

# TRANSCRIPT

## LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE

### **Inquiry into the Closure of I Cook Foods Pty Limited**

Melbourne—Wednesday, 24 June 2020

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## WITNESSES

Mr Joe Ciccarone, Chief Executive Officer, and

Adjunct Professor Hayden Raysmith, AM, Deputy Chair, Board of Community Chef, Community Chef.

**The CHAIR:** Good afternoon, and thank you for your patience and your willingness to join us today. I have just got a brief statement that I will need to read out as part of the hearing. I declare open the Standing Committee on Legal and Social Issues public hearing. Again, mobile phones on silent. Again, anyone in the room please keep the background noise to a minimum. As we have done in a more fulsome fashion this morning at the beginning of this public hearing today, I would like to acknowledge the Aboriginal people, the traditional custodians of the many lands that we are gathered on today, and pay my respects.

The committee is hearing evidence today in relation to our Inquiry into the Closure of I Cook Foods. All evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act* and is further subject to the standing orders of the Legislative Council. Therefore information you provide to us today is protected by law. However, any comment repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

As is probably obvious to now, all of the evidence is being recorded today and broadcast. You will receive a transcript of today's hearing, and I would encourage you to have look at that. Ultimately it will make its way to the committee's website, so it will become public. Now, we would welcome any opening comments from you, and then we will open it up to a more general committee discussion. Again, thank you for making the time to see us, Mr Raysmith and Mr Ciccarone.

**Mr CICCARONE:** Thank you very much. Thank you, Ms Patten. I will start with a statement. Regional Kitchen, trading as Community Chef, is a social enterprise with a business model that places purpose before profit in the delivery of an essential service—delivered meals. It was held up by the Auditor-General in his May 2014 *Shared Services in Local Government* report as a positive example of a shared service model, a model later to be created through the collaboration of 14 Victorian local governments, with the support of both the commonwealth and state governments. Throughout its development, and in the 10 years of its operation, Community Chef has received cross-party support at all levels of government. It was created in response to a long period of poor-quality meals, shortcomings in meal safety standards and market failure that saw many providers come and go.

It was never considered desirable for Community Chef to be the only provider of delivered meals; we welcomed the involvement of other suppliers in this market. What Community Chef offered was nutritionally appropriate meals, a wide range of choice, high standards of food safety and a certainty of supply.

For many local governments, particularly in rural and regional areas, where it was difficult to get more than one supplier to respond to tenders, Community Chef provided choice. In recognition of the importance of providing choice, Community Chef meals were fully costed and far from the cheapest. With the transfer of aged-care and disability programs from the state to the commonwealth and the introduction of the consumer choice model it became clear that the collaborative, supply-based model would no longer be viable. Local governments around Australia were progressively exiting aged care and disability services, and although the consumer choice market-based model was being phased in more slowly in Victoria, the direction was clear. Over the last three years Community Chef has seen a contraction in both its meal numbers and local government meal-supply agreements. In response to this decline, whilst still servicing the needs of shareholder councils, Community Chef expanded its business in related sectors, such as residential aged care and hospitals. Recognising the long-term future of these changes, the original kitchen board undertook a strategic review to establish a viable, long-term business model whilst still continuing to provide meals for the vulnerable populations it was initially set up to serve. As with the establishment of Community Chef, the reorientation of the business was undertaken with the support of and in consultation with all three levels of government. Both the shareholder councils and the Victorian government provided financial support during this time to ensure that there would be no interruption to meal supply.

In order to fully utilise the high-quality, state-of-the-art plant and equipment and adjust to the declining involvement of local government in delivered meals it became clear that Community Chef's future, whilst

staying true to its purpose, would lie in expanding and supplying into the acute care sector. Realistically, in terms of risk management, for this to occur ownership would need to be transferred from the current 16 local government shareholders to the DHHS or a healthcare network. The need for a new kitchen was greatest at Western Health. Community Chef was located in the west, in Altona, and there would be significant savings if this transfer was integrated with the new Footscray Hospital development, which is still in its planning stages. Subject to agreement, which has now been reached, the transfer of ownership would ensure ongoing provision of meals to those shareholder councils wishing to still provide delivered meals, securing ongoing employment for Community Chef staff, relieve councils of ongoing debt and potentially save the state government in the order of \$40 million by not having to build a separate new kitchen.

We are pleased to have been able to adapt to a changing environment and to now continue to provide a quality meal service and a public benefit with a significant financial saving to the Victorian government. Further, in a declining market the business has a continued commitment to our local government shareholders' delivered meals program. Thank you.

