



Australian Government
Department of Industry,
Science and Resources

Country of origin labelling for seafood in hospitality settings

Regulation impact statement for decision

Department of Industry, Science and Resources

October 2023

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Glossary of terms

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
BCR	Benefit to cost ratio
CBA	Cost benefit analysis
Consumer Ministers	State and territory consumer affairs ministers
CoOL	Country of origin labelling
CoOL for Food	Country of origin labelling scheme regulated by the CoOL Standard
CoOL Standard	Country of Origin Food Labelling Information Standard 2016
DAFF	Department of Agriculture, Fisheries and Forestry
Department	Department of Industry, Science and Resources
FRDC	Fisheries Research and Development Corporation
NT	Northern Territory
NVP	Net present value
OIA	Office of Impact Analysis
RIS	Regulation impact statement
Seafood CoOL	Country of origin labelling for seafood in hospitality settings
Seafood CoOL Standard	Country of Origin Fish Labelling Information Standard

Executive summary

A regulation impact statement (RIS) is carried out by governments when considering whether action is required to address a specified problem.

This decision RIS recommends a solution (with the greatest net benefit for the community) to address country of origin information asymmetry on menus and food labelling for seafood sold in hospitality settings.

Approximately 62% of the edible seafood Australians consume is imported, and this trend is increasing year on year (DAFF 2023). However, consumers lack consistent access to country of origin information for seafood sold in hospitality settings (seafood CoOL) and are therefore unable to make informed purchasing decisions in line with accurate information or their personal preferences.

In the absence of government regulation, origin information on menus and food labelling is unavailable or inconsistent. Food producers and food service businesses know more about their seafood products than consumers do and can self-select the information consumers receive.

Without standardisation of seafood CoOL, consumers can be confused by, misled by, or misinterpret information on food labels. The absence of standardisation or verification of food labelling claims also means that businesses are unable to assure consumers of the validity of their labelled information.

Having regard to stakeholder feedback during consultation on different options, and the results of the regulatory impact assessment, the preferred option is:

ACL information standard – Australian, Imported and Mixed (AIM) model.

The AIM model would be implemented through a new information standard under the Australian Consumer Law (ACL). Hospitality businesses would be required to indicate, for each dish on their menu that contains seafood, whether the seafood in that dish is Australian, Imported, or of Mixed origin (where Mixed origin can be used if a single dish contains both Australian and imported seafood).

The AIM model is preferred because it has the greatest net benefit and most support from stakeholders overall. It is considered the option most likely to achieve the policy objectives. It would provide consistent and reliable seafood origin information to consumers in hospitality settings, give hospitality businesses certainty about how to label their seafood, and have minimal impost or burden.

The Department of Industry, Science and Resources (the department) has consulted extensively on seafood CoOL, including with consumers, consumer and industry bodies and associations, hospitality and seafood businesses, state and territory governments, and environmental and academic groups. Consultation mechanisms included a consultation regulation impact statement (DISR 2023a), an economic evaluation and cost benefit analysis (CBA) (Deloitte 2023) and a discussion paper (DISR 2022).

Implementation arrangements for seafood CoOL, including enactment of the ACL information standard, an education and awareness strategy to consumers and hospitality businesses, and monitoring and compliance activities, are still to be determined by the Australian Government.

1. About this regulation impact statement

1.1. Background to this decision RIS

On 25 October 2022, the Minister for Industry and Science, the Hon Ed Husic MP, announced the Government's intent to 'work with the seafood and hospitality sectors to develop mandatory Country of Origin Labelling for seafood in hospitality that will help consumers know if the seafood they order is Australian, while minimising costs and compliance burden on businesses' (Husic 2022).

In June 2023, the Assistant Treasurer, the Hon Stephen Jones MP, and Assistant Minister for Manufacturing, Senator the Hon Tim Ayres, wrote to state and territory consumer affairs ministers (Consumer Ministers) with a proposal to amend the ACL to introduce seafood CoOL. The proposal was accompanied by a consultation RIS.

This decision RIS provides a recommendation to Consumer Ministers on the Government's preferred option for seafood CoOL. It was prepared in accordance with the *Regulatory Impact Analysis Guide for Ministers' Meetings and National Standard Setting Bodies* (OIA 2023).

1.2. Australian Consumer Law (ACL)

The ACL is the law governing consumer protection and fair trading in Australia. It protects Australian consumers and encourages fair trade and competition. It is administered jointly by Commonwealth, state, and territory consumer protection agencies.

The ACL aims to:

- improve consumer wellbeing through empowerment and protection
- foster effective competition
- enable the confident participation of consumers in markets in which both consumers and suppliers trade fairly.

The ACL has mandated country of origin labelling (CoOL) for most food and beverages for sale in retail settings (CoOL for Food) since 2018 under the Country of Origin Food Labelling Information Standard 2016 (CoOL Standard). The CoOL Standard ensures accuracy and truth in labelling, including in relation to the place of origin of goods. It allows consumers to know where their food comes from and is often a key factor for consumers when making purchasing decisions.

'I support CoOL so I can make an informed choice as a consumer. I have a right to know where my food is coming from.'

Under the ACL, hospitality businesses are currently exempt from CoOL for Food. Over the past decade, there have been many inquiries and reviews concerning the possible introduction of seafood CoOL (**Appendix A**).

1.3. Food labelling

Food labelling refers to the provision of information on packaging or menus to inform consumer purchasing and consumption decisions (FSANZ 2023). It is a tool to support consumers to make

informed decisions. Consumers have the right to know, ask and confirm the origin of the seafood supplied for purchase in a hospitality setting before paying.

Menu and food labels are designed to provide consumers with information that:

- communicates important information about products
- assists them in making consumption choices which align with their preferences
- differentiates products in the market by labelling certain aspects or attributes of products.

Consumers consider and use food labelling in different ways and rely on food labelling to make decisions. The provision of information through food labelling is an important and cost-effective mechanism which can support people to make more informed choices in the foods they purchase and consume (McKinsey 2014).

The 'Labelling Logic - the Final Report of the Review of Food Labelling Law and Policy' (Blewett et al. 2011) identified that food labels are an intensely complex area but are highly valued as a communication option for consumer value information. The report noted that food labelling has 4 areas of consideration: food safety, preventative health, new technologies and consumer values. Consumer values relates to consumers' personal values and allows them to make decisions that consider country of origin, animal welfare issues, religious beliefs, environmental issues, and human rights matters.

