FOOD STANDARDS Australia New Zealand
Te Mana Kounga Kai – Ahitereiria me Aotearoa

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**336-25**

# Approval report – Proposal P1059: Energy labelling on alcoholic beverages

# **Supporting document 1** – Decision Regulation Impact Statement

# Office of Impact Analysis ID: OBPR22-02135

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## Executive Summary

This Decision Regulation Impact Statement (DRIS) has been prepared by Food Standards Australia New Zealand (FSANZ) for Proposal P1059 that considers amending the Australia New Zealand Food Standards Code (the Code) to require energy labelling on alcoholic beverages.

The underlying problem that P1059 seeks to address is: Unlike most other packaged food and beverages, labels on most packaged alcoholic beverages do not provide information about energy content to enable consumers to make informed choices in line with dietary guidelines. That could potentially hinder a consumer from achieving and maintaining a healthy body weight.

Available evidence suggests 69% of consumers support energy labelling on alcoholic beverages (FSANZ 2021b) and yet energy content information is only included on the label of around 2% of alcoholic beverage SKUs via a voluntary nutrition information panel (NIP) (and a further 6% of SKUs include that information because a voluntary claim triggers the requirement for a NIP). Therefore, the market is underproviding this information that a range of consumers would value and there is a market failure.

There has been extensive consultation over several years on the problem and options to address the problem. That has included:

- three rounds of targeted consultation with key stakeholders from the alcohol industry, public health and consumer groups and jurisdictions between October 2020 and October 2021, plus another three rounds in July 2022, November 2023 and November 2024;
- meeting with a small group of key stakeholders from the alcohol industry to discuss technical issues associated with the determination of energy content information for alcoholic beverages in June 2022;

- inviting comment via the statutory public consultation document, P1059 Call for Submissions (CFS), on proposed draft variations to the Code from 16 January to 20 March 2023;
- ongoing two-way communications with stakeholders from the alcohol industry, public health and consumer groups and jurisdictions, including sharing results of key research and seeking possible changes to elements of the approach proposed in the CFS.

A mandatory approach for the provision of standardised energy information on alcoholic beverages was broadly supported by the majority of submitters. A mandatory requirement can only be through amending the Code. Only FSANZ can amend the Code, with Ministers' agreement (government action).

This DRIS assesses the likely costs and benefits of feasible options to address the problem, including using sensitivity analysis. Education alone is not considered a feasible option, as on-label energy content information is foundational for consumers for any information or educational initiatives to be effective. Options considered are the status quo and two prescribed formats for mandatory declaration of energy content information (kilojoules) on packaged alcoholic beverages.

FSANZ's preferred option is to require the mandatory declaration of energy content information in the following prescribed energy statement (with prescribed format):

| ENERGY INFORMATION<br>Servings per package: (insert number of servings)<br>Serving size: mL ([insert number] standard drinks) | | |
|---|---|---|
| | Quantity per serving | Quantity per 100 mL |
| Energy | kJ (Cal) | kJ (Cal) |

The above energy statement has in its second row below ENERGY INFORMATION the number of standard drinks in a serving: mL ([insert number] standard drinks). For the minority of alcoholic beverages that already have a NIP with on-label energy content information, where the package contains more than one serve, the number of standard drinks equivalent to one serving would also be required to be stated in the NIP. For single-serve packages with NIPs, it would be optional whether or not to state the number of standard drinks equivalent to one serving in the NIP. Existing requirements for the statement (outside of an energy statement or NIP) of the approximate number of standard drinks contained in a beverage for sale would continue to apply.

The above readily accessible on-label energy content information can enable consumers to make informed purchasing and consumption decisions and help them manage their energy intake and body weight. Inclusion of the number of standard drinks equivalent to one serving on all alcoholic beverages would improve consumer understanding of how a serving size relates to a standard drink. Those energy content and standard drinks aspects of information could potentially lead to improvements to overall health and quality of life for some alcoholic beverage consumers from reduced overweight and obesity.

The preferred option would also provide clarity by prescribing content and format requirements for a voluntary NIP. It is assumed that (aside from the number of standard drinks equivalent to

one serving), the preferred option's prescribed content and format is already used for most, if not all NIPs (voluntary or not) on alcoholic beverages.

The main costs from the preferred option would be label change costs to industry, estimated at between $339 m and $444 million.

While FSANZ acknowledges the caveats involved in making the following estimation, FSANZ estimates that only a 0.13% to 0.18% reduction in obesity and overweight-related health costs over ten years[1] is needed to offset the main costs of P1059, label change costs. That was calculated using break-even analysis, which was used to identify the best option.

It does not seem unreasonable to assume the preferred option could contribute to a reduction of health-related costs of this size, given such energy content information is foundational for educational and health strategies (including those mentioned later) aimed at reducing obesity and overweight through informing consumers.

To help minimise costs to industry of the proposed energy statement, FSANZ proposes to allow industry three years to adopt the proposed new labelling requirements which means that either the old or new labelling requirements are acceptable during this period.

FSANZ's standard implementation process would take place for the preferred option, with the start of the three year transition expected in late May 2025, with jurisdictions being responsible for taking forward implementation, monitoring and enforcing compliance.

Decisions in relation to the evaluation of this regulatory change, once made, are for the jurisdictions to make (not FSANZ). Evaluation questions that could be asked may include:

- What proportions of alcoholic beverage labels contain energy content information in required formats in May 2026, May 2027 (during the three-year transition) and May 2028 (after the transition)?
- What are the non-compliance rates of alcoholic beverage labels in May 2028 and future dates?
- How does understanding about energy content among consumers change after May 2028 compared to near the start of the three-year transition (May 2025) for new labelling requirements?

[1] Health costs related to overweight and obesity are discounted by 7% a year over ten years in accordance with Office of Impact Analysis' guidance.

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# 1. Introduction

## 1.1 Purpose of this DRIS

Food Standards Australia New Zealand (FSANZ) has considered whether and how energy (kilojoule) content information should be declared on the label of packaged alcoholic beverages (Proposal P1059– Energy labelling on packaged alcoholic beverages). This Decision Regulation Impact Statement (DRIS) has assessed the costs and benefits of the various options that have been considered.

This DRIS has been prepared in line with the Office of Impact Analysis' Guide for Ministers' Meetings and National Standard Setting Bodies June 2023 (OIA Guide) and answers the following impact analysis questions:

- What is the policy problem?
- Why is government action needed?
- What are the objectives of government action?
- What policy options are being considered?
- What is the likely net benefit of each option?
- Who was consulted and how was their feedback incorporated?
- What is the best option from those considered?
- How will the chosen option be implemented and evaluated?

The OIA has assessed this DRIS as being compliant with the OIA Guide. Refer to the letter on the OIA website dated 21 October 2024 from OIA's Executive Director to FSANZ and reference number OBPR22-02135. The OIA previously exempted FSANZ from the need to prepare a formal Consultation Regulation Impact Statement (CRIS) in relation to the regulatory change proposed under P1059. The OIA was satisfied that ongoing consultation had been undertaken over a prolonged period, and the options under consideration had been tested with relevant stakeholders and representative stakeholder views were known. A formal element of that consultation included a detailed consideration of costs and benefits that accompanied the January 2023 Call for submissions document (CFS)[2]. This DRIS also meets the requirements of Section 59 of the FSANZ Act 1991 which requires FSANZ to have regard to whether the costs that would arise from the proposed measures outweigh the direct or indirect benefits.

This DRIS is part of a wider package of documents that are being progressively put on the following website: Proposal P1059 - Energy labelling on alcoholic beverages.

### How FSANZ changes regulation

FSANZ is responsible for the amendment and maintenance of the Australia New Zealand Food Standards Code (the Code), which is regulation. Among many other things, the Code specifies what information must be included on the label of packaged foods and beverages produced or imported for sale in Australia and New Zealand. For instance, the Code requires packaged

[2] For more details, please see FSANZ's webpage on P1059.

foods (including beverages) for retail sale in Australia and New Zealand to 'bear a label' with nutrition information in the form of a nutrition information panel (NIP), unless covered by an exemption. Where required, the format for a NIP is prescribed and it must include declarations of the average quantity of six specified nutrients and the average energy content in a serving and per 100 mL or per 100 grams.

As discussed below, most packaged alcoholic beverages are currently exempt from the requirement to be labelled with a NIP. That is despite few other food and non-alcoholic beverages being exempted from the requirement to be labelled with a NIP, including no general exemptions from a NIP for limited edition or small batch products.

### 1.2 Scope of P1059

This proposal considers the requirement for energy content information on alcoholic beverages that are currently exempt from the requirement to be labelled with a NIP, being:

- standardised alcoholic beverages[3] e.g. beer, wine, and
- beverages containing no less than 0.5% alcohol by volume (ABV) that are not standardised alcoholic beverages.

These beverages are also referred to as 'prescribed beverages' (as defined in section 1.1.2—3 of the Code).

Brewed soft drinks containing more than 0.5% ABV are therefore included in the scope. Beverages with less than 0.5% ABV are out of scope of the proposal, because they are not exempt from the requirement to be labelled with a NIP and therefore already declare energy content information on label (in the NIP).

Kits intended to be used to produce a standardised alcoholic beverage (e.g. a home beer brewing kit) are also exempt from the requirement to provide a NIP but are not within scope because, as sold, they are not beverages containing alcohol.

The scope is limited to prescribed beverages that are packaged and for sale in Australia and New Zealand, including imported products.

Examples of prescribed beverages[4] include beer, cider, wine, spirits, and Ready to Drink premixed alcoholic beverages (RTDs).

Packaged alcoholic beverages in scope of P1059 are normally in bottles, cans, casks, boxes, or multi-packs. Such alcoholic beverages are often sold in bottle stores, liquor stores, other shops and online.

Alcoholic beverages are not within scope of the changes proposed under P1059 if sold ready for immediate consumption or packaged in the presence of the purchaser. For instance, a glass of

[3] Standard 1.1.2 of the Code defines ***standardised alcoholic beverage*** to mean beer, brandy, cider, fruit wine, fruit wine product, liqueur, mead, perry, spirit, vegetable wine, vegetable wine product, wine or wine product.
[4] For the purpose of this DRIS, prescribed beverages is used interchangeably with alcoholic beverages and beverages containing alcohol.

wine, beer, cider, cocktail or other alcoholic beverage served for immediate consumption in a bar, restaurant or café.

