

Title: Impact Assessment on a Statutory Instrument implementing Regulation (EU) 1169/2011 on the provision of food information to consumers IA No: Defra 1443 Lead department or agency: DEFRA Other departments or agencies: FSA, DH, BIS, equivalents in other UK Governments	Impact Assessment (IA)		
	Date: 10/10/2012		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: Tom Stafford 020 7238 4903			
Summary: Intervention and Options		RPC Opinion: RPC Opinion Status	

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?
7.26	7.14	-£0.79m	Yes
			OUT

What is the problem under consideration? Why is government intervention necessary?

Food labelling legislation has developed in a piecemeal way since the 1970s. Government intervention is necessary to: correct potential market failure of asymmetric information in the provision of nutritional and allergen labelling information to consumers; and ensure consistency in food labelling requirements across the EU, reflecting current and future business practice. The directly applicable EU Regulation on the Provision of Food Information to Consumers Regulation (FIC) aims to do this. To meet the UK's EU legal obligations, enforcement provisions for FIC must be introduced and overlapping UK legislation removed. We must also decide which optional national measures to adopt.

What are the policy objectives and the intended effects?

The UK aims to introduce a new Statutory Instrument to: consolidate and update general food and nutrition labelling to remove confusing overlaps between the UK and EU legislation and to ensure a level playing field between EU and UK Food Business Operators (FBOs); minimise unnecessary regulatory burden on FBOs by taking advantage of appropriate national measures available in FIC and introducing a proportionate, risk-based enforcement regime; Infraction will be avoided by introducing enforcement provisions and removing overlapping legislation.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Enforcement provisions for FIC must be put in place.

Option 1: Preferred option. Remove 14 SIs, provide enforcement provisions, and take derogations on minced meat compositional requirements and milk bottle labelling. Remove current burden on business by making current requirements on Quantitative Ingredient Declaration (QUID) and name of food on non-prepacked food voluntary. This option is preferred because it minimises burdens on business and de-regulates where possible.

Option 2: Remove 14 SIs, provide enforcement provisions and take derogations as above, but adopt five additional EU permitted national measures to a) maintain current requirements on QUID and name of food labelling and b) require the provision of additional nutritional information.

Whilst Option 1 is preferred, Option 2 allows consultees to comment on whether some or all of the permitted national measures ought to be maintained/adopted for the benefit of consumers or industry.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 12/2019					
Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: 0		Non-traded: 0	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: This is the preferred option. Removing 14 SIs, providing enforcement provisions, and taking derogations on minced meat compositional requirements and milk bottle labelling to deregulate and minimise business burdens.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)			
			Low: Optional	High: Optional	Best Estimate: 7.26	
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)	
Low	Optional	1	Optional	Optional	Optional	
High	Optional		Optional	Optional	Optional	
Best Estimate	0.02		0	0.02		
Description and scale of key monetised costs by 'main affected groups'						
<u>Industry:</u> No additional cost to business						
<u>Government:</u> transition cost of familiarisation with new regulatory requirements £19,496 (PV), (EAC £2,265)						
Other key non-monetised costs by 'main affected groups'						
<u>Industry:</u> cost of introducing and using 'national mark' required by minced meat derogation;						
<u>Government:</u> Costs from increased enforcement activity before a prosecution of a criminal offence is instituted but these costs should be set off against the need to bring less prosecutions than previously.						
<u>Consumers:</u> reduced information on which to base purchasing choices due to removal of requirements on QUID and name of food						
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)	
Low	Optional	N/A	Optional	Optional	Optional	
High	Optional		Optional	Optional	Optional	
Best Estimate	0		0.85	7.28		
Description and scale of key monetised benefits by 'main affected groups'						
<u>Industry:</u> recurring time saving benefits from the consolidation of 14 statutory instruments to 1 statutory instrument £7.14m (PV) (annual average benefit £829,799)						
<u>Government:</u> recurring time saving benefits from the consolidation of 14 statutory instruments to 1 statutory instrument £0.13m (PV) (annual average benefit £15,597)						
Other key non-monetised benefits by 'main affected groups'						
<u>Industry:</u> Savings from reduced burden no longer having to provide QUID and name of food information						
<u>Government:</u> Simpler enforcement procedures for enforcement officers						
Key assumptions/sensitivities/risks					Discount rate (%)	3.5
<u>Derogations:</u> Avoidance, through derogations, of major changes to current practice on production and sale of minced meat and information to be provided on milk bottles.						

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0.79	Net: -0.79	Yes	OUT

Summary: Analysis & Evidence

Policy Option 2

Description: As Option 1, but adopting five additional EU permitted national measures to a) maintain current requirements on QUID and name of food labelling and b) require the provision of additional nutritional information.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 7.26

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0.02	0	0.02

Description and scale of key monetised costs by 'main affected groups'

Industry: No additional cost to business

Government: As option 1 transition cost of familiarisation with new regulatory requirements £19,496 (PV), (EAC £2,265)

Other key non-monetised costs by 'main affected groups'

Industry: as Option 1 -; cost of introducing and using 'national mark' required by minced meat derogation.

In addition to Option 1 - Provision of additional mandatory particulars to non-prepacked food other than name of food and QUID;

Government: **as option 1** - costs from increased informal enforcement activity; **in addition to option 1** - implementing a reporting framework for notification and justification of AFEs

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0.85	7.28

Description and scale of key monetised benefits by 'main affected groups'

Industry: **as option 1** - recurring time saving benefits from the consolidation of 14 statutory instruments to 1 statutory instrument £7.14m (PV) (annual average benefit £829,799)

Government: **as option 1** - recurring time saving benefits from the consolidation of 14 statutory instruments to 1 statutory instrument £0.13m (PV) (annual average benefit £15,597)

Other key non-monetised benefits by 'main affected groups'

Government: **As in option 1** - Simpler enforcement procedures for enforcement officers

Consumers: More informed decision-making benefits through national measures;

- Consistent provision of quantities indication (QUID) on non-prepacked foods
- Consistent provision of name of food on non-prepacked foods
- Provision of other particulars in article 9.1 on non-prepacked foods (eg. List of ingredients, storage conditions and/or conditions of use, name/business name of FBO)
- National measures on the voluntary indication of reference intakes for specific population groups
- Requiring FBOS to notify any Additional Forms of Expression used usually for front of pack nutritional labelling and to provide justification regarding fulfilment of the AFE criteria.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

Derogations: Avoidance, through derogations, of major changes to current practice on production and sale of minced meat and information to be provided on milk bottles.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0.79	Net: -0.79	Yes	OUT

Summary: Analysis & Evidence

Evidence Base

1. Policy Landscape

- a. Defra, in common with other Government Departments, has as a high priority the reduction of legislative burdens to business and to society as a whole. In the field of food labelling, this is balanced against the necessity for accurate, honest and informative information that consumers need in order to make safe and informed purchasing decisions. Food information for consumers is a necessarily detailed and complex area of policy. However there is, through the introduction of the Food Information for Consumers Regulation, an opportunity to remove from businesses and consumers some of the complexity that previously existed, especially where this was as a result of a large number of legislative instruments which now may be brought together into one. This will also simplify matters for food importers and exporters, bringing as it does a largely common set of provisions throughout the EU. Finally, the opportunity has been taken to review the enforcement of food information legislation. Section 11 below sets out the intention to move to a more proportionate, risk-based regime of enforcement.

2. What is the problem under consideration. Why is government intervention necessary?

- a. Food labelling legislation has developed in a piecemeal way since the 1970's. Government intervention is necessary to: correct for potential market failure of asymmetric information in the provision of nutritional and allergen labelling information to consumers; and ensure consistency in food labelling requirements across the EU, reflecting current and future business practice. The directly applicable EU Regulation on the Provision of Food Information to Consumers Regulation (FIC) aims to do this. To meet the UK's EU legal obligations, enforcement provisions for FIC must be introduced and overlapping UK legislation removed. We must also decide which optional national measures to adopt.

3. What are the policy objectives and the intended effects?

- a. The UK aims to introduce a new Statutory Instrument to: consolidate and update general food and nutrition labelling to remove confusing overlaps between the UK and EU legislation and to ensure a level playing field between EU and UK Food Business Operators (FBOs); minimise unnecessary regulatory burden on FBOs by taking advantage of appropriate national measures available in FIC and introducing a proportionate, risk-based enforcement regime; and ensure key public health information such as nutrition and food allergy information is clearly presented to allow consumers to make informed and safe choices. Also, infraction will be avoided by introducing enforcement provisions and removing overlapping legislation.
- b. This Impact Assessment considers only the impacts of those provisions over which there is a choice available. However the overall impacts of FIC has been assessed separately and this assessment is outlined in Annex A

National measures permitted by FIC include the following, which already exist in current UK legislation:

- (i) include a national provision relating to the requirement to provide a 'QUID' indication – essentially the proportion of meat content – in meat products sold loose; and
- (ii) include a national provision relating to mandatory 'name of food' requirement for non-prepacked products.

Consultees will be asked specifically about the costs and benefits of these measures and whether the existing requirement to provide this information should be maintained.

In addition, the Regulations will;

(a) Implement the relevant irradiated food provisions in Article 6 (1) of 1999/2/EC. No food is currently irradiated in the UK and very little, if any, irradiated food is sold in the UK, so this is simply for legal completeness. These provisions were previously implemented by the Food Labelling Regulations 1996, as amended, and no substantive changes are being introduced.

(b) Update the Food (Lot Marking) Regulations 1996 to take account of the recast of 89/396/EEC. Most of the amendments that are being made, mainly to definitions, should have minimal if any impact on businesses. A description of the update of the Food (Lot Marking) Regulations is attached at **Annex B**.

4. What policy options have been considered, including alternatives to legislation?

Option 1

- a. This is the **preferred option**. 14 Statutory Instruments would be revoked, including the Food Labelling Regulations 1996. New enforcement provisions allowing for the use of improvement notices would be introduced. EU permitted derogations and national measures would be adopted to minimise burdens on business and de-regulate where possible. Derogations on minced meat compositional requirements and mandatory information requirements for milk and milk products in reusable glass bottles (i.e. doorstep milk delivery) would be taken. Current requirements on QUID and name of food on non pre-packaged food would become voluntary and no further permitted national measures would be taken.