1.4. What consumers want to know

Global food supply chains are complex, and consumers are increasingly seeking more information about the origins of their food. This includes menu labelling showing where ingredients are sourced from and where ingredients are produced or caught. The lack of seafood CoOL means that Australian consumers are not able to make informed decisions or choices to purchase their most preferred seafood products.

'[Seafood CoOL] definitely makes a difference when buying in the supermarket and would flow to hospitality settings. Coming from the NT where this is already required, this is a gap when eating out in other states.'

Research and consultation have reflected the importance of CoOL information to consumers (DISR 2022, DISR 2023b). Consumers have expressed the importance of adding seafood CoOL to the existing CoOL framework. The department's consultation has shown that consumers value CoOL for different reasons based on their personal dining preferences.

'Behind the country of origin labelling is the product, the quality, the knowledge (growing up eating Aus. seafood at the seaside), our ocean from where it comes from etc. We need to know where the seafood we are eating on the plate comes from to make an informed choice...'

1.5. Seafood CoOL policy context

Hospitality industry

The hospitality industry is vital to Australia, providing value to both the economy and society at large. Currently, there are more than 85,000 hospitality businesses in Australia, mostly small to medium enterprises (SMEs). The size and scale of the industry is also expected to expand, with anticipated annual growth over the next 5 years of around 1.6% (IBISWorld 2023). Around 55% of hospitality businesses offer seafood on their menus (Calogeras et al. 2011).

Workforce statistics

Cafes, restaurants, and takeaway food service businesses have the largest number of employees across the accommodation and food services industry in Australia, employing around 680,200 people. This equates to 71.9% of the accommodation and food services industry workforce. The department's data confirms a total hospitality business count in 2022 as:

- accommodation with food service business = 6,600
- cafes = 86,080
- pubs = 7,000
- clubs = 3,480.

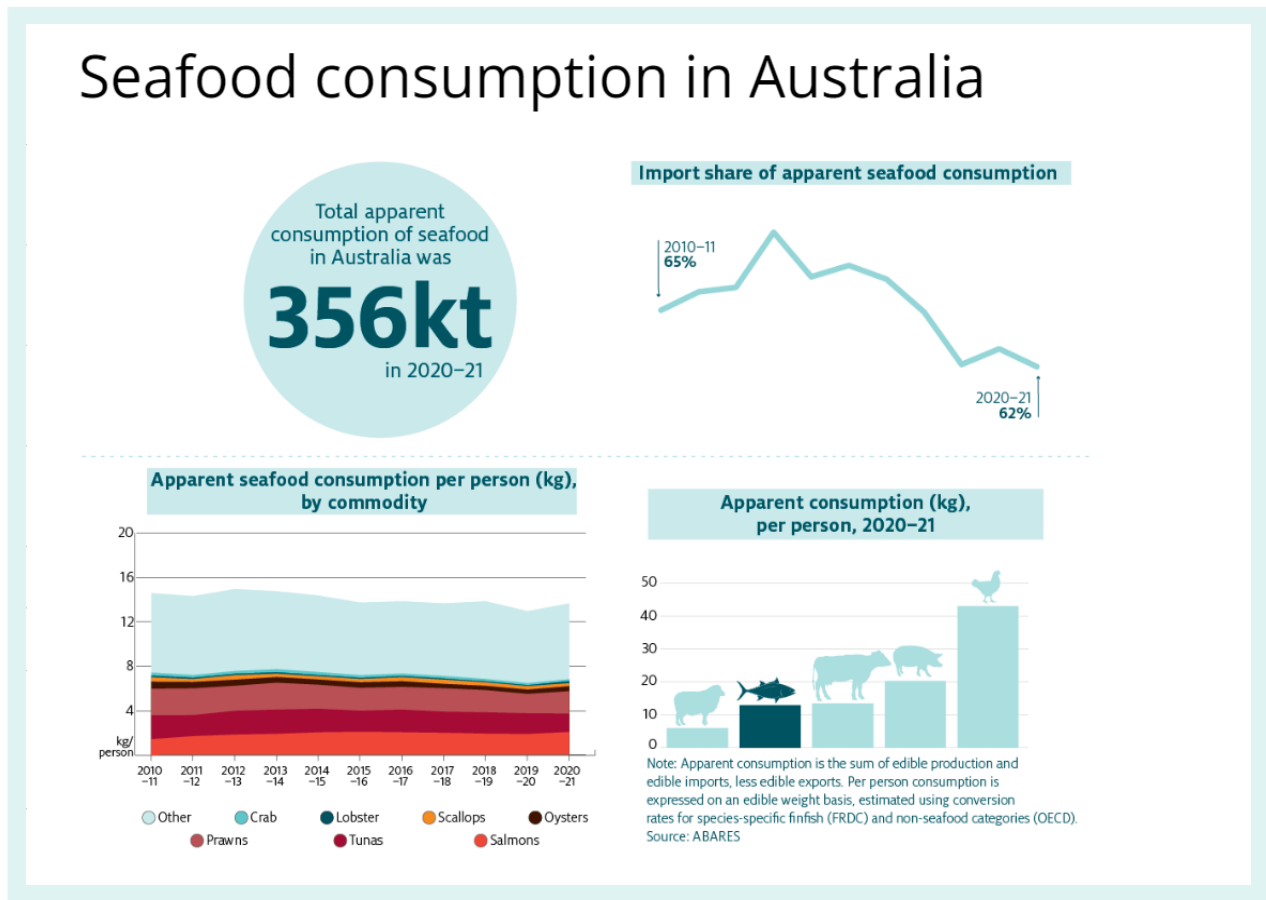
The Australian seafood industry directly supports more than 15,000 Australian jobs, and many more downstream in transport, logistics, and processing. contributes \$3.5 billion in gross domestic product annually to the Australian economy (DISR unpublished).

Domestic seafood consumption

An estimated 62% of the edible seafood Australians consume (by weight) is imported, predominantly from the Asian region, and this trend is increasing year on year (DAFF 2023). The largest importers of seafood by state are New South Wales (\$58.7 million), Victoria (\$53 million) and Western Australia (\$24.3 million). The gross value production (GVP) of Australian fisheries and aquaculture production is forecast to rise by 8% in 2022–23, to \$3.63 billion (DAFF 2023).

'Without CoOL, consumers lack the ability to make informed buying choices. Consumers who might otherwise choose to support local fishers and local fisheries are not able to make active choices, relying instead on the buying policies of hospitality businesses.' — Tasmanian Seafood Industry Council

Figure 1 – Seafood consumption in Australia (ABARES 2022)



2. What is the problem?

Consumers lack consistent access to country of origin information for seafood sold in hospitality settings and are therefore unable to make informed purchasing decisions in line with accurate information or their personal preferences.

