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

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SENATE COMMUNITY AFFAIRS

LEGISLATION COMMITTEE

Tuesday, 19 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, Hurlley, Hutchins, Johnston, Joyce, Kroger, Ludlam, 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, Moore, 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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Committee met at 9.31 am**WILSON, Mr Tim, Director, IP and Free Trade Unit, Institute of Public Affairs**

CHAIR—I declare open this public hearing and welcome everyone who is present today. The Senate Community Affairs Legislation Committee is inquiring into the Food Standards Amendment (Truth in Labelling—Palm Oil) Bill 2010. Today is the committee's second public hearing for this inquiry. I welcome Mr Wilson, from the Institute of Public Affairs, to today's hearing. For all present, information on parliamentary privilege and the protection of witnesses and evidence has been provided. If anyone has any questions about the process, please talk to the secretariat or to any of us about how it actually works. There are guidelines for that, and that information is available for anyone. Mr Wilson, we have your submission—thank you very much. As you know, all submissions on the record and available for people to check out. You can make an opening statement, if you wish, and then we will go to questions.

Mr Wilson—I represent the Institute of Public Affairs, the world's oldest free-market think tank. I will start by making some preliminary comments. I thank the senators for the opportunity to present today. From where I see it, the primary objective of a food labelling should be to inform consumers and the public at large about information necessary to the consumption of food products. Unfortunately, there are numerous people who now wish to seek to use it as a form of achieving political and/or environmental or other objectives and are effectively using it as a political football.

I oppose the bill because I think it is bad policy, and I am opposing the bill for five simple reasons: I think it will push up the cost of living for Australians already struggling under high prices; it is excessive government interference into a problem that has a market based solution that is working and is effective; it sets an appalling precedent for the abuse of technical regulations that could be replicated for any other environmental, social or economic agenda; it is likely to breach Australia's international trade obligations; and it will actually attack the livelihoods of those producers of palm oil in the developing world.

Australian consumers are already suffering under high cost of living pressures—you only need to look at the media. Palm oil has remained the lowest of comparable oils that are used in food manufacturing and is approximately 20 per cent cheaper than alternatives, according to IMF data. If food manufacturers switch to other comparable oils based on the political objectives that are designed behind this bill, the price of food will increase, and that cost will flow through to consumers.

It is excessive government interference into a problem with a market based solution. While I oppose the government mandated certification and labelling, there is a market based alternative through voluntary certification. Voluntary certification is effective and sends a clear sign to consumers who are motivated on social, environmental, economic or other ethical concerns through a form of displayed labelling that they identify and recognise as of value.

Private certification marks are radically different from labelling requirements because they involve a form of certification at production through the supply chain to the consumer to meet high standards. These certification marks secure credibility by providing an overall concept of value to consumers that they understand, generally to achieve political objectives. The value held in these certification marks is also a result of the significant resources dedicated to their promotion and the voluntary nature that they are entered into. I saw recently reports in the *Sydney Morning Herald* that unless things are very clearly labelled on the front and made aware for consumers, people do not respond to them. It sets an appalling precedent for the abuse of technical regulations that could be replicated for any environmental, social or economic agenda.

This bill states a number of objectives to ensure consumers can make informed choices. The assumption is that consumers currently cannot, and that is false—whether it be saturated fat contents, which have to be labelled already, or whether there is any benefit in separately labelling palm oil, which people can be aware of if they choose to seek out information. Internationally it is a well-worn strategy as well to use industry and voluntary certification schemes and then harness them as part of pushing them into regulation as a form of outsourcing regulation. Previous examples of this strategy range from the World Wildlife Fund's Forest Stewardship Council's certification standards for wood, which are now currently being considered to be effectively coopted through timber standards in Australia, and it also pushes, in Australian, American and European law, for fair trade certification. It amounts to the effective outsourcing of certification.

Other people have made submissions on this so I will not go into detail. But it is likely to breach Australia's international trade obligations, particularly though the technical barriers to trade agreement of the World Trade Organisation by setting different standards to internationally understood standards. And of course it has a very

direct impact on the livelihoods of the developing world's poor and it will not actually develop the environmental dividend that most people claim.

The reality is that there are lots of people in the developing world who rely on palm oil. If the government goes about trying to deliberately foster an environment in which consumers boycott such an ingredient, it will have an impact on the livelihoods of those people. It amounts to exporting our developed world values onto the developing world poor which I find personally quite unacceptable. It is actually anti free trade and anti the principles through which this country has grown and been prosperous as a consequence, and imposing our values is not appropriate.

The primary objective of food labelling should be to inform the public at large about information necessary to the consumption of food products. Instead, it has become a political tool for activists and increasingly it is being endorsed by governments. Palm oil is a major vegetable oil used in food manufacturing primarily because it is cheap and available compared to other seed oils, such as sunflower oil and rape seed oil. It is also around 20 per cent cheaper. If the government indirectly fosters boycotts to support manufacturers switching ingredients, Australian consumers will be worse off, as will various other people in the developing world.

CHAIR—Thank you, Mr Wilson, and I applaud your use of technology—it was very impressive.

Senator XENOPHON—Mr Wilson, thank you for your submission. Your organisation is the oldest free market think tank? Is that right?

Mr Wilson—That is correct. The Institute of Public Affairs is the world's oldest free market think tank. We beat the American Enterprise Institute by a few months apparently.

Senator XENOPHON—Congratulations on that. You dispute the use of public money to fund the Don't Palm Us Off campaign. What is that about?

Mr Wilson—Yes. Zoos Victoria and various other zoos around the country engage in conservation campaigns, which I believe are within their ambit as zoos and as organisations that are reasonably responsible to promote conservation. What Zoos Victoria and other zoos have participated in is running a campaign, the Don't Palm Us Off campaign, which has been deliberately designed to work with external environmental NGOs to lobby the public. So we have public resources, public organisations, trying to get the public to lobby other levels of government for regulatory change.

Senator XENOPHON—You see that as improper?

Mr Wilson—I see that as very improper, because, if you justify it in one context to be used for one purpose, then it literally gives ambit claim to do it in any other area.

Senator XENOPHON—Okay. Who funds the IPA?

Mr Wilson—To be brutally honest, I do not know. We have people who deal with that, but the IPA it has a standard policy, which I am aware of, that we do not disclose our donors.

Senator XENOPHON—You do not disclose your donors. So if, for instance, your donors included organisations that would get a commercial benefit from opposing this bill, that would not concern you?

Mr Wilson—I have no particular concern with any potential members of the IPA, and if they give us resources—

Senator XENOPHON—So NGOs are transparent about where they get their money from in terms of what they do, but you will not tell us where you get your funds from? I just think that you should not be throwing stones—people in glass houses.

Mr Wilson—There is a very big difference between taking taxpayers' resources and using them for political campaigns and being a private organisation and standing up for philosophical principles in favour of the free market and a free society.

Senator XENOPHON—Are donations to the IPA tax-deductible?

Mr Wilson—Not that I am aware of.

Senator XENOPHON—Are you sure about that?

Mr Wilson—No, because I do not really have any involvement with it. But I am not aware of it.

CHAIR—Can you take that on notice?

Mr Wilson—Would you like me to do that.

CHAIR—Yes, please.

Mr Wilson—I know we are a deductible gift recipient—

Senator XENOPHON—Okay; there you go.

Mr Wilson—Is that tax-deductible?

Senator XENOPHON—Mr Wilson, honestly—doesn't that smack of hypocrisy on your part? You are doing advocacy, and you are getting a tax break. People are getting a tax break. Taxpayers are basically subsidising your very activities. I do not want to labour on this, but I think people in glass houses should not be throwing stones at the zoos of this country.

Mr Wilson—Firstly, I do not consider that I am throwing stones in glass houses. Secondly, we are a deductible gift recipient. I do not know when that was established and on what basis, but I do not consider that we are subsidised by the taxpayer, because any money not going to the federal government is private money that is being forgone. I am not a big fan of claiming that—private money not going to government and government has the right to money, and if it is not there is a subsidy.

Senator XENOPHON—I suggest that that is a bit of sophistry on your part. Let us go to the substance of the bill.

Mr Wilson—Sure.

Senator COLBECK—Just on the funding thing and perhaps to counter Senator Xenophon's comments a bit, zoos are funded by governments for a specific purpose.

Mr Wilson—Yes.

Senator COLBECK—And that purpose is not necessarily to run a public campaign, though there is obviously some public funding that would go to that. My question in this overall context would be: what proportion of what funding bucket in that context? If a government is funding a zoo for the purpose of running a zoo, as someone who is making a decision to make that allocation I would be concerned if the funding was then being to be used to run a political campaign, and I think we would consider that an issue. But if it is public donations that are being used to fund the campaign, I would categorise that as a different circumstance, which would put it in a very similar category to what the Institute of Public Affairs is in because the category is the same. So I would look at it in those two categories.

CHAIR—I suppose there is a question to that, Senator.

Mr Wilson—Am I entitled to respond to that?

CHAIR—Yes, absolutely.

Mr Wilson—Fundamentally, I agree. But, based on material that has been provided to various inquiries over time, I have not been led to be convinced that it is limited to public donations, because staff time is being used to push this. Let us make it crystal clear: zoos run various conservation activities, and I have gone through a report—which is not part of this submission—outlining that I do not think that there is inappropriate conduct being engaged in with that. But I do think there is a difference between engaging in broad awareness and promotion of conservation and then a campaign that is deliberately designed to get public activity to lobby other levels of government for a political outcome.

Senator SIEWERT—You may see it as a political outcome; that is your definition of a political outcome. You are saying it is political whereas zoos may see it—and, I must say, I see it—as part of a conservation campaign, because zoos are increasingly engaging in conservation in situ so that animals do not end up in zoos and you do not see the relics of endangered species ending up in zoos. So I see them as taking a very clear role in conservation in situ. I will be following this up when they appear before us, but I see their conservation campaign as part of that in situ conservation campaign. They have been very clear to move in that direction over the last number of decades.

Mr Wilson—Somehow I will not be surprised if they disagree that it is a political campaign and agree with you, Senator. But it comes back to what you said: the reality is that this is part of a political process. They are asking the public to lobby regulators to change government policy. That is a political process. The motivations—

Senator SIEWERT—You call it political, but it is advocacy. You are putting a spin on it, but it is advocacy.

Mr Wilson—I disagree. If you want to change government policy—

Senator SIEWERT—Don't you engage in advocacy?

Mr Wilson—If you wish to change government policy, that is normally political in its nature.

Senator SIEWERT—So what you do is political?

Mr Wilson—We do not advocate for change in government policy; we only respond to things that exist already.

Senator SIEWERT—We could spend hours talking about one.

CHAIR—And we are not going to.

Senator XENOPHON—I do not know if I misheard you—the IPA does not advocate for changes in government policy?

Mr Wilson—Very rarely. Most of the time we spend responding to bad government policies that are already out there and criticising and critiquing them for their value.

Senator XENOPHON—Isn't that advocating a change?

Mr Wilson—That is not advocating for change. If somebody else puts a policy out there, critiquing it is not, I would say, advocating for change; they are the ones advocating for change. But other people might have different views on that.

Senator XENOPHON—Because you represent a free-market think tank, I take it that the views in your submission are the views of the IPA.

Mr Wilson—Everyone at the IPA ultimately represents themselves, but there is a broad consensus in terms of—

Senator XENOPHON—So are these Tim Wilson's views or the IPA's views?

Mr Wilson—They are primarily my views.

Senator XENOPHON—We have you on the list here as 'the Institute of Public Affairs'.

Mr Wilson—That is right, but we have this internal dynamic within the IPA where people represent themselves because we have differences of opinion on different areas of policy based on people.

Senator XENOPHON—So, when we consider your evidence, is it Tim Wilson's evidence or the IPA's evidence?

Mr Wilson—It is a submission from the Institute of Public Affairs written by Tim Wilson.

Senator XENOPHON—Does that mean that it represents the views of the IPA? I am just trying to understand this for when we are writing up the reports.

Mr Wilson—As I have already outlined, we have different opinions of policy based on the principles of free markets and a free society in the IPA. A good example is parallel import restrictions on copyrighted works, where we have a difference of opinion, and there are people who put forward—

Senator BOYCE—Within the institute.

Mr Wilson—Yes, within the institute. It is like there are government reports that are published, and there are different people in parliament who have differences of opinion.

Senator XENOPHON—I do not want to labour on this, because I want to ask you about the substance of the bill and your submissions. Is this a submission from the Institute of Public Affairs in relation to this particular bill?

Mr Wilson—Yes.

Senator XENOPHON—Good; we have established that. Thank you. Because you are a free-market think tank, I thought I would read a bit of Adam Smith this morning about the invisible hand. I think that essentially what Smith said 300 years ago was that, for markets to work, people need to be informed. Do you agree with that?

Mr Wilson—Yes.

Senator XENOPHON—A good market is an informed market.

Mr Wilson—There is always a certain amount of information that is withheld, and there is always a certain amount of information asymmetry between buyers and sellers in the same way as there is between citizens and government.

Senator XENOPHON—Sure. But information asymmetry is not a good thing, is it, from your point of view?

Mr Wilson—Preferably not—absolutely.

Senator XENOPHON—Good. That means that, if consumers want to know the source—whether a product has palm oil in it and whether that palm oil is certified sustainable—what is wrong with letting consumers know that?

Mr Wilson—There is nothing wrong with it. In fact, I have supported the very principle that we should have voluntary certification and that, if people and consumers are motivated by that and they wish to find out, then they can.

Senator XENOPHON—But it does not get rid of the issue of information asymmetry. You yourself believe—and Adam Smith, I think, was very clear on this—that for the invisible hand to work you need that free flow of information between consumers—

Mr Wilson—There is an issue also about international standards in relation to how different food groups are advertised, but I do not see that there is a restriction in the—

Senator XENOPHON—You are qualifying your hero now.

Mr Wilson—No. Adam Smith was never really my big hero—not that I am anti him. If you are going to list heroes, he is up there; he is just not on the top of the list. But he is a good guy, I am sure.

Senator BOYCE—Was.

Mr Wilson—Was—exactly. There are international standards based on what people are aware of, and we operate in a world of laws and everything else. But, when it comes down to it, there is information available to consumers out there in the marketplace—if they choose to find out more information, it is certainly available. I also believe that the best way to deal with this problem is through voluntary certification.

Senator XENOPHON—I am going to run out of questions because of time constraints, but I just want to ask you this: you say there is information out there, and the evidence we heard from the Australian Food and Grocery Council, which represents many food manufacturers and which may or may not be a donor to the IPA—we do not know that because you cannot tell us who your donors are, but anyway—

Senator BOYCE—You know who the donors are, Mr Wilson?

Mr Wilson—No, I deliberately stay as far away from these things as possible.

Senator BOYCE—Thank you. You have an internal Chinese wall there, do you?

Mr Wilson—I would not use such a term, but we have people who deal with it in the same way that you have people in your offices who deal with things, and I am sure you do not pay every bit of attention to what happens in your office.

Senator XENOPHON—I am not being critical here; I understand that. Could you take on notice whether the Australian Food and Grocery Council or any of its constituent members are donors to the IPA?

Mr Wilson—I can, but the IPA has a standard policy of not disclosing who its members are.

Senator XENOPHON—If that is the policy, then that is fine. But, if you could take that on notice, they could then advise whether that Chinese wall will come down or not—or the Berlin Wall or whatever it is. Yesterday I put to the Australian Food and Grocery Council that instead of having it on a label they could at least put it on a website so that there would not be that regulatory burden. Then consumers would at least know whether a) a product has palm oil and b) whether it has certified sustainable palm oil so that any regulatory burden which they put up would be completely minimised. What would be wrong with at least giving consumers that information?

Mr Wilson—There is nothing wrong with giving people that information if people choose to do it voluntarily in the same way that other people who are concerned about what they consider to be the environmental, economic or social impacts of palm oil could do the same thing and produce a website. There is nothing to stop people doing that.

Senator XENOPHON—But shouldn't consumers have a right to know whether a particular ingredient is in a product and where it is sourced from?

Mr Wilson—If people choose to seek out that information, that is their choice. I do not like to tell people how to live their lives.

Senator XENOPHON—But if consumers want that information and the food manufacturers are refusing to disclose that, isn't that a case of the information of the information asymmetry which the IPA itself is concerned about?

Mr Wilson—If people feel that there is information that is being withheld from them within the marketplace and they do not like the product, they have the choice not to buy the product.

Senator XENOPHON—Even though they do not know whether the product has that ingredient in it or not?

Mr Wilson— If they take such an objection to whether or not that product includes an ingredient and they do not like that, they can choose boycott the product.

Senator XENOPHON—But you do not have an issue with putting details of saturated fats, food colourings and that sort of information on products at the moment?

Mr Wilson—As I outline in my submission, I think there is a big difference between things that directly affect people's health, which people are aware of and which there are established international standards on, and things that are designed to achieve a political campaign.

Senator XENOPHON—Finally—though if there is time at the end I am sure Mr Wilson will be happy to take further questions—you say that there is no link between deforestation and palm oil production. Is that your assertion?

Mr Wilson—No, I did not assert that; I said that I think the primary driver of deforestation in the developing world is associated with poverty.

Senator XENOPHON—And that there is no nexus between that and palm oil production?

Mr Wilson—No, I never said that all. We have forests in Australia where, when there is an expansion in the amount of agricultural land, it often comes at the expense of land that might be used for alternate purposes. What I am saying is that, from my research, the increase in the output of palm oil has primarily been driven by yield increases more than associated with deforestation. Deforestation occurs in every country in the world based on how countries choose to use their land. That is their right in the same way that we have a sovereign right to decide how we use our land.

Senator XENOPHON—So there is no nexus, essentially.

Mr Wilson—No, I did not say that all; I said that there is some land, I am sure, which has been deforested for the purpose of growing palm oil in the past. I do not know whether it will continue to be in the future, but of course there is going to be a relationship between any use of land for one purpose and its being switched to use for another purpose.

Senator XENOPHON—Sure. I am intrigued by this concept of what the IPA stands for. By the way, I think you do lot of valuable work; I think that in the discourse of public debate the IPA does play a valuable role. But I do not understand where you are coming from. You talk about the need to reduce information asymmetry, but you are basically saying that an individual consumer has the same power as Nestle or another food producer in terms of trying to negotiate with them or trying to make a decision as to what is in the ingredients of their food.

Mr Wilson—No, I did not say that; I said that consumers have a capacity to make judgements about what products are in the market place and whether they choose to consume them, and, if they do not like the ingredients that are being used or, alternatively, if there are certain aspects of those ingredients that they choose not to disclose, they can choose not to consume those products.

Senator XENOPHON—But if they do not know what the ingredients are—

Mr Wilson—But I have just given an outline: if people find it so objectionable that they cannot find out what the ingredients are, they have a choice not to consume those products. There are plenty of other products in the marketplace where, if there is such a market driver and everybody finds it so valuable, they can be labelled appropriately as not including those ingredients.

Senator XENOPHON—Can you take that on notice? No, don't give me that look! You are saying, if I write to Nestle—

Mr Wilson—Would you like me to write to Nestle and ask them?

Senator XENOPHON—No, I am just saying what choice do consumers have if the Australian Food and Grocery Council says, ‘Our members will not provide details of what is in our products, whether there is palm oil or certified sustainable palm oil?’ There is no choice.

Senator BOYCE—When did the council say that?

Senator XENOPHON—They said that they did not support that.

Senator BOYCE—They did not say they wanted it mandated; they said they thought—

Senator XENOPHON—They did support it being mandated—

Senator BOYCE—They said manufacturers should respond to community concerns in a market driven way.

Mr Wilson—My understanding is that various food manufacturers do disclose that they use palm oil from time to time and, if you base it on what the opponents of palm oil advocate, it is in about 50 per cent of products in the marketplace. So I do not know how you can consistently argue that there is not disclosure when palm oil is used and yet at the same time have all these claims out there that every product is awash with it.

Senator XENOPHON—I think it is a question of information asymmetry.

Senator BOYCE—Mr Wilson, I would like you to talk a little bit more about the comments you have made around what I referred to yesterday as ‘white colonialism’ in terms of us trying to stop development in other countries. We had evidence from the Malaysian government yesterday that, whilst the statistics around deforestation look at the countries, Malaysia and Indonesia, orangutans are naturally restricted to smaller parts of those countries. Could you comment on some of the statistics gathering and on your comment around deforestation being about poverty and not about palm oil?

Mr Wilson—Sure. Deforestation occurs in the developing world for myriad purposes. The primary driver is related to poverty alleviation.

Senator SIEWERT—Mr Wilson, can you just articulate what evidence you have for that? Multinationals and all sorts of major companies are involved in deforestation, and I would suggest that that money does not always flow back to the poor, so where is your evidence?

Mr Wilson—Money flows back to the poor through lots of different mechanisms, whether it is through jobs or other drivers. It is not always multinational companies. I am not saying that multinational companies do not participate in deforestation—

Senator SIEWERT—What I am asking is: where is your evidence base?

Mr Wilson—There is information in my submission and there is also information in other reports I have written on palm oil, which I am happy to provide to you, if you would like a copy of it.

Senator SIEWERT—That would be useful. I am not referring just to your comments related to palm oil but to your large statements around deforestation. I wonder how much work you have done in looking at who is doing the logging and also looking at illegal logging and who is making money out of that?

Mr Wilson—I am happy to submit to you all the papers I have written on the subject. They are all publicly available, but I will bundle them up in a nice little way and send them through to you, Senator.

Senator BOYCE—Send them to the committee.

Mr Wilson—To the committee; I am sorry. There are also subsistence farmers who increase the amount of land they use who are not multinational corporations. There are lots of reasons why people convert land for different purposes. So it is not as though it is restricted to any particular industry.

Senator SIEWERT—No, I was not asking that. I was asking: what is the breakdown, and how much of the money flows back to the poor? We keep hearing it goes back to the poor, the white colonialism, but there are also many other companies involved. It is not just about the poor subsistence farmers.

Mr Wilson—I have no doubt about that at all. There are plenty of companies that operate in different parts of the world and the benefits do not always necessarily flow back straight to the poor. But there is an improvement in the general economic welfare of that country and, in the process, people normally do benefit through things like tax, aid and various other forms of money flowing throughout the economy. In relation to the orangutan population the answer—and I have written this in the paper, which I will provide to the committee so everyone can see this—I see a lot of the concerns about the orangutan population to be quite

hysterical. I am not an expert on orangutans and do not profess to be, but I do see large numbers of claims thrown around, from Victoria Zoo saying that 50 orangutans die each week as a consequence of palm oil plantations, to Perth Zoo averaging that number out to 116 per week.

I do not think there is any rock-solid evidence base, and most of it is based on claims that are made by environmental NGOs which also lack a serious amount of evidence. In my experience going through their references, I have never come up with substantive information whether it is related to orangutan populations or whether it is associated with deforestation. I note that particularly in one report I went through the references and claims of an NGO and the evidence base was a photograph taken of an amount of forest with a certain amount of haze over it. That was the justification to claim there was mass burning in that area, when in fact it could have just as easily been mist. I am not disputing whether it was or was not from mass burning; I am just saying I think the evidence base is weak.

