ADDRESS TO FOREST INDUSTRY ENGINEERING ASSOCIATION - ANNUAL CONFERENCE

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By

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Identifying Opportunities, Key Success Factors And Constraints: Strategies For New Zealand Structural Lumber Producers

My contribution to this conference, today, is to address the topic nominated by the organizers, namely “Identifying Opportunities, Key Success Factors and Constraints: Strategies For New Zealand Structural Lumber Producers”. The views I express are my personal views.

In allocating this topic to me the organizers have been very kind, because, as a relatively new entrant to the industry, when I look at some of the topics for the presentations to follow I doubt I could make much of a contribution on most of those subjects, due to their technical nature.

The organizers have been kind in another respect, too: my topic allows me to range widely and even to indulge a pet hobby-horse, or two. So, listen up.

I am going to approach this topic on essentially two levels:

• first, at the industry level, to look at the opportunities and threats confronting the industry and strategies that New Zealand lumber producers can employ within their own businesses, or over which they can exert control or at least influence by industry-wide collaboration; and

• second, at the macro-economic and political level, where the industry needs to combine to influence the shaping of the macro-economic environment with which it has to contend.

Overarching Observations

Before I get into specifics, let me make some overarching observations.

A few of you may be aware that I have had considerable and influential involvement in the wool industry. There is an industry that has programmed and structured itself to suffer the absolute certainty of the failure it is experiencing. Wool producers have allowed other vested interests to become interposed between themselves and their true customers, even to the extent that, especially in the case of the strong wool that predominates in New Zealand, traders owned by wool processors have the dominant influence over the prices paid to producers. Extraordinary, but true.

Remember, in most of our lifetimes, wool used to be New Zealand’s greatest export earner, by far. But, as an industry, it failed to modernize, so is now at the end of transiting from the typical sheep farmers’ principal source of income, not so long ago, to becoming a nuisance to them. It has failed, at enormous cost to the general economy, too, due to neglect: at the producer level; at the industry level; and at the political level.
How did this economic disaster – for that is what it is – happen? And what lessons can be taken by producers of other commodities, including wood?

Wool’s failure can be attributed to three principal causes:

- failure to modernize its industry marketing and development structures, to enable it to compete with emerging fibre substitutes backed by powerful multinationals that utilize modern business methods, by allowing wool’s supply chain to be captured by vested interests who have no imperative to serve the interests of producers: the opposite, in fact;

- producers’ misplaced faith in the former New Zealand Wool Board, which they were compelled to fund by statutory levy, and which became captured by individuals – Board bureaucrats and directors elected to that cozy little club – who used growers’ levies to prioritise their own interests over the interests of producers, so became a liability of producers not an asset;

- weak political overview and supervision – after all, the Wool Board was a statutory construct, so government had and has an ongoing responsibility for its conduct – which failed to uphold the national interest, to thereby in effect lock producers into the inevitable industry disintegration that has resulted and which is now well into its terminal phase.

So, what lessons can be taken for the wood industry?

Well, fortunately, unlike the wool industry, the wood industry does not have the millstone of a producer board imposed on them by statute. And producers tend to be fewer larger and more commercial, so are in a better position to interact with their markets and to have greater influence over the factors that determine their respective destinies, especially quality assurance and product pricing. But, there are some issues that wood has in common with wool.

Quality Assurance

Structural lumber has to recognize that it, too, has strong competition from substitutes: concrete, plastic and steel, for example. Those competing products have no issue with verified grades. Nor have they had the adverse publicity of leaking and rotting homes. Surely, it is a no-brainer that every structural lumber producer should commit uncompromising to quality assurance by grade verified timber. In my opinion, that is essential, not only to the futures of individual producers of structural lumber, but also to the future of their industry.

While discussing quality assurance, it is a concern of mine that the self-serving antics of even one timber preservative chemical company can damage consumer perceptions of structural timber, simply to protect its own narrow vested interests. There has already been one beat-up and the same company is trying to orchestrate another, using ‘science’ that looks to me to be highly dubious, developed without independence from vested interests and with avoidance of peer review prior to peddling it within industry and political circles.

Structural lumber producers cannot allow themselves to fall into the same trap that wool producers fell into, by allowing peripheral vested interests to damage the future of their industry and their businesses.