2.1. Defining the problem

The common theme across inquiries and the department's consultation is that consumers want seafood CoOL because it provides them with information about the seafood they are purchasing and eating. At this point in time, consumer access to seafood CoOL currently relies on businesses' willingness to provide this information voluntarily, either through signage on menus, display boards or in response to customer queries. This lack of easily accessible and consistently displayed information means consumers may be unable to make educated or informed purchasing decisions on seafood in line with their personal preferences.

Information asymmetry

Market failure occurs when the market is not able to provide optimal outcomes. One of the main causes of market failure is asymmetric information. Asymmetric information occurs when parties involved in a transaction are not equally informed (Minarelli et al. 2016).

Challenges of information asymmetry arise for consumers if decisions concerning food labelling are unregulated. In the absence of government regulation, food producers and retailers know more about their products than consumers do and can choose what information consumers receive. Businesses are incentivised by profit to only reveal information on their food labels if that information is likely to generate more revenue than costs, or to improve the reputation of the business, which limits consumers' ability to make consumption choices that align with their preferences.

Without any standardisation and verification of food labelling claims under seafood CoOL, consumers are likely to be confused by, misled by, or misinterpret information on food labels. It also means that businesses may have trouble convincing consumers of the validity of their labelled information.

Seafood origin information is provided through the supply chain to hospitality businesses as part of food standards and other CoOL requirements. If hospitality businesses are not passing on origin information to consumers, and this information is desired by consumers to inform their purchasing decisions, then a situation of information asymmetry arises. This lack of information affecting consumer purchasing decisions and power could lead to market distortion. In an effort to alleviate this problem for consumers, the department has investigated policy options on seafood CoOL.

'As a consumer, I want to know exactly which country seafood has been sourced from. This helps me to make decisions based on food safety, environmental concerns (distance transported), human rights considerations and ethical concerns regarding various markets.'

2.2. Why is this a problem?

Origin is often a key factor for consumers when they are considering what food to buy (Deloitte 2021a). Consumers consider a range of factors including personal values and perceptions on price, safety, quality, and branding when making purchasing decisions.

Seafood is the fourth most consumed 'protein' in Australia, after beef, pork, and poultry (ABARES 2022). About 356 kilotonnes of seafood was consumed in Australia in 2020-21 which equates to about 12.4 kg per person. Consumer demand for CoOL information for seafood has been identified as being higher than other food (Deloitte 2021a).

In Australia most other protein-based foods are sourced locally. As a food product, around 62% of seafood consumer in Australia is imported (ABARES 2022), making it a unique problem space compared to other proteins. Many consumers are unaware that most seafood consumed in Australia is imported.

'Currently consumers are unaware that this information [on seafood] is missing for cooked seafood. A lot of assumptions are made.' — Tobin Fish Tales, QLD

2.3. What is the extent of the problem?

The CoOL Standard allows retail customers to make conscious and informed decisions about what they purchase to prepare at home. However, hospitality and food service venues are not currently required to provide origin information on the food, including seafood, they serve.

Some hospitality businesses provide seafood CoOL by choice, especially high-end businesses and on premium seafood. However, there has not been significant voluntary uptake of providing this information to consumers in the hospitality sector. Consumers can ask hospitality businesses for seafood CoOL information at any time, however many consumers responding to the department's discussion paper commented that servers are often unable to provide this information. The 2021 evaluation of CoOL for Food estimated how many Australian food service businesses currently provide seafood origin information (Deloitte 2021a). Using the best available information, the evaluation conservatively estimated that only around 1% of businesses that offer seafood for sale were providing origin information (Deloitte 2021b). These businesses consisted of certain large fast-food outlets such as McDonald's and Domino's Pizza, high-end restaurants, and businesses subject to the NT's seafood labelling requirements (Deloitte 2021b).

'The current voluntary labelling system has been shown not to work. It is confusing, easily misleading and does little to confirm the integrity of locally-supplied produce – particularly seafood products.' — Western Australia Fishing Industry Council

2.4. What are the impacts of the problem on stakeholders?

The department surveyed a range of stakeholders on whether information about seafood origin would help them make informed purchasing decisions in hospitality settings when consulting on its discussion paper. Of the consumers that responded, 99% agreed that it would (DISR 2023b). Approximately 60% of the consumers that participated in the CBA for seafood CoOL indicated that seafood origin information was important or very important to them and approximately 30% indicated that they would often or always enquire about it (Deloitte 2023).

Anecdotal reports from consumers, Australian seafood producers and representatives of the seafood industry indicate that consumers commonly assume that, like other proteins, seafood is likely to be locally sourced. As a result, consumers may not think or know to question the origin of seafood, particularly when dining near the sea or areas known for seafood, and when the seafood has an Australian name (such as ‘barramundi’) (Lawley 2015). In a 2015 survey, 50% of consumers indicated that they assume the seafood they purchase is Australian if there is no stated country of origin (Lawley 2015). Some businesses are concerned that voluntarily labelling their seafood as imported may disadvantage them if competitors, also selling imported seafood, do not label.

‘I hate that for so long, any fish and chip shop close to an ocean is busy with line out the door selling imported fish just because people assume if they are close to the water it must be fresh. If the people working even know where it’s from (most don’t or just say, I don’t know we get it pre battered in a box), it’s usually all imported.’

Without clear and consistent seafood origin information, businesses may charge consumers higher prices for imported seafood that does not cost as much as Australian produce. Consumers may assume they are paying for a certain type of product, but due to information asymmetry, they are not getting what they paid for.

‘I want to be certain that if I am paying a premium for Australian seafood that I am getting Australian seafood.’

In response to the discussion paper, many consumers reported that, when they ask hospitality venues for information on the origin of seafood, staff often do not have the information. This enquiry process takes extra time and effort for both consumers and staff, which could potentially be reduced significantly if labelling were clearly displayed in a standardised and accessible format.

‘I would like to see seafood origin information displayed in all settings, including restaurants and take-aways. ([X restaurant] is one of them – their consumer literature does not state seafood origin and re: barramundi, I emailed them but received no response. For this reason I would like to see seafood origin.’