### 1.3 Industry overview

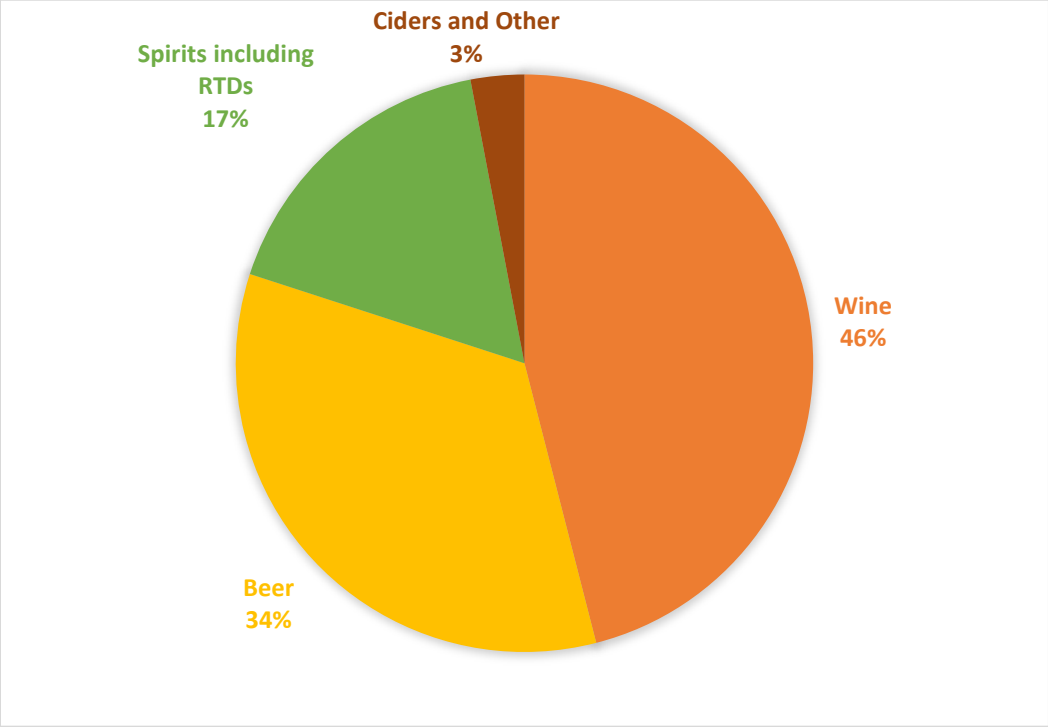
Like other packaged food products, alcoholic beverages have unique Stock Keeping Units (SKUs). One SKU covers all containers with the same unique package type, shape, size, brand, contents, and vintage. For instance:

- all 750 mL bottles of the same merlot red wine, produced by the same company and brand in the same year (different SKU to a merlot wine produced by the same company in the same year but of say a different size at 375mL); and
- all 330 mL cans of the same beer, of the same shape, produced by the same company.

FSANZ estimates that 71,269 packaged alcoholic beverage SKUs are sold across Australia and New Zealand annually (see Appendix A for further information). This excludes brewed soft drinks SKUs with alcohol >0.5% ABV that would be affected by P1059. It is assumed that the number of such brewed soft drinks is relatively small.

In 2023, total revenue for alcoholic beverage manufacturing was estimated at AU $20 billion to $22 billion a year across Australia and New Zealand[5]. Figure 1-1 shows the estimated composition of total revenue by beverage type.

**Figure 1-1 Estimated percentages of total manufacturing industry revenues by broad sector of alcoholic beverage in 2023**




[5] IBISWorld – Industry Marker Research, Reports & Statistics.

Over the last 10 years, despite moderate approx. 2.6% per annum growth in industry revenues (Deloitte), per capita consumption of pure alcohol has generally been decreasing in New Zealand (Statistics New Zealand 2024a). In Australia, it has generally remained steady over the same time period (Australian Institute of Health and Welfare 2024a & 2024b; IBISWorld 2024b). Consumers' increasing health consciousness is considered a primary driver for declining consumption (IBISWorld 2024b).

Total estimated industry profits are $2.2 bn to $2.5 billion a year. It is important to note that market conditions significantly vary for different alcoholic beverage producers and SKUs, even among producers in similar locations, and vary over time. Therefore the average industry profits below should not be regarded as representative of all producers in the various industry sub-sectors.

**Table 1-2 Average profit margins for 2023 by alcoholic beverage sector:**

| | Australia | New Zealand |
|---|---|---|
| Wine | 6% | 11% |
| Beer | 17% | 7% |
| Spirits, including RTDs[6] | 12% | Not available |
| Ciders[7] | 5% | Not available |

In 2023, large producers accounted for sizeable proportions of total industry revenue[8].

Imports accounted for the proportions of total alcohol beverage industry revenues shown in the table below.

**Table 1-3 Percentage of alcoholic beverage industry revenues accounted for by imports in 2023 by alcoholic beverage sector[9]:**

| | Australia | New Zealand |
|---|---|---|
| Wine | 21% | 23% |
| Beer | 6% | 16% |
| Spirits, including RTDs[10] | 32% | Not available |
| Ciders[11] | 13% | Not available |

### Nutrition Information Panel on a minority of alcoholic beverage labels

Currently, a minority of alcoholic beverages are labelled with a NIP. NIPs that are not voluntary (including NIPs on the label of alcoholic beverages because a nutrition content claim is made) are required by the Code to be in the following format:

[6] No data obtained for New Zealand.
[7] No data obtained for New Zealand.
[8] The top three business conglomerates accounted for around 85% of beer revenues in Australia and 55% of beer revenues in New Zealand. In both countries, the top three business conglomerates accounted for around 30% and 55% of wines and spirits revenues respectively.
[9] IBISWorld – Industry Marker Research, Reports & Statistics.
[10] No data obtained for New Zealand.
[11] No data obtained for New Zealand.

**Figure 1-4 Format for NIPs**

| NUTRITION INFORMATION<br>Servings per package: (insert number of servings)<br>Serving size: mL | | |
|---|---|---|
| | Quantity per serving | Quantity per 100 mL |
| Energy | kJ (Cal) | kJ (Cal) |
| Protein | G | G |
| Fat, total | G | G |
| —saturated | G | G |
| Carbohydrate | G | G |
| —sugars | G | G |
| Sodium | mg (mmol) | mg (mmol) |
| (insert any other nutrient or biologically active substance to be declared) | g, mg, µg (or other units as appropriate) | g, mg, µg (or other units as appropriate) |

The NIP format includes information on energy content.

Around 6% of in-scope alcoholic beverage SKUs are labelled with a NIP because a claim is voluntarily made by the producer, such as “low carb”, “low sugar”, or “low energy”. Section 1.2.8—5 of the Code triggers the requirement for a NIP when nutrition content or health claims are made on the label of alcoholic beverages.

The Code also permits alcoholic beverages to voluntarily provide a NIP on their labels. FSANZ estimates a further 2% of alcoholic beverage SKUs are currently labelled with a voluntary NIP. It is assumed that most (if not all) voluntary NIPs already meet the existing content and format requirements (see Figure 1-4) despite no current provisions in the Code to clearly identify content and format requirements for voluntary NIPs.

## 2. What is the policy problem?

Currently, unless a packaged alcoholic beverage makes a nutrition content or health claim, it is exempt from the requirement to be labelled with a NIP, and therefore exempt from any requirement to be labelled with energy content information. This is in contrast to most other packaged food and beverages, which are required to provide a NIP. FSANZ estimates that 92% of in-scope SKUs are not labelled with energy content information because a NIP is neither required nor voluntarily included.

A lack of information and consistency in the presentation of energy labelling on alcoholic beverages prevents consumers from being able to make informed choices and potentially better manage health outcomes and/or their welfare more broadly. This is particularly relevant in the context of Australian and New Zealand dietary guidelines (NHMRC 2013; New Zealand Ministry of Health 2020) that recommend limiting alcohol intake to assist in managing body weight; and ministerial policy guidance[12] that states Food Ministers expect food labels to provide adequate information to enable consumers to make informed food choices in support of dietary guidelines.

In August 2019, the Australia and New Zealand Ministerial Forum on Food Regulation (now the Food Ministers' Meeting (FMM)) noted: "*Currently, consumers' ability to understand the energy contribution that alcohol makes to their diet is severely limited, as alcoholic beverages are exempt from providing nutrition information on the label."* The Ministers then asked FSANZ to consider energy labelling on alcoholic beverages.

Available consumer evidence indicates that consumers generally have a poor understanding of the energy content of alcoholic beverages and are also generally unable to correctly rank different alcoholic beverages by their relative energy content. Consumers do not generally understand alcohol is the main source of energy in most alcoholic beverages. As discussed in the next section, consumers do however, generally value energy content information on the label of alcoholic beverages (FSANZ 2021b). A mean of 5.3% and 5.2% of total daily energy intake for all Australian and New Zealand adults respectively is contributed by alcoholic beverages. These figures include adults who did not consume an alcoholic beverage (ABS, 2013; University of Otago et al, 2011a, b) which means the mean for those who consume alcoholic beverages is actually higher.

On average, alcoholic beverages contribute approximately 16% of total energy intake for Australian and New Zealand adults on days when alcohol is consumed (FSANZ, 2021a). Alcohol is high in energy, contributing 29.3 kilojoules/gram to the diet (NHMRC et al, 2006).

Excess energy consumption has a link to negative health outcomes for individuals as a result of chronic disease due to overweight and obesity. It also has negative consequences for wider society as a result of medical and other costs. FSANZ estimates that over ten years (the typical time over which new policy proposals are assessed), discounted[13] health-related costs of obesity and overweight in Australia and New Zealand combined will cost between $228 bn and $278 billion[14]. That excludes considerable quality of life impacts for individuals and their families. These costs are discussed more in the Appendix A to this report.

[12] Policy guideline on food labelling to support consumers to make informed healthy choices | Food Regulation
[13] Based on discounting by 7% per year, as recommended by OIA guidance.
[14] Please see Appendix A for more details about these cost calculations for overweight and obesity.

There is evidence that food labelling can impact total energy consumption (Shangguan et.al 2018). Further details are in the DRIS net benefits section 5 and Appendix A.

It is not possible to say how much the problems are changing over time. That is, the problems that may result from consumers not being able to check and compare the energy content in a quick and easy way. Challenges to quantifying aspects of the problems include attributing causation and lack of general data.

The distributional impacts of the problem are extremely challenging to quantify. The consumers that experience the largest missed opportunities from current lack of on-label energy content information are likely to be those who are more health / weight-conscious, but who have low awareness of the energy content of alcoholic beverages.

That group may account for a sizeable proportion of all consumers of alcoholic beverages. Some 82% of consumers cannot accurately estimate the energy content of alcohol (FSANZ, 2021b), while 42% of consumers report “watching my weight/others’ weight generally” (FSANZ 2023b).

The consumers less likely to be impacted by measures to address the problem are those who value the information less, such as heavy drinkers, people who are not health / weight-conscious, and a higher proportion of people with lower-levels of education (FSANZ 2021b).