I suggest the industry policy position on grade verification and preservative treatment issues should be self-evident. The industry simply cannot afford to dilute the level of quality assurance to the consumer, the house owner. That includes considerations of health. To do less is to voluntarily sacrifice a progressively greater share of the market to substitutes, as wool has done by its neglect.
Actually, the adoption of the most professionally rigorous industry practices is this industry’s greatest opportunity to defend and grow its market share.

To achieve such industry discipline and professionalism, I suggest all structural lumber producers must have zero tolerance of vested interests who push their own agendas ahead of the interests of the industry. Collectively tell them to butt out, or be permanently struck off as a supplier. There is no place for the kind of limp-wristedness that has destroyed the wool industry.

I suggest, too, that this zero-tolerance-of-mischief policy also needs to extend to the process for the determination of standards. Frankly, as a newcomer to the industry, I am having difficulty in differentiating that process from what I imagine takes place in the South American bordello. Some of you who have greater experience in such matters can tell me later if I am wrong. The process should be driven solely by independent technical and scientific professional rigour, nothing less, and certainly should not be skewed by the influence of vested interests.

For example, was the requirement to treat Douglas fir really driven by the interests of the consumer, or by industry vested interests? After all, neither the consumer nor the industry is served by adding unnecessary cost. Intra-industry rivalry, when destructive, can deliver market share to non-wood substitutes.

And, as an industry group, structural lumber producers need to be vigilant that Aussie standards are not manipulated over there, too, as nothing more than non-tariff trade barrier, as appears may be happening. Here, we need to be insistent that our political representatives are pro-active, determined and effective on such issues.

Having to contend with distance from market, massive compliance costs and extended periods of a vastly overvalued AUD/NZD exchange rate, the latter created by the Neroistic fiddling of our own Reserve Bank, is enough of a trade barrier. We don’t need any more. I will come back to the issue of monetary policy.

Before I move onto market opportunities and macro-economic issues, let me briefly note a few of the other issues that, as I see it, are important to the future of the structural lumber industry.

**Training**

Remember, we are not selling a consumer product, but a construction material. Generally, building skills are needed to convert our product into end value uses. We cannot afford to ignore training programmes and standards within the building construction industry. If consumers do not have access to skilled builders, who are committed to quality, we will not be able to win their business.

One of the wool industry’s greatest barriers to its ability to now stage a recovery of its economic fortunes is the dissipation of the traditional skills needed to operate wool’s value chain, due to the industry neglect to which I earlier referred.

As structural lumber producers, we need to support training within our own businesses and industry, too. Sawmilling technology has undergone tremendous change, to automation and computerization for example. This has to be ongoing, to drive the improvements to productivity that are critically important, not only to the future of our industry but, in the wider context, to New Zealanders’ living standards compared to other countries to which our labour and even our logs can easily migrate.

In our own business we see productivity gains, by the combination of greater automation and higher skills attained by training, as the foundation strategy to both address threats and to create opportunities.
How?

To prepare for the future, we learned from the past. How many sawmills using the technology and skill sets of 20-30 years ago would be viable today? So we see productivity gains, through automation and training, as both an insurance to protect our survival and as a way to support our market development. That means working smarter, not harder, to become, at least, one of the lowest cost producers of high quality structural lumber, but still paying good wages. In turn, that requires investment in modern technology.

Compliance Costs

As an industry, we also have to combat the bureaucrats: the nonsense of the Resource Management Act; the huge weight of compliance costs, especially OSH; and the seemingly never-ending increase to bureaucratic red tape. It is not hard to see that very few of our policymakers and their officials have ever been in business on their own account. New Zealanders’ relatively declining living standards, the external current account losses and massively escalating national debt levels are their performance scorecard. If our company had such a dismal performance record we would have gone broke, long ago.

I had better move on. But, before I do so, remember that such bureaucratic cost pressures can be combated only by concerted industry-wide influence. It makes sense to support Woodco and the Wood Processors Association on such matters.

Market Development and Profitability

What can structural lumber producers do to develop markets?

I suggest there are two levels: companies promoting and marketing their own products; and collaborative industry promotion and marketing of wood, to extend the market for structural lumber, vertically and horizontally, and to counter encroachment by substitutes.

There is a strong case for a generic wood promotion campaign. It is strategically vulnerable for structural lumber producers to be dependent upon the domestic residential market. While wood holds over 90% of the residential framing market, it is under attack from substitutes. Generic promotion of sawn lumber has worked in other countries.