3. Why is government action needed?

‘While nearly all domestic consumption of other major foodservice proteins (such as beef, lamb, and chicken) is domestically produced, more than 60 percent of the seafood eaten in this country is imported (ABARES 2022) – a stark and rapid change from just twenty years ago when almost all seafood consumed was produced locally. We strongly believe in the rights of consumers to make informed choices about the food they purchase and consume. Seafood CoOL is needed to provide the consumers with the information needed to make informed choices and to lessen the incidence of misleading labelling practices.’
— Australian Barramundi Farmers Association

3.1. Objective of government intervention

The objective of seafood CoOL is to provide increased information to consumers about the origin of seafood in hospitality settings, without overtly increasing the cost to consumers or increasing imposts or burdens on hospitality businesses.

This will be achieved by:

- providing consumers with a reliable labelling system that will give more informative, easier to find and less ambiguous seafood CoOL
- providing businesses with a consistent way to label their seafood
- being simple for hospitality businesses to comply with to minimise the impost or burdens.

Seafood CoOL would be complementary to the existing CoOL Standard, and consistent with Australia’s international trade agreements and obligations.

‘This is very overdue. I would like to see uniformed labelling so the consumer does not get confused. It’s the same everywhere.’ – Café Del Giorno, SA

The success of the reforms could be measured primarily through:

- observing changes in statistics on consumer behaviour, complaints about lack of information provided, changed spending behaviours on seafood in hospitality settings
- seeking feedback from seafood industry on the impacts of consumer knowledge that they are observing
- analysis of complaint handling statistics (that would be gathered once reporting obligations have been established).

3.2. Alternatives to government action

Potential alternatives to government action have been set out below. These alternatives may help improve consumer access to seafood CoOL. However, without a mandatory and standardised approach, information would not be consistent or may not be readily available. As a result, the benefits of these alternatives may be limited and not proportionate to the costs involved.

The alternatives could also require significant effort and some level of cost from industry. Industry's capacity to lead action on this issue may be limited given the current economic climate. Many businesses across Australia are still recovering from COVID-19 and other disruptions such as natural disasters and global crises. Therefore, the market is unlikely to resolve the issue on its own.

Voluntary or industry-led standard

A voluntary standard could be developed to set out how hospitality businesses would provide seafood origin information to customers. The standard would be voluntarily agreed to, and adopted by, businesses across the hospitality sector to provide seafood origin information to consumers.

Expected impacts

A voluntary industry standard would improve the consistency and availability of origin information for consumers, improving their ability to make purchasing decisions in line with personal preferences.

Allowing businesses flexibility in how they provide seafood origin information should limit costs and administrative burden. However, too much flexibility may result in inconsistent information, uncertainty for complying businesses, and make it more difficult or time consuming for consumers to find and understand the information. Consumers may also find it hard to tell whether businesses have adopted the voluntary standard or are providing origin information according to their own interpretations.

There is a risk that businesses that do voluntarily adopt an industry standard would be disadvantaged if other businesses do not. Other businesses could benefit from consumer expectations that the information on seafood origin was disclosed when it has not been.

'[Seafood Industry Australia (SIA)] is aware of two recent examples where SIA members have attempted a voluntary seafood labelling system in their food service establishments in Hobart, Tasmania and Western Sydney, New South Wales. In both instances the businesses suffered a loss of sales and reputation, and were forced to revert back to non-labelling as they were discriminated against by consumers who believed their competitors used all Australian seafood due to their lack of CoOL.' – Seafood Industry Australia

Developing a standard would require time and resources from industry. These costs may be passed onto consumers and government support may also be needed. One or more industry bodies or government would also need to be responsible for governance and compliance monitoring for the standard.

Hospitality businesses would be responsible for implementation costs and other business impacts of a voluntary standard, yet most of the benefits would be gained by consumers and seafood producers.

The seafood and hospitality sectors have historically had conflicting views on origin labelling and have

different interests and priorities. It is unlikely that they would reach a consensus on an approach without intervention.

Education and awareness

The problem could be addressed through providing education and awareness to:

- teach consumers about seafood origin and to encourage them to ask about seafood origin information in hospitality settings
- encourage hospitality businesses to voluntarily label seafood on menus and other advertising and to teach them about the benefits and importance of labelling.

'I try to only buy Australian seafood and it's very annoying when you ask at a restaurant where the seafood is from and they have no idea.'

Expected impacts

Education and awareness could help address some of the common assumptions consumers make about seafood origin. It could also encourage more businesses to provide origin information to consumers by highlighting the benefits to them.

Any education and awareness strategy would involve some cost for industry or government. Depending on how the education and awareness would be provided and funded, the costs would be variable. For example, social media may be more cost effective, but mass media would be required to capture all consumers from all sections of society. These costs may be prohibitive for industry bodies and for hospitality businesses without government support.

'Sydney Fish Market does not believe that there is a market-based solution with the capacity to solve this issue without government intervention.'
— Sydney Fish Market

There have previously been various industry and government initiatives on seafood origin, including to encourage consumers to ask for seafood origin when dining out or helping them find Australian seafood if it aligns with their preferences (see **Appendix A**). Despite these efforts, the information asymmetry challenge remains.

3.3. Case study – Northern Territory

The Northern Territory (NT) is currently the only Australian jurisdiction with seafood labelling laws in hospitality settings. The NT introduced laws November 2008 under the *Fisheries Act 1988*. The law requires all fish retailers selling seafood for public consumption (including in hospitality settings) to label any seafood not caught in Australia as 'imported.' Products or dishes containing seafood of mixed origin are required to be labelled 'contains imported seafood products.'

These laws were introduced in response to growing consumer demand and calls from the NT seafood industry to provide seafood origin information all the way down the supply chain to assist consumers in making informed seafood choices.

'Seafood is a much loved product in Australia and part of the Northern Territory seafood experience is undoubtedly our iconic seafood species such as Barramundi and Mud Crab. Popular tourist destinations such as Darwin and Cairns have restaurants relying heavily on the lure of seafood. In our major cities seafood restaurants are still coveted by those seeking a fine dining experience.'

'What is common amongst all the consumers at these venues is that they perceive their seafood to be local or at least produced in Australia. The omission of Country of Origin Labelling (CoOL) on menus has led to consumers being misled believing the seafood they purchase to be locally produced. Eating local product is a key aspect of the whole seafood experience and tourism industry.'

— Northern Territory Seafood Council

Outcomes

A 2011 report for the Fisheries Research and Development Corporation (FRDC) 'Tracking the impacts on seafood at dining venues arising from the Northern Territory's seafood labelling laws' (Calogeras et al. 2011) found that the consumers surveyed:

- strongly supported the seafood labelling laws
- indicated they would be willing to pay 25% more for a 'local wild-caught' seafood product than a similar option sourced from overseas
- ranked country of origin as the second most important factor, behind freshness, when choosing seafood for a meal.

