



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ECONOMICS REFERENCES COMMITTEE

**Third-party certification of food**

FRIDAY, 21 AUGUST 2015

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**

**ECONOMICS REFERENCES COMMITTEE**

**Friday, 21 August 2015**

**Members in attendance:** Senators Bernardi, Canavan, Dastyari, Ketter.

**Terms of Reference for the Inquiry:**

To inquire into and report on:

- a. the extent of food certification schemes and certifiers in Australia including, but not limited to, schemes related to organic, kosher, halal and genetically-modified food and general food safety certification schemes;
- b. current labelling requirements of food certification schemes;
- c. the need for labelling on products produced by companies that pay certification fees;
- d. whether current schemes provide enough information for Australian consumers to make informed purchasing decisions;
- e. details regarding certification fees paid by food producers and/or manufacturers, and the potential for these to impact on prices for consumers;
- f. the importance of food certification schemes in relation to export market access and returns to producers;
- g. the extent and adequacy of information available to the public about certifiers including, but not limited to, certification processes, fees and financial records; and any related matters.

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**DAWSON, Mr Gary, Chief Executive Officer, Australian Food and Grocery Council**

**PRESTON, Mr Christopher, Director, Legal and Regulatory, Australian Food and Grocery Council**

**Committee met at 09:00**

**CHAIR (Senator Dastyari):** I declare open this hearing of the Senate Economics References Committee's inquiry into third-party certification of food. The Senate referred this inquiry to the committee on 13 May this year for report by 30 November. The committee has received over 1,400 submissions, which are being made available progressively on the committee's website. The closing date for submissions was 31 July 2015.

These are public proceedings, although the committee may determine or agree to a request to have evidence heard in camera. I remind all witnesses that in giving evidence to the committee you are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as contempt. It is also contempt to give false or misleading evidence to a committee.

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may also be made at any other time.

I welcome Mr Gary Dawson and Mr Chris Preston from the Australian Food and Grocery Council. Thank you for appearing before us today. I also thank you for your submission, which has been numbered 1412. I know there are a fair few questions for you. Before we get to them I wonder if you would like to make any kind of opening statement.

**Mr Dawson:** Yes, a brief one if I can. Thanks for the opportunity to appear here today. We have sought to put forward a comprehensive and constructive submission. We look forward to your questions.

Just by way of context, the Australian Food and Grocery Council works on behalf of food and grocery manufacturers and suppliers. It is a significant sector of the economy. It is the largest manufacturing sector. It is a \$114 billion sector with 300,000 direct jobs and around half of those are in rural and regional areas. For the most part the business of our sector is purchasing produce from farms and turning it into food and other essentials of life for consumers.

I want to make it clear that we are not a certifying body. A lot of these certifications are used as competitive tools between our members, so we stay out of that. We do not encourage or discourage certifications and certainly not particular certifications, but our member companies certainly utilise a wide range of these schemes generally to provide assurance to their customers that their product has a certain characteristic. In effect, that is what the certification is—it is a demand driven mechanism to provide independent validation of a product characteristic.

As we covered in our submission, there are a wide range of certification schemes. They include nutrition with things like the Heart Foundation tick, dietary choices with things like organic certification, ethical sourcing with things like free trade, country of origin—and Australian made and Australian grown are the best known there—animal welfare, and the RSPCA certification is an example of that, sustainable sourcing that we see on a lot of fish products, religious—that is, kosher and halal—and food quality and safety.

I also make the point upfront with regard to food safety that, for the purpose of this inquiry, we have distinguished between food safety certifications and what are more broadly consumer information certifications. Food safety is of paramount importance to consumers and to food companies. It is a highly regulated area. Food safety audits are often duplicated across manufacturers, retailers and government, and we have a significant project underway to try and standardise and strengthen the food safety audit system. We think that there are benefits out of that project for producers, processors, retailers and—ultimately—consumers. We have not dwelled on that in this submission, because we took this committee to be focused on other third-party certifications around consumer information. We are happy to go into that, but just to make that point: it is an important area, but we have not focused on that in the submission.

Our submission outlines the key points we make. Certifications are currently regulated under the broad provisions of Australian consumer law, the key requirement there being 'do not mislead'. Improvements can always be made to systems. In the case of certification systems, we have suggested a couple of possible improvements around transparency in relation to certifiers. The final point is in relation to the importance of certification schemes with regard to export markets. Two areas of particular importance for food exports are organic certification and halal certification. For halal, currently Australia exports around \$13 billion worth of food into Islamic countries. These exports either require or benefit from halal certification.

The key point is that this is a very important export trade. The benefits of that export trade flow back to processors and producers in Australia. So that certification system does underpin considerable economic activity, jobs and growth in the food sector. Because of the importance of certification system to those exports, there are particular elements of it in relation to those exports that we think need to be kept under scrutiny—in particular, avoiding monopoly situations, avoiding them becoming non-tariff barriers, and in general ensuring that they continue to facilitate trade and do not become a barrier to trade. Those are my opening comments. I am happy to take questions.

**CHAIR:** Effectively, what you are saying is that, while you are not responsible for regulating or providing the actual certification processes—and that is done, obviously, separate to what you do—you do interact with them quite regularly?

**Mr Dawson:** We have some interaction; not a huge amount, I have to say; often because it is a competitive point between our companies.

**CHAIR:** Can you explain that?

**Mr Dawson:** In the nutrition space, a company wanting to promote its products as healthier might seek to get the National Heart Foundation tick mark, and they will pay for that and get that on their products as an independent validation of their claim that they are healthy products. That becomes a competitive matter in the market. Some consumers might see that tick and prefer that product because it has the tick on it. There are a whole raft of different certification schemes across these different categories. In that case, we interact with the Heart Foundation regularly on issues, but we do not endorse—or not endorse—that particular certification. We say that that is a matter for the company and the company has to make their own commercial call on whether it is worth their while paying for that mark. They will make that judgement according to the impact that it has on their sales. That is distinct from, say, food safety regulation, which is not a competitive issue but is of paramount importance across the whole sector.

**Senator BERNARDI:** Mr Dawson, thank you for your comprehensive submission and your opening statement. I am a little confused. Your submission talks about the use of third-party labels as a marketing tool and an exercise, yet you give an example of sustainable palm oil where you do not support compulsory labelling of various things because, as you said, something might not be available at a particular time. Why would a company choose to pay a fee for sustainable palm oil and then not market that to their clients? Just like, why would they pay a fee, for example, to the Heart Foundation and choose not to use it?

**Mr Dawson:** That is a judgement that companies make. In the case of the example used around palm oil, a number of companies set a target that by, say, 2016 or whatever they aim to be 100 per cent RSPO—so 100 per cent of the palm oil they are sourcing is sustainable, in effect. There are at least two judgements they will make in terms of whether they will actually put a logo or a marking on their label with regard to that. One will be that, by law, it would be a risk to put that on the label if they are not absolutely certain that 100 per cent of their palm oil is sustainably sourced. So, if they are moving towards that, they would not put that—

**Senator BERNARDI:** But then they would not pay for the certification of it, either, would they?

**Mr Dawson:** No, they would not, because they are moving towards a situation where they are fully sustainably sourced. It is a certificate scheme around palm oil, as they move towards it. Even if they get to the 100 per cent, they might choose to simply promote that on a website or through other means rather than putting it on their pack. The label space is prime real estate for a consumer goods company. So they will make a judgement as to what they promote on their packaging according to what they think will have an impact in the market. According to their consumer research it might be important to a small subset of their consumers but not to most, so they might promote it on a website, over their consumer call lines or whatever.

**Senator BERNARDI:** But aren't consumers entitled to know whether a percentage of their product purchase is going to support organisations or institutions that they have a conscientious objection to? For example, some people may buy the RSPCA approved eggs because they think that the RSPCA is a good organisation and others will say, 'No, I do not want to support them because I think they are now becoming a political organisation,' or something along those lines. Shouldn't consumers be able to be informed about that choice?

**Mr Dawson:** I think there is a higher priority if you are making the claim to be able to substantiate it. If you are not making the claim, I would not think it was that much of an issue. If you are making the claim, yes, absolutely, you have to substantiate it. But I do not think the absence of a claim is a claim.

**Senator BERNARDI:** If you are buying a dozen eggs and a percentage of that purchase price is going to the RSPCA, if you do not like the RSPCA, for example, you should know that a percentage of that purchase price is going there.

**Mr Dawson:** Although, on that basis, you could say that you should lay out where they buy their power—

**Senator BERNARDI:** And, do you know what? There would be people who would argue that.

**Mr Dawson:** In practical terms, judgements are made about what is put on the label but I think there is a limit. Judgements are made and then common sense is applied.

**Senator BERNARDI:** Is there any restriction? You talked about CTs: certification trademarks. Outside of those which are subject to restrictions, is anything stopping any individual from setting up a healthy choice tick? Instead of using the heart logo, they would create their own logo, market it and say, 'You can buy this for 10c a product' or whatever?

**Mr Dawson:** You would have to avoid it looking like that one.

**Senator BERNARDI:** Yes, I understand that.

**Mr Dawson:** The key constraint on that is the general provision under Consumer Law: 'Don't mislead'. You absolutely could set that up, but, if the ACCC or someone asks you for validation, you need to be able to have some proof for the claim you are making or the system you have set up. We see that around credence claims generally. The ACCC is more active in that space. There is the recent example of Turkish corn syrup that was marketed as Australian honey, for example. Clearly, it was not and they have been prosecuted. You can make the claim or you can set up a system, but you need to be able to substantiate it. The general provision of Consumer Law summed up in the two words 'Don't mislead' is really the key to it.

**Senator BERNARDI:** Let's go back to, for example, healthy choice. Relative to what? Healthier than going to a fast food restaurant? It could be anything. It is just a marketing exercise, effectively, if you convince the consumer through an advertising campaign that this is a good thing for them to do.

**Mr Dawson:** There is quite a debate around what constitutes healthy food versus a healthy diet, for example. That is an area that is contested ground—absolutely. I come back to the overarching test which our member companies certainly take very seriously: 'Don't mislead'. You need to be able to substantiate the claim you make on your pack, your website or wherever.

**Mr Preston:** I think a commercial factor comes into play. If someone sets up a certification scheme and has no credibility or authority in that particular space, they are not going to find many customers for their scheme, because the whole point of buying third-party certification is to get the credibility of a legitimate third-party endorser. So there are market constraints on the ability to just set up a scheme and start selling.

**Senator BERNARDI:** But it is a marketing exercise. Consumers are convinced and companies are convinced of the merits of all sorts of dubious activities historically. Do you see, as the Australian Food and Grocery Council, a difference between certification which is basically a statement of fact versus certifications in which there has been an interactive engagement specifically to comply? I will give you an example. A statement of fact might be a jar of vegemite that is certified kosher or halal because it does not contain any prohibited ingredients—no religious ritual has gone over it; it just complies—versus, say, the religious slaughter of livestock. Do you see differentiation in certification in those two examples?

**Mr Preston:** There are certainly differences. We have looked into this. In terms of—

**Senator BERNARDI:** In terms of the labelling of it—perhaps I should have been more clear—in the sense that it is just a statement of fact with the vegemite, but livestock, for example, may have undergone a religious ritual of some description and yet consumers are not always notified of that on the packaging. Do you see that there might be a different need to inform the consumer?

**Mr Preston:** We have come at it from a different angle, which is looking at what is involved in the process and how that flows through in terms of cost, standards and so forth. There is certainly a difference. For a lot of packaged food products, it makes minimal or absolutely no difference to the product, the process or the price. It is not that much of an issue, really.

In slaughter, it does involve particular processes—and personnel, I think—and supply chain assurance. I think that is why certainly the larger meat-processing companies tend to say, 'These plants will be halal certified and those processing plants will not'. Often it is around export-market access, to be honest. I do not think any food company incurs costs it does not have to incur. That is what it comes back to. Margins are tight, and commercial judgements are made. We have come more from that angle.

**Senator BERNARDI:** But in your survey, '33 per cent of respondents have been coerced or required to obtain a certification they did not wish to obtain'.

**Mr Dawson:** That was not specifically about halal. That was in general about certifications, and much of that was related to retailer requirements, so, if you are producing a product—

**Mr Preston:** or export requirements.

**Mr Dawson:** or export requirements, yes.

**Senator BERNARDI:** I will give you an example. I do not want to malign anyone in particular. Let's say I want to sell into supermarket chain X. They are going to say, 'You've got to comply with various standards in order to sell into us—not related to food safety but to other certification schemes'.

**Mr Dawson:** Often if it is a private label brand—if it is the retailer's own brand—they will say, 'Okay, if you want this contract to produce retailer branded—'

**Mr Preston:** Organic food.

**Mr Dawson:** Or product for the health food aisle or some other aisle, you have to have these certifications—organic or whatever. So it is a condition of getting that contract.

**Senator BERNARDI:** And, in those circumstances, do retailers specify who the certifier is that you have to go through?

**Mr Dawson:** I am not sure of the answer to that, to be honest. Our preference would be for there to be a number of certifiers so there is some competitive tension there, to avoid monopoly situations. I am not sure if the retailers actually specify a particular set of—

**Mr Preston:** I think it is horses for courses. I do not think there is a single answer. For something like organic certification they are more open to recognise a number of different certifiers.

**Senator BERNARDI:** But, Mr Preston, that would be a product of, I think, seven authorised organic certifying agencies by the government—

**Mr Preston:** For export—

**Senator BERNARDI:** that comply with the export requirements.

**Mr Preston:** Correct.

**Senator BERNARDI:** And there are concerns about others in that space.

**Mr Preston:** Yes.

**Senator BERNARDI:** But a retail chain is not going to say, 'You can go to mum-and-dad backyard organic certifiers'.

**Mr Preston:** Correct. Absolutely. In other areas they may have a preference. They may want to say, for example, that all their eggs are RSPCA certified, in which case they will insist that you go to a particular certifier. So it really depends on the product and the nature of what the supermarkets are trying to market to their audience.

**Senator BERNARDI:** It would be an interesting exploration to find out how coercive some of the practices of the big supermarket chains are, given the power they have and their ability to make or break companies in many respects in the domestic market. You mentioned, Mr Dawson, the avoidance of monopoly situations and circumstances. You also suggested there was \$13 billion worth of food that is exported, I think, just for halal.

**Mr Dawson:** no, that is the total food exports to Islamic countries. Not all of that requires halal certification.

**Senator BERNARDI:** Why not?

**Mr Dawson:** I just cannot say with certainty that it does. For the most part, as we understand it, it either requires or benefits from selling into those countries.

**Senator BERNARDI:** How much of that is processed livestock—not live cattle.

**Mr Dawson:** I think the red meat component is \$2 billion or so.

**Senator BERNARDI:** So it is quite significant.

**Mr Dawson:** It is very significant.

**Senator BERNARDI:** I have heard stories that in order to export to Saudi Arabia you have to go through a particular certifier. Is that correct?

**Mr Dawson:** The importing country tends to set the requirement. And this is an issue that has been raised with us by some of our members. That creates, if you like, regulatory risk, uncertainty; because, if the importing country changes that requirement, then the company has to respond to that, often very quickly. That is an issue we have flagged. That is a difficult one—because neither the company nor the Australian government can control that. I guess we have suggested it is something that should get more attention at a government-to-government level to just provide more certainty to the companies operating in that space—

**Senator BERNARDI:** But, in effect, if there is a monopoly situation for export to a particular country—it sometimes has certification schemes that cost substantially more than alternatives that are available, which in a way, and it may only be minor, acts as some sort of tariff really to get into that country. Is that a fair characterisation?

**Mr Dawson:** We would call it a non-tariff barrier. But we have certainly raised that. It has been raised with us by a number of the meat processing companies. Their preference is that there be competition between certifiers to avoid those monopoly situations, that there be greater standardisation around audit procedures and costs. And then the third point is around certainty. So I guess that is the government-to-government aspect.

**Senator BERNARDI:** I presume others have got some questions, Chair, but I just want to conclude this line of questioning.

**CHAIR:** A few minutes.

**Senator BERNARDI:** I continue to hear different stories about meat processing and the percentage of Australian beef, lamb and chicken products that are slaughtered in accordance with halal requirements. I am told it is 70 per cent or 80 per cent; I am told all abattoirs are doing it; I am told not all abattoirs are doing it; you have referred to 'some abattoirs'; and someone suggested there are 22 licensed ones or something. What is the truth? Are you able to tell me?

**Mr Dawson:** Sorry, I cannot give you a breakdown. We do know that, in meat processing, because it does involve additional cost, typically a large processor will have some plants that are halal certified, often with a view to the export market—that is the key driver—and some that are not, which are principally providing the domestic market. That is our understanding. I do not have a breakdown on that; I am sorry. That is absolutely logical because it does add cost in the meat processing space and a company is not going to incur a cost that it can avoid.

**Senator BERNARDI:** But it is an important point from a consumer point of view. If we look at the agitation in the halal certification space, for example; it is because some people do not want to participate in it. If it is going offshore and it is export oriented, I think that is important for our country and I am not sure people should be able to quibble with that. But, if it is happening overall and it is turning up in our supermarket space and it is not labelled, that is what people seem to be getting upset about. And no-one can tell me whether that is happening or not—not thus far.

**Mr Dawson:** I think part of the reason for that is that the certification is to back a claim. When you come at this from a producer point of view, if a claim is not being made then the certification becomes a non-issue. I am not disputing your point about the consumer but—

**Senator BERNARDI:** The simple point is to standardise; if you are making a claim nothing different has happened to the product. But some people might have an ethical issue about how the animal is slaughtered for example. And I do not even know the facts about this; we will get to the bottom of that, I am sure. Some people may have an ethical issue or a religious issue about prayers being said over it. I can only imagine the outcry if it were by a Catholic priest with holy water. People have conscientious objections to aspects of this, and, if they are not informed of that and if we cannot get to the bottom of it, how is the consumer supposed to?

**Mr Preston:** I think it is important to recognise the fact that not everything can go on a label, and I am sure you understand that. But that is not the only way that consumers get information. There are websites and there are consumer contact lines. For those that have concerns in relation to a product that is not labelled, there are mechanisms that are open to them to pursue their inquiries. Obviously, there are better people than us who can talk about where meat products are ending up, export versus domestic markets, and we cannot give you an answer on those. But, anecdotally, I was speaking to a member late last year and they essentially say that our export licensed abattoirs are the ones that we have halal certified so that we can jump through the hoops for those export markets. Sometimes, of course, the product that is produced in those licensed halal operated facilities either supplies a shortfall for the domestic market or overproduces. So, for sure, there is probably some halal meat that is getting onto the market.

**Senator BERNARDI:** The question is: how much?

**Mr Preston:** In the example I gave, that particular company operates a number of other facilities that are not, and that is the majority of the supply for the domestic market. This is one producer; I cannot make any comment about others.

**Senator BERNARDI:** We will explore it, I am sure, in the future.

**Mr Preston:** I think the key point is that there are always ways for consumers to find out the information if they are really interested in doing so.

**CHAIR:** Could I just follow on from that, because I think Senator Bernardi does make an interesting point. The point you are making, effectively, is that certification is there to back up a claim. Let's use the halal example. We could use kosher, but we will just use halal as the example. If I am claiming something is halal, the certification is to back up my claim, to give the consumer a certain level of confidence. I might be making halal claims that are not real, that are perhaps false advertising. The point Senator Bernardi was making, which I think is an interesting one, is that people might consume something that is a halal product without realising it is halal. There is no obligation for the producer to identify it as halal if they choose not to, if they are not making a claim that it is halal. Is that correct?

**Mr Dawson:** That is right, yes, because it is not a safety issue.

**CHAIR:** No. I have got lots of emails about this as well, so I am not disputing the fact that there are legitimately people who have an ethical objection to the halal process and who do have concerns about it. Again, I do not know how big an issue it is, but, when you get as many emails about this as I do, it is real. I am not here to judge what other people's ethical considerations are. People are entitled to their own opinions on this. Surely, the way that our certification system is currently structured means that, if there is a consumer desire for that or if there seems to be a market for it, then there is a market for it. I am going to use the example of free-range eggs. I might have an ethical objection to how chickens are penned—and I do not want to get into the whole Productivity Commission debate about what is and is not free range. If I want to purchase free-range eggs, someone will market them as free range; then there is a market there, and market forces work out whether there is demand for it. Is that the same kind of structure? Am I making a bad comparison?

**Mr Dawson:** We come back to market forces, generally, on these topics. Why do the certification schemes exist? They are essentially reflections of market forces. As consumers get pickier, if you like, about certain attributes of food, consumer goods and food companies pick that up in their consumer research, so they look for ways to cater for those preferences among their customer base. They look at marketing particular attributes, so they look for certification schemes to provide verification of those attributes and so forth. In the halal case, if it becomes evident to a meat processor that there is a market for meat labelled, 'This is not halal', they will do that.

**Senator BERNARDI:** A marketing opportunity.

**Mr Dawson:** Seriously. This is a highly competitive market, a dynamic market, and things move very quickly.

**CHAIR:** Mr Dawson, there is one point I did want to touch on. Obviously there is a fee associated with halal certification, like any certification. You are paying for this in terms of both paying someone to certify it and paying someone to conduct the ceremonial process. So there is obviously a fee associated with it. I know you are not a meat processor, so this question is probably unfair, but if you are not doing it for export and you are not doing it to certify it as halal, why would you do it? Is it just the economies of scale—it might be easier just to do all your meat? Is that an unfair question to ask you?