Stakeholders likely to be more proportionately impacted by measures to address the problem are those alcoholic beverage producers with existing lower profit margins relative to costs of proposed label changes. It is not possible to know how such producers are distributed by turnover size, beverage type or other criteria. Shops, hospitality and food service businesses are likely to be less impacted, given label change costs of alcoholic beverages (from options proposed) are likely to effect a smaller proportion of their total (and more diverse) costs. FSANZ does not have sufficient data to verify distributional impacts. More details about considerations of distributional impacts are in this DRIS’s net benefits section.

There are currently no targeted education campaigns linking alcohol consumption and energy intake. However, the lack of consistent, readily accessible energy content information on the label of alcoholic beverages limits the potential impacts of any education aimed at reducing the prevalence of overweight and obesity. Consumers are therefore currently unable to use information or education to directly compare energy content between a selection of beverages and other foods at point of purchase and consumption.

Internationally, there is no consistency in the requirements for nutrition and energy labelling on alcoholic beverages.

## 3. Why is government action needed?

The availability of nutrition information such as energy content is foundational to an open and transparent food production system. It is a precondition for consumers to be able to make informed choices about the food and beverages they purchase and consume in support of dietary guidelines or other personal health related decisions.

Available evidence suggests 69% of consumers support energy labelling on alcoholic beverages (FSANZ 2021b) and yet energy content information is only included on the label of around 2% of alcoholic beverage SKUs via a voluntary NIP and a further 6% of SKUs because a voluntary claim is made. Therefore, the market is underproviding this information that a range of consumers would value and there is a market failure.

Given the low proportion of alcoholic beverage SKUs that provide energy content information voluntarily, it is unlikely the objectives outlined below can be achieved without a mandatory requirement for energy labelling on alcoholic beverages.

Early analysis of options and consultation undertaken by FSANZ in 2021 demonstrated that a mandatory approach to energy labelling of packaged alcoholic beverages would provide greater coverage and consistency for consumers than a voluntary approach. Most stakeholders, including some industry stakeholders agreed with a mandatory approach for on-label provision of energy content information. For more details, see the 2021 Options Analysis paper (FSANZ 2021d)[15]. A mandatory approach requires a change to the Code. Only FSANZ can amend the Code, with Ministers' agreement.

After considering policy options (outlined in section 4 below), it is therefore necessary to amend the Code to require the mandatory declaration of energy content information on prescribed beverages. In undertaking its assessment and comparing policy options, FSANZ had regard to statutory objectives and other obligations set out in the FSANZ Act, Section 18. FSANZ's statutory objectives for amending regulation (in general) are, in descending priority order:

(a) the protection of public health and safety; and
(b) the provision of adequate information relating to food to enable consumers to make informed choices; and
(c) the prevention of misleading or deceptive conduct.

For Proposal P1059, the objective of a government intervention relates mainly to objective (b) the provision of adequate information. However, it could also be characterised as having a relationship to objective (a) the protection of public health and safety. In that context, the following specific policy objective was considered in the assessment of this proposal to target the policy problem:

- Provide readily accessible energy content information on the label of alcoholic beverages to enable consumers to make informed purchasing and consumption decisions in support of dietary guidelines.

[15] Energy labelling of alcoholic beverages; Options analysis

Government action is likely required to achieve the above objective. While the likelihood of achieving the objective cannot be quantified, there is generally high compliance of food products with labelling requirements in Australia and New Zealand.

There may be potential barriers to consumers being able and motivated to read and act on the energy content information. Such barriers may be partially mitigated by FSANZ's plans to develop web content and use other communication channels, including social media, to directly inform consumers about energy labelling on alcoholic beverages and where to look for it. More detail about these plans are summarised in this DRIS section 8 on implementation and in the P1059 CFS.

As will be discussed in section 8, success of this intervention would also benefit from targeted education initiatives on the relationship between alcohol consumption and energy intake, undertaken by other organisations. Such initiatives could help further mitigate the barriers around consumer motivation and use.

## 4. What policy options are being considered?

FSANZ undertook a preliminary analysis of several regulatory and non-regulatory options before a formal proposal was prepared in May 2022. Preliminary work was undertaken to identify, analyse, consult on and refine those options (FSANZ 2021). A number of options were disregarded after the preliminary work, and following consideration of submitter comments to the P1059 CFS, including because they were not seen as effective and/or as feasible as other options for meeting the policy objective. For completeness, some of these are discussed below.

*Education*

Although education could be targeted to improve consumer understanding of the energy content of alcoholic beverages generally, the impact of education alone on informed purchasing and consumption decisions would be limited as the energy content of alcoholic beverages is not consistently and readily accessible for consumers.

Education would not change the fact that most packaged alcoholic beverages for sale in Australia and New Zealand do not currently provide energy content information on-label. Education alone could not easily inform consumers of how energy content varies between a group of SKUs of the same beverage type, e.g. the specific variation among different mid-strength beers in a certain shop. Therefore, education is not considered a feasible option in isolation from other measures for meeting the policy objective to "provide readily accessible energy content information on the label of alcoholic beverages to enable consumers to make informed purchasing and consumption decisions in support of dietary guidelines".

FSANZ is not currently resourced to run targeted education campaigns linking alcohol consumption and energy intake, and such education by other organisations has been limited to date.

*Voluntary Code of Practice (CoP)*

A voluntary CoP to disclose energy content on labels would unlikely adequately address the problem of lack of energy content information on the label of alcoholic beverages, given the current limited uptake of voluntary NIPs and incentives for some producers not to disclose such

information, such as a disclosed energy content making their product seem less appealing. Formats chosen by producers may also be inconsistent with prescribed requirements for nutrition labelling on other packaged foods and may result in inconsistent energy labelling across alcoholic beverages. Inconsistent formats would detract from the policy objective to provide readily accessible energy content information across all in-scope alcoholic beverages. There was no support from any stakeholder groups for a voluntary CoP during early consultation (FSANZ 2021d).

*Permit energy content information to be provided voluntarily in a prescribed format*

This was an option formally consulted on in the CFS. The majority of submitters supported a mandatory approach and not a voluntary approach. Reasons provided included observations that voluntary labelling initiatives are unsuccessful and can result in inconsistent uptake which may indirectly promote consumption of alcohol. As stated in section 3, the evidence has shown that under current permissions in the Code for voluntary NIPs, only around 2% of alcoholic beverage SKUs have included this voluntary energy content information on label. This does not provide confidence that a voluntary initiative would meet the policy objective for all in-scope alcoholic beverages.

*Digital linking to off-label, web-based information*

Under this option, a digital link e.g. QR code on the label of alcoholic beverages would direct consumers to nutrition information provided online on industry websites.

Some alcohol beverage producers and industry associations advocate for this option. They argue most people have smart phones so can access websites relatively more quickly than before and are accustomed to using QR Codes.

Digital linking to off-label information, however, would not provide consumers with readily accessible energy content information at point-of-purchase to enable them to make informed decisions. Digital linking requires more cognitive effort and often more time to access specific information. This is inconsistent with policy guidance that the information must be easily accessed. A recent literature review undertaken by the European Commission (Werle et al. 2022) suggests that consumers' likelihood of accessing nutrition information using online means is low, including in the specific context of alcohol nutrition information. Web-based information may also be more difficult to enforce.

Additionally, smart phone reception is not always available or is intermittent in some shops, for instance in some shopping malls and some rural locations.

In consultations many industry stakeholders considered digital linking more burdensome than on-label energy content information, particularly for producers that do not already have a website. Therefore, coverage of products may not be complete with costs more burdensome for some producers. That would detract from meeting the policy objective.

*Mandating a NIP containing energy content information for all SKUs*

No stakeholders supported this option under previous consultations (FSANZ 2021d). Industry stakeholders noted a NIP would take-up more label space than an energy statement (described under feasible options below) and therefore create more costs for some SKUs than options involving an energy statement. Most public health and some government stakeholders raised

concerns about the potential for consumers to be misled about the nutritional value of alcoholic beverages given most alcoholic beverages have little other nutritional significance except for their energy and alcohol content. Mandating a truncated NIP with energy and some other nutrients, for example carbohydrate and sugar, was also disregarded for this reason.

**Feasible options for decision-makers**

On-label information would enable consumers to easily access the energy content of specific packaged alcoholic beverages at point-of-purchase and make informed choices.

This analysis therefore considers two options in addition to the status quo to meet the policy objective. The features of these options have been informed by:

- feedback from key stakeholders from industry, health organisations, jurisdictions, consumers and academics;
- submitter comments to the public CFS;
- a literature review and meta-analysis of consumer understanding and motivations (FSANZ, 2021b); and
- best practice consumer testing of energy labelling formats (FSANZ 2023a) using a nationally representative sample of more than 2,000 Australian and New Zealand consumers of alcoholic beverages.

**Option 1: Maintain the status quo**

In any consideration of changes to regulation, the status quo must be a part of FSANZ's assessment.

Under this option, there would be no changes to the Code. Regulatory arrangements for the provision of energy content information on alcoholic beverages would remain the same. Standardised alcoholic beverages and beverages containing no less than 0.5% ABV that are not standardised alcoholic beverages would remain exempt from the requirement to be labelled with a NIP and therefore exempt from any energy content information requirements. That is unless a NIP requirement is triggered under 1.2.8—5 of the Code because of a claim (currently for around 6% of SKUs).

Voluntary provision of a NIP containing average energy content information would still be permitted, however the format and content would not be specifically prescribed.

**Option 2: Require an energy statement**

Energy content information would be required on all in-scope alcoholic beverages. Unless labelled with a NIP (see Figure 1-4), that energy content information would be required in the following prescribed format (called an energy statement):

| ENERGY INFORMATION<br>Servings per package: (insert number of servings)<br>Serving size: mL | | |
|---|---|---|
| | Quantity per serving | Quantity per 100 mL |
| Energy | kJ (Cal) | kJ (Cal) |

The format for the energy statement format would be prescribed in the Code and include the following elements:

- tabular format with borders
- heading: ENERGY INFORMATION
- the number of servings of the beverage in the package
- the average quantity of the beverage in a serving, in mL
- average energy content, to be expressed:
  - in kilojoules or both in kilojoules and in kilocalories
  - to not more than 3 significant figures
  - as the quantity per serving and quantity per 100 mL.

This was FSANZ's proposed approach in the CFS. In response to concerns about potential unintended consequences resulting from the proposed format (e.g. confusion with standard drink information) raised by some submitters to the CFS, FSANZ undertook consumer testing and found that the provision of 'energy per serving', 'servings per package' and 'energy per 100 mL' information, consistent with this option, did not have any negative unintended consequences for consumer perceptions or behaviour (FSANZ 2023a).

This option would also include a requirement that a voluntary NIP on alcoholic beverages and other foods containing more than 1.15% ABV must have the same content and format required by certain sections of Standard 1.2.8 of the Code (see Figure 1-4). These format and content requirements are consistent with current requirements for mandatory NIPs.

