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Supporting document 4

FSANZ Act Assessment Requirements

Proposal P1067 – Health Star Rating System

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1 FSANZ Act assessment requirements

When assessing this proposal and the subsequent development of a food regulatory measure, FSANZ has had regard to the following matters in section 59 of the *Food Standards Australia New Zealand Act 1991* (FSANZ Act):

1.1 Section 59

1.1.1 Consideration of costs and benefits

The FSANZ Act requires FSANZ to have regard to whether costs that would arise from the proposed measure outweigh the direct and indirect benefits to the community, government or industry that would arise from the proposed measure (paragraph 59(2)(a)).

A Consultation Regulation Impact Statement (CRIS) accompanies the 2nd call for submissions (CFS) (see SD3). Section 5 of SD3 contains the analysis of the options, comparing the direct and indirect benefits to the community against the costs associated with the option. The CRIS considers 2 options:

1. Maintaining status quo – for this proposal, the status quo is for the voluntary Health Star Rating (HSR) system to remain.
2. Amending the Code to mandate the HSR system – the Code would be amended to require the HSR symbol on foods for retail sale in Australia and New Zealand.

The analysis is quantitative where possible, however at the 2nd CFS FSANZ does not have information available to quantify the health benefits that may be associated with option 2. A break-even analysis has been used to consider the magnitude of the unquantified benefits that would be required to meet the estimated costs of implementing a mandatory system.

The Office of Impact Analysis (OIA) assessed the CRIS in October 2026 and considers the overall analysis conducted to be compliant with the *Regulatory Impact Analysis Guide for Ministers' Meetings and National Standards Setting Bodies*.¹

Consideration of costs and benefits

The net benefit of the status quo option (option 1) by definition is zero as it involves no change.

This option would not address any of the public health risks identified in the 2nd CFS. As noted by some submitters in response to the 1st CFS, maintaining the status quo might cost consumers through the inconsistent availability of front-of-pack nutrition labelling (FoPL) and the HSR more commonly being displayed on foods that receive higher HSRs. This asymmetry of information can be resolved by referring to nutrition information on the back-of-pack. However, as noted, some consumers have difficulty interpreting this nutrition information.

Tables 1 and 2 describe the impacts to consumers, industry and government of option 2.

¹ <https://oia.pmc.gov.au/resources/regulatory-impact-analysis-guide-ministers-meetings-and-national-standard-setting-bodies>

Table 1. Impacts of option 2

Stakeholder group	Option 2
Consumers	Consumers are supported to make informed healthier food choices.
	Contributions to improved health outcomes are expected from consumers who choose healthier products by comparing products using the HSR symbol.
	Contributions to improved health outcomes are expected from a healthier food supply if food manufacturers decide to formulate or reformulate a product to improve its HSR.
Food businesses (i.e. food producers, manufacturers, retailers and importers)	Costs related to label changes for food businesses who either haven't voluntarily adopted the HSR or that require updates to their existing HSR.
	Some food importers may incur a cost of over-stickering in order to comply with the mandate.
	Operational costs to implement and maintain the proposed changes.
	Transfers that might occur between industry participants where some businesses sell more and others sell less.
	By having to display the HSR symbol, a food business may choose to reformulate their product to increase its appeal or formulate new products to gain a higher HSR.
Government	Health system cost savings.
	Costs related to consumer education.
	Costs related to providing guidance and enforcement.

Table 2. Quantified and unquantified impacts of option 2

	Stakeholder group	Option 2
Quantified cost	Food businesses	Costs related to label re-design.
		Operational costs to implement and maintain the proposed changes.
	Government	Costs related to consumer education. Costs related to providing guidance and enforcement.
Partially quantified cost	Food importers	Cost of updating over-sticker labels (partially quantified).
Quantified indirect benefit (unquantified at 2nd CFS with work underway to quantify)	Consumers and government	Improved health outcomes from reformulation of packaged food in Australia and New Zealand, leading to health system cost savings.
Unquantified benefit	Consumers	Consumers are supported to make informed healthier food choices.
		Improved health outcomes are expected from consumers who choose healthier products by comparing the HSR score of products.

FSANZ estimates mandating the HSR system would initially cost the Australian and New Zealand food industry \$315.2 million in operational activities and costs associated with label changes. Ongoing costs for industry and government are estimated to be \$7.2 million annually, consisting of record-keeping and HSR maintenance for businesses, and enforcement activities for government.

A transition period will be used to reduce the regulatory burden on the food industry. A transition period enables businesses to coordinate a mandatory labelling change when it is most cost-effective to each individual business. Furthermore, a stock-in-trade period will limit the potential environmental impacts from mandating the HSR system by allowing businesses to sell products that do not meet proposed Code requirements to limit packaging write-off and wastage.

Mandating the HSR system may reduce the information search costs of making healthier food choices by improving the information available to consumers. Improved health outcomes are also expected from consumers who choose healthier products using the mandatory system and indirectly from a healthier food supply if food manufacturers choose to formulate or reformulate packaged food products to improve their HSR.