**Mr Dawson:** Generally companies would do it with a particular purpose, because you do not incur costs you do not have to have. If you are mass producing a product, you are looking to shave costs wherever you can. Leaving aside meat processing for a moment, for a lot of packaged food products, in the main it makes no difference to the product, the process or the price, and the cost is negligible. It becomes more of an issue, we accept, around meat processing because there are particular people and processes that have to be followed. That is where a company makes a commercial judgement around whether it is worth incurring those costs to achieve a market. The obvious one is for export. We have had a discussion about some overlap between export and domestic, but typically companies do it based on a commercial judgement. The other exception is the retailer case, which came out in our survey.

**Mr Preston:** There is one thing that needs to be recognised, and we touch on it on page 4 of our submission. Companies get certification for a whole range of reasons. The predominant one is because they want to slap it on their label and get that third-party verification for their characteristic claim, whatever it is. But there are other reasons why a company might get certification that are not label related. We have talked about the supermarkets, the regulatory costs of doing business. Sometimes they get certification just for the case where people phone up on their contact lines and say, 'Excuse me, are your eggs free range?' 'Yes, we have them certified by—' someone. Even if you do not want to stick it on your label, sometimes you want to be able to provide that assurance on the contact lines. There are incremental business opportunities. Sometimes the certification gets you into, for example, food service rather than retail. It can be simply fulfilling good corporate citizen/corporate charter requirements. We spend so much money on ethical sourcing. We lump all of these together, but there is no way we could label all of them. It might simply be a compliance measure. We might claim something—that all our food is sustainable, and for fisheries that means we need this particular certification or for eggs it means

something else. So we collect them all as evidence in case the ACCC comes knocking, but we have no intention of sticking on all those labels.

**Senator KETTER:** I would like to move to a different form of labelling and to talk about the changes to country-of-origin food labelling. Where is that generally up to? Is any voluntary labelling coming out soon? I understand it is supposed to commence in 2016. I am interested in the consultations going on at the moment and generally where it is up to.

**Mr Dawson:** There is quite a bit of discussion going on at the moment. It is a mandated system, so it is a little different to the certification schemes we are talking about. There are certification schemes in relation to origin. 'Australian made, Australian grown' is the obvious one. That is going to become the basis of the mandated system. That is a significant shift for food companies. There is quite a bit of discussion going on at the moment around the detail of that—transition periods and so on. It does have to go through a COAG process, because it will be a change to the information standard. It is part of Consumer Law. There are a number of companies interested in adopting that ahead of the prescribed time frame. That is just anecdotal feedback we get from companies but, in terms of the actual regulation, there is quite a bit of discussion underway around the finer detail of that following the government's announcement.

**Senator KETTER:** The likely additional cost that will flow onto consumers as a result of this new system, the general costings that are looked at, is a one cent increase in a \$5 food item. Do you have any views about whether that is accurate?

**Mr Dawson:** Labelling changes, particularly complex ones like the one proposed in this case, do add costs. There are two types of costs. There is the physical change to the label—the redesign and reprinting of labels and so on—and the rule of thumb there is that it is about \$5,000 per SKU, stock-keeping unit. Multiplied across all the products in the marketplace, you end up with a cost running into hundreds of millions of dollars. Then there is the ongoing cost around compliance with the new standard. That is a more difficult one to assess. So it does add cost.

Those costs can be mitigated through a sensible transition to the new scheme. For example, a small- or medium-sized business might do a label run for two or three years worth of labels in order to get economies of scale of a production run. Requiring them to throw out most of those labels to meet an artificially short time frame we do not think makes a whole lot of sense, particularly for SMEs. That is the nature of the discussion that is underway, at the moment, around transition.

That said, there are a number of member companies, that we know of, that think they can move quickly for some of their products. They see a first-mover advantage, in a sense, a marketing advantage. That is one of the reasons.

**Senator CANAVAN:** In your submission you mention that the government should review the halal certification system—I suppose it is more of an accreditation system—they do, of the certifiers, to make sure it aligns with best practice. Could you expand on why you think that review would be required?

**Mr Dawson:** Because it is a requirement for export, we think that requires closer scrutiny than simply certification that applies across a lot of consumer products, particularly of the meat-process meat-export area. We are not pointing to a particular regulatory issue there. We are simply saying that because it is a requirement for export and because this is a significant export trade we need to keep this under scrutiny.

Some of the issues that have been raised with us by meat-processing companies have been around avoiding monopolies. For example, if an importing country says you have to use a certain certifier in New South Wales and a certain certifier in Queensland that, in effect, creates a monopoly situation within a state. They would like to avoid that to keep some competitive tension in the market.

Greater standardisation around costs and processes is the second one. The third one is around, while we accept that you cannot change the situation where it is the importing country that sets the requirement, that does create uncertainty. So we have suggested it should be a higher priority in terms of government-to-government—

**Senator CANAVAN:** Through trade negotiations.

**Mr Dawson:** Yes, through trade negotiations, as a non-tariff barrier.

**Senator CANAVAN:** I did want to come to that. We will hear a bit more from the department later about how the scheme works, but from a business perspective—from your members' perspective—how does it work? There are 22 or so listed accredited halal certifiers for export. Can a meatworks simply pick any of those 22? Say it wants to supply beef to Malaysia; who decides which certifier is used?

**Mr Dawson:** Within that 22 there are certain certifiers who are qualified for certain markets, so it is not simply about being able to pick from any of the 22 for any market. On the Department of Agriculture website—I

am sure that they will go through this this afternoon—they actually have quite a useful chart where they show who is qualified for which market.

**Senator CANAVAN:** What is the break-up? Is there a choice or is it one for one?

**Mr Preston:** Again, they can probably go through the detail of this. When we printed out their website just the other day, for Indonesia it is relatively restricted. I think there are six overall and five of them are state constrained. For Saudi Arabia I think there are about five. The key point is that this is not set by the Department of Agriculture or, indeed, by anyone in Australia. This is Malaysia or Indonesia or Saudi Arabia that give the Australian people the tick or otherwise. That is why our suggestion, in that context, is very much for this to be an issue as part of bilateral or multilateral trade negotiations—to try and get better recognition so that we have enhanced competition for certifiers.

**Senator CANAVAN:** You did have the link in your submission. Malaysia, for example, has quite a few options—eight, I think—and none of them are explicitly identified as state-only. What happens at the company-to-company level? I suppose that is where your expertise might help us more. If I am selling to a certain supplier in another country, can they then demand that you use a certain certifier? You have got, in Malaysia's case, eight to choose from. Can a purchaser of Australian beef then say, 'Look, we want you to use Joe down the road and not any of the other seven'?

**Mr Dawson:** At a commercial level—I am not aware of any examples of that—my answer would be 'yes'. A retailer in Malaysia might say, the same way as a retailer here, 'We want you to use this certification scheme.' That is plausible, yes; although I do not have exact examples.

**Senator CANAVAN:** Do your members have any concerns that that is an example of exclusive dealing?

**Mr Dawson:** I think they have a general concern that the certification scheme should facilitate trade and not become a barrier to trade. In facilitating trade we should be mindful of avoiding those sorts of monopoly situations, because that can quickly become a barrier or it can quickly impose costs that are unreasonable. That has absolutely been raised with us. A flow-on issue that is raised is that the same company and the same processing plant can be required to get two, three or four different halal certifications.

**Senator CANAVAN:** For different markets, different countries or different suppliers?

**Mr Dawson:** For different countries—that has been raised with us. That, again, duplicates and adds costs. That is why there is that second point around some sort of standardisation or consistency with those systems. The export market is going ahead, so it is not as though this is closing off these markets. We are exporting more and more into these countries—I want to keep that in context.

**Senator CANAVAN:** This is not the biggest cost in their business, but it is certainly a marginal cost. It may still have some impact, at the margin, on where they supply and what their options are.

**Mr Dawson:** Absolutely. We see it as more as a 'watch out'.

**Senator CANAVAN:** While I say it is a marginal cost, it is usually, in my understanding, levied as a fix cost over the business. You either have it or you do not—it is really quite binary. My experience of networks is that they cannot really operate a halal chain and a non-halal chain; they make a decision one way or another about what they will do.

**Mr Dawson:** I think that is right.

**Mr Preston:** It is facility based.

**Senator CANAVAN:** Certainly this is a form of exclusive dealing. Whether it is a form that substantially lessens competition is a matter for the ACCC. Have any of your members raised this with the ACCC, or have you contacted the ACCC about the practices in this particular sector?

**Mr Dawson:** Not specifically. Do you mean in the domestic market?

**Senator CANAVAN:** More the export market, because that is where they have the leverage, potentially. It seems, colloquially, to be exclusive dealing, but, as I say, not all forms of exclusive dealing are anticompetitive. But then they raise the question here. Does that substantially lessen competition in the market, as you have described it, for certifiers?

**Mr Dawson:** I am not aware of it being raised.

**Mr Preston:** I think a lot of the issue there is that the requirements are predominantly imposed by sovereign nations, so they would not be caught by the exclusive dealing areas—

**Senator CANAVAN:** I agree. There is the country-by-country or country-to-country negotiations. But there is also the company-to-company commercial negotiations which could still be potentially anticompetitive. That is not something that you know that the ACCC has looked at?

**Mr Preston:** That is correct. We are not aware of company-to-company exclusive dealing currently happening in those export markets.

**Senator CANAVAN:** In terms of the trade negotiation situation, do you have any specific ideas what our—demands might be too strong a word—requests might be from other countries?

**Mr Dawson:** I think this comes under the broader area of non-tariff barriers, which is getting more and more attention. We have negotiated some pretty important trade deals over the last decade, including some very important ones in the last year. We welcome those from the food processing sector. They have been a great success in lowering tariff barriers. I think there is going to be a shift to focus now on these non-tariff barrier areas. Potentially this is one that we are flagging. Certification should be a facilitator of trade not a barrier to trade in our view. It is one of many non-tariff barriers that are out there—

**Senator CANAVAN:** It does raise the question: why are governments involved at all in this? I do not think it is something that our government particularly wants to be involved in, but it is at the request of other governments. No doubt there is a demand in these countries for halal-certified beef, but that can be supplied without the need for governments being involved.

**Mr Dawson:** It is not just halal. There is export certification across a whole range of different foods for different reasons. Organics is the other one that has come up—

**Senator CANAVAN:** I am not familiar with the organic situation, but is that negotiated on a country-by-country basis, or is that something that the government provides as a government-backed, consistent standard to build consumer trust in a label?

**Mr Preston:** It is a combination of the two. There are importing countries requiring a government certificate of 'organicness'. In Australia that is obtained by the government recognising a number of organic certifiers. It is a requirement. It is a government-to-government need to make the trade—

**Senator CANAVAN:** Would it be better to seek to have a more multilateral approach rather than a country-by-country approach? It just seems strange. I do realise that there are some distinguishing features between different types of halal slaughter. I do not think it is consistent or uniform. But it seems strange to me that we negotiate these on a country-by-country basis when this is not really a national issue or a nationalistic issue; it is a religious issue, which does not respect boundaries as such.

**Mr Dawson:** I would agree with that. If we could move away from country-specific halal certification, that would be a step in the right direction in our view, because it would avoid the need for processors to have four or five different certifications on the one plant.

**Senator BERNARDI:** As I understand it, in the organic sector you have the domestic people who are aligned to several international certification standards, and it is generally accepted that if you comply with one of those three international standards you can export into almost any country at all.

**Mr Dawson:** Yes. Effectively a mutual recognition system. If something similar could be done in halal, we would see that as a step forward, definitely.

**Senator CANAVAN:** I know we are running out of time, so this is my final question. It goes to this area, but it is broader: your proposal in your submission to create more transparency for certification bodies for consumers so that they can see who these bodies are and what they do. Could you describe the sort of information you think consumers would want and what you think should be provided.

**Mr Dawson:** This was really in response to the fact that this has become a public issue and there is greater public scrutiny around it. We are generally not ones to argue for greater regulation, because there is a lot of regulation that we are dealing with anyway. So we think that in the first instance the onus should be on the certifiers to have a look at how much information they make available and be more transparent about it. I am not talking solely about halal here; I am talking generally about certification systems.

**Senator CANAVAN:** As I say, it was broader.

**Mr Dawson:** We think it is in their interests. When you are dealing in the consumer space, it is in their interest to take those steps. That would be things like: who they are—are they not-for-profit? Are they a commercial entity? What are the standards, competencies, skills and processes followed?; greater clarity on how the certification is undertaken; and; particularly; if they have charitable status, tax-deductible status, to be quite open about revenue and spending and where the money goes. Some do this already—

**Senator CANAVAN:** I was going to say that some do. I think there are some good examples.

**Mr Dawson:** I think the Heart Foundation is pretty open about where their money comes from and where it goes. They charge a reasonable amount for the tick. It was, if you like, a response to a lack of clarity around some of these schemes—on halal, for example. It was because of the lack of clarity around it that we felt the need to put out a fact sheet ourselves, because we were constantly being rung by people for explanations of what it was.

**Senator CANAVAN:** Do you think those entities that receive some kind of government sanction, like in the halal and the organic situations—and I know it is for export reasons, but there is a government, almost emblematic approval of these bodies—should be held to a higher standard in terms of transparency and the information they provide?

**Mr Dawson:** I am not sure about a higher standard. We would say as a general principle that it would be better to see a little more transparency.

**Senator CANAVAN:** Perhaps not a higher standard, but a more compulsory environment. I see what you are saying that perhaps there should be some voluntary code or something for certifiers in the market sphere. In these spheres, though, where there is a government list—it is still somewhat of a market but a restricted market, because you have to be on the list to participate—perhaps there should be some more compulsory—

**Mr Dawson:** Yes. If you have a government imprimatur or you have a charitable status confirmed by government, then it is reasonable to say there should be a higher standard of transparency.

**CHAIR:** Thank you so much, Mr Preston. Thank you, Mr Dawson. I especially want to acknowledge the in-depth submission that you produced. I know producing something of that quality takes a lot of time and a lot of resources. We really appreciate it, because it is a fantastic insight into the industry.

**Senator CANAVAN:** I want to thank you for your survey too. That was very useful.

**CHAIR:** Yes.

**Mr Dawson:** Thank you.

**Mr Preston:** Thank you.

**HUDSON, Mr Andrew, Director, Export Council of Australia**

[9:59]

*Evidence was taken via teleconference—*

**CHAIR:** Welcome. I know that senators have a fair few questions for you. I want to thank you for the submission that you have made. We have numbered it submission No. 1436, on our website. But before we get to questions, are there any opening remarks you would like to make?

**Mr Hudson:** If I may, I would like to thank the committee for the opportunity to present today. I am a director of the Export Council of Australia and in that capacity I also chair the Export Council's Trade Policy Committee, which means I have significant involvement in the work of the Export Council in the trade area, including the issue of our trade policy recommendations; submissions to government; and work with agencies, including free trade agreements. Also, other submissions on relevant issues—for example, this submission, the recent submission into the China-Australia Free Trade Agreement and other free trade agreements, and also the submission in respect of the Department of Agriculture's proposed cost recovery scheme.

The Export Council is a not-for-profit membership based organisation. We consider ourselves to be one of the peak industry bodies representing exporters, with particular focus on SMEs. It is not focused purely on export related issues. As you would expect, many exporters rely on inputs by way of imports to manufacture, so we also address those issues. Membership is based on about 1,000 members and we believe our reach is about 15,000 when you consider our work with other not-for-profit organisations. We work extensively with government agencies, including DFAT, Austrade, the Office of Transport Security, the Department of Immigration and Border Protection—obviously, formerly Customs—the Department of Agriculture, as well as the Department of Industry and Science.

The Export Council undertakes a number of different activities or roles, including education for SME exporters, which is largely undertaken through our Australian Institute of Export where we provide both online and face-to-face education. We also undertake research, not only privately, as separately commissioned by government or industry, but also on our own account. Some of that research can be found in a recent issue of Australia's International Business Survey 2015, which is the second-year issue. It was obviously issued last year as well.

In addition to the trade policy recommendations I mentioned previously, we have just launched our so-called FTA tool, which, in our view, facilitates the role of exporters and importers, the use and understanding of FTAs and which will work in a complementary fashion, we hope, with the FTA dashboard being developed by DFAT.

We are grateful for the opportunity to appear this morning. We look forward to discussing issues associated with our submission to the third-party certification inquiry, in addition to the material included in our submission. I think in our submission we made it clear we have reviewed the submission by the Australian Food & Grocery Council. I have heard some of their evidence and we certainly do endorse the comments made in that submission and the approach of the Australian Food & Grocery Council, which is an industry association with whom we have an excellent working relationship.

**CHAIR:** Thank you. I have just one question before we pass on to senators. This is how I would understand it, but I want to check whether this is correct. In terms of certification, and I am going to use the example here of halal meat because that seems to be the one that is mostly in the press and submissions and where most of the interest comes from because people have been writing to us about it as part of this process, it is right to say that, from an export market perspective, if you do not have the correct certification—I do not know whether the right term is 'barrier to entry'—effectively, you will not be able to sell meat on the international market? Is that a correct assessment?

**Mr Hudson:** I think it is fair to say that, within those markets, where halal is an important indicia of the way in which food is prepared—we certainly do not wish to call it a non-tariff measure or a barrier because it often reflects a particular religious requirement for many of those consumers, so we would not call it that—it is important. It is required in many of those export markets, to be able to enter those markets and sell to a large portion of the consumers or retailers. And, from that perspective, the inability to secure certification or indeed certification which is then recognised—and I think one issue we have talked about is the importance of having certification, maybe an equivalent approach or even a mutual recognition approach—that that would then assist exporters because, in the absence of that, they will struggle significantly. And those markets are important.

**CHAIR:** Finally, I wonder if you could touch on what the previous witnesses said—and, again, this is something I was not aware of—that you may need to get different certifiers certifying the same thing for different markets even though the processes and actions have not changed. That was something that was a bit new to me.

Effectively, if I am selling a halal product, I may have to get certification from somebody who is recognised in South-East Asia and someone who is recognised in the Middle East. I do not think there is an overbearing cost, but there are costs associated with that. Perhaps the question for us as a government needs to be: is there a way we can assist to stop this kind of duplication and double up by giving one standard? I am not sure of the answer to that, so I would not mind getting your opinion. Let us say I have a halal processing plant and I want to export meat to a South-East Asian Islamic market as well as a Middle Eastern Islamic market. Even though there is only one process being done, I have to pay different certifiers that are recognised differently.

**Mr Hudson:** I think the difficulty is our government cannot dictate to domestic governments in our export markets what they should be expecting in terms of certification. We are not in a position to do that. They have the right in their own jurisdictions to state what manner of certification they require in their own jurisdiction. We have similar standards, so to speak, if you think about it in those terms potentially. I think the government role could be to engage with those export countries, particularly those with whom we might have free trade agreements or indeed regional agreements. In those agreements there are joint committees on trade, committees on standards and committees on different types of trade. We could work through that to facilitate it, so there may be in particular regions an acceptable one level of certification and perhaps we could identify the way in which that might be produced. A reference might be countries might accept one certificate of origin issued in a particular form and a particular format. It might be that there is one mechanism which all countries endorse and agree in terms of halal certification. That then creates potential issues in terms of monopolies as to who is able to certify but within that regime I think there is a role for government to look at the way in which you can facilitate the position of exporters and make sure they are not having to certify separately goods for the same outcome in many different ways depending on the country to which they are being exported.

**Senator BERNARDI:** Where there exists what I am going to refer to as a monopoly certifier for a particular country from a particular state perspective, do you have any experience about the competitiveness of the cost of that certification versus other certification bodies—that is, is it competitive or is it seen as a profit-making concern rather than just a compliance and cost-recovery model?

**Mr Hudson:** Unfortunately, our research has not drilled down into those aspects. As you would appreciate, the Export Council is not for profit and we have a limited amount of resources. Our research has not fed down to that level in terms of monopoly certifiers and the like. We have a very broad level of interest and engagement. There is no research we hold that I can usefully point to that would assist you there. We might look at that for some future research, but I just do not have the available direct evidence to assist you with that, I am afraid.

**Senator BERNARDI:** Okay. Thank you.

**Senator CANAVAN:** Thank you for your submission and for appearing today. You did say that you heard a little bit of the previous witnesses'—

**Mr Hudson:** Yes, right towards the end.

**Senator CANAVAN:** I want to go to some questions. Towards the end we were talking about whether there should be some requirements placed on certifying bodies to be more transparent with consumers, and I want to get your thoughts on that.

**Mr Hudson:** I think the starting point is that we do have competition legislation in place so that certifying claims, whether it is organic or other things, would be subject to our consumer protection legislation—even for goods for export. I guess we can only speak to it in terms of food goods for export. What we have included in our submission is that we believe that some more transparency would be in order in respect of certification, to the point of saying, 'If there is a certification, who is the certifying body? What are they certifying to and what is the basis upon which they make that certification?' How you include all that in information that is available to overseas consumers, or indeed even local ones, is an issue for the retailers or for other avenues. Do you put it on a website? Who runs that website? How is that administered? How is that then verified and checked? Obviously if there are claims made as to those things they would be subject to a range of representation or consumer protection type provisions. But I think there is some merit in it. I can speak to my own experience. I am a coeliac, so I am confined to a gluten-free lifestyle. I would like to know, and it is important for us to know, who is certifying that goods are gluten free. If someone certifies it and they do not do it properly then I am going to be very unhappy indeed. That sort of information is important. That is probably the level of it.