**The CHAIR:** Thank you, Mr Ciccarone. We will open it up to questions from the committee now, and I will turn to Deputy Chair Professor Kieu.

**Dr KIEU:** Thank you for your submission. I just have a question on the funding that you just mentioned from different levels, including the state government. So, from which department and in what form do you receive funding from the state government, and is there any financial interest on the part of the state government?

**Mr CICCARONE:** The department we receive the funding through from the Victorian government is the Department of Health and Human Services, and that has come in a number of tranches. The first was a \$6 million grant provided before the facility was built, and since then there have been various repayable grants to the sum of around \$3.5 million with no interest.

**Dr KIEU:** Just to follow up, in the submission last week from I Cook there was a mention that they have had a patent or patent pending for a food form, which I cannot recall exactly, and then you also came to have that kind of food production or food form. Is it true, and is there any relation?

**Mr CICCARONE:** Thank you for the question. We have made texture-modified meals since day one. It is very important for the cohort that we serve, so we produce either cut, minced and moist or pureed meals, depending on the level of dysphagia of the person receiving the meals. Our production of those types of products has no relationship whatsoever to what I Cook was doing, and I had no knowledge of that.

**The CHAIR:** Thank you. It is interesting to see an organisation that is effectively government owned but in competition with the private sector. Am I correct in describing it in that way?

**Mr CICCARONE:** Look, we are a food manufacturing organisation owned by local government and have had support from all levels of government. We do not see ourselves in competition with anyone. We exist because there was market failure. Without us the vulnerable in communities would not have had the option or the choices required to live a normal life. So, no, I do not see that.

**The CHAIR:** Okay. Thank you. Has the closure of I Cook Foods had any impact on your business?

**Mr CICCARONE:** When I Cook Foods was originally closed we offered assistance to all businesses and councils that were impacted on the basis that we did not want any vulnerable people to go without food. So, for example, on that weekend we had one particular council scrambling—they did not have a backup. Myself and my team worked over the weekend to ensure we could get meals into their coldroom by Sunday so that old people and vulnerable people did not miss out for their first delivery on Monday. The ongoing benefit of that has been marginal. We only provided to many of those businesses and councils on a short-term basis whilst they organised other arrangements. In many cases, in terms of councils, they went to tender. We obviously put in bids for each of those, and the only tender that we secured was that for Glen Eira.

**The CHAIR:** Is Glen Eira one of the owners of—

**Mr CICCARONE:** No.

**Ms CROZIER:** Thank you very much for appearing before us this afternoon. You mentioned the money you have received from the Victorian government—your \$6 million grant and then a \$3.5 million repayable grant. Could you also provide the total amount of money you have received from state government, federal government and local government since the establishment of Community Chef in 2009?

**Mr CICCARONE:** I can provide it. For state government, I have provided you with that information already, so the \$6 million and the \$3.5 million approximately. From the commonwealth government we received \$9 million as a grant. And I will have to take that final question on notice. There was contributed capital by all shareholders at startup and periodically throughout our history, but I do not know that sum accurately.

**Ms CROZIER:** And what about any money borrowed from financial institutions such as banks?

**Mr CICCARONE:** Yes, we also have a loan facility in place with a bank. That was initially \$10 million, and that has been paid down to \$7 million.

**Ms CROZIER:** Can I ask in relation to some evidence that we got this morning from some board papers, Mr Bennie was at a meeting on 22 February, and the board papers show that there was some financial difficulty with Community Chef. So can I ask what financial difficulty or—‘tight’, I think, the term was. I just have to get it:

The cash position is tight, and some Councils had agreed to bring forward their advance payments.

So there were obviously cash flow problems for your organisation, and then there was discussion about whether the state government would buy into the business or whether shareholder councils should be asked to contribute further. Now, can you please provide to the committee what discussions you have had with the state government in relation to taking you over or buying you out, because Mr Bennie this morning said they did not sell, that they were bought out, and I would just like you to give the committee an understanding about the government’s involvement and the department’s involvement in the latest acquisition and how much was paid for Community Chef to be established in Western Health by the government.

**Mr CICCARONE:** Thank you for the question, Ms Crozier. Firstly, I am surprised that our board papers have been made available to anyone. We have received no FOI request for their release, so I am actually quite surprised they are in anyone’s hands.

**Ms CROZIER:** Well, you might be, Mr Ciccarone, but could you just answer the question, because they have been received by FOI and they are here with the committee. And I know that I am having trouble getting FOIs out of the department and the minister, but I am really keen to understand how much Community Chef was bought for by the government.

