converting natural forests, a further 30,000 square kilometres of tropical forests would be cut down to grow palm oil.

The solution is not to switch to an alternative vegetable oil but for oil palm production to be more sustainable. It is for this reason that WWF supports and promotes certified sustainable palm oil. Along with members of the oil palm industry and other NGOs, WWF supports the Roundtable on Sustainable Palm Oil. The RSPO promotes oil palm production practices that help reduce deforestation, preserve biodiversity and respect livelihoods of local communities. By being certified to the RSPO standards oil palm producers are moving the industry to a more sustainable basis.

Since it first came on the market in November 2008, certified sustainable palm oil has grown to 3.4 million tonnes per year, or approximately seven per cent of global demand. While major businesses committed to moving to certified sustainable palm oil both here in Australia and elsewhere, WWF envisages that global demand for certified sustainable palm oil will continue to grow. Australia is a very small market for palm oil, about 130,000 tonnes per year or about 0.3 per cent of global consumption. What is very pleasing though is recognition by major Australian businesses that they can be part of the solution. Key Australian businesses in the palm oil supply chain have committed to sourcing certified sustainable palm oil. WWF believes that the federal government has an important role to play in helping a transition to a sustainable oil palm industry; chief amongst them is improved labelling requirements where palm oil is an ingredient in consumer goods.

WWF supports the proposed changes in labelling set out in the Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2010 and specifically those matters within schedule one, namely, we support the listing of palm oil as an ingredient; we support the listing of certified sustainable palm oil, or CS palm oil, as an ingredient; and we support regulations made for the purposes of certifying the sustainability of palm oil to reflect the criteria determined for that purpose by the Roundtable on Sustainable Palm Oil.

We know through engagement with our supporters, stakeholders and members of the public that if given a choice people would choose an environmentally sustainable product. WWF supports these proposed changes to labelling as they will improve the ability of consumers to make informed choices about the products they buy and to be able to support those brand owners who are providing a sustainable choice. We support the use of the sustainability criteria of the Roundtable on Sustainable Palm Oil as the RSPO is an international standard that is broadly supported by the oil palm industry and major corporate users of palm oil along with NGOs such as WWF.

Finally, the RSPO provides a practical and commercially viable way for businesses using palm oil to continue to do so and to make the transition to a sustainable alternative, certified sustainable palm oil.

Senator XENOPHON—You may have heard in part some of the evidence from the Australian Food and Grocery Council, which is a member of the RSPO but it does not support any mandatory labelling, not even

mandatory notification on the website of food manufacturers as to which products have palm oil and which products have certified sustainable palm oil. What is your understanding of the RSPO's role? In order to achieve its aims, would labelling of the sort proposed in this bill help achieve those aims?

Mr Rouse—Yes, the RSPO is a member based organisation. Its members have been involved in the development of standards for sustainable palm oil production. We see that the labelling of palm oil as an ingredient and also the labelling of certified sustainable palm oil will help to increase consumer understanding and awareness of a sustainable option there.

Senator XENOPHON—Further in your submission you made reference—and I have seen it quite a few times—that in South-East Asia alone the equivalent of 300 football fields are deforested every hour for palm oil production. I take it that is soccer fields?

Mr Rouse—I think it probably is, actually. My colleague here is a soccer nut.

Senator XENOPHON—So it is not a real football field—

Mr Rouse—No, it is the other game, that is right.

ACTING CHAIR—You will be ruled out of order soon.

Senator BOYCE—Is there a mandated size for a football field?

Mr Rouse—I think there probably is. I am not going to be in a position to quote it, though.

Senator XENOPHON—In terms of soccer field sizes, what basis do you have for that because I know some have contested that? How confident are you of that? We know that there is a significant amount of land that is being cleared for palm oil production. What is the source of that assertion?

Mr Rouse—There is a United Nations Environment Program report of 2007 which lists oil palm as now the primary driver of deforestation in those particular countries.

Senator XENOPHON—Could you provide that to the committee? I would find that useful.

Mr Rouse—Sure.

Senator XENOPHON—I was not questioning it. I just wanted to understand the basis for that. The source document would be useful.

Mr Rouse—We can provide that for you.

Senator XENOPHON—Is WWF part of the RSPO?

Mr Rouse—Yes, we are a member of the RSPO as are, I think it is, 16 businesses here in Australia which—

Senator XENOPHON—Including the AFGC?

Mr Rouse—Including the AFGC itself.

Senator XENOPHON—But is it your understanding, given your involvement in the RSPO, that the RSPO would be supportive of more consumer information in a mandated sense; at the very least a minimalist approach should be to require food manufacturers to say, 'Yes, we have palm oil', and whether or not the palm oil is certified sustainable? Then the next step of course would be labelling.

Mr Rouse—I am not in a position to talk on behalf of the RSPO, but it makes sense to me that initiatives or matters that will increase consumer awareness of the RSPO would be very valuable in terms of being able to alert and inform consumers about a sustainable choice. From our point of view that is one of the reasons why we support it. We see that having standards such as this and making the business case to companies to support initiatives which will help consumers to be able to identify that choice is something which is very, very valuable.

Senator XENOPHON—I think the Australian Food and Grocery Council make the point that deforestation occurred long before palm oil. You referred to it in your submission and maybe if you wanted to provide further information I would welcome that. But to what extent do you say that the increase in palm oil production has accelerated deforestation? Is there a clear nexus between the two?

Mr Rouse—Yes, there is. But also one of the things which is worth noting is that there is a considerable amount of degraded and idle land, particularly in Indonesia where palm oil growth, or full growth in the plantations, is increasing quite rapidly. To grow the industry, it does not rely on clearing forests. There are other options.

ACTING CHAIR—Why are they not planted on the degraded land and already cleared land rather than driving deforestation? Is it because then there is the link with—

Mr Rouse—I think there is probably a whole range of interrelated matters, including the land tenure, land use, planning practices and the like. But it is a useful point to make because it is always one of those examples where there is actually the potential to grow and to continue to grow quite significantly without actually having to continue the existing practices.

Senator XENOPHON—The Food and Grocery Council talked about a perfect storm of concern about the impact of a carbon tax and the like. Again, you may want to take this on notice, but to what extent has the deforestation directly linked to palm oil production made a difference in greenhouse gas contributions? Is that something you could take on notice? You have alluded to it but I do not think there is specific reference to the greenhouse gas effect.

Mr Rouse—I think one of the issues is that it is tricky to tease out palm oil from the other drivers of deforestation in terms of the totality of greenhouse gas emissions, but we can have a look at it and if we can provide some data which we can—

Senator XENOPHON—Would you be able to provide a range?

Mr Rouse—Yes, we would be able to do that. In fact there was a paper as recently as a couple of weeks ago which provides some information about it. We have not had time to sort of digest it properly but, given that palm oil in some areas—and I stress in some areas—is planted on very peaty soils there is the risk for increased greenhouse gas emissions because of that land use change.

Senator XENOPHON—Sure, if you could. Finally, have you or any associated groups conducted any surveys about consumers' attitudes towards this as to labelling and—

Miss Gaskell—No, we have not. Within WWF at this time and we have been working with Zoos Victoria on that issue, but not WWF specific surveys.

Mr Rouse—You will hear from them I think tomorrow.

Senator XENOPHON—Sure.

Senator BOYCE—On page three of your submission under point nine you talk about seven million tons and 10 million tons. Are we talking about American tons here or should that be tonnes?

Mr Rouse—We are talking metric tonnes.

Senator BOYCE—You speak there about some of the other side effects. Have you done a life cycle assessment of palm oil compared to other alternatives for food use?

Mr Rouse—No, we have not. From our point of view—and I stress this point—it is not to move industry away from palm oil but to move them towards sustainable palm oil. There are a whole lot of factors around palm oil which the AFGC alluded to around the very high yields so you get a good return per hectare. For us, by increasing awareness of issues associated with palm oil, it is not to move the industry away from it but to move it towards a sustainable choice.

Senator BOYCE—What would you anticipate would be the result of mandatory labelling for palm oil on Australian food products?

Mr Rouse—I think the result would be, first off, that we sort of come from a position where to make consumers more informed about their products is a good thing, so there would be increased consumer awareness—

Senator BOYCE—Awareness of what?

Mr Rouse—Awareness of having palm oil in products but also coinciding with what we anticipate to be the considerable growth of certified sustainable palm oil is increased awareness within palm oil as a product of that choice of certified sustainable palm oil. We think that having the mandatory legislation will help to drive consumer understanding of it as an issue but also that there is a solution and a solution that can be supported.

Senator BOYCE—Which is through CS palm oil?

Mr Rouse—CS palm oil.

Senator BOYCE—Do you think the majority of consumers would understand that difference?

Mr Rouse—I think there would be enough that would. It is a bit like the conversation before with the AFGC that for some consumers it does not matter but, given that there are consumers who do wish to be

informed, I think this is a worthy candidate for mandatory labelling given the very, very significant environmental and social impacts associated with the production of the product.

Senator BOYCE—Following on from that, we were talking earlier about the fact that health and safety is the priority driver for labelling of food. You spoke there about safety and environmental concerns being a driver. Are there any other things that are on a label that address those issues rather than health and safety?

Mr Rouse—I think there are examples where there is merit, whether it is environmental or sustainability issues as well. I think this is a very good example of that. We simply just do not buy the argument that by, in a sense, this getting through it would open the floodgates for a whole range of other things. If there is merit to them then I think they should be considered, whether it is environmental issues or others.

Senator BOYCE—Yet there is a tension about the size of a label and a label getting so confusing that no-one bothers to do anything.

Mr Rouse—Absolutely. With this case, given the magnitude of the problem and also the fact that there is considerable industry support for it, this is an example where in fact mandatory labelling will actually make a very positive contribution. We are very, very confident that there will be a rapid increase in certified sustainable palm oil, so with mandatory labelling down the track there will be product there available for consumers to be able to identify and support.

Senator BOYCE—You sound as though you have more faith in informed consumers, perhaps, than I do. What if the result of putting the label on food is simply that the majority of people think: ‘Well, I saw something on a television program that said palm oil’s bad or something. I don’t really remember, but I won’t choose that product that has palm oil in it.’? What if that is the result?

Mr Rouse—We come from an area of giving consumers a sustainable choice. But also there are the companies that support it making the investment to inform the buyers of their product around the credentials of their product; they have a lot of money tied up in their various brands. There will be a certain percentage of consumers that are supportive of it; there will be probably a whole bunch that do not really care so much. I have faith in the brand owners, if they are moving in a direction which they see that has a strong business case, making the investment in backing the credentials of the brand and invest in awareness around it.

Senator BOYCE—So you are thinking the food manufacturers would drive an awareness program that CS palm oil was good; is that what you are saying?

Mr Rouse—I would anticipate that they would, yes.

ACTING CHAIR—I am just thinking of an example that was not mandated—the dolphin-safe on the tuna. To your knowledge do you know if that altered the way consumers then bought tuna? You remember they had the dolphin and it is still on there? I do not eat tuna—I am vegetarian—so it is a bit academic for me, but did people—

Senator BOYCE—I am told the result has not been as anticipated.

ACTING CHAIR—Did people buy the dolphin-free tuna in preference, do you know?

Mr Rouse—I am not too sure. I do not have data on what happened because that is also going back quite some time in terms of dolphin friendly. There are good examples of voluntary labelling and bad examples, and quite potentially with mandatory labelling as well, but I think with this case it is actually something, given the circumstances and also the fact that there is a sustainable choice which will be there on the market in a couple of years time—well, it is already on the market but there will be rapidly growing volumes—it just makes sense. There is also the fact that it is supported by a lot of the brand owners as well.

Senator BOYCE—Which brings me back to the point, as you said, you are a member of the RSPO. I was just wanting to clarify, is putting palm oils on labels RSPO policy?

Mr Rouse—They have mechanisms for labelling, yes.

Senator BOYCE—So they support mandatory labelling of palm oil?

Mr Rouse—Not mandatory labelling. Within the RSPO there is a way in which the label can be carried on product to provide consumers with—when is that going to come online?

Miss Gaskell—I am not sure of the date, but yes.

Senator BOYCE—Can you explain what you mean?

Mr Rouse—Yes, sorry. Within the RSPO system there will be the mechanism for the RSPO label to be carried on product, but it is on a voluntary—

Senator BOYCE—So this would be a logo that says—

Mr Rouse—Yes, but it will be on a voluntary basis for those that want to use it. So it is in a sense for the brand owners who are buying CS palm oil who want to then have certified sustainable palm oil in their product and the logo; there will be that mechanism available for them down the track.

Senator BOYCE—So one presumes that if you put that logo on you would also be putting palm oil on the list on your label, because otherwise there is a disconnect, so to speak. That will be happening voluntarily and we have already had some evidence about the sort of voluntary things that are being done around palm oil. Could you explain why the World Wildlife Fund does not see the voluntary moves that are happening now as sufficient?

Mr Rouse—We will support those mechanisms that we can see which are going to address what we see as a deficiency in the way that markets work. This is one example of that where, given the significance of the impact that palm oil production is having, there is a role for regulators, be they here in Australia or elsewhere, to help to drive the transition from uncertified product to certified product. So it is really to accelerate that rate of change.

Senator BOYCE—I think right now there is a suggestion that in fact the industry cannot meet the global demand for sustainable palm oil, but it is increasing. How do you see that working?

Mr Rouse—I suppose in the early years what we will see is global demand exceed supply.

Senator BOYCE—But that is happening already, is it not?

Mr Rouse—That happens already but then again—

Senator BOYCE—Without mandatory labelling?

Mr Rouse—It does and it is, but what we would ideally want to be able to see is that transition from what is currently seven per cent CSPO to increase significantly over coming years.

Senator BOYCE—The World Wildlife Fund's view on the use of palm kernel oil as a biofuel; you would support that and why, or do you not?

Mr Rouse—Yes. In a sense, we see it as the same issue as palm oil in that there will be a range of products coming from the oil palm tree and the issue for us is its sustainable production, less so the way in which that product is used. So, yes; if there is product being used which is to be fed to feedstock for biofuel, what we will be supporting is sustainable management of those plantations though entities such as the RSPO.

Senator BOYCE—But would your concerns not also extend perhaps to the suitability of the product for its end use and therefore its likelihood to be energy efficient?

Mr Rouse—Yes, that is a good point. From a carbon point of view, obviously it would need to pass through all the gates in terms of its suitability to abate greenhouse gas emissions. I was thinking in terms of whether we support the product per se, but it has got to meet all the various parameters in terms of being a suitable product in terms of abating greenhouse gas emissions. So I need to come back to you in terms of whether—and I do not know that the work has been done to be able to determine that suitability—in terms of emissions arising from its establishment being offset by the use of the product down the line.

Senator BOYCE—But even if that work has not been done, that suggests that it is not seen as a serious problem. But yes, I would be interested in that response, thank you.

ACTING CHAIR—I want to go back to this issue of the argument being put—rather like the greenhouse gas debate, actually—that Australia produces, or uses in this case, a small amount. I think you were not here at the beginning of the grocery council's evidence, so I do not think you heard this bit, that we use so little of it, what difference does it make if Australia does or does not do something around palm oil? What is your response?

Mr Rouse—Again, I do not buy that type of response because it is a way that industry in a whole bunch of different countries can deal themselves out of being part of the solution. I think the industry here in Australia has a role to play, as it does in other countries which consume palm oil, and that does include countries such as Malaysia, India and China, which are major domestic consumers of palm oil. They need to be part of the solution as well.

ACTING CHAIR—Thank you. Senator Xenophon.

Senator XENOPHON—In their submission the palm oil action group talks about the RSPO and says:

However, as sustainable palm oil does not have to be labelled it is easy for companies to use the smoke screen of being a member of the Roundtable for Sustainable Palm Oil (RSPO) to imply that they supporting a sustainable palm oil industry, even when they are not actually buying any Certified Sustainable Palm Oil (CSPO) and not 'doing the right thing' at all.