In terms of white colonialism, the reality is that, if the government goes about introducing labelling requirements that deliberately seek to identify individual ingredients in food products, it will encourage what is clearly designed as the objective of this bill by the advocates who have driven the bill to this point and engage the politicians who participate in this process to promote some sort of consumer response or reaction—without justification, as far as I see, in terms of health consequences, but primarily for social, political and environmental objectives. If it does foster consumer boycotts, which I believe it is designed to do, you will see developed world values flow through the market system and be attempted to be imposed on developing countries. We have seen this plenty of times before, where countries have sought to impose their values by government regulation, to say, ‘Our standards and the fact that we have gone through this process of economic development, which has allowed us to exploit our comparative advantage and natural endowments, mean the same right should not be afforded to those in the developing world.’

Senator BOYCE—Chair, I might just correct the record. I said the Malaysian government gave that evidence—in fact, it was the Malaysian Palm Oil Council that gave the evidence. Mr Wilson, you spoke about the idea of using criteria other than health and safety for food labelling as setting a precedent in other areas. Could you talk us through what you perceive those precedents to be?

Mr Wilson—There is a big difference between voluntary standards and compulsory or mandated standards by government. We are increasingly seeing efforts by political activist campaigners adopted by parliamentarians who seek to get headlines—

Senator XENOPHON—Oh, come on!

Mr Wilson—That is my personal view, Senator; it was asked for. Those parliamentarians seek to adopt voluntary standards in government regulation. Apart from the fact that that is outsourcing regulation, it is setting a precedent where, if you stand up and noisily demand that your standard be adopted by government, you are going to see progress in terms of that. There could be no end to that. Why do we not have labelling and adopt fair trade standards into some form of regulation, if we are not going to be picky, because, according to those who advocate for it, it is a desirable objective to drive poverty alleviation? That is if those claims are correct, and in the past I have disputed that, and I am happy to provide copies of those reports to the Senate committee. The same is occurring in a similar way in relation to forestry standards and the outsourcing of forestry regulation certification by government on bills that are currently before the parliament.

This is part of a long effort to drive labelling requirements for political purposes, and there is no end to where it could stop or start, whereas I think a health and safety objective is pretty clear and understandable, particularly in terms of consumer asymmetry, because it actually does directly people’s health. That is why we disclose the presence of saturated fats. Saying some consumers, and certainly some very vocal and noisy consumers, do not like palm oil so they should be able to choose whether or not to have that product actually has no benefit apart from consumer choice and preference, which can be dealt with through appropriate voluntary certification and labelling. That can appear as big as people want on the front of a packet if they think that is an effective way to communicate to consumers and there is a market driver for it.

Senator BOYCE—You ask, ‘Where would it end?’ What is wrong with it not ending—what is the issue?

Mr Wilson—Firstly, it would be the use of political process to literally impose values on people. If you accept the basic principles of a free market and a free society, on which my view is very clear and not ambivalent, and that there should be a restraint to the amount of government in peoples’ lives, in business and enterprise, then there is no end to the justifications you could use to force other people’s values onto enterprise, onto individuals and onto consumers about what should be disclosed and what should be labelled

on various food products—or any other type of product for that matter, as I have outlined earlier with timber, for example. I think in life there is choice, risk and responsibility, and there is reward associated with people taking their own action. If people want to find out information, they can, but everybody should not be forced to do certain things just because a small group of people use government to try to impose their values on everybody else.

Senator COLBECK—That is a good place to take up my questions. We have spoken about the market and market drivers. Effectively, if a company has its eyes on its market, the consumer is the ultimate player in the game because to be successful in the market you have to have your eye on the game. So the consumer is the driver. Effectively what we are talking about here is providing a tool for a campaign. The demand for compulsory labelling in this circumstance is to provide those who have a perspective on something with the ability to drive their campaign. Where labelling through a certification process is voluntary, which you talked about, it provides choice. But all legislating it does is provide a tool in a campaign which is effectively an anti-forestry campaign at the end of the day. Okay, there are other things associated with it, but it is effectively an anti-forestry campaign.

Mr Wilson—Do you want me to just say yes?

Senator COLBECK—Of course not.

Mr Wilson—Fundamentally that is what I believe I have been arguing all along. This is a political campaign driven through government down to consumers about an issue which could be appropriately addressed through voluntary certification. I do not agree with all voluntary certification standards. I think a lot of them make ridiculous claims about their so-called benefits and do not deliver on them. There is evidence of that in reports which, again, I am happy to submit. But there is a very big difference between government imposing on mandatory labelling requirements and labelling being voluntary. At the very least, there is not necessarily any consumer value to mandating labelling requirements. A government cannot have it both ways. They claim continually that current labelling requirements are not sufficient for consumers to get enough information; therefore, we had the Blewett review and demands for more labelling requirements to inform consumers, saying, 'If we just add a couple more on it will somehow make it less confusing for consumers'. Voluntary certification gives a very clear signal to the marketplace in which other forms—whether the Heart Foundation tick of approval, or the Forest Stewardship Council, which I disagree with but nonetheless recognise as a voluntary form—

Senator COLBECK—We will talk on that another time.

Mr Wilson—We can talk on that another time. All of them are clearly designed to send a message to the marketplace for consumers who value that product. If consumers value that then it is a market driver and so be it. If there really is such a groundswell of support for separately labelled palm oil, I would be going down to my supermarket and finding various different products with this giant red, green or blue—whatever colour—sticker saying 'palm-oil free'. But somehow manufacturers are not seeing consumers driving it.

Senator COLBECK—In a similar way, Cadbury has made a decision on sustainably or ethically sourced cocoa and things of that nature. Where there is a market driver, the consumer makes the decision that it wants to be able to make that choice.

Mr Wilson—Yes.

Senator COLBECK—As I said at the outset, the business has an eye on its market and therefore it responds to that market. So, if there is a driver in the market, it will facilitate and promote the activity by the manufacturer or producer down the line.

Mr Wilson—That is correct, and that is why people choose to participate. Sometimes businesses can be lobbied pretty heavily by various activist groups and can be 'greenmailed'—a phrase that is often used which is an environmental equivalent of 'blackmailed'—to convince businesses that they need to take certain amounts of action, to change their behaviour. Those groups do that through public advocacy about the consequences they perceive associated with the product. That may also drive change in business behaviour because they do not like the adverse attention, but it is also in part driven by what consumers demand.

Senator COLBECK—But, by the same token, this particular mechanism would actually be a tool in that greenmailing process because the identification puts the business in the situation where people could turn up in koala suits, orangutan suits or whatever and stand outside the door, the managing director could ask the purchasing officer, 'How do we get them to go away?', and when the purchasing officer rang up the ENGO and asked them, they could say, 'Sign up to my certification process.'

Mr Wilson—That is true, but at least they have the choice and they are prepared to actually make a decision about whether it is appropriate to inject alternative information into the marketplace that they believe to be factual, that informs consumers. The alternative is mandatory labelling, which just forces them to do something whether or not their consumers demand it or there is any particular benefit associated with. Voluntary certification has its problems too, but at least it gives everybody a certain amount of choice and, if the claims made by different groups are inaccurate, they can be exposed. My experience, and I am sure it is probably true of the senators present, is that once something is in law in terms of food labelling it very rarely gets wound back.

Senator COLBECK—Based on the research you have done—and you have obviously read quite a few papers in relation to palm oil and the current circumstances—if there was a cessation of plantations of palm oil, do you think that land clearing in the jurisdictions that we are talking about, principally Indonesia and Malaysia, would cease?

Mr Wilson—Firstly, I do not accept the premise that it is necessarily the primary driver of deforestation. I think if Australia stopped consuming palm oil it would have very little impact in terms of overall global supply and consumption of palm oil, because it is consumed a lot more in other countries than it is in Australia. I do not think that there would be a change with deforestation because ultimately those people who choose to engage in deforestation in the developing world do not just do it for the plantation of palm oil; they do it for various other purposes—least of all for subsistence farming and for creating communities et cetera.

Senator SIEWERT—Mr Wilson, I want to go back to a question I asked you before. I thought I had missed it in your submission, but I have just been through it again and I have not. You do not actually argue the point that I was asking before and that is what is driving deforestation? You make a very bold statement that palm oil is not responsible for deforestation, poverty is, but you do not go on to provide any justification for that statement and it is not referenced. I have been through your references and I can see one reference from you: *Fair trade, corporate accountability and beyond: experiments in global justice*. I will admit that I did not go and look at that reference but, to me, that seems to be a pretty broad paper. You responded to my question that I was asking by, frankly, saying, ‘You should have read the submission, and I will bundle up all my papers and send them to you if you can’t be bothered looking at the reference list.’ It is not here, so I would appreciate you sending it to me if you could, please—

Mr Wilson—I will.

Senator SIEWERT—because your submission certainly does not argue whether it is linked or delinked; it just makes some pretty bold statements.

Mr Wilson—That is your opinion, Senator, and you are more than entitled to it. I will send you the papers, but I do not think anyone is arguing that Malaysia and Indonesia are not developing countries.

Senator SIEWERT—No. Deforestation occurs in other countries where people are not poor.

Mr Wilson—That is also true.

Senator SIEWERT—So you cannot just automatically make that link. I do acknowledge there are links there, but you have not decoupled. In my mind, your argument that logically delinks deforestation and palm oil is not in this paper, and I do not think anyone argued that it is the sole driver. But your paper here does not argue that. It puts some figures on it and cites a paper, which has since been updated, that actually puts a much higher percentage on the link between deforestation and palm oil than your original figures do. I agree that there are a lot of rubbery figures around there, but I would appreciate anything that you could send us that actually provides some references for the points that you make because, at the moment, they are not there.

Mr Wilson—I am more than happy to, Senator.

Senator XENOPHON—This goes back to the issue of information asymmetry. For instance, has the IPA done any work on the benefits of mandatory labelling versus voluntary labelling of food or on mandatory requirements versus voluntary requirements in industry or commerce generally?

Mr Wilson—Only in terms of looking at specific areas such as fair trade, in my understanding. I can only tell you what has been done in my time that I have worked there and cannot go through the 60 plus year history. In terms of what the consequences are in comparison between mandate labelling and voluntary labelling and looking at whether it is justified.

Senator XENOPHON—Have you done some work on that and can you send it through to us?

Mr Wilson—I am more than happy to send that through to you.

Senator XENOPHON—Sure. In what circumstances do you think mandated labelling is justified?

Mr Wilson—I terms of disclosure for things that relate to health and safety, particularly for instance with peanut allergies, I think it is pretty important to disclose because we know that there is an understandable effect on consumers directly. If peanuts are used in a process it should be disclosed in that regard. There are many similar other types of things. I might be wrong, but I am not aware of anybody having an allergic reaction—apart from a political allergic reaction—to palm oil, or health consequences associated with palm oil directly.

Senator SIEWERT—You have obviously got an opinion on the various success or otherwise of the voluntary process of this and you can take this on notice if it is not something you can do off the top of your head. Which voluntary processes have worked and which have not? I am guessing from comments you made earlier that you do not like the forest one, but there is the Marine Stewardship Council, et cetera. Which ones work and which do not?

Senator BOYCE—There is tuna.

Mr Wilson—There are myriads of them. I am not sure I need to take that on notice because I think you have to define what you consider to be successful. If it communicates to the public the information that the certification standards are being upheld, whether I like it or not has nothing to do with its success.

Senator SIEWERT—I probably phrased that badly. You sounded like you did not think the forest one was that successful, but maybe that was just intimation—

Senator BOYCE—achieving its objective.

Mr Wilson—No that was fair trade more to the point. My concern more broadly with different types of certification stands the basic premise of which they are put forward. Whether they necessarily deal with a problem that actually exists versus trying to lock up businesses and consumers into valuing something that may have a downstream effect on producers at the other end as much as anything else. There are different grounds in which I am not happy, but fair trade I am yet to be convinced on and there is plenty of research to show that it has not been effective. But I also need to break up that different fair trade certification standards apply differently. For instance cocoa is one where there is particular concern about the use of forced labour and I strongly support the principle that we must oppose forced labour at all costs.

Senator XENOPHON—Child labour.

Mr Wilson—Child labour—of course I oppose that. Voluntary certification is a very good way of achieving that but there are other types of palm oil products like the use of coffee beans where most of it is based on certain claims about what was driving cheaper coffee prices in the past in comparison to now. Different standards have different values and are achieving different objectives.

Senator COLBECK—Things have different values in different countries.

Mr Wilson—And different countries, exactly.

CHAIR—Thank you very much. Mr Wilson, we have asked for a number of things. The secretariat will be in contact with you clarifying exacting what we did ask you for because it has come in the middle of evidence, so we will get that to you.

Mr Wilson—Would you like it in hard copy or electronically?

CHAIR—Electronic would be good, we support technology. In terms of process we are due to report on this one on 16 June so there is no immediate urgency in getting it back, but as soon as you can would be very valuable.

Mr Wilson—Of course.

CHAIR—There will be a number of those. Thank you Mr Wilson for your evidence.

Proceedings suspended from 10.20 am to 10.30 am

GRAY, Ms Jennifer Helen, Chief Executive Officer, Zoos Victoria

HUNT, Ms Susan Jane, Chief Executive Officer, Zoological Parks Authority (Perth Zoo)

KERR, Mr Cameron, Director and Chief Executive Officer, Taronga Conservation Society Australia (Taronga Zoo)

NICOLOSI, Miss Chloe Janice, Private capacity

CHAIR—I welcome you to today's hearing. As I said earlier, information on parliamentary privilege and protection of witnesses is available. Also, my understanding is that the visual presentation you are providing to us will be provided to Hansard as well so we will be able to have it on record. We have submissions from Zoos Victoria, Perth Zoo, Taronga Zoological Park and Taronga Conservation Society. Would you like to make opening statements?

Ms Gray—Thank you for the opportunity to give evidence in this important draft legislation. As zoos, our core business is all about animals. We work with animals, we are passionate about animals, and we are committed to a future that includes animals in the wild. To contemplate a world without elephants and tigers and orangutans is just inconceivable. It would be a great tragedy, and some would even say possibly a great evil, if the only place these animals exist in the future was in our zoos. To ensure that that does not happen, we work with many different species. In support of recovery programs we breed threatened species for release back into the wild. And collectively, as zoos around the world, we act as an ark for many endangered species. We also work in the wild to protect habitat and to help communities to secure the future of their wildlife. And we have a role to play in our community in Australia in helping and empowering people to take decisions that reduce their impact on wild places, wild animals and habitats, both here in Australia and in biodiversity hotspots around the world.

We have an obligation as zoos to work with a whole range of different stakeholders and interested people in a range of different ways to ensure that the amazing animals that share our planet have a fighting chance against the impact of seven billion humans.

We are here today because one of our actions is contributing in some way to the destruction of habitat of elephants, tigers and orangutans. Our insatiable desire for cheap palm oil is the problem. Palm oil is in our food and in our cosmetics and there is a clear link between its production and the destruction of rainforest habitat. Once we understand that our behaviour is contributing to such a serious problem we are compelled to act on that understanding. But we are parloous to act if we do not have access to information. The Don't Palm Us Off campaign asked Food Standards Australia New Zealand to label palm oil. We have done this because the act's section 3(c) requires the provision of adequate information relating to food to enable consumers to make informed choices.

We were not the first to ask Food Standards to label palm oil. In 2006 Mrs Amanda Enright asked Food Standards to change their provisions and to label palm oil. They declined. Food Standards believe that making a provision for mandatory palm oil labelling would be beyond the scope of their act. They interpret their act as relating only to the supply, quality and safety of food. They believe it is not within their mandate to label palm oil. So over the past 18 months we set out to show that Australian consumers care that palm oil is linked to habitat destruction. They care that their food choices are driving this process and they would like adequate information to make an informed choice.

In developing Don't Palm Us Off, we studied the broader economic and social issues surrounding palm oil. We have always been very clear: this campaign is not a boycott of palm oil. In fact, we have no issue with palm oil per se. It is a good crop that can alleviate poverty when it is produced in a responsible way. In the main, however, it is not produced in a responsible way and so people in wildlife and producer countries suffer from loss of habitat and poor air quality from burning forests and peat lands.

There is an alternative—certified, sustainable palm oil that is administered by the Roundtable on Sustainable Palm Oil. It is a better way of producing palm oil that has environmental and social safeguards. The tragedy is that it is not all used, that there is insufficient takeup of the higher priced product globally. As consumers we have the ability to create a market for this type of palm oil but we can only do that if we know which products contain palm oil. We can only do that if palm oil is labelled. I would like to play the advert that we ran.

A DVD was then shown—

Ms Gray—Given the opportunity provided by this advert, 163,917 Australian consumers responded to this campaign—163,917 Australian consumers have asked the Australian government to legislate for mandatory palm oil labelling. In the boxes across the hall you will see cards that have been filled in and signed by the community. That is about a third of the responses that we have received to this call. It is a third of the number of people who would like to have palm oil labelled.

These 163,917 Australians are not a homogeneous group of people. They are from different backgrounds and different life circumstances and they are all motivated by different things. Some are motivated by health—the health of themselves and the health of their loved ones. Some care about wildlife and some really just want proper information to make a proper decision. But they all have one thing in common. They buy food product and right now they do not believe they have the ability to make an informed choice when it comes to palm oil. The best tool consumers have to make an informed choice in buying food is the label. The label is not there to make it easy for industry or government or anyone else. The food label is there to give consumers the information they want to make their decision about the food that they buy. They have made their voice very clear. They want Food Standards Australia New Zealand to introduce mandatory palm oil labelling so they can make their decision. This is not an unreasonable request. The Australian government independent review of food labelling has even recommended that palm oil be labelled.

Zoos Victoria, Taronga Zoo and Perth Zoo are here today on behalf of those 163,917 Australian consumers who signed these cards to ask you to please make palm oil labelling the mandate of Food Standards Australia New Zealand. Over the two days of hearings you are going to hear evidence of the links between habitat destruction and the production of palm oil. You will see real, disturbing footage of the impact on orangutans and other animals. You will hear about how labelling can make a difference. You will hear from food manufacturers who would like to do the right thing but find that they cannot secure sources of certified sustainable palm oil. You will hear from those who would like to continue to make a profit from an unsustainable cheap source at the expense of valuable habitat. You will hear from industry groups and Food Standards that it is too hard, that labelling palm oil is opening a Pandora's box and is a slippery slope and it is not their role.

But when you have heard from everyone you are going to have to make a decision. And the decision is not whether palm oil is good or bad or if labelling will really save a lot of orangutans but the Australian consumer wants adequate information to make an informed choice. And I hope when you consider all the voices you have heard over these three days one will stay with you.

I would like you to hear from Chloe. Chloe is 13 years old and from Ivanhoe. She saw the advert and has become one of the strongest supporters of this issue. She hates the thought that the food she eats could result in the destruction of orangutans. She cares so much that with the help of her grandfather, Chloe has spent the last two years taking her little car to festivals around Victoria with a billboard asking people if they want palm oil labelled. She is so passionate that everyone she comes into contact with is inspired to act. Her school, her friends, her family and her community have all sent in postcards asking for palm oil to be labelled. I would like to leave my last word to Chloe.

Miss Nicolosi—My name is Chloe and I would like to grow up in a world where I can see orangutans in the wild and where they are not just known in zoos. I know hundreds of people who would agree with me because I have got a lot of people to sign petitions at my school. The moment I tell them what is actually happening they open up and you have the power to change this, you have the power to save thousands of orangutans yearly. And a lot of people agree that they want palm oil labelled in products. And since we cannot you should, and I think I speak for so many people when I say I want the choice.

CHAIR—Thank you for coming, Chloe. We might ask you to speak again later if you want to say something on record.

Ms Hunt—Thank you for the opportunity to speak this morning. As my colleague Jenny Gray has indicated, zoos in Australia are an important community voice for conservation. There are over 15 million visitors per year to Australian zoos. Globally too zoos are a strong and emerging vehicle which actually reflects the public's commitment to conservation. Across the world we have around 700 million visitors to good zoos, members of the World Zoo Association.

In Western Australia, Perth Zoo has been involved in the conservation of critically endangered Sumatran orangutans for over 40 years. We hold one of the world's largest breeding colonies of Sumatran orangutans and in partnership with the Indonesian government and other conservation partners we are involved in habitat protection and species conservation projects in Java and Sumatra. Our work focuses on the unique Bukit

Tigapuluh National Park and the ecosystem surrounding it. It is home to a reintroduced population of critically endangered Sumatran orangutans as well as Sumatran tigers, elephants and other species.

Slides were then shown—

The slide presentation which you see here shows images which I have taken, and which my colleagues on the ground have taken, in Sumatra in Bukit Tigapuluh showing the habitat and the reintroduction program in action which we are involved with. There are shots of Temara, the orangutan born at Perth Zoo and reintroduced into the wild in 2006. She was reintroduced in 2006 and we are planning to put another of our orangutan back into the reintroduction program later this year.

The slide also shows some of the impacts surrounding the ecosystem of Bukit Tigapuluh. It also shows some of our staff working on the ground and some of the camera traps which reflect the extent of wildlife in that ecosystem.

The reintroduction program itself at Bukit Tigapuluh is world leading. It is run through the Frankfurt Zoological Society working in partnership with the Indonesian government—it is an Indonesian government endorsed program. Its aim is to reintroduce orangutans into an area where orangutans used to live and are now extinct as a result of previous colonisation of the area. It is setting up a backup population to the very few fragmented populations in Aceh province. It is in West Sumatra in Jambi province. The program is endorsed, as I said, by the Indonesian government, the IUCN and the World Association of Zoos and Aquariums, and in 2010 it won the 2010 in situ conservation prize for the Association of Zoos and Aquariums.

To date, 120 rescued and orphaned orangutans have been reintroduced into Bukit Tigapuluh. You can see there Dr Peter Pratje, who is the program director. Many of the animals themselves are victims of the devastating forest clearing which has occurred throughout Sumatra as a result of forest clearing for pulp and paper and then for unsustainable palm oil plantation. It is very clear working on the ground that forest clearing and forest protection is an extremely complex situation. I hear this time and time again from colleagues working on the ground and I have experienced it myself working in Indonesia.

We have a letter of agreement with the Indonesian government—between the Western Australian government and the ministry of forestry in Indonesia. I signed off with the director of biodiversity and forestry protection in Indonesia. It is very clear that it is a very complex situation. At the highest levels the Indonesian government is committed to manage forest protection, but this is really against a tide of industry which appears to have little regard for forests or wildlife.

Five zoos in Australasia are funding programs at Bukit Tigapuluh. That includes the orangutan program as well as elephant-human conflict mitigation, forestry protection and a number of other initiatives—and education programs as well. They are Perth Zoo, Australia Zoo, Taronga Zoo, Auckland Zoo and Dreamworld. All of the money from Perth Zoo that goes into this program comes from donations from the public. I make that very clear: these are public donations. We do not use government appropriation for any of our fundraising at Bukit Tigapuluh. You can tell from that that there is a very keen link between Australian zoo visitors and their commitment to wildlife in Indonesia.

Since we have founded our wildlife conservation fund, half a million dollars has gone to wildlife protection units, the establishment of the sanctuary, a ranger post and infrastructure to prevent illegal logging and protect the national park where the orangutans are being released. Our staff on the ground provide specialist care for the orangutans. They train local people. They also assist the orangutans that are so damaged as a result of being torn from their mums in the jungle as a result of deforestation. They assist in training the orangutans to learn the forest skills so they can survive in the wild. Whilst the Bukit Tigapuluh park and orangutan reintroduction area is presently a protected area, those orangutans are a direct result of the destruction of forests in Sumatra. There is actually nowhere else for them to go.