Option 2

- b. As option 1, 14 Statutory Instruments would be revoked. New enforcement provisions allowing for the use of enforcement notices would be introduced and derogations on minced meat and glass bottles would be taken. However, five additional EU permitted national measures would be adopted to a) maintain current requirements on QUID and name of food labelling rather than relying on the provisions of UCPD¹ and b) require the provision of additional nutritional information. The following three permitted national measures would also be adopted:
- Some or all of the mandatory particulars detailed in Articles 9(1) in addition to the name of food and QUID to be provided on non prepacked food.
 - National measures on the voluntary indication of reference intakes for specific population groups (e.g. guideline daily amounts for children).
 - Requiring FBOs to notify any Additional Forms of Expression (AFE's) used usually for front of pack nutritional labelling and to provide justification regarding fulfilment of the AFE criteria.
- c. Option 1 is as deregulatory as possible. Whilst the additional national measures under Option 2 will increase the regulatory burden, they may provide desirable benefits to consumers, and the maintenance of current business practice in relation to the name of food and meat content QUID for non-prepacked foods may be desirable to both consumers and industry. Option 2

¹ The Unfair Commercial Practices Directive (UCPD) provides that consumers must not be misled by either the provision of, or absence of, information that, were it correctly given, would lead them to make a different purchasing decision. The scope of FIC is wider than the provision of information to prevent consumers being misled and extends to the provision of information to consumers for the sake of making sure that they are well-informed about the food available to them.

allows consultees to comment on whether or not any of the permitted national measures ought to be adopted.

5. Policy Background

FIC

- a. FIC sets out a series of general requirements for information to be provided by Food Business Operators (FBOs) so that consumers have the information they need to make informed, safe and healthy food choices. It is a large technical Regulation covering a number of issues including:
 - Country of origin/place of provenance labelling;
 - Mandatory nutrition declaration and voluntary front of pack nutrition labelling;
 - Ingredients and nutrition labelling of alcoholic drinks;
 - Consumer information about non-prepacked foods;
 - Food Allergen labelling and information;
 - Clarity of food labels and minimum font size;
 - Labelling of vegetable oil including palm oil;
 - Labelling of engineered nano-materials; and
 - Quantity labelling.
- b. European requirements on food information and labelling have been in place since 1978 and been subject to a significant number of amendments. The rationale for Commission intervention and FIC was the need to update and consolidate regulation in this area and it is widely acknowledged that review and simplification would be beneficial to consumers and businesses. The Regulation brings together both general and nutrition labelling provisions in a single directly applicable regulation. There is also a recognition that while a number of horizontal directives have been in place, e.g. foods containing quinine and caffeine, the area would benefit from review and consolidation of all such requirements into a single Regulation. A further objective was to ensure consistency of labelling requirements across Europe by replacing the current Directives with a single Regulation, ensuring a 'level playing field' and a competitive market for all businesses operating within the EU. The FIC also addresses the need to reflect changes in business practices.
- c. There was also a need to ensure that labelling information is in line with consumer needs and reflects changes in eating habit and consumer lifestyles. Provisions that reflect this include:-
 - **Distance selling.** With the increase in sales of food online it was recognised that measures were needed in order to ensure consumers were receiving similar amounts of information when purchasing using distance communication such as catalogues and the internet as they would when shopping in store
 - **Mandatory nutrition labelling for most prepacked foods**
 - **Easy to access nutrition information.** FIC provides a common basis for easy to access voluntary front of pack labelling. This makes it easier for consumers to understand the information when provided and helps ensure that where additional forms of expression are used that it can be demonstrated that they are understood by consumers.
 - **Easier to access food allergy information.** Highlighting the allergens in the ingredients list in pre-packed foods will allow allergic consumers to access the information quickly so that they can make safe food choices.
 - **Extension of provisions for allergen information for non-prepacked foods**

- d. The negotiations relating to FIC have been a key vehicle for furthering England's labelling objectives in a number of areas, particularly in allowing consideration of the need for extension of country of origin labelling at an EU level, as part of the Government commitment to honesty in food labelling. The FIC also contributes to the healthy eating and obesity challenge through improved information for consumers on the nutrients present in their food. This is due not only to the requirement for a mandatory nutrition declaration, but also to the provision of a framework for voluntary nutrition information, ensuring that where information is provided on a voluntary basis, it does not undermine the benefits to consumers of the mandatory requirements. Through this framework, innovative labelling schemes developed in the UK can continue and will be used across Europe, ensuring that there is a level playing field for industry and that consumers are not confused or misled by the information they receive
- e. For meat products, meat preparations and fishery products containing added proteins such as hydrolysed proteins, of a different animal origin, the name of the food shall bear an indication of the presence of those proteins and of their origin.
- f. For meat products and meat preparations which have the appearance of a cut, joint, slice, portion or carcase of meat, the name of the food shall include an indication of the presence of added water if the added water makes up more than 5% of the weight of the finished product. The same rules apply to fishery products and prepared fishery products which have the appearance of a cut, joint, slice, portion, filet or of a whole fishery product.
- g. Meat products, meat preparations and fishery products which may give the impression that they are made of a whole piece of meat or fish, but actually consist of different pieces combined together by other ingredients, including food additives and food enzymes or by other means, shall show 'formed meat' or 'formed fish' as appropriate.
- h. The FIC also contributes to managing public health issues such the presence of liquorice or phytosterols in food, which particular groups need to be aware of in order to ensure that products containing these ingredients are not over-consumed to avoid adverse health effects.
- i. The only means of managing allergies is for the food allergic consumer to completely avoid the food to which they are allergic. Accurate and complete food labelling is therefore essential for the food allergic consumer. The FIC extends the mandatory requirement for allergy information to non-prepacked food but allows the FBO some flexibility in how this is provided. This has previously been a sector where the greatest proportion of severe/fatal food allergic reactions has occurred, with some 75% of reactions occurring after eating food sold non-prepacked².
- j. The FIC also includes provision to maintain food safety both for general consumers and for vulnerable groups, for example the requirements on use by dates which prevent consumers from becoming ill through eating foods that are past the date when they become microbiologically unsafe.
- k. The impacts of the provisions on country of origin labelling and net quantity requirements are not included in this IA. Some country of origin requirements come into force without the need for

² Pumphrey, RS. 2000. Lessons for the management of anaphylaxis from a study of fatal reaction. *Clinical and Experimental Allergy*. Vol 30, pages 1144-1150. Pumphrey, RS and Gowland, MH. 2007. Further fatal allergic reactions to food in the United Kingdom 1992-2006. *J Allergy and Clinical Immunology*. Vol 119, pages 1018-9.

further EU action, i.e. those in Article 26(2)(a) of FIC. The nature of the information to be given when country of origin information becomes mandatory remains under discussion in the EU. Once agreed, enforcement provisions to support these areas will be needed and the impact of these provisions will be assessed at that time. Awaiting the outcome of these discussions before introducing the SI would of course remove the very significant benefits of having a 'transition period' to allow relabelling (see section 10).

- l. The net quantity provisions are being considered as part of a separate simplification exercise on weights and measures requirements and legislation for food being undertaken by the National Measurement Office (NMO). The cost and benefits of those provisions will therefore be assessed in that exercise and are not outlined here.
- m. At present the requirements for general labelling of food are set out in Directive 2000/13/EC of the European Parliament and of the Council and requirements relating to nutrition labelling are set out in Council Directive 90/496/EEC. Both are implemented in the GB (though there are separate regulations in Northern Ireland) by the Food Labelling Regulations 1996 (as amended) (FLR). These cover much of the same areas as the new EU FIC Regulation although as a result of the consolidation and review in Europe some of the requirements have changed or been extended. FIC repeals both 2000/13 and 90/496/EEC, as well as other EU legislation. We need to revoke the FLR as the domestic legislation implementing the requirements of 2000/13/EC and 90/496/EEC. We also need to introduce provisions to enforce the FIC in England due to EU legal requirements and to take advantage of derogations and any additional permitted national measures which serve England's interests.
- n. **This Impact Assessment considers only the impacts of those provisions over which there is a choice available. The overall impacts of FIC has been assessed separately and this assessment is outlined in Annex A**

6. Consideration of alternatives to regulation

- a. In line with the coalition Government's EU principles, use of a non-regulatory route has been explored. Options considered included a concordat with businesses to ensure compliance was achieved. However, considering that a significant proportion of businesses in the food sector are small or medium sized enterprises (SMEs), as well as the rapid turnover of businesses in the sector, it was thought impossible to gain comprehensive consent of the industry rendering this approach ineffective as a means of ensuring that the UK's EU obligations were met.
- b. Moreover, because a directly applicable EU Regulation is involved, we are legally obliged by EU law to put in place provisions that ensure that the EU Regulation is enforced. Failure to do so carries a risk of infraction fines which can be significant depending on the timescale at which the UK remained without an enforcement regime. The minimum infraction fine that can be imposed on the UK is 9.6 million Euros.

7. Responsibilities and Devolved Administrations

- a. Overall responsibility for this dossier lies with Defra as the lead department. However, we work closely with the Department of Health, Food Standards Agency and National Measurement Office on those issues where they have the policy lead. As food policy is a devolved matter there has been close cooperation between the UK Administrations and other Government Departments responsible for food labelling policy across the UK in negotiating the EU

Regulation. We will continue to work closely with the UK Administrations in relation to the making of the domestic legislation to underpin FIC in order to ensure a consistent and coordinated approach where possible. However, the UK Administrations, who have the responsibility to bring in enforcement provisions in their countries, may take a different approach to take account of their legal structure and policy views.

8. The domestic Statutory Instrument (SI)

- a. FIC was published in the Official Journal of the European Union on 22 November 2011. FIC is directly applicable, therefore, as a matter of law operators will have to comply with the provisions of FIC. However it is necessary for the Government to put in place domestic legislation in order to enforce the FIC provisions in England and in order to take advantage of derogations that serve UK interests (and which otherwise would not apply). The **Food Information Regulations 2013** Statutory Instrument (SI) will provide enforcement provisions to allow enforcement authorities to take action where food information is not provided correctly in accordance with FIC and will take advantage of FIC derogations. As currently drafted the SI follows Option 1 though of course may be altered following consultation to take account of decisions made following the outcome of the consultation.

9. Objectives of the *Food Information Regulations 2013* Statutory Instrument

- a. The EU-wide nature of the FIC requirements means that compliance with the legislation facilitates access to the EU market for UK businesses. English businesses have adopted a number of voluntary initiatives which are now covered in the EU Regulation e.g. back of pack nutrition labelling, which puts English businesses at an advantage in these areas.
- b. Aside from introducing an SI to meet the EU obligations to enforce the FIC and remove overlapping domestic regulations, the main objective from an England perspective is to put in place domestic provisions to underpin FIC in such a way as to ensure the most advantageous balance of costs and benefits to UK businesses and consumers.
- c. As identified during the *Hospitality, Food and Drink* theme of the **Red Tape Challenge**, labelling requirements are currently contained in a number of Statutory Instruments. The original Food Labelling Regulations were made in 1984 and replaced in 1996 and have been amended in a piecemeal way many times in response to subsequent European directives. FIC provides an opportunity to consolidate the 14 Regulations insofar as they apply to England into one SI so that they are easier to follow and use for businesses and enforcers.
- d. In addition, as part of the development of an SI to underpin the FIC, a review is being made of existing national rules to:
 - Ensure that the labelling regulations remain fit for purpose and reflect changes in industry practices and consumer needs.
 - Consider national measures permitted by FIC in the area of food labelling and remove these where they are no longer needed to reduce burdens on business.
- e. Separate IAs will be carried out for amendments to other domestic legislation, such as the domestic Meat Products (England) Regulations 2003, from which overlaps with the FIC need to be removed and other existing domestic measures need to be reviewed.