Despite having no negative unintended consequences for consumer perceptions or behaviour, the energy content information under this option (in an energy statement or NIP) does not improve consumer understanding of how a standard drink relates to a serving size (see option 3 below).

**Option 3: Require an energy statement with standard drink information and the inclusion of standard drink information in a NIP if provided on certain alcoholic beverages**

Option 3 would have the same features of option 2, with the following two exceptions for standard drink information:

1. There would be an additional requirement to declare the approximate number of standard drinks equivalent to one serving of the alcoholic beverage, accurate to one decimal place, in the energy statement.

2. If a NIP is provided on alcoholic beverage packages containing more than one serve (multi-serve package), the NIP must include standard drink information, with standard drink information permitted (but not required) to be included in a NIP on single-serve alcoholic beverage packages (if that single-serve beverage is labelled with a statement of the approximate number of standard drinks as required by existing requirements (section 2.7.1—4 of the Code)).

The above requirements would not replace the existing requirement in section 2.7.1—4 of the Code for a statement of the approximate number of standard drinks in the entire package

(rather than per serve) on the label of all alcoholic beverages outside of an energy statement or NIP.

Compared to option 2, the number of standard drinks would be required in the energy statement in option 3 in the second line below ENERGY INFORMATION (see below). No other text changes would be required.

| ENERGY INFORMATION<br>Servings per package: (insert number of servings)<br>Serving size: mL ([insert number] standard drinks) | | |
|---|---|---|
| | Quantity per serving | Quantity per 100 mL |
| Energy | kJ (Cal) | kJ (Cal) |

A serving size is not prescribed but is determined by each producer, whereas the size of a standard drink is prescribed, based on the alcohol content of the beverage. Therefore, the number of standard drinks equivalent to one serving may vary across alcoholic beverage SKUs. FSANZ's consumer testing found that the addition of the number of standard drinks equivalent to one serving significantly improves consumers' understanding of how a standard drink relates to serving size, especially for multi-serve beverages, compared to the format outlined in option 2 (FSANZ, 2023). When not included, consumers tend to assume that a standard drink is equal to a serving. Therefore, provision of standard drink information in the energy statement is necessary to improve consumer understanding of how a serving size relates to a standard drink across all types of alcoholic beverages and helps to address the potential for consumer confusion about the difference between a serving and a standard drink. Furthermore, consumers consistently selected this label as best enabling them to compare energy content between products.

For an alcoholic beverage SKU labelled with a NIP and in a multi-serve package, option 3 would also require the number of standard drinks equivalent to one serving: ([insert number] standard drinks) to be included in the second line of a NIP below NUTRITION INFORMATION, as follows:

| NUTRITION INFORMATION<br>Servings per package: (insert number of servings)<br>Serving size: mL ([insert number] standard drinks) | | |
|---|---|---|
| | Quantity per serving | Quantity per 100 mL |
| Energy | kJ (Cal) | kJ (Cal) |
| Protein | G | G |
| Fat, total<br>—saturated | G<br>G | G<br>G |
| Carbohydrate<br>—sugars | G<br>G | G<br>G |
| Sodium | mg (mmol) | mg (mmol) |
| (insert any other nutrient or biologically active substance to be declared) | g, mg, µg (or other units as appropriate) | g, mg, µg (or other units as appropriate) |

Option 3 would not require the number of standard drinks equivalent to one serving to be declared in a NIP that is on a single-serve package, although that would be permitted and optional for the producer. All energy statements would be required to declare the number of standard drinks equivalent to one serving regardless of whether or not the package with the energy statement is single serve.

That other standard drink information (approximate number of standard drinks in the entire package) would still be required outside of the Energy Statement or NIP under section 2.7.1—4 of the Code. Therefore, for single serve packages with NIPs, the number of standard drinks equivalent to one serving would continue to always be found outside of the NIP, including in the pictogram/icon formats consistent with industry guidance.

**Additional key features of both options 2 and 3 are:**

(a) a three year transition period for producers to make the required label changes after the new requirements are gazetted in the Code. During that time, alcoholic beverage SKUs would be deemed compliant with the Code regardless of whether or not the label includes a compliant energy statement or NIP that complies with new requirements. That is providing the beverage label complies with other requirements in the Code

(b) an alcoholic beverage **packaged** and **labelled before** the end of the transition period may be sold after the transition period without a compliant energy statement or a NIP that has the additional standard drink information (if required), as if the new requirements had not taken effect. That is providing the label complies with other requirements in the Code. This is called a stock-in-trade exemption

(c) no additional requirements for legibility or location of energy information on beverages containing alcohol. Generic requirements for energy statements to be legible, prominent and in English, as set out in the Code would apply.

In developing the approach for transitional arrangements for (a) and (b) above, FSANZ considered the range of products in the market required to adopt the new labelling requirements, the costs and practicalities of transition for industry, submitter views, relevant precedents for transitional arrangements and other relevant FSANZ proposals. More details about this are in the P1059 CFS (FSANZ 2023c). FSANZ maintains a three year transition period would allow sufficient time for industry to adopt new labelling requirements and minimise costs associated with labelling changes. That also allows sufficient time since the end of the previous transition period (July 2023) when alcoholic beverages were required to incorporate pregnancy warning labels[16].

The Marsden-Jacob model shows that after a transition period exceeds three years, providing extra time does not significantly further reduce label change costs and would delay the potential benefits of informed consumer choice (benefits discussed below in the net benefits section).

[16] See FSANZ website: P1050 - Pregnancy warning labels on alcoholic beverages.

# 5. What is the likely net benefit of each option?

Updating standards in the Code in relation to labelling of alcoholic beverages would impact three main stakeholder groups:

- consumers
- the alcoholic beverages industry (industry)
- local enforcement agencies/jurisdictions, New Zealand and the Australian Commonwealth Governments (governments).

Not all impacts can be quantified. That is particularly the case for any wider health benefits to consumers, where the causal links between including energy content information on labels, informed consumer choice, consumer decisions, and weight management are not straight-forward. Estimated costs and benefits take into account information received from stakeholders, including in submitter comments in response to the P1059 CFS.

## 5.1 Costs and benefits of option 1: Maintain the status quo

The net benefit of the status quo option (option 1) by definition is zero as it involves no regulatory change. The status quo is the option against which all other options are considered. If no other options are likely to achieve a net benefit, option 1 would be the preferred option.

The status quo would not achieve the stated objective of providing "readily accessible energy content information on the label of alcoholic beverages to enable consumers to make informed purchasing and consumption decisions in support of dietary guidelines". That is given a lack of incentives to voluntarily provide energy content information, such as a disclosed energy content making a product seem less appealing. Approximately only 2% of SKUs are labelled with voluntary NIPs in the absence of a claim, when voluntary NIPs have been permitted for more than two decades.

## 5.2 Costs and benefits of option 2: Require an energy statement

The table below briefly summarises the potential costs and benefits for option 2 for each broad stakeholder group compared to the status quo.

**Table 5-2 Costs and benefits of option 2 by stakeholder group**

| Stakeholder group | Cost or benefit | Impact and description |
|---|---|---|
| Consumers | Benefit | Readily accessible energy content information on the label of all in-scope alcoholic beverages to enable consumers to make informed purchasing and consumption decisions in support of dietary guidelines. Many consumers would value this information. |
| | Benefit | Potential improvements to overall health and quality of life from reduced overweight and obesity. Consumer testing found that consumers are able to accurately rank alcoholic beverages by the energy |

| | | |
|---|---|---|
| | | contained in a typical drink using the approved energy statement. This easily accessible energy content information at point-of-purchase is foundational for enabling informed choice about the contribution alcoholic beverages make to total dietary energy consumption. |
| | Benefit | Potential welfare gains for consumers who use the information to better manage or adjust their energy intake to meet personal goals. |
| Industry | Cost | Calculating energy content for each SKU. This would not require any equipment or other purchase costs or fees. FSANZ is developing an online tool to assist the alcohol beverage industry to calculate the energy content of their products. Most other food manufacturers and some alcoholic beverage producers already calculate energy content as an insignificant time cost of normal business. |
| | Cost | Label change costs. |
| | Cost | Possible loss of some SKUs. Impacts on overall industry structure, supply and variety of alcoholic beverages, and total industry revenues and profits expected to be minor. Costs may, however, as always, be proportionately higher compared to revenue turnover and/or profits for certain individual businesses and lower for others. |
| | Cost/ benefit | Availability of energy content information on all beverages may lead to some substitution between different alcoholic beverage products and perhaps to non-alcoholic products for consumers that use energy content as a criterion to choose between products. This may be a cost to some producers, and a benefit to others. |
| Governments | Benefit | Foundation for wider public health and education initiatives. |
| | Benefit | Potential savings in health care expenditure if overall energy consumption reduces, and that leads to a lower extent and severity of overweight / obesity in population. |
| | Cost | This would be a small additional element for enforcement officers to check during routine enforcement, leading to small additional costs for |

| | | |
|---|---|---|
| | | governments. Enforcement officers would need to be made aware of the new requirements. |

### *Consumers*

Having readily accessible energy content information on the label of alcoholic beverages would enable consumers to make informed purchasing and consumption decisions. Available evidence suggests that the majority of consumers generally want and value energy labelling on alcoholic beverages. Option 2 would benefit consumers from correcting the market failure of lack of consistent information about the energy content of alcoholic beverages.

The provision of energy information on alcoholic beverages is also a precondition for informed consumer choice about alcohol consumption in the context of their overall energy intake, and therefore contributes to broader preventative health measures that educate consumers about managing energy balance.

### *Industry*

In 2021, FSANZ commissioned Marsden Jacob Consultants to create a survey and cost model[17] for making quantitative estimates of label change costs per SKU to accommodate an energy statement. However, that does not imply such costs are more significant than the unquantifiable potential benefits of an energy statement that are outlined in table 5-2.

The cost model allows different sized label changes to be costed. Label changes to accommodate an energy statement have been assessed as either “medium” or “major” changes for option 2 under the definitions the model uses.

After considering submitter feedback to the CFS, it is estimated that:

- 10% to 30% of SKUs would require a major label change, that is “label requires substantive additional content which do require changes to both label layout and label shape/size”; and
- 70% to 90% of SKUs would require a medium label change, that is “label requires new text or adding or subtracting logos which do require changes in the label’s internal layout, but **not** the label’s shape or size”.

The estimated percentage of medium and major label changes have been used to develop some sensitivity analysis around label change costs.

Table 5-3 below outlines estimated average label change costs. All costs are in Australian dollars in December 2024 producer prices[18].