The field and documentary evidence are really clear that forest clearing for pulp and paper and for planting of palm oil is having a devastating impact on wildlife. I am very happy to provide evidence of field workers on the ground, Dr Ian Singleton and Dr Peter Pratje, who are working on the conservation projects that I am talking about today.

As reported in the 2007 United Nations environmental program report *The last stand of the orangutan, state of emergency*, and I will quote direct from it—I am sure you will have access to this report:

The rapid increase in plantation anchorages is one of the greatest threats to orangutans and the forest on which they depend. In Malaysia and Indonesia it is now the primary cause of permanent rainforest loss. The huge demand for this versatile product makes it very difficult to curb the spread of plantations. Palms tend to be planted on newly cleared forest

land rather than abandoned agricultural land despite the availability of large amounts of suitable cleared areas. Between 1967 and 2000, the total oil palm area in Indonesia grew from less than 2,000 square kilometres to over 30,000 square kilometres. The demand for palm oil is expected to double this area by 2020.

So this massive destruction is happening in our lifetime and on our watch, and as someone working on the ground, it is too urgent for us to do nothing, we just have to act. We have the custodianship of these animals in our zoos, and we must act as more than zoos—we need to actually get in there and make a difference. Again to quote briefly from the report:

The rapid rate of removal of food trees, the killing of orangutans displaced by logging and plantation development, the fragmentation of remaining intact forest constitutes a conservation emergency. Orangutan survival is seriously endangered by illegal logging, forest fires including those associated with the rapid spread of palm oil plantations, illegal hunting, and trade.

Importantly, the report also noted the driving forces are not impoverished farmers but what appears to be well-organised companies with heavy machinery and strong international links to the global markets. And you will see some of those trucks coming out of an adjoining area of Bukit Tigapuluh 24 hours a day, and I was there.

The report notes:

Given the extent and severity of the intrusions into protected areas and the international involvement in timber and land from the reserves, the situation must be characterised as a state of emergency.

This UN review shows that the responsibility for the situation, including the massive pollution and greenhouse gases generated from burning of forest is shared by Indonesia and consumer countries. Protected areas are being destroyed to feed an international market for wood products and vegetable oil. Reducing the rate of deforestation over Indonesia as a whole:

... will also have a dramatic impact on regional carbon dioxide emissions and thus help to prevent dangerous levels of global climate change. The Indonesian initiatives to strengthen protection of their parks therefore urgently need substantial support from the international community—

that is, us—

if orangutan habitats and national parks are to be rescued from this growing state of emergency.

So in summary, zoos have become a conduit for public feeling on this issue, so as CEOs of the three major zoos in Australia we feel compelled to ensure the government is informed about what our visitors and many other Australians are saying, what international reports, our staff and our overseas partners working in the field are reporting. This proposed labelling initiative is one way in which people can make decisions about purchasing, and will also send a message to companies involved with clearing forests and creating unsustainable palm oil plantations. It will also support Indonesian efforts, and the government efforts, to manage the protection of their forests by addressing the issue of external demand. And I also hope it has some impact on other countries. We are increasingly working in Papua New Guinea, and we are seeing a trend that some of these companies are moving into that area as well. So I hope that by Australia taking this position other jurisdictions and other governments will take this step to protect forests and wildlife for the future. Thank you.

Mr Kerr—Firstly I would like to highlight for the committee a couple of the key facts that we have gone through. To start with, Ms Gray noted that the Food Labelling Australia New Zealand Act specifically articulates the requirement for the provision of adequate information for consumers to make an informed choice; that is what a lot of the discussion should be made about today. Based on the feedback of over 160,000 people, Ms Grey has demonstrated that Australian consumers do want palm oil content clearly labelled. Thirdly, she noted our own federal government's labelling review tabled in just January this year; it also cites that palm oil and other oils should be specifically labelled.

Ms Hunt has also provided first-hand accounts of the impacts of land clearing for palm oil production. She has pointed to a UN report of 2007 which identifies a state of emergency for the survival of orangutans. She has also pointed out in the same UN report that in Indonesia in the palm oil area will need to double by 2020 based on current demand. Finally, she has noted also that the Indonesian government's own figures show that illegal clearing occurs in the national parks.

The reason I put that forward is that we want to base this on facts, and the evidence of the UN, the Indonesian government's own illegal clearing figures, the voice of 160,000 Australian consumers, our own federal government inquiry—if this is not enough evidence to support the bill then perhaps I should share some more very recent evidence with you. That is evidence from the World Bank, a respected organisation,

whose objective is to work in developing nations. In 2009 following a complaint over suspect practices by a large palm oil producer, World Bank's investment banking arm, the International Finance Corporation, issued a complete moratorium on all lending to palm oil companies. That is a very significant decision for the World Bank to make.

Senator BOYCE—In Indonesia or generally?

Mr Kerr—My understanding is all lending to palm oil companies, and their involvement ranges from the African continent right through Southeast Asia.

Senator SIEWERT—You say it is your understanding. Could you double-check for us if it is all companies?

Mr Kerr—I will check that. Over the 18 months the World Bank reviewed the palm oil sector. The review included employment, income generation, poverty reduction and environmental impacts involving the sector's role as a driver for deforestation. These are all the issues that I understand the committee is tackling. As we would expect, the review was very comprehensive. It involved over 2,500 stakeholders across 30 countries, with the aim to place the palm oil sector on a more sustainable footing. They recognise the importance of palm oil and they see they play a role in making sure it is sustainable in the long term.

In April 2011, this month, the World Bank has released its strategy for engagement in the palm oil sector and it sets down some rigorous guidelines. I can provide the committee with that report, which may be useful. No-one is questioning the value of palm oil plantations, including the World Bank. In this most recent report the World Bank also predicts palm oil production will need to more than double by 2020, supporting what Ms Hunt mentioned earlier from the earlier UN review. This is a very dynamic and rapidly expanding industry. The World Bank's re-engagement in the sector is based on absolute commitment to avoid critical habitat loss through a sophisticated set of safeguards. The report states that the IFC would not support any palm oil project that would convert undisturbed primary tropical rainforest. Most importantly, it goes on to say, and this is very relevant for the committee and ourselves: 'Other actors in the supply chain, including buyers, processes and retailers, can also be effective in encouraging oil palm growers to adopt more robust standards.'

Senator COLBECK—So this latest report is saying that they are re-engaging with the industry?

Mr Kerr—That is right. As of April this year they are re-engaging with the industry with a very well-defined framework for re-engagement. One of the conditions for that is that they will only lend to companies that are working towards sustainable planting.

Senator BOYCE—Are they confining that to the roundtable?

Mr Kerr—They are using that as one method. That is the key organisation that they talk about supporting in this program. Can I bring to the committee's attention that what the World Bank is really saying is, 'We have implemented within our sphere of influence, that is providing funding for the palm oil industry with guidelines. It now requires other actors to play their role in the supply chain.' I put to the committee that I think we are all actors in this process.

It would be safe to say that consumers in developed countries like Australia have an expectation that our corporations have a CSR framework in place. Having palm oil clearly labelled provides a level playing field for all food manufacturers, whether they choose to use sustainable palm oil or not. Without labelling there is no incentive for recognition of those manufacturers who have CSR frameworks in place who choose to buy sustainable palm oil. A good example of this already is the company Woolworths, which I am sure you will hear from during this inquiry. In 2010 they announced their commitment to moving to RSPO certified palm oil by 2015, and on all their private labels as well as on pack labelling. But even with their buying power Woolworths currently struggle to source enough certified palm oil in the use of their products. This is a question that obviously the committee has debated already.

It is quite clear from the previous speaker today, if we believe in the free market, that we will see an increased demand for sustainable palm oil and that that will increase supply through production. The market does respond to supply if it is well informed. So why do we need to legislate? It is a simple across-the-board measure. It establishes a level playing field across the industry and allows consumers in our country to make a choice.

I have something that I would like to share with the committee. Can I put on the record that we have used this just as a simple example of a label but, having spent over 10 years in fast-moving consumer goods, in product marketing and management, I clearly understand the implications of labelling and the consequences of

that. I would put forward to the committee from my own experiences that this would not be a big ask of FMCG companies.

CHAIR—The committee accepts that as a tabled document, so you can just pass it over.

Mr Kerr—Okay. As seen in the handout that you will see later, this labelling proposal is not onerous on manufacturers; it simply requires the labels to distinguish between palm oil and other vegetable oils. In the Taronga submission, we identify that that is already the case for some other oils, as was mentioned this morning.

If we move back to informed choice, earlier there was mention of the preference of over 160,000 people for truth in labelling. There is further evidence of consumer preference and informed choice. In research led by Professor Jill Klein from Melbourne University's business school last year, it was clearly established that consumers' ability to determine whether a product contained palm oil or not was a lead driver in product choice. Again, it is about labelling providing information for choice.

I would now like to turn to the impact of deforestation for palm oil plantations on orangutans. Some of the critics have questioned the overall number of orangutans. That point was made this morning. Let us again refer to the facts. Why don't we use the IUCN, the world's peak conservation body? There has been an estimated decline of orangutan of well over 50 per cent in the last 60 years. The decline of the species is predicted to continue at this rate, primarily because of forest lost due to conversion of forest to agricultural use and due to fires. Palm oil is one of the agricultural uses.

So the question is not about the number of orangutans dying per annum or per week; it is surely about the risk of a species that is about to go to extinction—and more than one a week is too many. Critics have argued that oranges are not affected by forest clearing for palm oil. I draw your attention to some footage taken in the Indonesian province of Kalimantan which will provide a sense of the impacts. This footage was taken by the founder of the Centre for Orangutan Protection and it is of land being cleared for palm oil production. It shows the clearing process, with some fairly sophisticated equipment, and an orangutan trying to move through a partially cleared area.

A PowerPoint presentation was then given—

Senator SIEWERT—When was that taken?

Mr Kerr—I have been told it was taken in Kalimantan in 2007 by the leader of the Centre for Orangutan Protection, Hardi Baktiantoro.

I would like to conclude on that point and say that it is abundantly clear from the evidence cited this morning that conservation and economics can no longer remain in silos. The IUCN currently assesses that we are escalating into a biodiversity crisis, with species extinctions continuing at up to a thousand times the normal rate. Across Indonesia and Malaysia, this does not just impact on orangutans; it impacts on a wide range of species. With exploding demand for palm oil, the World Bank has acted decisively to put it on a more sustainable footing. Now all of us in this room can do our bit in Australia to support sustainable production by adopting the truth-in-labelling legislation. We believe it is a responsibility for us to act. Thank you.

Senator XENOPHON—Thank you to all of you for your submissions and the effort you have put into this. I will go to you, Ms Gray, although I am happy for Ms Hunt and Mr Kerr to comment as well. Through the office of the Malaysian high commissioner, the Ministry of Plantation Industries and Commodities provided a submission on behalf of the Malaysian government in which a number of claims were made. I am not sure whether you have had an opportunity to read that submission in relation to this matter.

Ms Gray—I glanced through it.

Senator XENOPHON—A fair summary of the Malaysian government's submission is that palm oil is sustainable and that the introduction of land development schemes under the Federal Land Development Authority has been recognised by the UN and the World Bank as a model for poverty eradication. You may want to take this question on notice; it may be the most appropriate thing to do. The Malaysian government made a number of specific allegations and assertions in its submission and you may want to look at those and reference them to the work you have done. I would be grateful if you could take it on notice rather than going through them at this stage. Mr Kerr, is it your understanding that the World Bank is saying that palm oil production is inconsistent with the eradication of poverty, given its long-term effects?

Mr Kerr—The World Bank clearly identifies its role as being to reduce poverty in developing nations, and I will provide the committee with its report. It has identified a framework for supporting the palm oil industry,

which identifies engagement with small landholders and forming techniques for group certification of small landholders so that they can also be a part of moving to sustainable palm oil. Personally, I have worked in the agricultural industry and been involved in Indonesia and have seen work on the ground there. I know that, once you get engagement with the local community in agricultural intensification, it creates a dialogue and it improves the opportunity for them to be more productive and move. So the World Bank and organisations like Solidaridad, which has established itself in Indonesia, will engage with the communities and small village farmers and that will create a dialogue. They will gain certification. They will also learn about improving their yields. The yields range from up to seven tonnes per hectare for a very sophisticated producer down to under a tonne per hectare for a small village farmer. It is all about agricultural techniques and this engagement will certainly balance out the playing field somewhat. The World Bank looks at that very comprehensively.

Senator XENOPHON—Essentially, while the arguments of the Malaysian government and the industry groups are that this will be negative for economic development, from the work that you have done on this you are saying it will do the opposite?

Mr Kerr—The World Bank certainly believes that it can benefit small growers by engaging and developing certification systems for palm oil. It is quite clear that that is the strategy and the conclusion it has come to from its stakeholder analysis.

Senator XENOPHON—I think that report has been tabled and it will be part of the evidence.

Senator BOYCE—Part of the evidence that we received yesterday from the Malaysian council and ministry was that, whilst a lot of the small palm oil farmers farm sustainably, the cost and the expertise required to become certified was beyond them. Would you like to comment on that?

Mr Kerr—The World Bank, which have done this review—and I am not an expert—identify that as an important part of the process and they are putting frameworks in place. They have increased the number of on-ground staff so they can form a system for certification for small growers to, again, create a more level playing field. My personal belief is that the more they engage with experts the better it will be for them because of the information sharing on agricultural practices.

Senator XENOPHON—Essentially, what you are all saying is that it is a question of informed choice for consumers? We heard from Mr Wilson, of the IPA, that all of these claims about the orangutans having only 10 years left are exaggerated. Essentially, you stand by that and there is sufficient evidence. Can you run through the evidence. You say it is very clear, but some critics say these claims cannot be substantiated.

Ms Hunt—It is very complex on the ground. As Cameron mentioned, the variety of evidence you get on the ground is different, because it is a constantly moving situation. I am only talking about Sumatran orangutan, not the Bornean situation. What I hear on the ground from people actually rescuing orangutans is that it is irrefutable. These animals are constantly coming in. That is why we need to have a Bukit Tigapuluh, because there is nowhere else for them to go in Sumatra.

Senator SIEWERT—Could we explore this link? I think there is plenty of evidence to link deforestation and orangutan extinction. The distinction that was being brought yesterday, certainly by the Malaysian council, was that the link between deforestation and palm oil plantations is not proven in Malaysia. We have not had evidence from the Indonesian government, so I am not so clear on the situation there. What the Malaysian council are saying is that, yes, there is deforestation and logging going on, but that is controlled by a different agency in Malaysia. They say that palm oil plantations are another agency and that to draw the links is not accurate—deforestation and palm oil plantations are totally separate. They have got a logging industry that is approved. We talked about illegal logging separately. But this is approved. Then you have cleared land and you have to do something with it. While people make the link, they are saying there is not a link and it is not the driving force. Would all of you or any of you like to comment on that?

Ms Hunt—From the example in Sumatra, where we have worked for some time, they are inextricably bound. The evidence that we hear on the ground is that people are brought from other areas of Indonesia into Sumatra and encouraged to settle around national parks, in particular, where there are a lot of a very desirable plantations. Again, this is what I am hearing on the ground; it is not documented, because it is complex. They are being encouraged to do so. The logging for pulp and paper is often on logging concessions, but those concessions are up for negotiation often, as to whether or not they will be reforested for habitat for wildlife. Between jurisdictions, between the national government, the regional governments and the local governments, there is a lot of complexity over who settles where. Anecdotally, from people actually on the ground, we are told that, once the area is logged, they are being encouraged to plant palm oil plantations. Then the same

companies which I think are already cited in these reports—APP and Sinar Mas—those large non-Indonesian companies but with Indonesian interests—

Senator XENOPHON—Asia Pulp and Paper?

Ms Hunt—Yes, Asia Pulp and Paper and Sinar Mas come in and they are involved with both sides of industry. That is what I am hearing very clearly on the ground. Surrounding the area of Bukit Tigapuluh it is certainly the case, and I have given international papers on that to the world zoo association, which I can table as well if that is useful.

Senator SIEWERT—That would be much appreciated.

Ms Hunt—I will table that. It has already been published.

Senator XENOPHON—One of the issues is that there is an assertion that there is no link between deforestation and palm oil production and—

Senator COLBECK—That was made in the Malaysian context, though, and that is a clear distinction that I think we need to be considering as part of this overall process. Your submission has very much focused on Sumatra. We were given some maps yesterday that give us an indication of deforestation over a period of time from 1932 to 2000, although we did ask some questions about the origins of some of that. I think the distinction between the two different jurisdictions is something that we need to be cautious of as part of this process. It is clear that your evidence is very much focused on Sumatra.

Ms Hunt—Mine is? The broader issue—

Senator COLBECK—I have tried to listen pretty carefully, and it appears to me that way, although the World Bank stuff, I acknowledge, has a more global perspective. But predominantly the evidence that you have presented today has been in relation to Sumatra, which is your experience, and so I accept that.

Senator SIEWERT—I am just wondering around the issues around Kalimantan and if we have got further information around the link between deforestation and palm oil production or if anybody has got any other experience—for example, in Malaysia.

Ms Hunt—The Centre for Orangutan Protection, whose video we saw, work predominantly in Borneo. I have met with them a couple of times as part of my work, and they clearly make that link. Again, I think you have some further community groups this afternoon that may make those submissions.

Senator XENOPHON—Can I just follow through on that. In terms of you giving evidence in relation to illegal logging and illegal land clearing in Indonesia, do you have similar concerns in Malaysia or is your primary concern about Indonesia, further to Senator Colbeck's question earlier?

Mr Kerr—I would be surprised if there were no illegal logging in Malaysia, but I do not have evidence one way or the other to support that.

Senator COLBECK—The council conceded yesterday said there was some—

Senator BOYCE—They considered there was criminal logging going on.

Senator COLBECK—They were not happy about it, but they conceded that it would occur.

Senator BOYCE—They certainly were not giving us the impression that they allow it to happen.

Senator XENOPHON—It is also a question of enforcement.

Mr Kerr—Certainly, based on my observations in Indonesia, the big challenge for a lot of the funding that the zoos do, us included, is that it is privately funded from donors—in Australia, largely, or America as well in our case—to support rangers, because the government does not have the funds to police national parks. The key issue for us in three of the national parks that we work closely with is what they term 'encroachment'. I have an annual report from the Indonesian rhino association, which protects the 200 of these rhinos left on the planet in these national parks, and it contains very clear pictures of encroachment and of them now deforesting areas, clearing villages. People have come across from Java and they set up on national parkland, clear the land and then start farming. So there are examples of illegal—

Senator COLBECK—I was going to ask about the national parks. You talked about the logging of national parks. That would not be state sanctioned, I presume; that would be illegal logging.

Ms Hunt—In fact, I did mention and I will reiterate that the Indonesian government—I work quite closely with them; we are actually discussing an MOU between governments on the protection of habitat in Bukit Tigapuluh and working in Java as well—have a strong commitment to this issue and they want assistance.

When I was over there a couple of years ago meeting with the director of biodiversity conservation, he said, 'We don't need one Perth Zoo; we need a hundred Perth Zoos to protect habitat, to work with us.' We have the expertise in husbandry to assist with reintroduction programs. As Cameron mentioned, they do not have the resources. NGOs do a lot of work on the ground. They need assistance from the developing world. The public love the animals. We have a commitment, in holding them in our zoos, to make the difference on the ground.

Ms Gray—Could I comment on how palm oil expansion will affect biodiversity, which I think is a question that has sort of been asked as well. I have here a paper done by the Zoological Society of London and various universities and I will hand that over as well. They identify, through a literature review, that only about one per cent of papers written about palm oil actually handle the question of biodiversity in palm oil plantations after the palms have been planted, compared to forest habitat, and they show evidence of significant decline across both diversity and number of species, with the real growth being in rats and ants. So, within the plantations, there is vastly reduced biodiversity and what is in the plantations is largely on the fringes, moving backwards and forwards between them and the forests. To supplement that, the orangutan sanctuary in Kinabatan is now starting to do research into biodiversity in cross-sections. That is still very early days. There is not a lot of information, but this is one paper that tries to address that issue.

CHAIR—Senator Colbeck?

Senator COLBECK—I was just going to make a grumpy statement about, in Australia, being pushed into plantations rather than native forest industries, but it is a different issue altogether. But I agree with what you are saying—that the biodiversity in a native forest setting is much better preserved—

Ms Gray—Absolutely.

Senator COLBECK—than it is in a plantation context, in any form of plantation.

Senator XENOPHON—Can I put to all of you the argument put by the Australian Food and Grocery Council—which represents big, generally multinational, food producers—and from FSANZ, although they have a different perspective. They say, 'You can't do this bill because New Zealand has to be part of it.' But FSANZ did not have an issue from a technical point of view about the information as to which products have got palm oil in them and, of those that have palm oil, which have certified sustainable palm oil. What is your understanding as to which products have what in them at the moment? Is there an information asymmetry between what is being manufactured and what consumers have? And if we got rid of that information asymmetry, at the very least that being publicly and clearly available, what would that do to consumer choice?

Ms Gray—I think we would have to respond yes, there clearly is an asymmetry. Palm oil is not labelled in any consistent way. It is largely labelled as vegetable oil, and then there is a raft of different terminologies that are all complex and hard to understand—certainly you would not understand them easily. We ran some trials and we have an executive summary on the work done by the University of Melbourne Business School. That is still being written up. When given the choice between palm oil being labelled on the back of a product, just as 'palm oil,' and a big label stuck on the front, saying, 'no palm oil contained in this product' or even a list next to the products saying which products had and which did not have palm oil, people were, at a significant level, more likely to choose the product without the palm oil in it. So, once that asymmetry is addressed, people do vote with their choice.

Senator COLBECK—Which is the most effective?

Ms Gray—The second two are equally effective.

Senator BOYCE—The one on the front?

Ms Gray—The big sticker and a list were equal; but even for just the label on the back, people would turn it over and have a look.

Senator XENOPHON—Is this a draft document from the Melbourne business school?

Ms Gray—I have a one-page summary, but we do not have the draft document here.

Senator XENOPHON—How close is that to being finalised?

Ms Gray—We could chase that up with them.

Senator XENOPHON—Even if a draft could be used for the committee's deliberations that would be useful.

Senator COLBECK—Does that study include any information on what people say when they are asked in a survey versus what they do when they go to buy a product? I will give you a specific example that goes to

labelling and to country of origin labelling. I have debated this ad nauseam with my local vegetable growers. If you ask people what they want with respect to country of origin labelling, 90 per cent will tell you that they want to know the country of origin. When they go to the supermarket shelf to buy stuff, 10 per cent will buy based on country of origin. So what they say in a survey and what they do at the supermarket shelf is directly inverse. That is quite clearly documented; in fact, even the vegetable industry's own research shows that. Does this work actually give any indication as to real behaviour versus stated intent?

Ms Gray—In fairness, this is behaviour that is observed, but it is a once-off in situ. It does not track them over time to see what their consumer behaviour would be after the point of leaving the zoo. It was at a point where they could pick up from a range of free products—they could pick up one and they then had a choice that they exercised.