10. Derogations

- a. The SI will contain a derogation in relation to **milk and milk products in glass bottles** intended for reuse, removing the requirement that nutritional information must be provided with these products.
- b. Adopting this derogation avoids costs to business arising from:
 - Changes in packaging to provide the information either through printing on bottles or providing “collars” with the relevant information where labels were not previously used.
 - Changes to production systems to ensure the correct bottles are used on the correct lines.The ‘doorstep’ share of the milk market is approximately 6%, of which 79% is in returnable glass bottles, with those bottles being reused an average of 19.6 times³. Therefore, not taking this derogation would incur significant costs, both in terms of changing delivery and production practices and additional non-reusable packaging. However, taking the derogation has a small potential disadvantage to consumers from the reduced amount of information provided compared to that provided were the derogation not taken. Due to the small size of the sector and the lack of requests from consumers for this information, this disadvantage is not considered to be significant.
- c. The SI will also contain a derogation for **minced meat that does not meet the compositional requirements of FIC**. A significant proportion of minced meat currently sold in the UK contains a greater proportion of collagen (connective tissue) than would be permitted by point 1 of Part B of Annex VI to FIC.
- d. Adopting this derogation avoids costs to business arising from not being able to sell such minced meat in the UK as minced meat or using minced meat like designations. However, the derogation requires the use of a ‘national mark’ to indicate where the derogation applies, which will incur a small cost to business.

11. Enforcement

- a. Traditionally, enforcement of the Food Labelling Regulations 1996 has been done on a risk based approach. Where there is not a significant risk to human health, enforcement officers’ work with businesses in their area to ensure food information complies with the requirements. They do this through visits the timing of which is determined on a risk basis as well as through collaborative relationships under the primary and home authority principles. Enforcement action is only pursued where informal action has been unsuccessful. The approach to sanctions taken in the SI is taking this concept further; apart from where there is a serious allergens offence, the first formal action would be an improvement notice. Criminal offences would only be available where businesses do not comply with the improvement notice or for failure to provide correct food allergen information which could have significant, potentially fatal consequences for allergic consumers. A diagram is attached at **Annex E** to outline how the enforcement process would work in practice.

12. Transitional Period

- a. The provisions of the FIC have staggered coming into force dates. Some of the provisions of the FIC relating to the designation of minced meat will apply from **1st January 2014**. Most of the provisions of FIC will apply from **13 December 2014**. Some provisions, namely the requirement

³ Email correspondence from Dairy UK

to provide nutrition information on a mandatory basis for the majority of pre-packed food, will apply from **13 December 2016**. These dates are detailed in the table below.

- b. We have taken an approach that will allow businesses to make changes to their labels in line with their scheduled labelling cycles. To facilitate this, the SI coming into force in 2013 will remove a legislative obstacle to allow businesses to provide information on mandatory nutrition labelling in the new format early, on a voluntary basis. Without doing this, businesses deciding to update their labels early as permitted under FIC would not be compliant with existing UK rules. While FBOs would be protected by case law from being prosecuted, amending domestic legislation in this way means that the provisions in the domestic legislation will be updated to reflect the transitional provisions in FIC. This will support the choice of business, when providing voluntarily nutrition information, to use *either* the FIC *or* FLR form of the nutrition declaration until (and including) 12th December 2014.

Provisions	Date according to FIC	Relevant English law date
Ability to use minced meat labelling provisions about percentage of fat content and collagen/meat protein ratio in the FIC format.	13 December 2011	31 December 2013 The date shown is the coming into force date of the Food Hygiene (England) (Amendment) Regulations 2012. S
Ability to choose between the old (FLR 1996) and new (FIC) format for nutrition declaration.	13 December 2011	6 April 2013
Date at which the minced meat information must be given in the FIC format. Products labelled correctly before this date can be sold until stocks are exhausted.	1 January 2014	1 January 2014
Application date for the majority of provisions. Products labelled correctly before this date can be sold until stocks are exhausted.	13 December 2014	13 December 2014
Date at which the FIC format must be used when the nutrition declaration is given voluntarily or is required because a nutrition or health claim has been made or vitamins and /or minerals have been added to the food.	13 December 2014	13 December 2014
Date at which existing rules (2000/13 and FLR) are removed.	13 December 2014	13 December 2014
Date at which nutrition declarations become mandatory for the majority of pre-packed food. Pre-packed products placed on the market or labelled before this date which do not comply with the mandatory	13 December 2016	13 December 2016

<p>nutrition requirement may be sold until stocks are exhausted. (N.B. Products in respect of which a nutrition or health claim has been made or to which vitamins or minerals have been added must carry nutrition labelling in compliance with the FIC from 13 December 2014.)</p>		
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- c. Other provisions in the domestic SI will come into force at different times to match the relevant FIC application dates, as shown in the table above. This will ensure businesses and enforcers are clear about when the provisions will apply.

13. Approach to small businesses

- a. In negotiations, measures that would minimise the burden to small businesses from the requirements were explored. An exemption for small businesses was not included in FIC as a significant proportion of businesses in this sector in Europe are small to medium size enterprises (SMEs). To introduce an exemption would undermine the provisions and reduce the likelihood of achieving the identified benefits. Table 1 shows the significant presence of SMEs in the food and drink sector⁴.
- b. In 2010, 224,780 businesses were operating in the food and drink manufacturing, wholesaling, retailing or catering sectors in the UK of which over 99 per cent were identified as having SME status. Of the total FBOs in the UK, around 83 per cent operate in England; 184,905 are micro to medium in size, equivalent to 99 per cent of the total for England.

Table 1: Food Business Operator numbers operating in 2010, by country and firm size

	Micro	Small	Medium	Large	TOTAL
England	163,535	21,370	2,065	540	187,510
Wales	10,035	1,295	80	25	11,435
Scotland	16,175	2,650	280	50	19,155
NI	5,010	1,450	190	30	6,680
UK	194,755	26,765	2,615	645	224,780

- c. A number of measures have been included in FIC to minimise burdens on SMEs where possible. Examples of these include exemptions from the mandatory nutrition declaration when manufacturers of small quantities of handcrafted food supply directly to the final consumer or to local retail establishments supplying directly to the consumer as well as minimal requirements for foods being sold prepacked for direct sale. For Option 1, only allergen information will be required for non-prepacked food, including food prepacked for direct sale and there is some flexibility in how this information should be given. Should FBOs choose to supply nutrition information on a voluntary basis, the Regulation sets out rules governing its content and presentation in order that consumers are not misled. FIC only applies to the activities of FBOs.

⁴ All figures refer to bespoke analysis from the 2011 ONS Business Demography publication. The analysis was taken from all businesses that are active within the specified year.

The Regulation makes clear those charity events where private individuals are supplying food to, for example, a church fete, otherwise than in the course of a business would be exempt from labelling their food, although they might want to supply allergen information on a voluntary basis.

14. Options under consideration

Baseline

- a. 'Do nothing' is not an option that it would be legally acceptable for Government to choose. FIC provisions are directly applicable and legally binding in England and the rest of the UK. But without a SI, enforcement authorities in England do not have the necessary powers to enforce its provisions; offences cannot be prosecuted and penalties cannot be imposed on those in breach of the Regulation. Under EU law, the UK is obliged to provide for the enforcement of EU law. Failure to do so may lead to the UK being liable to infraction proceedings and consequent fines. These can be significant depending on the period during which the UK remained without an enforcement regime. The minimum infraction fine that can be imposed on the UK is 9.6 million Euros.
- b. By virtue of FIC, the existing EU provisions under Directive 2000/13 will be repealed under all options.

This Impact Assessment considers only the impacts of those provisions over which there is a choice available. The impact of the mandatory requirements of FIC itself is a separate matter. However, the overall impacts of FIC have been assessed and this assessment is outlined in Annex A. Comments on that assessment are welcome but will not be relevant to the decision as to which option to go for.

Option 1 (Preferred)

Providing enforcement provisions in the form of an SI, revoking 14 existing SIs and minimising the additional burdens to business by taking advantage of available derogations and national measures.

Through this option an SI would be produced putting into place offences and enforcement provisions, and setting out in English law those areas of Member State flexibility which were in UK businesses' best interests. EU obligations would be fully met.

Inconsistent domestic legislation – affecting the transitional arrangements under FIC - would be amended. This would clear the way for industry to take advantage of the transition period relating to the format of nutrition declarations whilst complying with domestic legislation. It would give businesses sufficient time to introduce any necessary label changes and familiarisation training for workers, incorporating these into ongoing and scheduled activity.

The following derogations taken forward as national measures are;

1. Use of Article 40 national measure for milk or milk products presented in glass bottles intended for reuse – ability to derogate from the mandatory requirements, to provide nutrition information, in Article 9(1).
2. Use of derogation on compositional requirements for minced meat, allowing a higher proportion of fat and collagen than stated in point 1 of Part B of Annex VI. Use of the derogation will require the use of the national mark on minced meat for compositional requirements.

Option 2

Providing enforcement provisions, taking advantage of derogations and full uptake of Member State flexibility to introduce national measures where permitted to increase mandatory information to the consumer.

This option is in essence option 1 plus an additional five national measures permitted, but not required, in the FIC. **Note that the first two of these retain existing practice;**

1. Use of Article 44 (1) power to impose a national measure to retain requirements to provide QUID declarations on the meat content of meat product sold non-prepacked.
2. Use of Article 44 (1) power to impose a national measure requiring the provision of additional mandatory particulars in relation to the name of non-prepacked food. This may include any or all of the mandatory particulars accompanying the name of food set out in Annex VI of FIC.
3. Use of Article 44 (1) power to impose national measures requiring some or all of the mandatory particulars detailed in Articles 9(1) other than the name of the food, (separately addressed in point 2 above) e.g. list of ingredients, storage conditions and/or conditions of use, the name or business name and address of the food business operator, etc.) and 10(1) to be provided in relation to non-prepacked food
4. Use of Article 43 power to impose a national measure on the voluntary indication of reference intakes for specific population groups. For example, the provision of guideline daily amounts (GDAs) reference intakes for children, in addition to the current requirement to provide GDAs for an average adult. As provision of reference intakes for specific groups would remain voluntary, this national measure would not itself impose costs on business. However, there would be a cost to FBOs that chose to adopt them.
5. Use of Article 35(3) power to require FBOs to notify any Additional Forms of Expression (AFE's) used for front of pack nutrition labelling and to provide justification regarding fulfilment of the AFE criteria. As AFEs are voluntary, this national measure would not itself impose costs on business. However, there would be a cost to FBOs that chose to adopt them.

Under this option, England would also use additional areas of Member State flexibility that would require notification of 'Front of pack' schemes by FBOs supplying both pre-packed and non-pre-packed food.