[17] For more information about the Label Change Cost Model, please see the bottom of the FSANZ webpage on Labelling of alcoholic beverages

[18] Updated since the Jan 2023 CFS for general producer price increases. See the Producer Price Index for Australia: Producer Price Indexes, Australia, Dec 2024 Quarter | Australian Bureau of Statistics (abs.gov.au) Scroll down to xls and csv spreadsheets to download. "Table 1: Final Demand, Index Numbers and Percentage Changes" i.e. Spreadsheet no 624701.

**Table 5-3: Estimated average one-off label change costs per SKU**

| | Bottle | Can | Cask | All containers Weighted Average |
|---|---|---|---|---|
| **Medium label change** (70% to 90% of SKUs) | $3,868 | $19,769 | $2,587 | $4,355 |
| **Major label change** (10% to 30% of SKUs) | $11,205 | $43,757 | $2,973 | $12,069 |

Note that these estimates are indicative averages only. Label change costs for incorporating an energy statement on an individual SKU's label may be notably less or more than the average for their package type. The cost is dependent on factors such as printing technologies used, size of label, available label space and local costs of different services involved for label changes. These average estimates take into account cost per SKU estimates supplied from stakeholders.

The above figures for "all containers weighted average" is closest to the average for a bottle because bottles comprise the bulk of all alcohol beverage SKUs in Australia and New Zealand.

It is assumed that around 92% of an estimated 71,269 SKUs in the Australian and New Zealand markets would require one-off label changes under this option to incorporate option 2's energy statement. Therefore, FSANZ estimates that 65,588 SKUs may be affected by this option.

Total one-off label change costs of option 2 to industry across all SKUs are estimated at between $336 m and $437 million. This is based on the range between the:

- lower cost split of 10% of the 65,588 SKUs requiring major label changes and 90% requiring medium changes, and
- higher cost split of 30% of those SKUs requiring major label changes and 70% requiring medium changes.

FSANZ has taken a conservative approach and potentially over-estimated average and total label change costs by assuming a transition period of between 2 and ≤3 years, rather than the model's alternative assumption of between >3 and ≤ 5 years which would produce cheaper label change cost estimates. A three year transition period would commence on gazettal of the new requirements[19], in effect providing alcoholic beverage producers slightly more than three years notice after a final decision is made by Ministers (before gazettal). The stock-in-trade provision would also help lower overall costs, which the cost model has not accounted for. That potential over-estimation of total label change costs is assumed to still be the case, even though a relatively low number of brewed soft drink SKUs with ABV >0.5% that would be affected by this option 2 were not included in FSANZ's estimated 71,269 SKUs.

The above immediate costs are counted as costs to producers for this DRIS. Note that some of these costs may be passed onto alcoholic beverage wholesalers, retailers (including shops or hospitality services) and / or consumers. Whether and how much of these costs are passed on

[19] See Section 8 on Implementation for more details of the decision-making and gazetting process.

depends on economic factors like market competition and consumer demand curves[20]. There may be reduced sales in some markets. Such data is not available to FSANZ, therefore the extent of any cost pass on has not been estimated.

No label change costs are assumed from the prescribed content and format requirements for voluntary NIPs under option 2. It is assumed that most (if not all) voluntary NIPs on alcoholic beverages and other foods containing more than 1.15% ABV already meet those requirements.

More details about costs are provided in Appendix A of this DRIS.

***Distributional impacts of label change costs of option 2***

Equal weighting is given to costs across all parts of society, including industry, consumers and governments, which is the standard approach used in cost benefit analysis.

It is noted that the implications of changing labels to incorporate option 2's energy statement would vary by individual business that produce alcoholic beverages.

The wine sector would carry a proportionately high burden of the label change costs. Wine accounts for over 80% of all alcoholic beverage SKUs, for which SKUs often contain relatively low numbers of beverage containers (compared to say a larger beer SKU that is mass-produced with high container numbers). Additionally, some of the smaller businesses and smaller or limited edition SKUs across all alcoholic beverage sectors may carry a proportionately higher cost burden of label changes, including some small brewers.

A three year transition period for complying with the requirements of option 2 (or option 3 below) may not enable all existing label stocks (that don't comply with the new requirements) to be exhausted by the end of that transition period for every SKU. However, taking account of stakeholder feedback, it is expected that a three year transition period would allow for at least 99% of existing label stocks to be used across the whole alcoholic beverages industry. That said, using all existing label stocks may be more challenging for some smaller, craft and artisan businesses and limited edition SKUs. Such costs of unused stocks would be additional to the label change cost estimates above. Overall those costs are assumed to equate to <1% of total whole industry costs.

That <1% cost assessment is based on most alcoholic beverage SKUs generally changing labels within 18 months, particularly annual vintage wines which account for a large proportion of all SKUs. While some producers are sometimes required to buy minimum amounts of label stocks, consultation with craft beer brewers indicated that fewer than 5% were unable to use all stocks during the three-year transition for pregnancy warning labelling.

In addition to disproportionate costs to some domestic producers, imported SKUs would be required to comply with the new labelling requirements to include an energy statement. Where

[20] For more information on the many economic factors that determine the extent to which producers can pass on cost increases, refer to Cost pass-through: theory, measurement, and potential policy implications by RBB for the Office of Fair Trading (UK). Cost pass-through describes what happens when a business changes the prices of the products or services it supplies following a change in the costs it incurs in producing them: Cost pass-through: theory, measurement and policy implications - GOV.UK (www.gov.uk) .

practical, that could include over-stickering. Such costs are not assumed to be prohibitive since over-stickering or other relabelling already occurs for imports to the Australian and New Zealand markets to incorporate pregnancy warning labels and other required label elements.

Based on FSANZ experience from the pregnancy warning label changes and from information gathered through consultation with industry stakeholders, marked impacts on the overall number, prices or variety of available alcoholic beverages, industry structure and competition are not expected. That said, data to make such assessment is currently limited.

***Break-even analysis comparison***

While label changes are one off, it is best practice to consider costs and benefits over a ten year period.

As noted above, quantifying the benefits of an intervention like this does present some challenges. While noting the caveats involved, FSANZ estimates that only a 0.13% to 0.17% reduction obesity and overweight-related health costs over ten years[21] is needed to offset the main costs of implementing option 2, label change costs. The discounted ten year estimates of $228 bn to $278 billion in overweight and obesity-related health costs reflect updates since the CFS to also now include costs of health conditions related to being overweight (body mass index of 25 to <30[22]) and not just obesity (index of 30 or more). Appendix A contains more details about the estimations, calculations and caveats.

The 0.13% and 0.17% have been rounded to two decimal places.

While noting concerns from some submitters, a break-even analysis has been used because of the potential complexities of determining the diversity of potential behaviours over a ten year timeframe among different consumers from the readily accessible energy content information under option 2.

Consumers presented with energy content information could use it in more than one way, meaning simply valuing the health benefits could under or over value the change to consumers. Consumers could read the information and make a decision to reduce their energy consumption and improve their health outcomes. Alternatively, they could maintain their present energy consumption but do it with an alternative mix of food and drink that increases their utility. It could also have an existence value if they value an open and transparent food production system, and the ability to make informed choices about alcoholic beverage consumption in respect of energy content.

It seems plausible to assume the cumulative benefits of option 2 from informed purchasing and consumption decisions, could, over ten years reduce obesity and overweight-related health costs by at least 0.13% to 0.17%. That is when considering:

- the cumulative and additive impacts of this labelling plus education and health initiatives for which this labelling would be a necessary foundation

[21] Health costs related to overweight and obesity are discounted by 7% a year over ten years in accordance with Office of Impact Analysis' guidance.
[22] See: Understanding BMI - Heart Foundation NZ .

- a mean of 5.3% and 5.2% of total daily energy intake for all Australian and New Zealand adults respectively is contributed by alcoholic beverages, which includes adults who do not consume alcohol
- the systematic review by Shangguan et al. (2018) found that food labelling in general reduced consumer consumption of total energy by 6.6%.

A break-even analysis provides guidance to the decision makers on the amount of obesity and overweight-related health costs needed over ten years to offset label change costs. It is then up to the decision makers to decide whether it is likely that the regulatory intervention will achieve a benefit larger than the cost, in addition to the other considerations they need to take into account. FSANZ's view is that the costs of option 2 (and option 3 below) would most likely not outweigh the direct and indirect benefits compared to the status quo.

***Governments***

While there may be some costs to implement and enforce new requirements, option 2 would provide a foundation for wider health and education initiatives aimed at reducing health costs from overweight and obesity, including but not limited to the following:

- Eating and Activity Guidelines, updated 2020
- National Alcohol Strategy 2019 – 2028
- National Obesity Strategy 2022 – 2032
- National Preventative Health Strategy 2021 – 2030
- World Health Organization Global Action Plan (2022 – 2030) for alcohol, including calorie labelling (WHO, 2022b).

More details about the above strategies and plan are available in the P1059 CFS (FSANZ 2023c).

***Conclusion for net benefits of option 2***

**Benefits are likely to outweigh costs**

FSANZ's view is that the costs of option 2 would most likely not outweigh the direct and indirect benefits. As described above, wider benefits are likely to offset the initial label change costs across society as a whole (consumers, industry, governments).

### 5.3 Costs and benefits of option 3: Require an energy statement with standard drink information and the inclusion of standard drink information in a NIP if provided on certain alcoholic beverages

The costs and benefits outlined in Table 5-2 and in the above net-benefits discussion for option 2 above (relative to the status quo) also apply to option 3. Additional costs and benefits expected under option 3 are:

- relatively minor costs to industry for incorporating the number of standard drinks equivalent to one serving in NIPs on the label of an estimated 4% of SKUs (2,553 SKUs) that are for packages containing more than one serve
- benefits to consumers from improved understanding of how a serving size of an alcoholic beverage relates to a standard drink. This additional benefit was determined

from a best practice randomised controlled trial of 2,362 Australian and New Zealand representative consumers of alcoholic beverages (FSANZ 2023a). The number of standard drinks per serve would continue to always be displayed somewhere on the package. That is given the continuing requirement to include a statement of the approximate number of standard drinks in the whole package as required by section 2.7.1—4 of the Code.

***Additional total costs to industry of option 3***

FSANZ estimates the total one-off costs of including the number of standard drinks equivalent to one serving in a NIP to around 4% of SKUs that are multi-serve packages would be $2 m to $7 million. As explained in Appendix 1, a greater relative range has been used for this $2 m to $7 million estimate (Minor label change costs), which is less than 2% of total industry costs under option 3. It is assumes that the required standard drink information can be incorporated into the existing area of a label taken up by a NIP with no changes in the labels internal layout, shape or size. This assumes the one-off label change costs for the cost models "minor" label changes as listed in table 5-4.