Cost-benefit analysis cannot yet be undertaken, as expected benefits are not quantified at the 2nd CFS. However, breakeven analysis finds if the proposed changes have an indirect effect of reducing the cost of obesity in Australia and New Zealand by 0.11%, then healthcare and other indirect cost savings from the change would be equal to the 10-year cost of the proposed change. Similarly, in Australia, if the healthcare cost attributable to

dietary risks was reduced by 0.92% as an effect of the proposed changes, the savings made would be equal to the 10-year cost of implementing the change in Australia.

FSANZ considers mandating the HSR system as proposed under option 2 will leave Australian and New Zealand consumers in a better position than under status quo.

Additional information received through the 2nd CFS may enable FSANZ to undertake a more quantitative-based impact analysis of the options for the Decision RIS (DRIS). This depends, however, on the quality of data/information received from affected parties. The data/information received may result in FSANZ arriving at a different outcome.

1.1.2 Other measures

FSANZ has not identified other measures that would be more cost-effective than varying the Code as proposed, to address the identified risks. FSANZ proposed approach to:

- require the HSR symbol to be displayed on most packaged foods for retail sale where a nutrition information panel is required, subject to specified exemptions and prohibitions
- standardise the HSR symbol design and location
- require the HSR to be calculated using a prescribed algorithm,

is expected to improve consistency, comparability and accessibility of nutrition information to address limitations of the voluntary approach, enhance consumer trust and provide greater regulatory certainty for industry and enforcement agencies. See Section 3 of the 2nd CFS.

1.1.3 Any relevant New Zealand standards

The standards relevant to this proposal apply in both Australia and New Zealand. FSANZ is not aware of any relevant New Zealand only standards.

1.1.4 Any other relevant matters

Other relevant matters are considered below.

1.2 Subsection 18(1)

FSANZ has also considered the three objectives in subsection 18(1) of the FSANZ Act during the assessment.

1.2.1 Protection of public health and safety

FSANZ's assessment indicates that the display of HSR more consistently across food products can improve consumers' ability to make informed healthier food choices in line with dietary guidelines and may also improve the healthiness of the food supply by incentivising food manufacturers to increase HSRs on food products through reformulation. Therefore, when combined with other measures, including broader nutrition education initiatives, the proposed mandated HSR system would contribute to public health efforts to reduce the prevalence of overweight, obesity and diet-related non-communicable diseases in Australia and New Zealand.

1.2.2 The provision of adequate information relating to food to enable consumers to make informed choices

The proposed requirement to display the HSR symbol on food labels would provide consumers with consistent information and a quick, easy-to-use and standardised way to

compare the nutritional value of similar packaged foods which would support informed healthier food choices.

1.2.3 The prevention of misleading or deceptive conduct

FSANZ has not identified any relevant issues to date.

1.3 Subsection 18(2) considerations

FSANZ has also had regard to:

- **the need for standards to be based on risk analysis using the best available scientific evidence**

FSANZ's risk analysis considered the best scientific information currently available, in addition to undertaking original research to further inform its assessment, as part of the 1st CFS and HSR preparatory work, including:

- a literature review (SD1 to the 1st CFS)
- new consumer research (SD2 to the 1st CFS)
- the performance of the HSR algorithm (SD3 to the 1st CFS)
- the HSR symbol and technical assessments (SD4 and SD5 to the 1st CFS)
- consideration of international FoPL scheme aspects relevant to the HSR system (Section 2.4 of the 1st CFS).

FSANZ has also had regard to further assessments following the release of the 1st CFS, including:

- updated performance of the HSR algorithm (SD1)
- updated HSR system technical assessments (SD2)

- **the promotion of consistency between domestic and international food standards**

FSANZ has had regard to international guidance and overseas standards for the provision of FoPL nutrition information. Internationally, there is no consistency across food standards in the provision of FoPL requirements. There are also no mandatory nutrition FoPL schemes that are similar to the HSR system (i.e. based on nutrient profiling) in other countries (see Section 1.8 of the 2nd CFS).

- **the desirability of an efficient and internationally competitive food industry**

FSANZ does not anticipate any significant impact of the proposed approach on the efficiency and ability of Australian and New Zealand food businesses to compete in overseas markets.

- **the promotion of fair trading in food**

FSANZ has not identified any relevant issues to date.

- **any written policy guidelines formulated by the Food Ministers' Meeting**

FSANZ must have regard to any written policy guidelines formulated by the Food Ministers' Meeting. There are two policy guidelines and a policy statement relevant to

this proposal:

- Front of pack labelling policy statement.
- Policy Guideline on Food Labelling to Support Consumers to Make Informed Healthy Food Choices.
- Recommended Policy Guideline on the intent of Part 2.9 – Special Purpose Foods.

A summary of these policy guidelines/statement and their relevance to the assessment is provided in Section 4.8.3 of the 1st CFS.

FSANZ had regard to each guideline and policy statement in its assessment and when preparing the draft variation. FSANZ considers its assessment and the draft variation is consistent with these policy guidelines/statement.