Given the mandatory provision of nutrition labelling, it is not expected that the voluntary provision of repeated ('front of pack') nutrition information will impose any additional nutrition analysis costs on companies who choose to provide such information. In terms of re-labelling, it is expected that no unit costs above and beyond those applying to mandatory 'back of pack' labels will apply to 'front of pack' labels, given that relabelling of back and front of pack will take place simultaneously and will therefore represent a one-off cost. (Bearing in mind the ongoing Front of Pack nutrition labelling consultation, if a UK approach is agreed, there may be some costs for FBOs in moving to a new system. However, these costs will not be attributable to this SI.)

Options summary

The key impacts of the 2 options are outlined in the following table;

	<u>Option 1</u> (Preferred)	<u>Option 2</u>
General		

Consolidation of legislation	Yes	Yes
Improved proportionate, risk-based enforcement regime	Yes	Yes
Burdens on business	Minimum	Increased
Information to consumers	Improved in some areas, reduced in others	Improved overall
Non-prepacked food		
Allergen information for non prepacked food	Mandatory (written or verbal)	Mandatory (written or verbal)
'Traditional' minced meat	Allowed with 'National Mark'	Allowed with 'National Mark'
QUID declaration	Voluntary	Mandatory
Name of food	Voluntary	Mandatory
Additional particulars	Voluntary	Mandatory

COSTS AND BENEFITS of the *Food Information Regulation 2013 SI*

Option 1

Industry

Costs

15. EU Member State flexibility, point 3 of Part B of Annex VI - Developing a national mark for minced meat

- a. This is currently a non-monetised cost. The counterfactual for this, i.e. current practice, is that minced meat does not need to meet the compositional requirements of point 1 of Part B of Annex VI to FIC so long as it is not called 'minced meat'. or anything like 'minced meat'. Taking up the derogation means that such meat can be sold as 'minced meat' so long as the national mark is used.
- b. It should be noted, however, that without using this derogation, businesses would be required to produce minced meat in line with the standards set out in point 1 of Part B of Annex VI to FIC. This would have significant costs to industry affecting both large retailers and small businesses such as butchers as traditionally produced minced meat could not be sold as 'minced meat' or any similar description if it contains more fat and/or connective tissue than would be allowed. Changes in commercial practice would result in costs from inefficiency in processes as potentially different cuts of meat would need to be used, and cuts currently being used would need to be found other uses for.
- c. Under Option 1, as a condition of taking up the derogation, a small cost will be incurred as a result of the requirement (point 3 of Part B of Annex VI to FIC) to indicate that the derogation is in place by use of a 'national mark', which is subject to a cost. Use of a national mark may have an impact on consumer preference but as there would be no change in the product quality from present, it is not thought to be significant.

Consultation question 1: What are the likely business costs in using a national mark?
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- d. The scale of the cost of not taking the derogation is difficult to estimate, but the following would need to be taken into account;
- Not all minced meat currently produced would fail to meet FIC requirements.
 - The meat currently used to produce minced meat not meeting FIC specifications would still have a value, albeit slightly lower than when sold as minced meat (taking account also of processing costs).

Consultation question 2: If the FIC compositional criteria on minced meat applied, what would be the impact on business and how would producers respond?

Consultation question 3: What proportion of UK-produced minced meat currently would not meet FIC requirements?

Benefits

16. SI consolidation

- a. This benefit has been monetised. Where currently there are 14 pieces of legislation to contend with, FIC and the SI consolidate these into one. There is an element of simplification in this though it should not be over-stated – the responsibilities on businesses do not reduce as a result of the number of SIs reducing. However, certainly those businesses which are inclined to get their information from primary sources in legislation rather than, and as well as, from guidance documents will derive a benefit from the provisions for their businesses being in one place.
- b. We have assumed that micro businesses will not tend to use legislative documents to access information on legal requirements, but will look to guidance from Government, local enforcement and trade bodies etc. Larger businesses however will, we assume, look to the legislation itself and therefore will derive simplification benefits from the consolidation of food information legislation from fourteen pieces of legislation down to one Statutory Instrument.
- c. Full methodology is outlined in **Annex F** including scenario analysis looking at a range of hours saved. We have assumed 2 hours saved of a production manager/shopkeeper's time per FBO for small, medium and large businesses, which is up-rated by 30% to account for overheads, in accordance with the standard cost model.
- d. Given these assumptions, the **estimated benefit to FBOs in England is approximately £8.3 million over 10 years, equivalent to £830,000 per annum** (see Table 3 below).

Table 3: Total annual benefits to business, by Country⁵

	Number of affected FBOs	Annual Familiarisation Benefit
England	23,975	£830,000
Wales	1,400	£48,000
Scotland	2,980	£103,000
NI	1,670	£58,000
UK	30,025	£1,039,000

⁵ Benefits to the nearest £1,000

17. A more proportionate enforcement regime for business

- a. There may be benefit to industry in terms of moving from the current criminal sanctions regime to the new regime (for most FIC contraventions) of improvement notices backed up with a criminal offence. This may originate from reduced costs and time saved to businesses, as less contraventions would need to be escalated to a Magistrates Court. It is anticipated that the vast majority will be resolved through the issuing of improvement notices.

Consultation question 4; Would an improvement notice approach benefit your business and/or the sector in general? Can you quantify any savings that may be realised?

18. EU Member State flexibility Article 44 – No requirement to introduce further mandatory labelling requirements for foods sold non-prepacked - QUID on meat products

- a. This is currently a non-monetised benefit. At present, the UK utilises Member State flexibility in order to extend requirements for providing information on the quantity of meat ingredients in meat products for pre-packed food to non-prepacked. This was done to ensure that consumers buying food pre-packed for direct sale or loose for example from a butcher who then wraps the product for the consumer is receiving information on how much meat is present.
- b. Under option 1, the declaration would no longer be required. This is not the status quo. Some businesses will no longer be required to provide the information. It is conceivable that some may seek to provide products with less meat and other businesses, unable to avoid the information requirement (i.e. those selling similar products pre-packed), may be put at a competitive disadvantage. The *minimum* meat content for burgers, sausages etc under reserved descriptions rules would remain unchanged.
- c. The scale of the impacts is difficult to estimate as they will be dependent on market response to the change, which is difficult to predict. Some businesses may choose to retain current practice in which case the costs would be minimised. Others may make a decision to change their product. Information received previously from industry suggests that a level playing field is preferred so that there is consistency in the market.

Consultation Question 5: How would the industry respond if, for non-prepacked food, a meat content QUID declaration was not required, keeping in mind that some similar legislative requirements apply under Unfair Commercial Practices Directive (as implemented by the Consumer Protection from Unfair Trading Regulations 2008) in any case?

Consultation Question 6: If it were decided to remove the requirement to provide a QUID, would your business continue to provide this information anyway?

19. EU Member State flexibility Article 44 - Removing the requirement to provide name of food on products sold non-prepacked

This is currently a non-monetised benefit. Under option 1 the requirement for business to always provide the name of food is removed, reducing regulation on business. In most cases where there may be any doubt as to the name of the food, it would still need to be given under the Unfair Commercial Practices Directive.

Consultation Question 7: If the decision was taken to remove the requirement to provide the name of food, in all cases, for food sold non prepacked, would food businesses continue to provide this information anyway or would some have reason not to do so?

Government

Costs

20. Familiarisation costs

- This cost has been monetised. Local authorities will also need to become familiar with the updated Regulations. It is estimated that it would take one Trading Standards officer **2.5 hours** to read the guidance. Once again, wage rates have been up-rated by 30% to account for non-wage labour costs and overheads, in accordance with the standard cost model.
- Based on the number of enforcement authorities with responsibility for food this is thought to be a **cost around £19,000, translating into an equivalent annual cost of £2,000 over a ten year period**, as outlined in Table 4,. This cost may be slightly reduced if training is made available both on the provisions of the FIC but also the new approach to enforcement in England through the use of improvement notices as a front line method of enforcement. Under all options opportunities to provide this support can be explored and will result in a training cost for central and local Government.

Table 4: Familiarisation costs for trading standards officers, by regional breakdown and as Equivalent Annual Cost to Enforcement by Country⁶⁷

	Number of Local Authorities	Total Familiarisation Cost	Equivalent Annual Cost
England	433	£19,000	£2,000
Wales	22	£1,000	£0
Scotland	32	£1,000	£0
NI	26	£1,000	£0
UK	513	£23,000	£3,000

- Baseline situation; It is worth noting that in the absence of the SI and guidance, FBOs would, if and when they decided to meet the new FIC, need to establish for themselves how this related to their businesses without the assistance of Government guidance. There are mechanisms for this to happen. Information could be through industry developed guidance documents, food research institutes such as Campden BRI or Leatherhead producing their own guidance documents. However, Government guidance is freely available to FOBs

⁶ Source for local authority numbers

(1) England – 433 – <http://www.communities.gov.uk/newsroom/factsandfigures/local/facts/localgovernment/?id=1682861>

(2) Scotland – 32 – http://www.direct.gov.uk/en/dl1/directories/devolvedadministrations/dg_4003604

(3) Wales – 22 – <http://wales.gov.uk/topics/localgovernment/localauthorities/?lang=en>

(4) Northern Ireland – 26 – http://www.doeni.gov.uk/index/local_government/council_structure.htm

⁷ Costs to the nearest £1,000

whereas there may be a cost to a FBO for guidance produced by industry or the food research industry.

21. Enforcement costs – increased informal activity

- a. This cost is currently non-monetised. Under both options, including option 1, the SI will underpin the EU Regulation. In light of the Governments initiatives to ensure that enforcement provisions introduced for regulation are proportionate there is a move away from criminal offences except in the most serious cases, e.g. where health risks are involved. The SI provides an opportunity to introduce new and simpler enforcement provisions. It is intended that the front line measure for the majority of provisions will be an improvement notice. This would be used as part of the hierarchy of enforcement when informal measures are no longer appropriate and the labelling contravention or issue should be elevated to formal enforcement action. If the conditions set by an improvement notice are not met this will be a criminal offence. Front-line criminal offences are also proposed where there is a contravention of FIC requirements relating to food allergen indications to protect public health. Businesses will have the opportunity to appeal against an improvement notice. This will provide a valuable safeguard.
- b. In the longer term, it expected that the ongoing costs to enforcement are likely to be comparable with enforcement action currently taken by local authorities as part of a risk based approach to enforcement. However, in the short term there may be some additional non-monetised enforcement costs from the new approach arising from:
 - Training on improvement notices and appeals for enforcers
 - Increased informal enforcement activity – enforcers are likely to have increased activity while businesses become familiar with the new requirements. This would be through the coaching role they play and through dealing with non compliances under the new procedures
 - Potential for increased appeals – as this will be a new tool for enforcers and businesses. There may be increased appeals while all parties become familiar with the new requirements and processes.

Apart from the increased enforcement activity, these costs are covered in the familiarisation costs as part of the FIC impacts in Annex A.