**Mr CICCARONE:** That matter is commercial in confidence, and that is best answered by the Department of Health and Human Services—

**Ms CROZIER:** Well, I think it is an important question. I am sorry to interrupt you. I think it is a very important question to understand because a commercial business has gone out of operation. You are a major competitor. The government has been denying information in the Parliament, and we need to understand exactly how much Community Chef was bought for by the government, because Mr Bennie this morning said they did not sell, it was bought off them. And I think it is very important for the committee to understand that.

**Mr CICCARONE:** My only commentary that I can provide on that is that there is an offer out to councils for the purchase of—

**Ms CROZIER:** How much is the offer, Mr Ciccarone?

**Mr CICCARONE:** The councils have not agreed to that as yet. And that, Madam, it is something I would defer to the Department of Health and Human Services on.

**Ms CROZIER:** Well, can I ask, then: what are the time frames for the councils to make that decision? Because it is my understanding that the decision was made last week for Community Chef to fully operate out of Western Health. Is that correct?

**Mr CICCARONE:** My understanding—that has been publicly reported, and—

**Ms CROZIER:** So what else is there to negotiate?

**Mr CICCARONE:** Well, it is a matter of the shareholders looking at the terms and conditions of the sale and ensuring they are satisfied that everything is in order, as they should do. And to answer your earlier question—you asked when the sale will be transacted by. I would imagine it will be within the coming weeks.

**Ms CROZIER:** There were reports that it was \$1 per council, or a peppercorn amount, is that correct?

**Mr CICCARONE:** I cannot make comment on that. I am not authorised to comment on that matter.

**Ms CROZIER:** Well, I would say again that a commercial operation went out of business and you are a major competitor. This goes to the heart of some of the issues around the inquiry, and I think it is regrettable that you will not provide the committee with that of information.

**Mr CICCARONE:** I am not authorised to make those sorts of comments or provide that information.

**The CHAIR:** Mr Raysmith, would you have any comments on this line? Thank you.

**Ms VAGHELA:** Before I start, I would like to know, a Community Chef business—what sort of certificate to you have in terms of class 1 and class 2? Which one do you hold?

**Mr CICCARONE:** We are a class 1 facility.

**Ms VAGHELA:** You are a class 1 facility. So how often does the council visit your premises to do the inspection?

**Mr CICCARONE:** My understanding is that it is at least annually, and it is done without notice. However, I will take that question on notice and provide further information if I have misspoken.

**Ms VAGHELA:** Is it scheduled or unannounced?

**Mr CICCARONE:** Typically unannounced.

**Ms VAGHELA:** Okay.

**Mr CICCARONE:** Sometimes they do give us a couple of days notice but typically unannounced, as with any form of inspection.

**Ms VAGHELA:** So it is not uncommon for the health officers from the council to visit your business unannounced, that is not uncommon?

**Mr CICCARONE:** No, it is not uncommon.

**Ms VAGHELA:** And have you been in a situation where the officers have been there and they have found a lot of non-compliance issues, and can you please take me from there to what happens after that?

**Mr CICCARONE:** To the best of my knowledge, there have not been any significant non-compliance issues found by council EHOs conducting audits of our facility. However, once again, I will take that on notice and provide further detail if I find anything to the contrary.

**Ms VAGHELA:** Yes. It is just that in instances where there were issues identified, what I would like to know is: what do you do after that? Once you remedy the actions, does the council come back and check whether those actions were taken to remedy whatever the non-compliance issues were or do they then move on from there and you move on from there as well? Those are the things I wanted to identify.

**Mr CICCARONE:** I would imagine that that would be true. Like with any audit, if there are issues identified, whether they be minor or major, the company is given a set amount of time to respond and show evidence that the matter has been rectified, and only at that point will the appropriate certification be provided to the facility to continue operating.

**Ms VAGHELA:** Okay. So if you have the class 1, then do have any independent, third-party auditors come and audit your site on any periodic basis?

**Mr CICCARONE:** Yes, we have an annual HACCP audit.

**Ms VAGHELA:** Do you provide those reports to the council or they are happy with you just continuing those audits and you do not have to provide those reports to the council?

**Mr CICCARONE:** I believe we are required to provide those audits to the council as evidence that they have been conducted. Once again, I will take that on notice and provide that answer.

**Ms VAGHELA:** I would like to know whether you are providing them or you are required to provide them or council actually asks you to provide those reports. I would like to understand that a little bit better, so if you are able to provide us the information, that would be good. Thank you.