**Table 5-4: Estimated average one-off label change costs per SKU with an existing NIP**

| | Bottle | Can | Cask | All containers Weighted Average |
|---|---|---|---|---|
| **Minor Label Change** | $1,636 | $7,414 | $329 | $1,793 |

The SKUs that do not have NIPs (around 92% of all SKUs) would have the same estimated label change costs of incorporating an energy statement as for option 2 (see table 5-3). It is assumed that including the number of standard drinks equivalent to one serving to the energy statement would not add to the label space taken by the energy statement under option 2 so would not add any costs to incorporating an energy statement in a label.

Compared to the status quo, total one-off label change costs under option 3 are estimated at between $339 m and $444 million. That is $2 m to $7 million higher than option 2 (when rounded to the nearest million dollars). This incremental cost increase makes little difference to the percentage of overweight and obesity costs needed to offset the labelling change costs (0.13% to 0.18% to two decimal places for Option 3 compared to 0.13% to 0.17% for Option 2). As for option 2, net benefits are suggested for option 3. Achieving a reduction of this size is seen as plausible for the same reasons as detailed for option 2.

***Conclusion for net benefits of Option 3***

**Benefits outweigh costs**

FSANZ's view is that the costs of option 3 would most likely not outweigh the direct and indirect benefits of option 3 compared to the status quo.

FSANZ's assessment is that net benefits of option 3 are greater than for option 2. The additional net benefit of option 3 is derived from a significant improvement in consumers' understanding of how a serving of an alcoholic beverage relates to a standard drink (FSANZ 2023a). This

enables consumers to make better informed choices about their alcohol consumption, with little change to the two decimal place percentage of overweight and obesity costs needed to offset the labelling change costs.

## 6. Who was consulted and how was their feedback incorporated?

Consultation is a key part of FSANZ's open and transparent standards development process. This proposal has been subject to extensive consultation.

As part of the preliminary work, FSANZ undertook three rounds of targeted consultation with key stakeholders from the alcohol industry, public health and consumer groups and jurisdictions between October 2020 and October 2021. The purpose of these meetings was to discuss issues regarding energy labelling of alcoholic beverages and seek early views on possible options for providing energy information about alcoholic beverages to consumers.

The above targeted consultations shaped the consideration of options. The key outcomes from those early consultations were:

- on-label energy content information was the best option to address the problem and was generally supported by stakeholders as the preferred option. However, most stakeholders also considered that on-label energy information must be accompanied by a targeted, government-led education campaign;
- a format containing average energy content only, appeared to be the most appropriate format for labelling on alcoholic beverages. It was also the preferred format for most stakeholders;
- a mandatory approach would provide greater coverage and consistency for consumers than a voluntary approach and provides regulatory certainty and a level playing field for the alcohol industry. Most stakeholders, including some industry stakeholders, preferred a mandatory approach.

For more details, see the Options Analysis paper, (FSANZ 2021d) and the 2023 CFS (FSANZ 2023 c).

FSANZ later undertook further targeted consultations with the same stakeholder groups in July 2022. At these meetings, FSANZ sought views to inform the development of the CFS.

Additionally, in June 2022, FSANZ held a meeting with a small group of key stakeholders from the alcohol industry to discuss technical issues associated with the determination of energy content information for alcoholic beverages.

FSANZ sought public comment via the CFS on proposed draft variations to the Code from 16 January to 20 March 2023. A total of 65 submissions were received during that period: 36 from industry, 17 from public health, 10 from Government, and 2 from individuals. The submissions received are published on the FSANZ P1059 webpage.

The high level outcomes of the CFS consultation were that:

- A mandatory approach for the provision of standardised energy information on alcoholic beverages was broadly supported by the majority of submitters. Reasons provided included that would align alcoholic products with other foods and beverages, would ensure consumers have access to the information they need to make informed decisions in regard to alcohol consumption and provide consumers more clarity and consistency

around their purchasing and health choices. Some industry submitters considered a mandatory approach to energy labelling would provide much wanted regulatory certainty

- Fourteen submitters did not support mandatory energy labelling on alcoholic beverages. This included 11 submitters from independent craft brewers, who raised issues (discussed in more detail below) with the evidence base, costs and benefits and elements of the proposed format

- There were mixed views as to the most appropriate format and application of energy labelling, with some submitters also raising concerns about potential unintended consequences resulting from the proposed format. Some submitters recommended FSANZ undertake consumer research to support the format to be prescribed.

In response, FSANZ undertook consumer research to investigate consumer perceptions and behaviours in response to different formats for energy statement (FSANZ 2023a). The research indicated that the format under option 3 (set out above) best enables consumer understanding of the energy content information, and does not result in any negative unintended consequences. In late November 2023, FSANZ undertook another round of targeted consultation to present the findings of the consumer research and seek views on possible changes to the approach proposed in the CFS.

The further round of targeted consultations took-place in November 2024 about certain features of the proposed approach, including seeking further views around requiring the number of standard drinks equivalent to one serving to be included in the energy statement and NIP.

**Specific issues raised during consultations relevant to the analysis of costs and benefits**

**Use of a break-even analysis**

Five submitters to the CFS (four from industry and one from government) voiced concerns about using a break-even analysis. They considered the approach was not appropriate, rigorous or supported by evidence. In particular, they suggested that making quantitative comparisons between costs to manufacturers and reduced obesity-related health costs was not appropriate.

That said, another three submitters (all from government) explicitly stated their support for using a break-even analysis in this context.

The break-even analysis is used because of the difficulties with asserting a clear quantifiable causation, given the complexity and situational nature of human decision making. This especially applies to P1059 given the foundational role of the proposed energy statement would have in education initiatives and the potential for greater long term impacts, over ten years and beyond.

For net benefits considerations, it is therefore appropriate to make some comparison between label change costs and reduced overweight and obesity-related health costs. Equal weighting is given to costs across all parts of society, including industry, consumers and governments.

**Disproportionate costs for some alcoholic beverage producers**

Some industry submitters have considered the CFS did not consider the financial impacts on smaller alcoholic beverage producers including artisan beer, wine and spirits producers.

FSANZ notes these concerns and that financial impacts would greatly vary by individual business and SKU. For instance, a few small craft businesses that responded to the CFS suggested lower label change costs than FSANZ's central estimate for a Medium label change. The risks of disproportionately high financial costs to certain businesses, including to some craft businesses, have informed FSANZ's assessment of the overall costs and benefits, including potential impacts on some businesses' cash-flow. The assessment also draws on information supplied about numbers of craft brewers unable to use all label stocks during the three-year transition for pregnancy warning labelling and from talking to representatives of craft businesses.

**Exemptions for very small and limited edition SKUs**

Some industry submitters requested exemptions for limited edition SKUs, small batches (e.g. 2,000 Litres or less), products used for marketing purposes, cellar / museum products and imported SKUs. FSANZ considers such exemptions would be difficult to implement and enforce.

Furthermore such exemptions would:

- limit the application and consistency of energy labelling across all alcoholic beverages;
- create inconsistencies, as other food and beverage products do not have such exemptions from the requirement to provide nutrition information on the label under the Code.

The Code would allow flexibility of size and colour of required energy statement and would permit solutions that may help mitigate label change costs, including over-stickers or using printing techniques that are more suitable for low numbers of containers. Such solutions would be permitted for any SKU.

**Inclusion of standard drinks information in an energy statement and NIP**

During the targeted stakeholder consultations, there were mixed views from participants about this requirement. Some industry participants did not support all features of the proposed approach, primarily due to the costs of changing existing labels of alcoholic beverages labelled with NIPs. Some participants noted they did not want standard drink information in the NIP or energy statement to replace standard drink information elsewhere on the label or for standard drink information to lose prominence.

Following further assessment and consideration of stakeholder views, for preferred Option 3, FSANZ has decided to require the approximate number of standard drinks equivalent to one serving of an alcoholic beverage to be included in all energy statements and in a NIP, as proposed at the targeted stakeholder consultation, with one exception. That exception for certain NIPs (not for any energy statements) is, if the beverage is labelled with the approximate number of standard drinks, as required by existing standard drink labelling requirements, and that number is the same as the approximate number of standard drinks equivalent to one serving of that beverage, the approximate number of standard drinks equivalent to one serving of an alcoholic beverage may be stated, but is not required to be, in the NIP.

From FSANZ's consumer research, although the provision of standard drink information still improved consumer understanding for single-serve beverages, it was to a lesser extent than for multi-serve packages. Therefore, the approach is considered appropriate to balance the consumer research findings with providing flexibility for industry and reduce the disproportionate

costs to some businesses that already have NIPs on single-serve packages. There are as yet no energy statements on any single-serve packages that would be effected by the standard drink information requirements.

Similar to packages labelled with an energy statement or a NIP, if provided on a package containing more than one serve, consumers would still be able to see the amount of standard drinks equivalent to one serving for all single-serve packaged alcoholic beverages. That is given the continuing requirement to include a statement of the approximate number of standard drinks in the whole package as required by section 2.7.1—4 of the Code.

**Broader harms of alcohol**

Some public health organisations have said that the assessments of costs and benefits of each option should include effects on alcohol consumption and alcohol related harms.

FSANZ's response is that any effects on total alcohol consumption from the provision of energy content information on alcoholic beverages are uncertain and would vary greatly by consumer. There may be indirect benefits of lower alcohol related health risks for some (unquantified amount of) consumers if they are influenced by on-label energy content information to reduce their total energy intakes from alcoholic beverages, and therefore reduce overall alcohol intake. It is, however, not possible to speculate on the types of alcohol related health risks that might be reduced, or the extent of such risk reductions.

FSANZ notes that stakeholder views are not unanimous. Stakeholder views are a key part of FSANZ's assessment, while decisions are also informed by scientific evidence and ministerial policy guidance.

More details on submitter views can be found in the submissions received in response to the CFS (FSANZ 2023c) which are published on FSANZ P1059 webpage.

## 7. What is the best option from those considered?

**The extent to which each option achieves the policy objective**

The specific policy objective for P1059 is "readily accessible energy content information on the label of alcoholic beverages to enable consumers to make informed purchasing and consumption decisions in support of dietary guidelines".

This relates to FSANZ's higher-level objective of "the provision of adequate information relating to food to enable consumers to make informed choice".

The status quo is not the best option as it would not meet the policy objective. Under the status quo, energy content information would very likely not be provided on the labels of the majority of in-scope alcoholic beverages.

Options 2 and 3 would each likely achieve the policy objective.

### Net benefits of preferred option 3 compared to option 2

Option 2 is not considered the best option because it does not provide information about the number of standard drinks equivalent to one serving that would improve consumer understanding of how a serving size relates to a standard drink.

Therefore, the best option is considered to be option 3 as it significantly improves consumer understanding of how a serving size relates to a standard drink for a cost increase (compared to option 2) that makes little difference to the break-even comparison. Therefore, option 3 is best for achieving FSANZ's higher-level objective of informed choice.

