Fifth Meeting of the EEC Subgroup on Business Facilitation

Agenda Item 6 : Regulatory Impact Assessment on the Labelling Scheme on Nutrition Information

Purpose

This paper reports on the findings and recommendations of a Regulatory Impact Assessment on the proposed Labelling Scheme on Nutrition Information.

Background to the Study

2. Nutrition-related diseases are significant public health problems in many parts of the world, including Hong Kong. The nutrition labelling of food is an important public health tool used to help develop healthy eating behaviour. International (Codex⁽¹⁾) guidelines on nutrition labelling suggest that food packaging should include details on the product's energy value, and the quantity of protein, available carbohydrate and fat. The guidelines also recommend the inclusion of the amount of any other nutrient for which a nutrition claim is made and the amount of any other nutrient considered to be relevant for maintaining a good nutritional status, as required by national legislation. Currently, at least 10 countries have or have legislated for mandatory nutrition labelling schemes. Twenty-seven countries have labelling schemes on nutrition claims and 18 countries have nutrition labelling schemes on certain foods with special dietary uses. The Mainland has drafted legislation requiring nutrition labelling and is currently considering implementation details.

3. Consistent with worldwide trends, the Administration is considering introducing a nutrition labelling scheme in two phases.

⁽¹⁾ The Codex Alimentarius Commission was created in 1963 as an international authority to develop food standards, guidelines and related texts.

Options

4. The study examined eight possible options which include variations on both the number of nutrients required labelling and the scope of the first phase of the scheme. The options are summarised in Table 1. It is noted that Option V is the scheme that was put forward in the public consultation exercise carried out by the Health, Welfare and Food Bureau in 2003. The exemptions proposed by the Administration were based, in part, upon the current exemptions under the Food and Drugs (Composition and Labelling) Regulations.

Options	Number of nutrients	Phase I Approach	Phase II Approach
Ι	Energy + 9 core nutrients		
Π	Energy + 7 core nutrients	If packaging includes a nutrient-related claim, labelling is required to meet the specified requirements. If packaging includes a nutrient-related claim and/or an existing label, labelling is required to meet the specified requirements.	All pre-packaged food must be labelled and labelling must meet the specified requirements.
III	Energy + 5 core nutrients		
IV	Energy + 3 core nutrients		
V	Energy + 9 core nutrients		
VI	Energy + 7 core nutrients		
VII	Energy + 5 core nutrients		
VIII	Energy + 3 core nutrients		

Table 1	Definition	of	Options
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Phase I Approach

5. For each of the eight options, nutrition labelling meeting the specified requirements must be provided on any pre-packaged food product that includes a nutrient-related claim. For Options I to IV, pre-packaged foods that do not include a nutrient-related claim can voluntarily provide nutrition labelling in any format. However, for Options V to VIII, nutrition

labelling must meet specified requirements if it is provided on a pre-packaged food product.

Phase II Approach

6. In Phase II, mandatory nutrition labelling is required for all prepackaged foods, except for those granted an exemption.

Number of Nutrients to be Labelled

7. The study examined four possible variations on the number of core nutrients to be labelled as follows:

- Energy plus 9 core nutrients, including protein, available carbohydrate, fat, saturated fat, sodium, cholesterol, sugars, dietary fibre and calcium.
- Energy plus 7 core nutrients, including protein, available carbohydrate, fat, saturated fat, sodium, cholesterol and sugars.
- Energy plus 5 core nutrients, including protein, available carbohydrate, fat, saturated fat and sodium.
- Energy plus 3 core nutrients, including protein, available carbohydrate and fat.

Analysis of Benefits and Costs

8. The study examined the costs and benefits of the various options to the trade and the community. Quantified benefits included those associated with:

- savings from avoided public hospital admissions due to nutrient-related conditions;
- savings from General Practitioners' visits and medicines associated with nutrient-related conditions;

- savings from a reduction in lost productivity due to hospital admissions of people under the age of 65 and due to deaths avoided in people under the age of 75; and
- premature deaths avoided due to reduced nutrient-related diseases⁽²⁾.

Quantified costs included those associated with:

- Laboratory testing for nutrient content for those products that do not already include content information.
- Re-labelling of products that are not currently labelled correctly and are not specifically packaged for Hong Kong.
- Economic impacts on small importers and retailers.
- Government costs associated with health inspectors, laboratory testing, handling prosecutions, complaints, education and promotions.

The results of these analyses are presented in the subsequent sections.

Impacts on the Trade

9. The majority of products on the market would not meet the requirements of the proposed options, with nearly all products (> 99%) having to re-label, repackage and/or test to meet the more stringent options (Options I and V). Even with the least stringent options (Options IV and VIII), over three quarters of products would have to take some action to ensure compliance. The study estimated that the Net Present Value of the

⁽²⁾ This quantification included a valuation of human life associated with premature death in those under 75 years of age. The dollar value used was taken as HK\$10 million per premature death, irrespective of age at death. Placing an economic value on a life saved is a common practice in reviewing costs and benefits arising from health and safety policies and programmes and the value chosen was based on a review of such local and international values and studies (see main report for details). The main report also provides details of benefits attributable to each option without these mortality benefits.

resulting compliance costs for the trade would range between HK 1,180 million and HK 1,757 million depending on the option ⁽³⁾.