**Mr CICCARONE:** No worries.

**Ms MAXWELL:** Thank you for coming today, gentlemen. I am just wondering how many of the previous organisations that I Cook supplied to has Community Chef now picked up?

**Mr CICCARONE:** Two, and there is a caveat on that. One was Glen Eira, and we secured them through an open tender process. We did put in bids for many of their other council customers that went to tender and were not successful. Further, there is an aged-care facility in Rosebud that have continued supply from Community Chef. The further information there is that we already had an established supply contract in place for that organisation, which is Mercy Health.

**Ms MAXWELL:** Just so I can confirm what Ms Vaghela was saying, you have an audit annually?

**Mr CICCARONE:** Correct.

**Ms MAXWELL:** As far as you are aware, you have had no previous compliance issues?

**Mr CICCARONE:** None that would require the cessation of manufacture. Minor issues are picked up I am sure, but things that can be rectified as a matter of course.

**Ms MAXWELL:** And you would be able to provide us with those previous reports?

**Mr CICCARONE:** Of course.

**Ms LOVELL:** Hi, and just for full disclosure, and also a fun fact for the committee, Community Chef said they were located in the city of Altona; I actually began my political career as a junior councillor on the old City of Altona council, so I know the area well.

Mr Bennie told us this morning, in relation to the board meeting that was held on 22 February, that he did not need to declare a conflict of interest at that meeting even though he had given a report on the closure of I Cook Foods at that meeting, because he had a standing register of interests declaration with the committee. Now, normally any standing declarations form part of the agenda and the board papers for that meeting. So I was just wondering if you could supply us with that standing declaration as it was in those meeting papers.

**Mr CICCARONE:** Look, I understand that, and I am happy to provide that. I will take it on notice and provide it as required.

**Ms LOVELL:** Also, the board minutes go on to say that in response to the situation with I Cook Foods Community Chef decided to communicate to all council customers to highlight that it was not a Community Chef product and they also contacted others to advise them that Community Chef could provide assistance where required where I Cook Foods was no longer able to provide that assistance.

Whose idea was it to communicate that Community Chef could assist other customers that were affected by the I Cook closure?

**Mr CICCARONE:** That was my decision; I made that with my team. So the chronology of the events on that day was that we were unaware that it was I Cook. We started receiving calls from our own customer councils asking what was going on. We had not heard the reports. As the day unfolded the matter became public knowledge, and only at that point did John Bennie then divulge the detail, and none of it was further or in addition to matters or information that was already in the public arena.

**Ms LOVELL:** Before, in response to Ms Vaghela's questioning, you told us that you were a class 1 facility.

**Mr CICCARONE:** Yes.

**Ms LOVELL:** Are you able to advise us when you became a class 1 facility?

**Mr CICCARONE:** I will have to take that on notice, and I am more than happy to provide that information.

**Ms SHING:** Thank you very much, Mr Ciccarone, for your evidence. I would like to understand a little bit more about the protocols in place for managing council membership as shareholders to the extent that they have previously operated, because if you are looking at a transfer from 15 shareholders to the department, for example, that seems to exempt a whole lot of people. How do you manage those sorts of issues as a matter of course given the unique circumstances of Community Chef's set-up?

**Mr CICCARONE:** I can take that in two parts. Initially councils received approval to become shareholders in the business, and along with that there was an exemption from going to tender. So they are two things. With the transition to Western Health and further supply contracts with each of the councils, that is a matter that has been dealt with with Western Health, the department of health and the appropriate ministry, so the Minister for Local Government.

**Ms SHING:** So how involved, though, have individual shareholder councils been in the time that you have been there in the operation of Community Chef?

**Mr CICCARONE:** They have very little involvement in the direct operation of Community Chef. They are in a unique position of being a shareholder and a customer. There are various levels of committees in which they provide their input into menus and the like and also give us ongoing feedback, so in aid of continual improvement, but the day-to-day operation is left to myself, my executive team, management team and employees, overseen by the capable board that is in place.

**Ms SHING:** And how do you manage the preservation of confidential information, which you and your team and the board would know about, to the extent that that might have a material impact on some of the council shareholders' operations?

**Mr CICCARONE:** The sharing of information is done to designated and authorised recipients of that information in each council.

**Ms SHING:** How are those people designated and authorised?

**Mr CICCARONE:** If we are talking about any matter regarding the business and shareholding, each council has a designated shareholder representative that is endorsed by council and they attend the shareholder meetings. So when communications are sent out, they are sent out through that designated person.