Woodco has taken up this challenge. I suggest it is in the interests of every structural lumber producer to support the promotional campaign it is proposing. Don’t lamely concede your market to substitutes, without a fight.

A key part of that promotional campaign should be to target the government buildings sector. This will give government, local and central, the opportunity to lead, not just to talk.

For wood to gain a greater share of that market requires early stage opportunity to influence design and specification decisions. Recently, a group of us sought to have the intended international passenger terminal for Rotorua airport built using wood, a product which has a strong economic presence in that region so there was a promotional motive, too. But, by the time the group formed, the project was too far advanced and the critical path timeline was too tight. Government – both local and central – need to allow more time.

However, there is a move to establish a multi-dimensional wood and biomass innovation centre, in Rotorua, to: showcase present and future products; and, amongst other things, to resource architects and designers to specify wood. It is early days, but, it may be the most effective way to keep structural lumber and other wood products in the forefront of the minds of designers.
So let’s be visionary about promoting our product. Well planned promotion is not a cost. Well planned, it is an investment in expanding markets, as well as a defence of present markets.

What about the profitability of structural lumber producers?

Really, it is short-sighted and a sign of sub-standard management to seek greater market share by under-pricing competitors to, for example, quit excess stock. Work out why you are really in business. It is not to produce lumber as a privately owned charity. It is to produce enough profit to justify being in business.

The way to do that is to hold or even increase prices, not reduce them. If your business wants more market share, then the key success factors are: professionalism; customer service; quality assurance; reinvestment in new plant; corporate integrity; and by being responsive to both threats and opportunities.

In the policymaking for our business we differentiate between domestic and international markets.

For the domestic market we accept that we need to compete with all-comers. Of course, the Commerce Act requires that. We strategise our approach by reliance upon the key success factors to which I earlier referred. Here, broadly, we regard Australia as a domestic market.

For the development of international markets, apart from Australia, in appropriate circumstances we are quite prepared to join forces with other New Zealand timber processors. It can make sense. Even though our Waipa Mill is relatively large by New Zealand standards and will soon be larger, we are small beer on the international stage. To develop business into large offshore markets, collaboration between New Zealand producers to gain greater critical mass may be the way to gain entry, retain business and develop scale opportunities.

It was out of this recognition that I agreed to devote time to chair the consortium of six New Zealand wood producing companies that has partnered with New Zealand Trade and Enterprise to develop new distribution channels into the China market.

The first steps were to adopt a suitable legal structure, New Zealand Wood Innovations (Asia) Inc, and then to open a wood innovation display centre in Shanghai. It is an excellent display of some of the innovative ways New Zealand Pine can be used in a variety of high end applications.

The centre is a promotional springboard into the China market for the consortium, as well as a way to alter perceptions that had developed in that market, that New Zealand Pine is a low quality wood suitable for mainly industrial uses.

How, did such a potentially important market develop such negative perceptions? New Zealand logs were sold to Asian sawmills and lumber processors who had no idea how to process them, so poor quality lumber was an inevitability. And no-one knew New Zealand Pine could be any different.

The response we have adopted to meet this challenge is to not only promote New Zealand Pine, but to also promote the quality assured supply chains operated by consortium members. Put simply, if customers want quality wood, go to those who know how to produce it.

How is this Shanghai initiative progressing?
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It is early days. The Shanghai centre is very good and it is well managed by able and dedicated staff. There has been strong interest from the Shanghai industry. While this represents opportunity, it is also a challenge.

Before the centre opened, I recognized the need for a professionally efficient commercial structure, based in New Zealand, to support the Shanghai spearhead, to provide a single contact point for the centre staff and to coordinate the responses to enquiries by the members of the consortium to a professional standard.

This created a further challenge: to make such a commercial structure viable without too much haemorrhaging from start-up losses. I have proposed a solution: to combine the representational needs of the consortium with an independent initiative which is looking to develop new value chains for wood products in international markets. This would work, but is taking longer than expected.

Our interest for the independent initiative, as lumber producers, is to move further up the value chain, to sell value-added products, not simply lumber. We are cautiously optimistic about this possibility, so who knows we may come knocking on doors in the future seeking supply of lumber. But there are risks. The risks are from both commercial areas, which are normal and we can handle; and ironically from officialdom, which are abnormal.