Benefits

22. SI consolidation – Enforcers

- a. This benefit has been monetised. Enforcers are also likely to benefit from SI consolidation through spending less time referring to several SI documents, which takes time. We have assumed **2 hours** saved of a trading standards officer's time, which is up-rated by 30% to account for overheads, in accordance with the standard cost model.
- b. Given these assumptions, the estimated benefit to local authorities in England is nearly £156,000 over 10 years, equivalent to £16,000 per annum (see Table 5 below).

Table 5: Total annual benefits to Government, by Country⁸

	Number of Local Authorities	Annual Familiarisation Benefit
England	433	£16,000
Wales	22	£1,000
Scotland	32	£1,000
NI	26	£1,000
UK	513	£18,000

23. Simpler enforcement procedures for enforcement officers

- This benefit is currently non-monetised. There is a potential benefit to Government in terms of moving from the current criminal sanctions regime to the new civil sanctions regime. It is anticipated that the gains will originate from reduced court costs as the number of hearings will be reduced as issues will be resolved through issuing improvement notices, and the time saved to enforcement officers in resolving the issues more quickly instead of preparing for a court case. However, this benefit is likely to be relatively small given the number of cases associated with food labelling dealt with by enforcers are anticipated to be small and, in the case of the new approach, there will be appeals against improvement notices to deal with

Consultation question 8: In what way would an improvement notice approach affect enforcement officers in general? Can you quantify any savings or costs that may result?

Consumer

Costs

24. Removing the requirement to provide name of food on products sold non-prepacked

- This cost is currently non-monetised. Under option 1 the requirement to always provide the name of food is removed, though under the Unfair Commercial Practices Directive, in most cases where there may be any doubt as to the name of the food, it would still need to be given.
- It is anticipated that this is likely to be a small cost given that businesses are currently providing this information and it is assumed that they will continue to do so.

25. Removing the requirement to provide QUID declaration on products sold not prepacked

- This cost is currently non-monetised. Under option 1 the requirement to always provide the QUID declaration is removed, though under the Unfair Commercial Practices Directive, in most cases where there may be any doubt as to the composition of the food, it would still need to be given.
- It is anticipated that this is likely to be a small cost given that businesses are currently providing this information and it is assumed that they will continue to do so.

⁸ Benefits to the nearest £1,000

Benefits

26. EU Member State flexibility Article 44 – No requirement to introduce further mandatory labelling requirements for foods sold non-prepacked - Quid on meat products

This benefit is currently non-monetised. If businesses become free to change their current practice, there may be a move by some to reduce costs by reducing meat content, and this may also result in a reduced price to the consumer (though as the product would be reduced in value, this may not be considered a benefit).

Option 2

Industry

Costs

27. Developing a national mark for minced meat

Costs are the same as option 1.

28. Provision of additional mandatory particulars for non-prepacked food other than name of food and QUID

This is currently a non-monetised cost. Use of Article 44 (1) power to impose a national measure to require additional mandatory particulars be provided in relation to non-prepacked food.

29. Increased burden on industry through national measures adopted under option 2.

- a. There may be costs to businesses through the introduction of the following national measures;
- Use of Article 44 (1) power to impose a national measure to retain requirements to provide QUID declarations on the meat content of meat product sold non-prepacked.
 - Use of Article 44 (1) power to impose a national measure requiring the provision of additional mandatory particulars in relation to the name of non-prepacked food.
 - Use of Article 44 (1) power to impose national measures requiring some or all of the mandatory particulars detailed in Articles 9(1) other than the name of the food and the meat QUID, (separately addressed in the previous indented paragraph above) e.g. list of ingredients, storage conditions and/or conditions of use, the name or business name and address of the food business operator, etc.) and 10(1) to be provided in relation to non-prepacked food
 - Use of Article 43 power to impose a national measure on the voluntary indication of reference intakes for specific population groups. For example the provision of guideline daily amounts (GDAs) for children, in addition to the current requirement to provide GDAs for an average adult. As provision of reference intakes for specific groups would remain voluntary, this national measure would not itself impose costs on business. However, there would be a cost to FBOs that chose to adopt them.
 - Use of Article 35(3) power to require FBOs to notify any Additional Forms of Expression (AFE's) used for front of pack nutrition labelling and to provide justification regarding fulfilment of the AFE criteria. As AFEs are voluntary, this national measure would not itself impose costs on business. However, there would be a cost to FBOs that chose to adopt them.

Consultation question 9: Are there significant costs for businesses that would result from any of these measures?

Benefits

30. SI consolidation as option 1

Government

Costs

31. Familiarisation costs. As option 1.

32. Enforcement costs – increased informal enforcement activity. As option 1.

33. Implementing a reporting framework for notification and justification of AFEs

This cost is currently non-monetised. Although this is a voluntary measure, Government will be required to implement a reporting framework for businesses that choose to take part in this process.

Benefits

34. SI consolidation – Enforcers

Benefits are the same as option 1

35. Simpler enforcement procedures for enforcement officers

Benefits are the same as option 1.

Consumers

Costs

No significant costs to consumers

Benefits

36. More informed decision-making benefits through national measures adopted under option 2.

- a. There may be benefits to consumers through the continuation/introduction of the following national measures;
- Use of Article 44 (1) power to continue a national measure to retain requirements to provide QUID declarations on the meat content of meat product sold non-prepacked.
 - Use of Article 44 (1) power to continue a national measure requiring the provision of additional mandatory particulars in relation to the name of non-prepacked food.
 - Use of Article 44 (1) power to impose national measures requiring some or all of the mandatory particulars detailed in Articles 9(1) other than the name of the food and meat QUID, e.g. list of ingredients, storage conditions and/or conditions of use, the name or business name and address of the food business operator, etc.) and 10(1) to be provided in relation to non-prepacked food
 - Use of Article 43 power to impose a national measure on the voluntary indication of reference intakes for specific population groups. For example the provision of guideline daily amounts (GDAs) for children, in addition to the current requirement to provide GDAs for an average adult.

- Use of Article 35(3) power to require FBOs to notify any Additional Forms of Expression (AFE's) used for front of pack nutrition labelling and to provide justification regarding fulfilment of the AFE criteria.

Consultation question 10: Are there significant benefits for consumers that would result from any of these measures?

37. Conclusion

- a. FIC has been carefully negotiated by UK officials and is considered to be a positive step forward in food labelling legislation, which will be fit for purpose for some time to come. The needs of consumers are properly balanced with the burdens on businesses.
- b. For any legally available option, there will inevitably be the need for businesses to make some changes to labels on prepacked food, to the information provided to consumers of food sold non-prepacked, and businesses will need to set aside some resource to become familiar with these changes. This will be at a cost to business, though almost entirely a one-off cost, and one which they may spread across a period of time in the case of label changes.
- c. By selecting the national measures and derogations available in FIC, the option set out as **option 1** produces the best balance specifically for English consumers and businesses and we expect proposals in other UK administrations to be similar.
- d. As explained in the summary of costs and benefits for option 2, the additional burden to industry and Government that is incurred in option 2 is attributed to:
 - **Additional Forms of Expression** – cost of development of new reporting framework for Government; increased reporting costs for business;
 - **Setting reference intakes for specific population groups** – business cost of collecting and converting nutritional information into GDAs;
 - **Provision of additional mandatory particulars to non-prepacked food** – business cost of collating nutritional information for non-prepacked foods (this may vary depending on how the means of presentation).
- e. Similarly for regulatory authorities ('enforcers') following a period of familiarisation, the burden of work will remain largely as before.
- f. Consumers will benefit from clearer, more consistent and in the case of allergic or food-intolerant consumers, more useful information which both safeguards their health and allows them a greater choice of where to buy food. There will be less of an opportunity for food producers and retailers to mislead consumers by the omission or selective provision of nutrition information, making decisions on, for example, healthier eating easier for the consumer to make.
- g. There are two areas where the balance of benefits and burdens is made less clear by current and established business practice in England (and the wider UK). These are (1) the provision of QUID declaration on meat products (i.e. the proportion of defining ingredients, for example the pork content of a pork sausage) for food sold not pre-packed and (b) again for food sold not prepacked, the name of the food to be displayed with the food. Both of these are required under current legislation, but neither are required under FIC although national measures to retain both are available. Where possible and appropriate, opportunities to de-regulate should be taken. However, indications from both consumers and

businesses have so far shown strong support for retaining these measures. We will consider carefully responses from the consultation before making a final recommendation on this issue.

Annex A

Costs and benefits of FIC

This information has been given by way of background information. As has been stated earlier, FIC is a directly applicable Regulation. The provisions must be complied with. While assessments of impacts have been produced during the passage of FIC, the following estimates have been produced by Defra in consultation with FSA and the UK Administrations to provide context for the impacts of options 1 and 2 above.

Industry

Costs

38. Familiarisation costs

- b. This cost has been monetised. There will be a one-off cost to industry for reading and familiarising themselves with the new Regulation. Time will be spent acquiring, reading and understanding the legislation, seeking external advice where necessary. In all options people working in the food industry at all stages would need to become familiar with the new requirements of the FIC.
- c. Familiarisation costs are measured in terms of time costs and are therefore quantified by multiplying the time it takes for a member of staff to read and familiarise him/herself with the Regulation by their wage rate. The relevant average hourly rate¹ is uprated by 30% to take account of non-wage labour costs and overheads, which is in line with standard cost model methodology².

The main assumptions for consultation are outlined below. **Annex C** provides the full assumptions used and provides a business breakdown throughout the supply chain.

- **Per business.** For micro and small businesses, 2.5 hours of one proprietor/shopkeeper's time has been assumed to capture reading the guidance and understanding the implications to their particular business. For medium and large FBOs, 3.5 hours of one production manager time per business has been assumed. The additional hour allows for extra time for dissemination of information to other colleagues in the firm.
 - **Per branch.** For the largest multiple retailers and foodservice businesses, it has also been assumed that there will be further familiarisation costs of ½ hour of a production manager's time per branch. This acts as a proxy for the various activities that might be necessary including for example reading centrally supplied (i.e. by the company head office) training material, cascading this to relevant staff and filing the relevant training records. It does not include training for new staff as this, replacing existing training, is not a new burden.
- d. Given these assumptions, **the total one off familiarisation costs for industry in England are estimated at around £8.14 million.**

¹ Wage rates are obtained from ASHE 2011

² <http://www.berr.gov.uk/files/file44503.pdf>

- e. In order for one-off costs to be compared to annual costs on an equivalent basis across the time span of the policy, one-off costs are converted into Equivalent Annual Costs (EACs) by dividing the one-off cost by an annuity factor³. The total one-off familiarisation cost to businesses in England translates to an equivalent annual cost of £946,000 over a ten year period.
- f. For micro to small businesses, which account for 98.7% of all FBOs, this is likely to be around £41 per business. For medium to large firms⁴, it is equivalent to around £89 per business.