Do you think it has been used as a smokescreen by some commercial entities?

Mr Rouse—I do not know that I would use that sort of language. What we tend to see is that the RSPO was established in 2003 or 2004 or thereabouts and the first certified sustainable palm oil came onto the market in 2008. There is that period when the body is in development and there will be NGOs, industry groups and individual companies who will sign up to the RSPO and their level of motivation will vary. Now that all of the standards are in place, plantations can be certified and the companies which have signed up to it, we certainly have an expectation that they will be working pretty hard to get certified sustainable palm oil into their supply chain and into their products. What may have been the case in the past when there was not a certified product available—and certainly we have seen good progress by a lot of major companies since 2008.

Senator XENOPHON—But certainly mandatory labelling disclosure would make a difference in accelerating the process?

Mr Rouse—Our view is that it would accelerate it, certainly here in Australia.

Senator XENOPHON—Thank you. Thank you, Chair.

Senator BOYCE—How would it do that?

Mr Rouse—In much the same way as regulations do, in that regulations basically set a mandatory requirement and, having that, we see that rather than having a certain proportion of the industry moving, it will move more of the industry more quickly.

Senator BOYCE—But have we not already established that there is more demand than there is supply right now?

Mr Rouse—Yes, but with what we have seen in terms of this approach in other commodities, with growing demand it accelerates the rate of uptake of certification by the oil palm producers. So, it just helps to reinforce the business case to those producers to get their plantations certified.

ACTING CHAIR—Because they will be picked up in the market?

Mr Rouse—Yes, because there will be demand for their product.

ACTING CHAIR—Yes.

Senator BOYCE—But there already is a demand for their product which outweighs the supply, so I am not sure how it accelerates it further.

Mr Rouse—We see it that it will move it along quicker than it would otherwise do, and with the additional benefit of having the Australian government address a major impact in a supply chain of a product, rather than letting markets sort it out by themselves.

Senator BOYCE—Oh dear. I do not know that the Australian government's record in getting involved in markets has been particularly good, but never mind.

ACTING CHAIR—Any more questions?

Senator BOYCE—No, not from me.

ACTING CHAIR—Okay. I think we are done.

Mr Rouse—Thank you.

ACTING CHAIR—Thank you very much.

Mr Rouse—Great.

CLARK, Mr Giles Jason, International Conservation Manager, Australia Zoo; and Australia Zoo Wildlife Warriors Worldwide

[10:15]

ACTING CHAIR—Welcome. I understand information on parliamentary privilege and the protections of witnesses and evidence has been provided to you.

Mr Clark—Yes.

ACTING CHAIR—We have both the Australia Zoo submission, which is No. 241, and Australia Zoo Wildlife Warriors Worldwide, submission 253. I invite you to make an opening statement and then we will ask you some questions.

Mr Clark—Thank you. In terms of an opening statement, I think a lot of what I initially was going to say has already been covered. I really feel that we need to stress that this is not a boycott of palm oil, and that is something that we certainly do not want to give the impression that we are trying to drive. It is ultimately about driving palm oil to become more sustainable. I think you have in front of you some images and I was going to talk about the images more so than just going over information that I know that you are already aware of and then I would be more than happy to take any questions. My position at Australia Zoo is twofold. Really, by trade I am a zookeeper, but I have spent many years in South-East Asia working in the—

ACTING CHAIR—Could I interrupt a second? We are going to have problems with Hansard because they have not got this. You were talking to a document that I will now get you to officially table, which means it then goes into the parliamentary record? You may just need to describe the fact that you are talking about maps that you have just tabled.

Mr Clark—Yes, that is fine. Thank you. I would like to table the document.

ACTING CHAIR—Yes.

Mr Clark—Just to backtrack a little, my position in Australia Zoo is twofold. First of all, by training and by trade I am a zookeeper but, as I stated, I have spent many years working in a voluntary capacity in Asia but also in South-East Asia, which now leads me to travel to South-East Asia several times a year to represent Australia Zoo and the partners that we support. We have five programs that we support with three partners across South-East Asia and every single one of those is affected—some quite severely—by the unsustainable practice of palm oil and palm oil plantations.

On the other note, being a zookeeper every day I get to engage and interact with the hundreds of thousands of guests that come into Australia Zoo on a regular basis. Without fail, every day you hear dozens of times that people would like to do something other than just put their hands in their pocket. I think consumer demand and voting, if you like, with their hands and their wallets in terms of the products that they buy would be a prime example. People are aware of the issue surrounding palm oil, and I think that has been pointed out by not only Zoos Victoria's campaign but also their internal surveys, which found that on initial interviews over 60 per cent of visitors were aware that palm oil is having a significant impact on specifically orangutans.

To refer to the document that we have just tabled, as you will see on the first image which is a map of Sumatra over the last 80 years—and this is the most recent one that I could find, so it does exclude the last 11 years—you will notice the areas in green represent primary forest and then subsequently as the years go by you can just see how quickly it is rapidly dwindling. If you look at the bottom image, which was in 2000, those tiny little isolated pockets of green which represent primary forest are still being eroded at an incredibly alarming rate, and that is in no small part due to palm oil.

Senator XENOPHON—Acting Chair, may I just ask the witness in relation to that—1932? The last time I checked there were no satellites available in 1932.

Mr Clark—I know. It is very difficult.

Senator XENOPHON—Presumably in 1980 that comes from satellite imagery and subsequently—is that right?

Mr Clark—I would imagine so.

Senator XENOPHON—Could you just take on notice the source of that, because how would they have established what occurred in 1932? I presume that from any time after the sixties or seventies they would have had satellite imagery, but I am just trying to work out the source of that in 1932.

Mr Clark—I could not specify the source as such. I have seen this and I have seen it in reputable documents and I made sure that I quoted where the data came from down in the bottom from Collins. I think historically, though, we are literally only talking over the lifespan of a generation and on my many—

Senator XENOPHON—I know; I accept that. I was more concerned about 1932, because I am just trying to work out whether they undertook surveys, mapping or whatever, but if you take it on notice I am happy with that.

Mr Clark—Yes, okay. So, if we move through the document, all the images—except for the next page which are of specifically orangutans on my own and obviously with the exception of the map on the front as well—came from our partner, the Australian Orangutan Project, and each one of these images represents orangutans that have been affected by palm oil plantations. I think it is important—

Senator BOYCE—Where were they taken?

Mr Clark—Sumatra.

Senator BOYCE—At one plantation or numerous plantations?

Mr Clark—No, over several plantations in not only Aceh but also in north Sumatra. I think it is important to highlight as well that the orangutan is just a flagship species, so it is just one of many species that are being affected by palm oil. It is a charismatic one; it is one that we instantly recognise and engage with, but it is not the only one that is being affected. In fact, there are probably numerous species out there that yet have not been discovered to science that may be more critically endangered than the Sumatran orangutan.

I will try to highlight the level of threat, if you like, to the orangutan. The Sumatran orangutan is a different subspecies to the Borneo orangutan. It is estimated that there are somewhere between 5,000 and 7,000 left. Those 5,000 to 7,000 could disappear within the next 10 to 15 years, so it is rapidly disappearing and, as I said, that is in no small part due to habitat destruction which is primarily being driven by conversion at the moment.

Senator BOYCE—Are there any government conservation programs?

Mr Clark—The government does have a forest department. Unfortunately, it is a tricky situation at the moment as the forest department is also responsible for generating revenue as well as protection of species and forests, so it is a double-edged sword in my opinion. You have got one department that has the responsibility of protecting the species within those forests but at the same time it has to generate a profit.

Senator BOYCE—Sorry, I will not interrupt.

Mr Clark—No, that is fine. Please, I would prefer it if we ask questions as we go through the images. So primarily, as I said, the orangutan is just one of several species that is facing threat. If we turn over to the next image, this was an image that I took in Bengkulu back in 2004. This is a family of elephants that have been poisoned. The Sumatran elephant is, again, a subspecies all of its own different from the mainland Asian elephant. The only crime that these elephants have committed was raiding an oil palm plantation.

Senator XENOPHON—Who runs these plantations? Are they private or generally are they large corporates?

Mr Clark—Very large corporate and multinational companies.

Senator XENOPHON—Who ran this one where the elephants were killed; do you know?

Mr Clark—I could find that information out for you. I do not have it to hand.

Senator XENOPHON—Which large international companies were involved—not in this, but just generally with palm oil production? Can you tell us, on notice?

Mr Clark—No, not off the top of my head, sorry—not the names of the specific owners of the plantations. Even in Indonesia and Sumatra particularly, a lot of the plantations are actually Malaysian owned and based as much as they are Indonesian.

Senator XENOPHON—If you could take on notice.

Senator BOYCE—Also would there have been any formal investigation into these deaths?

Mr Clark—Unfortunately, again, as you will see with the following images where we talk about habitat destruction, the enforcement is very weak and really the resources are not there to follow up, anyway. Sometimes investigations are conducted, but generally they are not necessarily acted upon.

Senator BOYCE—So, do you know whether there were investigations into these particular deaths or not?

Mr Clark—There were indeed, but there were no consequences. Even though there were investigations, nothing came of them. You asked the gentleman before about the barren land that could otherwise be used instead of converting primary forest. In my experience palm oil tends to work hand in hand with pulp and paper; there is a double profit to be had, rather than just using barren land which would actually require an investment initially to get it to a point where you could utilise it for palm oil. What tends to happen with primary forest is that you can strip it bare and the timber creates a profit which you can then reinvest into putting palm oil back on to that land. The gentleman before was correct in saying that there are challenges with the barren land, so to speak, in terms of it is lease holding and it is not as easy to obtain concessions.

Although this particular Sumatran tiger was not killed in an oil palm plantation, it was very close to a plantation.

There have been various studies by the Durrell Institute of Conservation and Ecology as well as the Zoological Society of London that have found that once an area is converted to palm oil generally 90 per cent of the species will disappear from that area. Unlike other methods of production such as rubber that can be integrated into secondary or degraded forest or even selective logging, so to speak, palm oil will not sustain individuals of these species that we are talking about: elephants, tigers and orangutans. So generally, once they are displaced they come into conflict with people, which is ultimately what happened to the buffalo down in the bottom left-hand corner there. That is a domesticated buffalo that a tiger has killed because he has been displaced by habitat destruction. There is only so much conflict that people will tolerate before they take matters into their own hands and obviously have to retaliate and ultimately end up—as I said, because you can see with this tiger here—killing it themselves.

Senator BOYCE—So the tiger was basically killed because it was either seen as a threat to the lives or the livelihood of the local people.

Mr Clark—In fact, this tiger here I used as an example has been caught in a snare. The snare was not specifically set for the tiger—it was set for herbivores—but again, because of the level of disturbance that happens with this habitat destruction animals have to move outside what was their normal lands and obviously predators will follow.

Moving on to the next image, this was an image that I took from a helicopter as we crossed north Sumatra. Generally, you can see the beginnings there of a palm oil plantation and, like most monocultures, again as I stated before they really cannot sustain any true level of biodiversity where the primary forest could before. So, this particular area here was a natural habitat corridor just a couple of years before between Gunung Leuser National Park and a protected watershed forest where animals such as elephants and tigers would migrate through. With no regard to land use planning, the palm oil plantation was put straight through the middle, which will obviously increase conflict, as I said before, as those animals continue to move between, and ultimately, as we saw with the elephants and the tiger, that will probably result in their demise.

The next set of images I took on the border of Gunung Leuser National Park. Gunung Leuser National Park, along with Kerinci Seblat National Park where we also work with Fauna and Flora International, is a UNESCO World Heritage site. This is land that has been cleared in fact not right up to the border but even inside the boundaries of the national park.

Senator BOYCE—So this is inside the national park?

Mr Clark—Just inside this one, although there are examples in Kerinci Seblat National Park in particular where palm oil is now five to ten kilometres inside the boundaries of the national park. Again, it goes on. Once the land has been cleared they are allowed to continue because it has already been cleared. Enforcement is very weak and then there are the profits to take into consideration as well. As you can see, these images demonstrate the destructive nature of conversion and, as I said, this particular shot is just inside—only by a few hundred metres—but it does happen all the way right through.

Senator BOYCE—Do you contend that this is deliberate or accidental?

Mr Clark—Deliberate. It will be initially stated that the boundaries were not demarked, and then it creeps in further and further. Finally, again in my experience but also with Traffic South-East Asia, which is another organisation that we work with, it is undeniable that once a primary forest area has been cleared for palm oil plantation, there will be an immediate growth very shortly afterwards of the illegal wildlife trade. As those animals are displaced, the ones that are not killed find their way on to the illegal black market. Ultimately it is another problem in itself. It is a parallel problem to palm oil plantations. I do not suggest that the illegal

wildlife trade solely exists because of palm oil. But certainly there is an overlap and it goes hand in hand. I am more than happy to take any questions.

Senator XENOPHON—The Malaysian Ministry of Plantation Industries and Commodities has made a very comprehensive submission, which is pleasing. They have said that this will fetter economic development in developing countries and that it will affect people's ability to have a livelihood and the like. What is your view on that in terms of adopting a sustainable model? What did you observe?

Mr Clark—Ultimately, I suppose ethically and morally, you have to think of what is the true cost of converting primary forest into palm oil, because it is not just the costs to the company. These forests provide ecological services not only locally but also nationally. For example, Gunung Leuser National Park is the head of several rivers that down river will service millions of people. On a wider scale, these forests are part of the global environment which services all, even if we are the most hardened city dweller. It is difficult to state with statistics and figures, but we are running out of time. Ethically and morally, I feel that we have an obligation not only to ourselves but also to the next generation.

Senator BOYCE—From what you are saying, it seems like oil palm plantations should be simply banned?

Mr Clark—No, not at all. As I said, although it has been highlighted that the roundtable is certainly not perfect by any means, it is improving all the time. The larger its membership gets and the more that people become aware of the problems and issues, it is improving all the time. I feel that it can be done better. It can be done more sustainably. Ultimately you have to think that 'sustainably' might not be the right word to use when it comes to palm oil, because you can only get a certain number of yields from a particular plot of land. It is estimated to be 40 or 50 years between two to three standing crops of palm oil before the land, even with the heaviest use of fertilisers, is no longer useable.

This is the first of many steps that will need to be taken to make it truly sustainable. Whether or not that is palm oil, it is difficult to say at this stage, but we need to respond to manage the immediate crisis to work out more long term solutions. Palm oil plantations are not bad. It has been stated there that palm oil is almost twice as productive, if not more, than its nearest competitor. If we were not to use palm oil, we would have to use something else. It would be unreasonable to suggest that we do not use palm oil; it would be like suggesting that we do not use petrol. We need to use something, but it is the way in which it is manufactured or processed and is brought to the market that needs to be evaluated.

Senator BOYCE—Could you then perhaps explain how Australia Zoo thinks that mandatory labelling on Australian food products will assist this?

Mr Clark—In much the same way as the gentleman from WWF said before. It will allow people to make the choice, but ultimately one would hope that the industry would drive itself. I definitely take on board what you said before that it already cannot meet demand, but is that reason enough still not to be progressing and encouraging it to move in the right direction?

Senator BOYCE—Is the RSPO part of encouraging it to move in the right direction?

Mr Clark—Very much so.

Senator BOYCE—With respect to a two-page submission from Mr Murray Munro, which you presumably have, he states, 'Consumers have the right to know that their foods contain palm oil as they do with any other ingredient.' As I understand it, 'vegetable oil' can mean about six or seven different products right now. Should we be listing each and every one of those? We do not know about every other ingredient right now.

Mr Clark—For sure. I suppose the point that is trying to be made is for one that has such an impact on our environment at the moment as well as socially, do we have a responsibility to allow people to make an informed decision?

Senator BOYCE—The other oils that might be included there, such as rape seed, would be already produced on what would be in Malaysian terms degraded land. It is already farmland. Are you concerned about the life cycle assessment for oils that are planted on existing farmland?