## 8. How will the chosen option be implemented?

### The decision making process for the proposed changes

The FSANZ Board would decide in March 2025 whether or not to approve the proposed changes to the Code for P1059 (variations to the Code). For more information about the FSANZ Board, please see the FSANZ Board webpage .

After Board approval, FSANZ decisions on variations to the Code are notified to Ministers responsible for food regulation from the Australian Commonwealth and Australian States and Territories, and New Zealand. Those Ministers can then decide to either:

- ask for a review, and after a review decide to accept, amend, or reject the variations to the Code, or
- not request a review of the decision to approve the changes to the Code.

Ministers' decision must be made 60 days after being notified of the decision by the Board.

After this decision making, any decided Code changes are:

- registered as legislative instruments in Australia on the Federal Register of Legislative Instruments and gazetted
- issued as a food standard in New Zealand by the New Zealand Minister for Food Safety.

This is currently scheduled for May 2025, for a three year transition to May 2028.

### How the preferred option would be implemented

After the above decisions, implementation of Code variations becomes the responsibility of the Australian state and territory regulators and applicable local government authorities and in New Zealand, the Ministry for Primary Industries, public health units or local governments.

Compliance is enforced and non-compliance is addressed under each jurisdictions' Food Act. Those Food Acts and related legislation also specify penalties for non-compliance. Checking compliance forms part of routine inspections by environmental health officers (EHOs). Additionally, jurisdictions and EHOs follow-up on specific complaints by individuals or organisations. Apart from this, there will be no additional or special mechanism to enforce compliance for energy labelling.

FSANZ works closely with an implementation working group of regulators from each jurisdiction. This working group promotes a consistent approach to implementing Code requirements. Inconsistent implementation is not assumed to be a risk for energy labelling.

For more details about the implementation working group of regulators, see the webpage: Implementation Subcommittee for Food Regulation.

Industry is ultimately responsible for complying with new and existing Code requirements. Governments are committed to working with industry to help industry meet requirements, including providing advice about requirements.

**No significant challenges to implementation are expected**

Changes to the Code are made frequently and the food regulatory system is well equipped to manage changes. Most stakeholders are also familiar with most aspects of the proposed changes, given extensive ongoing consultation.

**Implementation supported by FSANZ communication and collaboration**

To support implementation, during the three year transition period, FSANZ would:

- work with peak industry organisations on communication strategies to ensure there is broad awareness across industry of the new energy labelling requirements for alcoholic beverages during the transition period. That will include developing an online tool to assist the alcohol beverage industry to calculate the energy content of their products;
- develop web content and use other communications channels, including social media, to directly inform consumers about that energy labelling on alcoholic beverages and where to look for it; and
- communicate with health professionals and jurisdictional governments about the ability of energy labelling to raise awareness to support health education and promotion activities within the community.

This would start following gazettal. The P1059 CFS section on Education contains more information about this.

Consumer use and understanding would benefit from targeted education initiatives about the energy labelling on packaged alcoholic beverages, how energy intake relates to alcohol consumption, where to look for energy content information and how to use it. That would be the responsibility of organisations other than FSANZ.

**Transition period and stock-in-trade provision for implementation**

Until the end of the three year transition period after changes to the Code are gazetted, packaged alcoholic beverage labels would be permitted to either:

- comply or with the Code as amended by the variation (i.e. include the energy statement or NIP with standard drink information as applicable), or
- comply with the Code as if the variation had not taken effect.

The proposed three year transition period would help mitigate the cost to industry of adopting the requirements, without excessively delaying resolving the problems identified. Further justification for this is provided at the end of section 4 “What policy options are being

considered". A large proportion of alcoholic beverage producers can then stage the label changes to incorporate required energy content information with other label changes undertaken in the normal course of business, reducing the proportion of label changes that need to be made in isolation during implementation. For instance, when choosing to make design changes to labels for marketing purposes or needing to comply with other regulated label changes required by other agencies.

FSANZ however, acknowledges that such coordination and staging is not possible for a minority of SKUs for which labels are not often changed in the normal course of business. The Marsden-Jacob label change cost model accounts for this by modelling the different proportions of businesses that can make label changes within given time periods: 1 year, 2 years etc.

FSANZ is also proposing a stock-in-trade exemption, whereby an alcoholic beverage **packaged** and **labelled before** the end of the transition period may be sold after the transition period without an energy statement or the standard drink information in a NIP for multi-serve packages. That is providing the label complies with other requirements in the Code.

## 9. How will the chosen option be evaluated?

The primary responsibility for actively monitoring and evaluating the Code's requirement lies with the jurisdictional governments that have adopted the Code.

Jurisdictions develop policy principles for the food regulatory system, through Ministers approving changes to the Code and determining how amendments to the code are implemented and enforced within their jurisdiction. Therefore, it is appropriate that they have responsibility for reviewing the outcomes of the standards against their policy principles.

Agencies with responsibility for food policy could act alone to evaluate or monitor the standards, or act jointly through the Food Regulation Standing Committee (FRSC)[23]. FRSC provides advice to food Ministers on food regulation issues, which can then result in FSANZ taking action.

One example from 2017 is when jurisdictions formed a FRSC working group to evaluate the performance of the entire regulatory system (including the Code) in preventing foodborne illness. In response, FSANZ created a proposal P1053 for additional mandatory food safety management tools for food businesses. For more details, see the FSANZ P1053 webpage.

Non-food-policy entities within governments can also play a role in evaluation and monitoring food standards, including but not limited to food inspection and enforcement agencies and healthcare bodies.

Evaluation questions that could be asked may include:

- What proportions of alcoholic beverage labels contain energy content information in required formats in May 2026, May 2027 (during the three-year transition) and May 2028 (after the transition)?
- What are the non-compliance rates of alcoholic beverage labels in May 2028 and future dates?

[23] Refer to the Food Regulation Policy Framework, which tasks FRSC with evaluating the effectiveness of policy.

- How does understanding about energy content among consumers change after May 2028 compared to near the start of the three-year transition (May 2025) for new labelling requirements?

The following data and activities could help answer the above evaluation questions:

- data on rates of non-compliance with labelling requirements and observations by EHOs
- in-store sampling, data collection and analysis of the proportions of alcoholic beverages that do or do not incorporate energy statements or compliant NIPs
- surveys of the extent that consumers understand how energy consumption relates to alcoholic beverages, where to look for an energy statement and how to use it
- surveys or feedback on practical barriers and costs to alcoholic beverage producers and jurisdictions of complying with and implementing new requirements
- ongoing consultation with the public health, jurisdictions, consumer groups, and industry stakeholders already included in targeted consultations to-date.

However, as stated, responsibility for the evaluation of this regulatory change primarily lies with jurisdictional governments that have adopted the Code. FSANZ as part of the food regulatory system may contribute to monitoring activities.

# Appendix A: Further details on costs of label changes, overweight and obesity

**Some costs and benefits estimates may not seem exact whole numbers when added or multiplied. That is due to calculations involving decimal places (fractions of a percent or dollar) and then rounding.

### Label Change Cost Model

One-off label change costs are based on a survey and cost model delivered to FSANZ by an independent contractor MarsdenJacob Associates (Marsden Jacob) in 2021. Using structured interviews, Marsden Jacob surveyed alcoholic beverage producers on the costs of changing labels. Work on that model included:

- extensive market research of the alcoholic beverages industry and estimating numbers of SKUs
- triangulating data against other sources to ensure their reasonableness. For instance, interviews with printing and design companies, and other publicly available studies on label change costs.

Those cost estimates continue to be updated by producer price inflation to current prices in the live model.

For more information about the Label Change Cost Model, please see the bottom of the FSANZ webpage on Labelling of alcoholic beverages.

### Assumed numbers of in-scope packaged alcoholic beverage SKUs

The estimates for 71,269 annual SKUs and proportions of SKUs that carry claims was made by Marsden Jacob (while developing the cost model) and FSANZ after:

- in-depth research and analysis of the diverse alcohol beverages industry by sales and container units
- extrapolating the numbers of SKUs from packaged alcoholic beverage producers that Marsden Jacob surveyed to the whole market
- considering other independent estimates of SKU numbers
- considering independent sources for estimating prevalence of claims and weighting average prevalences from those sources across the complete composition of alcoholic beverage SKU types (including but not limited to beers, ciders, wines, and spirits) in the Australia New Zealand markets.

The above estimated total SKU numbers 71,269 SKUs are also close to the previously estimated 71,223 SKUs in 2020 for a previous FSANZ Proposal P1050 for packaged alcoholic beverages: P1050 - Pregnancy warning labels on alcoholic beverages. The currently estimated 71,269 SKUs however, excludes brewed soft drinks SKUs with alcohol >0.5% ABV that would be affected by P1059. It is assumed that the number of such brewed soft drinks is relatively small.

The above research also suggests that:

- approximately 6% (to nearest 1%) of the total 71,269 SKUs contain a NIP on their label because it is triggered by a relevant on-label claim. That is an estimate of 4,255 SKUs
- another approximately 2% of those 71,269 SKUs contain a NIP on their label voluntarily. That is an estimate of 1,425 SKUs.

Adding the above two numbers becomes the 5,681 current SKUs assumed to contain a NIP. This number differs slightly from 4,255 plus 1,425 due to rounding to the nearest whole number.

**Assumed types of one-off label changes**

Label change costs in this DRIS take the following types of one-off label changes that are defined in the Marsden-Jacob cost model. In particular, a sensitivity analysis assumes that different percentages of SKUs would require a Medium label change to accommodate the energy statement, rather than requiring a Major label change.

| Label Change | Definition of this label change | RIS option where this label change would be required |
|---|---|---|
| Minor: adding "mL ([insert number] standard drinks)" | Slight change to existing text and no change in label's internal layout, shape or size. | This minor label change would be required for option 3 only, i.e. an estimated 4% of SKUs that currently have on-label NIPs on packages of more than one serve. This minor label has been estimated as being required for slightly under half of the 8% of SKUs with NIPs.<br><br>That would be in addition to option 3's required Medium and Major label changes for another 92% of SKUs without NIPs (that have the same label change costs for option 2) |
| Medium | New text or adding or subtracting logos which do require changes in the label's internal layout, but **not** the label's shape or size. | Options 2 and 3 would both require this label change.<br><br>Sensitivity testing took the assumptions of:<br>(a) 70% of SKUs without NIPs would require a Medium label change; versus<br>(b) 90% of SKUs without NIPs would require a Medium label change. |
| Major<br>(most expensive type of label change) | Substantive additional content, which do require changes to **both** label layout and label shape/size | Options 2 and 3 would both require this label change.<br><br>Sensitivity testing took the assumptions of:<br>(a) 30% of SKUs without NIPs would require a Major label change; versus<br>(b) 10% of SKUs without NIPs would require a Major label change. |

Average Major label changes cost $12,069 per SKU, compared to the average $4,355 per SKU for Medium label changes. Therefore, the higher proportion of SKUs that require Major label changes, the higher total costs are to industry.