**Senator CANAVAN:** I suppose there are two broad pieces of information people want. They want to know that the certification itself is true—that there is truth there. In your case of gluten free they want to know that there actually are no gluten products in this particular good. You are right: there are generic provisions in the Competition and Consumer Act which impose those obligations already. There is also, from what I pick up from

consumers, a second class of issues in that many people want to be assured that the certifying bodies are operating in an ethical and transparent way: that the certifications they are providing—be it fair trade for coffee or religious symbols for other goods—are being run by organisations to the highest level of standards. That is not something that I see could probably be captured by what used to be, I think, section 51—I think it has changed now—in the Competition and Consumer Act under misleading conduct. Is your view the same on that? That is an extra degree of transparency on the behaviour of those bodies. It is not necessarily misleading conduct. It may be unethical or unprofessional but that might not necessarily be captured by the Competition and Consumer Act?

**Mr Hudson:** It may be, and I think the ACCC is probably entirely better placed, and I am sure they are somehow involved in these inquiries. The difficulty is that, beyond identifying who the body is, what it is certifying to and the basis upon which it is claiming that the goods comply with the certification requirements, you then get into the difficult question of just how far you drill down into who this body is and who verifies who they are. What additional level of information can usefully be supplied? For example, are you going to require who the directors are? Are you going to require who the shareholders are? Are you going to require identification of where the funds go and who is given them? All those sorts of intimations then create a level of regulation that may not necessarily be warranted. I think we have referred to that in our submission. We are trying to keep away from over-regulation. I think we have referred to the consumer protection purposes. There are obviously circumstances in which government should be able to step in if it believes that the claims are incorrect or it believes that it creates a public health issue, for example, or that is not being done properly, or that in fact the claims made as to the way in which they certify are not correct. If they claim that they certify in a particular way according to particular standards and they do not do it, that is clearly grounds for recourse against them. The level of information provided is really the issue. Coming back to our submission, we have identified the basic ones: who is doing the certification, what are they certifying to and on what basis are they doing it?

If they are certifying it based on some scientific assessment or being present for the way in which the goods are made, that is one thing. But, going beyond that, I think we get into a difficult situation in terms of just how much additional information consumers require.

In overseas jurisdictions, which we deal with, a lot of those requirements will be dictated by overseas. I am really talking about the overseas markets as opposed to the domestic stuff—and I do not think we are sufficiently qualified to comment on the domestic situation. For a lot of exporters, they will be dictated by the requirement in the overseas market to which they are selling. Those requirements are set by overseas domestic regulation. From an export perspective, they tend to be the important requirements. If they are not dictated by overseas domestic requirements then it becomes a market led issue about what they think is appropriate. In general, if we are talking about the Australian market the instinct that we get—and I think it is what is in the Food and Grocery Council's submission—is that those basic elements are the ones in which people are interested.

**Senator CANAVAN:** I want to go to the export certifiers, particularly those that are accredited by the Commonwealth government in the organic and halal slaughter space. I do not know if you heard it, but we had a discussion with the previous witnesses about whether bodies to which the government has given approval should be held to mandatory reporting on who their directors are, their financial statements et cetera. What are your views there?

**Mr Hudson:** In any dealing with a government agency—whether it is be industry, border protection or agriculture—there is an expectation of transparency. That would include the government being able to, for example, call upon commercial documents as to how the company operates, how many people it is certified to and on what basis. Information regarding directors and shareholders probably comes under the heading of a 'fit and proper' regime, which we have in licensing for a lot of our own agencies. For example, under the customs regime, people who run licences premises and customs brokers have to be fit and proper people before they are able to operate in a licensed environment—and accreditation is a not dissimilar arrangement. If you go to government and you get an accreditation based on a particular set of facts, circumstances and representations, the government should have the ability to audit that; the government should be able to say, 'We've certified you on this basis with these people involved and in these representations. We should have an entitlement to review what you do, perhaps on an annual basis, with an additional right to undertake an audit on top of that.' That would be consistent with the way government operates with a lot of the bodies it licenses and a lot of entities with which it is involved or endorses. From an export perspective, I do not think we would have an issue with that.

Certainly, from the Australian perspective, all exporters can ask for—in fact, it is probably all they will ask for—is for a consistent set of rules to be applied across the board. They need to have a degree of confidence that the people who are providing the accreditation and certification have the government tick, so to speak. A real issue for exporters is what level of effect that accreditation and certification by Australian agencies should have in

the export markets. I come back to the comment I made before, which is that that is where government should be working actively—and I am sure it is—to ensure that governments in overseas export markets will take that certification or accreditation as being equivalent to certification in their own jurisdiction so that there is not a doubling up.

**Senator BERNARDI:** Am I to understand from what you have just said that, where there is a required certifying authority by a particular country, you think government should go in and confirm their processes?

**Mr Hudson:** No. I think it has to be undertaken in a transparent manner. Obviously, we have to have a degree of comfort for our exporters that what is being required of them is consistent with, for example, the regulatory regime that applies in the domestic market overseas. Countries with which we have free trade agreements would have a national treatment provision, which is to say that Australian exporters would be treated in the same way as if they were producers in the jurisdiction to which they are exporting. That is a consistent provision in nearly every free trade agreement.

**Senator BERNARDI:** Yes. So, essentially, we want to make sure that our exporters are not being ripped off by a domestic certifier, or whatever, simply because there is no other option?

**Mr Hudson:** I think the difficulty is: who requires the domestic certifier to be issuing that domestic certification? If the government of an overseas country says you have to get this certified in Australia to do it, then I think government is allowed to ask whether that works within a non-tariff measure type regime and whether that that is a measure which is applied consistently in the domestic market in the country of export.

**Senator BERNARDI:** Has government, to your knowledge, looked at that?

**Mr Hudson:** To be honest, we have not looked at that. I am sure DFAT would be able to provide some additional information as to what level of examination it has had of that. In every free trade agreement we have provisions in respect of non-tariff barriers and certification requirements. There are also provisions in WTO agreements about non-tariff barriers or provisions regarding licensing and the like—that they be consistent and transparent. So there are a number of mechanisms and a number of bases on which it would be appropriate for review to ensure that what is being imposed upon Australian exporters, for example, is consistent, is non-discriminatory, is transparent and is done in a manner that is consistent with the approach being adopted in the other economy.

**Senator BERNARDI:** Okay. Let's talk about meat products for a moment. Outside of the cost of licensing, the processing of meat products for halal requirements can vary according to, for example, the branch of Islam that is subscribed to in the exporting country or the importing country. To your knowledge, does that extend right down to the religious grouping of the slaughter men—I believe they are overwhelmingly men—or slaughter persons?

**Mr Hudson:** I am afraid I just do not have that level of knowledge. The export council does not have that level of information. Probably some of the more specific associations representing those involved in the meat export trade—live or otherwise—would have more direct evidence on that. Again, we deal with a broad number of organisations and our ability to drill down into an individual organisation is a bit limited. In those cases, we would probably defer to our colleagues in those organisations.

**Senator BERNARDI:** Sure. We will ask them.

**Senator CANAVAN:** You mentioned earlier that there are obligations on certifying bodies not to engage in misleading statements or conduct. Who actually bears the liability for that? If I have understood your submission correctly, you are saying that the Competition and Consumer Act does cover the activities of your members, the exporting of goods. If they label a product gluten free—with a label provided by a certifying body—and it ends up being misleading, who bears the liability there? Is it the producer of the good who put the label on the product, or is some liability passed back to the certification agency that provided the label?

**Mr Hudson:** It is a question best asked of someone with a level of expertise in that area. I think the ACCC would have a view on that. In the first instance, if a producer makes a claim and that claim appears to be invalid, even though it might relate to a third party, probably both parties will be subject to—

**Senator CANAVAN:** So the liability, who is to blame, might go to the fact of the matter?

**Mr Hudson:** Correct—and I know that is the traditional defence mechanism of many vocal people. But I think somebody who practices in that area or deals with that regulation may be in a better position to answer that. I think our submission does refer to how the ACCC legislation would have an impact in the field of certification.

**Senator KETTER:** In section 2.3 of your submission you talk about how specific certification is required to export to particular markets and you say that, in other cases, certification may be required by purchasers of

products. I take it you are not talking about halal there. I take it that, in all cases, with halal it is the government of the importing country that is imposing their requirement.

**Mr Hudson:** My understanding is that that is the case—that the government is saying, 'This is the requirement and we require certification of that.'

**Senator KETTER:** I know it is a very broad grouping, but is it the case that all countries that you might call Islamic do have requirements in respect of halal?

**Mr Hudson:** Without wishing to seem evasive, I think it is a question best referred to an organisation with expertise in all of those countries. The Department of Foreign Affairs and Trade may well have that specific information to hand. It may have a deeper level of knowledge as to those requirements and, specifically, whether they are dictated by governments in those different markets.

**Senator KETTER:** I am looking at the Department of Agriculture website and the list of recognised Islamic bodies for halal certification of red meat. I note that, in the case of Indonesia, the Australian Federation of Islamic Councils has certification in respect of New South Wales only; and there is the Halal Certification Council in Springwood, Queensland which only has, I suppose, rights in respect of Queensland. Do you have any comments to make about that?

**Mr Hudson:** As to the reasons why that may operate, you would really have to ask those organisations. It may be purely a resource issue. It may be that no one body has resources across the entire nation; although they may be called national bodies, they might only have specific resources. The export council certainly has not done any direct research into that.

**Senator CANAVAN:** I think we have briefly touched on the potential for governments to negotiate better outcomes or a more flexible and open system. Have you got any thoughts about how the government might approach that? We discussed with the previous witness whether it should be multilateral or bilateral. Do you have any insights into how the government would potentially broach a subject like this with other countries?

**Mr Hudson:** My instinct is that everyone would love multilateral but multilateral does not seem to be doing particularly well at the moment. So you kick back to like-minded countries, or regions, with whom you have particular arrangements. Our current free trade agreements all have provisions in respect of non-tariff barriers and working on joint committees of trade or committees on certification and licensing. It may well be that they afford opportunities to do it. Regionally, ideally, it might be an issue that is incorporated in the Regional Cooperation and Economic Partnership Agreement, or RCEP, which is being negotiated at the moment. This comprises the ASEAN countries and those countries who have free trade organisations with ASEAN countries. China, for example, has a deal with ASEAN. There are 22 countries in RCEP, including China, India, Australia and New Zealand. That may well form a basis for that. APEC may form a basis for that, although it is probably not going to end up with certification and licensing issues like that. At the end of the day, if we are talking about different countries within our region, we are back to the resources we have to discuss with those. We have AANZFTA—an agreement between Australia, New Zealand and the ASEAN countries. It may well be that DFAT might have a view about the mechanisms available under that which might afford an opportunity to advance those discussions. If you are thinking about a WTO or multilateral one, that is an entirely political one.

**Senator CANAVAN:** I was not considering WTO but more a regional multilateral one in the sense that multi-country is not global.

**Mr Hudson:** From that perspective, you would probably look at AANZFTA. It includes us and a few other countries, including Malaysia obviously. We already have agreements with those countries, and it may well be opening up a new area for work. They all have work programs. For example, they have committees on rules of origin and certificates of origin. We are seeing some changes under AANZFTA in terms of certificates of origin. So it may well be an opportunity to talk about some sort of broadly based agreement between the countries. Certainly, certification should not operate in a way that is a barrier to trade. That may well be an opportunity to do that. I think the TPP might be a bit difficult because we are dealing with a different grouping of countries there. There are certainly a lot of people within that region who would be interested in something like that. I am sure DFAT would be better placed to tell you about that. They are currently trying to complete the negotiations there, so that may well be an opportunity to have a discussion about that.

**Senator CANAVAN:** Is there 'most favoured nation' status in terms of certification? Are we not being held to a higher standard than other countries? I have heard stories that, for meatworks in the US, their version of halal is that they have a speaker that plays a few Arabic songs and that is halal slaughtering. We obviously go to much greater lengths to comply. I do not know how true those stories are, but is it your view that exporters from Australia are being held to a higher standard than other countries in terms of meeting these benchmarks?

**Mr Hudson:** I cannot make any comment on those things. They would be questions that could be asked through a whole range of different avenues. What I would suggest is that MFN is probably not the consideration we are thinking of; I think we are potentially thinking of national treatment, which operates under a lot of our trade agreements, including as recently as the China one. China has some MFN provisions, but there are also provisions in many of our free trade agreements in which we are accorded national treatment. 'National treatment' means we should not be treated any worse than local countries. It means exporters should not be at a disadvantage to compete against similar companies in the overseas market. That being the case, it would suggest that a level of transparency and equivalence in treatment may well be appropriate—even if you do not get to the point of a mutual recognition arrangement, which we have talked about in our submission. Of course, if people feel that that is not being observed, difficulties arise in how that is pursued. Certainly, the instinct that we should be treated in the same way as happens in the export markets underpins many of our trade agreements, but it then becomes a question of how that is advanced or enforced.

**CHAIR:** Thank you so much for your evidence and for making yourself available to speak to us today.

**Mr Hudson:** I thank the committee once again for the opportunity to make a submission and answer questions.

**Proceedings suspended from 10:34 to 10:50**

**GUTNICK, Rabbi Moshe, Rabbinic Administrator, Kashrut Authority Inc**

**GUTNICK, Rabbi Mordechai, Rabbinic Administrator, Kosher Australia Pty Ltd**

**LAMM, Dr Danny, Immediate Past Chairman, Kosher Australia Pty Ltd**

**SHNIDER, Mr Stephen, Chairman, Kosher Australia Pty Ltd**

**WAJSBORT, Mr Yankel, General Manager, Kosher Australia Pty Ltd**

**WERTHEIM, Mr Peter John, Executive Director, Executive Council of Australian Jewry**

*Evidence was taken via teleconference—*

**CHAIR:** Welcome. As we are taking evidence via teleconference, I will try to direct the traffic and flow as much as possible.

**Mr Wertheim:** We have agreed that the committee can direct questions to me here in Sydney and I will then either answer or direct the question appropriately.

**CHAIR:** Perfect. We will do it that way. That makes it a lot easier. Mr Wertheim, do you want to start by making an opening statement?

**Mr Wertheim:** Yes; thank you. The Executive Council of Australian Jewry has endeavoured in its submission to provide a clear and comprehensive survey of kosher certification in Australia at the present time. We have sought and received valuable input to the submission from the two main Australian kosher certifiers, Kosher Australia in Victoria and the Kashrut Authority in New South Wales. The two largest centres of Jewish life in Australia are in Melbourne and Sydney and, accordingly, these two organisations account for more than 90 per cent of kosher certification services in Australia. We have also sought and received input to the submission from the Kashrut Authority of Western Australia, which caters for the much smaller Jewish community in that state. We acknowledge with gratitude the information and assistance which has readily been provided to us by all three organisations.

The structure of our submission is straightforward. We have taken the opportunity to explain to the committee and, through it, to the wider community some of the concepts of Jewish religious law and aspects of Jewish religious practice which underpin kosher certification. The submission then deals with each of the specific terms of reference. Permit me to highlight some of the points which we consider to be of key importance.

Firstly, within each of the three kosher certification bodies who have had input into the submission, there is a division between religious functions, which are carried out by clergy, and commercial functions, which are carried out by administrative staff, with the activities overseen and controlled by a lay board or committee. In terms of the need for each certifier to be transparent and accountable to the community for its operations, we consider this division of functions to be essential.

Secondly, we consider truth and accuracy in labelling also to be essential. The submission gives several examples of products being labelled in a way that falsely suggests that they are kosher according to Jewish law. Although Kosher Australia and the Kashrut Authority publish and regularly update their online kosher food guides, it is not always possible or convenient for kosher consumers to check these guides while they are doing their shopping. Fortunately, the distinctive logos of Kosher Australia, the Kashrut Authority and reputable kosher certifiers overseas are well known to most people who keep kosher in Australia. Nevertheless, some of them may be misled by false or deceptive labels. We would welcome any tightening of the law to ensure both proper disclosure and truth and accuracy in labelling. We see no reason why this requirement should not extend also to imported products.

Thirdly, as regards fees paid for certification, an estimated 90 per cent of the revenue of the two major kosher certifiers comes from consumers who are specifically looking to purchase kosher products or services. Most, but by no means all, of these consumers come from within the Jewish community. The fees are generated by kosher catered functions, kosher butchers and other kosher shops. The revenue from certification fees paid by manufacturers supplying products to the general market is only about 10 per cent of the overall revenue. Our understanding is that the amounts involved in the latter are too small to impact on prices—perhaps a fraction of a cent per unit produced over the year. This is because the fee is often spread over a massive quantity of product, resulting in a negligible extra cost per unit. More precise information about the impact, if any, on prices would need to be obtained from the food producers themselves.

Fourthly, none of the revenue derived by the kosher certification agencies in Australia is directed outside of Australia. Most, if not all, of the revenue is used to fund operating costs.

Fifthly, the logos of Kosher Australia and the Kashrut Authority are respected by kosher consumers in other countries. Both organisations are members of the Association of Kashrus Organisations based in the United States, which is a body comprising the most respected kosher authorities from North America, the United Kingdom and the Asia-Pacific region. Membership is only extended to those kosher authorities which have the highest kashrut standards.

Sixthly, as a direct consequence of the international standing of both Kosher Australia and the Kashrut Authority, Australian products have for many years been exported throughout the world after having received kosher certification from either one of these two authorities. Accordingly, kosher certification in Australia has enabled Australian food manufacturers to export into world markets for kosher products. Similarly, some kosher products are imported into Australia from Israel and the United States.

Seventhly, I have made inquiries with the Australian Bureau of Statistics as to the availability of comparative statistics about the volume of imports and exports of kosher products. I am informed that no such statistics are kept and that statistics for volumes of imports and exports are kept by country only. We would welcome a recommendation from this inquiry to the Australian Bureau of Statistics that it maintain, and make accessible to the public, comparative statistics about the volume of Australia's imports and exports of kosher products.

Eighthly and finally, if kosher certification bodies in Australia were to be treated less favourably than other non-DGR, not-for-profit religious organisations, whether for tax purposes or otherwise, and those bodies were no longer in a position to operate in a commercially viable way, then it is almost certain that a much higher volume of kosher products would have to be imported from overseas than is presently the case, and exports of kosher products would cease. That is quite apart from the larger questions of unlawful discrimination and infringement of religious freedom that would arise.

That concludes the opening statement. Thank you, Chair.

**CHAIR:** Thank you. Mr Wertheim, is part of the summation of your submission effectively a view that the kosher certification process, as it exists, is currently working for kosher, and that some of your concern is that some of the changes risk making it more expensive and less accessible?

**Mr Wertheim:** I think that sums it up fairly neatly—unless there is anyone else who wants to jump in from other states; I do not think there is anyone else from Sydney who wants to answer that question beyond what I have just given you. I think that you have summed it up admirably.

**CHAIR:** Could you talk me through the process of how it would work right now? I am going to use a hypothetical meatworks plant, and I am just using this as an example. We could use a different example, but just for now let us use a meatworks or abattoir as an example. Right now, if I want to be able to sell to people who choose to consume kosher food, how would it work? What would I then do? I would call one of the certification authorities, I would call you, and they would come in, check out the plant and make recommendations? Can you talk me through how it works on a practical level?

**Mr Wertheim:** You are talking about an abattoir specifically in relation to kosher meat?

**CHAIR:** Yes.

**Mr Wertheim:** Because meat is only one of many different products.

**CHAIR:** I am using one as an example.

**Mr Wertheim:** So you are talking about a food producer wanting to get kosher certification, is that it?

**CHAIR:** Yes.

**Mr Wertheim:** I might ask Rabbi Moshe Gutnick in Sydney to answer that—perhaps with a follow-up from Stephen Shnider in Melbourne.

**Rabbi Moshe Gutnick:** Meat is very different than other products. I will explain why in a moment. The normal procedure would be that, if a company wanted kosher certification, they would contact us. We would send them an application form, which they would fill out. The application would basically list the ingredients. We would make an initial assessment as to whether the ingredients were kosher. If we felt that there was a possibility of the product being kosher, we would then organise a visit to that plant to audit whether the ingredients matched the application form and to make sure that there was no other cross contamination. If we were satisfied, then we would enter into a written agreement with the company, we would charge them a certification fee and they would be classified as kosher. That is for an ordinary product.

Meat is much more complicated. You cannot just go in and investigate a plant. You need to be able to supply specially trained shochetim or slaughtermen, who are invariably rabbis who are very specially trained in the process of kosher killing. There are only about eight such slaughtermen active in Australia today, and the amount

that they are able to kill is very small. It would be extremely unlikely for most meatworks to have an interest in having a kosher kill. As it is now, there are two or three abattoirs in Melbourne that have a kosher kill and only one in Sydney.

**CHAIR:** My broad understanding, and I want to check it is correct, is that the kosher certification process is mostly for domestic consumption. The bulk of it is not done for export. It is mainly done for domestic consumption. We were talking to the Export Council this morning, and it probably would have been a good question to direct to them, but is that your understanding?

**Rabbi Moshe Gutnick:** If you are talking about the volume of work that we do, as we said earlier, probably 80 or 90 per cent of the work that we do involves the local domestic market specifically aimed directly at the kosher consumer, who effectively pays for that product. Something like 10 or 15 per cent of the work that we do is for export.

**CHAIR:** You have said this and it is in your submission, but you run as a non-profit and any revenue that has been made through this process is done about getting back into the community? You are obviously regulated by the ACNC?

**Rabbi Moshe Gutnick:** Correct.

**Mr Wertheim:** I was wondering whether the people in Melbourne wanted to add anything, because the practice does vary a little from state to state.