**Ms SHING:** Okay. Thank you for that. Community Chef, you have indicated earlier in your evidence, does actually pitch competitively against other providers. I think that is how you have secured the open tender process that has led to Glen Eira and also your existing relationship with Mercy Health translating into a contract. You do not work exclusively for councils though, do you? You have indicated aged care. Which other sorts of operations do you provide services to?

**Mr CICCARONE:** Aged care, prisons, direct supply to NDIS clients—as councils have transitioned out of that space, there was a great need. It is not something that we actively wanted to pursue. We were a business-to-business sort of organisation, so there were complexities in delivering to the door. However, because there is a community need we do that as well.

**Ms SHING:** Right. And I understand that that community need has gone back, I think you said, until 2009 when Community Chef was established and that you have received money in the form of grants and repayable loans. Can you take on notice perhaps if you cannot answer it right now the years in which grants and/or repayable loans were provided to Community Chef and give that information to the committee as well, please?

**Mr CICCARONE:** We will take that on notice.

**Ms SHING:** Thank you. Just finally, you have talked about moving, as a result of your strategic review of direction, into the acute care sector and expanding into that area. You have also said that you have made texture-modified food since day one. What was the proportion of texture-modified food that you began manufacturing as a part of your offering on day one, and what does the expansion of that look like now that you are moving into acute care? What is the difference in percentage, do you think?

**Mr CICCARONE:** It has not moved very much because the cohort that we serviced is being kept healthy in home in situ to avoid going into aged care. So the proportion is about the same. We are talking less than 5 per cent. I do not know—

**Ms SHING:** You are saying that less than 5 per cent of your overall output is texture-modified food as an increase following this strategic review indirection?

**Mr CICCARONE:** No, not as an increase. Just overall, there is less than 5 per cent. It has not shifted very much. But I am happy to take that on notice and do the analysis and provide that to you.

**Ms SHING:** Thank you. If you could just do that before and after shot of texture-modified food—I think you have referenced three different types of texture-modified food in your evidence, so just looking at how that has occupied a proportion of your overall output then and now. Thanks very much.

**Dr BACH:** I will cede my time to Ms Crozier.

**Ms CROZIER:** Mr Ciccarone, Mr Bennie this morning said it was mid-morning he provided an update to Community Chef through those board papers that I referenced to you and to him earlier today, but you said in your evidence just now that it was during the day—as the day went on you became aware of what was evolving with I Cook Foods. I believe that it was a later time frame that it was out on radio and made public about the closure of I Cook Foods. So it is a very tight time line between this board meeting starting at 9.30 am, with Mr Bennie saying it was mid-morning he provided an update to you and others at Community Chef, and then you saying as the day went on learning about what was actually going on. I am a little bit concerned about the tight time lines and the issue around the closure at 4.00 am and you having a 9.30 am meeting that was about planning where it was discussed. The minutes that the discussion of the issue around the closure of I Cook Foods and about potential other issues around the finances but also the issue around other opportunities that may need to be undertaken due to the closure. Can you please provide to the committee some understanding about your specific time lines about when you were made aware? From all the evidence we have received, it is not quite stacking up in terms of the tight time lines and what you and Mr Bennie have provided to the community, and I am keen to understand that.

**Mr CICCARONE:** ‘During the course of the day’ is a turn of phrase. I was not referring to a specific time. My recollection of events was that we started receiving calls from our own customers saying something had been reported on the radio—

**Ms CROZIER:** What time was that, sorry to interrupt?

**Mr CICCARONE:** It was before the meeting started, before our meeting had started.

**Ms CROZIER:** Before 9.30 am? In the morning?

**Mr CICCARONE:** Yes.

**Ms CROZIER:** And when was it made public? When was the closure of I Cook Foods made public, do you know?



**Mr CICCARONE:** I cannot be certain. It was quite a while ago, and I did not think to record the exact time that it became public knowledge. But the sequence of events was we started hearing that a food manufacturer was closed, so we put our own statement out. Then there was further public knowledge of the event and I Cook being named. And then Mr Bennie provided context. That is a sequence of events. Now, I cannot say specifically what time that happened, but it was before the afternoon. Was it around 10.30 am? Perhaps. I honestly cannot recollect.

**Ms CROZIER:** So it obviously was discussed early on in the meeting of that morning of the 22nd, because you would have been receiving phone calls and obviously there would have been a need for a strategy put in place by Community Chef to deal with potential filling of the gaps, if you like, for those—

**Mr CICCARONE:** Affected councils, yes.

**Ms CROZIER:** Yes, to be able to assist in providing Meals on Wheels or food or whoever for whatever reason to supply those aged-care facilities or whoever had contacted you to say that we need some assistance.