Mr Clark—I am getting a little out of my depth here. Certainly it is not my area of expertise. As I stated before, I would not want to suggest that we try to solve one set of problems by creating another, and moving on to a different product. I would probably defer the question because I am a little out of my depth.

Senator BOYCE—Okay. The view has been put that some of your suggestions and some of the material you have provided to us is in some ways a new form of white colonialism in that, given that we have turned

almost all of our forest land into farmland, we are now trying to stop other countries from developing to that same stage. What is Australia Zoo's view on that scenario?

Mr Clark—I can sympathise with that view. By no means do I suggest that what we have done is right.

Senator BOYCE—But we are in the rather fortunate position of being able to say, 'Oh, tsk, tsk, can't change that now', aren't we?

Mr Clark—Very much so, but does that mean that we cannot share our experience, whether it is the various environmental situations that we are facing, whether it is the dust bowl in central United States or the salt issue that we are now faced with wheat land down in South Australia. We have made mistakes, and we certainly have not learned all of the lessons from those mistakes ourselves. We certainly have the experiences that we can share with others. What we are trying to point out is that there are alternatives at the moment. We do not have to convert primary forest. There are alternatives.

Senator BOYCE—Would you like to explain what you mean by that?

Mr Clark—In terms of alternatives?

Senator BOYCE—Yes?

Mr Clark—There is estimated to be sufficient land, certainly for the foreseeable future, that is already denuded of forest that could cope with the growing demand of palm oil and the expansion of plantations. Again, as I said, I feel we are tackling the crisis at the moment. There needs to be more long-term thinking and strategies to be able to deal with it for the next 30, 40 or 50 years. With the rapid expansion into forest land that we currently see, in which palm oil plays a part—it is not just palm oil, there are other issues—we need to be addressing it immediately.

ACTING CHAIR—Senator Colbeck, did you have any questions?

Senator COLBECK—I think I might have missed a little bit too much. I was listening in the office earlier when you were talking about the number of rotations, and you say two to three rotations, so it is up to a 20-year rotation for the crop?

Mr Clark—Yes. Generally it does diminish in its production, but primarily what happens is the trees get too tall, so ultimately it becomes very difficult to harvest.

Senator BOYCE—So it is not being economic?

Mr Clark—Yes, it starts to become quite expensive to source, because it is still sourced by hand.

Senator COLBECK—So it is not necessarily a tree life cycle issue that causes the plantation—

Mr Clark—No. Obviously the older the tree, the more heavily the land has to be subsidised with fertilisers.

Senator COLBECK—What are the alternatives for rotations? Effectively, we are talking potentially about a crop rotation, aren't we?

Mr Clark—Yes. What would be the alternatives? Again, I am certainly no expert on agriculture and palm oil per se, but the industry is starting to work towards becoming more mechanised. You could even suggest that one of the arguments that you hear is that local indigenous communities are employed by palm oil plantations. If it was to become more mechanised, there would be less requirement for labour. So that argument starts to become flawed in itself.

Senator COLBECK—That is potentially a reality over a longer term for a crop and the economics of a crop, anyway. We have seen that in most agricultural commodities, where mechanisation actually helps to maintain cost. The cost curve for most agricultural products continues to decrease rather than increase, and it is technology and mechanisation that is actually driving a lot of that. That sort of thing will occur, anyway. We have had submissions that say there is a whole heap of barren or degraded land that could be used for palm oil. If palm oil cropping actually degrades the land, what is the likelihood of that being taken up? There is obviously a demand for the product. When I was listening earlier, you said that you are not anti palm oil per se, but how do we maintain access for the demand, and what are the rotations that work with this? If we are talking about it in the context of a crop rotation, which seems reasonable to me, if it has an impact what are the potential rotations if we are going to make this work? These are the questions that we should be dealing with as part of this overall process, I would have thought?

Mr Clark—I would agree with you. As I said, I am not a palm oil plantation expert, and that is getting a little bit out of my field.

ACTING CHAIR—Do you know if the roundtable is looking at those sorts of issues? I would have thought it intimately linked with sustainability into the future, how are we going to make a product if we ultimately have a product that we cannot make sustainable in the long term?

Mr Clark—Very much so. Again, I do not know the roundtable and the organisation of it sufficiently enough to say that that is something they are looking at. As I said, at the moment the roundtable is a platform that we can use to help deal immediately over the next decade or two with the crisis. But there do need to be longer term solutions. That is not to say that it will change and that in 20 or 30 years time the land cannot be made to be productive for even longer, but the current situation is that after 50 years or so the land can no longer be used.

Senator BOYCE—For palm oil.

Mr Clark—For palm oil. But then it is so denuded of everything else, and so heavily polluted—

Senator BOYCE—By pesticides and the like?

Mr Clark—By the pesticides—

Senator BOYCE—It sounds like some of the pineapple farms that we used to have?

Mr Clark—Yes.

Senator COLBECK—If this has been going on since 1932, as your maps indicate—

Mr Clark—Initially, I do not think the first map would reflect palm oil as such.

Senator COLBECK—How do we quantify that 50 years is the sort of life cycle of the soil? Do we have any plantations that have that age in them yet, and what has happened to those plantations?

Mr Clark—There would be plantations, but certainly not on the larger, massive scale that we currently see with the size of the plantations. Palm oil has been used for generations. I could quantify the information for you at a later date in terms of the cycle of the land.

Senator COLBECK—Again, I agree with Senator Siewert, those are things that we ought to be looking at in the broader scheme of things, because if the demand is going to be there, the cycles are going to be managed, and you are going to grow this and manage the industry sustainably, all of those questions need to be answered as part of perhaps the roundtable, which would be the appropriate circumstance for that?

Mr Clark—Very much so. It is going to be a continuous evolution, and it needs to be. It needs to be continuously improving. Given our current situation and the crisis that both we and the species are facing, we need to immediately deal with that crisis. That should buy us some time to think of these questions that need to be answered long term.

Senator COLBECK—I do not know whether this has been dealt with in previous questions, but I did hear you talking about it to a certain extent. I am trying to balance the claim about potential extinction with the habitat that is permanently protected or served. There are claims in several submissions, and I think you might have mentioned, that there are perhaps 10 or 15 years left potentially for the orangutan with respect to the reservation that exists for those species. Do you have a sense of scale on those?

Mr Clark—Could you repeat the question?

Senator COLBECK—As I was listening in my office to your evidence earlier, you spoke about potential extinction of orangutan within 10 to 15 years.

Mr Clark—Yes, the Sumatran orangutan.

Senator COLBECK—Okay. That is perhaps an important qualification. What is the proportion of reserves that would protect the remaining elements of the species?

Mr Clark—Again, I am sure work has been done in terms of size of animals' territories and the population that would be required. I think the important thing to point out is that the smaller and more isolated the pockets, the more vulnerable they are to a whole manner of threats, whether it be disease, natural disaster or poaching for that matter. Really, the smaller the areas, the smaller the population, obviously there is the increased threat. The other thing to point out is that with animals that tend to have great longevity but less frequent births, the evidence might not be immediately apparent. It might not be until two or three generations time that it has reached such a critical point that it will become either locally extinct or disappear completely. The effects might not be felt immediately.

Senator COLBECK—When you are talking with respect to the Sumatran orangutan, okay, I accept that you are making a statement in that context, but it is an important qualification to make because a couple of submissions did not make that distinction. In fact, I read one that referred to extinction by 2013, which is only two years away.

Mr Clark—I think those types of statements are sometimes dangerous, as we have seen with the tiger back in the 1970s, eighties and nineties, and obviously now.

Senator COLBECK—I am pleased that you acknowledge that, because that was my concern. People make those particular statements in isolation. They do not make the specific qualification that it might be a localised or, as you say, a Sumatran, so that island based species. But it gives the impression to people that, on a broader scale, the species is going to disappear and in a very short time frame, which actually, from a campaigning perspective, I understand that people might want to use it that way.

Mr Clark—I think it breeds a level of complacency, because 2013 will come and go, and it will not have disappeared.

Senator COLBECK—It does not help the overall campaign, because what you end up having is a statement on the public record that, first, you cannot justify and, second, does not come about, and it makes people question the efficacy of the evidence that has been put on the record.

Mr Clark—I totally agree. I also feel that, when we are talking about species, a numbers game is not necessarily always important. What is important is that we can see just how much habitat that they used to frequent has disappeared, and we know that their numbers are rapidly diminishing in terms of the number of animals that we see either dead or ending up on the market. That is something to which we cannot close our eyes; it needs to be addressed.

ACTING CHAIR—Senator Colbeck covered the issues I was going to cover, so thank you very much.

Mr Clark—Thank you.

ACTING CHAIR—We will now take a short break.

Proceedings suspended from 12:00 to 12:47 pm

GILDING, Mr Tony, Co-founder, Palm Oil Action Group

Evidence was taken via teleconference—

ACTING CHAIR—We will reconvene. Welcome. I understand that you have been given information on parliamentary privilege and the protection of witnesses and evidence.

Mr Gilding—Yes, I have.

ACTING CHAIR—We have your submission No. 322. I would like to invite you to make an opening statement and then we will ask you some questions.

Mr Gilding—This is a very happy day for me to be able to present to the Senate committee the viewpoint of the Palm Oil Action Group. This is an area I have been involved in for the last 10 years and actively campaigning on awareness about palm oil for the last five years. We are delighted that it is being taken as a serious issue.

The simple statement that I would like to make is that orangutans and the biodiversity of their habitat are under great threat, and that palm oil is one of the major factors contributing to the clearing of rainforests. In the clearing of those rainforests there are many orangutans who are displaced and homeless and it is fair to say that most experts expect that orangutans will be extinct in the next generation unless there is a change to forest clearing.

What the Palm Oil Action Group is campaigning for, very simply, is just labelling. We believe that if the consumer is able to make the choice then the consumer is able to make an informed choice, but currently the consumer cannot make an informed choice. We have a large file of letters that we have written to retailers, manufacturers and importers over the last four or five years. They have all said that they are deeply concerned about the issue. They have all said that they are as green as blades of grass and that they would like to be doing the right thing; however, they cannot manage to get their act together to do that.

I think it is very fair to say that voluntary labelling of palm oil is not going to work. It has not worked. There has been ample opportunity for the industry to label palm oil or vegetable oil made from palm oil, but they have not done it. I can only conclude that the companies see some stigma attached to palm oil and they realise that the consumer would probably be somewhat concerned about the palm oil; therefore, it is easier for them to label it vegetable oil. There are those that talk about real estate space and it is probably fairly obvious to everybody that the words ‘palm oil’ are shorter than the words ‘vegetable oil’, so there is no reason why they could not label it palm oil, but big multinationals and local food companies choose not to.

We were absolutely delighted about your inquiry and also delighted about Dr Blewett’s inquiry. We were particularly excited when, in recommendation 12, Dr Blewett’s labelling logic recommended:

That where sugars, fats or vegetable oils are added as separate ingredients in a food, the terms ‘added sugars’ and ‘added fats’ ... be used in the ingredients list ... (e.g., ... added fats (palm oil, milk fat) or added vegetable oils (sunflower oil, palm oil)).

If the recommendations of that committee are accepted, that would be compulsory labelling of palm oil, which we think is an excellent step forward.

The only caveat that I have about this one is that unfortunately the recommendation is not very clear because it says:

That where ... vegetable oils are added as separate ingredients in a food ...

If I was a biscuit maker, for example, using palm oil to coat or fry my foods or to use it in the preparation of those foods, but not adding it as an ingredient, then I would think that I would probably not have to label it. I think that is ambiguous and needs to be sorted out. I realise that is not your job here. It is rather disturbing that when I went back to the secretariat and said, ‘Can you please clarify what you mean here,’ they said: ‘I’m sorry, the inquiry is closed. We don’t know what we actually meant and there’s nobody to answer your question.’ I am paraphrasing, of course, but that is what they meant. That is a bit disturbing. This is a complex area. Hopefully your committee can learn from that and when making a recommendation it can be run by a few people that can say whether there are other loopholes in that or whether it is a good recommendation. A food company or any corporation protecting their desire to make the item seem as attractive as possible to a consumer will obviously use the literal reading of the wording. We would like to see very clearly what the ingredients are and that, if palm oil has been used, it is compulsory to show that on the product.

There are many other more complicated issues about sustainable palm oil and which palm oil is sustainable. It is clear that membership of the RSPO is not a claim to sustainability, although it is being used as a claim for sustainability by corporations such as Coles, Woolworths, Goodman Fielder, Mars, Nestle and others. Their claims about sustainability by just being a member of the RSPO are not enough. We want to see on the package and on the label 'made with palm oil', and then we believe the consumers can have the right to choose. My personal view is that I would like that right to choose. I believe it is a right to choose what I am eating. Certainly with the business I run here, where we sell a lot of food products, it is incredibly frustrating for me to have to explain to the consumers, who really want to know what is inside those biscuits, that I cannot tell them and that they would have to ring the food company to ask them. That is basically the summary and I would be very pleased to take questions.

ACTING CHAIR—Thank you. I would like to clarify something with you. When you said you went back to the secretariat of the inquiry, did you mean the Blewett inquiry?

Mr Gilding—That is correct, yes.

ACTING CHAIR—Senator Xenophon.

Senator XENOPHON—Thank you for your submission. You have said at page 3 of your submission:

... as sustainable palm oil does not have to be labelled it is easy for companies to use a smoke screen of being a member of the Roundtable on Sustainable Palm Oil, RSPO, to imply they are supporting a sustainable palm oil industry even when they are not actually buying any certified sustainable palm oil and not doing the right thing at all.

In relation to that part of your submission, is it your view that the work the RSPO does is useful in having robust standards for certified sustainable palm oil? Do you think they do useful work in terms of having benchmarks as standards for sustainability?

Mr Gilding—The answer to that is yes. We believe that the RSPO has produced a reasonable set of standards and as long as organisations seek independent certification that they comply with those standards we think that is a major step forward. There is a very big difference, of course, as you are very well aware, from a company claiming that because they are a member of RSPO they are green. If they use palm oil, which has been certified as sustainable by an independent company using the RSPO criteria, then I think that is good. What we have seen so far is breaches by RSPO members of their membership criteria, which are quite lax, and the RSPO has been very slow to discipline those members. The RSPO is an industry body and I do not believe that we can expect it to be the policeman to fine and prosecute its members. That is never going to happen. If its role is as publishing a standard which can be certified by independent certification companies, and not by the RSPO, that seems to be a good step forward.

Senator XENOPHON—Are you saying that it would be preferable for there to be mandatory standards, so long as you comply with the standards for certified sustainable palm oil, for which the RSPO has done some good work, but in order to advance that work there ought to be clear labelling information for consumers?

Mr Gilding—That is correct, yes. There are two things. One is that, regardless of the work of the RSPO or the existence of the RSPO, I think it is advantageous that the Australian government legislates to say that, 'If you use palm oil you must mention that you have used palm oil.' That is step one. If the company would then like to qualify, 'We use palm oil, but it is sustainable palm oil', then that is a separate statement. The long version of that, which is obviously not going to fit on a food label, is that, 'We use palm oil which has been certified as sustainable by an independent organisation using the criteria set by the RSPO.' The short version of that is 'certified sustainable palm oil'. We would advocate that either a company can label its product with 'contains palm oil' or 'contains certified sustainable palm oil'.

Senator XENOPHON—Further to that, I am not sure whether you managed to hear the evidence given by the Australian Food and Grocery Council this morning.

Mr Gilding—No, I did not.

Senator XENOPHON—Their submission makes it clear that they do not support the legislation. They questioned the link between palm oil production and deforestation, saying that there are other factors. I think that is a fair summary of what they said. When I put to them, 'What about your members putting on their website, at the very least, details as to whether their products contain palm oil and whether it is certified sustainable palm oil?', they thought that should only be voluntary. What would your response be to that and to what extent does your research indicate the link between palm oil production and deforestation as well as other environmental impacts?