**Rabbi Mordechai Gutnick:** Just a point of clarification with regard to the meat industry. It is different to normal food production in that we do not actually certify an abattoir. What we do is use the services of an abattoir that is killing normal meat for normal production in Australia in order to have a few wholesalers put up a number of animals to be killed kosher. Those animals will be killed in the kosher way by our expert staff. The abattoir itself will not be certified as being kosher; it will only be that particular meat batch that is produced in that fashion that will be certified as kosher and then channelled through to the specific kosher butcher shops. We are not producing kosher for the general community, the general market; we are not certifying the abattoirs themselves; we are only producing certain batches as kosher.

**Senator BERNARDI:** Rabbi Gutnick, thank you for that; it pre-empted my question. Is it true that there is no stunning of the livestock before they are killed with the kosher slaughter of livestock?

**Rabbi Mordechai Gutnick:** That is correct.

**Senator BERNARDI:** Is it possible, in the least gruesome manner possible, to tell me what the process is for the kosher slaughter of a cow or a sheep?

**Mr Wertheim:** It varies between cows and sheep, but I might let Rabbi Moshe Gutnick respond, because he oversees it in Sydney.

**Rabbi Moshe Gutnick:** The exemption for not having prestunning is a longstanding one for many years. It also falls into best practice of animal welfare as well. If we are talking about lamb, which are the smaller animals, the slaughter is done with a very special knife in a very special way so that the animal falls into unconsciousness within seconds. A cow takes a bit longer to fall unconscious and that is why there is an immediate poststun. The actual cut itself is not considered a breach of animal welfare principles, and this has been shown by Professor Temple Grandin, who is a world-known expert in animal welfare. The actual slaughter cut done in kosher is as appropriate, and fulfils animal welfare guidelines in the same manner, as any other method of slaughter. This has basically been accepted by Australian animal welfare authorities as well.

**Senator BERNARDI:** I have seen that sort of slaughter before. A lamb becomes unconscious and falls very quickly. With cattle a cut is made but then there is an immediate poststunning of the cattle. Is that correct?

**Rabbi Moshe Gutnick:** Correct.

**Mr Wertheim:** I might ask whether Rabbi Mordechai Gutnick in New York wants to add anything.

**Rabbi Mordechai Gutnick:** No. I think my brother summed it up well.

**Senator BERNARDI:** Can the whole of the beast be consumed by those who adhere to kosher?

**Mr Wertheim:** The short answer to that question for both cows and sheep is no. I might ask Rabbi Mordechai Gutnick whether he wants to elaborate on that.

**Rabbi Mordechai Gutnick:** Strictly speaking, the whole animal becomes kosher, but because the hindquarters of the animal require an additional amount of work—the removal of various veins, sinews, fats and so on—it is not considered commercially viable or practical for us to do that. Therefore, as far as kosher is concerned, we only take the forequarters.

**Senator BERNARDI:** So, what happens to the remainder of it? Is it sold into the commercial market?

**Rabbi Mordechai Gutnick:** Yes. As I said, the batches are put up by the abattoir, and whatever is not used or taken by us—we only need the forequarters—they will then take it and they will deal with the hindquarters in the way they normally deal with their product.

**Senator BERNARDI:** I guess that part of the beast is not kosher and it is not labelled as kosher. Is that correct?

**Rabbi Mordechai Gutnick:** That is right. That is correct.

**Senator BERNARDI:** If it had to be labelled in some way or was not able to be used in the domestic market, it would effectively double the price of kosher meat product. Is that fair enough to say?

**Rabbi Mordechai Gutnick:** Yes.

**Senator BERNARDI:** How many abattoirs do you currently work out of?

**Rabbi Mordechai Gutnick:** In Melbourne we are working out of two at the moment. There is a third one that we use from time to time, but we have not used them for quite some time. In Melbourne, it is two. My brother will probably be able to tell you how many in New South Wales.

**Rabbi Moshe Gutnick:** In New South Wales, it is one.

**Senator BERNARDI:** Is there a cleansing or a scrub down of the abattoir? Is that required?

**Rabbi Mordechai Gutnick:** Not to my knowledge, no.

**Rabbi Moshe Gutnick:** No.

**Senator BERNARDI:** So it is simply the method of slaughter.

**Rabbi Mordechai Gutnick:** Correct.

**Senator BERNARDI:** Mr Wertheim, I think you said that 15 per cent of the meat products are exported.

**Mr Wertheim:** That was Rabbi Moshe Gutnick who said that.

**Rabbi Moshe Gutnick:** Of the meat products, 15 per cent of our work is for export certification. All of the meat products are for local consumption.

**Senator BERNARDI:** All for local consumption.

**Mr Shnider:** That is the situation in Sydney but it is not the situation in Melbourne. The meat supplier that we certify, Continental Kosher Butchers, exports meat products to New Zealand, Hong Kong, Singapore and other parts of the Pacific. They have an export licence to do that.

**Senator BERNARDI:** There is a suggestion that some providers have taken the kosher certification notifications off their products because of a consumer backlash. Can you tell us a bit more about that?

**Mr Wertheim:** I might ask Rabbi Moshe Gutnick to address that.

**Rabbi Moshe Gutnick:** We have not had that in New South Wales. We do have some companies that for many years have not put on any logo in order to not offend anybody else's sensibilities. We have not had it in New South Wales, but I believe Mr Shnider might tell us that it may have happened in Victoria.

**Mr Shnider:** We had one earlier in the year after the announcement of this inquiry. There was a company that felt that, because of the publicity that was generated by the inquiry when it was first announced, it would not renew its certification. To follow on from the first point Rabbi Moshe Gutnick made, whilst our process is very similar to that of New South Wales, one part which I think Rabbi Moshe Gutnick did not continue with is that it is not just a process of audit at the beginning when the item comes on the list, but it is in fact an ongoing relationship with the kosher authority, be it us or another authority. There are regular audits—if not annual audits, depending on the product, sometimes more regular than annual audits—to ensure that the kosher requirements are maintained. Just going back to the question, it just happened at the time that the announcement of this inquiry was made that an annual certificate was to be renewed the company approached us to say that they were not going to renew the product. Fortunately, with the assistance of Rabbi Mordechai Gutnick and our general manager, Yankel Wajsbort, we were able to persuade the company to retain the certification at least until after the outcome of this inquiry. From our perspective, their product is a commonly used product by the kosher consumer throughout the country, and it would have left the kosher consumer without what could be considered to be almost a staple product.

**Senator BERNARDI:** I appreciate that, and it was never the intention of this inquiry to impact upon your business. It is to establish some facts and compare and contrast between the various certification authorities that

are in operation in Australia. It is a matter of some consumer concern, and there is lots of misleading information going out there. So I hope you appreciate that we are just trying to establish—

**Mr Shnider:** Absolutely. We have never doubted the purpose of the inquiry. We have welcomed it. As Peter Wertheim has said in both the submission and in his introduction, we have no issue at all. I think there has been some feeling within the community that some manufacturers are wanting to just focus on other parts of their business and not perhaps have some involvement in this process, but we have managed to contain it and maintain it.

**Dr Lamm:** Senator Bernardi, our primary interest is to make available the widest range of products that the kosher consumer can eat in Australia and, in particular, provided within Australia rather than having to be imported.

**Mr Shnider:** Dr Lamm is 100 per cent correct. Both ourselves and our counterparts in Sydney I think have moved in the last decade—perhaps even a little bit longer—to introduce to kosher consumers the choice of Australian produced products which are capable of being kosher as opposed to having to rely upon imported products.

**Senator BERNARDI:** Sure. In the case of products that are certified kosher, you have an app, you have a website and there is also labelling. Are you able to tell me what percentage of the products are labelled as opposed to those that are described in your website and not labelled?

**Mr Wertheim:** We might start with Melbourne, because there are two answers to your question—one for Melbourne and one for Sydney. I will ask Mr Shnider to answer that first and then Rabbi Moshe Gutnick in Sydney to answer it secondly.

**Mr Shnider:** We are trying to encourage a number of companies to put the logo on, which is a very common situation in the United States, South Africa, countries in Europe and so forth, and in London. It is something that we are working on. It is a relatively small part. I do not know whether any of the senators have been, for example, to a Coles supermarket in any of the populated Jewish communities, certainly in Melbourne and in Sydney. You will see on the shelves in Coles that we have a system with them where our logo appears on all the products which are on display for sale in their supermarkets. It clearly identifies those products. It is part of their barcoding system on the shelf, which clearly identifies the product as being capable of being bought by the kosher consumer. That is a program which we have now been running for maybe three years, quite successfully. They have rolled it out in a number of their supermarkets in Melbourne and in Sydney.

**Senator BERNARDI:** So they have a separate kosher section?

**Mr Shnider:** They have a separate kosher section, and if the senators were to walk through a Coles supermarket they would see that there is an aisle which is dedicated to kosher products. Going to the point that Dr Lamm was making, many of the products that we consume are no different from the products that senators themselves may be consuming and they do not necessarily have to feature in a kosher aisle. They are in the other 12 or so aisles that are in the supermarket.

To assist people with those products, we have introduced in addition to the apps, the website and the hard copy book, and with the cooperation of Coles, a logo of Kosher Australia, which identifies the regular products. Just to pick one out: Rosella tomato sauce does not have to be in the kosher section or aisle of the supermarket but will rank along with all the other tomato sauces that are available, and on each shelf it will have the Kosher Australia logo on it. There are typically somewhere between 600 to 2,000 lines in the average Coles supermarket that are capable of being consumed as kosher and will have our identification mark on it.

**Dr Lamm:** These kosher sections or compartments in big supermarkets in areas where there are larger Jewish populations is a worldwide phenomenon. In every major city in the world, you will see exactly the same thing. Countries, particularly the United States and those in the Commonwealth—South Africa, the United Kingdom and Canada, particularly its cities of Montreal and Toronto—have very strong, structured systems for kosher certification. We all operate on a very similar system around the world.

**Senator BERNARDI:** Dr Lamm, it is a marketing ploy of a commercial operation playing to some of its consumers and, as such, it is entirely reasonable, I suspect.

**Rabbi Moshe Gutnick:** I would like to add to that. We have a good program with Coles and Woolworths in Sydney for marketing the products on the shelves, but that is limited to those major supermarkets. In the major supermarkets pretty much anywhere else in New South Wales or in many of the other shops, you would not find that sort of labelling. I think it is important to make a distinction between companies that come to us specifically and request kosher certification. Invariably, most but not all of those companies will carry our logo. But there are many products that are kosher because they happen to be kosher, but the company concerned is not really

interested in having a logo because they do not really care whether it is kosher certified or not, and they do not have to pay anything for that—for example, in New South Wales, many of the orange juice companies. Also, bottled water, some soft drinks and beer are kosher. There are all sorts of products that we designate as kosher because they happen to be kosher but the manufacturer does not even know that it is kosher or may not require it to be kosher and, therefore, would not put on a logo or would not have their product identified as such.

In the olden days, they used to say, 'Rabbi, come bless my factory.' It is nothing to do with blessing the factory. It is a matter of knowing the facts about the ingredients in the product and how the product is made. Sometimes those factors are so obvious that the product is kosher and we publish that in our guides, but the product will not get a logo because the particular company has not sought certification. They get no certification and there is no certification fee for that. We provide that service free to the community.

**Senator BERNARDI:** I think it is a very important point that this is about informing your consumer, if you will, more than about making it a commercial enterprise.

**Rabbi Moshe Gutnick:** As far as the Kashrut Authority is concerned, that is absolutely what the story is. We consider it a religious obligation as a community to provide that service to our kosher consumers. A comparison is the heart tick. It is not a commercial enterprise; it is informing consumers as to whether the particular food is good for your heart. If you will, the kosher symbol or making a list of kosher products is informing the consumer about what is good for their Jewish heart.

**Senator BERNARDI:** Okay. What about seafood? I understand that fish or seafood with fine scales and fins are suitable and others are prohibited—octopus and shark and so forth. Is there a certification process with that, or is it just widely known what sort of fish people can eat?

**Rabbi Moshe Gutnick:** It is widely known what fish people can eat, and there is no real requirement for certification if you can identify the fish as a kosher fish. Again, to assist consumers, we have one or two shops here in Sydney where, once a week, there is a kosher supervisor so that the people who wish to buy can buy an already filleted fish and they do not have to identify where that original fish has come from, because the kosher supervisor has. Everybody is freely able to go to any fish shop and buy a fish and see that it is a fish that has fins and scales without any problem.

**Senator BERNARDI:** So it is not about processing it, it is about—

**Rabbi Moshe Gutnick:** Raw fish; it is not about processing.

**Senator BERNARDI:** No. So if there is a fillet of snapper there and snapper is available and they are confident that it is snapper, for example, that is okay for them.

**Rabbi Moshe Gutnick:** Correct. If there is non-kosher fish in the store you may have to rinse the fillet, which is probably not a bad idea anyway when you buy something from a store, to make sure there was no contact with non-kosher fish. But there is no specific, special certification requirement.

**Senator BERNARDI:** Gentlemen, thank you very much for your attendance—I really appreciate it—and for your submission. It is a very valuable insight into an important certification scheme.

**CHAIR:** I want to understand the relationship. At the moment, in terms of kosher certification, there are quite a few imported products—made in the US or from somewhere else around the world—that come with international kosher certifications. You do not then re-certify anything, do you? I assume there are places around the world where they mass produce products with kosher certification. Is there a series of international certifications you recognise or do you leave that to the consumer?

**Mr Wertheim:** Yes, there is an international body. I referred to that in my opening statement and it is also in the submission. That is the one based in the United States, called the Association of Kashrus Organizations. It comprises the most respected kosher authorities from North America, the United Kingdom and the Asia-Pacific region. The logos are well recognised. The two major kosher certifiers here, in Sydney and Melbourne, are also members of that association. There is international recognition of those logos. Therefore, when products are imported, if they bear those logos no further certification is required. They are accepted on their face. Similarly, there are products imported from Israel that also have well-recognised marks and, again, there is no recertification process within Australia.

**Senator BERNARDI:** I thought I had finished, but there are a couple more questions. They relate to the slaughter of livestock. I just want to confirm this. Apart from the cutting and then stunning, in the larger beasts, is there another ritual—a prayer or something—said over any of the creatures?

**Mr Wertheim:** No.

**Senator BERNARDI:** What is your response to those—and it is not my view—who say they regard unstunned slaughter, rightly or wrongly, as against their sensitivities? Given that half of the beast is not consumed by the kosher consumer, what is your response to those who say, 'I would like that labelled so that I can make an ethical choice as to whether I want to eat meat that has been unstunned'?

**Mr Wertheim:** I can tell you that at least here in New South Wales Rabbi Moshe Gutnick and I have been working, for some time, with a group of animal-welfare organisations. They include Animals Australia and the RSPCA. We have had this debate and discussions with them many times. What we are working to do with them is develop a code of best practice around Australia that will maximise animal welfare while, at the same time, meeting the requirements of Jewish religious law. In terms of the actual regulation of kosher slaughter, this is something that has been looked at by the relevant state and federal government agencies over many years, and the net result of all of that was that they have left the regulations as they are.

**Senator BERNARDI:** Yet it has been banned in some countries internationally, hasn't it?

**Mr Wertheim:** It was originally banned in Nazi Germany, and it has often been used as a cloak for persecution and discrimination against the Jewish community of that country. In other countries where there has been discussion of banning it, the banning has been reversed. In New Zealand there was talk of it some years ago, but that did not proceed—again, out of concern for the religious freedom of the Jewish community. If you weigh up the desideratum of religious freedom against the very uncertain animal welfare benefits that would flow from banning it, I think the scales fall very heavily in favour of religious freedom. But this is just from my own experience. I might ask for some further elaboration of the question you have just asked from Rabbi Mordechai Gutnick in New York and any others who want to say something about this. It is an important issue.

**Rabbi Mordechai Gutnick:** I think we have to think about numbers as well. With regard to kosher killing of animals, you are talking about maybe 500 beeves a week and maybe 1,000 lambs or a little bit more than that. You are talking about very small numbers. If there are people who want to be 100 per cent sure that the meat that they are consuming or purchasing is killed in a particular way and not another way and so on, it is a good question. But as far as kosher is concerned, at least, we are talking about really negligible numbers in comparison with the number of animals that are killed for consumption in general in the Australian market.

**Mr Wertheim:** I might ask Rabbi Moshe Gutnick in Sydney also to add to that.

**Rabbi Moshe Gutnick:** I just want to add to that that the animal welfare issues associated with kosher slaughter are not clear at all. In our discussions with the RSPCA and the other groups, there is a general acceptance that the actual cut is not that much of a problem. Temple Grandin, for example, who is recognised by Australian animal welfare groups including the government, has said that she believes that kosher slaughter, even without a post-stun—remember, we do a post-stun—is as good and as humane a method of slaughter as any of the other methods which are currently carried out. So I would suggest that in reality there are not really animal welfare issues in relation to the actual slaughter, and marking animals as kosher would lead to some sort of hysteria from people not really understanding what it is really all about and could lead to an economic backlash unnecessarily.

**Mr Wertheim:** Could I add just one thing to the last answers. The whole question of whether pre-stunning is a more humane method from an animal welfare perspective than kosher slaughter is a very unsettled question. The assumption is often made that pre-stunning must, ipso facto, be a more humane method. Amongst animal physiologists, it is highly contested, and that assumption is not necessarily true at all.

**Rabbi Mordechai Gutnick:** Could I also add here that I think it is also important to note the difference between the handling of the animal and the actual slaughter of the animal. A lot of publicity has been given to the way in which animals have been handled, especially the live animals that are sent overseas and so on. In that regard, in kosher slaughtering here in Australia, as far as the kosher aspect of it is concerned, we have nothing to do with the handling of the animals. We have nothing to do with the way in which the animal is handled before and after the actual slaughter. That is done in exactly the same way as the normal slaughter of animals in the particular abattoir. The only way in which we come into the picture really is with the actual slaughter itself—the cutting of the animal's neck. After that, every other method, every other way, in which the animal is handled and looked after is done in accordance with exactly the same procedures that are used for the normal slaughter of animals.

**Mr Wertheim:** I have just one more point. In all of the abattoirs in which kosher slaughter takes place there are CCTV cameras to record what occurs.

**CHAIR:** Thank you for your submission and thank you for your participation in our inquiry.

**MONK, Dr Andrew, Chair, Australian Organic; Australian Certified Organic**

[11:36]

**CHAIR:** Thank you for being here with us today and participating in our inquiry. I understand that you are here representing both Australian Organic and Australian Certified Organic. Is that correct?

**Dr Monk:** Yes, that is correct.

**CHAIR:** I want to thank you for the submission you have made. It has been numbered as submission number 1374 for the purpose of this inquiry. I am going to give you the opportunity for any broad opening remarks that you would like to make and then we will get into questions.

**Dr Monk:** Firstly, I will just briefly explain the relationship between Australian Organic and Australian Certified Organic. Australian Organic's precursor name was Biological Farmers of Australia Ltd, which was set up in the late eighties. It is a not-for-profit, industry member owned entity. It was initially cooperative but is now just simply a limited entity owned by industry members. It has a subsidiary that is called Australian Certified Organic, and that subsidiary is one of the six certification agencies accredited by the Department of Agriculture under the export program for organic produce. So that is the relationship between us both. Our organisation functions in that capacity in a not-for-profit manner and it puts those funds back into industry and into the development of the sector.

As it does have majority market share, our subsidiary, Australian Certified Organic, competes with the five other accredited agencies under the Department of Agriculture program. Of the others, the second largest one is also a not-for-profit, industry owned group. Some of the others, though, are either quasi-government or private in their capacity. So we basically compete in an open marketplace. I often say that there are always challenges and problems with any program of regulation but this one, in many capacities, is a paragon of coregulatory arrangements where you have some government involvement and then you have industry driving efficiencies in terms of service provision and competing for those, whilst there is one common national standard that those certification agencies administer. The downside I guess we would flag is that, whether there is legislation or not, there is always resourcing required and we have regularly called for some greater involvement from the ACCC, recognising that the commission has acted on some product mislabelling in the past, and we have very much welcomed that, but we would always welcome more resourcing in that area and even additional resourcing in either the Department of Agriculture or DFAT itself in relation to market access offshore.

To recap, in our general submission we in large measure view the industry as working very well and cohesively. We have a peak council called the Organic Industry Standards and Certification Council. Whilst it has been renamed four times, I think, in the last 20-odd years, it sits there advising government. The six certification agencies that compete in the marketplace all sit at that council along with a couple of groups. In my view, given the competitive nature of that service provision, that is a pretty spectacular achievement over those years. So we think we have got it fairly cohesively together that way. We have a pretty good national standard that can always be improved, and the industry is going through a review process at the moment in that area.

Lastly, recognising that the department of ag in particular is appearing this afternoon, we would humbly request—maybe not humbly—a hurry-up of their review of the export program. It has been about six or seven years now and it has been bogged down in about five or six reviews. It is not a party political issue, I do not believe; it is a departmental one of progressive lack of resourcing.