Taking the sensitivity test for option 2 of different splits for required Major and Medium Label changes, i.e. 30%/70% and 10%/90%, the:

- high-cost estimate of total costs to industry becomes AU$ 437,436,211, assuming 30% of label changes are Major and 70% of label changes are Medium
- low-cost estimate becomes $AU 336,251,108, which equals 77% of the high-cost estimate, assuming 10% of label changes are Major and 90% of label changes are Medium.

For option 3, the Minor label change costs of incorporating newly required standard drink information into NIPs on multi-serve packages were added to the above “high” and “low” cost estimates for option 2.

The above Major/Medium label change splits (30%/70% and 10%/90%) takes account of submissions received to the CFS. Four industry submitters considered the proposed energy statement would require a Major label change and that this would markedly increase label change costs.

Eleven other industry submitters provided information about their own label change cost estimates. Five of these cost estimates were substantially lower than the average $4,355 per SKU estimated by FSANZ under the Medium label change scenario, including for three craft brewing businesses. The other six cost estimates were similar to costs of a Medium label change. Among those six cost estimates, one New Zealand supermarket chain quoted average per SKU label change costs at $NZ 3,000 to $NZ 5,000 in early 2023, converted to approximately $AU 2,906 to $AU 4,844[24] in Dec 2024 prices. That compares to this DRIS’s assumed weighted average label change cost per SKU of $AU 4,355 for a Medium label change.

**One-off costs to relabel SKUs – Option 3**

It is assumed that in addition to the label change costs of option 2, some 2,553 of the 5,681 SKUs with existing NIPs are multi-serve packages and would require Minor label changes to incorporate newly required standard drink information at a weighted average of $AU 1,793 per SKU. It is estimated that the other 3,128 SKUs are single-serve packages with NIPs. As for the Medium and Major label changes of incorporating an energy statement, this estimate for a NIP change is based on the ability to make this minor label change as part of other label changes over three years (for most applicable SKUs).

Sensitivity testing of the additional Minor label change costs of option 3 to the packaged alcoholic beverages industry (above option 2) is done by taking:

- a low-cost estimate, assuming 50% of the estimated $1,793 per SKU costs multiplied by 2,553 SKUs, equalling a total of $AU 2,289,003 (after rounding);

[24] Based on the average $NZ to $AU exchange rate of 1.088785 in the three years to 31 December 2024 (Yearly average rates | OFX) and New Zealand PPI between Dec 2022 and Sep 2024 in absence of Dec 2024 PPI Index availability.

- a high-cost estimate, assuming 150% of the estimated $1,793 per SKU costs multiplied by 2,553 SKUs, equalling a total of $AU 6,867,010 (after rounding).

A greater relative range from the low-cost to high-cost estimate has been used for the sensitivity testing for Minor label change costs (of +/-50%) compared to for Medium and Major label changes (23% difference between Medium and Major label changes). That is because FSANZ considers the Minor label change cost estimate to be the least certain, given lack of data on SKUs with NIPs that are single-serve vs multi-serve packages. That said, the total costs across industry of Minor label changes are estimated to be less than 2% of the combined total Medium and Major label change costs.

Adding these label change costs to option 2, relative to the status quo, the low-cost estimate of option 3 becomes $AU 338,540,112, and the high-cost estimate of option 3's label change costs becomes AU$ 444,303,221.

**Costs of unused stocks**

Calculations have assumed that all necessary label changes only need to be done once for each SKU over the three year transition period, and that this transition period is adequate to change labels and to run down stocks of packaging and labels.

Some stakeholders raised the potential for some existing stocks of labels to be unused at the end of the transition period, so some SKUs would incur additional costs to label change costs stated above. That would occur when a business is unable to continue using existing labels without an energy statement after the transition period ends.

Such costs of unused stocks are:

- assumed to be minor, given most alcoholic beverage label SKUs are used within twelve months, although noting that some low-container volume SKUs or SKUs that are slow to change labels may take longer, and
- un-quantifiable, as the cost is dependent on the ability of a company to minimise wastage through managing the flow of ordered and used labels.

**Other notes on estimated per SKU one-off label change costs**

All one-off label change cost estimates for options 2 and 3 have cost components that include but are not limited to: administration activities, including internal company discussions and approvals; label redesign and market testing. Since the early 2023 P1059 CFS, those label change costs components have been re-weighted during calibration of applying the Marsden-Jacob model. For instance, label redesign costs are now estimated to account for a higher percentage of total label change costs than in early 2023. Total weighted average estimated label change costs per SKU used in this DRIS, however, have not changed since the P1059 CFS, other than to be updated with producer price inflation.

**Costs of overweight and obesity**

Costs and benefits are typically considered over a ten-year period.

Health-related costs of overweight (body mass index of 25 to <30[25]) and obesity (body mass index of >=30) have been estimated in this DRIS, whereas the early 2023 CFS only estimated health-related costs of obesity.

FSANZ has estimated that health conditions related to overweight and obesity cost Australia and New Zealand combined between $AU30 billion and $37 billion a year, comprising:

- $AU23 bn to $29 bn annual costs to Australia and
- $AU7 billion to $8 billion annual costs to New Zealand[26].

This includes direct healthcare costs (such as pharmaceuticals and hospital care) and indirect costs resulting from lower productivity (including the cost of absenteeism, foregone taxation and early retirement). This estimate does not include the considerable quality of life impacts for individuals or their families and carers.

The low and high health-related cost estimates of overweight and obesity at $AU30 billion and $37 billion a year have been summed over a ten year period, using the 7% discount rate recommended by the OIA. FSANZ has conservatively assumed constant numbers of people being overweight and obese over ten years, despite population growth.

The discounted health-related costs of overweight and obesity across Australia and New Zealand over ten years become:

- low estimate = $228 billion
- mid-point estimate = $253 billion
- high estimate = $278 billion.

The above health-related costs of overweight and obesity have been sourced and derived as follows:

For Australia, the:

- low estimate of obesity (only) related health costs in 2011-12 is taken from the PricewaterhouseCoopers (PwC) (2015) “Weighing the Cost of Obesity”
- high estimate of obesity-related health costs in 2011-12 is taken from the Obesity Collective (2018) “Weighing in: Australia’s Growing Obesity Epidemic”. Note this latter report uses the PwC report
- obesity-related health costs from the PwC report were adjusted for population growth, using UN Data, and for inflation from the Australian Bureau of Statistics Consumer Price Index data
- health costs relating to overweight was added using a ratio of obesity to overweight-related health costs, based on Colagiuri et al (2005): “Cost of Overweight and Obesity in Australia”.

For New Zealand, the low and high estimated health costs relating to overweight and obesity for 2021 are taken from a study by Sapere for Hapai Te Hauora (2021) “Economic impact of excess

[25] See: Understanding BMI - Heart Foundation NZ .
[26] After converting New Zealand dollars to Australian dollars, based on the average $NZ to $AU exchange rate of 1.088785 in the three years to 31 December 2024. See: Yearly average rates | OFX .

weight in Aotearoa". Those costs have then been adjusted for population growth using UN Data, and for inflation from the Statistics New Zealand Consumer Price Index data.

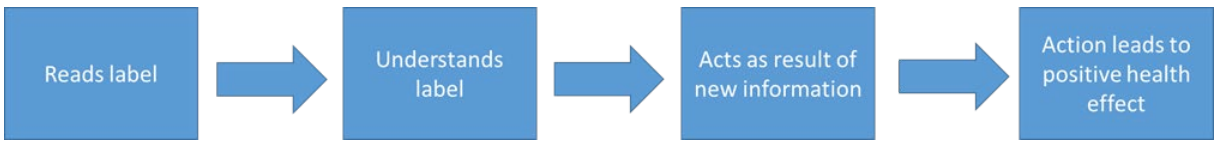
**Use of a break-even analysis**

The amount of overweight and obesity-related health cost reductions that would offset label change costs has been derived from dividing the low-cost and high-costs estimates for label change costs of options 2 and 3 by the $AU 253 billion mid-point estimate of ten-year costs from overweight and obesity-related health costs. Note the previously stated caveats on rounding numbers. Calculations are as follows:

| Label change costs scenario | Estimated total label change costs | Divided by $253 Billion to five decimal places | Percentage to two decimal places |
|---|---|---|---|
| Low cost estimate of industry label change costs – **Option 2** | $AU 336,251,108 | 0.13286% | 0.13% |
| High cost estimate of label change costs – **Option 2** | $AU 437,436,211 | 0.17285% | 0.17% |
| Low cost estimate of label change costs – **Option 3** | $AU 338,540,112 | 0.13377% | 0.13% |
| High cost estimate of label change costs – **Option 3** | $AU 444,303,221 | 0.17556% | 0.18% |

**Use of a break-even analysis and caveats**

When FSANZ considers the potential benefits of a labelling change, it can often be challenging to establish a link between the change and a health effect for example. This is because a chain of causation needs to be established between the label change and a final benefit. A simple diagram setting out this potential chain of causation is shown below.




As a result, there is often no option other than to do break-even analysis. For instance, comparing the cost of a label change such as an energy statement to health-related costs of overweight and obesity.

The break-even analysis is actually used because of the difficulties with asserting a clear quantifiable causation, given the complexity and situational nature of human decision making. This especially applies to P1059 given the foundational role of the proposed energy statement to allow educational and informational initiatives to have greater longer-term impacts, over ten years and beyond.

A break-even-analysis provides guidance to the decision maker on the reduction in obesity and overweight-related health costs needed over ten years to offset label change costs. It is then up to the decision maker to decide whether it is likely that the regulatory intervention will achieve a benefit larger than the cost, in addition to the other considerations they need to take into account.

Other considerations for the decision maker include evidence such as the systematic review and meta-analysis of 60 studies including more than 2 million observations across 11 countries that found that food labelling (in general) reduced consumer consumption of total energy by 6.6% (Shangguan et al. 2018).

FSANZ's view is therefore that the costs of option 3 would most likely not outweigh the direct and indirect benefits of option 3 compared to the status quo.

**Scope and caveats with the systematic review of food labelling (Shangguan et al. 2018)**

The systematic review (Shangguan et al. 2018) examined a range of standardised nutrition or healthfulness information on packages, such as nutrient content and health-related claims, icons, symbols and logos, and menu and other point-of-purchase labelling.

This is the only piece of applicable evidence that FSANZ is currently aware of that quantifies a relationship between food labelling and total energy consumption.

Caveats with this systematic review include that it covered:

- a range of foods, where some of the data may not apply to alcoholic beverages, and
- a range of different labelling elements and combinations of elements.

Ideally, there would be more context-specific studies and data.

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