The report also found that hospitality businesses surveyed:

- generally supported the labelling laws and recognised the importance of them
- advised that they spent \$630 on average (per business) to implement the labelling requirements. Several businesses spent less than \$100 in total. Over 70% of businesses reported that they were no longer incurring costs approximately 2.5 years after the laws were introduced.

The report noted some confusion around unlabelled seafood. Over 40% of consumers that were surveyed for the report mistakenly assumed seafood without any labelling meant it was imported, instead of Australian. Possible solutions would be ongoing education to explain the laws or to label all seafood as Australian or imported. Some of the hospitality businesses that participated in research for the report considered labelling Australian seafood as a marketing opportunity.

4. What are the policy options?

This decision RIS considers 3 policy options for seafood CoOL:

- **Option 1: No change.** Under the first option, hospitality businesses would continue to be able to provide seafood CoOL at their convenience and in line with their own definitions of origin (that is, where the seafood was caught or processed). Consumers would be on their own recognisance to either know or to make enquiries about seafood CoOL.
- **Option 2: ACL information standard – AIM model.** Under the second option, hospitality businesses would be required to indicate, for each dish on their menu that contains seafood, whether the seafood in that dish is Australian, Imported, or of Mixed origin (for example, a single dish containing both Australian and imported seafood).
- **Option 3: ACL information standard – Country model.** Under the third option, hospitality businesses would be required to indicate the specific country of origin for seafood (for example, specifying if a piece of fish is from New Zealand as opposed to only stating 'Imported'). This option would not have the Mixed option, as the specific country of origin would be required for each seafood item in a dish.

4.1. Option 1: No change

The situation as is it now. The current information asymmetry situation for consumers would continue. They would not know where the seafood they purchase originates. Consumers would continue to not know the origin of the seafood they are buying in hospitality settings. Some hospitality business will voluntarily inform consumers of seafood origin, and this may grow into the future as consumers continue to ask for seafood CoOL to be available on menu labelling, but there would be no consistency and consumers could continue to make assumptions and be misled as to the actual origin of seafood in hospitality and food service businesses.

'[W]e support the first of the three options outlined the RIS; maintaining the status quo.' – Clubs Australia

4.2. Option 2: ACL information standard – AIM model

Option 2 proposes introducing a new information standard under the ACL, the Country of Origin Fish Labelling Information Standard (Seafood CoOL Standard).

Under the Seafood CoOL Standard, hospitality businesses would be required to indicate, for each dish on their menu that contains seafood, whether the seafood in that dish is:

- Australian (A)
- Imported (I)
- Mixed origin (M) – if a dish contains both Australian and imported seafood.

This option seeks to address the issue of what is the minimal requirements placed on hospitality businesses to label seafood CoOL on menus, display boards or anywhere seafood is for sale is advertised, that still meets consumer information requirements.

Government would run an education and awareness strategy to introduce any regulatory change.

Stakeholder views

Stakeholder views were variable, with both strong support and objections.

'National Retail accept that government regulation may best ensure the consistency of information across all hospitality businesses to inform customer choice, however we maintain that any regulation must carefully consider the cost and challenges to maintain for businesses and offer adequate flexibility in how and where the information is displayed to customers to facilitate outcomes that meet the policy intent. Of the proposed options, we prefer the AIM model.'

— National Retail Association

'I am fully supportive of CoOL for Seafood and have made this clear to [the Restaurant and Catering Industry Association of Australia (RCA)] that their insular protection of big chain restaurants is unacceptable. RCA's opinion that it will be too costly to print revised menus is lazy and pathetic.'

— Queensland restaurant owner

'We believe that [the AIM] model offers an adequate level of transparency so as to allow consumers to make informed decisions about the seafood they eat in hospitality settings, while resulting in the lowest possible implementation costs for hospitality businesses, as well as ongoing compliance and enforcement costs for government.' — Sydney Fish Markets

However, even if opposed to seafood CoOL, stakeholders did identify the AIM model as the preferred of the 2 regulatory options.

'Relative to the Country Model, the AIM model is simple and broad enough that it would require limited ongoing changes to menus while also providing the desired CoOL of seafood products. Additionally, under the AIM model clubs who import their seafood would avoid the high regulatory costs associated with monitoring all deliveries and changing their menu each time the international origin changes. Conversely, these regulatory costs would be incurred under Option 3.'

— Clubs Australia

'Option Two proposes businesses to label on menus whether seafood is either Australian (A), Imported (I), or Mixed Origin (M). In the absence of Option One being under real consideration, the preference of the [Australian Hotels Association] is Option Two.'
— Australian Hotels Association

4.3. Option 3: ACL information standard – Country model

Option 3 also proposes introducing a Seafood CoOL Standard under the ACL. Under this model, hospitality businesses would be required to indicate the country of origin for all seafood on menus, display boards or anywhere fish for sale is advertised. For example:

Barramundi (Thailand)

This option would not have a mixed option, as the specific country of origin would be required for each seafood item in a dish. Government would run an education and awareness strategy to introduce any regulatory change.

Stakeholder views

Support for Option 3 was strong among consumers and consumer groups, and low among hospitality and seafood businesses.

'As a long-time consumer of Australian seafood I believe it is difficult to make a decision about whether to purchase seafood in restaurants and cafes and retail fish shops which do not advertise the country of origin. I found the Consultation Regulatory Impact Statement to have stated the case fairly and believe that either the "AIM" model or the "country" model would definitely benefit we consumers with the "country" model being my preferred option so that we are able to make an informed decision using the knowledge we have regarding Health and Safety concerns in each individual country.'

'[Consumers' Federation of Australia] supports a country-of-origin labelling model whereby seafood would need to be labelled with the particular country of origin (option 3, country model). We are not supportive of the alternative 'AIM' model (option 2), whereby businesses would label seafood as either Australian (A); imported (I); or mixed origin (M). CFA considers the benefit of option 3 compared to option 2 is significant, and the difference in costs associated with implementing and administering each model is likely to be small.'
— Consumers' Federation of Australia

'Option Three would require businesses to label on their menus the country of origin. This option would result in significant regulatory requirements on businesses.' – Australian Hotels Association

'[The] country model is less feasible... requiring businesses to differentiate between the international origins of the seafood they are serving would be onerous, would result in a more frequent need to change or alter menus if supply is unavailable or of mixed origins, and ultimately lower compliance with [seafood CoOL].'
– Australian Barramundi Farmers Association

5. What is the net benefit of each option?

A CBA was undertaken to ascertain the community impacts of Option 2 (AIM model) and Option 3 (Country model) in comparison to Option 1 (No change) over 10 years. The key stakeholder groups that will be impacted by seafood CoOL are:

- consumers who would have increased access to seafood CoOL if it became mandatory
- hospitality businesses which would need to provide seafood CoOL to consumers
- government which would be responsible for implementation (including providing guidance and education and awareness to businesses and consumers), compliance, and enforcement of seafood CoOL
- the seafood industry which supplies seafood to hospitality businesses.