Mr Gilding—I will start with the second half of the question first, if I may. I have been to Borneo on more than 10 occasions in the last 10 years and I have seen with my own eyes the destruction of the rainforest. The documentary evidence, I am sure you will agree, even from the Indonesian forestry ministry, is that there are millions of hectares being destroyed every year. They all end up as palm oil plantations. I guess one could say that, if they did not end up as palm oil plantations, they would end up as something else. It is a particularly lucrative business to chop down rainforests, sell all the timber—it is hardwood timber and get your money from that straightaway—and then convert it to palm oil, because you get a very quick crop from palm oil. Within a couple of years you have an economical crop.

The problem is that in 10 years time that palm oil is no longer productive. It has taken all of the water from the water table and in the meantime you have destroyed a rainforest. Rainforests are almost impossible to regrow. It can be done with 20 or 30 years hard work, but the simplest thing is to leave them there in the first place.

Do they destroy orangutans? Yes. I am a board member of Borneo Orangutan Survival and we currently have 1,000 captive orangutans who have been rescued from deforestation areas in Borneo over the last 10 years. That is 1,000 orangutans. Those 1,000 orangutans cannot be returned to the wild because there is no safe habitat for them. The reason there is no safe habitat is because there is such pressure on deforestation or the short-term money from deforestation and the medium term money from palm oil. There is absolutely an inextricable link between palm oil production and the destruction of rainforests. There is plenty of degraded land and low quality land in Indonesia that can be used for palm oil. That land is available, but the economics of it would dictate that it is much more attractive to cut down a rainforest, because you can sell the trees.

Senator XENOPHON—Can you explain that? That is one of the issues. In a very comprehensive submission from the Malaysian government or from the ministry that deals with plantations they reject this move for labelling. What do you say to those who oppose this bill who say that it is not economic to use non-rainforest land? Can you expand on what you understand to be the economics of this and are there ways to try to shift or encourage production without having to chop down rainforests?

Mr Gilding—If they are saying that the only way to make palm oil sustainable and economical is by chopping down rainforests, that is damning evidence in itself. It is obviously not a sustainable world if we have to destroy our rainforests to make biscuits. That is unlikely. Malaysia has a much better record than Indonesia in this area. They both have pretty bad records and, unfortunately, it is a very blurry line between Malaysia and Indonesia. A lot of the Malaysian companies have investments in Indonesia. A lot of the Malaysian RSPO members are operating, in good practice, operations in Malaysia, whilst funding poor practice operations in Indonesia.

There is no question that anybody that argues that we should not tell the consumer what they are eating is, in my view, a vested interest. Why would you not want to tell the consumer what they are eating? That is a very simple thing. Whether the consumer makes an informed choice is all for us to give our arguments when the consumer has the ability to make a decision. But if the consumer does not have the ability to make a decision, vested interests are obviously going to get in the way and things are going to happen which are detrimental to the environment and have short-term negative impacts, which is what I think we are seeing a lot of. I am greatly sceptical about anybody that says, 'I don't want to tell you what you are putting in your mouth.'

Senator XENOPHON—I am trying to understand, if you could assist the committee, the economics of it. Why is it cheaper to chop down rainforests than to use land that is already cleared or so-called low value land? What is your understanding of the economics behind that?

Mr Gilding—It is very simple. Rainforest timber is extremely valuable. It is in the order of thousands of dollars per tree. If you can clear down a rainforest and sell that timber immediately you have paid for the cost of the clearing with a cash crop of timber. You have hundreds of thousands or millions of dollars, which you can then plough back into planting the palm oil. You have the cash crop from the rainforest—a rainforest that has taken hundreds of years to grow.

Senator XENOPHON—It is not as though the palm oil will not grow well in low value land.

Mr Gilding—Absolutely. We are not against palm oil. We are not calling for a boycott of palm oil. We are just saying that people who are going to produce palm oil should do it on land that is available for the use of palm oil without destroying the rainforest. It is not as economical for them. You can understand the attraction

of getting a cash bonus from pulling down a rainforest before you plant the palm oil, and that is what is happening.

Senator XENOPHON—I have one more question, although I am sure Senator Colbeck, who is here with his expertise in forestry, will ask some questions on this. On the issue of the rotations, you are saying that the palm oil crop is only good for 10 years. How does it work? Is the land then denuded so you have to give the land a rest for a while?

Mr Gilding—My understanding is that it is only productive, depending on the land, for between 10 and 20 years and then the land would need significant rest. But whilst there are other fresh pastures out there, so to speak, the companies will just continue with the cash crops.

Senator XENOPHON—What is your understanding of ‘significant rest’?

Mr Gilding—I am sorry, I do not have that information.

Senator XENOPHON—Can you take that on notice or we can try to find out from alternative means?

ACTING CHAIR—If you could take it on notice, that would be appreciated, and if you cannot provide the information then we will try to find it somewhere else.

Mr Gilding—I will do that.

ACTING CHAIR—Senator Boyce.

Senator BOYCE—We have had evidence this morning from the Australian Food and Grocery Council saying that the recipe for what is used as a vegetable oil might change depending on availability and price of product and that every time the recipe was changed the label would need to be changed. Do you have any sympathy with that view?

Mr Gilding—I think that in large production runs, yes, certainly ingredients do change, but they change in a minor way. That is something that the food industry has to deal with. They understand how to deal with that. They have been dealing with it with peanuts and other things, and there is a way around that. You can say, ‘May contain palm oil’ and standardise your recipe. Certainly the bigger companies who are the ones doing the most damage—

Senator BOYCE—I am sorry, I am having trouble hearing some of what you are saying.

Mr Gilding—I was just saying that the bigger companies, the multinationals, rarely change their recipes, just because of the volume they produce. There are many similar labelling requirements that the food industry has to cope with where they have changing recipes, and they know how to do that. I have been in the food industry. It is not that difficult to say, ‘May contain palm oil’ or to say, ‘It will contain a mix of palm and canola oil’ and the mix varies. There are ways of doing that. I do not believe that is a legitimate reason for not doing something; just because it is difficult. It is possible and it is not that difficult.

Senator BOYCE—You have said that the industry should be telling consumers what they are eating, but ‘vegetable oil’ at the moment covers a number of oils. We have already had quite a bit of evidence suggesting that a number of them are not in fact vegetables. Should we be listing every oil?

Mr Gilding—I am not in a position to know what the percentage should be, but I would say that, yes, we should be listing an oil where it is a significant percentage, maybe over five per cent or something like that. I think that if it is more than a percentage of an oil it should be listed.

Senator BOYCE—So every oil should be listed over a certain percentage?

Mr Gilding—That is correct, yes. We believe that the consumer has the right to know which oils they are eating.

Senator BOYCE—You have said that your action group has run successful campaigns with KFC and Woolworths requesting the removal of palm oil from their products. How does this assist the development of sustainable palm oil?

Mr Gilding—We asked for removal or labelling and they chose to remove. KFC moved to a domestic oil and Woolworths, in their Select range of products, which is just one of their home brands and a very small part of their business, but still a significant volume, have moved away from palm oil in preference to labelling it. That was their choice. We would be happy with either labelling or removal.

As I said, we do not advocate a boycott and we do not suggest that people remove palm oil if they can label it, but if their consumers are telling them that they do not want palm oil in the products because of the effects that it has, then we believe that is a choice the consumer has to make.

Senator BOYCE—Are we not here talking about moving to sustainable palm oil with minimal or in fact lower effects than a lot of other alternative products?

Mr Gilding—I think the consumer has to make an informed choice about which one has a higher effect, because I am sure that there are difficult criteria for effect, but without the information as to which type of oil, they are unable to make that choice.

Senator BOYCE—Do you think those campaigns led to a decrease in the use of palm oil in Australia?

Mr Gilding—From the import statistics that I have seen, certainly not.

Senator BOYCE—So despite increases in production or whatever you think there is still as much palm oil being used even though two major users have stopped using it?

Mr Gilding—No, they were not major users. The major users are the food companies and grocery companies. My guess would be that the Select brand and KFC would account for well under one per cent of the amount of palm oil being used in Australia.

Senator BOYCE—You have talked about the replacements that these companies have put in place for palm oil. Have you done life cycle assessments of those replacement products?

Mr Gilding—No, we have not.

Senator BOYCE—How do you know that there has been a net gain for the environment?

Mr Gilding—I have not claimed that there has been a net gain for the environment. I have not made that assessment. My issue is protecting the rainforests of our closest neighbour, protecting the biodiversity of rainforests and protecting orangutans, which are facing imminent extinction. I have anecdotal evidence that the environmental life cycle of Australian canola oil, which is produced in Australia, has a lower environmental impact, but I have not personally conducted that test.

Senator BOYCE—You have spoken about companies being members of the RSPO and using that as something of a smokescreen. What other avenues are there currently available to companies to attempt to use sustainable palm oil?

Mr Gilding—The avenues are very open and clear. There are a few things they can do. Firstly, they can join the RSPO, which we encourage. Secondly, they can buy what are called green palm certificates, which are a sort of green palm trading scheme, which we do not really support in a big way but it is better than nothing. But we do ask them to buy certified sustainable palm oil and there is certified sustainable palm oil on the market at the moment. It can be bought. It can be labelled. So, what we would say to any company is: firstly, please label your product correctly so that the consumer knows what they are buying and, secondly, if you would like to continue to use palm oil but you would like to minimise your impact on the environment please buy certified sustainable palm oil.

Senator BOYCE—You have suggested in your submission that there is sustainable palm oil not being used. We have heard this morning that in fact the demand for sustainable palm oil outstrips supply.

Mr Gilding—Our submission was made probably—I cannot remember now whether it was 12 months ago—at a time when that was what we were getting from the industry, that there was a surplus of sustainable palm oil and it was not being taken up by the industry. I have not seen the recent statistics and I am not in the marketplace so I could not comment on that. There was no extra production needed in order to certify sustainable palm oil. It is a process that can be gone through. I am absolutely convinced that, if the demand was there, the makers would increase the certification process and they would be able to supply it. It is a supply and demand issue. The industry was making a lot of noise over the last year saying that nobody was buying the certified sustainable palm oil. If they are now saying that everybody is buying it and there is a shortage, then they will just have to certify some more. It is one of these things that, sure, it takes a couple of years to get the supply and demand matched, but it is not a difficult process to do.

Senator BOYCE—So, becoming a sustainable producer is not difficult? Is that what you are saying?

Mr Gilding—I am saying many of them may be already. Getting the certification is not that difficult, no.

Senator BOYCE—But you are not suggesting that the Australian food industry should be seeking certification for producers overseas, are you?

Mr Gilding—No, I am suggesting that when Nestle, Mars, Unilever or Goodman Fielder—any of these people—go to the marketplace to buy their palm oil, they say that they want to buy palm oil which has been independently certified as sustainable and that is available in the marketplace.

Senator BOYCE—I do not think that matches some of the evidence we heard this morning. You have talked about companies trying to trick consumers into thinking they were doing the right thing. I have looked at those emails and I cannot see the trick. What is the trick?

Mr Gilding—This is to the novice who was reading this and saying that, being the largest processor and supplier of edible fats and oils, we take a proactive approach to addressing and responding to a wide range of consumer issues. One such proactive measure is membership and involvement in the Roundtable on Sustainable Palm Oil. By taking a multistakeholder approach, the roundtable provides a unique forum for the pragmatic cooperation, consideration and promotion of sustainable use of palm oil. We import significant volumes—

Senator BOYCE—I am sorry, which one are you reading from at the moment?

Mr Gilding—From page 12.

Senator BOYCE—The one from Goodman Fielder?

ACTING CHAIR—Yes.

Mr Gilding—Yes, the one from Goodman Fielder.

Senator BOYCE—Is not being a member of the Roundtable on Sustainable Palm Oil a proactive move by a food manufacturer?

Mr Gilding—For me, a proactive move would be to either buy sustainable palm oil, to label the product or to show some concern and assistance for the devastation of the rainforest. Joining an organisation which does not require you to do that is, in my view, not proactive.

Senator BOYCE—But surely the purpose of the roundtable is to come to the situation where all palm oil is certified as sustainable for the—

Mr Gilding—No, I do not think that is their goal. They were offering their members certified sustainable palm oil, but I do not think I have read in their charter anywhere that they want all palm oil to be sustainable. These companies have options. They have choices. They have choices to be able to buy certified sustainable palm oil or to label it correctly, and they are not doing it.

Senator BOYCE—We have heard this morning that demand outstrips supply for sustainable palm oil. Also, from your own submission, there are a lot of voluntary moves that are decreasing the use of unsustainable palm oil. Why do we need mandatory labelling?

Mr Gilding—I am sorry, can I have the second part of that question again?

Senator BOYCE—In your own submission you make the point by mentioning your campaign with KFC and Woolworths that there are already many voluntary activities—and this is just a small one compared to some of the others—that are decreasing the use of unsustainable palm oil. So, that combined with the fact that we already have demand outstripping supply, why do we need mandatory labelling?

Mr Gilding—Because at the moment the clearing of rainforest in Indonesia and the death of orangutans is happening at such an overwhelming rate—an overwhelming rate. I started my presentation by saying that the food companies have had plenty of time to get to this position in a voluntary way. The vast majority of them have not. There has been no substantial difference in the effect, and every time I go back up to Indonesia I see more orangutans being rescued, put into cages and I see more virgin rainforest being destroyed, which will never get back to its current state. The voluntary proposals the companies have been advocating for the last 10 years have not worked and consumers do not have the choice. The rainforests are being ripped down at an astronomical rate and the orangutans are dying. Unless we do something about that, I really do not think we can count ourselves as responsible human beings. Orangutans share 98 per cent of our DNA. They do not have a speech box, which means they cannot talk, but they are suffering in their masses. We are talking about global warming. We are talking about climate change and carbon sinks. The worst thing one can do to the environment is to chop down pristine rainforest. Anything that you as senators or I, as an activist, can do to save rainforests is a good thing. If that gets in the way and makes life a little bit more complicated for the food companies I do not think that is a big price to pay. I think the overwhelming evidence is that this is something that we have to stand up as human being and say that there is destruction, there is loss, there are rainforests

coming down, there are species going extinct. I do not want to sit in front of my grandchildren in 20 years time and say that we had a chance to save those rainforests. We had a chance to save the orangutans, but we just could not get our act together. I think we are better than that. I think we can do it.

Senator COLBECK—So, effectively you are a rainforest campaigner and palm oil is the vehicle?

Mr Gilding—I have an interest in environmental matters. Palm oil is the manifestation of the rainforest destruction. But, yes, absolutely, the No. 1 crime here is the destruction of rainforest.

Senator COLBECK—We have had evidence today that something like 30 per cent of the cleared rainforest is going into palm oil and the rest going into other things. Do you dispute that?

Mr Gilding—I do not have accurate figures on that. What were they saying the other 70 per cent goes to?

Senator COLBECK—They were not saying specifically, but you said at the outset of your evidence that effectively all of it goes to palm oil.

Mr Gilding—I do not think I said ‘all’, but in my personal view and in my personal experience and watching these rainforests, some might be used for other development, because it is quite attractive just to cut down the rainforest trees, but some of it is used for palm oil. But even if it is 30 per cent, 40 per cent or 50 per cent that is used for palm oil, the key problem here is that the forests are being knocked down and if we are eating the by-product of that I think we need to have a choice as consumers whether or not we do that.

Senator COLBECK—We have discussed the importation of RSPO certified palm oil and you say not certified by RSPO but certified by independent certifiers. Are there any and who are the independent certifiers of palm oil?

Mr Gilding—Yes, there are many. The RSPO is not a certifying body. They produce the standard and there are many standards organisations across the world, multinationals and Indonesian companies, who certify to those standards. It is much the same as you would pass an ISO test or any sort of industry certification. They are generally done by certification bodies, who are basically the auditors of the food world.