Senator COLBECK—So with a message clear in their mind, they then make a purchase decision?

Ms Gray—No, it was run in a number of scenarios. One point was where they had had no previous information and one was after they had been through the orangutan sanctuary and had been exposed to some of the messaging around orangutans and palm oil.

Mr Kerr—I can give the committee a little bit of feedback on that. I was talking to a researcher at ACNielsen about this just last week. We were actually talking about sustainable seafood, so it was not exactly the same topic. In principle he was saying that in their experience—and they are a very big research organisation—price is a key driver in the purchase decision in the supermarket but there are a repertoire of other decisions and it depends on the personality type as to how sensitive they are to price. If there is a huge premium then they may default to price only; if there is a small premium they may not.

One of the key elements we are arguing for here is that at first it is all about just saying, 'There is palm oil in the product.' Certification and promotional labelling after that is the choice of the industry as to what they want to do, if they want to promote it. At the moment if a company chooses to pay more and use sustainable palm oil sources they are paying a premium. And if they promote that on pack, someone else could say, 'All right, we'll just leave palm oil off our label.' So it is not a level playing field for those companies that are choosing to be corporately socially responsible. In Australia as a developed nation that is something that we believe we should be encouraging, if legislation is required to do that.

Senator XENOPHON—At the moment consumers do not know what has palm oil in it and whether it is certified and sustainable. Is that right?

Mr Kerr—Unless it is labelled.

Senator XENOPHON—Consumers have some idea about some products. Is that through individual testing or not?

Ms Gray—If the manufacturer declares it, then that is what we have used.

Ms Hunt—Some have done, voluntarily.

Senator XENOPHON—If it is not declared how can you tell, short of testing it?

Ms Gray—They declare when it is not in.

Senator XENOPHON—But if a product does contain it, is there any way consumers can find out short of independent testing of that product?

Ms Gray—No.

Senator XENOPHON—Can independent testing tell you? It is a very expensive process.

Ms Gray—I asked that earlier on in this campaign and it came back as not being clear. We could run a whole range of products through a university lab and it would tell us whether or not they had palm oil in it. That would be an incredibly difficult process. There would have to be voluntary disclosure for us to know what products contain it.

Senator XENOPHON—But currently consumers are being kept in the dark as to what has palm oil in it and what does not, unless they say it is without any palm oil?

Ms Gray—Unless it is labelled as one of the various names that is used to label palm oil. Unless it is labelled or voluntarily disclosed as not being in there. That is how we would know.

Senator XENOPHON—Mr Kerr, you made a very interesting point in your submission by referring to the food standards code 1.2.4, and you emphasised 'ingredients must be declared in the statement of ingredients

using (a) the common name of the ingredient or a name that describes the true nature of the ingredient.’ So are you saying that Food Standards Australia New Zealand is not fulfilling its statutory obligation?

Mr Kerr—That is not our argument. We were using that as an example that there are other products that are being correctly identified and our argument is: why can’t we include palm oil in that repertoire?

Senator XENOPHON—So it would be entirely consistent with the current food standards for palm oil to be specifically labelled?

Senator COLBECK—If you want to read one clause without the rest.

Senator BOYCE—Health and safety.

Senator COLBECK—It is easy to take one clause or something out of an entire act and say, ‘This is the one.’ They have to be really careful.

Senator XENOPHON—It is an alternative, though. It would still be open for that action to be taken.

Mr Kerr—Could I also point the committee to a report by the federal government on labelling. I do have a copy here. One of the recommendations actually identifies palm oil and uses it as an example.

Senator BOYCE—Is that the Blewett report? That has been referred to a number of times.

CHAIR—It is compulsory reading for the committee.

Senator SIEWERT—This is not just about whether or not a product has palm oil in it, because you have already said you are not opposed to palm oil. What it is about is driving sustainable palm oil. What we want on the front of the label is something to let people know whether it is sustainable, because whether it has palm oil in it is not what the campaign is about, is it?

Senator COLBECK—It is, until you get something in place.

Senator SIEWERT—Until there is a sustainable process.

Senator COLBECK—If the market takes it up.

Ms Gray—Once it is labelled on the back, our belief is that manufacturers will then step up and say, ‘I am now buying it from a sustainable source. I will now label on the front that it is sustainably sourced.’ Until it is labelled mandatorily on the back, it is left to the goodwill of the organisation, their ability to secure it—which is often complex—their ability to work with small producers and all of those kinds of things, which are barriers for them. Once it is labelled on the back and the consumers start flexing some muscle around this, I think the manufacturers will start declaring that it comes from a sustainable source. We have seen this happen with other products.

Senator SIEWERT—Is it all right if we go to the supply issue, because—

Senator BOYCE—I would like your views on the RSPO, the roundtable on sustainable palm oil. Are you happy with their criteria?

Ms Gray—I think at the current point in time it is the best available.

Mr Kerr—And the World Bank—

Senator BOYCE—The World Bank are supporting it. That was one of my questions, whether it did. One thing they are intending from next year, 2012, is that roundtable members have a sticker saying that they are a member of the roundtable and they meet the required criteria for sustainable palm oil. Would that satisfy your requirements?

Ms Gray—Yes.

Mr Kerr—I think what we are doing is encouraging a framework for the market forces to then take over. The previous speaker was very keen on market forces, and we are keen on having a platform so that the market forces can come into play. Sustainable palm oil will be a little bit more expensive in the long term than non-sustainable palm oil, for good reasons, and the marketers that choose to supply that and use that will then like to promote it and they will base that on consumer choice. I think that is all we are asking. That is why we do not believe that what we are asking is a big ask.

Senator BOYCE—Given your current awareness campaign on palm oil and the fact that its cultivation is causing deforestation and destroying habitat for orangutans and other mammals, if companies were to put just ‘palm oil’ on their labels, you would be pleased if it stopped the purchase of those products, which presumably

would drive down the market for palm oil. Who is going to be responsible for developing awareness of the difference between palm oil and CS palm oil?

Mr Kerr—Can I suggest, and this is my opinion and no-one else's, that the amount of palm oil production and the global reliance on palm oil now—40.5 million tonnes per annum, I think, is the quote that has been put around—

Senator COLBECK—I thought it was around 60.

Mr Kerr—Is it? I will take that; there is a lot. It is almost like fossil fuels now. Really, there is a global reliance on palm oil in so many food products. Some organisations, for some sections—

Senator BOYCE—And a growing market for biofuels as well.

Mr Kerr—That is right, across all the vegetable oils. So personally I believe that—based on our own experience, where we have talked to zookeepers who have discussed the option of potentially not using products with palm oil in them—the limitations are quite significant now in a range of consumer foods and other products. Based on that, I would think that this framework would accelerate a process of moving to sustainable palm oil demand, which would move down the supply chain and encourage and support the strategy of the World Bank.

Ms Gray—I think one could also say that industry members are quite likely, once palm oil is labelled and they are a member of the roundtable, to promote it themselves as well.

Mr Kerr—As a zoo industry we are working with suppliers and encouraging suppliers that are working towards that, and the World Bank use that in their report too. They are supportive of organisations that are moving in that direction. It is not black and white, because we realise it is early stages in the process.

Senator BOYCE—Okay. Thank you. Those are my labelling questions.

CHAIR—Are there more questions on labelling?

Senator COLBECK—I was looking at a similar thing. Effectively, at the moment, the whole campaign is almost 'hands off palm oil'. That is the effect of the campaign. I have seen plenty of campaigns: I live in Tassie, and forestry is a big deal over there, so I have seen plenty of anti-forestry campaigns. My perception of the message of the campaign, as it is structured at the moment, is: no palm oil. The campaign says 'Don't palm us off'. So it is 'no to palm oil'; that is the clear message in that. If you are genuinely talking about sustainable palm oil, then that should be the message, in my view. I am happy for you to respond to that, because that is the way to go. I am a supporter of certification; I see a lot of that through what is happening in the forest industry—genuine certification, I might add. The campaign is designed to elicit responses, as we have seen here today, based on fairly specific and targeted information that has been put out to the community, and I accept that it is a campaign. But, if it were genuinely about responsible palm oil, that is what the campaign would say, not 'Don't palm us off', which means 'no to palm oil'. That is effectively where it is. I understand, as Mr Kerr said, that it is early in the campaign at this stage.

Ms Gray—To answer that, it is still early in the campaign. When we started out we approached all the manufacturers that are using palm oil and asked them if they would move towards voluntary labelling of sustainable palm oil, and they all said no.

Senator COLBECK—That is because the market has not yet demanded it.

Ms Gray—Absolutely. So without creating the demand, which will happen through the mandatory labelling, they are not going to move there voluntarily.

Senator COLBECK—The question is whether mandatory labelling is the way to go.

Senator BOYCE—Voluntary labelling will achieve nothing unless people have an awareness.

Senator COLBECK—The label has no value at all. They could all label it now, but if nobody knew about the circumstance it would not make any difference unless they invested a heap of money in it themselves to actually drive demand.

Senator BOYCE—Which is unlikely.

Senator COLBECK—In this circumstance. But supermarkets do that for various purposes and we have spent a bit of time talking to them about that in recent times. If we go down this track for this specific purpose, it opens the door for further suggestion. To give you an exaggerated example—and it goes to development and development issues for the individual countries—we have significantly developed Australia. The patch that I

come from in north-west Tasmania has been significantly cleared, developed and farmed for quite high-value products, particularly vegetables. You could say that vegetables from Northern Tasmania are farmed on native Tasmanian Devil habitat, for example. What if someone decided that there was an issue with it. A lot of the country has been cleared. It was natural forest that was cleared, and so we go down this track for this one purpose. What is to say that, in another few years, there will not be another demand for another social purpose, saying, 'Let's make another change to the food labelling laws'?

Senator BOYCE—Fair trade and forced labour—

Senator COLBECK—I am a firm supporter of genuine certification processes, and you mentioned seafood. I have shadow responsibility for fisheries and I discuss that a lot with the industry, likewise with forestry. I discuss forest certification a lot and what they are doing in the different jurisdictions globally. But I have difficulty with taking a particular social and environmental issue and plonking it into the food-labelling requirements. I understand what you are trying to achieve and I am not opposed to making sure the processes work, but I have difficulty with taking that element and then placing it into something that is designed specifically to do something else, which is health and safety.

Senator SIEWERT—The point, though, is that society is moving on. Maybe the regulations that we have now are not serving our needs and there is more and more awareness of environmental and social requirements. So why are we having a discussion about—

Senator COLBECK—If there is awareness of that, the market and the consumer will demand it and therefore the labels will come into place.

Senator Siewert interjecting—

Senator BOYCE—And tuna, for example.

Senator COLBECK—If consumers are, why aren't the retailers and the processors responding to it?

Ms Gray—They are asking—163,917 people are saying, 'We want to be able to make that choice and we can't do it because it is not labelled.' I do not know how much clearer they could make that request.

Ms Hunt—Cameron, I think you are probably more familiar with this, but I know that Unilever, Nestle and Woolworths are making substantial progress and are hearing what people want.

Senator COLBECK—The process is commencing.

Ms Hunt—The process has commenced and it is progressing and, from our position, it is just too serious. I certainly take on board what you are saying, that any other cause like this could be lifted. But with habitat, certainly in Sumatra, it is just too serious now. We really are presiding over extinctions and we hear from our visitors and young people that we cannot let this happen. It is happening with this one because it is so serious. That is what we are asking you to consider.

Ms Gray—It is a complex issue. There is a supply chain that goes all the way back down. Because it is not labelled, it is voluntary and it can take time, some of the manufacturers who want to do the right thing cannot secure the supplier all the way back through the supply chain.

Senator COLBECK—Let's go back to the supply issue. There was some initial evidence that there was an oversupply—

Senator BOYCE—There was an oversupply, and now the evidence is that there is too little.

Senator COLBECK—and now we are hearing that sustainable suppliers cannot meet the market.

Senator BOYCE—Demand outstrips supply for sustainable palm oil.

Senator COLBECK—Can you clarify where that is?

Ms Gray—I am afraid we cannot. We have tried to clarify that as best we can. The best way is to ask the manufacturers. It is very hard to get information out of anyone about how much sustainable palm oil is available and where they secure it. But our understanding is it is very low coming into Australia. We cannot secure it.

Senator COLBECK—What about in the international development context? I know that your experience is very much in Sumatra and I have seen the stuff that has been presented on that. Your evidence is that the government is very much focused on trying to manage and maintain its national park areas and things of that nature. But Malaysia came to us yesterday and said, 'We are retaining 56 per cent of our country in forest.' So 56 per cent is currently there, and a minimum of 50 per cent. There is a difference between the locations of

some of the orangutan habitat and those of the palm oil habitat. How do we make a value judgment on the development of their country?

Mr Kerr—I don't think we have the right to.

Senator COLBECK—They say 10 per cent is for urban areas, 21 per cent is for agriculture and 50-odd per cent is retained as native forest. If you make a comparison with Australia, they are doing a lot better than we are. How do we impose this onto them in this overall context?

Mr Kerr—I am not too sure that we are. As a developed nation that has been through the experience of desertification—

Senator COLBECK—That is the context that they put it to us in.

Mr Kerr—That is right.

Senator COLBECK—They say, 'We want to develop our country. We reserve the right to develop our country.' These are the parameters that are sitting around it. When you compare them to Australia, they stack up pretty well. We would not have 50 to 56 per cent of our native forests still intact.

Mr Kerr—And we have learnt some very harsh lessons.

Senator COLBECK—Absolutely we have. We made a lot of mistakes along the way. But how do you align the two? They say, 'We have a plan—this is our plan. What you're doing is impacting on our capacity to carry out that plan and to assist our people to develop.' I think something like 45 per cent of their palm oil growers were small holders of 10 to 50 hectares.

Mr Kerr—I will respond with the World Bank's perspective on that, and that is that small growers have a huge opportunity to contribute to the predicted doubling of demand for palm oil globally. As I said before, in the report they talk about yields of around one tonne to the hectare, as opposed to seven tonnes to the hectare. By engagement with global knowledge and by creating more sustainable production, the yield model could increase quite significantly. So the small players are playing a much larger part, if they are going from one tonne to an average of four tonnes to the hectare. They are already in that proportion, it has been argued a couple of times, in terms of the concerns of small holders. We have a four times increase in production available for the market.

So are we actually imposing on other countries, telling them what they are and are not allowed to develop? Personally, what I am looking for is ways to engage with developing nations on agricultural practices. It is a long, slow process and it is a two-step process with this labelling issue which I understand you are debating. But it is a process of engaging in more sophisticated agricultural practices. If we can accelerate the process of sophistication without sounding like we are keeping an eye on other countries, it seems to us that developing countries are open to the idea of developing agricultural intensification.

In February our rangers were working with a local community. They would set up plots and move from low-yield products like cassava to rubber and things, to improve the yields and long-term viability for small holders around the national parks who traditionally, because they did not have enough money, would go in and supplement their income with wildlife or clear a bit of extra land. That is the way it is working. I certainly would not be telling Indonesia or Malaysia what they are allowed to do and not do. We are about encouraging sustainable agricultural practices.

Senator COLBECK—I think your comment about increasing your productivity and yield is right on the money. We are probably pretty well placed to be able to do that, given the expertise that we have in a lot of agricultural R&D, which is leading edge nationally.

Ms Hunt—I can add an example to that. The Western Australian government is very active in agriculture up in Indonesia in particular and in West Java. I have a really clear example. In a village adjoining Bukit Tigapuluh we have been told by the local people that the big companies are offering money to the local villagers to plant palm oil and it is their only way to make money. We have come in in relation to that. The Australian Ambassador to Indonesia went up to visit our program last year. I was with him. He has a small discretionary fund, and thanks to him we provided some funding for them to create fish farming, to diversify. Someone from the Western Australian Department of Agriculture and Food also came up to advise on different sorts of farming techniques. They have been able to stop the clearing of some of that forest and that encroachment. Those are the sorts of examples where we are seeing on the ground that it really is making a difference.

Senator COLBECK—I have one last question, and that goes to the cost premium on the RSPO. In the documents that I have here there is a fair range. One claims a one per cent premium. Another one claims a 25 per cent premium. That is going to make a significant difference in the market. The Malaysian group who were talking to us yesterday did talk about the cost of certification as part of the impediment to this whole process. Do you have an actual number on that? There is a fair range at the moment: from one per cent to 25 per cent. That would make a marked difference in the overall marketing of it.

Ms Gray—We could take that one on notice. It depends on two things: how much palm oil is in the products and what percentage of the total cost of the good is actually palm oil.

Senator BOYCE—But this is the issue.

Senator COLBECK—But if you are making a purchasing choice for \$1 million or \$100,000 worth of product—

Ms Gray—At the manufacturing level.

Senator COLBECK—If you are making a purchasing decision on \$100,000 worth of product and the price difference is one per cent or 25 per cent—so you are talking about \$101,000 versus \$125,000—that is an issue.

Ms Gray—I think the manufacturers would be in a better position to answer that. We do not have that level of information.

Senator COLBECK—It is a variation that I have seen in the written evidence presented to us.

Mr Kerr—Could I suggest to the committee that it is a challenging issue, but if you look at the commodity prices globally, across everything from sugar to rice, and then at organically grown products, which we have experience with in Australia, you will see that the price will vary. The premium on sustainable palm oil will vary significantly over the next decade. I would imagine that as demand increases the price premium will go up—as our grapes in summer are cheaper than grapes in winter. It literally is the same sort of thing. As more and more growers are encouraged to move to sustainable palm oil, the premium for it will start to come down. What would be nice is that, if there is a premium for sustainable palm oil, some of that premium—and, knowing the way supply chains work, it will only be a small proportion—will go back to those small groups. The World Bank talks about forming sustainable groups, so one farmer does not have to get certification; his village can get certification.

Senator COLBECK—I was about to suggest that if there is capacity to drive it back through the supply chain to the primary producer that should be done. But I think I have done enough chasing around in that space to know that the primary producer is usually the price taker and gets largely what is left over at the end. They are not necessarily the price driver.

Senator XENOPHON—Further to Senator Colbeck's line of questioning, presumably if there is a greater uptake of certified sustainable palm oil that will lead to economies of scale in the certification process. I will put these on notice because of time. Secondly, Mr Kerr, were you referring to the World Bank's statement on 1 April this year about a new approach for investment in the palm oil sector? Is that the reference?

Mr Kerr—Yes.

Senator XENOPHON—Thank you.

Senator COLBECK—I just want to say about the certification that if you talk to a local grower here in Australia and ask them what premium they get for the certification, nearly every farmer who supplies into the supermarkets would be certified under at least one, if not three or four, certification systems. So that is a challenge in this process.

Senator BOYCE—Ms Hunt, you commented before that you use public donations for your recovery work. But we have had in evidence an objection to zoos using taxpayer money to fund this campaign. Would the three of you like to respond?

Ms Gray—In terms of our funding sources, 75 per cent of our funding is raised through commercial activities such as admissions and various other things, and 25 per cent of our funding is government funding. That is based on specific services that we deliver either through education, allowing free entries such as to children under three, and through caps in terms of the maximum we are allowed to charge. So the funding we get is specific to some other services that we deliver. Equally, some of the threatened species work we do is funded through government. The other sources of funding obviously we can use across a wide range of activities.

Mr Kerr—And the model for our organisation is very similar.

Ms Hunt—And for Western Australia all our public awareness campaigns have been endorsed by the state Minister for Environment, as this one was. We are doing White for Wildlife with Zoos Victoria at the moment. But Don't Palm Us Off was supported by the state government. But we function on the smell of an oily rag despite being government institutions, and—

Senator BOYCE—I hope it is a sustainably oily rag!

Ms Hunt—Definitely, not a palm oily rag! So we are happy to table how much this campaign has put in.

Senator XENOPHON—Sure, and the Institute of Public Affairs—I wonder whether there would be outrage about letting toddlers in for free though. It might contravene free market principles.

CHAIR—Mr Kerr, you referred in your evidence to the report on rhinos.

Mr Kerr—There is an annual report.

CHAIR—Do you want to table that?

Mr Kerr—I am happy to table that.

CHAIR—Ms Gray, you talked about the one-pager you have from the Melbourne School of Business. Can we have that tabled?

Senator SIEWERT—And the London biodiversity one.

CHAIR—Yes, it would be good to have both of those tabled.

Ms Gray—Yes.

CHAIR—There could well be questions on notice and, if so, the secretariat will contact you. Chloe, do you want to say anything else on record? We have your films, but do you want to say anything else to the committee?

Miss Nicolosi—Just that adults seem to have the sole purpose of this meeting about money. But we are really forgetting about the big picture of animals and the habitat being destroyed. The only thing we seem to be focusing on is money, but that is not what this is about. This is about trying to save such an important species in the wild, and to see them in the wild rather than just in our zoos.

CHAIR—Do any of the senators want to ask a question of Chloe?

Senator SIEWERT—How do you know so much about this issue?

Miss Nicolosi—I do research because I am just so passionate about this topic. I spend a lot of time at the zoo and when I go in to do filming, like I did recently, I researched before that as well. So I get a lot of information from the zoo website and other websites.

Senator SIEWERT—And how long have you been working on it?

Miss Nicolosi—About two years. I came in at the start about two years ago and I have just been learning ever since and learning about other impacts it is having.

CHAIR—Thank you for your time and thank you to your family also.

Senator SIEWERT—I have a policy position available!

Senator XENOPHON—Have you been up to Sumatra at all?

Miss Nicolosi—No, I haven't.

Senator XENOPHON—Are you planning to go?

Miss Nicolosi—I hope so. That should be my goal really.

CHAIR—Thank you very much, Chloe.

[11.55 am]

ALLEN, Ms Majella, Community and Sustainability Manager, Coles

CURRIE, Ms Andrea, Policy and Brand Standards Manager, Coles

CHAIR—I welcome Ms Currie and Ms Allen from Coles. I know that information on parliamentary privilege and the protection of witnesses is available to you. The process we will use is that you will make an opening statement if you want to and then we will go into questions from the committee. This session is scheduled to finish around 12.30, so that gives us some idea. Do you have an opening statement for us?

Ms Allen—I have a very brief one.

CHAIR—Okay, Ms Allen, you can start.

Ms Allen—Thanks very much for inviting Coles to appear at the hearing and provide input into the subject of palm oil labelling and certified sustainable palm oil. In April 2010, which is now 12 months ago, we submitted the following in relation to the proposed palm oil labelling bill, which was that Coles does label palm oil on its Coles brand products. Rather than use the term ‘blended vegetable oils’, we do label palm oil to make it easier for our customers to make an informed choice. We also submitted that, when developing Coles brand products, we sought to avoid the use of palm oil where possible, and we have in fact removed palm oil from a range of products. For example, we have removed it from lamingtons, ginger kisses, Coles Choc Top—very healthy products!—

Senator SIEWERT—Since when has palm oil been in lamingtons?

Ms Allen—Coles sultanas and Coles two-minute noodles. We also, back in 2010, stated our intention to become a member of the Roundtable on Sustainable Palm Oil, and in doing so we would gain better access to certified sustainable palm oil. We are now one year on from that submission. We continue to be supportive of labelling for palm oil. Palm oil continues to be labelled on our products. We have joined the Roundtable on Sustainable Palm Oil—that was in September 2010—and since then we have been working with our suppliers to look at opportunities to source certified sustainable palm oil. We have committed to moving to sustainable palm oil for Coles brand products by 2015, and any palm oil required for newly developed Coles products must be certified sustainable.