10. The costs to industry of implementing the options are likely to be significant for some small manufacturers, retailers and importers, in particular, of niche products. In extreme cases, some niche products with low sales revenue and profit could cease to be exported to Hong Kong. A maximum of 5% to 10% of product variety in Hong Kong will be reduced and will impose costs on the Hong Kong economy, for example, through job losses and business closure of some small importers and retailers.

11. Small businesses significantly impacted are estimated to be less than 1% of SMEs engaging in food import and retail businesses. The cost to the economy due to diminished product choices could be as much as HK\$ 140 million and recurrent opportunity costs of some HK\$ 20 million per annum.

Net Economic Impact to Hong Kong

12. The study suggested that health benefits available substantially outweigh the costs of implementing the scheme for all options except Options IV and VIII. Once the scheme is fully implemented, the annual net economic benefit to Hong Kong from the other six options could amount to between HK\$ 900 million to HK\$ 1.6 billion.

Recommended Approach

- 13. The study recommended that:
 - **During Phase I, the Administration should proceed with Option III.** Thus any pre-packaged food product that makes a nutrient-related claim on its packaging would be required to provide information

⁽³⁾ This represents the range of the <u>most likely</u> impacts of trade compliance costs due to the possible options. Due to uncertainties inherent in predicting the future, the study also identified the <u>total possible</u> range of such compliance costs (HK\$ 800 million to HK\$ 2.4 billion).

on the quantity of the nutrient being claimed as well as the energy, protein, available carbohydrate, fat, saturated fat and sodium content of the product. Such a scheme should be introduced with a two-year grace period after the enactment of the relevant legislation. The assessment undertaken indicated that, combined with an education programme and corresponding changes in consumer behaviour, this approach would have significant benefits to Hong Kong in terms of improved health and a reduction in associated health costs and productivity losses. Furthermore, this initial scheme is similar to that in place in a number of key trading partners. Indeed, the analysis suggests that such an approach would have a net economic benefit to Hong Kong, generating over HK\$ 200 million of economic savings per year, while the costs imposed on the food sector are unlikely to exceed HK\$ 40 million, which is only 0.2% of household expenditure on pre-packaged food products.

During Phase II, the Administration should switch to Option I. A statement of intent to introduce a more comprehensive nutrition labelling scheme in the future should accompany the implementation of Phase I to indicate that Phase II would require additional nutrients to be labelled. During Phase II, all pre-packaged food would need to provide information on their nutrient content. In addition to the labelling of energy, protein, available carbohydrate, fat, saturated fat and sodium, the second phase of implementation would require the labelling of cholesterol, sugars, dietary fibre and calcium. Of the options examined, the assessment suggested that this option (e.g., labelling energy plus nine nutrient categories) would have the highest benefits to Hong Kong in terms of improved health and a reduction in associated health costs and productivity losses as well as being the most cost-effective (e.g., highest benefit to cost ratio).

Implementation Timeframe

14. The Consultant recommends that, before the implementation of Phase I, there should be a two-year grace period after the enactment of the relevant legislation. The timing of implementation of Phase II should be

subject to review. One key factor to be taken into consideration is the developments overseas. Hong Kong imports the vast majority of its products from overseas and the introduction of a comprehensive nutrition labelling scheme (such as that suggested for the second phase of implementation) in Hong Kong would require substantial action by food industries to ensure compliance. These compliance costs with regard to testing would be significantly reduced if the implementation of the scheme were timed to correspond with developments overseas ⁽⁴⁾. The Consultant therefore recommends that the timing of implementation of Phase II be reviewed three years after the legislative enactment. This will allow one full year of implementation of Phase I to be taken into account in the review. If other significant trading partners have adopted similar comprehensive schemes then the Consultant recommends that the Administration announces the implementation of the second phase, allowing at least a two-year grace period for the trade to ensure compliance.

15. The background to these recommendations, the analysis undertaken during the RIA and the findings of such analysis, as well as possible supporting measures to this proposed approach are available in the main study report.

Latest Proposal by the Administration

16. Having considered the local health situation, Codex and international practice, views collected during the consultation exercise and technical meetings, results of the public opinion survey and the results of the RIA, the Administration proposes to introduce a nutrition labelling scheme in Hong Kong in two phases: -

• **Phase I:** Labelling of pre-packaged food with nutrient-related claims only. Existing products that carry nutrition information but without claims would be excluded in Phase I. Pre-packaged food with nutrient-related claims need to label energy plus five core nutrients, namely protein, available carbohydrate, total fat,

⁽⁴⁾ Compliance cost would be significantly reduced as less products would require testing exclusively for the Hong Kong scheme and relabelling efforts could be combined with those for overseas schemes.

saturated fat and sodium on their packages, as well as any nutrient for which a claim is made. On the enactment of the relevant legislation, there will be a two-year grace period before the implementation of Phase I.

• Phase II: Mandatory nutrition labelling of all pre-packaged food, except those exempted. All pre-packaged food need to label energy plus nine core nutrients, namely protein, available carbohydrate, total fat, saturated fat, sodium, cholesterol, sugars, dietary fibre and calcium, as well as any nutrient for which a claim is made. Phase II will be implemented two years after the implementation of Phase I.

17. The Administration aims to introduce the legislative amendments to the Legislative Council in 2006.

Health, Welfare and Food Bureau Food and Environmental Hygiene Department Environmental Resources Management (the Consultant) April 2005