**Mr CICCARONE:** Yes, that was discussed, and like I said, whether it was 10.30, 11.00, 11.45, I cannot say with any absolute certainty because the day was a blur. We were having a planning day, which is very information intensive anyway. My focus was on working with the board for our forward strategy. This was an added complication on that day, so the time—

**Ms CROZIER:** But I Cook was not named until 2.00 pm, and the issue is that Mr Bennie came from the council to your meeting, obviously having an understanding of what was going on.

**Mr CICCARONE:** Named by whom? By the department of health or named in the media?

**Ms CROZIER:** Publicly.

**Mr CICCARONE:** I am not certain of the exact time lines—the exact time that it was announced. My recollection was morning, but I cannot say with absolute certainty.

**The CHAIR:** Thank you, Ms Crozier. There may be time for some people to come back for questions.

**Mr ERDOGAN:** Thank you, Mr Ciccarone, for coming here today and answering our questions. I just have a question about what steps you take to prevent listeria outbreaks at your food premises, and do you have a listeria management plan?

**Mr CICCARONE:** I will need to take part of that on notice, but I know we have very strong food safety practices in place at the facility. Clearly we have HACCP certification. We get audited by an external auditor and by the Hobsons Bay City Council on an annual basis. But I am happy to take that on notice and provide all that information.

**Mr ERDOGAN:** Yes, please. Could you please just let us know specifically if you had a listeria management plan. In particular I really want to know if there was a strategy just targeted to listeria.

**Mr CICCARONE:** I am more than happy to provide that.

**Mr LIMBRICK:** Thank you for appearing today. I have got a couple of questions around the exemptions from the *Local Government Act* in responding to tenders. Will that exemption remain after ownership is transferred from these councils to the department of health?

**Mr CICCARONE:** That is a matter that is being discussed amongst the Department of Health and Human Services and the Minister for Local Government's office.

**Mr LIMBRICK:** Okay. So you were in competition with the private sector on certain councils because, you mentioned, you put in for tenders and you won one at Glen Eira council and lost others. Some of these affected councils, when I Cook Foods was shut down, you went in to establish contracts with them so they could maintain supply. Had you ever tendered for those councils before and lost the tender to I Cook Foods?

**Mr CICCARONE:** Possibly. I will have to take that on notice. Just to be clear, there was no contract established for the supply. We provided all the appropriate certification, we provided a credit check and moved on from there. We understood that in all of these instances it was only for a short term whilst councils sorted out what their longer term plan was.

**Mr LIMBRICK:** Okay. So it appears clear then that Community Chef in some realm was in competition with I Cook Foods and presumably other providers when it has gone in for tender processes. Does it concern you then that one of your shareholders, which is the City of Greater Dandenong, effectively was the entity that regulated and shut down I Cook Foods? Is that of concern to you, like some sort of conflict of interest?

**Mr CICCARONE:** I do not believe so, as long as that conflict or potential conflict is made clear and declared. I would be surprised if there are any councils that we supply to that do not have food manufacturing premises within their boundaries. I do not see them as competitors; I see them as providing choice—further choice—to those in the marketplace, just as we do.

**Mr LIMBRICK:** Okay. Can I just go back to this exemption from going to tender that you have with your shareholders. What is the rationale for that exemption?

**Mr CICCARONE:** I am not the best person to provide this information. I am happy to take that on advice, but typically the rationale was linked to the ownership of the business to encourage others to become part of a shared service model, and also that the main rationale was to create security of supply at a time—

And you need to understand, when we came into business, there was market failure: councils were not getting bids for their tenders. It was a dire situation. So they wanted to make sure they could have security of supply—food security—for the most vulnerable in their communities.

**Mr LIMBRICK:** And so if that rationale, the rationale for the tender exemption, was linked to ownership, then that rationale would no longer exist after ownership transfer to DHHS?

**Mr CICCARONE:** I cannot comment on the legal ramifications of the transfer of business. Once again, that is a matter for the DHHS to sort out in due course.

**Ms MAXWELL:** Are you able to describe to me what makes it more applicable for you to be able to provide food to the disabled as opposed to the private market? It states here that they were unable to meet those demands.

**Mr CICCARONE:** Sorry, I do not understand your question. Who states that ‘they were unable to meet those demands’?

**Ms MAXWELL:** So it talks here about the joint venture of Community Chef to address local councils’ concerns that the private market was unable to meet the long-term food security needs of the disabled and others.