Macro-economic Challenges and Responses

Actually, the greatest risk to the businesses in our industry – as it is to most exporters and to the New Zealand economy, generally – is No. 2 The Terrace, Wellington, the Reserve Bank of New Zealand. Its instruments for the operation of monetary policy – damagingly high interest and exchange rates – are the principal cause of New Zealand’s rapid relative economic decline. The latest cycle of vast overvaluation of the New Zealand dollar has wrought considerable damage to our industry, as it has other industries in the tradables sector of the economy.

As you would not need reminding, many sawmills and timber processors have either closed or have reduced shifts over the past 2-3 years. Others have been under severe economic pressure, especially if their business model leaves them exposed to exchange rate irrationality, due to high dependence upon export markets.

This economy needs exporters, but it does not value them, let alone support them as competitor economies do. The current account deficit - $12 billion per annum, going to $15 billion - is one measure of how harshly this country’s policymakers treat the export sector. We have the worst current account deficit per capita in the developed world. We have the highest debt per capita and, worse, our interest rates are the highest in the world. The only economic miracle we can claim, is that no-one has pulled the plug on us – at least, not yet.

This is macro-economic mismanagement – it cannot be sensibly described in any other way – on a truly breathtaking scale. It represents a risk to our industry. The huge and building sand-cliff of household debt casts a shadow over our futures.

What will happen when debt accretion simply ceases, when international funders finally wake up and take fright? Or simply find more attractive markets for their lending, due to the increasing trend to world interest rates that is underway?

We saw this combination of circumstances as a threat to our business. As I mentioned earlier, we have a policy of pro-active responsiveness to threats, as well as opportunities. In a speech I gave late last year I attacked the nonsensical high interest and high exchange rate policies of the Reserve Bank that have quite unnecessarily brought about this calamity and advocated changes.
Here, I must commend our Minister of Finance, Michael Cullen. He read the speech and wrote to me to say he was ordering Treasury and Reserve Bank officials to look for alternative instruments for the operation of Reserve Bank monetary policy.

Dr Cullen and the Prime Minister have since done a good job in jaw-boning down the New Zealand dollar. This has given our industry and exporters, generally, some relief, but the risks have not been removed.

The officials have reported with some ideas, but without conviction. There is ongoing dialogue. This is the time for every exporter to impress their views upon policymakers.

Regrettably, at this time, I do not see any certainty of the emergence of the forces that would be needed to catalyse and lead the needed changes to macro-economic policies. After more than 20 years of waiting, it would be a brave, probably unrealistic, person who would bet that we will break our duck easily, at least by voluntary processes.

What about change by involuntary process? Forced by economic crisis, for example? After all, don’t our policymakers have the admirable trait of sitting resolutely, even immovably, in front of the oncoming headlights? Could we fluke such luck that the failed adviser cabal could become road-kill?

Actually, unless there is a sudden epidemic of vision, that is probably more likely than is the prospect of the needed changes being introduced by sensible voluntary processes. If, by analogy, we imagine the New Zealand economy as a boat, it is listing under the burden of such massive economic imbalances to be in imminent danger of capsizing. The so-called economic “boom” over the past 5-6 years has little structural permanence. It is better described as an immigration driven debt funded binge, as the resulting current account deficits attest.

Our company prioritises the domestic structural lumber market, and will continue to do so. Our response to the escalating risks in that market is to be more pro-active in export markets.

We have two motivations for the development of overseas markets: we recognise the Australasian housing market is facing contraction, in the period ahead; and we anticipate that this is likely to be accompanied by a substantial devaluation of the NZD exchange rate, so export markets that have been unattractive should become profitable opportunities. To increase productivity and to reduce unit costs, to be internationally competitive, we have invested to increase production. With 50% more production to sell, this market development and diversification is an important strategic move for our company.

The further collapse of the value of the NZD – which we consider is both probable and essential – will be an involuntary response to the accumulating pressures that have arisen as a result of New Zealand’s failed macro-economic policymaking.

You will notice some commentators arguing against a fall in the value of the New Zealand dollar, claiming that a strong dollar is a sign of a strong economy. In the context of New Zealand’s present economic circumstances, they are completely wrong. Viewed astutely, our economy has greater imbalances than any country in the developed world. Until these are effectively addressed – and there is no sign of that yet – high NZD exchange rates would be ruinous. To regenerate the productive sector, low NZD exchange rates for many years ahead are essential.