Our preference now is to source sustainable palm oil rather than avoiding or replacing palm oil in our products, which could be detrimental to the communities that rely on that crop. Since joining the RSPO we have identified that labelling products with the term ‘CS palm oil’, as proposed in the food standards amendment bill, would be in conflict with the requirements of the RSPO. The RSPO sets out specific claims for food manufacturers which they can make depending upon the different ways in which they source sustainable palm oil, so you could label, for instance, that your palm oil contributes to the production of certified sustainable palm oil or that it contains certified sustainable palm oil.

Finally, I would like to highlight to the committee that access to certified sustainable palm oil is a challenge for us and other food manufacturers. Only five to 10 per cent of all palm oil produced is certified sustainable at the moment, and of that around half is put into mixed supply, which means that it ends up being certified and uncertified together and access is lost. So far, through our investigations, we believe that there are only a small number of suppliers of certified sustainable palm oil in Australia, but despite these challenges we are working with our suppliers to achieve our stated target of moving to sustainable palm oil for Coles brand products by 2015.

Senator BOYCE—So you source in Australia? You buy your palm oil from a wholesaler here—is that right?

Ms Allen—I do not think that is correct.

Ms Currie—No.

Senator BOYCE—Sorry—I thought you said that within Australia it was hard to get it.

Ms Allen—No.

Ms Currie—The majority of our Coles brand manufacturers are based in Australia, so we are working with those suppliers—

Senator BOYCE—Yes, of course. Okay.

Ms Currie—to source certified sustainable palm oil. But obviously, because they are based in Australia, they need Australian based sources of palm oil to get access to it.

Senator BOYCE—Okay.

CHAIR—Is that the end of your statement, Ms Allen?

Ms Allen—Yes.

CHAIR—Thank you very much. Ms Currie, is there anything you want to add at the stage?

Ms Currie—Not at this stage.

CHAIR—Senator Xenophon.

Senator XENOPHON—Coles agrees that there is consumer demand for palm oil to be labelled—that is part of what has been driving it?

Ms Allen—That is part of it, but we made this move earlier. Really, that was about building customer trust. We started from the position of being transparent and understanding that there is an issue around palm oil. Customers can make their own decision and then we can internally start to look at our own supply chain.

Senator XENOPHON—If it is certified as sustainable palm oil do you disclose that on the label?

Ms Allen—We do not yet have a product with certified sustainable palm oil, but that is part of the action plan with our suppliers.

Senator XENOPHON—When you implement that plan, how would you describe the palm oil? How do you educate consumers about that? That is one of the issues that has been raised.

Ms Allen—Yes, and it is a good issue. What has been proposed by the RSPO seems reasonably straightforward—to describe something as ‘certified sustainable’. Will every consumer understand what that means? Not today. They will not understand the impact on forests. They will not necessarily understand what having certified sustainable plantations will mean for the environment; there will be a general view that perhaps that is better. I do not think consumers will immediately understand any of the proposed language.

Senator XENOPHON—It would have to be part of a broader campaign, I guess.

Ms Allen—Absolutely.

Senator XENOPHON—But I think the zoos and other community groups will get behind that. Tim Wilson, from the Institute of Public Affairs, says that the labelling of palm oil will push up the price of goods.

Senator BOYCE—I think he said mandatory labelling.

Senator XENOPHON—He said labelling. There is a cost involved in the act of labelling.

Senator BOYCE—Yes, that is right.

Senator XENOPHON—Coles has labelled palm oil on its home-brand goods. What did that cost you in broad terms?

Ms Allen—It is shown on the ingredients list on the product. We used the opportunity of a rebranding and refreshing of those products to introduce that labelling. It was part of a big cost for redesigning a whole lot of products, and that was already budgeted for, so I cannot tell you specifically what it cost.

Senator XENOPHON—Presumably, because you have done it as part of that cycle, the cost would be negligible once you have made that decision. But, in order to work out whether a product has palm oil, you obviously sought from the manufacturer the details of what is what. Was there any resistance from the manufacturers to tell you whether their products have palm oil are not?

Ms Allen—I do not think so.

Ms Currie—There was not any resistance, but with some manufacturers it did take some level of investigation to find out the various plant sources of the vegetable oil.

Senator BOYCE—And was it clear to manufacturers that they might lose Coles as a customer if they did not do it?

Senator XENOPHON—You would never do that, would you?

Ms Currie—That is not the nature of the relationship. The requirement was to find out the plant sources of the vegetable oil, so that is what we asked them.

Senator XENOPHON—I think it is commendable. You have shown that, if you have the will to do it, in the scheme of things the cost is negligible. Has there been a concern that changing the labelling in the way that you have has added to any appreciable degree to the cost of the product?

Ms Currie—Overall, no.

Senator XENOPHON—What response have you had from customers in relation to products that have been labelled as containing palm oil? Has there been any decrease? Has there been any concern expressed? What has your experience of that been?

Ms Allen—When we started labelling palm oil there was initially a bit of a reaction from customers who are motivated around this issue. We were being transparent, so immediately there was a reaction to the fact that there was palm oil in a product. A small number of customers are motivated around this issue, not a lot of customers. However, as the awareness has increased about why this might be a good thing to do, customers now appreciate the fact that we are being transparent about the products. As to whether people are buying more of those products or less, I do not know the answer.

Senator BOYCE—Is that because you have not had time to analyse it?

Ms Allen—I have not personally analysed.

Senator BOYCE—But Coles must know.

Senator COLBECK—But you would not necessarily be able to identify individual factors in all of that.

Ms Allen—Correct.

Senator COLBECK—For a home-branded product that includes price differential from the branding.

Ms Allen—Yes.

Senator BOYCE—But surely the salespeople would be analysing that?

Ms Allen—From when we started to label palm oil on a product until now?

Senator BOYCE—Yes.

Ms Allen—I do not have the data.

Senator BOYCE—It would be interesting if you could take that question on notice and tell us anything about the buying patterns of products.

Ms Allen—I am happy to look into it.

Senator XENOPHON—You are doing the right thing by being transparent but you might also be inviting a backlash from some consumers; but then, on a double take, those consumers would say that at least you are being honest about it whereas other manufacturers are not.

Ms Allen—Absolutely.

Senator XENOPHON—That is kind of circuitous, but I think you know what I mean.

Ms Allen—Yes.

Senator SIEWERT—Are you able to send us your labels so we know what they look like?

Ms Allen—Yes.

Senator SIEWERT—That would be great. Have you given some thought to how you would change the label for sustainable production?

Ms Allen—We have given a little bit of thought to it. We would very much like to be able to say ‘this product uses sustainable palm oil’. We are obviously going to be subject to the roundtable’s views on what we can and cannot use, because it is going to depend on how that palm oil is being sourced. But I think that that kind of labelling lends itself to being somewhere else on the pack other than just being listed in the ingredients, so we are likely to draw that out and make that more prominent.

Senator SIEWERT—Sometimes it is a chicken and egg situation—people do not know about the issue, but when they see it on the label they think: ‘Why are they suddenly saying something about palm oil? There must be something about palm oil.’ Has there been anything like that? It sounds like you have not done that level of detail.

Ms Allen—I do not think we have analysed any sales impact as a result of this. I certainly have not analysed the sales impact, but if somebody else has I will certainly explore that for this committee. But I think

you are right. If a food manufacturer or a retailer moves on an issue early they might get punished over that. If they bring it to consumers' attention when consumers' understanding of it is low then maybe the connotation is bad; that may be the only connotation they have. I think there is some evidence of that happening, and we were certainly an early mover. But sometimes you have to be an early mover in these areas, and I think there are benefits to Coles in labelling and being transparent and building customer trust.

Senator BOYCE—The bill before us is actually about mandating the labelling of palm oil. Could you tell me Coles's view on voluntary labelling versus mandatory labelling?

Ms Allen—I think we would always support voluntary labelling, if that is the general question. But specific to palm oil—

Senator BOYCE—Answer it in a general sense or specifically—whatever you like.

Ms Allen—Palm oil is interesting. It is not a health issue, it is an environmental issue, so it is new territory for food manufacturers. There would be many sustainability issues related to food products that are not labelled.

Senator BOYCE—Can you think of any examples?

Ms Allen—It is like saying for carbon—

Senator BOYCE—A life cycle assessment for every product!

Ms Allen—You have to show the greenhouse gas emissions on the product label.

Senator BOYCE—Good idea!

Ms Allen—There are many examples. We are in new territory. If we were required to label the product for any number of environmental issues we would be very concerned because it is very confusing to the customer and because, at the centre of a food product, is the issue of food safety. If we start to crowd out information that might be central to someone's choice around allergies or other sorts of information like that, it might become a very confusing choice for the customer.

Senator COLBECK—Do you have any numbers on the cost premium for RSPO palm oil?

Ms Allen—We believe it is up to a 20 per cent premium.

Ms Currie—Possibly more.

Senator BOYCE—Do you know the wholesale price in Australia?

Ms Allen—Unfortunately, the answer to that is no. How it is used in finished products varies considerably and it is usually blended with other vegetable oils and things like that to make fats—

Senator BOYCE—The food manufacturer would buy blended oil for his recipe.

Ms Allen—They would buy pastry shortening, which potentially has a mixture of different fats in it, one of which might be palm oil based. It is quite dependent on the actual use the palm oil is put to.

Senator BOYCE—So it is a fair way back down the chain when it is palm oil.

Ms Allen—Absolutely, which adds to the complexity of certified sustainable sourcing.

Senator XENOPHON—Could you take that on notice—even if it is a range of the approximate increased cost?

Ms Allen—Yes.

Senator COLBECK—Has that been a driver in the decision-making process? What you are effectively doing at the moment is opting out. You have said there are a half a dozen products where you have opted out of using palm oil, which removes the need for labelling of those particular products, but you have started to label some others. Is the cost of certified palm oil a factor in that, or is it availability?

Ms Allen—I would suggest it is more about the availability than the cost. Probably our biggest impediment to date is actually getting hold of certified sustainable palm oil to use in our products.

Senator SIEWERT—With you now being in the market for certified sustainable palm oil, do you have a role in driving the market, with you and other big retailers signalling the move? Have you seen whether that is helping you get supply yet, or is it a bit too early?

Ms Allen—I would suggest that the broader industry discussion around access to certified sustainable palm oil is driving that market. It is not due to a single individual, but certainly Coles as an organisation is working very hard to find specific sources of supply into Australia.

Senator SIEWERT—I want to jump back to the conversation we were having before about labelling the oil as certified. You made some comments in your opening remarks and also in your submission about how you would label that. You said you thought it was not consistent with what the roundtable was saying. How do you foresee doing that in the future?

Ms Allen—We would love to be able to say that this product uses certified sustainable palm oil. We would love to be able to label like that. Obviously, having some kind of third-party endorsement on a product is very powerful. If the consumer understands what that means, that is great. I guess that is the ideal. Realistically though in practice it may come down to if that sustainable palm oil is sourced in a certain way we would be more guided by the roundtable's recommendation. It might be a straight 'This is made with certified sustainable palm oil' or 'This is contributing to the production of certified sustainable palm oil' because it is a different system.

Andrea knows a bit more about this. There is a green palm certificate system that is a little along the lines of what has happened with fair trade. It is quite similar to that. That in itself promotes the production of certified sustainable palm oil but actually may not be certified sustainable palm oil.

Senator BOYCE—So that is one of the three options that the RSPO gives you?

Ms Currie—Yes, a certificate offset program. To expand on what Majella was saying, you are essentially required as part of your membership of the RSPO to follow their claims and communication requirements, which are quite specific about what you can and cannot say about certified sustainable palm oil on your labels, on your website and on your end product communication. Probably the key thing I identified—now that Coles is a member of the RSPO—is the difference between the RSPO requirements and what had been suggested as part of the bill that was put forward.

Senator BOYCE—There was some evidence from FSANZ and the Department of Health and Ageing yesterday suggesting that there could be some difficulty in forcing through mandating labelling in regard to palm oil because it relies on states and others picking up the suggestion made by FSANZ. Can you talk about your experience of legislative or regulatory issues around labelling that Coles is aware of?

Ms Allen—It is a big topic.

Senator BOYCE—The labels are getting that way too.

Ms Allen—There are a range of issues to do with labelling. If it is just a traceability issue of knowing whether a product contains in this case palm oil, we are reasonably relaxed about that idea. We can trace palm oil in a product and put it in ingredient lists on the product and we know that that is factually correct. That seems quite straightforward. If it gets down to having to label products in such a way where there is lots of big type—certain font sizes—interfering with the design of a pack—

Senator BOYCE—Plain olive green packs!

Ms Allen—If it gets down to being very detailed about the font size and the position, it then becomes very challenging for us to meet the whole realm of legislative requirements around labelling. We have to juggle country of origin and meet all of our requirements, and they are significant. That is really the issue.

Senator BOYCE—If labelling requirements were not the same nationally would that create issues?

Ms Allen—Yes.

Ms Currie—Yes.

Senator SIEWERT—Not to put too fine a point on it.

Ms Currie—We are a national business.

Senator BOYCE—And New Zealand?

Ms Allen—We do not operate in New Zealand.

Senator COLBECK—Just going back to the labelling thing: in the context of identifying palm oil or certified palm oil, what would be the most effective way of dealing with it—if you had an ecolabel certification mark on the front of the pack, the way that you are labelling it now, which is in the ingredients list? Where is the most effective way to get that message across to have an impact?

Ms Allen—I think if we had certified sustainable palm oil in products we would certainly have an impact on the front of the pack where there was a level of consumer awareness around that, whether it was a logo or the words ‘certified sustainable.’ We will not know until we get further down the path with our own sourcing requirements and until perhaps we do so more customer research as to whether what we are proposing actually has any resonance with customers.

Senator COLBECK—In respect of certification systems more broadly—and you are obviously starting to move down that track; that is why you guys have got the jobs you have got—have you assessed those? What is the process for assessing those because there are heaps of certification systems out there and they all make a range of claims and claim to be the gold star as far as certifications go? What processes do you go through for those sustainability type certification systems; how do you assess those?

Ms Allen—The ones that I can think of immediately, if we are talking about palm oil and the roundtable, we would be relying on the roundtable’s expertise and certification system—

Senator COLBECK—I think we had evidence yesterday that the roundtable is effectively the standard—

Ms Allen—Correct.

Senator COLBECK—and there does not appear to be anything else out there in respect of palm oil. I am looking at it a bit more broadly than that.

Ms Allen—There would be a few other areas that I guess Coles has been active in on that front. We have a partnership with WWF on seafood. One of the key reasons for that is to utilise their scientific assessments and expertise.

Senator SIEWERT—The Marine Stewardship Council—MSC.

Ms Allen—That is right.

Senator BOYCE—Like having some voluntary labelling exercise: you have to read it.

Senator SIEWERT—Your whole fisheries go through.

Ms Allen—Another example would be Fairtrade. We have Fairtrade tea and coffee and we rely on the Fairtrade certification system for that as well.

Senator COLBECK—How do you get to the position of actually choosing one of those? I sat down and read a paper last week that critiqued, I think, eight marine certification systems. When I got to the fine print at the back, I found that the paper had been written by a partner in one of the marine certification systems. Surprise, surprise—that was the premium ranked system in the whole process. What processes do you go through to deal with that?

Ms Currie—There are a couple of things that we think about, the first of which is understanding what we believe the issues to be as informed by our customers. Obviously, it is important that the certification systems that we might choose are genuinely addressing those concerns that customers are raising with us. If you are looking at very structured certification systems like food factory safety and quality standards, there are international standards organisation standards—ISO65, for instance, which is the standard for writing standards, if you like. Typically, we would expect those things that focus on particularly safety should be based on ISO65.

Senator COLBECK—I am talking more about the social, environmental stuff now because it is very different. If they were all based on the standard for writing standards, I might not necessarily be asking the question. Do you put them through that mill, for example?

Ms Currie—When we are talking about environmental, social standards I think it is more the former point that I was saying that it is very much around: are they specifically addressing the concerns that we believe our customers are raising with us? We would also look at things like the independence of the auditing process, transparency—that sort of thing as well.

Senator COLBECK—The customers might be responding to a specific campaign; it might not have a broad range of information on those sorts of things. That can skew the system. I know that there are some that use that to promote their particular systems of certification. How do you divide all that sort of stuff and inform yourselves about the broader issues? It is all very well to say, ‘The customer wants this’ and I understand that part your business is to respond to your customer; in fact, it is the primary role that you tell us that you have. In a broader sense there is quite often more that sits behind it. Do you go into the backroom to get that broader range of information and engage across the board?

Ms Currie—In general, what we would look for is a degree of rigour and independence, particularly around the auditing process, so that the people who are, for instance, creating the standard are not auditing the standard as well—there is a separate organisation or separate body that is creating the oversight. Yes, we would certainly look at the organisation, for instance, that came up with a standard and the degree of rigour and amount of research that they had put in to come up with a standard.

Senator COLBECK—The auditing process is a fairly dry and structured systems based thing. It is the development of the standard and the issues that sit behind it and how those particular value points, if you want to put it that way, are developed that drive that. You do interrogate that part of it as well?

Ms Currie—Yes.

CHAIR—Thank you very much for your evidence. If there is anything that you wish to add that you think about later, please get in contact with the committee.

Proceedings suspended from 12.27 pm to 1.33 pm

COCKS, Mr Leif, President, Australian Orangutan Project

CHAIR—Welcome. Information on parliamentary privilege and the protection of witnesses is available; if you need to have any further discussion, please talk with us. We have your submission; thank you very much. You have a chance to make an opening presentation and make some comments, and then we will go to questions. Do you have an overhead projection for us as well? I take it you have, as you are sitting there in that position.

Mr Cocks—Yes.

CHAIR—Thank you very much; lead on.

Overhead transparencies were then shown—

Mr Cocks—First of all, I want to take you into, ‘Why does it matter?’ I am obviously representing orangutans. After us, orangutans are the most intelligent being on this earth; they have the intelligence of a five- or six-year-old child. You can teach them sign language—up to 2,000 words—and have a conversation with them. My personal definition of madness is that we spend billions of dollars on going to Mars in the hope of finding a molecule that has some sort of life while we let an intelligent species such as the orangutan go extinct when very little money would save them.

They are self-aware. That means they know they are alive. This is not conjecture; this is scientifically proven. They have also developed a theory of mind, so they are very complex creatures. In fact, I would categorise them as persons—not human, but they are persons by the definition of what a person is. Therefore, I would argue, they have some fundamental rights. I would argue to the interjectors who would assume that to be on the fringe that I could have had the same conversation 200 years ago about negroes having rights and the same rationale would apply then. They are a different species but they certainly deserve to live in freedom and without torture.

One of the most important things about being intelligent and having a theory of mind and developed capacities is the enormous amount of suffering that they can incur. As you know, even the lowest of animals can suffer physical pain, but as intelligent self-aware creatures we know that most of our pain is emotional; very little of it is physical. When orangutans are slaughtered and the babies are killed or taken from the forest they suffer just as we do. Again, it can be measured. Most importantly, because of all those things, I argue that Australians actually care.

What is the current situation? They are the slowest reproducing species in the world. They only have eight to nine years between infants, so they may only have a maximum of three or four infants. That means that if you only kill one per cent of the population a year the population will decline. This is uniquely very human because lower animals have adapted to the environment by natural selection of genes through having multiple offspring. We have decided that we are going to adapt to our environment through culture. So by passing culture onto our children they are uniquely adapted to the particular environment we are in. Orangutans use slow reproduction with a high learning capacity and large brain size to adapt to the unique environment each time.

They have the most wonderful and beautiful culture, just as we do as humans, and more and more information is coming out about the culture and tool use of orangutans. But of course, as soon we learn these things the animals are killed. The IUCN says that there are two species. One is sumatran and there are 6,300 left, and there are the Bornean orangutans, which are over three sub-species. I am guessing that in the next two years we are going to classify five, which is going to make the conservation more awkward. There are 55,000 spread over those three sub-species.

What is the problem? Well, 80 per cent of orangutans live outside of protected areas. In a given area, all the rich and productive soil for all wildlife, including orangutans, is lowland forest and lowland peat swamp forest. The highland hilly areas, which are good for water catchment and are not good for logging or palm oil plantations, are also useless for orangutans. You can save some of these forests but they are actually useless for wildlife conservation. For the same reasons, they are competing for the same soil and same land use.

Most importantly, the statistics are that we have 6,300 Sumatran orangutans but a thousand are being killed a year, and with the Bornean orangutans there about 5,000 being killed annually. This is from the direct destruction of their habitat. Palm oil plantations destroy the orangutans’ habitat and leave survivors starving. Of course, some orangutans are killed in the process of clearing a forest. It is an orangutan habitat—if you

indiscriminately knock down trees some of them will die. A lot of them survive but there is no food for them. If there is an orangutan starving in a forest what does it do? It wanders into the palm oil plantation and tries to eat the seedlings while trying to look for food. It simply then becomes an agricultural pest and is slaughtered.

One of the major issues here, and I can show you a new document we got from Greenomics, is that orangutans have been protected since 1924 but there is no enforcement. This also vicariously means that you cannot cut down the forest because if you kill off these forests you kill the orangutans. In fact, most of these palm oil plantations get permission to use it for their palm oil plantation but they do not get permission to clear the forest by the Ministry of Forestry. So in one aspect of Indonesian law, it is technically illegal, but it happens. The orangutans are protected but they still get slaughtered. It is a system that has no enforcement of laws and regulations.

What palm oil plantations do is shoot them, machete them, burn them alive and kill them as pests. They often throw petrol on them and then throw cigarettes until they catch on fire and run around. They cut them into pieces with machetes and often sell the meat or eat the meat, putting it directly on a meat tray. It is important for me to get through to you that when we are talking about these figures—‘Oh, there are 1,000 killed a year or 5,000 a year’—for the people who have to work on the ground, this is what it looks like. Extinction of a species is not a pretty sight, and extinction of a sentient being is not a pretty sight. I do not think I can really show you the real thing unless you understand it. It just says that you cannot show the attempted genocide of the Jewish people without seeing the concentration camps and understanding the reality of that situation.

Of course, a few infants survived because they were hanging onto the mother. Here are a couple of orangutan infants on their dead mother that has just been killed. Babies do have a value in the pet trade. Again, that is totally illegal. About one in six to one in eight will survive the slaughter and end up somehow in the pet trade. Unfortunately, now all the rescue centres in Kalimantan are overflowing. There are over 2,000. We have not got enough room; we have not got enough money to look after them. They are living in the most appalling conditions. There are hundreds more orangutans we simply cannot confiscate. They are living illegally in backyards and in horrible situations. They are often found in brothels, used as prostitutes with the local Indonesian men. They are abused, but we cannot do anything; we have not got the capacity to handle this.

The other problem is that there is not enough forest left. We are really, honestly, fighting over the scraps, and I will show you that later. We are struggling to find forests that we can protect to put the orangutans back in. It is really this crucial situation. It is a crescendo of disaster that we are reaching at the moment. As I said, it is against Indonesian law to clear it, but it does happen.