5.1. Key findings

Benefits

The key benefit identified was increased utility to consumers. Seafood CoOL would inform consumers in a consistent way about origin information when considering their purchasing decisions. The benefit was measured in the CBA by consumer willingness to pay (WTP) for seafood CoOL on top of the usual price of seafood and seafood dishes.

Beyond consumer utility, qualitative insights from surveys conducted as part of the CBA process showed that a flow on benefit expected from seafood CoOL is increased demand for Australian seafood. This could support the growth of the Australian seafood industry. Survey results indicated that consumers prefer Australian seafood products. As an indirect impact of seafood CoOL, it is expected that consumers would demand or purchase more Australian seafood if they are better able to identify it. Approximately 80% of consumers that participated in the surveys indicated that they would be willing to pay more for Australian seafood.

Increased transparency in seafood CoOL information may also help ensure an 'equal playing field' or fair competition in the marketplace for the Australian seafood industry. Of the businesses that participated in the surveys, 56% indicated that they would be likely to stock more Australian seafood because of seafood CoOL.

Costs

There would be increased costs to the hospitality industry to comply with seafood CoOL and costs to government to regulate it. The costs to industry include upfront costs to establish new labelling practices (such as staff time, systems and IT, external advice, process set up) and ongoing costs of updating menus if the origin of seafood changes. This includes the time and resources required to update and relabel menus as well as any other ongoing costs to maintain labelling practices such as record keeping.

The difference in industry costs between the AIM and Country model is due to the higher compliance burden on businesses. For example, upfront or once-off costs for the Country model were higher because only 6% of businesses surveyed for the CBA reported that their current labelling is consistent with the Country model, compared to 43% for the AIM model, meaning it would cost industry more to become compliant with seafood CoOL at the outset (Deloitte 2023). The Country model would also

require more frequent menu updates for businesses to maintain compliance as the country of origin for imported seafood changes.

The costs to government include costs of providing education, awareness, and guidance on seafood CoOL, carrying out compliance inspections, and receiving and handling complaints and enquiries.

Benefit to cost ratio (BCR)

The CBA found that the AIM model had the highest net benefit. It returned the highest benefit to cost ratio (BCR) of 1.33, meaning the benefits of the AIM model would outweigh the costs. The Country model returned a BCR of 0.81, meaning the costs would outweigh the benefits.

BCR considers benefits relative to costs, like a return on investment. So, the larger the BCR, the greater the anticipated return to the modelled scenario (Deloitte 2023). This means that for every dollar incurred for the AIM model, there is an estimated \$1.33 of benefits. For the Country model, there would be \$0.81 of benefits (or a \$0.19 loss).

Net present value (NPV)

The CBA also found that the net present value (NPV) for the AIM model was \$191 million and -\$185 million for the Country model.

The NPV measures the benefits of pursuing an option (relative to the status quo), minus the costs of pursuing that option (also calculated relative to the status quo), with a discount rate applied. The discount rate is the percentage rate at which future values are reduced to bring them into line with today's values. Where the NPV is positive, the benefits of pursuing the option outweigh the costs (Deloitte 2023).

The table below is a summary of the costs and benefits used to calculate the BCR and NPV for each model. A detailed breakdown is below at section 5.2.

Table 1: Costs and benefits for CBA over 10 year period

	AIM model (\$ million)	Country model (\$ million)
Costs		
Education and awareness	0.3	0.3
Monitoring and enforcement	7.0	7.0
Cost to industry	576.0	953.0
Total costs	583.0	960.0
Benefits		
WTP for CoOL information	775.0	775.0
Total Benefits	775.0	775.0
NPV (benefits minus costs)	191.0	- 185.0
BCR (ratio of benefits to costs)	1.33	0.81

5.2. Data

Collection method

Data on consumer WTP and industry costs were collected through surveys and focus groups with consumers and hospitality businesses, and consultation with industry representative bodies. Government costs were collected through consultation with relevant Commonwealth and state and territory agencies or estimated based on past costs. A range of other resources were used to inform the CBA. This included past consultation feedback received by the department, and data from IBISWorld and the Australian Bureau of Statistics.

Consumers

The key data inputs collected from consumers were:

- WTP by seafood type and business type
- split of seafood consumption by seafood type
- monthly spend on seafood in a hospitality setting
- number of seafood items purchased monthly in a hospitality setting.

Businesses

The key data inputs collected from businesses were:

- upfront compliance costs for each option
- menu changes needed per year under the status quo and for each option
- staff time needed per menu adjustment
- any additional ongoing costs for each option
- voluntary compliance rates under the status quo.

Government

The government data collected included costs for:

- compliance inspections
- handling of enquiries and complaints
- reporting
- staff training
- development and dissemination of education and awareness materials and guidance
- administrative costs such as updating websites and resources.

These costs were estimated based on:

- the Commonwealth being responsible for compliance inspections, guidance materials, and education and awareness for consumers and businesses
- both Commonwealth and state and territory regulators being responsible for handling enquiries and complaints.

Costs varied between jurisdictions due to range of factors including the size of individual states and territories and their regulatory approaches, and priorities. The specific arrangements for implementation and compliance are still to be decided by Government.

Assumptions, limitations, and sensitivity analysis

Costs

The business survey was designed to only capture the impacts specifically due to seafood CoOL. For example, the costs from updating menus due to changes in seafood origin, and not for other reasons. Some businesses reported no increases in the expected frequency of menu changes due to seafood CoOL. To avoid understating the potential costs, a conservative minimum number of expected changes of 4 updates per year was used (in line with potential seasonal changes).

Some businesses may have inaccurately estimated the costs to comply with seafood CoOL because they have not implemented it in practice. To prevent this from skewing the results, the median values (middle value in a dataset) were used in the CBA modelling.

Benefits

Consumers were asked their WTP as how much they were willing to pay for seafood CoOL in a dollar amount. The dollar WTP was then converted into percentage WTP as the percentage of their total expenditure on seafood in a hospitality setting, per visit.