Senator COLBECK—I think we might be at slightly different points here. I know there are auditing companies and there are companies that actually assess products against certification systems and standards, but who are the writers of the systems?

Mr Gilding—For the moment we are calling the RSPO standard the industry standard.

Senator COLBECK—So, they are the writer of the standard?

Mr Gilding—That is correct, yes. At the moment in the absence of any other standard we do not have an issue with their standard. We believe that, if there were more compliance with these standards, the world would be in a much better situation than we are in now. I am sure that standard can be improved as time goes by. I do not know what the latest figures are that you have been presented with, but I believe that less than five per cent of palm oil is being certified. If we can get that up to a higher level, that would be a major benefit immediately.

Senator COLBECK—Did you say about five per cent?

Mr Gilding—I am just guessing. I do not have the current figures as to what percentage of palm oil is certified.

Senator COLBECK—That is fine.

ACTING CHAIR—Can you get us those figures?

Mr Gilding—Unfortunately the RSPO does not communicate with us. There are quite a few things I would like to ask the RSPO over many occasions. One of them would be what percentage of palm oil coming into Australia is certified. Secondly, is there a shortage of palm oil? Unfortunately they have not responded to those questions. My best advice would be for you to send them off an email and ask them those two questions, because it is vital information. But unfortunately because we are a Palm Oil Action Group they do not invite us to be a part of their organisation. Despite the fact that they have NGOs in their group, they certainly do not make it easy for us to join their group of to get information from them. They do not respond to our questions.

ACTING CHAIR—That information is not regularly published; is that what you are saying?

Mr Gilding—I have not been able to find that publicly. It is certainly not for Australia. I do not think it is published for Australia. It might be for worldwide, but the information I think we need to know is how much certified palm oil is coming into Australia and what percentage is that of the total palm oil coming into

Australia. They would know the answers to those questions, but they have not divulged them and I do not think they are public on a country-by-country basis. I think they are only available on a global basis.

Senator COLBECK—That was going to be one of my questions, too. About 130,000 tonnes of palm oil is coming into Australia on an annual basis, according to the figures that we have been given, and I was interested to know what proportion of that might be certified, particularly given the question that Senator Boyce asked about the information this morning on demand outstripping supply.

Mr Gilding—As we all know, the market works very well. If demand does outstrip supply—last year supply outstripped demand—that should not be used as a reason or excuse. That can be brought back into line with a bit of notice given to suppliers and to customers. They can align their requirements and within a year or two they can be back into line. That should not be used as a valid excuse.

Senator COLBECK—You mentioned that it is not difficult to get certification. If it is not difficult why has it not been taken up?

Mr Gilding—I guess it depends on your definition of ‘difficult’. There is a price involved. There are standards to be met. I guess, as with virtually everything in the commercial world, if there is no imperative to do it then why would you do it? The demand has to come from the customer before you do it. People like Arnott’s, Nestle and Mars in the early stages were writing to us and saying, ‘Our consumers do not care about palm oil. Therefore, we are not going to change our products.’ When they started to get lots of letters then they said that they were concerned and that is when they started to take steps. Rarely do leads such as this come from the primary industries. If you look at Australian agricultural history, I am sure you will find the same thing happens; rarely do the farmers, producers or processors add any steps that are going to add any costs unless they get demand from the consumers.

Senator COLBECK—I would have to say I do not necessarily agree with that. Having a fair bit to do with the agricultural sector, the amount of certification that goes on with agricultural products is quite significant. I am not too sure I can agree with you on that. You talk about palm oil plantations lowering the water tables and reducing the water availability. What is your evidence of that?

Mr Gilding—I would have to go back and find the reports, but that is well documented by forestry NGOs.

Senator COLBECK—It is a claim made by a lot of forestry NGOs. My experience of it is that you might be able to make a claim about that at one particular point in the life cycle of a plantation of any type, but when you look at it in the overall scale it does not necessarily stack up. Are you telling me that a palm oil plantation uses more water than a rainforest?

Mr Gilding—This is just based upon personal experience—and I am not a scientist and I am not a water table expert—but I could almost 100 per cent guarantee you that, having spent a lot of time in rainforests and a lot of time on palm oil plantations, the palm oil plantations dry out the land. They have no canopy. There is no base material on the ground. There is no moisture retained in the area and they are dry, hot wastelands. A rainforest, on the other hand, which could be across the road from a palm oil plantation, has a high canopy, the trees are well shaded, the undergrowth is damp and there active brooks and streams operating in the rainforest. There are no such brooks and streams operating in—

Senator COLBECK—You are talking about environmental conditions, not about water use. They are totally different things.

Mr Gilding—Sorry, about water use?

Senator COLBECK—We are talking about two very different things. I accept that there will be a completely different environment in a plantation from a rainforest. I understand and accept that. But I am just trying to align your evidence. It will certainly change the environmental conditions. I am not going to argue with that, because I understand that and accept that. I am talking about water use and changes in the water table.

Mr Gilding—Would it not follow logically that, if you have water being retained in one area and you have water being evaporated in the other area, and you have active water, brooks and streams, in one and you do not in the other, and given there is no irrigation—this is all based upon rainwater—a higher evaporation from an agricultural pursuit would dry out and remove water from that system?

Senator COLBECK—No, it does not necessarily, actually. In fact, in some cases—

ACTING CHAIR—It might in some cases—

Senator COLBECK—We are probably on the same wavelength a little bit here. In some cases, it actually causes greater runoff, because it does not hold it. But we are talking about water use. If you are changing your evidence, that is fine, or if you are changing the context of your evidence, I accept that too. But you said that they used more water than rainforests. I want an understanding of your evidence for that. I understand that they change the environment. A lot depends on rainfall. A lot depends on location and catchments, and making broad statements about those sorts of things is very dangerous. It does not matter whether it is in the Australian context and conversion from native rainforest to plantation or pasture or whether it is in another context; you need to consider a whole range of factors in that. Making a broad statement that they use more water than rainforest I just find difficult to accept. But I understand the context you are putting it now. Do you have any work on the carbon density or the amount of carbon stored in a palm oil plantation?

Mr Gilding—No, I do not actually know. I have not done that.

Senator COLBECK—Do you know whether there is any work out there that does that?

Mr Gilding—I think I have seen that information somewhere. I am just trying to remember where. I do know that a large amount of these rainforests are on peat swamps. Therefore, once you remove the rainforest then there is large carbon still in the peat swamp which disappears, but—

Senator COLBECK—I am quite happy to accept that it might be less, but I am just interested to understand what the storage is in and the density of a plantation. Quite often the evidence that you get is everyone takes all the subtractions out, but they do not add in what comes back. I am just interested to know what the net is rather than—

Mr Gilding—Unfortunately, that is beyond my sphere of knowledge.

Senator COLBECK—You talk about 10 years and the ground being no good after plantations go in. We have heard other evidence this morning that it can be up to 50 years. Can you direct us to where we get that evidence from? The previous evidence we heard was that it was more about the fact that the trees were less manageable once they get bigger and older and perhaps starting to change their yield patterns than it was about the soil.

Mr Gilding—Again, I will have to go and find the source information on that. That was a forestry NGO's report that we were referring to. I will take that one on notice, if I can.

Senator COLBECK—When it comes right down to it, if palm oil were sustainable and were not impacting on forestry is there any point in labelling? You are running a campaign on forestry using palm oil as the mechanism, and that is why you would like to see the labelling put in place. I understand that. But in all other circumstances, if palm oil is being grown sustainably and is certified, is there any point in using that as a mechanism for the campaign?

Senator COLBECK—I guess that depends on your personal view on how important it is that you know what you put into your body.

ACTING CHAIR—That then goes back to the health issue?

Mr Gilding—It is an ethical decision that one makes about how you impact and where you impact by your actions. If companies are not compulsorily required to let you know that—I believe that labelling palm oil as vegetable oil is misleading. I have never met anybody who has looked at a palm oil tree and said, 'Gee, that looks like a vegetable to me.'

Senator BOYCE—They probably do not say that about olives either.

Mr Gilding—Yes, and I would say the same thing. Olive oil is a totally different beast from palm oil and should be labelled. I would argue exactly the same thing. I would argue that people would just like to know what it is that they put into their body and whether that is palm oil or olive oil, whatever the environmental effects are of that. The budget will not allow, but if I could just take you guys up to Borneo and take you for a bit of a drive through 300 or 400 kilometres of absolutely devastated landscape which once was rainforest and now is palm oil plantations, and then I could take you to the orangutan sanctuaries and see those 1,000 orangutans there, which will probably never be released, I think you might have a different viewpoint on this. We are not asking for a big sacrifice by companies. We are just asking them to tell us what they are feeding us. In the context of the argument, the horrific destruction on one side, the irreversible loss of rainforest and all of the other effects on the one side, and on the other side, asking companies to write 'palm oil' instead of 'vegetable oil' on their product, for me that equation is a no-brainer. But that is the decision obviously you have to make and I respect the process that you are going through.

Senator COLBECK—In the RSPO code it says that conversion completed before 2005 qualifies for certification. Do you know whether there are any provisions within that to reset the clock?

Mr Gilding—Not that I know of, no.

Senator COLBECK—We might pursue that somewhere else.

ACTING CHAIR—There are a couple of extra clarifications I think you might need to take on notice that I would like to ask. One is the issue around whether the land is usable afterwards. I think with our previous WWF witness or it might have been the Australia Zoo we got caught up with the issue about how big the trees are and the discussion about whether they are usable. But there were also comments made about how usable the soil was afterwards in terms of chemical use, depletion of nutrients, et cetera. If you have any additional information, it would be helpful if you could send that in.

The other issue I wanted to go back to is the water cycle. There are two issues in terms of the hydrological cycle that we are talking about. One here is surface water and its impact on evaporation, streams and brooks and things, and the other is then your groundwater and your hydrological cycle. My background is agriculture, hence my interest in the water use and tree water use. The question is: are the trees themselves using groundwater at a greater extent than the rainforest? We are not trying to be pedantic. There are two issues there that we are interested in.

Mr Gilding—I really would love to answer your questions, but we are a group of volunteers. Nobody from the Palm Oil Action Group gets paid at all. We do not have sophisticated research organisations and we are certainly not an expert on that side. I am going to get some information on the life cycle of the palm oil tree and I will try to find out what a significant rest is. But at to your last question about the water tables—to be honest, once the rainforest has been cleared, we believe that is the sin. You have taken away all of that biodiversity. You have taken away all the life that existed in the rainforest. Putting in some monoculture will be worse than the rainforest. I guess you are asking about the degree to which it is worse than the rainforest. I know that orangutans cannot survive in palm oil plantations. I know that virtually no other animals can survive in palm oil plantations. Just by destroying a rainforest and by planting a palm oil plantation, as far as we are concerned, that is the sin. The damage is done. And mitigating that by saying that, ‘We are only going to lower the water table by five per cent’ or whatever is really not just part of the argument, as far as I can see.

Senator XENOPHON—Could you take on notice the sorts of questions that you say that you put to the RSPO that you have not been able to have answered?

Mr Gilding—Yes.

ACTING CHAIR—We intend to follow that up.

Mr Gilding—That is excellent, thank you. I will give you some questions. Obviously the quality of the question very much determines the quality of the answer. I will write a few suggested questions. That would be wonderful.

ACTING CHAIR—That would be very much appreciated. Thank you very much for your time. We realise that we actually had you for longer than we originally said. We appreciate it.

Mr Gilding—I appreciate the time and I greatly appreciate your interest in the subject. I thank you very much indeed.

Proceedings suspended from 12 to 12:48

AHMAD, His Excellency Mr Salman, High Commissioner of Malaysia

BASIRON, Dr Yusof, Chief Executive Officer, Malaysian Palm Oil Council

BEK-NIELSEN, Mr Carl, Board Member, Malaysian Palm Oil Council

SABAT SINGKANG, Mr Vasco, Board Member, Malaysian Palm Oil Council

ACTING CHAIR—Welcome to today's hearing. I understand that you are all aware of parliamentary privilege and the protection of witnesses and evidence?

High Commissioner Ahmad—Yes.

ACTING CHAIR—We have your submission, thank you very much. It is numbered 265. I would invite each of you or one of you specifically, whomever you choose, to make an opening statement, and then we will ask you some questions.

High Commissioner Ahmad—We invite Dr Yusof Basiron to provide the testimony.

ACTING CHAIR—Thank you.

Dr Basiron—Excellencies, thank you, Madam Chair, for the opportunity for the Malaysian Palm Oil Council to appear before this committee and to participate in the consultation regarding the Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2010 currently being considered by the committee. I am also authorised to appear before this committee representing the Ministry of Plantation Industries and Commodities of Malaysia.

Before I give some background to this issue, there are some points I would like to make. Last week the national secretary of one of Australia's most influential trade unions said that his union would not support the Australian government if just one of the members of his union lost his or her job as a result of government carbon policy. Other unions have made similar statements. My organisation, and indeed the government of my nation, would take the same view if the livelihood of some 570,000 Malaysian workers were threatened. This bill, and the campaign that has been associated with it, has that potential. Like your trade unions and like your constituents, our industry will act to protect the jobs and the livelihoods of those who work within our industry and their families. Truth in labelling should be driven by health issues, not political expediency, which is behind some of the campaigns revolving around this bill. It may make the adherents and supporters of Greenpeace and World Wildlife Fund have a great degree of self-satisfaction when sipping their skinny lattes, but to the 570,000 Malaysian workers and their families, there is no self-satisfaction. All they see is a threat to their livelihoods. Do the international NGOs, Greenpeace and WWF want to keep people in poverty? Would they view the people of my country as participants in some sort of case study?

The commitment of our industry is to sustainability and growing our industry. Non-sustainability would inhibit our industry's growth. Without that growth, the lives of our industry workers and their families could not improve. Don't those who work in our industry have the right and the opportunity to improve their way of life? Don't they deserve the dignity of providing for their families? Don't they and their children deserve a more prosperous future? Fortunately with the opportunity the committee has given me and my colleagues through this appearance, the views of our industry, its workers and their families would be heard in this parliament. By our presenting to this committee, we can address the misinformation, disregard for the truth and misrepresentation that have been a feature of the campaign in support of the truth in labelling palm oil bill.

This committee, and through it the Parliament of Australia, will have before it fact, not fiction, truth, not wild allegations, and the views of the actual workers in our industry, not the views of those who presume to understand the day-to-day life of the people who work in our industry, the human face of our industry. By way of better understanding on the part of the committee, as the Chief Executive Officer as mentioned earlier of the Malaysian Palm Oil Council, with the Malaysian Government authority, I am tasked with the promotion and expansion of the palm oil market. MPOC considers this bill to be based on misleading claims, erroneous statistics, and is directly aimed at harming the Malaysian economy and Malaysia's largest agricultural export, palm oil. In particular, I wish members of the committee to note that this bill will have no benefit for the environment, for us or the orangutan populations of Malaysia. It is unfortunate that the orangutans have been used, or more accurately misused, in this debate. Our industry is not a rapacious destroyer of either forests or orangutan. We have been accused of this, we have been pilloried on it, and it is totally inaccurate. The greatest impact of this bill will be to single out palm oil as the only product in Australia to have labelling mandated for

reasons other than health or nutrition and to severely hinder the Malaysian government's attempts to utilise palm oil as a means for alleviating poverty in our country.

Our nation is not resource rich like Australia. We do not have mountains of iron ore and other minerals to underpin our national economy and the prosperity of our citizens. Palm oil is a major commodity in our national economy. We have developed markets and we have grown the industry sustainably and for the betterment of our people. It is an industry of which we are proud and one which we intend to grow.

A number of claims have been made regarding palm oil as a generic product which are completely unfounded. I wish to object to this bill, firstly, because it seeks to classify palm oil as a single generic product based on the environmental impact of the production method without differentiating between country of origin. This is extremely misleading and defeats the stated purpose of the bill, which is to protect the environment.