**Senator BERNARDI:** I am sure they are watching and will have an answer for us.

**Dr Monk:** So we desperately call for that review to come to completion. We regularly get told that the organic program is a tiny program, so it gets pushed to the end of the line regularly. Legal reviews of things are probably fifth or sixth after the massive meat program itself. But it is actually holding up even meat exports. It is a multi-sector certification and standards program, so, even though it looks like the little minnow sitting there, it can obviously regularly impact all the way back up the chain across those different programs. I might be stating the obvious, but for export you have to have a health certificate in meat, as an example, irrespective of whether there is also a halal aspect, and then there is also an organic overlay. So we do our best, I would like to think, in keeping those prices very limited for producers. In fact, because we are member owned by the industry, we have been able to price freeze our certification service over the last two years and are continually reducing the overall overhead costs to them and finding more creative ways as we are growing to fund our core programs. But we still have to operate in a commercial environment.

I think Senator Bernardi mentioned before the kosher aspect. I suggest that we operate commercially but our first and foremost remit is a consumer education or information one regarding the labelling—so the standards issue is a consumer driven information program, if you want to call it that, and an industry driven one when it

comes to regulating the integrity of the products in the marketplace. I guess I would still say that it is commercial in that we have to compete for certification services, but it is nonetheless driven in large measure by that information requirement of the consumer wanting a particular product.

**Senator BERNARDI:** It may be semantics, but there is, it seems to me, a subtle difference there. For example, elements of the Jewish community who want to consume kosher products are doing it out of religious observance—it is an essential part of their being, if you will—whereas 'Organic' is a label that people are freely choosing because they think it is better for them or healthier for them or whatever the case may be. The 'Certified organic' label is protected, in essence. Only one of those six bodies can provide the 'Certified organic' label—is that correct?

**Dr Monk:** It is a good point. Our own individual labels are protected under general IP provisions of the law. We do have a weakness, if you want to call it that, in that there can be a claim for certified organic, and luckily it is very limited in the marketplace in Australia, but, again, I maybe have not stated the obvious: there is no legislation for organic in Australia for the domestic market. There is for the export program but not for domestic. So, in fact, the potential for a certified organic claim could still be there, and occasionally—

**CHAIR:** So you are saying that right now, if I wanted to make a product and I wanted to call it certified organic, I can for domestic but not for international?

**Dr Monk:** You could attempt to. The ACCC if they were here would answer that by saying that you risk contravening the new consumer laws of, I think, 2010 if you have not duly and diligently ensured that you are compliant with the relevant industry standards. So there are standards at play, but in what is an open market there is still the potential for that.

**Senator BERNARDI:** But the standards at play apply to the term 'Certified organic'—is that right? Any punter can put 'Organic' on a label.

**Dr Monk:** In fact, in the export program, absolutely, because the national organic standard for the export program specifies that you can only make an organic claim if it is a certified organic claim. Domestically, in more recent times we have had the industry go through a process of establishing a Standards Australia standard, which is effectively a mirror standard of the export standard. The industry does not want that parallel universe to exist for too much longer. We are in the process of, hopefully, getting back to one common base standard, simply because it is a resourcing issue.

**CHAIR:** Is this what the review is doing?

**Dr Monk:** No. Well, that is a minor component of it. The review is really about the export program. You could ask the department their own views on that this afternoon. The OISC Council is currently deliberating on which standard it will pick up. That is not necessarily relevant to the broader question, though. The Standards Australia standard is the only issue. Does it mandate a certified requirement? Like with the manufacture of a fire alarm, or whatever it might be, you can comply with the standard and make a claim that you are complying with the standard without necessarily being certified, if that makes sense.

**Senator BERNARDI:** Can I put a scenario to you. I am a retail greengrocer and I buy a bunch of bananas. I do not know if they are organic or not. Can I just put an organic label on them?

**Dr Monk:** Under the letter of the law, you could attempt to. If I were your lawyer, advising you, I would be saying, 'Be very careful to make sure it is at the very minimum compliant.' How are you going to know?

**Senator BERNARDI:** I ask the wholesaler and he says yes.

**Dr Monk:** I would get more worried.

**Senator BERNARDI:** What has been suggested to me is that it is almost a free-for-all in the domestic market.

**Dr Monk:** I would not put it that way. There is concern, so I do not want to portray it as being all sweet and peachy and 100 per cent compliant. We do it better than some jurisdictions, dare I say it, in other parts of the world, even ones that have legislation, because they enact legislation and they do not resource the monitoring of it.

If you look at the major supermarkets—I will come back to the greengrocers in a minute, because there is a challenge there—they are all behind the industry's national program. They know that they are big targets, so they have self-imposed requirements for their vendors to be certified to a recognised standard. We assist them in gatekeeping, if you like, and crosschecking. So, whether it is an imported product or a domestically produced one, it has to be certified to that national standard. That is close to as good as you can get. To their credit, the major supermarkets have recalled product or prevented a vendor supplying a product because it did not adhere to that standard.

When you get down to the smaller end, though—the independent grocer, as you mentioned—there is definitely a chance for fraudulent activity. We remain quite concerned in that space, and even about some farmers markets as well. There are some farmers markets that claim, 'This is organic and local.' If it is not certified, our constant message to the consuming populace is: be very wary and probably do not touch it. If that greengrocer is not buying off a certified wholesaler, they are very much risking that the product will not be organic.

To our knowledge, all the significant wholesalers around the country who handle any organic products have the sense to have the certification. But it can certainly break down at the other store level. We provide a whole chain of custody, right from the farm all the way through to even smaller retailers. Only a few smaller retailers have that certification program at store level. I guess it keeps coming back to education.

You mentioned the Jewish community, where we have a bit more of a challenge. There is a broad church, if you want to call it that, in our industry, in that you have some healthy lifestyle fanatics right through to anything else. Frankly, you can guess.

**Senator BERNARDI:** That prompts my next question. Are there people who are forced to consume organic food because of allergies or direct health issues rather than simply doing it by choice?

**Dr Monk:** I will try and answer that clinically rather than as an advocate for the industry and the food products. I do not know about the notion of force, but certainly some doctors give advice to cancer patients, for instance, and others who have some sorts of allergies to avoid non-organic products. Organic foods may be one way that they are assisting their health.

You can probably hear our wariness as an industry body about answering some questions, or even in the way we commissioned the *Organic market report* that I have tabled for you to have a look at. In fact, I noticed that both DFAT and the Department of Agriculture have extensively referenced that document. We try to be fairly scientific in our approach to things. So I would be careful in answering that, other than to say it is certainly a choice for some and advice is given to some consumers to consume it for those reasons.

**Senator BERNARDI:** I will put it another way. If someone bites into an organic peach and it turns out it is not organic, it is not going to cause a catastrophic collapse in their system.

**Dr Monk:** I see what you are saying.

**Senator BERNARDI:** No medical attachments to these things, or are there?

**Dr Monk:** It is tricky to know, isn't it? Fresh grapes might be a good example. If someone has a sulphur allergy—although I think there is some labelling requirement. 'Organic' prohibits the use of sulphur—

**Senator BERNARDI:** I thought they only put the sulphur in when they turned it into wine.

**Dr Monk:** Exactly. We have the French to thank for that aberration on the organic standards. There are some of those aspects, you could say. But certainly FSANZ has regularly come back to us when we have requested consideration for legislation, some tightening or even the listing of the organic standard in their areas. They tend to suggest that, 'It is not necessarily a food safety issue; it's an attributional claim and a quality claim.'

**CHAIR:** Going back to what we heard early in the morning from the Australian Food and Grocery Council, they were dividing it into two groups, effectively saying there are the labelling claims that are for certification for health purposes. I am using an example. You cannot put on certification that there are no nut products in whatever product it is—things of that nature—and about meat and about health safety. There are separate certification processes around choice. I may choose to want to consume halal, kosher or organic. I guess the question Senator Bernardi is asking is: while there may be some other reasons why people would choose to consume organic for health purposes—they may be advised by a doctor, a naturopath or whomever to do that—your understanding is that the bulk of it is a choice. People have a right to choose to prefer products that are organic for whatever reason, including chemicals and other things that they do not want to consume.

**Dr Monk:** Yes, I would put it that way. I do not know about a health claim and, not to be completely tongue in cheek here, but it is at the competition level. I am not so sure about the health sometimes of some people who have done the right thing and their anger is vented against their competitors who choose to skirt the rules, make a claim and produce it for a significantly lesser cost. There are competition and cost issues—hence, our writing to the ACCC every now and again to request some scrutiny on specific areas.

**CHAIR:** I might get to that. I want to go through a couple of things very quickly just to check. At the moment, there is a standard for export and six companies have applied to be able to be part of that process and six companies can use the words 'certified organic' for export. Is that correct?

**Dr Monk:** Those companies are accredited. The Department of Agriculture will clarify that this afternoon. I was reading their submission earlier. The department accredits those agencies to then, in turn, be agents effectively for the department to audit and certify the operations who can then make the certified organic claim.

**CHAIR:** The bit that I am interested in is that this is something that the department itself is very involved in.

**Dr Monk:** You say the word 'involved'. We would welcome more involvement.

**CHAIR:** But they are involved in the sense that your ability to certify comes from the department permitting you to do something.

**Dr Monk:** I see what you are saying. Yes, to a point. There is a point we make in our submission where our subsidiary, Australian Certified Organic, is accredited, would you believe, to about seven other agencies or governments. The reason is that the export program is not as ideal as it could be. For instance, we are directly accredited to the USDA, the US Department of Agriculture; the Korean MAF; and others. There is that aspect.

**CHAIR:** Let me try to get through this very quickly. What you are effectively saying is that, by being accredited by the Australian government through the department, the agreement does not state consistently and internationally that, by being accredited to the Australian government, the Australian government standard is not necessarily accredited to the US counterpart. You have to do that yourself.

**Dr Monk:** In some manner. The EU has a direct equivalent, but other countries do not.

**CHAIR:** One of the people earlier, I think from the Export Council, effectively said, 'Ideally, you would want to be able to do this at a multilateral level, but if you cannot we should be looking at bilateral opportunities to be able to simplify some of this.' Is that your view?

**Dr Monk:** Correct. That would be our view.

**CHAIR:** I am going to go through this very quickly. So the standard for what is certified organic is set by the department and six companies—

**Dr Monk:** These days—the department might correct me later—they harbour it, but they would probably defer to the fact that the industry drives and sets that standard.

**CHAIR:** Okay. I am just fascinated by them, because I think what makes organic seem to stand out—again, we are only at the start of this inquiry process—is that there is a role there for the department to actually set—

**Senator BERNARDI:** The minimum standards, if you will.

**CHAIR:** Yes, the minimum standards for what is certified organic. Let us say I have got a property somewhere in New South Wales and I decide that I want to get involved in organic produce as a business. For the purpose of export, marketing or whatever reason, I want to have the certified organic label. I could then contact one of the six companies that are part of your group—the largest, obviously, being ACO, which does about half of it, but there seem to be five others that share the other half of the market, right?

**Dr Monk:** Correct.

**CHAIR:** So I contact you, or whoever, and they come to my farm. What happens from there?

**Dr Monk:** They will take soil or product tests and sometimes they will assess the production plan that the farmer or the processor has, which has to be written in accord with the requirements of the national standard. They might take an audit of a sample of a reconciliation order, or a product even, moving et cetera. Those are usually the original ones. Then there are minimum annual audits and sometimes unannounced audits, particularly where there are market tip-offs where someone is saying, 'Something does not look right here.'

**CHAIR:** To do that I would obviously pay a fee, which is reasonable, but all of that is done in a non-profit way?

**Dr Monk:** It is by our group and it is by at least one of the other groups. There are a couple of private agencies and in fact that number might be about to go back up to seven again. It has tended to be about six or seven for many years. There is one that comes and goes every now and again—Safe Food Queensland, I think, is reconsidering entering the fray again. So it is a mixture.

**CHAIR:** So they are not all non-profit?

**Dr Monk:** They are not all not-for-profit.

**Senator BERNARDI:** Individuals are free to choose who certifies them; is that right?

**Dr Monk:** Correct.

**Senator BERNARDI:** So it is: 'I want to adhere to the certified organic standards. I want ABC because they are cheaper'?

**Dr Monk:** Yes—cheaper or, generally, better service.

**Senator BERNARDI:** But it is 'choose your organisation'?

**Dr Monk:** Yes. We are not the absolute most expensive, but we are by far not the cheapest, interestingly. I think unique in the nature of the organic sector—in the business end of the organic sector—is recognition of the integrity management that is required. I would like to believe that a lot of people will end up coming to our organisation because they know we follow up a lot more than just simply doing a random audit and those sorts of things. So it is interesting how that plays out.

**CHAIR:** Are you governed by the ACNC rules?

**Dr Monk:** No, I do not think so. In what regard?

**CHAIR:** The not-for-profit kind of thing?

**Dr Monk:** Sorry, in that regard, yes. We are not a formal charity, but we would be otherwise, I assume, in terms of not-for-profit.

**Senator BERNARDI:** What difference does it make to the consumer if you have got a greater surveillance or mechanism or anything else, when, if you have a random-audit competitor, in the end the product is certified?

**Dr Monk:** Do you mean, 'What is the risk?' The word 'trust', I think, would be the key there. We take that role very seriously. It might sound weird, but our business model is not predicated on growth for growth's sake. It is predicated on efficiencies and those sorts of things in any commercial setting, but we will actively de-certify operators sometimes if they are not compliant or even if, frankly, they are not cooperating with provision of information to confirm compliance.

**Senator BERNARDI:** Which I appreciate, Dr Monk, but maybe some of your competitors are not as rigorous in that space and yet they are still part of those six that are approved. Hence they can compete on a lower price, because they will approach things differently. The consumer, though, ends up with a product that supposedly complies with organic standards.

**Dr Monk:** Yes, that is the theory. Free range might be a good example to compare there, where they have got more challenges that way. Where we probably benefit as an industry, in terms of integrity and trust—again, with nothing being perfect; I am not trying to present a completely glossy picture—is that we have a national standard, that we have a cohesive peak-functioning group that keeps those agencies together. I haven't gone into this, but the Department of Agriculture—the whole accreditation program of the certifier is done pretty much in accord with the ISO 17065 provisions, which are the provisions that are laid out for a certification agency to function in the first instance. It requires them to be financially viable, technically competent and independent in their decision making. They cannot even force membership of a particular association, religious or otherwise.

All those six have to comply with those requirements of the 17065 accreditation provisions. In that mix we are relatively comfortable. We work through the peak council wherever we do have concerns—luckily it is not very often, but there might be an operator who has not been able to comply with our provisions and pops up somewhere else or, worsen than that, pops up and tries to claim organic status without being certified.

In some instances, as I said before, the ACCC has acted well. We have even been out with them on audits to farms either to show them how our system works or to assist them in assessing compliance. We cannot state enough that we would very much welcome more resourcing of the commission to be able to follow up on a few of those other examples and possibly some additional resourcing within the Department of Agriculture to finalise that review for the export program that will take out a lot further costs in the supply chains across those commodities from meat and dairy and beyond.

**Senator BERNARDI:** In respect of organic certification of animal products—beef, lamb or whatever—does it extend to the end of the lifecycle, if you will, to the husbandry of the slaughter of the animal?

**Dr Monk:** Yes.

**Senator BERNARDI:** Is your certification then compatible with religious rituals? We heard about kosher but what about the halal slaughter of animals?

**Dr Monk:** I have to answer this carefully only because it has been a little while since I have been so deeply involved at that technical level. There are certain things that are prohibited in the organic standards, and animal welfare is high in those provisions. Some practices may well be allowed but others would be prohibited.

**Senator BERNARDI:** You may want to take that on notice, Dr Monk, because I do not want you to say something that is incorrect.

**Dr Monk:** Yes.

**Senator BERNARDI:** I would appreciate knowing at some point whether the religious slaughters, if you will, are compliant with your organic standards.

**Dr Monk:** I would be happy to get back to you on that one.

**Senator BERNARDI:** Thank you. How many international export certification bodies are there?

**Dr Monk:** Sorry, do you mean for Australia?

**Senator BERNARDI:** No. You have the six in Australia that are there—

**Dr Monk:** How many else in the world?

**Senator BERNARDI:** There are also internationals that I understand have a global reach.

**Dr Monk:** Yes.

**Senator BERNARDI:** If you want to sell into certain markets, you have to comply with one, two or three of the other ones; is that correct?

**Dr Monk:** Yes, there is a bit of that. We have more recently written to Steve Ciobo's office about that and are liaising with his office and DFAT about how we can work to simplify that. There are probably three different tiers to this issue. We have got beautiful direct recognition into the EU, so there is no additional certification. We then have the situation with the USDA where we have to seek direct accreditation. As much as the Department of Agriculture has attempted to get accreditation directly with them, 15 years on we still have not achieved that, so there is that level.

**Senator BERNARDI:** Let me explore that further. Then you have to go through a further compliance process to get into the US markets?

**Dr Monk:** Correct.

**Senator BERNARDI:** Which adds an additional cost?

**Dr Monk:** Yes.

**Senator BERNARDI:** A significant cost?

**Dr Monk:** It is significant for what is a small industry still. Our estimate is it is somewhere between \$100,000 and \$200,000 for that sector alone just to get that additional market. That is not the cost of then complying with those additional requirements; that is just simply accreditation and related auditing functions. It is hugely frustrating for us when our view is that Australia has one of the highest organic standards of the world. The Americans have a pretty rigorous standard but it is different in some cases. In some cases they allow some things that we do not, and vice versa. It is a bit messy and people have to get those two certificates not only at the farm level but all the way through the supply chain.

**Senator BERNARDI:** But your organisation is not in a position to provide that certificate?

**Dr Monk:** No, sorry, we are actually.

**Senator BERNARDI:** You are because you comply?

**Dr Monk:** We are because the government had not managed to do that, so we stepped in in about 2001 I think it was when the US brought their own rules in. We saw the writing on the wall that it was not going to happen in a hurry at the government level so we applied directly to the USDA.

Coming back to that original question of yours, in terms of numbers of certifiers, there are a few hundred in the world—I think it is probably around the 400 mark now—that are private or public agencies that do that sort of work. In the US there are around 70-odd of them domestically. We have six here; they have about 70 domestically. Then they have about another 30-odd, I think, that are foreign, so we would be one of those. So there are about 100 agencies in the US alone.

**Senator BERNARDI:** But that is your value-add, then—why you can charge a little bit more than some of your competitors.

**Dr Monk:** Yes. It might sound peculiar, but it does not from a not-for-profit and industry body association mindset. But we put it to the department regularly: could they please get that direct recognition, because that will mean that our group alone can just pull out \$100,000 of costs along the supply chain that we are simply passing on when we would far prefer to not even have that occur.

**Senator BERNARDI:** What about the rest of the world?

**Dr Monk:** The rest of the world is still fairly mixed. We have had to seek direct recognition with Korea, as another example. However, the good news there might be that hopefully within the year the Department of

Agriculture might achieve a direct recognition with them, and that would then mean that the certification to the national standard here would be good enough currency to export it all the way into Korea.

**Senator BERNARDI:** So there is a real role for government in this: to assist in the development of global exports in organic.

**Dr Monk:** We feel there is, yes. A few times the department has literally quite actively tried to pull out, and I can understand that. We are a very motley crew in the organic sector. It is very diverse and it has been a bit of a headache, frankly, for them, from time to time, and it is such a small program. But the industry via the peak council, the OISCC, has quite actively and regularly asked not only that the program remain but that it be updated. It is a little bit out of date legally, which is a bit clunky and is adding extra cost in the supply chain at the moment. But the council has certainly asked that it remain around as well. As I said at the start, we see it as a paragon of good coregulatory approach where there is not too much overbearing legislation that is so fiddly and red tape-ish that it is adding costs that are not needed, notwithstanding that that review needs to be finalised so that some of the legalities can change and there is some red tape removed that should not be there now. But, in general, the concept of government involvement for some countries is going to be vital for us into the future. We are liaising with China at the moment, and that is a classic example.

**Senator BERNARDI:** But this is perhaps one of the great assets that Australia has: it has a reputation as a relatively clean food provider in many respects, and I think that is largely well justified. If you can dovetail that into an organic certification, which would appeal, maybe, to a growing number of consumers, it provides a real opportunity for Australia.

**Dr Monk:** We would argue that at both a passionate and a dispassionate level. In terms of just looking at the pure economics of it, it is all about delivering better farm gate returns through to farmers and capitalising on that status we have, for sure.

**Senator BERNARDI:** Just quickly, I know there is no single answer to this, but what does it cost the mythical Dastyari farm to become an organic farmer?

**Dr Monk:** It does vary. We put a cost estimate in there—certainly from our own group—and that then covers the broad spectrum within the industry itself. It can be less than the cost of the registration of your farm ute, basically, as I regularly point out to people—depending on which state you are in, I guess. It is about the \$500 to \$600 mark if you are a really small farmer who might just trade into a local market. We have a program that suits them. Our programs go all the way up to \$5,000, but we actively cap them at that price. People often think we are crazy to cap them at that. I noticed before that our Jewish community were using the example of the Heart Foundation Tick and the like, but their limits are way higher than ours. Our view is that we do not want to be beholden to any single commercial operator that way. One of our main equivalents in the US is quite interesting. They have a cap that finishes at about US\$35,000 or US\$40,000 for any individual single operator. Our view on that is that there is a little bit of hazard involved in that. There would be financial pressure, arguably, brought to bear in making decisions about knocking off any of those types of operations, in our humble opinion. So we quite actively keep that cap low in order to be very clinical about the service we are providing and to build the integrity and trust we are expected to.

**Senator BERNARDI:** I am going to jump on the other side of that argument now. If I am a really large supplier, surely there is a much more expensive audit process that you have to undertake to make sure that my products are all complying than if I am the Dastyari farm.