For CBA modelling, the median value of the percentage WTP was applied to the median annual seafood spend per consumer, which was aggregated over the relevant population of Australian seafood consumers to get the total benefit of seafood CoOL. Based on research and responses to the consumer survey, it was assumed that approximately 33% of Australian consumers purchase seafood frequently enough to realise this benefit.

There is often a difference in what consumers say they are willing to pay (their ‘stated preferences’) compared to what they are actually willing to pay in reality (their ‘revealed preferences’). This could be due to factors such as limitations on purchasing behaviors, such as costs, or other influences such as brand and quality. The CBA was adjusted to account for this known level of bias.

Representation

The businesses that participated in the CBA provided coverage from all major types of hospitality businesses, such as restaurants, cafes, fast food and other takeaway stores, clubs and pubs. They also provided coverage from all states and territories in Australia, including both regional and metropolitan areas. However, there was limited coverage across some business categories, such as accommodation services and entertainment venues.

The consumer respondents represented a range of income levels, age groups and seafood purchasing preferences and, similarly, provided coverage across all states and territories.

Outliers

Some outliers in the business costs and WTP were observed. These outliers were removed where it was seen to be a result of a participant incorrectly entering in their response or misunderstanding the question. They were also removed where they would disproportionately skew the results.

Sensitivity analysis

The CBA results are the most sensitive to:

- frequency of menu updates per year (due specifically to changes in seafood origin)
- percentage WTP change on a seafood menu item for seafood CoOL information.

A sensitivity analysis was completed to assess the impacts that changes in these 2 key inputs would have on the CBA results.

Frequency of menu updates

Overall, less menu updates positively impact the BCR for both models because there would be less costs for businesses, and more menu updates negatively impact the BCR for both models because it would mean higher costs for businesses.

Table 2: Frequency of menu changes

Frequency of menu changes	BCR for AIM model	BCR for Country model
Less changes (2 updates per year)	1.98	1.2
Base scenario (4 updates per year)	1.33	0.81

More menu changes (6 updates per year)	1.0	0.61
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WTP

A lower WTP percentage negatively impacts the BCR because there would be less benefit to be gained, and a higher WTP percentage positively impacts the BCR because there would be more benefit.

Table 3: WTP

WTP	BCR for AIM model	BCR for Country model
Lower WTP (5%)	1.11	0.67
Base scenario (6%)	1.33	0.81
Higher WTP (7%)	1.55	0.94

Combined WTP and frequency of menu updates

In each instance except one (where more menu updates are required and the WTP is lower), the AIM model returns a BCR of 1.0 or above, which indicates that the benefits of the AIM model would be equal to or above the costs. However, in most combinations of variables, the Country model returns a BCR of less than 1.0.

Table 4: Combined WTP and frequency of menu updates

Combination	BCR for AIM model	BCR for Country model
Lower WTP (5%) <u>and</u> less menu changes (2 updates per year)	1.65	1.0
Lower WTP (5%) <u>and</u> base menu updates (4 updates per year)	1.11	0.67
Lower WTP (5%) <u>and</u> more menu changes (6 updates per year)	0.83	0.51
Higher WTP (7%) <u>and</u> less menu changes (2 updates per year)	2.31	1.4
Higher WTP (7%) <u>and</u> base menu updates (4 updates per year)	1.55	0.94
Higher WTP (7%) <u>and</u> more menu changes (6 updates per year)	1.17	0.71

5.3. Option 1: No change

Impact analysis

There would be no change to the current situation. Hospitality businesses would not have increased costs or impacts from complying with seafood CoOL. Government would not have increased regulatory costs. Consumers would not have greater access to seafood origin information and would continue to purchase seafood with limited or no origin information available. This would impact consumers' ability to make purchasing decisions in line with their preferences.

Costs and benefits

Costs

- Consumers lack consistent and sufficient access to origin information to make purchasing decisions.
- Consumers cannot make purchasing decisions in line with their preferences.
- Consumers continue to assume seafood is Australian when it is not.
- Consumers need to ask for origin information and hospitality staff may need to seek this information from the business manager or chef.
- Consumers may pay more for seafood dishes under the assumption they are Australian when they are not.
- Voluntary labelling remains uncommon.
- Businesses that do label their seafood continue having to compete with others that do not provide this information.
- Businesses continue to label based on their own interpretations of 'origin', potentially causing confusion or misinterpretation.
- Information asymmetry problem continues.

Benefits

- No additional costs to hospitality businesses.
- No additional costs to government.

5.4. Option 2: ACL information standard – AIM model

Impact analysis

The AIM model would result in increased regulatory requirements and costs for impacted hospitality businesses and increased compliance and enforcement responsibilities and costs for government.

Consumers would benefit from increased information to support their purchasing decisions, both through labelling and the government education and awareness strategy to introduce the regulatory changes.

The CBA indicates that the benefits of the AIM model would outweigh the costs. The BCR was 1.33 (or \$1.33 in benefits for every dollar of cost). This is based on a total benefit from consumer WTP of \$775 million and costs to industry and government of \$583 million.

The estimated costs for businesses to comply with the AIM model are approximately:

- \$320 per business, or \$16 million across all businesses, in upfront or once-off costs
- \$1,650 in ongoing costs per business, or \$81 million across all businesses (over 10 years). This represents an average spend of \$165 per year.

The costs to the Australian Government are estimated to be:

- \$4.2 million in upfront costs (over 3 years).
- \$160,000 per year in ongoing costs (over 10 years).

State and territory costs vary across the board.

Sources of seafood can change for a variety of reasons, including seasonal availability and supply chain disruptions or shortages. Requiring businesses to differentiate between Australian seafood, imported seafood, or dishes that contain a mix of both (rather than more specific country or region information) would increase the frequency of menu and information updates needed.

Approximately 43% of businesses indicated that they already use a system similar to the AIM model to label their seafood menu items and would not have to make major changes to their business practices for the AIM model.

Costs and benefits

Costs

- Hospitality businesses will incur costs such as updating menus, displays, training staff, as well as ongoing administration costs.
- Government will incur costs for education and awareness materials and activities, as well as ongoing compliance and enforcement costs and responsibilities.
- Consumers may face higher costs if businesses pass their costs on.

Benefits

- Consumers have access to consistent origin information in hospitality settings to base their purchasing decisions on.
- Consumers can make purchasing decisions in line with their preferences.
- Consumers are better educated about seafood origin.
- Hospitality businesses would benefit from greater consumer confidence.
- Simple labelling model has a lower cost on business.
- The problem of asymmetry would be addressed.