In relation to the erroneous and misleading claims made in support of the bill, these issues have been addressed as a part of the Malaysian government's submission to the committee. However, I will go briefly over these claims one more time, merely to highlight the disingenuous nature of this piece of legislation. Palm oil cultivation does not cause deforestation in Malaysia. Malaysia pledged at the United Nations Rio Earth Summit in 1992 to retain at least 50 per cent of its total land area under forest and that plantation crops would only be permitted on the land set aside for agriculture. Malaysia has greatly exceeded this target considering that 56 per cent of its land is still under forest.

Palm oil cultivation does not threaten orangutan populations in Malaysia. In Malaysia, large tracts of forests are being preserved permanently. Even the habitats of the orangutans are preserved as the states of Sabah and Sarawak maintain about 50 per cent or more of their land under permanent forest. The Sabah and Sarawak state governments have gazetted a number of forest areas known to contain higher populations of orangutan as wildlife sanctuaries, national parks and forest reserve. Leading conservationists have noted that the primary threats of the orangutan in Borneo are poachers, hunting by people, poor regulation of existing conservation laws. The Malaysian government and the palm oil industry are actively advancing programs to protect the orangutans. Palm oil is an extremely sustainable and viable plantation. It produces up to 10 times more oil per hectare of land, it requires less fertilisation, it generates 10 times more energy than it utilises, and also sequesters more carbon than other major vegetable oil crops. Palm oil also returns a higher income per hectare than almost any other agricultural crop. Palm oil also has significant health benefits. While proponents of this bill have made much of the saturated fat contents of palm oil, I note that Australian consumers are already given access to the total saturated fat content of foods through the nutrition panel. Palm oil is also trans fat free. Trans fats have been banned by many subnational governments in the United States for being more harmful to heart health than saturated fats. I find it strange that proponents of this bill would seek to mandate the labelling of palm oil on nutritional grounds at all when such a move, combined with Western environmentalists' anti-palm oil campaign, is more likely to harm Australian consumers' health than improve it.

Finally, the Malaysian government wishes to stress again the importance of palm oil for the Malaysian economy and our efforts to alleviate poverty. Some 43 per cent of oil palm plantations are owned by small holders. Palm oil companies have invested significantly in schools, roads, water and hospitals for their workers. The palm oil industry directly employs over half a million Malaysian workers, and hundreds of thousands more rely on these incomes.

I note that the bill recommends the use of sustainable palm oil, or CSPO, marking to indicate sustainable oil as a differentiating factor between countries or modes of production. However, I would note to the committee that the process of being certified under the Roundtable of Sustainable Palm Oil is highly costly for small holders. Furthermore, any labelling of palm oil, whether indicated as sustainable or not, will significantly harm the Malaysian palm oil industry when combined with the highly funded Western environmentalists' anti-palm oil campaign. In this way, our small holders will be victimised potentially by this bill.

In conclusion, I wish to endorse the formal policy of the Australian government and the Department of Foreign Affairs to support the economic development of ASEAN and APEC countries and economies by facilitating and promoting economic growth, trade and investment. I ask that the committee see fit to continue this policy for the sake of the Malaysian people. If there are any questions, my colleagues and I are ready to answer them. Thank you very much again for this opportunity.

ACTING CHAIR—Does anybody else want to make an opening statement?

Senator COLBECK—Is it possible that that opening statement could be tabled?

ACTING CHAIR—Is it possible that your opening statement could be tabled?

Dr Basiron—Yes.

ACTING CHAIR—That would be appreciated.

Senator XENOPHON—Dr Basiron, thank you very much for your comprehensive submission and also, Your Excellency, for being here. Whilst I am the mover of the bill and you fundamentally disagree with it, I do appreciate the comprehensive nature of your submission and that you have engaged in this process I think in a very comprehensive way. In relation to the RSPO, with respect to certified sustainable palm oil, that is something that the Malaysian government, the ministry and your organisation do not object to. You do not have an issue with having a process that has been adopted by the RSPO?

Dr Basiron—We are supporting the RSPO to proceed with the implementation program.

Senator XENOPHON—Does that mean that you see merit in what the RSPO is trying to do in terms of long-term sustainability?

Dr Basiron—It was agreed on the set-up of the RSPO that the producers will support it as long as it is a voluntary business-to-business initiative between producers, consumers and other stakeholders, including NGOs. So this voluntary nature of the RSPO implies eventually that the RSPO logo or brand would be attached to various products at the consumers' end as a means of verifying or indicating that the product may contain RSPO palm oil. That was the intention or the promise of the RSPO community.

Senator XENOPHON—But does that not imply that by having the RSPO label—put on voluntarily—there is something desirable from an environmental point of view and a sustainability point of view to follow the protocols and the processes that the RSPO has established?

Dr Basiron—The RSPO initiative would not promise to cover every aspect of our industry's production volume, because it is costly—this is something that we can verify—to get certified. The process of auditing certification costs at least US\$10 per tonne of palm oil to get certified. For the whole industry, between Malaysia and Indonesia, that is producing roughly 40 million tonnes of palm oil a year, that would be US\$400 million additional on top of their normal activity to produce palm oil efficiently. So, a large proportion of this cost, as I mentioned, in our industry and also in Indonesia is owned and operated by small farmers, small holders, who own sometimes less than 10 acres of land. For them, it is impossible to get easily certified without incurring too much cost and a burden that they could not afford. So, it is not logical to make a mandatory requirement. These suppliers, the small farmers who have been farming oil palm for generations—nothing to do with deforestation and nothing to do with orangutans—and have been there since the British colonial times should not be victimised just because a new initiative that is voluntary is taken on in the marketplace. It should be continuing in that way. Others will have a place to continuously market their product in that sense.

Senator XENOPHON—I have quite a few questions to ask you, and I am aware that my colleagues might want to ask questions, so some of them you might wish to take on notice. I am just conscious of the time. I very much appreciate your answers. Is there an audit or some verifiable standard to establish how much palm oil production there is in Malaysia, how much of that involves the clearing of forests, whether there are robust standards in place to verify how much is being taken up by palm oil production and how much of that is from rainforest, for instance, and how much is it from so-called low value land which does not involve the clearing of rainforest?

Dr Basiron—We have many systems, and they all point to ensuring we introduce order into this process. All oil palm plantations are licensed by our authority called the Malaysian Palm Oil Board, so that nobody can go over the system; everything is licensed. We can release this licence information any time to the industry, because that is the way we enforce compliance with our production system. Secondly, land use is already dictated by our national land use policy. Permanent forests have already been earmarked as permanent forests. That is why I mentioned there is more than 50 per cent. Apart from our pledge to keep 50 per cent, we still have 56 per cent permanent forest. Those permanent forests cannot be changed into other use.

Senator XENOPHON—Would it be possible, on notice, because I have a number of other questions to ask, to obtain details of how much land has been taken up over the last, say, 20 years or some verifiable period? We have seen maps from one of the witnesses that showed Sumatra from 1980 to 2000. You may have seen that. The assertion is that there is much less forest in 2000 compared with 1980. How is it measured as to

how much more is being used for palm oil? That was quite a striking photograph. I did ask some questions about 1932. There was no satellite imagery then, but presumably there was in 1980, 1990 and 2000. Can you comment on whether you think that is a reasonably fair analysis?

Dr Basiron—We have exact figures for our oil palm planted areas, because of the licensing. We have 4.85 million hectares in Malaysia, and our total land is 33 million hectares. We have exact figures. In Indonesia, they have planted about seven million-something hectares of their land area with oil palm. They have about 190 million hectares in total for Indonesia, representing five per cent of their land allocated to planting oil palm. So by any standard, even using five per cent of Indonesian land for planting and agriculture, it is a major agricultural commodity for their country, but it is not by any measure a big so-called exploitation of land for agriculture. It is a small percentage. I do not see that map as being reflective of the link between oil palm and deforestation. Indonesia has deforested about 25 million hectares, if I remember correctly, but oil palm is only seven million hectares. Malaysia, as I said, uses about 14 per cent of its land for agriculture, but because oil palm is so profitable other previous agricultural land has been converted into oil palm too.

Senator XENOPHON—That was Sumatran land that he was talking about. You state in your submission on page 14 that ‘any development of land of more than 50 hectares automatically requires environmental impact assessment’. Is it fair to say that there are many thousands of small producers who would under the 50-hectare limit?

Dr Basiron—Yes, true. But they are organised. My colleague here is one of those agencies set up to organise the small holders. If they start with a bigger piece of land and then subdivide or try to allocate this to the small holders, they are still subjected to the environmental impact assessment.

Senator XENOPHON—If they are aggregated. It would be useful if you could perhaps provide that on notice. This bill does not seek to prohibit palm oil, it just seeks to label it, and whether it is from certified sustainable palm oil. I think the RSPO process seems to be fairly robust, from what we have heard. You have expressed concerns about job losses. If it is simply allowing consumers to say, ‘I would rather have certified sustainable palm oil, and that costs a bit more money, but I am happy to spend a little bit more for a product that has certified sustainable palm oil’, would you necessarily see that as having the impact on jobs that you have initially stated?

Dr Basiron—Yes, because sustainable palm oil certified cannot be accessed to every producer like the small farmers. They are not saying they are producing unsustainable palm oil. They are producing palm oil in a sustainable manner too, but they cannot get certified. So, this is the kind of dilemma that we have. How do we push these small farmers to be certified sustainable in order to participate in this promoted sustainable market? They cannot afford this. They are doing exactly the same practice of agriculture in oil palm planting, just like the other certified people, but because they never go through the certification process, they are caught with this dilemma. This will lead to market distortion. Market distortion means less demand, less income for the majority of our farmers. They would not support this type of labelling effort because it will affect them directly.

Senator XENOPHON—Could we just go back a step? Some of the witnesses, including the palm oil action group and I think the World Wildlife Fund and others, but in particular the palm oil action group, talked the economics of it. I would be grateful if you would comment on their assertion, which was that the economics of it are that rather than using land that has already been cleared, or low value land where you can still grow palm oil because of the nature of the crop, it is more economically viable or there is more money to be made if you clear rainforests, because you can sell the timber from the rainforest and that helps the palm oil production. That claim has been made by a number of environmental groups here in Australia. I would be grateful if you would comment on that. If you believe there is any validity in that, how can that be minimised or mitigated?

Dr Basiron—It is a flawed observation, because both in Malaysia and in Indonesia, I believe, logging or clearing forests to extract the logs is a separate exercise done by other groups. The logging industry has its own cycle of logging business. Eventually you are left with land devoid of logs—what they call degraded forest. Then it is up to the government of the country to see what they want to do with the forest, whether to replant it or to plant more productive crops, like oil palm or rubber. This is not to say that the oil palm planter gets the log money. No. This is separately tendered. The money would have gone elsewhere, and people who invest in oil palm get a free piece of land when it is already approved for agricultural use. That is how they go in. This is approved by the RSPO; that this is not containing what they call high value conservation forest and so on. This is what degraded land is all about.

Senator XENOPHON—Would it be fair to say that the clearing of land of rainforest has helped facilitate an increase in palm oil production?

Dr Basiron—No. The oil palm production, as I said, is not correlated to the amount of rainforest cleared by those countries—not only Malaysia and Indonesia. There is no real correlation that will link us to the clearing of forests. That is done by the logging industry.

Senator XENOPHON—Could you provide on notice, because I do not expect that you would have this now, statistics on the amount of rainforest that has been cleared in the last 20 years, for instance, using since 1990 as a timeframe? How much of that land that has been cleared has been used for palm oil production? Would those figures be available?

Dr Basiron—What I can give, before I pass to my colleague, is that we have what we call classification of forest use. Permanent forest, as I said, is no go for agriculture conversion. In Malaysia there is what is called conversion forest, which we have mostly converted to oil palm plantation. I can give you the figure of how much was the conversion forest and how much was totally converted to agriculture for industry, village development and other land use. The conversion forest left behind right now is I think about half a million hectares. It is not much. That is why our farmers, our planters, are looking elsewhere in the tropical world where oil palm can be grown to find suitable agricultural land for investment.

Senator XENOPHON—If you could provide those details, thank you. Are you absolutely sure that there is no link between those who have any interest in logging and those who have any interest in palm oil production, directly or indirectly, whether it is in terms of incentives or any commercial arrangements? Again, you might want to take that on notice. That is a concern that many in this debate have, that there has been a link or there has been at least a cause and effect between deforestation and palm oil production?

Dr Basiron—The palm oil industry players are bitter when allegations are made against the Malaysian case, because land for agriculture is already based on allocated land approved for agriculture. It is not the case of the industry venturing to take virgin forest or forest reserve for conversion to oil palm. The authority involved in land licensing or allocation is the Ministry of Land. It belongs to the states. The authority to approve oil palm plantation belongs to the federal government agency called MPOB. If there is a deviation and people are encroaching on non-use forest, obviously they would not get a licence. They would actually be reported to the authorities. That kind of allegation does not hold in the case of Malaysia, because we have the different ministries safeguarding their own territory of forest, as well as oil palm development.

Senator XENOPHON—Thank you, Dr Basiron, and if you could get that information to those questions on notice in due course I would be grateful.

Senator BOYCE—Evidence has been taken this morning that oil palm plantations have been allowed to encroach into national parks. Would you like to comment on that evidence?

Dr Basiron—Not in Malaysia. That would be difficult to reconcile. National parks are well guarded by our wildlife department. Our separate natural resource industry would be in charge of the parks, forest reserves and many other animal sanctuaries that have been established throughout the years. In fact, orangutan sanctuaries were developed way back in the 1960s, and it is flourishing right now in terms of sanctuary development and activities. It is not possible. If it is a case of sporadic incursion here and there—because bad heads are there in industry all the time—we could also relate to that, but if they are found to be there, by law they will be prosecuted accordingly. Bad heads are everywhere. I would not admit that there would be absolutely no cases of intrusion. But in the whole industry the laws are there. We cannot pretend that people could easily go and grab a piece of land or forest and turn it into oil palm. They would be in deep trouble if they did that.

Senator BOYCE—We had evidence also around the life of a plantation. Could you perhaps give us the real picture of how long a plantation lasts? It was also suggested that the soil would be useless for anything at the end of the life of the plantation.

Mr Bek-Nielsen—I think there have been some misconceptions that need to be corrected. Firstly, plantations have been around since 1917. The one which I work for started up in 1906 in Malaysia, and started planting oil palms in 1917. We are actually on to our fifth generation of oil palms.

Senator BOYCE—On the same land?

Mr Bek-Nielsen—On the same soil, on the same land, without any inferiority in terms of mining the soil of nutrients. Normally an oil palm has an economical lifespan between 20 to 25 years. Because it grows so tall, it

is difficult to harvest. Then you push it over, and then you replant on the very same land with a new generation of oil palms. In relation to hydrology, that is also not correct, because the oil palm is basically a surface feeder. It does not have a tap root. Its root system is primarily within the first 1.5 metres from the topsoil. It does not really drain the hydrological condition or lower the water table.

Senator BOYCE—It has been suggested that it needs a lot of fertiliser to keep an oil palm plantation going. Could you perhaps do a comparison with other types of oils.

Mr Bek-Nielsen—That has been done. Clearly, if you look at the input/output, the oil palm has a much lower input in terms of the output ratio of vegetable oil. These facts can easily be forwarded to the committee.

Senator BOYCE—Is this the table you have included in your submission; is that right?