What makes Community Chef able to meet those demands as opposed to, for example, I Cook Foods?

**Mr CICCARONE:** Okay. Well, I cannot comment on I Cook Foods—their business structure and their strategy and which markets they want to enter—so I will set them aside. We are set up to provide meals to those most vulnerable in the community, being the elderly, the infirm and those with disabilities. The councils made that conscious decision to start a food business to provide food security. I am not sure what else I can tell you.

**Ms VAGHELA:** Which council would visit your business for food safety inspections?

**Mr CICCARONE:** Hobsons Bay City Council.

**Ms VAGHELA:** Did you have one dedicated officer who would come and do the annual visits that you mentioned or would that change every year?

**Mr CICCARONE:** I am not aware of who comes out to undertake the audits. My impression is, though, that it does change regularly. But I am happy to take that on notice and provide you with that information.

**Ms VAGHELA:** Are you aware of any criteria when the officers visit the site—whether they should come with the body camera or they should come without the body camera? Are you aware of any of those criteria?

**Mr CICCARONE:** I have never noticed any of the food safety auditors wearing body cameras, but I would imagine that every council sets their own agenda with regard to that.

**Ms VAGHELA:** So maybe that might vary from council to council. Were there any situations in the past where your business was referred to DHHS?

**Mr CICCARONE:** No.

**Ms VAGHELA:** Were you ever served closure orders in order to measure non-conformances found?

**Mr CICCARONE:** No.

**Ms CROZIER:** I just want to get some clarification around the answers to Mr Limbrick's questions. You mentioned security of supply. So did the closure of I Cook Foods increase Community Chef's ability to have security of supply?

**Mr CICCARONE:** To increase our ability to supply councils?

**Ms CROZIER:** Yes. Well, you were talking about security of supply. So with the closure of I Cook Foods, did that increase your ability to have that security of supply?

**Mr CICCARONE:** We have redundant capacity or spare capacity, so we were able to meet the surge needs of those councils that required it for that brief period whilst they were sorting out their affairs. They then went to tender. We put in bids for most of them and secured one.

**Ms CROZIER:** Well, in board papers in April 2019 you talk about a broader food service strategy that was presented to the minister's office. Could you explain to the committee what that included? Because it was in reference to the I Cook issue. There are clear issues around I Cook having closed down and the department asking about disaster recovery plans, but you were to present to the minister's office a broader food service strategy. Can you explain to the committee what that entailed?

**Mr CICCARONE:** As I mentioned previously, I do not wish to make comment on anything within the board papers without first consulting with the board directors.

**Ms CROZIER:** I have got them here; so have the rest of the committee. So I am not sure why you are being so evasive, because under freedom of information we have got these. Is there anything to hide? It is just a straightforward question.

**Mr CICCARONE:** No, nothing to hide. I am surprised that you say that they have come under FOI, because typically if there is an FOI and it involves a party, then—

**Ms CROZIER:** If you are not going to answer, I will just move to my next question. There is also talk about a transition strategy and that the minister was encouraged, after a visit by another minister, Minister Horne, to approve a transition strategy, so I think that would be also very helpful for the committee to understand what the transition strategy was for Community Chef and what discussions were had with the minister's office in relation to those two elements.

**Mr CICCARONE:** I think, as with any sort of commercial-in-confidence discussions, the board and the executive management team made the decision that they wanted to move into different spaces. Now, the various aspects of that strategy are commercial in confidence. Once again, that is a matter that I would need to consult with my board on before making any further comment.

**Ms SHING:** Mr Ciccarone, I have got a question for you in relation to the purchase, which is the subject of a lot of speculation. But in the event that the value of Community Chef were to go up because of a greater market share, whether in pre-prepared or in texture-modified foods, would that then have an impact on the purchasing arrangements, negotiations and terms in a way that would, in your opinion, adversely impact on any purchaser?

**Mr CICCARONE:** I do not think I am in a position to speculate on the value of a business based on hypothetical outcomes. The reality is—

**Ms SHING:** What we have here, though, Mr Ciccarone, is we have a series of hypotheticals, and the terms of reference here invite us, as a committee, to reach into some very significantly differing versions of events and differing views about the motivations that sit underneath those events. One of the theories that has been put through evidence of other witnesses to this inquiry is that there was an inappropriate level of interference such as to improve the market share for Community Chef across a range of different offerings and therefore to boost the way in which a department might gain a share of that market through acquisition. It strikes me as somewhat counterintuitive, where Community Chef were to gain a greater share of the market, that this would not then push up the price of any such going concern that did become available for purchase. Have you got any view on that?