**Dr Monk:** You are correct. In fact, I should clarify by saying that there are two bits to our charging structure. There is a base auditing function or the certification cost for that annual audit and related testing. Then our group charges what is called an industry development levy. That is capped at I think \$4,000 or \$4,400—

**Senator BERNARDI:** On top of the—

**Dr Monk:** No, sorry, that is part of the \$5,000. You are correct: there are larger operators where there might be multiple audit sites and those sorts of things, and that cost will then go up accordingly. But that is basically directly passed on. We cap what is called our levy charge at that \$4,000 mark. We could make it higher. I guess there are two points. One is that we are in a competitive market anyway, so we keep saying to people, 'Is it unfair that the bigger end of town get it cheaper per unit?' Yes, but they could go elsewhere. It is like the tax review question, basically. You have to get the balance right somewhere. So we do that and then we do other programs and activities that other companies can pitch into, and they can promote their brands in other sorts of ways. But we try to protect the integrity of the certification function by it not being commercially beholden in any manner more than we have to.

**Senator BERNARDI:** Thank you very much.

**CHAIR:** Thank you so much, Mr Monk, for your participation in our inquiry.

**Proceedings suspended from 12:11 to 13:03**

**EVANS, Ms Jo, Deputy Secretary, Department of Agriculture**

**KAMATH, Ms Gita, Assistant Secretary, Agriculture and Food Branch, Office of Trade Negotiations, Department of Foreign Affairs and Trade**

**READ, Mr Greg, First Assistant Secretary, Exports Division, Department of Agriculture**

**CHAIR:** I now reopen this meeting of the Senate Economics Reference Committee. I welcome representatives from the Department of Agriculture and the Department of Foreign Affairs and Trade. I remind witnesses that the Senate has resolved also that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Do you have any comments to make on the capacity in which you appear?

**Ms Evans:** I have responsibility for, among other things, export certification.

**CHAIR:** Ms Evans, do you want to make an opening statement or any opening remarks?

**Ms Evans:** No. We are happy with the submission that we have provided, and so we do not need an opening statement.

**CHAIR:** Ms Kamath?

**Ms Kamath:** No opening statement from DFAT either.

**CHAIR:** We had a bit of evidence given this morning from, including others, kosher and organic certifiers and from the export industry. To save me repeating stuff that I said, did you have a chance to listen in on the radio?

**Mr Read:** I heard elements of it. I did not hear all the evidence.

**CHAIR:** I am sure none of what was said will come as a shocking surprise. I want to understand the different role of the department. Can you give us an overview? Your submission does touch on this but I want to start the conversation in this place: the role of the department in how it treats different levels of different types of certification. One of the exporters made a really good point this morning separating what are the certification processes that people want for commercial reasons—your koshers, your halals, your organic—and regulations around food products for safety and health. Could you separate the commercial reasons from those that have to do with safety and health.

The focus of this inquiry was not really limited to one group. From the submissions, it has not really been on health and safety. We had an interesting conversation earlier with her organic growers and the role the department plays there. I thought that was slightly different from the role the department plays with kosher or halal. Could you talk about that, Mr Read.

**Mr Read:** I think the easiest way to explain something that is very complicated is in a simple framework. Essentially my division operates under and administers the Export Control Act. Within the Export Control Act, we will have a range of prescribed goods and, clearly, one of those prescribed goods areas is meat and meat products. Within our regulatory philosophy, what we are seeking to do is, to the minimalist extent possible, meet importing country requirements. So depending on what the aspect of the commodity is, depending on the markets it is going to, it enables us then to use various ranges of instruments to have the lightest possible touch into those markets. Probably one of the lightest touch regulatory models we have is organic. You would have observed that we actually facilitate industry in as a devolved way as possible the administration of that program. You would have heard that we gain the assurances for the certificates that are issued on our behalf through some verification audits over those certifiers.

**CHAIR:** Are there six certifiers?

**Mr Read:** That is correct. That is a model that is acceptable to the importing authorities in those countries. Therefore, there is no need to have a more intensive regulatory model in application on that front. You will then have, as you heard, evidence around organic certification. In the main, as you can imagine, Australia cannot set the religious requirements in terms of halal certification so we are operating to an expectation of importing countries. Therefore, the model that operates there has a higher level of regulatory intervention—I would express it—than we do on the organic side.

**CHAIR:** Let us use halal as an example. If I am a halal certifier, so one of the organisations that has the ability to certify a halal food as being halal in Australia, what is my interaction then with the department?

**Mr Read:** Let me preface what I am about to say: we are only a department and our role in administering the Export Control Act only has a role in relation to the halal certification of meat. All other foods are commercial, so we are just here focusing on meat.

**CHAIR:** Okay, let's do meat. Good point.

**Mr Read:** In terms of meat, our orders have a number of requirements in relation to Islamic certifiers. Effectively, Islamic certifiers will need to have an approved arrangement, if you like, with the department. That approved arrangement will contain names, relevant qualifications and experiences of the parties that are involved or making the application, when seeking approval from the department to enter into the field of halal certification. In relation to considering that application, we also consider a range of other aspects, including financial standing, 'fit and proper', and essentially their competency to fulfil that role. As you can imagine, the other side of our requirements in terms of halal certifiers is that they have to be recognised by a local mosque. These requirements are the requirements of the overseas countries. They need to be recognised by an importing country authority, so there is no point just wandering into the department if you do not actually have countries that recognise your competency and standing in that particular field. They must have some degree of documentation supporting that. They must provide details to the department of their training and supervision of Muslim slaughtermen and issue Muslim slaughtermen with identity cards once they are assessed as competent. On the part of the Islamic organisations, they must audit and supervise the establishments regularly, notify the department of critical nonconformances found during those audits, maintain relevant records and participate in importing country reviews of those plants. As you could understand, if we have a religious review in Australia by a competent authority from an importing country with a focus on the religious aspects of ritual slaughter, then obviously we want the approved Islamic organisation to be front and centre through that review.

Our regulatory framework also outlines the responsibilities of the Islamic organisations, the responsibilities of the department and the responsibilities of the plant. So, from a regulatory perspective, we have Islamic organisations that have a very clear framework of how they are going to operate on our various export plants in terms of halal supervision. From the plants' side we also have in their approved arrangements how they are going to fulfil their obligations in terms of halal slaughter, segregation of product and a range of other requirements of them. From the department's perspective, we have an oversighting role over both of those participants through our review and audit processes.

**CHAIR:** Could you just explain this to me—I would assume this is the reason, but I want to check. Is the reason the department gets involved in this effectively the danger or risk to the industry as a whole if bad actors or bad players misuse that trust? The role of the department in this is to make sure there is some integrity within the process, I assume, from an industry-whole perspective. Is that why? Someone could argue: why is the department involved at all? Let the private companies and the private governments work it out amongst themselves.

**Mr Read:** It probably emanates back to the royal commission and the Export Control Act 1982, which was a subsequent piece of legislation as a consequence of the royal commission. I think it was about 1980 or 1981. There were a number of recommendations made at that particular time in terms of meat substitution and strengthening of our regulatory positioning in that particular sector. There is believed to be a substantial national interest in the department being involved in its regulatory oversight of halal certification on our export registered plants.

**Ms Evans:** If I could add to that, Senator, I think I would characterise the core reason slightly differently to the way that you did. It really comes back to it being an importing country requirement. They require an Australian government certification of a list of specific things, and one of them is the halal requirement.

**CHAIR:** The Australian Government Authorised Halal Program, AGAHP, is run from within your section of the department, Mr Read; is that correct?

**Mr Read:** That is correct.

**CHAIR:** How big is it? How many people are we talking about?

**Mr Read:** The program itself is not a heavily staffed element within the department. We do not, obviously, have participants in those slaughter activities. The staffing, if you like, in terms of the Muslim slaughtermen, checkers and supervisors that are required on plants to meet importing country requirements, are actually provided by the approved Islamic organisations.

**CHAIR:** How many full-time equivalents are in AGAHP?

**Mr Read:** In terms of the program itself, it would only be for parts of it, with various participants. We would have one vet on plant, for instance, and the vet would be responsible for all our on-plant obligations, under the

approved arrangements of the establishment. As I mentioned, there are also obligations in relation to halal. So, as part of a set of audit checks on a plant, there will be a little bit that also picks up the obligation of the plant—

**CHAIR:** So you are saying there is not a unit dedicated to this?

**Mr Read:** I am saying it is well and truly integrated into the meat program within the department. But, at a guess, I would suspect that, if you took all the elements of it, you would be lucky if there were 10 people involved in it.

**Senator BERNARDI:** Mr Read, how many halal certified abattoirs are there in the country?

**Mr Read:** We would have around 70.

**Senator BERNARDI:** Seventy. And they all have to be approved by the department?

**Mr Read:** Yes.

**Ms Evans:** Just to clarify, Mr Read is just referring to export.

**Senator BERNARDI:** Export?

**Ms Evans:** Yes.

**Mr Read:** As I said in opening, this is only for export.

**Senator BERNARDI:** So, for export, there are about 70. This is not related to export, I guess. I am interested in the domestic market, actually. So you are not in a position to answer anything about the domestic market?

**Mr Read:** No.

**Senator BERNARDI:** Okay. What is the process, then, for approval of an abattoir, and what are the requirements for an abattoir to be halal certified?

**Mr Read:** The requirements for the abattoir to be halal certified are compliance with the current orders that apply in that regard. They need to develop an approved program that meets the requirements of the Islamic organisations in terms of products—certainly, product supervision and product separation, labelling and a range of other obligations. Once the establishment have fully documented each of those requirements in terms of systems, then we will have one of our senior auditors, veterinary officers, go into that plant and review those arrangements, and, if there is clear evidence that they fully meet the requirements as expressed, the approved arrangement of that plant will be subsequently amended and approved to allow it to do halal slaughter.

**Senator BERNARDI:** Does halal slaughter involve stunning the creatures before they are slaughtered?

**Mr Read:** In the main, all the animals that are subject to halal slaughter are stunned prior to slaughter.

**Senator BERNARDI:** Does that include chickens? I do not know how they kill chickens, actually. How do they do that?

**Mr Read:** I am only talking about our export registered meat plants. We do not run a halal program in relation to poultry.

**Senator BERNARDI:** Lamb?

**Mr Read:** Yes.

**Senator BERNARDI:** And that is stunned beforehand?

**Mr Read:** Yes.

**Senator BERNARDI:** Okay. That is one of the great myths about this whole program—that they are not stunned. That is one of the legends, I guess, that are out there. When the livestock is stunned, is there a religious ritual that takes place as well?

**Mr Read:** I can probably only give you a high-level overview of what is required. Again, in the main, sheep are all electrically stunned, and they are restrained appropriately while that is done. Let me just say at the start: all the animals must meet the Australian standard. The Australian standard is very specific on animal welfare and the handling of each animal, notwithstanding what particular ritual the animal is being subjected to.

Once the animal has been stunned, it will then be killed, with its throat severed, by a trained religious slaughterman. There will be a process in terms of the direction that the animal faces and the uttering of a prayer at that time. The animal then, in terms of its processing from that time point forward, will be subject to a range of checks from other participating Muslims on that plant that are part of the approved Islamic organisation. Those checks will be in relation to the segregation of that product. Where animals do not meet the requirements of halal, they need to be separated from the halal product. It is probably a less complex process in relation to sheep.

Cattle, where animals are stunned, are percussion stunned, which is a percussion stun on the head by a pneumatic instrument. There are head checkers that look at those particular impacts to ensure that the animal does not have a damaged skull as a consequence of that, but clearly they need to be stunned prior to the actual ritual slaughter. If animals are found again not to meet those requirements, then those animals will be deemed haram and they will be segregated from the halal-eligible animals. At the conclusion of that process there is a certificate issued, in terms of halal. That certificate will be signed jointly but firstly by the Islamic organisation that is responsible for the program that is on that plant and, secondly, by the department.

**Senator BERNARDI:** Is it the entire beast that receives the certificate, or is it just sections of it?

**Mr Read:** Again, what I need to say, having listened to some of the evidence this morning, is—and there are always exceptions, but I will make this as a general comment—no animal goes to a single market. You will have one sheep carcass typically going to 15 to 17 different markets. You will have the same thing happen in terms of beef carcasses.

We have a really superb industry that is able to disassemble animals into products that are in demand all around the world. What they then superbly do is identify where those price premium points are around the world, and that is where those carcasses go. To have an industry that can operate internationally like that you need to have access to the maximum number of markets possible. So, with this system that we have designed, not only for our halal program but for our on-plant requirements, in terms of market access around the world, we give plants and the traders that international access so that they can ensure the greatest level of returns back to the farm gate.

**Senator BERNARDI:** In respect to an abattoir that is halal certified, do they run concurrent processes—non-halal processing as well—or is it generally all halal and then it is made available to all international markets?

**Mr Read:** As I indicated, I think all but about half a dozen plants in this country that are under export supervision are halal plants. As I indicated again, to optimise the return on a carcass, you need to be able to go to all markets in the world, which means that you need this program to operate all the time.

**Senator BERNARDI:** Is it fair to say then that all export beef and lamb is halal certified?

**Mr Read:** Except for about half a dozen plants.

**Ms Evans:** If I can just make a slight correction there: I would not say that it is that much that is halal certified, but it is compliant with halal certification. Certification is issued based on where it is going and whether it is a requirement of the importing country. We would not issue the certification if it is going somewhere else.

**Senator BERNARDI:** But it is subject to the same process, and, at the end of it, if it is going to Bahrain, it gets a stamp, and if it is going off to China it may not get a stamp.

**Ms Evans:** Correct.

**Senator BERNARDI:** Which is fine. Are there different requirements according to the market, apart from the certifier itself? It was suggested to me that the direction a beast is facing when it is killed is important for some markets and not for others. Is that true?

**Mr Read:** Again, I cannot talk about the specifics of the example you gave, but I can say that there are different requirements between markets. Some markets require a certain number of supervisors on plants. Others do not require that many. Others will have certain requirements in terms of segregation. Others will be particularly sensitive about porcine being in the proximity of a particular plant. There are different degrees of interpretation by these countries in relation to what meets their particular halal slaughter requirements. But, in the main, most of the markets are uniform. It is not all of them. There are five that are separated from that, which require individual listing of plants for those markets.

**Senator BERNARDI:** What are those five? Are you able to tell us?

**Mr Read:** Indonesia, Malaysia, Saudi Arabia, UAE, and I think Singapore as well, would be the markets identified with individual listing requirements. All of our other markets do not require individual listing. Certification to those markets can be provided by any one of our certifiers.

**Senator BERNARDI:** Those four are probably the largest markets we have, aren't they—Indonesia, Malaysia, Saudi Arabia and UAE?

**Mr Read:** They are all very important markets.

**Senator BERNARDI:** Yes, absolutely significant to us. And their specialist requirements are that you have to deal with one of their approved certifiers. Is that correct?

**Mr Read:** That is also a requirement that comes out of this. Not only do they have a protocol for their requirements in relation to the process itself but also they will have listed those certifiers that are eligible to certify product to those markets.

**Senator BERNARDI:** It has been discussed that this process of exclusivity, if you will, while a commercial decision for the processor, acts as a non-tariff barrier, which others would like to see removed, or the game equalised. What is your response to those claims?

**Mr Read:** My response is that if any market requires any particular level of intervention that is not for a food safety reason then that is probably a technical barrier. There is any number of those that exist. It probably gets a little bit more restrictive when there is a higher level of specificity around certifiers. But, having said that, this is a consumer concern of great importance in those countries. They believe that to ensure that their population will not be subject to inappropriately certified product these are the appropriate measures.

**Senator BERNARDI:** Ultimately it is a commercial decision. If you want access to that market then that is what you need to do. Is the department working to see whether there is an opportunity to reduce those barriers?

**Mr Read:** That is an interesting question, and yes, it is. We participate with industry in a strong partnership. Our meat processing industry is working with a range of markets to seek to harmonise as many of these halal requirements as possible. As I mentioned, you always operate your systems almost at the lowest common denominator so you maintain the international relevancy of all products. That is part of that journey. Internationally Australia is heavily involved, and I am the chair of one of the international Codex committees. As part of their strategic agenda we are also looking at halal certification from an international standards perspective. That is the second avenue of trying to bring a collective consistency to this area. But, as you can imagine, of all the areas I interact on internationally in terms of technical market access, this one is probably one of the more sensitive ones and one of the most difficult ones.

**Senator BERNARDI:** Why is it sensitive?

**Mr Read:** It is sensitive because of Australia's standing. Effectively we are a non-Muslim country providing certified product into Muslim countries where, as I mentioned earlier, their sensitivity to the integrity of the product is extremely high. So it is a sensitive discussion to suggest that they might have a higher standard than is required to meet the objective for their particular country.

**Senator BERNARDI:** I understand that, and it is a very important export market for us. Because of the different requirements and standards, though, and because each beast may go to 15 or 20 different markets in its various guises, is there a duplication of the certification bodies? Do you find there are multiple certification bodies on the abattoir floor, if you will?

**Mr Read:** There would be a little bit of that, but between the certifying bodies there are equally some mutual recognition arrangements that exist that enable one certifier to operate on behalf of another certifier so that they can jointly cover markets off. I know that between the certifiers and within the industry they clearly seek to minimise that impact. You certainly do not want 50 people in your plant associated with halal certification, and so that typically does not happen.

**Senator BERNARDI:** You may know the answer to this, but it may come down to a Shia or a Sunni Muslim country and what branch of Islam the Muslim slaughterman subscribes to. Is that true? Is it that specific?

**Mr Read:** I chair our certifiers body, our approved Islamic organisation body, where we meet with them regularly to talk about halal requirements from a government and industry and market perspective, and that sort of discussion is one of the areas I dare not venture too much into.

**Senator BERNARDI:** I should ask a certifier, should I?

**Mr Read:** There is enough discussion amongst themselves in relation to those aspects that the last thing they need is me to help them out.

**CHAIR:** Specifically on that, I want to clarify what you just said because I did not quite follow it. Can you explain that point you just made about the halal certifiers again?

**Mr Read:** The point I was making in that last point is that, in terms of the sect that they may well belong to and in terms of the history that sits behinds every one of those countries and the particular determinations that have been built up over many years about what is appropriate halal ritual slaughter, that is then brought into an agreed framework for Australia to start applying, and individuals recognising various certifiers that will have particular sects' representation is an area that I understand is there, but it is also an area that I do not need a lot of clarity on. It is for the certifiers and the importing countries to reach agreement about those particular aspects in terms of the religious standing of the individuals that perform that particular task for those markets.

**Senator BERNARDI:** In respect of the 70 export abattoirs, how much of their product flows into the domestic market?

**Mr Read:** It is difficult to say, but there could be 20 to 30 per cent.

**Senator BERNARDI:** What is the department's involvement with the compliance and the audits of the certifying bodies?

**Mr Read:** As I mentioned before, the department conducts a fit and proper check of everyone that we register, not just participants as we are talking about now—our approved Islamic organisations. It is an area that we are still improving and working on. At the moment, there will be a range of compliance checks to ensure that participants that have come forward do not have a history of noncompliance in association with programs with the department. Equally, we are looking at broadening that out and at the involvement of other agencies in ensuring that we have a high standing in relation to all of our individuals that are involved in the export of Australian product.

**Senator BERNARDI:** How often are suppliers required to provide information or audit accounts to the department?

**Mr Read:** There are two aspects. As I just talked about then, that is in terms of the registration, and this is an annual process. So these checks are an annual process. In relation to any other compliance investigation, that may occur as a consequence of an audit, on-plant information or whistleblower type referencing of concerns. With those instances, then, of course, we will have appropriate investigation conducted by our compliance and investigation team within the department.

**Senator BERNARDI:** One submission that we received suggests that there is a quarterly reporting and auditing requirement to the department. Is that accurate?

**Mr Read:** We have just talked about this compliance approach. In terms of our audit oversight, what we have had up until this year is a very light review of all of our plants, which occurred every two months. We have redesigned that system into an in-depth system based audit that looks at every aspect of the approved arrangement of a plant in depth. Included within that will be the halal program.

**Senator BERNARDI:** When you say the halal program, do you mean the certifying?

**Mr Read:** No. As I mentioned earlier, it is not only the certifier that will have an approved arrangement; equally, for the plant, there will be an approved arrangement against what their obligations are on this. We have conducted those in-depth on-plant audits every six months. And, as you suggested a moment ago, there is also the regular audit of our Islamic organisations. I think that might be quarterly, but I just do not—

**Senator BERNARDI:** The submission is from a halal consultant here in Australia. He said certifiers are required to report to the department every quarter and some are failing to accurately fulfil the reporting and auditing requirements. I want to know whether you are aware of those instances. Is that accurate?

**Mr Read:** They conduct their own audit oversight as part of their approved program and their oversight responsibilities, so those are the reports that will be forwarded to the department. The department is also auditing its approved Islamic organisations to ensure their compliance with those requirements. The third element to this is a new aspect that we are about to implement, which is a detailed national review of the halal programs that are applying on every plant to ensure as much consistency between every plant and the particular markets as possible. For example, for Malaysia we probably have 35 plants listed. To date we have had the certifiers provide us with assurances that those plants are applying a consistent framework in response to the requirements of Malaysia, just to give us higher levels of confidence that that is accurate nationally. Then the department will effectively do a higher-level of review over the top of all of those to ensure that we do not have some plants that are differing and thereby exposed to the international market, should there be a further review.