Mr Bek-Nielsen—Yes. There are also other tables that will confirm this and reaffirm this from the United Nations studies, which have been done by FAO. In that connection, if I may just very quickly go back and answer a question Senator Xenophon raised regarding deforestation, you would like to see what the deforestation rates were over the last 20 years. If we go back to statistics, under the United Nations, you will see that from 1990 to 2010, around 300 million hectares of forests worldwide have been cleared. If you put things in perspective and ask how much of that has actually been planted up with oil palms, considering no land use conversion from other crops into oil palm, you will see that that figure is just below three per cent, namely, nine million hectares. It is not even three per cent of the total area cleared under forests over the last 20 years which have been occupied by oil palms. That does not even take into consideration other crops such as rubber, cocoa, coconut conversions, which have taken place and of which just a small company like ours is a very good example. We started off with rubber in 1906, went on to coconuts in 1913, and finally oil palms in 1918.

Senator BOYCE—Again, other evidence has been given that 44 per cent of people rely on the forests for their living, and that deforestation causes significant drops in their income and standard of living. Obviously that is quite different from what you have said in your submission. Could you talk a bit more about what happens for a local community if an oil palm plantation is developed?

Dr Basiron—I will make some remarks and then invite my colleague who comes from Sarawak to also answer. Our Minister of Plantation Industries and Commodities Ministry often meets the NGOs in Malaysia. The foreign NGOs are also met separately. The NGOs in Malaysia, including the people living in the forests, when we meet them they want a piece of the development to benefit them. They do not want to be left in the jungle. They want modernity to be accessible to them. They want to send their kids to school and benefit from modern education. So, this is what the community wants. Over the years, we have encouraged our development authorities to actually have development reaching these communities. Of course they are also talking to the NGOs where appropriate, and this is where this issue of the misleading statement that you mentioned from the NGO is coming from.

By and large, people in my part of the world want a piece of the development, a piece of the fortune, if you like, because palm oil will give them a raised income from US\$2 per day in some rural communities to US\$20 to US\$40 per day by participating in the oil palm industry. That to me is getting people out of poverty. They see that happening to their neighbours. Some of the indigenous people are millionaires and running oil palm plantations and oil palm mills. So, this is good for us.

Mr Sabat Singkang—I come from a native race in Sarawak. It is one of those races that live both in the rural areas, next to the jungle, and now are slowly going to the cities. The important thing is that all the races, be they big or small, want this development. They want to improve their lives. In the 1970s, just to help the government to alleviate poverty, to improve their health and the education of the community, particularly those in rural areas, the state government of Sarawak, together with the federal government, formed what we call the Sarawak Land Reconciliation and Rehabilitation Authority. This is to rehabilitate land that is already degraded, that was already farmed many hundred years ago by our ancestors, towards the commercial aspects. We have tried rubber, we have tried cocoa, and we are also producing pepper. But the last one, which is from the 1970s, is oil palm. Because of that development by the government, with support from the industries, that is now moving very nicely, not on the rainforest as you define it but on the forest that has already been felled obviously. None of my sisters want to go back to shifting cultivation. Many of them have children who are studying in universities, including in Australia.

This has helped a lot to improve the livelihood of the people. With infrastructure coming in, the development of palm oil or oil palm in this case has alleviated a lot of the poverty level, and improved the

education and health levels of the communities. Currently we are developing more than 50,000 hectares of this small plot of land which we are slowly bringing together to be more contiguous for development. If we leave it to the small holders, there is no way that they can meet with RSPO requirement. Because of that, we help them to develop and organise. But there are many more. I think the last statistic we had is there are more than 10,000 small holders in the state of Sarawak alone that are developing land which is 10 acres, 15 acres or 50 acres of oil palms. They have improved their livelihoods tremendously.

As to orangutan, I was born in the forest—located both in the rainforest and the planted area—not in the hospital. So far I have not seen orangutan in my area. They are a specific place. They are not in every forest. They are specific in their nature. We have to make it clear that not all forests or rainforests have orangutan; other animals, yes. As part of the process of development they were shifted out and they were moved to the natural forests.

ACTING CHAIR—Thank you. Senator Colbeck.

Senator COLBECK—I want to ask some questions in relation to the certification, but quickly, Mr Beck-Nielsen, you were talking about the life cycles and how since 1917 you have had six or seven rotations of plantings on the site. Does that vary or differ based on different regions and soil types or is it that, with proper management, you can reasonably get a large number of rotations out of the land?

Mr Bek-Nielsen—Many plantations actually originate from around 1917, 1920, 1925, which are still there today and the crop remains the same, namely, oil palm. They are into their fourth or fifth generation of oil palm. So, via good agricultural practices—mulching, for example, where you maintain your organic carbon content, the establishment of cover crops fixating nitrogen back to the soil, anchoring the soil, protecting the soil from erosion and so on—these have all benefited the soil immensely and have enabled plantations or small holders to continuously plant oil palms on these respective areas.

Senator COLBECK—Just going to the certification, you have made some point about the cost to certify, particularly for the small holders. What about the cost to comply, these being two different things? I understand costs associated with certification and we see those issues here. We have those debates with our farmers in different elements of agriculture here in Australia, and there is a range and number of views, but unfortunately we do not necessarily get to determine that ourselves in a lot of circumstances. The market in many circumstances actually does demand something. I am interested in whether farmers can actually comply with those regulations that are set up by the RSPO, and whether they can in a cost-effective manner comply. Is there a way that perhaps jointly they can demonstrate that so that the market can see they are doing what they say that they are doing, which is one of the impacts of quality management.

Dr Basiron—The RSPO is a self-regulatory initiative. Within their members they would ensure compliance in order to sustain being members of the RSPO. That is currently quite well accepted or complied with by the Malaysian big plantation companies, because they can afford it. Basically, there is nothing wrong with the current practices, but the RSPO has many principles and criteria to fulfil. Even if you invest in Indonesia and you do not comply with your current RSPO principles applied in Malaysia, you can also be hauled up for not complying. So, a lot of this is now becoming a routine firefighting for the big plantation companies, because the NGOs like the WWF or Greenpeace keep picking some wrongdoings or allegations here and there. If you ask Mr Bek-Nielsen, he will tell you that a lot of his time is now diverted ensuring compliance and maintaining 113 files which he must keep up to date all the time, instead of doing his original job of managing a plantation as in the old days. A lot of the management time is now diverted to trying to maintain the files and update—

Senator COLBECK—You are speaking the language of a lot of us on the farm, so I understand exactly what you are saying. I understand that, but what I am asking is: is it easy for the small holders to comply with the requirements of the RSPO? So, while they are not certified—I understand they are not certified—they do not incur the cost of that, but are their farming practices equivalent?

Dr Basiron—I think they would mostly qualify, because they do not involve forests before 2007, the cut-off date. This land was, as I say, the legacy of the British system where they allowed all the small holders, they lend the land to them and these are the lands they have been cultivating lately, after rubber, oil palm. They have been shifting crops. So, why should they be not complying? The basic tenets of the RSPO are no deforestation after certain cut-off time, and obviously these people have nothing to do with deforestation or orangutan habitat destruction. As mentioned, orangutans are in specific locations in Sabah and Sarawak only. The whole of the Malaysian peninsular has no orangutan whatsoever; it is not indigenous there. Deforestation has occurred long ago. In fact, a lot of our oil palm plantations were deforested by the British during the days

when they established plantation crops in Malaysia. On that score we should not be blamed or dragged into this rather big allegation levelled at us.

Senator COLBECK—I want to go to the proportions of land that you have in different categories. You are talking about 56 per cent protected in forest reserves?

Dr Basiron—Yes.

Senator COLBECK—Twenty-one per cent available for agriculture?

Dr Basiron—Yes.

Senator COLBECK—Ten per cent for urban, and there is about 14 per cent that is in oil palm. Are those percentages effectively fixed by your overall land management planning processes? So, the 56 per cent for reserves, I imagine, would be.

Dr Basiron—Yes. Land like in the British system as they applied to Malaysia, is under the purview of the states, but the federal government tries to introduce land use policy and the Prime Minister himself was the one dictating that in Malaysia forest is so valuable we must conserve at least 50 per cent. So that was a pledge made at the Rio summit. We continue to pledge again. Our current Prime Minister did it at Copenhagen again, to pacify the NGOs, so to speak. We have kept to our word that we will keep that amount of land under permanent forest. As to the other 50 per cent, potentially this is like any other country; we are free as a sovereign nation to try and use our land resource for development for the benefit of our population. I think that is a fair system, because there is a place for the habitat conservation and there is a place for development, and out of the 50 per cent for development at least half is probably earmarked for agricultural use, although right now it is only up to 21 per cent. We are not a developed country yet, so there should be a place for development and so the land allocation strategy and policy has already put a blueprint on how we go into the future.

Senator COLBECK—This is slightly off the subject, but it is an opportunity that I will take while I can as shadow spokesman for forestry before I am told I cannot say anymore. Where does actual forestry fit in within—say, your rotations of forestry—those percentages? Where would that fall?

Dr Basiron—As to the 50 per cent forest, the actual level is 56 per cent, counting the Malaysian peninsular, Sabah and Sarawak together. Those forest reserves include our productive forest where timber is extracted on a sustainable management basis—FMUs, if you like, forest management units—and these are sustainably maintained. So, that forms part of our timber industry. Malaysia is an exporter of timber products, but at the same time in other parts of the same forest other areas would be conserved under wildlife sanctuaries, national parks and other conservation uses, like water, catchment areas and so on. So, that is how the forest is managed by our forest ministry/department. That remains intact since the British days, roughly. As I said, while the British have cut our forests for oil palm plantations and rubber plantations in the past, they also left a very good system of maintaining a huge portion of our land area and a permanent forest which survived until today. So, there is a good part that we have practised.

Senator COLBECK—As to density of planting, you did mention understorey plantings as part of that. We were given the impression that these oil palm plantations were open, sparse and bare-earthed, and that sort of stuff in previous witnesses' evidence. You did mention, I think before, understorey plantings and other work to maintain the soil and the land, obviously, but I am also interested in, say, stands per hectare of the actual palm oil.

Mr Bek-Nielsen—The stands per hectare will generally vary between 138 to 143 palms per hectare, and after four years the fronds totally interlock. So, let us say you walk underneath an oil palm plantation after seven years; it has a full-blown canopy. It is a bit incorrect to state early on that it is absolutely dry and there is no canopy. That is not correct. It is very easy to assess and validate that. As a small comment, under the land use of Malaysia the 21 per cent under agriculture actually includes oil palm.

Senator COLBECK—Okay.

Mr Bek-Nielsen—Lastly, under the RSPO, I think it is worth while just taking cognisance of the fact that the RSPO's principles and criteria today are criteria that have been put together, amongst others, by 22 NGOs, and are the strictest known criteria for any other agricultural crop in terms of sustainability today.

Senator COLBECK—I was just going through your numbers. The 14 per cent made sense, because it did not fit, but you have 10, 21 and 56, which leaves me a bit of a gap. I would be interested to know what that constitutes and what it actually gets used for. That was just running through the figures that were in the

submission. That can be on notice. It is not urgent to get it now, because the chair is starting to get grumpy with me.

ACTING CHAIR—I have two questions before we close, and I apologise that we have run slightly over time. One is going back to the cost of certification. I understand the point about the cost for small producers. Has consideration been given to look at and talk to the certifier and RSPO about how you could come up with a process to certify small landholders so that they are not bearing an overly onerous burden compared with some of the bigger producers. Has there been consideration of that process?

Dr Basiron—Yes. The RSPO has some relaxation about how to certify the small holders, but it is a work in progress.

ACTING CHAIR—It is not done yet?

Dr Basiron—They are still having an initiative about how to make it more palatable for the small holders. Our government actually tries to help from the other side by giving a 50 million ringgit subsidy to help the small holders comply to be RSPO certified. So, both sides are working towards helping the small holders, but it is a very onerous process, if you like. We have thousands and thousands. For example, one alone has 112,000 small holders, and there are independant small holders around the country, just like your farmers. But they are all licensed by us. We know who they are and we can trace them. We are working towards helping them out.

ACTING CHAIR—My other question relates to your forestry operations. We hear a lot about illegal logging operations. I am just wondering then what the extent of illegal logging operations are. It is reported in the media quite a lot. Then, depending on the extent of illegal logging operations, are there then moves to, once the illegal logging has gone on, put it into palm oils?

Dr Basiron—No, our logging operation is actually dealing with thieves who steal logs from the forest. If logs are stolen, they could be prosecuted. We have laws that will put them in jail and so on. So, it is a real hassle for the forest industry to guard their perimeters to ensure poaching and illegal logging is not prevalent. Of course, you cannot stop people from wrongdoing, and I admit there must be cases of illegal logging, especially along the border areas or sea coast areas where they can smuggle logs. But to us this is not the policy of the government. The government is working very hard, even with the European Union, to have FLEGT in place to encourage legal timber to be exported. I think the same arrangement is being done with Australia. It is not the intention of the government to encourage illegal logging.

ACTING CHAIR—No, I was not implying that it was, but I am asking about how that is managed.

Dr Basiron—Very little. The laws are there to minimise it, if possible, but we cannot claim that we can catch all the thieves.

ACTING CHAIR—Thank you. I think you undertook to send us some further information in a couple of areas. Mr Bek-Nielsen, you mentioned the canopy. Are you able to send us some photos? We have a photo of a plantation that does look fairly spaced out without the canopy touching. I am just wondering if you could send us a photo of a more mature plantation to show us the canopy, the way you were talking about the canopy interlocking. Is that possible?

Mr Bek-Nielsen—It will be my pleasure.

ACTING CHAIR—Thank you very much.

Dr Basiron—Is it reasonable to offer an invitation for you to see our plantation, to come to Malaysia? We could host a visit. We are hosting a lot of visits from MPs from Europe, because of their interest to see how oil palms work. We are most happy to accommodate your visit if you have the time and interest to see one.

ACTING CHAIR—Thank you. I was anticipating getting the photo, because I do not think we have got the time to be able to visit right now. Thank you for your very kind invitation.

Dr Basiron—Any time.

ACTING CHAIR—I was thinking in the short term a photo might help our understanding. Thank you very much. Your Excellency, thank you for coming today and thank you for giving us your time. I particularly apologise for taking us over time, but your evidence was very useful for us. Thank you very much.

High Commissioner Ahmad—We thank you for the opportunity. It has been our pleasure.

[1.43 pm]

GAY, Ms Catherine, Acting Assistant Secretary, Research, Regulation and Food Branch, Department of Health and Ageing

MAY, Mr Peter, General Manager, Food Standards Australia and New Zealand

McCUTCHEON, Mr Steve, Chief Executive Officer, Food Standards Australia and New Zealand

ACTING CHAIR—Welcome. I understand that you have been given information on parliamentary privilege and the protection of witnesses and evidence.

Mr McCutcheon—Yes.

ACTING CHAIR—We have FSANZ's submission, which is No. 247. Thank you. I would like to invite both of you, if that is what you both want to do—or one of you—to make an opening statement and then we will ask you some questions.

Mr McCutcheon—Thank you. I might make the first opening statement, if I could, please.

ACTING CHAIR—Thank you.

Mr McCutcheon—Food Standards Australia New Zealand is an independent statutory authority that is established under the Food Standards Australia New Zealand Act 1991. FSANZ performs a tightly defined role within the food regulation system in Australia and New Zealand. The food regulation system is described in the food regulation agreement made between the states, territories and the Commonwealth of Australia on 3 July 2008. The primary purpose of the system, as articulated in the food regulation agreement, is to provide safe food controls for the purpose of protecting public health and safety. FSANZ's role in the food regulatory system is to develop and maintain food standards that are based on scientific or technical criteria and are consistent with policy established by the Australia and New Zealand Food Regulation Ministerial Council. Standards are developed under processes that are described in some detail in the legislation. That aspect of the legislation implements the agreement that has been reached by the Commonwealth, state and territory governments and the New Zealand government.

FSANZ's processes of standards development are open and transparent. FSANZ relies on input from industry, consumers, governments and the broader community to inform standards development work. The objects of the FSANZ Act are set out in section three:

FSANZ was established to (a) give consumers confidence in the quality and the safety of the food supply chain, (b) provide a regulatory framework that establishes an economically efficient environment for industry, (c) give consumers information relating to food that enables them to make informed choices, and (d) provide consistency in domestic and international food regulation in Australia and New Zealand.