We will be entitled to a strong dollar when we no longer have large chronic current account deficits. Then, export revenues will be adequate for New Zealand to start paying its way.
What are the economic imbalances?

Well, the most obvious is that this country is operating at an enormous external loss. The current account deficit can be likened to our nation’s profit and loss deficit with the rest of the world. The loss has already shot up to $12 billion: it is on its way to $15 billion. That’s 10% of GDP – far worse than any other country – or an average loss for one year, alone, of $15,000 for a family of four. Think about it!

New Zealand has been running current account deficits for over thirty years. They are not the result of any calamitous event, such as foot and mouth disease. They are simply the result of failed macro-economic policymaking, which was and is entirely avoidable. The first step towards economic recovery is to acknowledge that simple truth.

I mentioned earlier that I have identified Reserve Bank monetary policy as the main culprit. To understand why I reached that conclusion it is necessary to demystify how monetary policy operates, in practice.

Every six weeks, or so, a strange ritual plays out in Wellington: the Reserve Bank’s review of the Official Cash Rate. In other words, will the Reserve Bank alter interest rates, to supposedly combat inflation. But, if it does, what is the actual effect within our economy, with its sand-cliff of massive foreign debt, now around $160 billion?

In practice, Reserve Bank monetary policy works like this.

In effect, the Reserve Bank says to the foreign lenders: ‘Hey, we know you would probably lend to us at 3-4% per annum, but we insist that our borrowers pay you 6-7% pa’. The bemused lenders say: ‘You want to gift us your wealth! Why?’

‘Well’, says the Reserve Bank, ‘if we gift our wealth to you it will make our people poorer, they won’t be able to spend so much and that will help us to control domestic inflation. Will you help us, by accepting this gift of our nation’s wealth?’

Now, all the world loves a sucker. At this point, the foreign lenders know they have one: a borrower country that is voluntarily wanting to pay the world’s highest interest rates on its massive foreign debt. So, obviously, they eagerly accept these gifts of our wealth.

The foreign lenders soon work out that the more debt they can push into New Zealand the more of our wealth we will gift to them, so ‘hot’ money floods into New Zealand, chasing the Reserve Bank’s largesse: the exact opposite of what the Reserve Bank intended.

This new easy money needs a home, someone to pay the world’s highest interest rates. It starts chasing assets, for security, thereby triggering massive inflation of asset prices – for houses, farms and seaside properties, for example – and creating demand by Kiwis for higher incomes, to service their burgeoning levels of debt. Again, the exact opposite of what the Reserve Bank intended.

As the foreign debt flows in, like a financial tsunami, it sets up new demand for the NZD. The exchange rate rapidly escalates. Exporters – the national economic lifeline – find their incomes eroding. They stop investing and begin to consume their capital. Some, such as Fisher and Paykel, shift plant overseas. Many exporting businesses fail and close, as the forestry industry has experienced. Exports stagnate, or even decrease.

The high NZD makes imports cheap, so they flood in. In effect, we have gifted away, damaged or destroyed our true wealth creating resources.
The combination of: the Reserve Bank’s surcharge on interest rates, payable mostly to foreigners; its consequential attack on exporters; and the encouragement of imports; has one inevitable consequence. The current account deficit balloons, to levels that are now regarded as the most dangerous in the world. Far worse, even, than the USA.

To fund the deficit, we have to go back to foreign lenders and, either sell them more of our few remaining New Zealand assets, or borrow even more debt than before: the classic symptoms of economic decline. They oblige – at least for the time being. After all, to an extent, they are lending back to us the wealth we have gifted to them.

I do not have time today to fully develop this subject, except to point to the risks. Monetary policy is, by analogy, flying the New Zealand economy into a narrowing and blind box canyon. There could be a crash. New Zealanders’ incomes could fall to only 50% of Australians. Decline to such an extent is already well advanced. The Reserve Bank is hoping for a ‘soft landing’. How ‘soft’ is it to have your countrymen lose 50% of their income over the past twenty years?

It is a supreme irony, surely, that the only thing that has buoyed up the New Zealand economy over recent years has been the very thing the Reserve Bank would like to stop – inflation, of house prices in particular and some commodity prices. House price inflation has been fueled by high net migration inflows and easy access to increased debt funding. Continuation of both is now tenuous.