Essentially, my argument here is that you can have all the great laws—and Indonesia has some of the best laws in the world, but it has confusion in application and it has no law enforcement. In fact, in my job as the president of the Australian Orangutan Project, we have put a lot of money into actually paying the Ministry of Forestry and paying police to do their job. We have to pay them to enact the enforcement. If we need to confiscate an orangutan, we have to pay them to actually enforce it and stop people from illegal logging. Without that further payment, there is no law enforcement. Of course, we are not big, rich multinationals; we are NGOs that have to exist on public funding.

This gives you some sort of idea of the deforestation which is happening in Borneo. The forest is just disappearing as we speak. But, as I said, it is worse because not all that forest is habitable for the orangutans. So, as you can see here, we are really just fighting over the scraps. What we understand now, unfortunately, is that maybe five or six years ago we hoped we could actually save a lot of these populations by just stopping the destruction, but at the moment, now, I think that is probably impossible. It is going to be saving what we can that is left, and we are going to have to try to reforest some areas and link up populations for them to survive. So we have gone beyond just saving the issue; we are now investing money to try to learn how to replant forests, because without that most of these populations will just go extinct.

How I categorise this is that it is not just the orangutans’ problem. The CO₂ entering the atmosphere from the destruction of forests is more than that of all the transport systems of the world combined. But, ironically, it is the simplest thing to fix. I certainly would agree with Indonesia’s and Malaysia’s point of view that we as Western nations should contribute to that. We have cut down our forest, but it is in our global interests that others do not continue to do so, and we, who benefit from that, should contribute, and they would be compensated for the forest. It is within the global interest and our national interest to allow the very low-hanging fruit of global warming to be picked and stopped.

This gives you an example. Prime orangutan habitat is peat swamps, which are basically the big carbon stores of the globe. Once you clear them for palm oil, they slowly dissipate and put millions and millions of tonnes of global warming gases into the atmosphere—I am sure you have probably seen this before—which, of course, makes Indonesia, after China, although it is not a developed nation, the third highest emitter of global warming gases.

One of the other problems is the monoculture cash crop that reduces biodiversity. It is not just orangutans but tigers, elephants and sun bears which are all on the brink of extinction because we are not managing these forests and are not allowing enough to survive. The large number of agrochemicals that go into cultivation damage the soil and render it unusable after two or three crops. I do not understand the concept of sustainable palm oil.

Senator XENOPHON—Can I just interrupt. There has been some conjecture. Is it because of the nature of the crop or the pests or the chemicals used? How long is the land fallow for? Can you take that on notice.

Mr Cocks—I think it is fallow for the indefinite future, for two reasons: (1) is the large use of agrochemicals and (2) is the extraction of the micronutrients, exhausting the soil. Anyone who has done geography or biology in high school understands that the basic system in a rainforest is poor soil. All the nutrients are in the trees. That is the first thing you learn. That is why you have slash-and-burn agriculture. That is what the local people practise. Then you bring on the palm oil plant, which is a huge, super rich, saturated source of fat. If you put those two together the sustainability is very limited. Short-term economics supports the palm oil plantations. I would argue that long-term economics would say that we need to have a more sustainable use of the forests.

Senator COLBECK—We had evidence yesterday from a grower who operates a plantation that goes back to 1917 on the same site. Was it 1917?

Senator XENOPHON—The early 1900s.

Senator COLBECK—How does that stack up with the evidence you have just given us?

Mr Cocks—There are a range of differing plantations. Would that be in North Sumatra, in the volcanic soil?

Senator COLBECK—It was in Malaysia.

Mr Cocks—It depends. If you are on volcanic soil, it is very rich soil—one of the richest in the world. For example, that is why in Java you can put two or three crops of rice in the same field whereas in Sumatra you can only get one and it would be very poor quality. So it depends on where you are talking about. What I am talking about is the orangutan habitat, which usually has very poor soil or a peat swamp. The peat dome collapses and again causes the palm oil plantation not to be viable in the long term.

Senator COLBECK—So there is a difference based on different soil types and different original conditions. That is understandable.

Mr Cocks—Yes, that is right. It is a bit like any farming practice. If you roll up in a country and want to start a plantation, you normally pick the good soil. You pick the good places. As the boom comes and the price of the commodity comes up, you expand into the less viable options. This is a big boom, a big palm oil gold rush. The vast majority of the forest and land they are clearing does not lend itself to sustainable agriculture.

Senator COLBECK—They were putting it down to not only the soils and soil types but also their agricultural practices which had helped them to maintain that, including understorey plantings and things of that nature. Those factors would obviously be part of it. That is no different from any other agricultural practice. There are ways that you can maintain and sustain the viability of your soils.

Mr Cocks—I take that point in some situations, but I would argue that the reality of the situation is vastly different. The other issue here is the violation of indigenous people's rights. We work a lot with the Orang Rimba, the indigenous community. They are simply not recognised. These forests which have been destroyed are not vacant of people. For thousands of years the Dayaks and the Orang Rimba and those sorts of tribes have lived there. Their rights are not recognised. So they are totally displaced by the plantations coming in. The cultivation process requires a huge amount of water and the water supply for these villages dries up. They put effluent in the soil and their fisheries disappear.

One of my basic points is: is palm oil as productive and as profitable it is because you are actually translating a lot of the cost onto others. For example, it costs—if we can find a place to rehabilitate orangutans—about \$3½ thousand dollars to rehabilitate an orangutan. Who pays for that? Not the person who

cleared the forest. Who pays for the people who do not have clean water? Who pays for the ruin of the fisheries? Who pays for the carbon? By translating the real cost of the conversion, it is an economy based on the powerful over the weak. It is not necessarily people taking full responsibility of the economic cost of converting the land to permanent agriculture.

With biodiesel, one of the key issues, especially with the local communities, even in what we consider lush rainforest—and we are seeing some evidence of this in South America with the idea of biodiesel and these sorts of things—is food scarcity and food security. When we use crops like palm oil taking over from crops using slash-and-burn agriculture et cetera to feed families food, I think it is going to be an increasing problem and something that we need to consider.

I also object to a lot of the statements we hear about this generating greater employment. The employment is dirty, dangerous and horrible, and it actually generates a lot less employment than even the previous systems of agriculture and forest use and could possibly happen in a well-managed thing.

From my perspective and that of the Australian Orangutan Project, we do not see a long-term for Indonesia's environment, economy or people from this. From my perspective, do we allow a greedy few to make a profit at the expense of many? That is how I characterise the situation.

Briefly, we are not against exploitation of the forests in sustainable use; in fact, for example, in our work we protect a national park in Sumatra and we have a buffer zone around that which we are trying to protect. The secondary forest is more productive for animals where people have gone and selectively logged because they take out the hardwood dipterocarp trees and leave all the fruiting trees. Orangutans prefer the secondary forest and can live a lot better, if they are not killed in the process. Because there is more light, there is more grass and the pig species and the deer species—we get a lot more tigers bears and elephants existing. If you sustainably manage these forestry concessions for the good of the people, it can be extremely productive. We do not want to see Indonesia become a sanctuary. There are certainly ways of working together in harmony, and that is what we want to see.

One of the big problems is when people ask for moratoriums, they say they want a moratorium on primary forests but primary forests are not an orangutan habitat or it is already protected in small pockets. Eighty per cent of orangutans live in secondary forests outside of protected habitat, so if the RSPO or the Indonesian government put a moratorium on primary forests, it is meaningless. It is only saying, 'We're just going to do the same as usual and you can knock down the forest.' I often hear palm oil plantations say, 'We're not knocking down forests; it is fallow land or secondary forest' and that sort of stuff. But the forest is full of animals. The forest is full of orangutans. Sure, people have selectively logged it and made a living out of it but that is fine. That can be very productive. My final point is that Australians have a right to be involved in this process, and that is all we deserve. Thank you.

CHAIR—Thank you, Mr Cocks. We will pass over to questions from senators but first I want to clarify: your presentation is focusing on Indonesia; is that right?

Mr Cocks—Predominantly, yes.

CHAIR—There have been other countries involved, and the committee heard evidence from Malaysia yesterday.

Mr Cocks—I have some involvement in Sabah in Malaysia, but my work experience is predominantly in Indonesia.

Senator XENOPHON—Thank you very much, Mr Cocks, for your submission. You mentioned earlier the economic benefits of it and that there are more sustainable ways for communities to benefit from it. I think it was essentially an agency of the Malaysian government—effectively, the Malaysian government—which gave evidence at the committee yesterday and provided a very comprehensive submission via the high commissioner. I do not know if you have had a chance to see that.

Mr Cocks—No.

Senator XENOPHON—It is a publicly available submission. I would be grateful if you could, on notice, comment on that submission and various aspects of it, including the issues of economic sustainability. In particular they are saying that if people were to not use palm oil or if there were a push away from the currently predominant method of producing palm oil it would cause enormous hardship for hundreds of thousands of farmers who rely on it. I think that is a fair summary of what they have said. Could you look at that and provide us with details of your evidence in relation to the economic viability of that? In other words,

where do you say economic benefits are gained from having non-palm oil production or other alternative methods of agriculture?

Mr Cocks—So, what would be the alternatives?

Senator XENOPHON—Yes, because there is a big claim that it will cause hardship to many communities if this labelling bill goes through.

Mr Cocks—Yes, I will do that on notice. But, quickly: is the reality of the situation that we are going to be pulling out palm oil plantations? I do not think so. The reality is that most palm oil plantations want to expand into forested areas, not into fallow land which has already been cleared for other reasons, because basically the trees are worth money. So if you lobby and you get the forested area, you can clear it and the trees cut down will pay for the establishment of your palm oil plantation, and you virtually get a free one as you do not have to put in that initial investment.

Is it sustainable? I disagree, though they may have arguments about it being sustainable. But to me the basic argument is: 'Do not cut down any more forest. There is plenty of fallow land there to expand your palm oil plantations onto.' If you want to make your palm oil plantations and you can make them sustainable, then more power to you. But we need to leave enough land for hydrology services. We are seeing increased flooding in communities. We are going to need to leave enough land to stop the rivers from drying up. And we have got to leave enough land for the local community, for the indigenous people. For me it is not about sustainability; it is about saying, 'You are a good palm oil producer if you are no longer expanding into areas thus violating human rights and driving species to extinction.'

Senator XENOPHON—As to the Roundtable on Sustainable Palm Oil, the RSPO: what is your view as to the limitations of that organisation? I think other groups have said, 'It's not perfect but it's the best thing we've got in terms of at least having certified, sustainable palm oil.' Do you have any views as to whether it could be improved or as to the robustness of that current process?

Mr Cocks—My viewpoint at the moment is that the RSPO does not represent a credible body. Good on them for trying. But as to having voluntary certification in a country such as Indonesia where there is no law enforcement backing it up: we know, from our evidence, that we are rescuing orangutans from RSPO members all the time as they go through and clear the forests.

Senator XENOPHON—Would you go so far as to call it window-dressing in some respects?

Mr Cocks—It is. I can understand some NGOs wanting to engage with it because it could be a forum that really develops into a system where you could say, 'Okay, the companies which are now involved have stopped tearing down forests and are not persecuting orangutans, and therefore we should give them a tick.' At the moment it still would be greenwash in that they are still knocking down the forest. And if you put on something like, 'Our company will become sustainable and stop knocking down forest in 2015,' well, that is probably when you are going to run out of forest anyway! So those sorts of future projections are kind of meaningless. What we really need is for companies to say, 'Actually, we are going to stop expanding into forest areas,' and define that truthfully, not just say, 'We won't expand into primary forests.' Or we could say, 'This year, is it going to be grasslands, or are you going to maintain your current area and increase productivity?' as they are claiming that they can do with certain agricultural practices.

Senator BOYCE—Even if your claims are correct, would you not expect that the major manufacturers and retailers, who are also members of the RSPO, to put pressure on those producers to behave according to the criteria of the RSPO?

Mr Cocks—We would hope so. Will that be reality or not? It is certainly not now. Will it be in the future? We can only hope.

Senator XENOPHON—Could you provide further details of your evidence in relation to the alternative economic benefits of not taking down the rainforest? Maybe you could comment on some of the claims that have been made that there is an economic driver for the rainforest timber and it is almost consequential or collateral damage, as I think some have put it. And I would be grateful if you could respond in some detail to the Malaysian government's submission that they have given to this inquiry.

Mr Cocks—Yes.

Senator SIEWERT—I wanted to go a bit further with the deforestation. There are a number of submissions we have had that have said that the link is not there between deforestation and palm oil, and that there is another driver—

Mr Cocks—There is a forest there and then there is no forest.

Senator SIEWERT—The economic driver is the pulp and paper for forests—I am just telling you what we have been told. This is particularly in Malaysia. That is administered by a completely separate department. That land has then been logged and then they put in palm oil. But they say that there is not a link between the two because it is the pulp and paper that is driving it.

Mr Cocks—In the Greenomics submission it deals with Norway putting climate change money into Indonesia but at the same time their pension fund is supporting a palm oil plantation that knocks down the forest. Basically, it says that palm oil plantations do get forested areas and a license to convert them from one government department, but they do not get Ministry of Forestry approval to actually knock the forest down. Therefore, this paper argues that it is technically illegal, at least in one aspect.

Yes, pulp and paper is a big issue. They knock down the forests and come in behind to plant acacia plantations as an alternative. It is not as big as palm oil—palm oil is a major driver—but pulp and paper is a contributor to that situation. What you often see—and this is probably talking to the pulp and paper industry—is them coming into an area and encouraging illegal logging. That then ends up in their mills, and then the forest is diluted. They classify it as degraded forest and then they go through and clear-fell it all. There is definite collusion, within the process that we see on the ground, between the low-level clearing and the big companies that come in later.

Senator COLBECK—How do they encourage illegal logging?

Mr Cocks—It goes to their mills. The mills take the products. They are the customer for the illegal logging.

Senator SIEWERT—In other words, they buy the logs and process them.

Senator COLBECK—What encourages that in the first place? You would hope that their mills would have a basis in a legal product. You would hope that they were not all illegal products that were going through their mills—

Mr Cocks—No. For example, the evidence that has come out of Malaysia is that they produce more timber products than they can fell. So it comes from Indonesia. It goes over the border and is greenwashed in Malaysia and then goes through. All mills would operate on a proportion of legally felled timber and then a proportion of illegal timber which is mixed together.

Senator COLBECK—So this comes back to your enforcement discussion.

Mr Cocks—Exactly. To be fair with Indonesia, the environment is a low priority for Australia in general compared to other issues.

Senator BOYCE—For Indonesia, you mean.

Mr Cocks—No, for Australia. For example, it is often in a state government the new minister becomes the minister for the environment because it is considered from my perspective one of the least important portfolios and the amount of money we spend on the environment against other issues. I am arguing that Indonesia is not actually spending a lot less on the environment than we are in proportion to their wealth. What it comes down to is they have a national park and they have rangers—because we deal with this in the Bukit Tigapuluh National Park—and they simply do not have a budget to go into the park. They do not have the budget or the vehicles to go into the park, so they sit in the offices. If we need them to go in for law enforcement, we have to provide the vehicles and pay them their field allowances to go in.

Senator BOYCE—I was going to ask about that. When you said you pay the police to do their job, are you talking about providing resources or simply bribing them to do their job?

Mr Cocks—Simply providing resources. They do not have the resources to undertake the duties. For example, AOP has wildlife protection units, a force that goes out and protects the forest. If we need to have people arrested or stop some illegal activity, we go to the ministry of forestry and we have to pay allowances and wages for staff to go out with us to undertake the enforcement. Without that, they have no funds to undertake the activities. No, I do not think you can call it corruption at that level. Unfortunately, if it becomes a user-pays system, I would argue that it would be very open to corruption.

Senator XENOPHON—It would be novel to bribe someone to do their job.

Senator BOYCE—Possibly.

Senator COLBECK—To get a sense of what the rate of the deforestation is, the figures that I have seen so far all stop at about 2004. There is no question that that graphically provides a pretty stark picture. Is there any change in that rate of conversion?

Mr Cocks—From my experience on the ground, it is continuing at a slower rate, as I said earlier, because we are fighting over the scraps. For example, with the pulp paper industry, unless they chop down more forest, they cannot keep their mills going for the next five years until their acacia plantations reach maturity. Economic growth models, I would argue, with the palm oil plantations are they have to keep expanding to meet it. We are really fighting over the scraps. It is not like there is a lot left.

Senator COLBECK—There is a distinction here in jurisdictions that we have discussed earlier today between Malaysia and Indonesia and the picture is much more stark from what I have seen in Indonesia than it is in Malaysia.

Senator BOYCE—Although we have not heard from the Indonesians.

Senator COLBECK—We have not had a specific response from the Indonesian government or representatives like we have from the Malaysians. Some of the overlays that you have provided today are quite interesting, I have to say. The RSPO process where nothing converted after 2005, where do you see that fitting into the overall picture? That is an obvious break on the conversion rate and a limitation on it. The issue is whether or not the companies involved actually see any weight in the RSPO process.

Mr Cocks—We are saying that the RSPO have the commitment after 2005, which is six years ago.

Senator BOYCE—Not to use land that has been cleared after 2005.

Senator COLBECK—The evidence I have heard so far—and I have asked another question that I have not got an answer to yet—is that post-2005 conversion land will not be certified under the RSPO; that is my understanding. But, again, it comes back to your perspective.

Mr Cocks—I guess it depends; the devil is in the detail. For example, let us put the other extreme. Why would you stop a palm oil plantation in a grassland which has been, let us say, left fallow? Why couldn't they expand after 2005 to put a palm oil plantation on it?

Senator COLBECK—I am talking about it in the context of conversion from forest to palm oil.

Mr Cocks—That is where I am going. Where, on that line between fallow grassland and primary forest, do they say where we are not converting? What would happen, and what we have seen, is that they would argue, as we see the bulldozers go down and the orangutans being killed in the trees—this is literally what they are saying—that it is not forest, because under their definition it is not forest.

Senator COLBECK—Under the RSPO definition it is not forest.

Mr Cocks—For example, you can have a Ministry of Forestry map that says it is simply not forest or that it is secondary forest or degraded forest, and therefore it is open to conversion. But when you go in there—

Senator COLBECK—But what is the definition in the RSPO, then?

Mr Cocks—That is my question, because, if they are really saying 'no expansion after 2005,' it does not seem to be a good idea from their point of view; why not expand into fallow area? From the reality point of view, they are still—

Senator BOYCE—No, it is no expansion onto land that has been deforested since 2005; that is what we are being told. Why would we—

Senator COLBECK—Which would encourage expansion onto fallow land, I would have thought—

Mr Cocks—Yes.

Senator COLBECK—if you are in the business of wanting to have your product certified under the RSPO guidelines.

Mr Cocks—Under those guidelines, is it the whole company or is it the particular plantation?

Senator COLBECK—We are hoping that you can provide us with that information in coming before us, because we are obviously investigating that process. I would have thought that you would have had some knowledge of the process and understanding of how it worked, being a campaigner in that area. I was hoping that you might be able to help. If you cannot, you cannot. There is no wrong answer; it is just trying to get a sense of where it is at, because there are some aspects of it that I am interested in understanding better, including a question that I asked yesterday about that 2005 date. You have, perhaps, indicated to me some

possibilities. Is there any opportunity to reset the clock on that? I know that under some other forest certification processes there are ways to reset the clock to get around some key dates, and I am just wondering if you have any understanding of that within this process or whether there is any. Someone who understands it can probably provide that answer; I am just wondering whether you can.

Senator BOYCE—I would think that we are at the very least going to end up with certifiably sustainable palm oil as a given into the future, so I would think—

Mr Cocks—We should not—

Senator BOYCE—Looking at the RSPO and working out how to improve it would be in the interests of your objectives.

Mr Cocks—Exactly, but this issue is about choice. I do not think foreign companies or representatives of companies such as a Malaysian palm oil company should be telling Australians what they can and cannot choose. What we have demonstrated, I believe, is that Australians do want to have a choice in this matter, and it is not for other people to decide what Australians can choose. But I hope that in the future there will be a way of certifying palm oil which is no longer destroying or affecting orangutan habitat or affecting other human rights issues.

Senator COLBECK—That is the objective of the RSPO. I think there is pretty broad recognition and understanding amongst a lot of the players involved that it is early days yet.

Mr Cocks—Yes.

Senator COLBECK—And I think that even from some of the proponents there is recognition of deficiencies that need to be built on, but this is a starting process.

Mr Cocks—Yes.

Senator COLBECK—A journey starts with the first step, to quote a phrase.

Mr Cocks—Exactly. One of the things I have been taught lately is: do not get upset with hypocrites, because you have to go through the stage of realising it is wrong, and then you are kind of a hypocrite till you can actually implement your new values. So, yes, probably in that context RSPO are hypocrites at the moment, but is hypocrisy a platform to move on to a higher level of standards? It is, but we have not got the proof of that yet.

Senator BOYCE—The Australian Orangutan Project would like to ban palm oil from products in Australia?

Mr Cocks—No.

Senator BOYCE—What would it like?

Mr Cocks—We would like Australians to have choice.

Senator BOYCE—A choice of what?

Mr Cocks—Whether or not to use palm oil products.

Senator BOYCE—In which case you want mandatory labelling.

Mr Cocks—That is correct

Senator BOYCE—Can you explain how, from your viewpoint, that will benefit species including orangutans that you showed us earlier?

Mr Cocks—From one viewpoint the question is somewhat irrelevant. For example, say I am a vegetarian and do not eat beef. Am I going to save one cow in Australia? Do my actions help with global warming? No. But I do have a personal choice. When we are talking about the genocide of a species, I believe that on that level we simply should have a personal choice to make that decision on our own even if it has no greater effect than us making our own ethical decisions as Australians. But I hope that in the future this will put a light on the issue. These discussions are also very important. All this can happen in the quasi-legal darkness and misinformation. Global warming is a bit like the tobacco industry: we have these pseudo-NGOs that come up and have alternative arguments that do not really exist. This is very much the same thing. If we as people can get through that and understand the situation and what is at stake, I think we will get a better outcome for the orangutans, Indonesian people and everybody. I think the debate and discussion is part of the process of enlightening us and also enlightening the people who work in the palm oil industry. The worst thing we do is believe the lies we tell other people.

Senator BOYCE—Given the information that you are promoting and the sorts of campaigns that zoos and the like are running, you would hope that the choice people would make is not to buy products with palm oil.

Mr Cocks—We are hoping that the campaign will help give people the choice.

Senator BOYCE—The choice to kill orangutans or not to. Is that what you are saying?

Mr Cocks—Yes. You have a choice to be involved with a process or not.

Senator BOYCE—But surely one of the outcomes that is quite possible in the campaigns you are running is that people will choose not to use palm oil. Who, in your view, should be responsible for promoting the use of sustainable palm oil when you have stopped the use of palm oil?

Mr Cocks—I am, unfortunately, very cynical by nature. I have been in conservation for many years, and we are losing. You get very cynical. But the expanding markets in the world for Indonesia and Malaysia are India and China, who do not give a crap about sustainable palm oil. That is a discussion that is not even on the table. Australia is, in a sense, a very small market. Even if all palm oil were stopped in Australia tomorrow, are there not still going to be huge economic drivers to continue on? I do not know, but I think Australia can take a position—about at least giving people a choice—and we can bring up a real discussion and get the real facts on the table. The Australian Orangutan Project and other organisations like AusAID can work to try to get a solution that is a win-win situation.