**Mr CICCARONE:** Well, no, I do not really have a view on that. The main thing, if you allow me to make a comment, is that any business or any provision of meals into any publicly run health service is governed by Health Purchasing Victoria. To go outside of those bounds an exemption is required. So to say that we were going to be given business is incorrect. We would only be able to be given business if the business is owned—not given, provide the service required by the health service is a better way of saying that.

There is an old, dilapidated kitchen at Footscray. We have got a state-of-the-art facility here that has been supported by all levels of government, all parties, and it is available for use by the state. It seems to me that that is the best possible use for this facility. Whether that impacts on what the purchase price of the facility is, I am not qualified to answer that

**Ms SHING:** But as a social enterprise your business is not that of making money, is it, Mr Ciccarone?

**Mr CICCARONE:** No. Any sort of surplus goes back into providing a social dividend. Over the years we have done that in various ways, but typically via donations to Foodbank Victoria.

**Ms LOVELL:** Just before I ask my question, Ms Crozier has just asked me to tell you that the minutes were not FOled; they were actually on the Community Chef website and were provided to the committee as part of the I Cook submission.

**Ms CROZIER:** That was my mistake.

**Ms LOVELL:** Yes. So it was just her error that she thought it was FOled. She wanted to clarify.

**Mr CICCARONE:** Sorry, can I make further comment on that, Chair?

**The CHAIR:** Yes, Mr Ciccarone.

**Mr CICCARONE:** We only provide our meeting minutes through a secure portal that is password protected. Those minutes would not have been in a—

**Ms LOVELL:** We do not know. They were provided to us as part of a submission from your website. We are just clarifying that it was not an FOI.

Just referring back to the minutes, the minutes state under item 4, which is your CEO review, we have 4.1, the CEO's overview, then we go on to 4.2, which is business development. There were some items raised by Bill Jaboor in relation to opportunities in Shepparton through the council, the local hospital and also the ethnic council's aged-care facilities. There was a Western Health status update. You advised on the commonwealth meal subsidy. It then says:

The meeting suspended at 10.10 am for Business SWOT analysis session with Michael Bourke. Meeting recommenced at 12.45 pm.

Now, the very next item when the meeting recommenced at 12.45 pm is Mr Bennie briefing the meeting on the I Cook issue. That is 12.45 pm, the very first item once the meeting recommenced. I am informed that I Cook were not named in the media until the *Age* put it up on their website at 2.00 pm, and also Professor Sutton held his press conference at 2.30. So the information that we have been given about this not being discussed as being

I Cook prior to it being named in the media seems to be incorrect. I was just wondering if you could comment on that, please.

**Mr CICCARONE:** As I said earlier, I am not absolutely certain of those time lines. I have a vague recollection of the sequence of events. I cannot tell you any more than that. That is all I can really offer.

**Mr LIMBRICK:** One question I would like to ask around the shareholding that the councils have is: what sort of financial risk do the councils have in relation to their shareholding in Community Chef? If Community Chef, for example, got into financial trouble, who would be liable for that? Would the councils be insulated from that or would they have to bail Community Chef out somehow?

**Mr CICCARONE:** I do not think there is one simple answer to that. I need to take that on notice and provide a full answer. However, my understanding is that councils' liability is only limited to the amount they have invested in the organisation. However, as I said, I am happy to take that on notice and provide a fuller explanation.

**Mr LIMBRICK:** Again with regard to the ownership structure, we have been able to see how this works, and it is a bit convoluted, but correct me if I am wrong. We have an ownership structure where we have a bunch of councils that are shareholders. One of those councils, the CEO of which was on the board of Community Chef, is also the council that is a regulator of a competitor which was shut down, and then another council, Hobsons Bay City Council, presumably is the regulator of Community Chef. Does this seem like an ideal arrangement? It seems problematic to me.

**Mr CICCARONE:** I do not see the problem there. I kind of answered this question a little earlier, and I cannot remember who asked it. But the reality is every local government area has food manufacturing in it, or most of them would, and many of those within the bounds of our shareholder councils, so by that logic every council that is a shareholder is conflicted. I do not believe that to be the case, but I am not a legal expert.

**The CHAIR:** Thank you, everyone. Thank you, Professor Raysmith and Mr Ciccarone, for making time here today. A transcript will be made available to you. Please have a look at it and let us know if there are any errors in it. We very much appreciate your time today. They are never easy processes, so thank you for your candour.

**Witnesses withdrew.**