For our industry, this phenomenon has had temporary benefits, in the form of increased lumber sales for new domestic house building. But macro-economic trends in the domestic market are beginning to move against us, in several ways:

- Relative debt saturation is high. Household debt is already enormous. They are still overspending. For every $1-00 earned, $1-14 is being spent. As a nation, we are dis-saving. This may result in international lenders restricting additional credit to New Zealand borrowers, especially as growth in other economies offers more attractive returns;

- Apart from the New Zealand economy, world economies have entered a growth phase, which is likely to increase world interest rates on our massive national debt, to further reduce both disposable incomes and confidence;

- Servicing household debt has escalated, from 4% of household income, to a historic high of 12%. Until now, this escalation has been met by households taking on more debt, by overspending. The combination of restricted credit and higher interest rates will be toxic for domestic demand for structural lumber;

- Inward migration has slowed, which will reduce demand for new housing stocks – a further negative for structural lumber producers;

- The combination of these factors could cause house price deflation;

- If so, there will be a severe contraction in the level of spending that has fueled the New Zealand economy over the recent past.

While this scenario may present a relatively dismal outlook for sales of New Zealand structural lumber into the domestic market, there is likely to be relief from the further collapse of the New Zealand dollar, which will make export markets more profitable.
It is for each company in the industry to identify and pursue its own opportunities. They are likely to differ. Obviously, nothing is certain, but I suggest it is prudent to assume that the export market will become more important in the period ahead. That is how we see it, although our first priority for structural lumber remains the domestic market.

Perhaps this greater dependence upon exports may stimulate more cooperation between businesses within the sector. The key is to be proactive. Don’t just sit in front of the headlights, along with the Treasury and Reserve Bank mandarins. And don’t rely upon commonsense or leadership from them. Their record speaks for itself.

Our industry cannot afford high wage rate increases. The Governor of the Reserve Bank urges restraint. But, it does not help us to convey that to our valued workers earning less than $30,000 a year, when they read that the Governor of the Reserve Bank accepts a pay increase of 7% pa, which alone equals $30,000 a year. Leaders share the pain.

As Confucius warned, “During uncertain times it is a wise man who is uncertain”. The Governor should have set an example. By what performance criteria could any increase in pay be justified? Inflation breaches his Policy Targets Agreement. The economy, viewed rationally, is one of the worst performers in the world. And the Reserve Bank can hardly point to any productivity gains. Why is the Governor not attacking the principal source of remuneration inflation, the Remuneration Authority, which sets higher public sector salaries? His failure to do so is a disturbing omission.

Aberrant monetary policy is the greatest threat to structural lumber producers. Every such business is affected, including those that do not export.

During the latest cycle of overvaluation of the New Zealand dollar, we even had Baltic Pine being imported into New Zealand, from as far away as Scandinavia. And, reportedly, some domestic sawmills that could not export profitably switched production to structural lumber for the domestic market. Both factors affected sawmills that concentrated solely upon the domestic structural lumber market, too.

The Wood Processors Association and Woodco are supporting my moves to introduce more rational methodology for the operation of monetary policy, the Interest Linked Savings Scheme. Support from all companies in the lumber industry, in their own interests, may make a materially significant difference. Along with other companies in the tradables sector, you already have the benefit of the decrease to the New Zealand dollar exchange rates over the past few months.

A short story to finish.

A young Egyptian boy and a young Israeli boy were playing together on the common border of their two countries.

To rest, they sat down in the sand. After quiet reflection, the Egyptian boy said, looking into Israel, ‘How come your country has all those farms, orchards, industry, villages and development, while here in this part of Egypt we have just sand? My father tells me that years ago both sides of the border looked the same, just sand.’

The Israeli boy reflected for a moment and replied. ‘In my country we eat a lot more fish than do people in your country. Fish has protein, phosphorus and oils that are good for brain development. That’s probably what makes us more progressive’.

The Egyptian boy thought for a while, then said ‘Perhaps I should eat more fish’.
The Israeli boy said ‘Well, as a matter of fact, I just happen to have two spare fish in my bag. You can have both for ten dollars’.

The Egyptian boy paid the ten dollars and ate the fish. After a short while he said: ‘Hold on, I have just paid you ten dollars for those two small fish, but just down there at the port I could have bought them both for only one dollar. You’ve ripped me off!’

‘Ah’, said the Israeli boy. ‘You see what I meant. The fish are starting to work’.

Ladies and gentlemen, I hope I have been able to assist this conference, by also giving you some food for thought. Thank you.

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