CHAIR—Thank you very much.

Senator BOYCE—I have a question on notice.

CHAIR—That is fine, though not now. The secretary will be in contact. I know Senator Xenophon had some questions. Obviously Senator Boyce has. Those will come to you. If we could get them back within a reasonable time it would be appreciated. We are due to report in the beginning of June.

Mr Cocks—Okay.

CHAIR—Thank you.

[2.20 pm]

DUNCAN, Mr Gordon, Senior Business Manager, Woolworths Brands

MARDIROSSIAN, Ms Armineh, Group Manager, Corporate Responsibility, Community and Sustainability, Woolworths Brands

CHAIR—Welcome. I know that you have information on parliamentary privilege and the protection of witnesses. Is there anything you wish to add about the capacity in which you appear today?

Mr Duncan—I am a senior business manager, and I look after the private-label area in the area of brands.

Ms Mardirossian—I am the group manager for corporate responsibility, community and sustainability.

CHAIR—Does that mean that you are both on the same level but doing different things?

Mr Duncan—Yes.

CHAIR—So within the Woolworths corporate structure you are working—

Ms Mardirossian—Gordon is from supermarkets; I am from corporate.

CHAIR—Lovely. Thank you; I do not know your corporate structure. We have your submission. Either or both of you may make a short opening statement, and then we will go to questions.

Mr Duncan—At Woolworths we are committed to being a leader in responsible and sustainable retailing. We understand that we have a duty to be more than just a retail outlet. We must also make a positive impact on the societies that we serve. We work to the principle that we can never take our customers for granted and we believe in earning our customers' trust and respect by acting responsibly both inside and outside of our stores and by empowering them to make informed choices through appropriate and effective labelling. For us, a key element of being a responsible retailer is having in place product sourcing arrangements that strike the right balance in providing customers with value and choice.

Whilst also ensuring the long-term viability of our supply chain, it is in our interest to ensure that the supply chain is sustainable in both environmental and economic senses. Recent examples of our commitment to sustainable sourcing include the introduction of PEFC certified Select brand toilet paper and tissue in our stores and our Marine Stewardship Council certified Select brand canned salmon. This is soon to be followed by MSC certified canned albacore tuna.

Our commitment to responsible retailing is also evident in the steps we are taking to address the growing custom industry and community concern around sustainable use of palm oil, an issue that this committee is looking at and a trend that has been emerging both internationally and in Australia over the recent years. As the committee is aware, there are two primary concerns about the use of palm oil. First, there is the concern that palm oil is high in saturated fats and, therefore, a potential health concern. The second concern relates to the fact that the growing demand for palm oil is putting intense pressure on rainforest areas of South-East Asia, West Africa and South America.

In 2007, Woolworths took the first steps to address the health and environmental concerns about the use of palm oil in all products. At that time we moved to either ban or reduce the use of palm oil in our Select range of products. We took this position at that time because certified sustainable palm oil was not available. In 2009, we hosted an industry and community consultation to increase industry awareness of the health and environmental issues associated with palm oil so there would be a greater understanding of where sustainable palm oil could be sourced. In 2010, we took the next significant step, announcing our palm oil action plan that was developed in consultation with the WWF. As part of this plan, we committed to label palm oil where it is a major ingredient—more than five per cent—in a product for all private-label Woolworths products, both food and non-food. Where we use the palm oil in Woolworths, we will progressively move to support the use of only RSPO certified palm oil. Woolworths's target for completing this move to RSPO certified palm oil is 2015. The 2015 target is similar to the target set by a number of other leading global retailers and manufacturers, including Tesco, Sainsbury's, Unilever, Cadbury and Nestle.

As the committee would be aware, there is currently a limited supply of palm oil available globally, with only about seven per cent of global supplies of palm oil being certified by the RSPO. The reason for setting this 2015 target is to signal to the world's suppliers of palm oil that there is a market for sustainable product. In providing this market signal, it is Woolworths's hope that the investment in sustainable products will be supported and that there will be sufficient time for certification of palm oil supplies. We accept that meeting

our 2015 target will be a significant challenge, but we are committed to working with our suppliers to do our best to meet this commitment.

CHAIR—Thank you. Ms Mardirossian, do you have any comments that you would like to make at this stage?

Ms Mardirossian—No. We are happy to answer questions.

Senator XENOPHON—How different is your position to that of Coles in terms of having a labelling for your private-label brands? You are familiar with what your competitor does.

Ms Mardirossian—We are not commenting on what others are doing. Ours is that we will label our products. We have been through the labelling process. Obviously there is a whole stock that is already in train in terms of the distribution centres and so on. The packaging has to be changed.

Senator XENOPHON—Perhaps I will ask the question differently. It was not my intention to cause you any difficulty in relation to that question. I think what Coles is doing is commendable and I think what you are doing is commendable. I am just trying to understand whether this is being driven by consumer demand.

Ms Mardirossian—Our customers are a stakeholder group that have raised issues with us, and we have responded.

Senator XENOPHON—So this is about informing customers in terms of their purchasing decisions.

Ms Mardirossian—That is right—enabling them to make an informed decision.

Senator XENOPHON—Tim Wilson, from the Institute of Public Affairs, in his evidence this morning said that the labelling of palm oil will push up the price of foods. Coles has labelled palm oil in its home-brand foods and you are doing it with your own private-label brands. Coles's evidence this morning was to the effect that, if you do it within the cycle of when you get new packaging and simply put 'palm oil' on the package, the cost is negligible. I think that is a fair summary of what was said. I am sure Senator Boyce will correct me if I am wrong.

Senator COLBECK—That was the labelling cost.

Ms Mardirossian—That is exactly what we do; it is in the repackaging cycle.

Senator XENOPHON—In terms of labelling, the cost is negligible—is that right?

Ms Mardirossian—That is right.

Senator XENOPHON—You said something like 95 per cent of all Select brand food products are now free of palm oil. What has that meant in terms of cost implications? Does it cost more to get a palm oil substitute?

Mr Duncan—I guess the cost is one of development time taken and also the input costs. Every product has a slightly different composition. You would actually have to take each project or each product in isolation, so we cannot really give you an exact cost. There certainly is an investigation and we are working with manufacturers to be able to provide those products. So there are varying costs depending on the type of product.

Senator XENOPHON—But given that the amount of palm oil substitute that would be put in a product is often quite small—it obviously varies—are you able to say whether it is an appreciable increase in the cost of those foods?

Ms Mardirossian—Are we talking about sustainable palm oil, or an alternative?

Senator XENOPHON—Both—in terms of replacing palm oil with a non-palm oil product and—

Ms Mardirossian—Let me first answer the question about certified sustainable palm oil. We have already heard from various discussions that certified sustainable palm oil is only about seven to eight per cent of the total global supply at the moment. All the major fast moving goods brands as well as retailers globally have committed to a 2015 date, so that indicates the volume of demand. If the supply does not catch up with demand we will see very large premiums.

Senator BOYCE—Is there a premium now?

Ms Mardirossian—Yes, there is.

Senator BOYCE—Approximately how much?

Ms Mardirossian—It depends on which of the four certifications we go with. It could be anywhere from \$10 to \$200 a tonne. There are four different types of certification.

Senator BOYCE—And what is the average price of palm oil?

Ms Mardirossian—I think it is about US\$1,700 a tonne.

Senator COLBECK—Are you saying there are four types of certification, or four levels of certification?

Ms Mardirossian—There are four types of certification and each has a different level of—

Senator COLBECK—That is within RSPO?

Ms Mardirossian—Yes, that is right.

Senator BOYCE—So it is \$1,700 plus anywhere from \$10 to \$200?

Ms Mardirossian—It is around that. It is a commodity. It is based on market forecasting, and that changes.

Senator XENOPHON—So, at the moment, palm oil is about \$1,700 a tonne?

Ms Mardirossian—Yes, that is what I understand it to be.

Senator XENOPHON—You may want to take this on notice.

Ms Mardirossian—Yes, we will give you the numbers in a written form.

Senator XENOPHON—Even approximate numbers will do. We do not want to delve into what you are contracts might be; we just want to know the market price that is out there.

Ms Mardirossian—I would just like to make a correction. We do not have any contracts to buy palm oil. We do not buy palm oil.

Senator XENOPHON—I know—but in terms of your knowledge of it with your suppliers.

Ms Mardirossian—As we understand it, it is around \$1,700, but it oscillates because it is a commodity in a global market. There is a premium of about \$200 for ‘identity preserved’, which is a top-notch classification.

Senator XENOPHON—So that is a premium of about 12 or 13 per cent.

Ms Mardirossian—That is right.

Senator XENOPHON—Okay, so it is in that order. That is quite useful. Do you label palm oil on some of your products, on your Select brand products, now?

Mr Duncan—We are about 25 per cent of the way through. I guess the caveat around that is Select brand and the Macro brand, which are our homebrand products, do not contain palm in most instances, so there is a significant part of our portfolio that does not at the moment but the rest of our product label portfolio is about 25 per cent of the way through that recycling of packaging that we talked about earlier.

Senator XENOPHON—Has there been any feedback from consumers when you do actually label palm oil? Some of the submissions have been that the sky is going to fall in if we label palm oil. What has happened? Are you still selling those? The market hasn’t collapsed for those particular products, has it?

Ms Mardirossian—Most consumers have virtually 20 seconds to make a choice on a product and everyone has different priorities. Not everybody is looking for palm oil; some people are more interested in allergens, some people are more interested in saturated fats and some people are interested in other things. I cannot say it has affected the sales of products. We have had some calls from consumers who have been very distressed because their product had vegetable oils in it and we have changed it and put palm oil in it. We had to explain that it was always palm oil and now we are just putting the name of the oil.

Senator XENOPHON—So, as we discussed with Coles, you had some backlash from being transparent.

Ms Mardirossian—That is right.

Senator XENOPHON—When you explain what you have done people understand you have actually done the right thing. So it has not caused a massive drop in demand when palm oil is identified?

Mr Duncan—We have not seen an increase or a decrease.

Senator COLBECK—Could you measure it if there were? Would you be able to measure it?

Ms Mardirossian—Yes. We have sales data and we could see if it has gone down or up.

Senator COLBECK—We asked a similar question earlier in the day and got an equivocal answer.

Senator BOYCE—I think that was more about the fact that they were not entirely keen to tell us.

Ms Mardirossian—I think if two people were not buying it we would probably not notice that, but if there were a significant backlash and people stopped buying, we would see that.

Mr Duncan—There are significant other retail pressures that would make—

Senator COLBECK—I understand that, and I use the example of country of origin labelling. The vegetable industry data says that, if you do a survey through a supermarket, 90 per cent will say they want Australian products but when they actually go to the shelves 90 per cent buy on price.

Ms Mardirossian—We have the same data.

Senator COLBECK—So there is a difference between people responding to a survey about what they might want and their actual behaviour in a supermarket. I was trying to get a sense of the variation between those two things, because obviously we are being presented with a lot of survey data as part of this process. Being able to measure it with what is actually happening in the aisle, if you like, is helpful as part of this process.

Ms Mardirossian—We would agree with that. We have a lot of consumer research that shows us a very similar discrepancy between attitudes and behaviours in buying.

Senator BOYCE—Would you have any research at all on how consumers use labels that you would be prepared to share with the committee?

Ms Mardirossian—We can check that. We have a consumer insights group. We can check with them.

Senator BOYCE—Given that we do not currently have any manufacturers due to give evidence, I want to follow up on the question of the cost of relabelling. For a manufacturer who sells to you and others perhaps dozens of products that may be differentiated between what they sell you and Coles by label or by something else would there be costs involved in a complete relabelling?

Mr Duncan—There definitely would be and the lifecycle of most products in a labelling sense is about two years, so most manufacturers would put an input cost into relabelling over the course of two years.

Senator BOYCE—So if you wanted to make this sort of cost neutral to manufacturers you would need to put a two-year lead time on mandating labelling, would you?

Mr Duncan—Yes, the only extra to that would be that obviously once something has gone through a production end it still has to go through the other end. There is a time to shelf that actually comes with that as well. So between two and 2½ years is when you see a product coming through the other end in a normal cycle.

Ms Mardirossian—So, as long as it is matched to that cycle, we should not see a significant cost in the relabelling.

Senator BOYCE—Just for clarity, I was not entirely sure reading your submission whether you favour mandatory labelling or not.

Ms Mardirossian—We are already labelling, so it is not an issue for us.

CHAIR—As a principle of voluntary versus mandatory labelling.

Ms Mardirossian—What we are saying is that we are already labelling so it does not really matter to us whether it is mandatory or not.

Mr Duncan—We believe in the principle of giving our customers choice. We have taken that decision because it gives an informed choice to our customers.

Senator BOYCE—One of the philosophical issues that has been raised here is that up until now labelling has been about health and safety of the product. We are starting to go into issues of social and environmental concern: if we put this label on, what other pressures could there be for labels? Does Woolworths have a view on that?

Mr Duncan—We certainly have a concern that there are a lot of different issues in the world, so we just have to be careful around those. Obviously, it depends on the demand or the impact that that is having. One of the key things for us is making sure that we target the right ones to support and we are always doing a balancing act of trying to get that part of it right.

Senator BOYCE—What would you use to measure demand?

Mr Duncan—It is two things: one is obviously any customer pressure or what is important to our customer, and there are environmental concerns and those things have come into this argument as well. Our awareness of that issue was driven by environmental groups to start with and then obviously through our customer base beyond that.

Senator BOYCE—Would you do life-cycle assessments of alternatives that you might be replacing palm oil with?

Ms Mardirossian—We have not done an LCA of the way that a standard life-cycle analysis would be done, but perhaps in the case of palm oil it is one of the—I am not sure if anyone has drawn this point about the yield factor; it is very high efficient—

Senator BOYCE—The Malaysian Palm Oil Council made sure we knew of that yield factor.

Ms Mardirossian—There have been several journals and articles written on this and how oil palm is about 10 times more efficient than soybean and other types of oil crops. This means that if you were to ban using palm in consumer goods, then to use the alternative would cause much more land clearing than palm does. That means that life-cycle assessment is perhaps not all that necessary in the first instance in terms of making a decision.

Senator SIEWERT—No-one is arguing that we should be banning palm oil.

Ms Mardirossian—People are arguing that.

Senator SIEWERT—Yes, but not in here. When we have asked witnesses, they have all been saying, ‘What we’re on about is labelling and making it sustainable.’

Senator COLBECK—Some have gone close.

Senator BOYCE—Coles and Woolworths have stopped using palm oil, so they must be using something else.

Senator SIEWERT—The only one that has stopped using palm oil—my understanding; the same as you because you have stopped using it too. You have said, as I understand it, until you can certify it is not available—

Mr Duncan—Not necessarily.

Senator COLBECK—Select is a brand; it is not a selection.

Mr Duncan—Our wish within that brand is to go forward in that direction without palm oil where appropriate. If the product type cannot remove palm oil because of the type of product it is—some baking products et cetera—then we would use a sustainable palm oil.

Senator SIEWERT—In the Select products it will be gone completely.

Mr Duncan—As best we can. We are at 95-plus per cent now and we do not see that changing a great deal within that brand.

Ms Mardirossian—The reason that palm works well for those remaining five per cent of products is functionality and shelf life. For example, in biscuits and baked goods, you need a crispness that previously was achieved by using butter. It is highly saturated fat and it gives you that crispness of the baking. We have had to change from butter obviously because apparently butter is not very healthy, so we had to find something that behaves like butter. Palm oil is 50 per cent saturated therefore it behaves very similarly to butter and behaves like that in the product. To go to a partially hydrogenated fat, you increase the trans fats whereas palm oil does not have any trans fats. There are all these variables.

Senator XENOPHON—It is a bit of minefield, isn’t it?

Ms Mardirossian—Yes, it is.

Senator XENOPHON—I have two more questions. Does that mean that for your Select brand, your private label, you go to a manufacturer and say, ‘We want these mint slice biscuits that you produce but we want our own brand. You produce it for us but we want it without palm oil.’ Is that what you do sometimes? They do a batch on the production line that is almost identical to what they do except they do not have palm oil in them.

Ms Mardirossian—Sometimes we are able to do that and sometimes we are not because the economics are just not possible.

Senator XENOPHON—It just depends on that?

Ms Mardirossian—That is right.

Mr Duncan—I guess the knock-on effect of that is that sometimes we have been able to convert them to their proprietary products as well. So there has been a more global effect that has happened out of that.

Ms Mardirossian—If they have to change it for us they might change it for the whole product.

Senator XENOPHON—Finally, could you take on notice Senator Boyce's line of questioning about the whole issue of lifecycle assessments? I think some have put the argument that if you got rid of palm oil you could be chopping down more rainforest. Have you done any assessment of those assertions or of lifecycle assessments as well?

Ms Mardirossian—There is globally available research already on those things; we do not have to do them separately.

Senator XENOPHON—Sure, that is fine, but you are cognisant—

Ms Mardirossian—Yes.

Senator XENOPHON—On notice, just so there is no misunderstanding, could you let us know which of those you use or which standards you refer to in terms of lifecycle assessments? You said that there are standards out there that you use. Could you be more specific, on notice, and refer to which standards you use?

Ms Mardirossian—Sorry, I did not say we use standards for lifecycle assessment. What we said was that the actual differential between efficiency of palm oil and other oil crops—the 10 times—is available from a lot of other research. We have not done that research ourselves but we have reviewed other research that has been done.

Senator XENOPHON—But you do consider if there is an alternative to palm oil that the alternative does not have equal or worse adverse outcomes. Is that something you consider?

Ms Mardirossian—Yes, we would look at what impact it would have from a land clearing perspective. This note is available from Oil World, which does global commodities research, that shows the different types of productions and crops and their yields.

Senator XENOPHON—Could you provide, on notice, just a little bit of information about what you rely on and how you go through that process? That would be useful.

Ms Mardirossian—Yes.

Senator BOYCE—I want to ask about the comment you have made here about the quantity of palm oil in products potentially causing the labelling issue to be unworkable. I have had conversations with some of the witnesses around the fact that what we could end up with is a long list of, 'This product may contain' followed by a list of half a dozen things that may or may not be in there. Could you talk about your concerns about quantity and what you see as workable?

Ms Mardirossian—We have put in our submission a five per cent threshold. It is often the case with a lot of the FSANZ standards that they would allow a threshold percentage that might be unintentionally present. This is mostly about the derivatives. An emulsifier or a flavour base might have a trace element of palm because we do not have a vertically integrated supply chain—we do not actually make the flavour base and we do not make the emulsifier, so we would not know if it contains palm oil or not. That was the premise of that particular—

Senator BOYCE—In some cases your suppliers would be buying a blended product to use to make their product—

Ms Mardirossian—Yes, that is right.

Senator BOYCE—So the chain perhaps has four or five links just in Australia?

Ms Mardirossian—Yes, palm oil supply chains are very long, from the plantation to the consumers in the retail store.

Senator COLBECK—You have said that about seven per cent of global supplies make up the certified product at the moment. What is the growth rate in that?

Ms Mardirossian—It has been a good growth rate. I think in the first six months we saw a doubling. In the first six months we got certification it was in the pipeline and in the next six months we got a doubling of that. So it went from 3½ per cent to 7 and a bit per cent.

Senator COLBECK—Do you have any knowledge of the level of activity within the market at the moment for further certification? Do you have any understanding of what growth—

Ms Mardirossian—What is in the pipeline? No, we do not have any visibility of that. It takes about 12 to 15 months to get certification for the plantation.

Senator COLBECK—We had evidence yesterday that in Malaysia about 45 per cent of growers are smallholders and therefore, from their perspective, there are some financial viability issues around becoming certified. Are you aware of any other inhibitors around certification?

Ms Mardirossian—Not so much at the plantation level, because we do not deal at that level. But the supply chain certification is problematic mainly because of the segregation required. So you can have ‘certified’ in the plantation but there are at least 10 actors in between that and where we get the product. To have the whole chain segregated is quite a task, especially when you get to the refinery because the refiner would have to segregate one production line for only certified. That causes issues because, if they have made an investment in that production line and they cannot run it for 24 hours, 24/7, they are losing money. Their reluctance in segregating is—

Senator BOYCE—So that is the green palm certificates—

Ms Mardirossian—The mass balance causes problems for us because—

Senator BOYCE—What does?

Ms Mardirossian—The mass balance approach, which is ‘everything goes in’.

Senator BOYCE—A percentage.

Ms Mardirossian—A percentage. From a consumer’s perspective, that is a very difficult concept to explain.

Senator COLBECK—It is akin to ‘made from local and imported products’. The proportion does not—

Ms Mardirossian—You can use proportion, so you can say 20 per cent from certified. But because there is no traceability in the chain—

Senator COLBECK—I suppose an initial inhibitor in that process is the rate of take-up and certification at the grower level because, until there is sufficient volume at that stage, then the supply into the processing has the limitations that we have just talked about.

Ms Mardirossian—That is right.

Senator BOYCE—It reminds me of one question I meant to ask. If we are to end up with this as a mandatory labelling requirement, who would you see as being the body that should be checking to see that it is CS palm oil that is used? Who should be monitoring the honesty of the labelling?

Ms Mardirossian—I think everything is now done through FSANZ. But I think there is a limitation on their scope: their scope is only health.

Senator BOYCE—That was the point I was getting to.

Senator COLBECK—They set the standards and the states are required to enforce—

Senator BOYCE—The states currently do the enforcement. It would be interesting to see a state trying to work out what did and did not constitute CES palm oil.

Ms Mardirossian—I do not think that should be left to everybody to decide—you would get six different descriptions of what is a certified sustainable palm oil. That would be a nightmare for any manufacturer to try to deal with. There is already a definition of—

Senator BOYCE—I think FSANZ would say what constituted CS palm oil, but then it would be up to the states to actually test to see what was on the label was what was in the product.

Ms Mardirossian—The mandatory labelling is only to label palm oil. Is that not the case?

Senator SIEWERT—Under this proposal, yes.

Ms Mardirossian—It is a voluntary choice whether you use certified palm oil. Do we misunderstand the purpose of the labelling?

Senator SIEWERT—It is labelled ‘palm oil’ and then there is provision for it to be certified.

Senator BOYCE—My point is that there is still some confusion about the objective of this: whether it is to stop people buying products with palm oil in or whether it is to encourage the use of CS palm oil.

Ms Mardirossian—The only comment we would make is that our supply chain is global and so are a lot of our suppliers. We have already committed to the Roundtable on Sustainable Palm Oil. The last thing we want is several different standards and labelling requirements that conflict with the RSPO requirements, because we have a code of conduct agreement under that.

Senator BOYCE—So you want them to meet international standards, for example.

Ms Mardirossian—We want to be aligned with what everybody else is—

Senator SIEWERT—RSPO.

Senator COLBECK—The concept of having a number of different certification standards is not a new one. That is a question I was going to ask you. How do you go about the process of assessing the various standards that you come up against? I was reading a paper out of the US last week that was an assessment of about eight certification processes. It was quite glowing about one of them and scathing about the rest, and the fine print at the back said that the assessment had been done by a contributor to the one that got the glowing report—surprise, surprise! But there is a lot of competition in that space for different certification processes, and so alignment with those things has to be carefully judged.