These objects are consistent with the food regulation agreement.

Standards developed by FSANZ do not have a direct legal effect. Rather, the food regulation agreement provides that the states and territories will adopt or incorporate the code into state or territory law. States and territories have enacted legislation to implement their part of the agreement. The Australian government and New Zealand government have also entered into an agreement by which New Zealand also adopts the majority of FSANZ's food standards. New Zealand has agreed to adopt general food standards, for example, labelling and composition, with limited exceptions for special cultural or trade consideration. The Australian parliament has no power to legislate for New Zealand.

The Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2010 seeks to establish a standard in a manner that is inconsistent with the interjurisdictional arrangements. In particular the bill removes any consideration of public health and safety from the process of establishing a food standard. That has a potential to compromise public confidence in the food regulatory system, which is founded on the proposition that food standards will be made with the protection of public health and safety as the paramount consideration and be based on the best available scientific evidence.

It is also inconsistent with the current statutory and administrative requirements that FSANZ consider regulatory impacts. This includes consideration of all the costs and benefits of a proposed standard on consumers, industry and government. The code contains a standard requiring labelling and naming of ingredients in foods. In general terms, standard 1.2.4, Labelling of Ingredients, requires that oils be qualified as to whether the source is animal or vegetable. Palm oil is a vegetable oil and is labelled accordingly. Certain vegetable oils, including peanut, soya bean or sesame oils, need to be specifically declared on the label so as to

inform consumers who may have an allergy to these foods. This is a health and safety consideration. Palm oil is not allergenic and does not have a specific labelling requirement. There are no other specific requirements as to the labelling of palm oil.

The bill would require FSANZ to develop and approve a standard requiring palm oil to be specifically listed as an ingredient of food. If the palm oil has been certified as sustainable in accordance with the regulations, the bill allows CS palm oil to be shown on the label to indicate its sustainable origins. If the bill is enacted, FSANZ would be required to make a food standard that would be unlike any other food standard that it can now make under its enabling legislation. The proposed standard would not have been made with regard to matters such as the protection of public health and safety, scientific evidence, consistency with international standards or policy guidelines formulated by the ministerial council that FSANZ has a statutory obligation to consider.

Finally, I should qualify the statement made in the FSANZ submission about the enforceability of a standard made under the proposed legislation. That statement, on further consideration, overstates the possibility of unenforceability. However, it is possible that the obligation to provide the prescribed labelling would, if enacted, sit in a legislative vacuum. An obligation to label would be established in a manner that is inconsistent with the intergovernmental agreement. Enforcement would be reliant on action being taken by state and territory governments. It is possible that states and territories might not consider themselves bound to implement a Commonwealth law that is made outside the agreement. It is also possible that courts would not consider it possible for the Commonwealth to establish a defence to a state or territory offence as proposed by clause 16D(3) of the bill.

Ms Gay—My opening statement is very similar to Mr McCutcheon's, but I think it is important that we make the points on where the bills sit within the current system. The Commonwealth has limited power under the Constitution in the food space. Food laws and their implementation and enforcement are mainly the responsibility of state and territory governments. However, the three levels of Australian governments have worked together over many decades in a cooperative manner to provide Australians with the benefit of consistent national food standards. The food regulation system is also binational and includes the government of New Zealand.

The primary aim of the food system is to ensure high standards of public health protection. While the system is transparent, it is somewhat complex and its operations are captured in a number of agreements and treaties. As Mr McCutcheon says, the Food Regulation Agreement is one of the major pieces of documentation on how the system operates. It basically is a commitment by the Commonwealth and states and territories to work in a cooperative national approach for an Australian system. The Australian and New Zealand government have formalised the binational nature of the food regulation system via treaty. The treaty requires, or has obligations on, the Australian government to consult with New Zealand on any changes to the FSANZ Act. As Mr McCutcheon mentions, the FSANZ Act establishes FSANZ as an independent statutory authority. FSANZ is the responsible body for developing and maintaining food standards.

The Food Regulation Agreement also establishes the Australia and New Zealand Food Regulation Ministerial Council. The ministerial council has a very important role in the food regulatory system. The food standards that are developed by FSANZ do not have legal effects of themselves. The ministerial council has the oversight and role of having a look at the draft food standards developed by FSANZ, because it is the ministers from the states and territories that give the legal effect to these standards. As part of the Food Regulation Agreement, states and territories have agreed to adopt or incorporate into state and territory law the Food Standards Code. Enforcement of the Food Standards Code is undertaken by the states and territories and in some cases by local government. The Commonwealth has no role in enforcing the food standard except where the food is coming through the border and is enforced by AQIS.

The amendments proposed by this bill are inconsistent with the cooperative process for developing and reviewing food standards that is established under the Food Regulation Agreement with the states and territories. It is also inconsistent with the treaty with New Zealand and is inconsistent with the FSANZ Act. It is unclear whether any standards resulting from the provision of these bills could or would be enforced. Thank you.

ACTING CHAIR—Senator Xenophon.

Senator XENOPHON—Thank you. Ms Gay said that the system is transparent but somewhat complex. You acknowledge, though, the more complex a system is the less transparent it is.

Ms Gay—I acknowledge that we work in a very complex system.

Senator XENOPHON—Which means it is not as transparent for the public, for consumers, to follow that system?

Ms Gay—I am talking about the food regulation system that develops the food standards. Are you talking about food labelling now?

Senator XENOPHON—The process leads to food labelling, though, does it not?

Mr McCutcheon—I think it is fair to say that the food regulatory system is like a number of systems where there is a combination of three levels of government, and in fact in the case of food a fourth tier with New Zealand, where it is quite complex, and the fact that there are a number of agreements that are in place to give effect to standards that our organisation develops is a reflection of that complexity.

Senator XENOPHON—Are you saying that recommendation No. 12 of the Blewett review in relation to palm oil labelling, which you are no doubt familiar with, is in itself inconsistent with simply providing details as to added fats or vegetable oils by simply listing whether it is palm oil or not?

Mr McCutcheon—I would not make a comment on the recommendation itself. That is the subject of a separate whole-of-government response. But if the government or governments were to adopt that particular recommendation, that in effect would give it some more impetus than it currently would if they were not involved in the decision-making process.

Senator XENOPHON—You have said that this bill is not compatible with the existing food regulatory framework; that is the position of both FSANZ and the department, essentially?

Mr McCutcheon—Correct.

Ms Gay—That is correct.

Senator XENOPHON—We know what happened when the former government used the corporations power in relation to Work Choices. There is no question of the constitutionality—well, there was a question, but it was resolved by the High Court. Do you acknowledge that there could be alternative pathways to achieve the objective in the bill, namely, using, for instance, the corporations power to require labelling of the type that is foreshadowed in this bill?

Mr McCutcheon—It is not appropriate for me to be commenting on constitutional matters. The system for food is very clear. If governments of any political persuasion agree to adopt a policy in relation to food or accept a food standard, that in itself is enough for them to be able to put that into their law. I have no comment to make about whether there were alternative mechanisms of achieving the objectives of this particular bill.

Senator XENOPHON—So, you are saying that, if it was the decision of the Australian government to say that we ought to label palm oil, it would have to be done via the current process—I think Ms Gay has alluded to it—which means that you need to get the cooperation of the states and of New Zealand for that matter, before any changes could come into force?

Mr McCutcheon—I believe that to be the case, yes.

Senator XENOPHON—You would agree with that?

Ms Gay—Absolutely. And basically the process that is set out in the FSANZ Act which requires consultation would have to be undertaken. The FSANZ Act is there to protect public health and safety and there are a whole lot of processes that FSANZ would have to undertake, including the development of a regulatory impact statement, before a standard could be developed and approved by the board and then provided to the ministerial council for review.

Senator XENOPHON—But neither of you is in a position to comment that, if there was an alternative approach to use, for instance, the corporations power, to require mandatory labelling of palm oil products and certified sustainable palm oil products; that would be something that would be outside your roles and responsibility?

Mr McCutcheon—It would certainly be outside of FSANZ's responsibility. We are a creation of the act which was signed off by states and territories, the Commonwealth and New Zealand governments and, of course, the agreements that underpin that.

Ms Gay—I am not a constitutional lawyer. I do not understand whether it is possible to do it.

Senator XENOPHON—You would survive; it is the Work Choices II.

Ms Gay—I am not sure whether we could use the external powers to actually effect this bill.

Senator XENOPHON—But if there were an alternative approach, that is something that you cannot comment on at this time?

Mr McCutcheon—No, I do not believe we can. I think that is a matter that would be for ministers and for government to consider, and in this case we are talking about 10 governments, in effect.

Senator XENOPHON—Could I put this to you in an alternative way. If there were another approach to achieve the objective contained in this bill, if the end were achieved through a different mechanism, for instance, the corporations power—I know you cannot comment on that—that would not necessarily be incompatible with the end result, that is, to provide more information to consumers in relation to food labelling?

Mr McCutcheon—I think in the context of providing more information to consumers through food labels that is very much around health and safety, and the objectives of our act make that clear. Whatever mechanism would be taken to give effect to the objectives of this bill I think we would probably struggle to meet the benefit-cost test that would be applied under the Council of Australian Governments best practice regulation guidelines, in terms of the cost that would be imposed on industry to put in place the systems that would be required to underpin label statements, and then the benefits of that for the consumers who were interested in that information. In fact, in the food labelling review—the Blewett review—I think one of the issues that was touched on was in the area of consumer values. It is very hard to put a figure or a number on how you value or how you work out the benefit of consumer value. I think using the cost-benefit approach that we do in terms of all of our standards, I think we would struggle to be able to put forward a case that would demonstrate that the benefits exceeded the costs.

Senator XENOPHON—That would be in the context of labelling?

Mr McCutcheon—In the context of labelling, correct; in the context of a standard, if it were to be developed.

Senator XENOPHON—Finally, if an alternative approach was that there be a requirement for food manufacturers to put on their websites further details as to whether their product contains, firstly, palm oil and, secondly, whether it is certified sustainable palm oil, would that be something that would come within the role of FSANZ, Mr McCutcheon, or within your department's role, Ms Gay?

Mr McCutcheon—It is something that could conceivably be covered in a standard or some other form of guidance or code of practice. But, again, it would be subject to the same cost-benefit analysis as any other form. At the end of the day the Food Standards Code is in effect a body of law that is implemented by jurisdictions and so it has to pass that cost-benefit test.

Senator XENOPHON—But what if the information were contained on a website? There has been some resistance from the Australian Food and Grocery Council to even providing that basic level of information to consumers—whether a product, firstly, has palm oil and, secondly, whether it is certified sustainable palm oil. Because that would not be on the label that is not something that FSANZ would necessarily be involved with, would it?

Mr McCutcheon—That is something that we would have to consider. At face value it does not appear to be, but I would not rule it out unless we further investigate.

Senator XENOPHON—Could you take that on notice? Similarly, Ms Gay, if you have any comments in relation to that?

Ms Gay—From the food labelling review there is a number of recommendations that government is currently considering. Part of this is about the provision of further information by industry to consumers on a voluntary basis. The government is currently going through the process of working with their other government colleagues on providing a response to that.

Senator XENOPHON—On notice could you just give us an update on what is happening with that? It seemed to me to be a very long time from January to December for that response? I am not criticising you. I am just saying it seems to be a long time coming.

Ms Gay—There are 61 recommendations.

Senator XENOPHON—Committees like this go through 61 recommendations in a few days, Ms Gay.

ACTING CHAIR—Senator Boyce.

Senator BOYCE—Thank you, Chair. You mentioned about the sort of enforcement or oversight role that AQIS has on your behalf with imported foods; is that correct?

Mr McCutcheon—It is not on our behalf. Essentially the way the system works between FSANZ and AQIS is that FSANZ provides advice to AQIS on foods of risk, and AQIS in turn then put in the appropriate measures at the border—generally testing—to do the risk management around enforcement.

Senator BOYCE—By ‘at risk’ do you mean related to health and safety?

Mr McCutcheon—That is correct, yes.

Senator BOYCE—That is my question.

Mr McCutcheon—Essentially, AQIS’s role is to make sure that food coming into Australia meets the requirements of the Food Standards Code.

Senator BOYCE—You may not be able to answer this immediately. If not, could you take it on notice. Would there be any other products where AQIS or FSANZ for that matter, would be required to make a distinction? If this bill were to go through there would be palm oil and there would be certified sustainable palm oil. Does AQIS have the wherewithal to make that distinction? Do they currently do that in any other area or with any other food?

Mr McCutcheon—Not that I am aware of. Essentially AQIS implements the Food Standards Code. Clearly there are standards in the code around labelling and it is AQIS’s job to make sure they are met, including the specific declarations on labels for things like peanut oil or sesame oil and the like, but I cannot think off the top of my head of an example that is similar to the one you are proposing or to this bill here.

ACTING CHAIR—Senator Colbeck.

Senator COLBECK—Mr McCutcheon and I have been here plenty of times before. I do not think we need to converse anymore.

Senator BOYCE—In which case I would ask one more question. There has been some suggestion that there is something underhanded about using the term ‘vegetable oil’ to encompass palm oil. Could you talk a little bit more about how FSANZ perceives this and why or if you find it acceptable for palm oil to be considered a vegetable oil?

Mr McCutcheon—This has been raised before, but essentially standard 1.2.4, Labelling of ingredients, sets out specific requirements for the labelling and naming of ingredients and compound ingredients and there is a table in that standard. The first condition of use of that table when talking about fats and oils is that it must be quantified or qualified as to whether the source is animal or vegetable. With vegetable oil, the term ‘vegetable’ is used to describe essentially any oils from a plant product. I can understand—and this has been raised before at this committee—concerns about palm oil not being a vegetable but a fruit. But under the—

Senator BOYCE—We should have seed oil, fruit oil, flower oil?

Mr McCutcheon—But it is basically animal or vegetable and that is the criterion as to why palm oil is labelled as a vegetable oil.

ACTING CHAIR—Could it be animal or plant?

Mr McCutcheon—The code could be amended to reflect that, but one of the many obligations we have as a standard setting body is to align our standards and terminology with international standards so—

Senator BOYCE—Is this an international standard?

Mr McCutcheon—It could be. I do not know for sure, but I suspect that Codex may well describe oils as either animal or vegetable.

Senator BOYCE—Perhaps you would like to check that for us.

Mr McCutcheon—That is something we can take on notice.

ACTING CHAIR—That would be appreciated, if you could, thank you.

Senator XENOPHON—If you could respond to that issue that, if the information was at the very least contained online for consumers, whether that would pose any issues jurisdictionally from your point of view.

Mr McCutcheon—Yes, we will take that on notice, thank you.

CHAIR—Thank you. Mr May, I understand you have a response to a question from Senator Xenophon.

Mr May—Yes. Senator Xenophon’s question, as I understood it, was: if a manufacturer were required to put details on their website of the use of palm oil in manufactures, would that be of consequence for FSANZ? The short answer to that is no, unless the mechanism that the parliament sought to do that through was similar to the mechanism being adopted in the bill, which is to require a standard to be made. If you were to use some other constitutional power or some other head of policy then that certainly would not be a matter for FSANZ. The issue would only arise for FSANZ if a standard were affected.

Senator XENOPHON—I am pleased to say I am willing to take no for an answer in this case.

ACTING CHAIR—Senator Boyce, you have a question to put on notice.

Senator BOYCE—Yes, and it goes some way towards the same issue. Senator Xenophon raised the idea of using the Corporations Act to develop a standard for food. You gave evidence initially that whilst the current system was very transparent it was also complex. Could you take on notice to provide comment on any added complexity that might be involved in having food standards covered by acts other than the food regulation act?

Mr May—Yes.

ACTING CHAIR—If there are no further questions, I thank the witnesses for appearing today.

Subcommittee adjourned at 14:06