Table 2: Total familiarisation costs to business, by regional breakdown and Equivalent Annual Cost to Industry by Country⁵

	Number of Food Business Operators	Total Familiarisation Cost	Equivalent Annual Cost
England	187,510	£8,143,000	£946,000
Wales	11,435	£487,000	£57,000
Scotland	19,155	£822,000	£96,000
NI	6,680	£286,000	£33,000
UK	224,780	£9,739,000	£1,131,000

39. Mandatory (sometimes called 'back of pack') nutrition labelling costs

- g. This cost has been monetised. The mandatory declaration for energy, fat, saturates and carbohydrates with specific reference to sugars, protein and salt expressed as amounts per 100g or per 100ml imposes costs on industry falling into two broad categories: product analysis costs and re-labelling costs.
- h. It has been estimated by the Food Standards Agency (FSA) that approximately 89% of UK companies already provide some level of nutrition labelling⁶. This may be provided as 'Group I' or 'Group II' nutrition labelling. 'Group I' nutrition labelling comprises in its most basic form the declaration of energy, protein, carbohydrate and fat. 'Group II' nutrition labelling in its most basic form comprises the declaration of energy, protein, carbohydrate, sugar, fat, saturates, fibre, and sodium. It is further estimated that 77% of products providing nutrition labelling do so in the more detailed 'Group II' format.
- i. The companies already providing some level of nutrition labelling would therefore face little or no additional cost of food analysis. The remaining approximately 11% who currently provide no nutrition labelling would face nutritional analysis costs estimated at £250 per product⁷.

³ The annuity factor is essentially the sum of the discount factors across the time period over which the policy is appraised. The equivalent annual cost formula is as follows:

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left(\frac{1}{1+r_i} \right)$$

⁴ The largest retailers and food service businesses are treated differently given multiple branches will need to familiarise. Therefore, it would higher cost than the typical medium to large firm.

⁵ Costs to the nearest £1,000

⁶ <http://www.food.gov.uk/multimedia/pdfs/clearlabassess.pdf>

⁷ The FSA's report into nutritional labelling costs

- j. Based on responses to a previous FSA consultation⁸ regarding nutrition labelling the costs of re-labelling are estimated at a range of £2000 - £5000 per Stock Keeping Unit (SKU).
- k. Products offered for sale pre-packed will generally undergo changes in design of packaging over time. This might include re-branding, reformulation of ingredients, updating marketing messages or simply updating graphics – we refer to this as the ‘re-labelling cycle’.
- l. In this IA, the assumption is made that while a number of changes would need to be made to any given label, businesses will try and minimise the number of times the label is changed to minimise the cost. In most cases all the required changes are likely to result in a single change in the label and therefore one set of design costs. Furthermore, by the end of the transition period built into each of the options, it is likely that the majority of pre-packaged food products offered for sale will either have been subject to a change of packaging for reasons outlined above, or will actually be new products on the market, and in both these cases the fact that the labelling will change or be introduced is not a new burden resulting from the policy, but of the re-labelling cycle. The EU Commission’s IA on general labelling found that a 3 year transition period allowing firms to incorporate legislative changes into their normal labelling cycles reduced the cost burden to businesses by around 95%.⁹
- m. To provide an estimate of back of pack labelling costs¹⁰, we use the Kantar dataset¹¹, which provides us with an estimate of the number of products that are being purchased in the UK. This stands at 106,000 for 2011 which is multiplied by the trimmed mean cost of re-labelling per SKU for minor changes¹², £1,800 (table below). Allowing for a 3 year transition period to help businesses mitigate costs by 95%, **the total cost for re-labelling is estimated to equivalent to £9.54 million.** Spread over the 3 year transition period, the average annual cost to industry is estimated at £3.18 million.

Extent of change	Average cost (£/SKU)	Trimmed Mean (£/SKU)
Minor change	£1,810	£1,800
Major change	£3,800	£3,330

Source: Developing a framework for assessing the costs of labelling changes in the UK

- n. We have assumed that the highlighting of allergens in ingredients listings will form part of the same cycle of re-labelling, and that the information required to be highlighted is already present, in most cases, on existing labels.

⁸ Front of pack (FOP) nutrition labelling for pre-packed foods sold through outlets in the UK

⁹ http://ec.europa.eu/food/food/labellingnutrition/foodlabelling/publications/ia_nutrition_labelling.pdf p37

¹⁰ This does not include the additional costs associated with providing information on reference intakes for specific groups (GDAs).

¹¹ Source: Kantar Worldpanel The Kantar world panel (25,000 UK household panel) are asked to record every item purchased and brought into the household over a 52 week period. So this number reflects the number of different products purchased in the 52 weeks up to April 2011.

¹² The study states that a change was considered as minor when only the text was changed on a single face of the label and no packaging size modification was required to accommodate this.

- o. More information on assumptions used in this IA can be found in **Annex D**. The impact of these mandatory requirements for FBOs on non-prepacked goods will be explored further through consultation.
- p. Statutory information is often provided in a format that takes up the minimum space on the label that is allowable, or close to it. The new regulations will have the effect of increasing this size so for some products, the labels currently used to display information will not be large enough and will need to be replaced by larger ones. Were the regulations to be introduced with immediate effect, there may be significant costs from redundant labelling stock. However, it is not thought that this will be large as:
- Many products do not rely on affixed labels to display information (for example items with printed wrappers, printed cans, cereal boxes etc);
 - Many of those that do have labels already have sufficient space for the required information, albeit sometimes at the loss of space for non-regulatory marketing information;
 - All FBOs have a transition period during which to run down existing stocks of potentially redundant label stock. It is estimated that only 11% of FBOs hold more than 24 months stock of any labels.

40. Costs associated with provision of allergen information on non prepacked food

- a. This is currently a non-monetised cost. The costs associated with the provision of allergen information will be influenced by a number of factors;
- Costs of determining the allergen ingredients in food ingredients, including in many cases in pre-prepared ingredients (for example sauces, pastes etc)
 - Costs of ensuring that this information arrives consistently and accurately with the consumer.
 - Whether the information needs to be presented in written form, or may be given verbally by the FBO. If given verbally, consumers must be made aware that the information is available on request for example by a prominent notice on the menu.
- b. The cost impacts of these issues will be investigated through consultation with stakeholders.

41. Costs associated with the provision additional meat and fish labelling requirements

- a. These costs are currently non-monetised. There are a number of changes to information required to be provided in association with the name of the food for meat and fish products. These include:
- Indicating whether a food has been frozen and sold defrosted
 - Indicating if water has been added to a product above 5% finished weight to a piece of meat that looks like a cut or joint
 - Indicating if proteins from other species have been added to meat products, preparations and fishery products
 - Indicating if meat or fish with the appearance of a cut or a joint has been formed from small pieces formed together into a portion sized product

- b. Some of these costs will be captured in the labelling costs by incorporating these changes into the natural label cycle. However, some of these changes may result in increased costs to industry. Currently, there is little information to infer the scale of the costs.

42. Costs associated with provision of vegetable origin of edible vegetable oils

- a. These costs are currently non-monetised. Under the current food labelling rules, composite foods can use the generic term 'vegetable oil' to describe when oil from a number of different vegetable sources are present in a blend. Under the FIC, this has changed; businesses will now be required to list all of the types of oils used in making that oil, in addition to using the term "vegetable oil" For example 'Vegetable Oil (sunflower, palm and rapeseed) in varying proportions.
- b. It is assumed that food manufacturers already know the vegetable origin of the oils used in products, though there may be a 'seasonal' effect, whereby oils of different vegetable origin are substituted in a product depending on availability and price. There may also be a consumer response consequent to the introduction of this measure with oils that may, by some consumers, be considered less acceptable.
- c. Some of these costs will be captured in the labelling costs by incorporating these changes into the natural label cycle. However, some of these changes may result in increased costs to industry. Currently, there is little information to infer the scale of the costs.

Benefits

Government

Costs

Benefits

Consumer

Costs

43. EU Member State flexibility Article 44 - Removing the requirement to provide QUID on meat products

- a. This cost is currently non-monetised. Under FIC consumers would not always be provided with information for non-prepacked meat products that they currently have access to. So consumers may no longer be able to compare the amount of meat in, for example, a burger bought from a butchers or deli counter to that in a burger being sold pre-packed in a supermarket (though should a retailer choose to provide such information, it would remain the case that it must be accurate). However, under Unfair Commercial Practices Directive,

some of these products would need to have this and other information displayed in any case, if its absence would lead the average consumer to make a different purchasing decision.

- h. Furthermore, it is anticipated that this is likely to be a small cost given that businesses are currently providing this information and it is assumed that they will continue to do so.

Benefits

44. Clearer and more consistent nutritional information on pre-packed foods; Nutrition information

- a. This benefit is currently non-monetised. Although, as stated above, many companies already provide some level of nutrition labelling, the introduction of mandatory back of pack labelling of specific nutrients for pre-packed products will provide clarity and consistency for consumers across all products. Consumers are likely to benefit from this clarity and consistency. This will further assist use and understanding of the information.
- b. This view is broadly supported by research. Grunert and Willis in “A review of European research on consumer response to nutrition information on food labels” (Journal of Public Health, 2007), find that studies report consumer interest in nutrition information on food packages. Consumers are also reported to like simplified front of pack information, and to understand the most common signposting formats.
- c. Further insight into the understanding and use of food labels is offered by the FLABEL (Food Labelling to Advance Better Education for Life) project that carried out research into the impact of nutrition labelling in the EU and Turkey over a three-year period (2008-2011). The project’s findings report consumer preference for non-directive labels and labels with detailed nutrition information. Consumers are also reported to have felt capable of making healthy choices regardless of label format.
- d. It remains much less clear how the use of labelling affects consumers’ dietary patterns. Grunert and Willis (2007) report studies mainly focusing on self-reported and hypothetical use. The FLABEL project finds no relationship between sales of healthy foods and the introduction of new types of nutrition labels, especially front of pack signposting¹³.
- e. It is therefore not possible, at this stage, to quantify any health benefits arising from the introduction of new nutrition labelling requirements and recommendations within the Regulations.
- f. Businesses have nevertheless reported to the Department of Health that they have seen shifts in purchasing pattern within category following the introduction of front of pack schemes (including guideline daily amounts and traffic lights), and that this has stimulated reformulation of food on their part.

¹³ Data from the Tesco club card scheme were used for this analysis.

45. More informed decision-making benefits through more accessible and consistent allergen information; Allergen labelling

- a. These benefits are currently non-monetised. The underlying premise is that benefits will stem largely from two areas;
 - a. Reduction in harm caused by food-allergic consumers unwittingly consuming food containing ingredients to which they may react and
 - b. Increase in choice for food allergic customers who, following the introduction of the legislation, may be confident that information will be provided accurately in all food businesses selling prepacked and non-prepacked foods, including cafes and restaurants.