**Senator BERNARDI:** Do you know how much the certification fees are annually for our export products?

**Mr Read:** I do not. You will have already heard from industry what they think that number is, but—

**Senator BERNARDI:** It is very hard to establish.

**Mr Read:** We do not collect that information and we do not have a need to collect that information. It is suggested, by industry, to be somewhere between \$20 million and \$30 million. But, again, I have nothing to substantiate that number one way or another.

**CHAIR:** According to the latest list you have got on your website that I saw earlier, there are 22 different certified organisations. Is that the right number—around 22?

**Mr Read:** Yes.

**CHAIR:** It might change. You do not have any more information about the size of each of those organisations—who are the big ones, who are the small ones—apart from anecdotal evidence?

**Mr Read:** We know the staffing profiles of them, we know which plants they are entitled to service and all those aspects of them. But if the question was as to the commercial relationship between the certifier and the business around the cost of the certification service, we do not have that information.

**CHAIR:** You also do not have information on the size of the individual 22 different—

**Mr Read:** In their approved arrangements, as I mentioned earlier, they will have to tell us the number of slaughtermen who got approved and their training programs, so we will actually understand in an infrastructure sense what is the approved Islamic organisation infrastructure to provide the certification service to that plant. If they have got a staffing profile of 100 staff, then we would have seen that as part of approving that organisation.

**Senator BERNARDI:** We heard previously from the kosher people and they said they do not have specific abattoirs. Do you have any involvement when they go through their ritual slaughter process?

**Mr Read:** We have two plants that are involved in kosher slaughter. Again, their approved arrangements on-plant will need to provide approval for that and around that is the handling of the animals in terms of the slaughter process itself and, again, the segregation process for the domestic slaughter of kosher products. Then there will be a range of locally provided certifiers to perform the various ritual functions and activities. As was mentioned in evidence earlier, I think they mentioned three plants in Victoria.

**Senator BERNARDI:** I know there are two or one in Sydney, but there are eight—only the rabbis can do the slaughter and they stun the animal after—

**Mr Read:** We certainly have supervision of a couple of those plants. We do also send kosher product to Israel. When that occurs a team of rabbis come out from Israel for six to eight weeks and they are, predominantly, on full days slaughter of lines of animals for Israel. Then they will go back to Israel. There are a range of processes for preparation for Israel that that product needs to then go through and it is then eligible for Israel. As you can imagine, we as a department make no representation in relation to kosher kill. The certification would be provided by those bodies who actually come out from the country to perform the ritual itself.

**CHAIR:** There are 22 organisations that currently perform halal. I know there is only one in New South Wales that performs kosher, according to its submission. We may have been told how many perform kosher in Victoria—it may be more than that. If I want to be one of these organisations who does this, does that mean I really need two things—firstly, I have to meet your standards and be approved by the department and, secondly, separate to that, I have to meet an international standard by someone else from the importing country, who has to tick off on me as well. I have to meet both. Is that right?

**Mr Read:** Predominantly, for the halal certifiers, yes.

**CHAIR:** The evidence we had this morning was that kosher is not an export market.

**Mr Read:** Correct.

**CHAIR:** There is a small amount of exporting, but the halal thing is a big export. We have the figures here in your submission.

**Senator BERNARDI:** Kosher was 15 per cent, I think they said.

**CHAIR:** Yes, but that was 15 per cent of a much smaller kind of pool.

**Senator BERNARDI:** Yes, that is correct.

**CHAIR:** Let's use the meat example. Suppose I am one of these 22 organisations and I want to export. From the list that you have given, there are two predominant Islamic markets: the South-East Asian market and a Middle Eastern market. It is more complicated than that, but we are trying to simplify things. I then need to go and get those two markets to accept me and my qualifications, and separately to that I have to go and get you to approve me. Correct?

**Mr Read:** Correct, in a simple sense.

**CHAIR:** Do I get you to approve me first and then take your approval to them and say, 'Look, they've approved it; can you,' or is it completely separate? Talk me through this.

**Mr Read:** In the evidence earlier, I stepped through what was required before we could actually approve those programs. They need to be recognised by those countries.

**CHAIR:** So that is what you mean by 'recognised': you mean that they are prepared to take them. What I do not understand is that 22 seems like a lot of different organisations doing this. According to the evidence and the research papers prepared for us by the Parliamentary Library, somewhere like Indonesia has only a handful of

people who do this, yet we have 22. Do you want to just explain that? I would assume that in Indonesia, which is obviously an Islamic country, there would be a lot more competition. It strikes me as a lot. Twenty-two seems like a big number.

**Mr Read:** It really does not. From an industry perspective, the more competitive the certification area is, the better. If there are a number of certifiers eligible for a market, there is a little bit of competition happening in the marketplace.

**CHAIR:** Fair enough.

**Mr Read:** If we only have one there and we have a monopoly provider to a market then you are a little bit subject to the demands of the one certifier. If you have two or three of them, it works in your favour. I would imagine the industry is much more proficient at explaining that than me. We are not in the business of putting any sort of quota on numbers. Quite honestly, as long as they have the arrangements in place and they are meeting the requirements as we have expressed them, whether it is 22 or 30 or 15, it is what it is, as long as they are proficient.

**CHAIR:** There are all these concerns—some of which I feel are illegitimate and some of which may be legitimate—that people have over these organisations. You have read about them. You have heard them. We get thousands of emails about all of this. Some of them are at times perhaps on the hysterical side. In other cases people are right to have concerns. People are entitled to have opinions and concerns, and part of what they should be doing is raising them with politicians, as they have.

When we talk about your oversight of these organisations, your oversight extends as far as the halal practices and standards that are set; you do not really look at the organisations beyond that component of the business. Do you want to just explain that?

**Mr Read:** I think you have expressed that reasonably proficiently. We are essentially interested in the organisation in the role it is fulfilling in providing halal certification. If it is also involved in other activities like education and a range of other community-good activities, as I would express it—because they have to be recognised by a local mosque, so there are obligations they will have with that standing—we do not go in and investigate them on that front. We are focused clearly on the area that relates to our regulatory powers. But, as we said, in terms of 'fit and proper', we are working with our cohort of agencies to ensure that, if there is any information of concern to us, it comes to the fore.

**CHAIR:** So you do have a 'fit and proper' test.

**Mr Read:** Yes.

**CHAIR:** So for these 22 organisations, if there were to be concerns about other practices or businesses, you could actually take away their—

**Mr Read:** Correct.

**CHAIR:** I think that is quite significant. I just want to check something. Obviously the legislation covers export. Is there no specific regulatory standard for domestic operation?

**Mr Read:** No, except what you have heard this morning. Under the Trade Practices Act and a range of other national competition policy requirements and probably even the Food Standards Code, there are truth-in-labelling obligations. Certainly, in terms of claims that are made, they will need to have a capacity to support those claims.

**CHAIR:** This is probably stepping slightly outside your space, because you do focus primarily on the export space, but has that been a concern that has been raised with you by some of these 22 organisations, or is it that there are enough of them that there is no real need for that concern?

**Mr Read:** No, it is not a concern that has been raised with me.

**Senator BERNARDI:** What about non-meat products? Is the department involved in certification of non-meat products?

**Mr Read:** Halal product?

**Senator BERNARDI:** It could be halal or organic.

**Mr Read:** Dairy and seafood, horticulture, grain and live animal exports are all prescribed areas that we provide certification for.

**Senator BERNARDI:** And subject to the framework and the same 22 certifiers?

**Mr Read:** No. Again, at the onset, we only regulate halal in relation to meat products.

**Senator BERNARDI:** Sorry, that is what—

**Mr Read:** So that is not in relation to dairy or seafood or—

**Senator BERNARDI:** Who does that to export?

**Mr Read:** That will be just commercial providing arrangements. So the dairy will use various certifiers in this country, if they are exporting product and they need to make particular halal claims, to provide that certification for that product and it will be a commercial certificate.

**Senator BERNARDI:** Can you give me that little history lesson again? You were saying that the reason you are in this space just for meat products was the 1981 royal commission. Is that right?

**Mr Read:** That is correct. That is essentially the focal point. But in terms of the regulatory framework that evolved from that royal commission period it was then overlaid with a focus on meat and all of our activities across meat, particularly in relation to exports.

**Senator BERNARDI:** Let's jump to organic certification for a minute. Is my understand correct that certifiers have to supply a monthly report to the Department of Agriculture?

**Mr Read:** I think that is right. I might take that on notice.

**Senator BERNARDI:** If you take it on notice, that is fine. I am just interested in the compliance with that—whether it be monthly or quarterly et cetera.

**Mr Read:** Again, in a simple sense, for organic certifiers seeking to be organic certifiers for the department there is a range of requirements that they need to go through in terms of meeting the national standard and their obligations with those areas they are providing certification for. They also need to be in compliance with an ISO international organic standard. So we will go through a process with each of those certifiers. That will also include the issue of certificates on our behalf, and I would imagine there would be a regular return of information about how many of those certificates are issued and so forth back to the department. The department also has a verification overlay to that. Regularly—either six monthly or annually—they will go out and audit those certifiers against their approval.

**Ms Evans:** To answer the question that was otherwise on notice, on page 10 of our submission we do clarify that it is a monthly report to the department on the number of export certificates, the type of certificates issued, the description of the goods and the country that they go to.

**Senator BERNARDI:** That is obviously where it came from. Can you tell me how many cases there have been where the monthly report has not been complied with?

**Ms Evans:** We might have to take that one on notice.

**Mr Read:** I do not have that with me.

**Senator BERNARDI:** That is really what I was interested in—the compliance regime and how effective that has been. Also in relation to organic, we heard some evidence earlier that it is a similar thing, in that there are specific requirements for specific countries and non-tariff barriers, as they were described earlier. There was a suggestion that DoA or DFAT were taking a very long time to negotiate a way around these barriers. Do you have any comment on that?

**Mr Read:** The department really got involved in organic certification in the infancy, if you like, of organic certifiers in this country. We did not have an Australian standard. We did not have a national standard. They did not have, if you like, the certifier's wherewithal to access markets—and DFAT can come in on this. This is essentially a TBT issue. There are conformance requirements or mutual recognition arrangements that exist between various participants. In terms of the bodies themselves, they just did not have, as I said, the wherewithal to access that market. So the department supported the development of a national certification framework through a regulatory response and then the development of a national standard. Six or seven certifiers have been there from time to time. That has evolved to a point now where we have an Australian standard and we have a national standard. We have removed the department as much as possible from that process, and now, as you heard this morning, there is an industry group that oversights the national standard. There is also another group that looks after the Australian standard.

The proposition is: what is the next step? Does it require a higher level of government intervention in that space, or does it not? Around the world, certifiers can actually obtain recognition from all of those international markets. You do not have to be government. For example, Korea would prefer there to be commercial certifiers seeking that recognition rather than the Australian government seeking that recognition. So I guess we are heading towards a decision point of: should the government in fact be involved in a certification role in that space?

**Senator BERNARDI:** That is a very good point. There are a number of people who say that government does not have any role at all in this certification space—in an international sphere or even a domestic sphere. You are involved in a domestic sphere with organics and an international sphere with meat. There does not seem to be a consistent approach.

**Mr Read:** Again, from a domestic perspective, a national perspective, before we had an Australian standard there was no national standard, which effectively meant that it was difficult to enforce nationally labelling claims around organics. So you can imagine everything had 'organic' on it. In terms of the framework for export, it was regulated to quite a proficient level. Part of the review currently in train is in relation to the regulatory oversight of organics, and we hope to conclude that review before Christmas. Hopefully, from that review, the sorts of propositions you are talking about now as to our role in that area will be clearer. But the difficulty with the certifiers and the stakeholders involved is that some want you in and some want you out, depending on where they are positioned as providers. So it is a difficult—

**Senator BERNARDI:** It is the same with us politicians. They want us involved and they don't want us involved.

**Ms Evans:** If I can make one clarification to the way that you saw some inconsistency. I would say that the way in which we are consistent is if the importing country requires us to have a particular certification role then that is what we provide. We do not go beyond what is required by the importing country.

**Senator BERNARDI:** I am just trying to think about what the government's role should be in this. If it is to establish a framework, it is okay. If it is for halal export certification then, in order for you to be approved as an halal certifier, you have to comply with this block of things and then you can deal with whatever market and whatever people you want to deal with. So, the government has a minimal role, I would say. You could do the same with organics and various other things. You just set the terms of engagement, if you will. But you seem much more involved in the compliance regime for halal, maybe because of the significance of the markets, than you are in the organic space.

**Mr Read:** I think it is simply because there are a large number of markets out there where the product, if it does not have appropriate certification for halal, cannot enter. In those same markets, I do not think they would particularly mind whether it is organic or not organic. That would just be a price point that the product would meet in the commercial relationship.

**Senator BERNARDI:** It is not the point—maybe I am expressing myself poorly. Ultimately you could leave it to the market itself to make that determination without government intervention, except at a very high level of saying, 'Yes, you are approved to be a certifier,' and then it is up to that certifier to convince the market.

**Mr Read:** I think, if you go back to the 1982 report, that was probably what we were at that stage. That is why the change came about, because of the implications of what occurred prior to that. Subsequently, particularly with the investment around livestock processing and the support of the industry sectors, there needed to be a high level of surety in that particular field and therefore we have sought it abroad there.

**Senator BERNARDI:** I refer you to the submission from the halal consultant. He claims that some halal certifiers engage in 'corrupt, unethical and improper practices'. Are you aware of such practices or any instances of this occurring?

**Mr Read:** No, but I am aware that it does not matter which exporter that I talk to; someone else is not doing it right—and it does not particularly matter what field that is. But, seriously, if we are provided any sort of information around those sorts of accusations, then we will investigate thoroughly.

**CHAIR:** On that, Mr Read, there are 22 halal meat exporters. The number 22 I got from your website, but I am sure it changes from time to time. How many kosher exporters are there?

**Mr Read:** There are 22 Islamic organisations approved to provide the certification. We do not have legislation to approve kosher certifiers, so, in terms of that, there are none. Where there is a desire, in a commercial arena or from a country, to have kosher slaughtered product, the commercial party will provide, in this case, the appropriate rabbi locally. That rabbi will then, for a commercial run of animals, perform the particular appropriate ritual so they can provide a commercial certification for that product.

**CHAIR:** You do not have any role in that?

**Mr Read:** Only to ensure that the animals are handled consistently with good animal handling and animal welfare practices.

**CHAIR:** But you have no role in the certification?

**Mr Read:** Not in the certification, no.

**CHAIR:** So there are 22 Islamic halal certifiers which you do have a role in.

**Mr Read:** Correct.

**CHAIR:** That list seems like it changes from time to time. I assume some of them go in and out of business. Have you ever deregistered one of them?

**Mr Read:** We have investigated a number. I do not think we have deregistered any, but I will take that on notice and check.

**CHAIR:** On a related question, with the ones you have investigated, have you only investigated them, to your knowledge, because of halal practices or have you investigated them under the 'fit and proper' test you mentioned earlier?

**Mr Read:** We have only investigated them because of halal practices, but that may lead to a 'fit and proper' question too—it depends on what the practice was.

**CHAIR:** Sure. This is the concern that I want to put to you: if someone has a concern regarding the elements that you do not look at—the education or whatever other kinds of functions that are performed by an organisation—you do not have the capacity to investigate that, because it is not your role; you only look at the 'halalifying'. But, if you think overall that this is not a fit and proper representation of what you want in this industry, you do have the power to remove them, but you do not have the power to investigate concerns—someone else has to do that?

**Mr Read:** In a simple way, that would be correct. Obviously, if there are issues in terms of standing, if companies or individuals are providing that service in another area that an agency is progressing or has progressed, then it would be important for us to know.

**CHAIR:** Have any of the other agencies or departments that are related around this come to you about concerns with any of the current 22 organisations?

**Mr Read:** We are currently working through that.

**CHAIR:** I do not know what that means!

**Mr Read:** There are discussions in that area that are occurring between departments. That is still in its infancy, and it is not appropriate to make too much more comment.

**Senator BERNARDI:** But there might be a problem.

**Mr Read:** It is not so much a problem, but it is being progressed and we look seriously at everything that is brought forward.

**CHAIR:** How should I characterise that? Is there a review going on?

**Mr Read:** Certainly, as we always do, we talk to our other departmental colleagues and we are just ensuring that, in terms of the standing of all of our participants, it is appropriate. So we are working through a process to have high levels of confidence that that is the case.

**Senator BERNARDI:** So you have a high level of confidence that that is the case.

**Mr Read:** It is to have a high level of confidence.

**CHAIR:** When did this process start?

**Mr Read:** I beg your pardon?

**CHAIR:** You say you are working through something at the moment. As of when? When did this start?

**Mr Read:** It is currently in train.

**CHAIR:** But that was not the question. When did it start?

**Mr Read:** I do not have that information.

**CHAIR:** Are we talking this year? Last year?

**Mr Read:** No, in the last couple of months.

**Senator BERNARDI:** Was there anything in particular that prompted this process?

**Mr Read:** No, it is just to ensure that we have appropriate standing of all of our participants—not just halal or Islamic organisations but all of our registered participants, to ensure that they have fit and proper standing. We are just ensuring that we have the appropriate infrastructure there to have that in place.

**CHAIR:** Again you seem careful not to use this word, but that sounds to me like a review. If that is not a review, what is a review? What are you calling it inside the department? An audit? A review? A test? A stress test?

**Mr Read:** The sharing of information.

**Senator BERNARDI:** That is what you refer to it as? A sharing of information?

**Mr Read:** A sharing of information just to ensure that, in terms of fit and proper standing, we have all the information we need to assess it.

**Ms Evans:** Just to clarify, we are not talking about something that is focused on Islamic organisations; we are talking about a general review of the way that we approach our 'fit and proper person' test for all of the things we do in export certification and imports across the department.

**CHAIR:** There are the 22 different Islamic organisations we have talked about. Beyond that, in terms of certification, that obviously includes organic, which we have looked at. You do not actually look at kosher, because you do not do any of the certification. So what else are we talking about? Are you saying it is everything, including Heart Foundation Ticks and everything?

**Ms Evans:** We use all sorts of third parties—not necessarily to provide certification but just to provide services that we are involved with as a department. When we use a third party to provide those services on our behalf—for example, we have thousands of quarantine approved premises et cetera—and we look at any of those entities that have a third party relationship with us, we want to know whether they are a fit and proper participant. So it is in that sphere that we have a review going on of the approach that we take to do that—

**Senator BERNARDI:** A sharing of information.

**Ms Evans:** so that we have a comprehensive view, including taking information from wherever we can get it.

**CHAIR:** I remember Mr Read called it a sharing of information. You just called it a review, but you can call it whatever you want.

**Ms Evans:** It does not matter. We are looking at it to make sure we are being consistent when we consider 'fit and proper person', including, among many other things, when we look at Islamic organisations?

**CHAIR:** Is the end objective of this to come with a clearer standard of what is the test for something to be fit and proper? Is that the end objective?

**Ms Evans:** That is probably a good way of characterising it.

**CHAIR:** I did not catch what you said, Ms Evans.

**Ms Evans:** I just said that is a fair way of characterising it. We are trying to get more consistency across the department in the way that we apply that test to all of the various different things that we do.

**Senator BERNARDI:** I just want to clarify two things. I asked you before about the stunning of animals for halal slaughter. I just want to make sure I am very clear on this: are they stunned before there is any cutting or nicking, or are they stunned afterwards as in kosher?

**Mr Read:** In my answer, I said 'in the main'. That is how we did it. The animals are stunned. We have two plants that on certain occasions are permitted to do unstunned slaughter, but again it is only for sheep, and again there are prescribed requirements that need to be complied with by those plants should they choose to do that. Again, that is consistent with the Australian standard in terms of animal welfare.

**Senator BERNARDI:** I am not having a go at animal welfare. I asked you that question again because I was very clearly of the impression that all animals were stunned—from your answer earlier.

**Mr Read:** In halal yes, in kosher no.

**Senator BERNARDI:** No, we understand.

**Mr Read:** And I cannot be absolutely precise in saying that there are no animals at all killed with halal. I did not say that; I said 'in the main' and in the main is not 100 per cent of those animals. I have just clarified now and I am still not sure that we are actually doing any, but there are programs that permit it should they choose to do it, at two plants.

**Senator BERNARDI:** Which plants are they?

**Mr Read:** Those plants are in Victoria.

**Senator BERNARDI:** You have not answered my question about whether the stunning is done after their throat is cut or before.

**Mr Read:** With sheep there is no stunning.

**Senator BERNARDI:** Is this across all plants?

**Mr Read:** No. You asked a specific question: on the approved programs that these plants would have in relation to halal—I think it is halal and I may have to take this on notice to ensure that I am absolutely right—for sheep slaughter there is a ritual cut and there is no post cut stun.

**Ms Evans:** They are all stunned prior to the cut.

**Senator BERNARDI:** For sheep

**Ms Evans:** For sheep.

**Senator BERNARDI:** And what about for cattle?

**Mr Read:** I only know, and I am very confident about this, that we do not allow any slaughter of cattle without pre stunning.

**Ms Evans:** For export.

**Mr Read:** For export. At all the registered plants we have, they must—

**Senator BERNARDI:** Except for the Kosher. The evidence we heard today was that they cut the throat and then do a post-cut stunning.

**Mr Read:** That is for the domestic market. We do not export—

**Senator BERNARDI:** No, they said they do 15 per cent export.

**Mr Read:** I am not sure—they may be talking cattle. Again, on the export registered plants that we have—I will need to check some of those. I will have to take it on notice.