Ms Mardirossian—Absolutely. I agree with the point that, where there are a lot of standards, all it yields is confusion in the consumer space. Our view is that there should be convergence in the standards so that we have one rigorous standard that everybody complies with rather than ‘If I don’t like it I’ll go make my own one’—which does not meet some of the more difficult things. I think the RSPO is probably the one that has full supply chain traceability, audit and process put in place. Nothing is perfect, and if we think there are weaknesses with that then everybody should engage with that process to try to improve it rather than diverge and try to create new processes, which is what has already happened with two different processes introduced, one by the Malaysian government and one by the Indonesian government.

Senator COLBECK—But that is not a lot different from what food producers might experience here in Australia. There was a conversation earlier in the day. I do not think it was with your competitors either, so we do not need to make a comparison. You have a certification process for products that go through your stream. Other retailers have different ones. My conversations with farmers, which I have reasonably regularly, are that if they are supplying more than one they have to be certified with more than one. So their circumstance is not all that much different in that case. It is about differentiation, which is part of the marketing process.

Ms Mardirossian—I agree. Quality is a differentiation issue. That is a branding and positioning question, but the rigour of sustainability can be measured by one standard. You do not have to differentiate. Within RSPO you already have four differentiation methods just by whatever standard of certification you choose. You can go for identity preserved, which is the top notch and most rigorous, down to the palm certificate.

Senator COLBECK—I think that is a matter of perspective. That is my view, so I will keep that. But you have a view in respect of what you are choosing for sustainability and the concept of a whole range of different quality standards when the fundamentals are basically the same. Okay, there might be some variables; but, as you say, they are about differentiation. It is a similar space but coming from a different angle. You are in the space of having to comply with differences in the palm oil space, and yet growers are in the position of having to comply in the quality certification space. Perspectives are that same from the user point of view but different from the controller point of view.

Ms Mardirossian—I agree with your comments, but we can only give our perspective.

Senator COLBECK—That is fine. I am just making a point about the processes.

Ms Mardirossian—Woolworths is also part of the Consumer Goods Forum, which is a global organisation of both retailers and brands. The secretariat is out of Paris, and it has a combined membership of about US\$2.8 trillion in sales revenue. You have your Unilevers, Nestles, Tesco's, Walmarts—everyone is a member of that forum.

Senator BOYCE—The Food and Grocery Council on steroids, basically.

Ms Mardirossian—No, Food and Grocery Council does not have retailers.

Senator BOYCE—That is true.

Ms Mardirossian—So this is the whole supply chain for consumer goods. The premise of that particular forum is to drive convergence in some of these standards. Food safety standards have been standardised because we are working across boundaries and with global supply chains more and more. That was an important thing: globally we had to make sure there was convergence. The same thing is happening with social compliance. We work with them on an ethical sourcing policy that has been driving convergence of different standards. The same thing will happen for a lot of the sustainability—

Senator BOYCE—So if we ended up with mandatory labelling of palm oil, would that not affect that global convergence?

Ms Mardirossian—No, I do not think the mandatory labelling of palm oil is going to affect that, but if we were to choose a different standard where almost every member in that forum has committed to RSPO, that could create some problems.

Senator COLBECK—So sustainability stands the same? I will speak to you another day on recent decisions about fish—the cessation of supply for yellowfin tuna that you have announced, for example. Had you purchased yellowfin tuna out of Australian sourced product I would not have seen it as being an issue, because we have pretty serious fisheries management in that space. I do not know whether it is an overall supply to meet your market needs that helps drive that, but I have to say I was pretty grumpy when I saw that, having seen the process and sat alongside the process that went to setting the quotas that controlled and maintained the sustainability of that stock. Both of the majors have decided that they are not going to supply it into the market.

Ms Mardirossian—We will take that on notice. Perhaps we can have a discussion outside this forum.

Senator COLBECK—Yes; it is for another day.

Senator BOYCE—You have said in your submission that you welcomed what is being called the Blewett report. Recommendation 12 is that all added oils, fats and sugars should be itemised on an ingredients list. What is Woolworths's view on that?

Ms Mardirossian—We do have some reservations about the extent of the labelling that is required, mainly because the packaging is quite limited in terms of how much information you can put on the packaging. We also have something else that drives the packaging reduction, so there is less packaging and less real estate in terms of what information can be covered. That is one of the issues. But on the other side of that is what information is actually meaningful for the consumer—sucrose, fructose, all of that. I did biology in university, so perhaps I understand what they are, but if I ask my mother she would not know why they were different or why it mattered. She would look at the total sugar and try to reduce her sugar intake.

Senator BOYCE—I was hoping you might be able to provide research in terms of how people use labels. Whether the nutrition panel was more important—what is important to whom?

Ms Mardirossian—I will check with our consumer insights team to see if they have research on that particular issue.

Senator BOYCE—And if they are prepared to share it. Obviously, if it is considered commercial-in-confidence, that is fine too.

Ms Mardirossian—We can share on a confidential basis.

Senator BOYCE—Yes, you could give it to us confidentially if necessary.

Ms Mardirossian—We will check that for you.

CHAIR—Thank you very much. If there are questions on notice—and a couple have been put there—the secretariat will be in contact with you so you will know exactly what we are asking for. That will make it a lot easier for you. We appreciate your evidence. Can we have a copy of what your labels now say so we can see what a product that is now labelled for palm oil looks like?

Mr Duncan—Absolutely.

CHAIR—Thank you.

[2.58 pm]

ANDERSON, Ms Susan, Director, Healthy Weight, National Heart Foundation of Australia

CHAIR—Welcome. I know you understand the principles of giving evidence in terms of parliamentary privilege and the protection of witnesses. We have your submission, which we have labelled No. 277. Would you like to make an opening statement, after which we will go to questions?

Ms Anderson—The Heart Foundation has a very keen interest in the proposal around the labelling of palm oil. For those who are not aware, the Heart Foundation is a not-for-profit charity organisation whose focus is on health promotion, research funding and providing consumers with accurate, up-to-date information. We certainly welcome the chance to have a look at and comment on this bill. From a nutrition perspective and the Heart Foundation's perspective, palm oil is having a fairly detrimental impact on our cardiovascular health. We know that 130 deaths per day are attributed to cardiovascular disease. That is one person every 11 minutes, so it is certainly of great concern.

Senator BOYCE—What is so wrong with palm oil?

Ms Anderson—We know that a lot of people have high cholesterol levels, which is a risk factor for heart disease. In fact, at the moment it looks like it is around 50 per cent of Australians, so a lot of deaths would be related to a high intake of saturated fat. We can see from the last surveys that people's saturated fat intake is double the amount that is recommended in the dietary guidelines and the Heart Foundation's guidelines, and we are only having about half the amount of polyunsaturated and monounsaturated fats that we need. That is actually where the proof is around reducing cardiovascular disease and high cholesterol levels—getting the balance between the saturated fats and the unsaturated fats correct. At 50 per cent saturated fat, palm oil is certainly a contributor to the saturated fat intake.

The Heart Foundation supports the need for consumers to have truthful labelling and information that really helps them make an informed choice. In the current situation I think it is pretty difficult for consumers. Seeing 'animal fat' or 'vegetable fat' does not necessarily help us determine healthy fats versus unhealthy fats. Vegetable oil could be healthy or it could be an unhealthy sort, so having a little bit more detail would be quite useful.

The other thing that is of concern is that food service, which is where a lot of palm oil is used, is not actually covered by the mandatory labelling requirements.

Senator XENOPHON—That is take-away?

Ms Anderson—Yes—take-away, quick service restaurants, fast food chains, restaurants and the catering sector. They fly under the radar in terms of mandatory labelling.

Senator COLBECK—But this bill is not going to change that.

Ms Anderson—No, it is not, but that is also where palm oil is going into the food supply. In terms of the proposal in the bill, we think it is a good start. We think it could be strengthened by disclosure of all the fats and oils. That would help give people information about the healthy ones and the unhealthy ones. As I mentioned before, the scientific evidence that supports the benefits of reducing cardiovascular disease is about getting the balance right, not simply lowering one or increasing the other. Providing people with palm oil information is helpful, but we also need to educate them about what the problem is with palm oil and other sources of saturated fat. So this is a good opportunity, a good starting point, to talk to consumers about saturated fat sources. As we all know, they are quite widespread across the food supply.

We believe disclosure about palm oil will push the industry to look at the healthier alternatives. We do have a lot of options in Australia for healthier alternatives for deep frying. That is not so much the case for the baking sector, but a bill like this could send some strong messages to the industry about investing in research and development to try and crack that difficult issue. It is not easy, but—

Senator BOYCE—Sorry, which difficult issue is that?

Ms Anderson—The issue of reducing palm oil use in baking, because it has a particular functional quality.

Senator BOYCE—I understood it was there to replace butter. I presume butter is worse.

Ms Anderson—No, palm oil is used for lots of different reasons. It could be taste and mouth feel; it could be shelf life. It could be a range of things that palm oil adds to those products, even stability. So it is not always a replacement for butter.

Senator BOYCE—Is butter worse?

Ms Anderson—Butter is pretty bad as well. It is around the 50 per cent saturated level too, so the Heart Foundation certainly would not recommend either of those.

Senator BOYCE—I apologise to the dairy farmers.

Ms Anderson—They are really the main points that the Heart Foundation wanted to raise in its support for the bill. I am happy to answer any questions.

Senator XENOPHON—Thank you for your evidence and your comprehensive submission. Are you aware of any evidence that labelling changes consumer behaviour—what work has the Heart Foundation done on that?

Ms Anderson—You can divide consumers a little. We have the informed and a bit more educated consumers who are looking for information to the level of this and will use it. Then we have another part of the population who do not have the literacy skills or the time to actually look at labels. We do see the benefit for some sectors of the community and not for others. From our perspective if it pushes the industry to modify the foods at the same time as educating some of the public then those people who do not read labels get a benefit from the industry disclosing information and potentially changing the profile of their products.

Senator XENOPHON—In terms of alternatives to palm oil we have heard evidence from Coles and Woolworths that their own brands, their private labels, are shifting away from palm oil progressively. What is your understanding of the alternative products being used as palm oil substitutes? Do you have any information on that? You might want to take it on notice.

Ms Anderson—The Heart Foundation has quite a lot of experience working with the fast food QSR sector in changing their frying oils—McDonald's, KFC, Hungry Jacks and so on—where they are starting to move away from the palm oil sources because there are healthier sunflower, canola options out there from Australian oilseed producers that can be used. McDonald's made that change four years ago.

Senator BOYCE—Are the prices comparative?

Ms Anderson—No, the healthier options are more expensive than palm oil but they do have longer frying lives so that could be trading off the initial cost investment.

Senator XENOPHON—Do you have any information on that?

Ms Anderson—Yes, certainly.

Senator XENOPHON—In other words, it might be initially more expensive but, if they can use it more often, it probably works out at the same.

Ms Anderson—Yes, that is right. The people who produce those products such as Goodman Fielder and those organisations have a lot of information available on their stability.

Senator XENOPHON—I would find that useful in that there are alternatives out there. One of the concerns that has been expressed is, depending on what sort of substitutes you have, what impact it will have on the life cycle analysis.

Ms Anderson—The other benefit of those sorts of examples is that it is not just the frying oil that is used, say, at the fast-food outlet at the time, it is also the products that are sourced that have been pre-fried. If chips have been pre-fried or a chicken nugget or something like that—

Senator XENOPHON—You are making me hungry!

Ms Anderson—then those companies are actually forced to change the ingredients that they use to pre-fry as well, so it has a good food supply chain impact when you have that signal at one end of the food supply chain.

Senator XENOPHON—If you could get me that information, that would be useful. You have said that it is a good first step. What more would you like to see given that there is a concern about the amount of information? You do not want to over saturate consumers with information—how do you deal with that?

Ms Anderson—I still do believe that you need disclosure of both the healthier fats and the unhealthy fats on a product. Otherwise you are looking at a product that perhaps has predominantly healthy saturated fats, such as margarine, that might have a small amount of palm oil and comparing that to a product like butter, which we would not recommend because of the overall saturated fat impact. Only having one part of that information might skew people's decisions if they were only focused on looking for palm oil whereas knowing

that a product also had a high level of canola oil or sunflower oil would balance that story a little better. As I said, that is where the evidence is. It is about replacing the saturated fats with the non-saturated fats.

Senator BOYCE—But isn't that what the nutritional information panel is already telling you?

Ms Anderson—Some of them do. They tell you the total fat and the nutrient like saturated, poly and mono, but when we talk to consumers we say to them, 'Replace things like palm oil with canola oil, sunflower seed oil or olive oil.' That information can only be written on the ingredients list. The words that we are using to educate people about the alternatives cannot be read from a nutrition information panel. They are just numbers about the proportion of nutrients rather than the food sources.

Senator BOYCE—Most weight management programs would give you a figure for sugars and fats and say not to buy products that have more than X amount of sugar or fat in them, wouldn't they?

Ms Anderson—Yes. Certainly from a total perspective you might get some of that information from those programs, but what we want people to do is choose the right type of fat. It is about the quality of fat, not just the total amount of fat. We have seen products being reduced in fat over 20 or 30 years but Australia still eats the wrong proportion of saturated and polyunsaturated fats. They have not got that picture, but they could get the picture from better labelling.

Senator SIEWERT—You have lots of experience around labelling. What evidence have you got that looks at how it changes behaviour and encourages a shift in purchasing habits?

Ms Anderson—It will not do it just on its own. You do have to have some other broader information in campaigns that educate people about what those words mean and how to use that information in the context of a healthy balanced diet. Through qualitative research in particular we have seen people's language around saturated fat improving, so rather than it just being about total fat we have seen people understanding the difference between good fats and bad fats. They understand where some of the good fats come from and where some of the bad fats come from. We are starting to get there but we stop and start and the information is not consistent. We might, as I mentioned, talk about swapping butter for sources of canola but we are not following that information all the way through to the food packaging and sometimes even the consumer information around that. The labelling will not achieve everything. You do need to have a piece around this that talks to people about the different sorts of fats and their benefits. It needs to come through the dietary guidelines that are being reviewed at the moment. It needs to come through consistently with the Blewett report recommendations so that we get consistency across all these areas.

Senator SIEWERT—Most people have been saying that this campaign about the labelling and certification of palm oil is not a health campaign, it is a social and environmental campaign, and we should not be using labelling for social and environmental campaigns. Your argument, if I am understanding it correctly, is that, yes, it is a health argument and we should be labelling because it is a health argument.

Ms Anderson—Yes. The Heart Foundation certainly does not have any expertise on the environmental impact around palm oil but it knows the nutritional profile of it, it knows where it is used in the food supply and it knows that consumers do not know where it is used in the food supply because it is only labelled as vegetable oil. As an organisation that is trying to get people to lower their saturated fat intake, we think this labelling would be beneficial.

Senator COLBECK—But your argument would go beyond where this bill goes. You would be arguing for a much more detailed list of improvements. This is only one element of the whole process. You would be saying that you need much more information from a health perspective and just putting palm oil on it does not cover the range of issues that you have been looking at because it is just one of many.

Ms Anderson—Yes, that is correct. It gives you another piece of the information, just like the nutrition information panel on the back of the product and listing what type of vegetable oil it might contain. But that is a voluntary decision of the food industry at the moment. If they have a product that they understand people see as being connected to health, a lot of them do voluntarily indicate that the source is canola or olive. But you do not see that in the foods that have palm oil in them because in essence they are not very nutritious foods anyhow. They are confectionery, snack foods, biscuits, sweets and so on, so they are not marketing on a health platform.

Senator BOYCE—If I want to see how much saturated fat is in a product I need to go to the nutrition panel. A product might be labelled as containing palm oil but if I want to see whether it is half a per cent palm oil or 60 per cent palm oil I will still need to go to the nutrition panel.

Ms Anderson—Yes. So if you are a person who does go to a nutrition information panel—and even FSANZ’s own research demonstrates that not a lot of people use the nutrition information panel, because they are not very literate in the numbers and how to use them—and look through the ingredients list, you will only have a part of that nutrition information picture if it is just palm oil. But, for some products, the disclosure of that information is going to push the manufacturer to look at alternative sources, and I think that is a great thing for consumer health.

Senator BOYCE—We have had evidence today from both Coles and Woolworths that they have put ‘palm oil’ on the labels of a number of their home-brand sort of products. Woolworths have said that that did not change the sales of those products; Coles are getting back to us, but I get the impression they are probably going to tell us the same thing. So could you complete that loop for me? There must be something missing if putting ‘palm oil’ on the labels has not changed buying habits for those products.

Ms Anderson—Yes. I think that relates to the point I made about needing some broader consumer information about the information that you put on a pack, whether in an ingredients list or on the nutrition information panel or a front-of-pack labelling scheme. They all require some information to the consumer that explains why you would need to label palm oil and what is wrong with palm oil—to tell people that it is 50 per cent saturated fat and that we are trying to help them to avoid products that are so high in saturated fat. If the retailer does not put that piece of information with it—and I do not think there would be a great incentive for a retailer to do that if it decreased the sales of the product—

Senator BOYCE—How does a retailer do that anyway?

Ms Anderson—Well, yes, that is not necessarily a retailer’s role.

Senator BOYCE—I do not know where it is all going to fit on the label if we start putting everything on the label.

Ms Anderson—Certainly, it is the consumer education piece that we always miss that goes alongside the food labelling. Food labelling is only one tool that we can use to improve people’s food literacy.

Senator SIEWERT—I am going to play devil’s advocate for a minute and say: okay, we have talked about the health aspects, which I get, but if I am buying a particular type of biscuit and it is high in fat et cetera—say, chocolate covered ones—I already know it is bad. If I am buying it for myself I know it is bad; if I am buying it for my kids I am probably buying it as a treat. I am going to admit that I was a pretty nasty mum and never bought them—or very, very rarely.

Senator BOYCE—Have another carrot stick, darling!

Senator SIEWERT—Yes! And they were for a treat. If I were buying them all the time—and in that case I would probably just get them—and feeding them to somebody every day, I would be paying a lot more attention to the ingredients on the pack. What is your experience in terms of people buying something—knowing it is bad but buying it anyway—and then your experience in terms of them buying something that they are eating all the time and checking the label? Do you see the distinction I am trying to make? If it is a treat, I know it is bad; I do not want to know what is in it; I am just going to eat it. If it is something that I am going to eat every day, I am going to be paying a lot more attention.

Ms Anderson—You may not, as a mum, know that, for example, some cereal products are sprayed with palm oil before they are toasted or something like that. So, yes, I think it is obvious in some of the categories like biscuits and cakes and so on that are not aligned to healthy eating habits, and therefore you might be quite dismissive of that. But there are foods that are part of our everyday eating, and you can spray cereal products with something else besides palm oil to then toast them.

Senator SIEWERT—So something like toasted muesli might be sprayed and then toasted?

Ms Anderson—Yes.

Senator SIEWERT—Okay. So what we are looking at are the products that people would not expect nasty ingredients—or, I should say, ingredients that are high in fat—to be in, particularly?

Ms Anderson—Yes, and I think some of those are very obvious—just generally, from a high saturated-fat content—and some of them are not so obvious, and I think we would be very surprised, if we labelled across the food aisles, to actually see where some of those products lie. It is a little bit like salt: just because a food does not taste salty does not mean that sodium has not been used to enhance some sort of quality in that product.

Senator BOYCE—Do we then end up in a situation where virtually everything on the supermarket shelves says, ‘May contain palm oil?’ If that is the case, what have we achieved?

Ms Anderson—Yes, it would be meaningless to have that. I think you need to be a little bit more definitive about the sources of those vegetable oils. It would be a challenge because industry does vary the vegetable oils that they use on a season and price basis, but what we are asking with this bill is to have something a little bit more definitive: ‘Is it palm oil or isn’t it? Or is it 20 per cent canola and 80 per cent palm oil?’ This would give the consumer a little bit more information.

Senator BOYCE—Woolworths have suggested that there should be a five per cent quantity rate for having to label palm oil because otherwise you could end up with minute traces of it and perhaps find it in the supply chain where you had not even known it existed before. What is the Heart Foundation’s view on that?

Ms Anderson—I think that would not be a bad option. We have seen that done overseas in Denmark, for example, around trans fat—where zero is not possible and you can trigger some labelling or regulation if it starts to get over a certain amount. You can then give some guidelines around spreads versus the occasional foods likes biscuits and pastries and so on. That has been used before and works.

Senator XENOPHON—Just to clarify Senator Boyce’s question, would that be five per cent of the total ingredients in a food or five per cent of the fats used in that food?

Ms Anderson—I am not sure what Woolworths—

Senator BOYCE—It was five per cent of the fats that Woolworths were talking about.

Senator XENOPHON—Okay, that clarifies it.

Ms Anderson—Five per cent of the total fat, is that what they were recommending?

Senator BOYCE—Now, I have lost the spot.

Senator COLBECK—We would have to refer you to the Woolworths submission.

Ms Anderson—I will have to look at their submission. Usually the way to set those sorts of figures is to do a review of some broad food categories. Often one number does not fit all, but it is a way to deal. I think if we went back to my margarine example, where a very small amount is used in a product that is highly unsaturated, then it would not detract a consumer from purchasing such a product.

Senator BOYCE—They are suggesting that the current FSANZ standard requires food manufacturers and processors to label the sub-ingredients of a compound ingredient only where that compound ingredient constitutes more than five per cent in weight of total ingredients in the final product. You will find this under point five in Woolworths’ submission.

Ms Anderson—Usually with any of those sorts of things it is great to model on a few categories to see if that number helps to identify the main sources of palm oil or the ones that we are perhaps not so concerned about from a public health perspective.

Senator BOYCE—In your submission you say:

... the Heart Foundation focuses on limiting both saturated and trans fats in our food supply together rather than just a focus on one.

Can you justify that comment in terms of your support for this product which is just about saturated fat and has no trans fat?

Ms Anderson—No, but palm oil is often marketed and supported as a way to reduce the trans fats in foods because it is trans-free. I guess in the debate and discussion we have seen with people interested in reducing trans fats there has been some possibly unintended consequences about some of these industries moving into palm oil to avoid the trans fat and yet still have a very high saturated fat intake. That is why they both need to be looked at together because you can potentially skew your choices if you are just looking at products that are high in trans fat or saturated fat rather than saturated plus trans fat. We would not like the consumer to think that just because palm oil is trans fat-free that it is a healthier option when it has 50 per cent saturated fat.

Senator BOYCE—First question—I am presuming the Heart Foundation supports recommendation 12 in the Blewett report, which is that all fats and sugars et cetera should be listed. If this bill were to go ahead, it would be just a small amount of recommendation 12. What is the foundation’s view in terms of waiting to see what happens regarding recommendation 12 or proceeding with this bill?

Ms Anderson—I think trying to look at the outcome of this and this bill proposal together would probably be the most beneficial thing to do.

CHAIR—Thank you, Ms Anderson. If there are questions on notice—and I think people probably will have things they want to follow up with you—it will come from the secretariat so that it will be listed clearly.

Ms Anderson—Right, including the information.

CHAIR—Absolutely. Thank you very much.

Committee adjourned at 3.25 pm