- b. Reduction in harm and increasing quality of life. It is estimated that between 5-8% in children and 1-2% in adults¹⁴ have food allergy, and these percentages have not changed significantly over the last 20 years. Allergic reactions are usually self treated at home, however on occasion the reaction warrants hospital intervention with minimum 24 hour hospital stay followed by recuperation at home. On rare occasions, treatment has not be administered or has not been administered in time resulting in a fatality. Through the period of consultation, the following question will be investigated;
 - a. How would your ability to manage your food allergy (i.e. avoiding / reducing the incidence of an allergic reaction) be improved by better allergen labelling and allergen information?

- c. Increase in choice. It is estimated that up to 20% of the UK population think that they have a food allergy ¹⁵. Through the period of consultation, the following questions will be investigated;
 - a. For people who do have or believe that they have a food allergy, how many restrict their activities (such as not eating outside of the home) as a result of not being confident about the allergen information provided?
 - b. What is the cost to food business (in terms of lost revenue) resulting from food allergic consumers and their companions not eating at their establishments because allergy information is not provided.

46. Summary of monetised costs and benefits

- a. Table 5 provides a summary of the monetised costs and benefits for FIC.

- b. The net present value is -£10.11 million over 10 years while the net present value to business (costs and benefits that affect business specifically) is -£10.22 million over the same period.

¹⁴ <http://www.nhs.uk/Tools/Documents/Food%20allergy%20and%20intolerance%20myth%20buster.htm>

¹⁵ http://www.foodbase.org.uk/admintools/reportdocuments/249-1-421_T07023_Final_Technical_Report_Feb_2007.pdf

Table 5: Summary of total monetised costs and benefits of FIC

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total cost/benefit	Annual Cost/EAC	PV
COSTS													
<i>Industry</i>													
Familiarisation (transition)	£8,142,541	£0	£0	£0	£0	£0	£0	£0	£0	£0	£8,142,541	£945,962	£8,142,541
Prepacked labelling (transition)	£3,180,000	£3,180,000	£3,180,000	£0	£0	£0	£0	£0	£0	£0	£9,540,000	£954,000	£9,221,028
Total Industry Costs	£11,322,541	£3,180,000	£3,180,000	£0	£17,682,541	£1,899,962	£17,363,569						
<i>Government</i>													
Familiarisation (transition)	£19,496	£0	£0	£0	£0	£0	£0	£0	£0	£0	£19,496	£2,265	£19,496
Total Government Costs	£19,496	£0	£0	£0	£0	£0	£0	£0	£0	£0	£19,496	£2,265	£19,496
TOTAL COSTS	£11,342,037	£3,180,000	£3,180,000	£0	£17,702,037	£1,902,227	£17,383,065						
BENEFITS													
<i>Industry</i>													
SI Consolidation (recurring)	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£8,297,987	£829,799	£7,142,647
Total Industry Benefits	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£8,297,987	£829,799	£7,142,647
<i>Government</i>													
SI Consolidation (recurring)	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£155,967	£15,597	£134,251
Total Government Benefits	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£15,597	£155,967	£15,597	£134,251
TOTAL BENEFITS	£845,395	£845,395	£845,395	£845,395	£845,395	£845,395	£845,395	£845,395	£845,395	£845,395	£8,453,954	£845,395	£7,276,898
NET BENEFIT													
Total Net (Benefit)	-£10,496,641	-£2,334,605	-£2,334,605	£845,395	-£9,248,083	-£1,056,831	-£10,106,166						
Total Net Business (Benefit)	-£10,492,742	-£2,350,201	-£2,350,201	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	£829,799	-£9,384,554	-£1,070,163	-£10,220,922

Annex B

Council Directive 89/396/EEC regulated food lot marking. It had been substantially amended several times. Because of this it needed replacing with a codified version of the amended Directive in the interests of clarity. It was replaced by Directive 2011/91/EU. There were no changes of substance. Our domestic Food (Lot Marking) Regulations 1996 include a reference to Directive 89/396/EEC. This reference is in the definition of the expression 'first seller established within the European Union'. The reference to Directive 89/396/EEC in our domestic Regulations needs to be updated so that it refers to Directive 2011/91/EU instead. The consequential amendment in paragraph 2 of Part I of Schedule 6 to the draft Regulations effects this simple amendment. This should have minimal if any impact on businesses.

The above text focuses on the changes being made as a result of the replacement of 89/396/EEC with Directive 2011/91/EU. However, the revocation of the Food Labelling Regulations 1996 and repeal of Directive 2000/13/EC as part of the FIC exercise will result in the need for other amendments to be made to the Food (Lot Marking) Regulations 1996 as from 13th December 2014. These amendments are contained in paragraph 1 of Part 2 of Schedule 6 to the draft UK Food Information Regulations.

Most of the amendments that are being made, mainly to definitions, should have minimal if any impact on businesses.

Annex C – Estimating Familiarisation Costs of FIC

To calculate the familiarisation costs to industry and Government, the following assumptions have been made:

1. Relevant wage rates :

The wages outlined in this impact assessment represent median gross hourly pay including overtime from the Annual Survey of Household Earnings, 2011, 2011, All Employees. Following standard cost model assumptions, the following wages are then uprated by 30% to account non-wage costs:

- **Shopkeepers and proprietors** (proxy for small FBOs) - £16.32 per hour
- **Regulatory affairs/production manager** (proxy for medium and large FBOs) - £25.39 per hour
- **Inspectors of standards and regulations** (local authorities) - £18.01 per hour

2. Number of familiarisation hours:

The number of hours required by affected **micro and small** organisations to become familiar with FIC Regulations, and to ensure compliance = **2.5 hours**;

The number of hours required by affected **medium and large** organisations to become familiar with FIC Regulations, to ensure compliance and disseminate information = **3.5 hours**;

The number of hours required by **trading standard officers** to become familiar with SI = **2.5 hours**;

3. Treatment of the largest retailers and food service providers:

In order to capture the familiarisation cost across all FBOs, an additional assumption has been made that the largest food retailers and food service providers will require more time to familiarise themselves in all stores. As a result, it is assumed that **an additional 0.5 hours per branch** of one regulatory affairs/production manager's time will be needed. We have used information from Horizons Data Services to acquire the number of stores of the 6 largest retailers and the 10 largest food service operators, (tables below).

No of Stores of the top 6 retailers	England	Scotland	Wales	Northern Ireland	Total
Asda	464	50	33	15	562
Co-op Group	2570	418	182	38	3208
Morrisons	344	54	22	0	420
Sainsbury's	793	43	17	12	865
Tesco	2187	147	98	45	2477
Waitrose	220	3	56	0	279
Total	6578	715	408	110	7811

No of Stores of the top 10 food service providers		UK	England	Scotland	Wales	Northern Ireland
Mitchells & Butlers plc	pubs/pub restaurants	1,600	1,419	100	80	1
Punch Taverns plc	pubs/pub restaurants	4,655	4,095	280	280	0
Whitbread plc	budget hotels/restaurants/Costa coffee chain	2,410	2,190	130	85	5
McDonald's Restaurants	fast food	1,300	1,080	130	65	25
Greene King plc	pubs/pub restaurants	2,430	2,085	320	25	0
J D Wetherspoon plc	pubs/pub restaurants	841	741	50	40	10
Enterprise Inns plc	pubs/pub restaurants	6,143	6,043	0	100	0
Yum! Brands (Pizza Hut UK)	fast food	720	657	40	20	3
Yum! Brands (Kentucky Fried Chicken)	fast food	770	700	20	25	25
Marstons plc	brewing/pubs/pub restaurants	2,150	1,985	0	140	25
Greggs plc	bakeries/sandwiches/savouries/food-on-the-go	1,600	1,330	170	100	0
Total		24,619	22,325	1,240	960	94

4. Estimate of costs

Using the standard cost model approach, familiarisation costs are calculated by using the number of hours to familiarise and multiplied by the number of businesses affected by the hourly cost (wage and non-wage costs). Costs are disaggregated by type of food business operators namely, manufacturers, wholesalers, retailers and food service.

Food & Drink Manufacturers					
	Micro	Small	Medium	Large	TOTAL
England	176,256	49,164	40,434	15,107	280,961
Wales	12,444	3,264	2,666	889	19,263
Scotland	21,012	8,568	8,442	2,222	40,244
NI	9,588	4,692	3,999	889	19,168
UK	219,300	65,688	55,541	19,106	359,635

Food & Drink Wholesalers					
	Micro	Small	Medium	Large	TOTAL
England	467,364	76,092	27,992	4,888	576,336
Wales	15,912	3,264	889	0	20,065
Scotland	37,944	7,752	3,110	889	49,695
NI	18,360	3,468	1,777	0	23,605
UK	539,580	90,576	33,769	5,776	669,701

Food & Drink Retailers						
	Micro	Small	Medium	Large	Branch level for 6 largest retailers	TOTAL
England	1,931,472	120,360	16,884	5,776	83,508	2,158,000
Wales	110,160	8,772	889	444	3,674	123,939
Scotland	211,956	16,320	2,666	889	9,077	240,908
NI	62,016	16,728	5,332	889	1,396	86,361
UK	2,315,604	162,180	25,771	7,998	99,161	2,610,713

Food & Drink Services						
	Micro	Small	Medium	Large	Branch level for 10 largest food service companies	TOTAL
England	4,097,136	626,280	98,196	22,216	283,416	5,127,244
Wales	270,912	37,536	2,666	889	12,187	324,190
Scotland	389,028	75,480	10,664	444	15,742	491,358
NI	114,444	34,272	5,776	889	1,193	156,574
UK	4,871,520	773,568	117,302	24,438	312,538	6,099,366

Annex D – Estimating costs of label changes for FIC requirements

The estimates provided refer only to prepacked products. We will investigate through the consultation the methods and cost to business to provide the necessary information to consumers for non-prepacked products.

Label costs

Information from the 2010 Campden BRI study “Developing a framework for assessing the costs of labelling changes in the UK” looks at the total cost of all stages of the label cycle, from familiarisation of new legal requirements, re-design and auditing through to printing. The study concluded that the following costs would be incurred by businesses making minor or major label changes:

Extent of change	Average cost (£/SKU)	Trimmed Mean (£/SKU)
Minor change	£1,810	£1,800
Major change	£3,800	£3,330

Source: Developing a framework for assessing the costs of labelling changes in the UK

There are a number of variables which affect the costs of relabelling including size of firm, printing methods, type of market and type of product. In distinguishing between major and minor label changes the following descriptions are used:

Minor label change: only the text has been changed on a single face of the label and no packaging size modification was required to accommodate this.

Major label change: the text but also the layout and/or colours and/or format were changed and/or multiple faces of the package were affected. The change is also considered as major in each case when the process entailed packaging size modification.

We consider that the label changes consequent to the FIC and enabling SI are, by these descriptions, minor.