**Senator BERNARDI:** I am happy for you to take it on notice. I am just genuinely interested. I am attacking any other thing. I just want to know the facts, whether all the livestock are stunned, which is what I understood you said earlier—and I am getting some clarification of it here—and when the stunning takes place, after the ritual cut or the throat is cut. I will tell you why. A lot of people tell me there is just a little nick on the throat, then they are stunned and then they are killed. Other people tell me that they have their throat slashed and then they are stunned. Others tell me that they are stunned and then they are cut. I do not know what the answer is and I am hoping you can tell me.

**Mr Read:** To be very clear, in terms of halal slaughter all cattle are stunned prior to slaughter.

**Senator BERNARDI:** Prior to any nicking of the throat or any ritual—

**Mr Read:** Correct. So there is a pre stun done prior to any ritual cut. In the main, the 29 million sheep that go through our plants, all of those sheep are pre stunned as well. I know of two plants where we have exception to that and I think one of those plants is a sheep and a cattle place. The other place is a sheep place. Those plants do have programs that allow them, for sheep, to do a ritual cut without a stun and, as you have already heard, for cattle, if it is for a kosher kill, there will be a cut and an immediate captive bolt stun. In terms of the numbers that go through, I do not know. It could well be none. I do not have the numbers in relation to that.

**Senator BERNARDI:** I do not even need to know the numbers.

**Mr Read:** It is 29 million I know that sit here and there may be none that sit in the other thing. It is just that the programs allow that.

**Senator BERNARDI:** One final question.

**Senator BERNARDI:** You mentioned 70 export abattoirs. Are you able to tell me how many licensed abattoirs there are in Australia?

**Mr Read:** There are about 77, as in the submission, export registered abattoirs.

**Senator BERNARDI:** But what about including the domestic numbers.

**Mr Read:** We do not have that number.

**Ms Evans:** We do not have a specific figure but I was of the impression that it was quite a large number. AMPC might have some figures on their website.

**Senator BERNARDI:** I will have to go and look there.

**CHAIR:** Ms Kamath, thank you so much for coming today. I apologise for bringing you all the way across from the department and not having the opportunity to ask you questions. Ms Evans and Mr Read, that was an incredibly informative session. There was a lot of information in it. I really appreciate your participation in our inquiry and thank you for the submission that you have made to us. I think there were only one or two questions that you took on notice. The committee will be in touch with you as to what they were specifically. If you are able to get the answers to the secretariat within a fortnight that may be a reasonable time frame. If you need longer, let

us know; I do not think that that would be an issue. As this inquiry goes on we may come back to you with a few more questions right at the end.

**Mr Read:** That is all good, thank you.

**CHESWORTH, Mr Peter, Head of Division, Sectoral Growth Policy Division, Department of Industry and Science**

[14:16]

**CHAIR:** Welcome, Mr Chesworth. I appreciate your coming here today. I also acknowledge the fantastic submission of the Department of Industry and Science, which we have numbered 1413. Do you have an opening statement or opening remarks to make?

**Mr Chesworth:** No, Chair.

**CHAIR:** Your submission touches on this, and I know that there is some interest among people who are watching and listening. Could you run through the intersection between the department of industry and this food certification space and the role you play in it?

**Mr Chesworth:** The intersection of the Department of Industry and Science with this area is not as close as that of the previous witnesses. Our role is to look at broader issues of how to boost the productivity and competitiveness of Australian industries. To that end, this government in its industry and innovation competitiveness agenda statement at the end of last year focused on five growth areas. One of those was processed food in agriculture. From that high-level policy perspective we have a very great interest. To that end the government is implementing a range of growth centres, one of which is focused on that sector. That growth centre will be looking at a range of issues, including regulatory issues and how they impact on Australian businesses, plus issues of efficiency in supply chain and a range of other matters. The other thing I should mention is that IP Australia falls within the broader Industry and Science portfolio as a separate part of the department. They have a role in relation to certification trademarks and they undertake that role in collaboration with the Australian Competition and Consumer Commission.

**Senator BERNARDI:** One of the interesting things about this inquiry is the role of government in certification schemes. We heard earlier evidence that the government is involved in the meat export market, as well as some domestic markets for certification of products as organic. Given that some of the domestic certifiers in some areas may be less than scrupulous, is there a case for the government retaining an integrity register or something of those who operate in the certification schemes for halal and GMO, and maybe kosher and so on, to ensure they actually are delivering what they propose?

**Mr Chesworth:** It is the eternal question: what is the role of government?

**Senator BERNARDI:** I still have not worked that out myself, by the way!

**Mr Chesworth:** Some of us have spent our lives on it, agreed! Clearly, where those processes are in place, they are there because of an identified need. There is always that question of how far government goes in relation to determining its own oversight role. I recall, about six or seven years ago, there was, for example, a review into food-labelling standards in Australia, and that prompted a range of submissions from many, many stakeholders about what should be on a label—everything from country of origin, naturally, and nutritional information right through to whether nanoparticles were evident in the foodstuff. That is just one example of how government is always making judgements as to the extent to which it should involve itself in this space.

The thrust of our submission is that, in many of these areas, commerce and the private sector will be the key determinants of the way in which the system operates and the extent to which businesses themselves want to opt in. My colleagues from the Department of Health would be best placed to explain what might be termed as a regulatory pyramid of the ways in which government might intervene. Health and safety, obviously, would be at the top of the pyramid, involving the greatest level of government oversight and intervention, and issues essentially of let us call them consumer preference or business marketing and business opportunity would be lower down the pyramid, where a private sector approach would be taken.

**Senator BERNARDI:** Your comments are very interesting. Senator Dastyari made the point very early on in today's hearing that food health and safety is really a separate issue. That is something we expect government to have a serious role in, of course. A lot of this other stuff is discretionary, if you will. It is marketing oriented, it is consumer oriented, and there are many who would say, 'Let the free market make that determination as it goes along.' There are others again who are saying, 'No, there are some unscrupulous operators here, and the consumer is not benefiting from this. This is disadvantaging the consumer. The government needs to maintain a register of those who are appropriate.' I am not quite sure what the correct answer is at this point.

**Mr Chesworth:** The previous witness probably touched on some of these issues. There are a range of approaches—the ones that I have already spoken about. You could envisage a regulatory authority for each and every issue that comes up, but we do have a range of measures in place across the economy that can be used.

They may not appear to have direct relevance, but the provisions of the Competition and Consumer ACT are at the forefront in relation to misleading and deceptive conduct. Section 52 could be brought to bear on that, and, if my memory serves me correctly, an action under that section can be brought either by the ACCC or by a private sector competitor, for example.

**Senator BERNARDI:** In your submission you noted that there are many concerns about, specifically, halal certification that 'arise from a lack of understanding about how certification schemes operate and existing protections under Australian Consumer Law'. That is partly the reason why we are having this inquiry: to clear up some misunderstandings, some misapprehensions and some false information and, if there are problems, hopefully to identify where they are. What do you think certifiers can do, and what is the role of government then in helping to clear up this lack of understanding?

**Mr Chesworth:** I am reluctant to get into areas where I am just expressing my opinion. I guess there are two issues. One of them, which is highlighted in our submission, is for some public outreach to perhaps be undertaken by some of the regulators to better inform consumers of how certified trademarks work and operate. That way, if they pick up a package and it has a certified trademark on it they can have a better understanding as to what that means and the integrity behind it. That would probably be something that is undertaken by the ACCC, because the ACCC already has some really good levers in place to put consumer information out there. Again, in relation to broader issues of whether certifiers are acting in a robust way, I think our submission suggests that this an area where the market is going to take the primary role. The certification is only going to have credibility if it is not being undermined by the players within it. I was interested to hear the evidence from the organic market representative earlier. I remember when the organic movement was getting off the ground in the late eighties. Their key issue then was one of credibility: how did they describe that the producers they were certifying actually did things in an organic way, and even what organic actually meant? I think he mentioned that that organisation has been through four different rounds of re-imaging or clarifying exactly what its role is. They have obviously done work over a quarter of a century now to help consumers understand exactly what they are about and to give consumers some confidence that what they stand for has a robust framework behind it.

**Senator BERNARDI:** You may say again that this is going to be an ACCC issue. I am being drawn to a conclusion that anyone can set up any sort of third-party certification scheme they like, promote it and market it and then apply pressure to businesses to comply with it, saying, 'Look, there's a demand out there. Consumers are expecting this.' I will give you an example: dolphin-friendly tuna. I am the dolphin-friendly tuna certifier. No-one knows whether that means only one dolphin was killed in catching 100 tonnes of tuna, or 400 dolphins. But in the consumer mind they are just saying, 'Of course, it's dolphin-friendly tuna.' Have you seen any evidence of that sort of thing happening?

**Mr Chesworth:** No, I have not. It is fair to say that with certification issues as they arise from time to time there is probably an element of the community that thinks, 'What's this all about; who cares about this?' but for whatever reason they get a currency and evolve from that. Something like dolphin friendly could well fall within the consumer protection provisions of the Trade Practices Act, because if a company is saying, 'We're dolphin friendly' a judge would say, 'What would the person on the Clapham omnibus think about that?' and they would come to—

**Senator BERNARDI:** And ask what it is relative to and all of those sorts of things.

**Mr Chesworth:** Exactly.

**Senator BERNARDI:** There is a difference between the certified trade marks, because there are specific obligations around that—am I correct there?—versus Joe Blow in the street designing a logo and trying to convince people to put it on this packet.

**Mr Chesworth:** For a certified trade mark, the trade mark is assessed in much the same way by IP Australia as is any other trade mark. The certified trade marker's request is required to specify the standards that the goods or services must meet. It is also required to indicate how it is decided that the standards are met. It is also required to outline the requirements that an approved certifier must meet and it contains requirements that the owner of the certified trade mark must meet or the approved user must meet as well. Having done that it goes over to the ACCC for them to do a check to see whether there are any competition or consumer issues which are impacted by that. Doing a little bit of checking this morning, that can take place through documentation or you can seek a conference with the ACCC. So there are a few hurdles that have to be overcome.

**Senator BERNARDI:** To establish it. Who polices whether those hurdles have been adhered to?

**Mr Chesworth:** I would have to take that on notice. IP Australia does not generally have a policing role. I know with trade marks more generally, often the holder of a trade mark can police the trade mark—for example, if it was a private business. I recall a case a few years ago about Cadbury and the colour purple and the way that many food producers in particular will work very hard to preserve their trade mark. With this there is a set of requirements but I would have to check that for you.

**Senator BERNARDI:** I understand the trade mark owner may have a long-term commercial interest and say, 'This is what we want to do.' But equally not everyone is so ethical and, given the right marketing budget, they can do anything.

**Mr Chesworth:** I cannot comment on that. Trade marks like Woolmark have been around for an awful long time—the Heart Foundation, celiacs. Many of these have embedded themselves in the national consciousness.

**Senator BERNARDI:** And they are absolutely serious, genuine and all those sorts of things but, in the end, if you set up a trade mark and certify it, if I set one up to certify GMO free, or whatever, and I say that we have all these tests that we are going to comply with, who checks that I comply with those tests?

**Mr Chesworth:** Again, I would have to take that on notice, but I would suggest that if you were making those claims and those claims turned out to lack foundation, at the very least section 52 of the Trade Practices Act may come into play.

**Senator BERNARDI:** If you get caught.

**Mr Chesworth:** That is precisely right and then we get back to the issue of what is the role of government.

**CHAIR:** Unlike Senator Bernardi, I do not struggle much with the role of government.

**Senator BERNARDI:** You are an interventionist—that is your problem.

**CHAIR:** I am much more comfortable with the role of government perhaps than others. Mr Chesworth, this morning we spent a fair bit of time talking about halal and kosher. The information that is provided is that halal meat is a big export; kosher meat is really for domestic production. There are a few questions we will clarify around that. Obviously, from an industry perspective part of the concerns and reasons why government is involved in that space is that—I am sure you have had a look at this—the potential danger to the industry as a whole, if there were one or two shonky providers out there, is that in an export market reputation is everything and one or two bad instances or bad stories could damage the whole industry. I assume that would be the concern, how we look at things from an industry perspective.

**Mr Chesworth:** I could not disagree with anything that you said there. Another example—and colleagues from the agriculture department would be best placed to talk about this—would be that over the past couple of decades we have seen great efforts within Australia to ensure traceability of meat for quality assurance. As a result of that, I think Australia has some of the most sophisticated meat traceability systems in the world. This provides a lot of confidence, particularly to some of our very high value export markets such as Japan. There is no doubt that integrity counts for an awful lot.

**CHAIR:** Part of the evidence that was given by the department earlier today seemed to be that one of the hurdles we have to overcome in this is that, not being an Islamic nation, there is understandably a predisposition, which we have overcome through good work over many years, not to be able to provide these kinds of functions. Perhaps over time we have been able to overcome a natural stereotype which is that, if we are not an Islamic country, how are they sure of what we are giving them.

**Mr Chesworth:** Indeed.

**CHAIR:** There is something you say in your submission that I want to touch on. You say that halal certification is not a tax, and it is not, but I put to you that that is kind of a straw man argument in that it is not a tax but really is a prerequisite to participation in these export markets.

**Mr Chesworth:** The first thing is in relation to quantum. I think the Australian Food & Grocery Council have made strong representations about how the amount charged is an infinitesimally small part.

**CHAIR:** Yes. I will put on the record that there are others like Coles who argue that the act of halal certification industry-wide actually lowers the cost of meat because having such a large export market allows the domestic meat prices to be lower than they otherwise would.

**Mr Chesworth:** Yes. The second thing is that it is a prerequisite of many of our trading partners, and that is why we have put the systems in place, but it is also fair to say that not all of our trading partners have that requirement. For those that do, yes, it does fall upon us to make sure that we have systems in place so that we can access those markets. Our colleagues from the agriculture department made references to technical barriers to

trade or whatever. I am quite sure that some of our overseas trading partners believe that there are technical barriers to trade within the Australian economy as well.

**CHAIR:** And there is another thing that says, putting aside all the barriers, even if it were not a formal legal prerequisite, no-one is going to be buying the meat if it is not halal. It is just a market thing. So put that aside. We heard earlier that there is a review going on at the moment for these certifiers and a re-examination of the fit-and-proper test or words to that effect. I think you were here to hear that. Is the department of industry involved in that at all?

**Mr Chesworth:** No.

**CHAIR:** Okay. When they said they were talking to other departments, it was not you guys.

**Mr Chesworth:** No.

**Senator BERNARDI:** What are you doing? I know the minister is racing around the world, signing free trade agreements and doing a whole range of different things on behalf of the government.

**Mr Chesworth:** He is not my minister.

**Senator BERNARDI:** I understand, but what is your department doing in respect of assisting in the removal of some of the international barriers to our trade?

**Mr Chesworth:** As you are aware, the Department of Foreign Affairs and Trade take the lead on that. We have officials involved in helping to provide advice to the government on determining Australia's position in those negotiations. So we are involved. We are but one player.

**Senator BERNARDI:** Do you have more of a research role that then advances up?

**Mr Chesworth:** I think that, as with other policy agencies, we provide policy advice from a whole-of-government perspective, but we like to think that we can see things through a bit of an industry prism. We are probably better placed than most to be able to go to industry and talk about particular issues as a way of helping government to be well informed about its particular negotiating positions. I guess that is what the industry and science portfolio brings to the table.

**Senator BERNARDI:** Have you had direct engagement with some of the industries that we are interested in today? Have they come to you and said, 'We'd like some assistance in facilitating our access to different markets'?

**Mr Chesworth:** I do not know the answer to that question. It is looked after by another part of our department. I could say that the department speaks to a lot of people and it may not necessarily be in the context of free trade agreements as such. It can be in the context of going for a coffee and saying, 'How's business going?' and that sort of thing. I could not actually answer that question.

**Senator BERNARDI:** I am sure the industry bodies will be able to assist in that regard. The Department of Health people are here; they might want to say something. They are shaking their heads.

**CHAIR:** Thank you so much for your time and participation. Thank you for your fantastic submission.

**HAZELTON, Ms Jenny, Acting Assistant Secretary, Preventive Health Policy Branch, Department of Health**

**STUDDERT, Dr Lisa, First Assistant Secretary, Population Health and Sport Division, Department of Health**

[14:41]

**CHAIR:** Welcome. We are going to have to finish at three, and hopefully a few minutes earlier than that. Did you have an opening statement or remarks, or do you want to get straight to questions?

**Dr Studdert:** I believe you have our submission. I acknowledge it was a bit late in getting to you and I apologise for that.

**CHAIR:** There are 1,400 of them, so that is fine.

**Dr Studdert:** You were not lacking for reading material! But we are certainly available to answer any questions you may have.

**Senator BERNARDI:** The department's view, if I could categorise it like this, is that labelling should be initiated by industry except where there is a health related matter. Is that correct? I am reading here: '... generally be initiated by industry response to consumer demand, with the possibility of some specific methods or processes of production being referenced in regulation, where this is justified, such as in the case of market failure to respond.' Is that accurate? Is that directly from your submission? I am trying to establish the department's attitude to this. You have some regulatory obligations that are specified, but the rest of it is that it is a hands-off approach from the perspective of the Department of Health.

**Ms Hazelton:** In the submission that you have before you there is the hierarchy diagram. That in a nutshell really lays out what was agreed to by the ministerial forum for food regulation a number of years ago. That came out of the Blewett labelling review. That attempts to lay out the priorities around labelling given that labelling is a competitive space on food. That was acknowledged during the labelling review, and this just lays out and tries to articulate to a certain extent the role of government from the food regulatory perspective. It generally sets the priority given to public health and safety matters, ensuring that information that would protect public health is first and foremost. Building on that are preventative health matters. Third are more consumer value issues.

**Senator BERNARDI:** Which is what we have really been talking about today: reflecting consumer perceptions and ethical views, which the Department of Health is of the opinion—

**Ms Hazelton:** The view is that that hierarchy is the outcome of the ministerial forum of food regulation. The food regulatory system is a partnership—Australia and New Zealand as well as the states and territories. There are representatives on that forum and they as a group agree to that approach.

**Senator BERNARDI:** They are into lower risk to consumers and self-regulation: if you can convince someone to put something on their label that is fine. Let me then go to the area that we have not really spoken about today, which is the food safety area. Many people are of the view that food in Australia is very safe and complies with many standards. It was put to me that a surprising amount of it does not actually go through any standards agency, such as at farmers' markets or side-of-the-road stalls and things of that nature. Are you able to provide me with an estimate of what percentage of foodstuffs are not subject to safety standards?

**Ms Hazelton:** I cannot answer a question in relation to the amount of food that would be for sale from those types of retail outlets. The compliance enforcement of food safety standards is the responsibility of the states and territories in Australia, so they have a much better understanding of their jurisdiction around ensuring compliance with food safety standards.

**Dr Studdert:** But I think it is fair to say all food that is sold in Australia is subject to the standards—there is no exemption there.

**Senator BERNARDI:** I do not know about that. I can go up into the hills of Hahndorf and find some bloke who is selling apples off his tree on the side of the road. What safety standards are applied to that?

**Ms Hazelton:** The Food Standards Code, which contains the food safety standards, has a range of different requirements applying to food safety. For anything for retail sale as defined through the Food Standards Code, which is then taken and applied through state and territory law, the person needs to comply with the Food Standards Code.

**Senator BERNARDI:** They may need to, but it does not mean they necessarily are—

**Ms Hazelton:** Therefore, they may be subject to having some form of enforcement activity, if it comes to someone's attention, and they have to comply. Therefore, they may be subject to enforcement activity if they are found not to be complying.

**CHAIR:** It sounds like government overreach to me.

**Senator BERNARDI:** I will have to inquire as to whether there are orchard police driving around the hills of Adelaide.

**Dr Studdert:** I cannot speak for our state and territory colleagues, but I guess like many enforcement actions there is a risk hierarchy there such that their efforts would be targeted to areas where there is more likely to be a food safety problem, with less attention given to other areas unless there were indicators or signals that suggested they needed to be at the orchards or—

**Senator BERNARDI:** I do not want to be alarmist about the orchards of the Adelaide Hills, because they do a great job, and it is terrific. It is just that someone in this space said to me that a surprising amount does not undergo any formalised food safety standards test, perhaps because it is sold in non-regular retail environments.

**Dr Studdert:** Again, that goes to the risk based approach that you take to those efforts. Food sold through major retail outlets is obviously reaching a much larger population and would warrant more attention than those—

**Senator BERNARDI:** Stores, particularly large supermarkets and things, have their own standards and criteria, and we heard about that. They may need certain certification and things to be complied with before they will stock it. I am not sure about the small retailers.

**CHAIR:** Thank you Dr Studdert and Ms Hazelton. I feel we have brought you all the way over from the department for only a few questions, so I apologise for that. We did get your submission and thank you for doing that and thank you for participating in our inquiry. I have just one quick question before we finish. Something was mentioned earlier about the Department of Agriculture—that they are currently conducting a review with like-minded people in similar departments on issues around the standards test for fit and proper. Does that involve your department?

**Dr Studdert:** We looked at it—you asked the earlier witness that—and no, not that we are aware of. It certainly has not come to our attention.

**CHAIR:** I will take that as your answer. If you go back to the office today and someone comes in and says, 'No, you have given the wrong answer'—if that is the case—

**Dr Studdert:** We would certainly correct the record.

**CHAIR:** If it is incorrect, correct the record, but do not feel the need to take it on notice.

**Ms Hazelton:** There are a number of reviews and reforms happening through the Department of Agriculture so there may be involvement, but not specifically in the one you are referring to.

**CHAIR:** Thank you.

**Committee adjourned at 14:50**