Number of stock keeping units affected

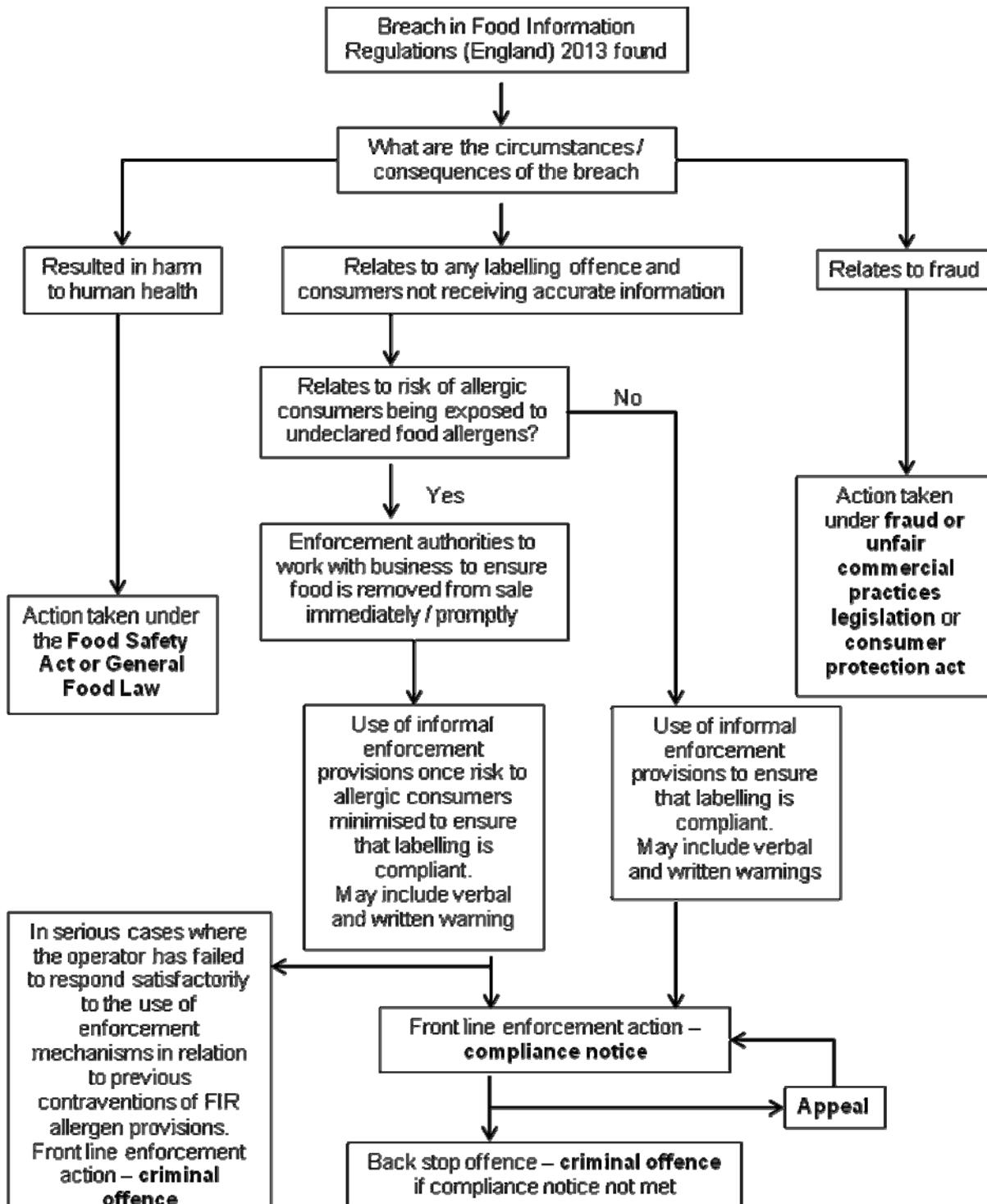
In order to estimate the scale of the cost to industry, we require the total number of stock keeping units (SKUs) produced by the industry. The closest approximation to this is data from Kantar dataset, which provides us with an estimate of the number of prepacked food products that are being purchased in the UK. For prepacked products, we estimate the number of SKUs to be approximately 106,000 for 2011.

The number of SKUs is then multiplied by the trimmed mean cost of re-labelling per SKU for minor changes. Evidence from an EU commission Impact Assessment for FIC ¹ suggests that, if provided with a transition period, much of the labelling costs incurred because of changes to legislation, can be incorporated into the labelling cycle. The study assumes that if a 3-year transition period is allowed, 95% of the costs incurred can be absorbed. Applying this assumption, the total cost estimate for re-labelling is equivalent to £9.54 million. Spread over the 3 year transition period, the average cost per year to industry is estimated at £3.18 million. Without this transition period, the total labelling costs for prepacked products would stand at £190.8 million (see table below).

Number of stock keeping units in the UK	Labelling cost per stock keeping unit	Total labelling costs (without transition period)	Total labelling costs (with transition period)	Average labelling cost per year over the 3 year labelling cycle
106,000	£1,800	£190,800,000	£9,540,000	£3,180,000

¹ http://ec.europa.eu/food/food/labellingnutrition/foodlabelling/publications/ia_nutrition_labelling.pdf p37

Annex E



Annex F - Estimating benefits from SI consolidation

In this impact assessment, we estimate the benefits from consolidating 14 statutory instruments (SI) into one integrated SI. By doing this, we assume that businesses are likely to save time by not searching and analysing 14 separate pieces of legislation. We anticipate these savings to be a recurring benefit over the 10 year period of assessment.

We have excluded micro businesses from our calculations because we assume that they are likely to refer to industry guidance as opposed to legislative documents such as an SI although they would possibly refer to this when the SI is first available (captured in the familiarisation costs).

We have also excluded branches of the largest FBOs in this calculation because it is likely to be the head offices of the largest FBOs and not the branches that would benefit from SI consolidation.

1. Relevant wage rates :

The wages used in this calculation are from the same source used to calculate familiarisation costs (see Annex D). Following standard cost model assumptions, the following wages are then uprated by 30% to account non-wage costs:

- **Shopkeepers and proprietors** (proxy for small FBOs) - - £16.32 per hour
- **Regulatory affairs/production manager** (proxy for medium and large FBOs) - £25.39 per hour
- **Inspectors of standards and regulations** (local authorities) - £18.01 per hour

2. Number of familiarisation hours:

For both enforcers and FBOs, we looked at a range of hours saved through SI consolidation. The lower estimate is 1 hour per FBO per year with the upper estimate at 4 hours per FBO. We have presented benefit savings based on 2 hours per FBO.

3. Treatment of the largest retailers and food service providers:

Using the standard cost model approach, familiarisation costs are calculated by using the number of hours to familiarise and multiplied by the number of businesses affected by the hourly cost (wage and non-wage costs). Costs are disaggregated by type of food business (manufacturers, wholesalers, retailers and food service), by region and by firm size. All three scenarios are presented below.

Scenario 1 – Assuming 2 hrs of time saved per FBO (in current costings)

All FBOs				TOTAL
	Small	Medium	Large	
England	697,517	104,861	27,421	829,799
Wales	42,269	4,062	1,270	47,601
Scotland	86,496	14,218	2,539	103,253
NI	47,328	9,648	1,523	58,500
UK	873,610	132,790	32,753	1,039,152

Food & Drink Manufacturers				TOTAL
	Small	Medium	Large	
England	39,331	23,105	8,633	71,069
Wales	2,611	1,523	508	4,642
Scotland	6,854	4,824	1,270	12,948
NI	3,754	2,285	508	6,547
UK	52,550	31,738	10,918	95,206

Food & Drink Wholesalers				TOTAL
	Small	Medium	Large	
England	60,874	15,996	2,793	79,662
Wales	2,611	508	0	3,119
Scotland	6,202	1,777	508	8,487
NI	2,774	1,016	0	3,790
UK	72,461	19,296	3,301	95,058

Food & Drink Retailers				TOTAL
	Small	Medium	Large	
England	96,288	9,648	3,301	109,237
Wales	7,018	508	254	7,779
Scotland	13,056	1,523	508	15,087
NI	13,382	3,047	508	16,937
UK	129,744	14,726	4,570	149,040

Food & Drink Services				TOTAL
	Small	Medium	Large	
England	501,024	56,112	12,695	569,831
Wales	30,029	1,523	508	32,060
Scotland	60,384	6,094	254	66,732
NI	27,418	3,301	508	31,226
UK	618,854	67,030	13,965	699,849

Scenario 2 – Assuming 1 hr of time saved per FBO

All FBOs				
	Small	Medium	Large	TOTAL
England	348,758	52,430	13,711	414,899
Wales	21,134	2,031	635	23,800
Scotland	43,248	7,109	1,270	51,627
NI	23,664	4,824	762	29,250
UK	436,805	66,395	16,377	519,576

Food & Drink Manufacturers				
	Small	Medium	Large	TOTAL
England	19,666	11,552	4,316	35,534
Wales	1,306	762	254	2,321
Scotland	3,427	2,412	635	6,474
NI	1,877	1,143	254	3,273
UK	26,275	15,869	5,459	47,603

Food & Drink Wholesalers				
	Small	Medium	Large	TOTAL
England	30,437	7,998	1,396	39,831
Wales	1,306	254	0	1,560
Scotland	3,101	889	254	4,243
NI	1,387	508	0	1,895
UK	36,230	9,648	1,650	47,529

Food & Drink Retailers				
	Small	Medium	Large	TOTAL
England	48,144	4,824	1,650	54,618
Wales	3,509	254	127	3,890
Scotland	6,528	762	254	7,544
NI	6,691	1,523	254	8,469
UK	64,872	7,363	2,285	74,520

Food & Drink Services				
	Small	Medium	Large	TOTAL
England	250,512	28,056	6,348	284,915
Wales	15,014	762	254	16,030
Scotland	30,192	3,047	127	33,366
NI	13,709	1,650	254	15,613
UK	309,427	33,515	6,982	349,924

Scenario 3 – Assuming 4 hrs of time saved per FBO

All FBOs				
	Small	Medium	Large	TOTAL
England	1,395,034	209,721	54,842	1,659,597
Wales	84,538	8,125	2,539	95,201
Scotland	172,992	28,437	5,078	206,507
NI	94,656	19,296	3,047	116,999
UK	1,747,219	265,579	65,506	2,078,305

Food & Drink Manufacturers				
	Small	Medium	Large	TOTAL
England	78,662	46,210	17,265	142,137
Wales	5,222	3,047	1,016	9,285
Scotland	13,709	9,648	2,539	25,896
NI	7,507	4,570	1,016	13,093
UK	105,101	63,475	21,835	190,411

Food & Drink Wholesalers				
	Small	Medium	Large	TOTAL
England	121,747	31,991	5,586	159,324
Wales	5,222	1,016	0	6,238
Scotland	12,403	3,555	1,016	16,973
NI	5,549	2,031	0	7,580
UK	144,922	38,593	6,601	190,116

Food & Drink Retailers				
	Small	Medium	Large	TOTAL
England	192,576	19,296	6,601	218,474
Wales	14,035	1,016	508	15,559
Scotland	26,112	3,047	1,016	30,174
NI	26,765	6,094	1,016	33,874
UK	259,488	29,452	9,140	298,081