5.5. Option 3: ACL information standard – Country model

Impact analysis

The Country model would result in increased regulatory requirements and costs for impacted hospitality businesses and increased compliance and enforcement responsibilities and costs for government.

The BCR was 0.81 (or \$0.81 in benefits for every dollar of cost) compared to 1.33 (or \$1.33 in benefits for every dollar of cost) for the AIM model. This is based on a total benefit from consumer WTP of \$775 million (which is the same as the WTP for the AIM model) and costs to industry and government of \$960 million.

The estimated costs for businesses to comply with the Country model are approximately:

- \$530 per business, or \$26 million in total, in upfront costs or once-off costs (compared to \$320 per business or \$16 million total for the AIM model)
- \$2,750 per business, or \$134 million total, in ongoing costs over 10 years (compared to \$1,650 for the AIM model). This represents an average spend of \$275 per year (compared to \$165 per year for the AIM model).

The costs to government did not differ between the AIM model and Country model.

The business costs for the Country model were higher because requiring businesses to identify the specific country of origin would increase the frequency of menu and information updates needed.

In contrast to the 43% of businesses that indicated they are already using a similar system to the AIM model to label their seafood, only 6% of businesses indicated that they label their seafood with the specific country of origin. Based on this information, more businesses would have to make more significant changes to comply with the Country model.

Consumers would benefit from increased information to support their purchasing decisions. Many consumers indicated in consultations on seafood CoOL that they would prefer to have more information, such as knowing the specific country of origin. However, the CBA survey data did not show a difference in WTP for the Country model over the AIM model.

Costs and benefits

Costs

- Hospitality businesses will incur greater costs such as updating menus, displays, training staff, as well as ongoing administration costs.
- Government will incur costs for education and awareness materials and activities, as well as ongoing compliance and enforcement costs and responsibility.
- Consumers may face even higher costs if businesses pass their costs on.

Benefits

- Consumers would have greater access to consistent origin information in hospitality settings to base their purchasing decisions.

- Hospitality businesses would benefit from greater consumer confidence in business.
- The problem of information asymmetry would be addressed.

6. Who did we consult and how did we incorporate their feedback?

This decision RIS is informed by contributions and feedback from a range of stakeholders, including:

- consumers and consumer groups
- hospitality businesses and industry groups
- seafood producers, importers, and industry groups
- government
- others, such as academia, environmental and conservation groups.

6.1. Consultation approach

Discussion paper

On 23 December 2022, the department published 'Country of origin labelling for seafood in hospitality: discussion paper' (DISR 2022) on its consultation hub which outlined a potential model for seafood CoOL consistent with the AIM model. The consultation closed on 15 March 2023.

The department received 232 survey and written submissions in response to the discussion paper. A breakdown of responses is below:

Table 5: Breakdown of discussion paper submissions

Type	Total
Consumers	157
Consumer groups	1
Hospitality businesses	13
Hospitality/retail groups	4
Seafood producers	23
Seafood producer groups	11
Seafood importers	1
Seafood importer groups	1
Government	7
Other	14
TOTAL	232

In the time the discussion paper was open for consultation, the department also received over 770 email submissions in response to the Australian Marine Conservation Society (AMCS) 'Demand Strong Seafood Labelling Laws' campaign. The AMCS campaign called for labelling to include the seafood

species, the location of capture or farm location, fishing or farming method, and the nationality of fishing vessels, to help consumers identify sustainable and ethical seafood.

The discussion paper was provided to World Trade Organization (WTO) partners through the Department of Foreign Affairs and Trade (DFAT) as notification of a potential regulatory change. Trading partners were provided the opportunity to comment from 11 January to 12 March 2023, but no responses were received.

Consultation RIS

On 7 June 2023, the Assistant Treasurer, the Hon Stephen Jones MP, and Assistant Minister for Manufacturing, Senator the Hon Tim Ayres, wrote the Consumer Ministers with a proposal to amend the ACL to introduce seafood CoOL. The proposal was accompanied by the 'Country of origin labelling for seafood in hospitality settings: consultation regulation impact statement' (DISR 2023a).

The consultation RIS was released for public consultation on the department's consultation hub between 3 July and 3 August 2023. The department received 59 responses to this consultation. A breakdown of responses is below:

Table 6: Breakdown on consultation RIS submissions

Type	Total
Consumers	22
Consumer groups	1
Hospitality businesses	3
Hospitality/retail groups	4
Seafood producers	14
Seafood producer groups	8
Seafood importers	0
Seafood importer groups	1
Government	3
Other	3
TOTAL	59

In the time the consultation RIS was open for consultation, the department also received 3,378 email submissions in response to the AMCS 'We need adequate seafood labelling' campaign, which built on the organisation's earlier campaign and called for labelling to include seafood species, where and how it was caught or farmed, and by whom.

The consultation RIS was also provided to WTO partners via DFAT as an update to the earlier notification of a potential regulatory change. Trading partners were also provided the opportunity to comment from 3 July to 3 August 2023, but no responses were received.

CBA

Consultation was undertaken to collect quantitative and qualitative data to underpin the CBA in June and July 2023. This included surveys which were distributed to consumers and businesses, a series of consumer focus groups, and direct stakeholder engagements with industry representatives. The consumer survey received 754 responses, the business survey received 364 responses, 40 consumers participated in the focus groups.

Direct and informal engagement

The department has had ongoing direct engagement with key stakeholder from the hospitality and seafood sectors, and Commonwealth, state, and territory government agencies, over 2022 and 2023.

6.2. Stakeholder feedback

Consumers and consumer groups

Feedback from consumers and consumer groups is overwhelmingly in favour of seafood origin labelling (over 99% of consumer respondents). Consumers especially want to know if the seafood they are consuming is Australian.

‘As a consumer I wish to know the origin of any seafood products being sold to me either in restaurants or retail outlets.’

The Consumers’ Federation Australia (CFA) prefer the Country model (Option 3), believing the benefit of this model would be significant compared to the AIM model. CFA also feels that consistency between seafood CoOL and CoOL for Food will improve consumer awareness, understanding, and trust in the information and prevent confusion for businesses that operate in both retail and hospitality settings.

In response to the discussion paper—which suggested that the “i” in AIM could represent “imported” or “international”—consumers responded that “international” could be confusing and expressed a preference for “imported”. This feedback was taken onboard, and the term “imported” was adopted moving forward.

Hospitality businesses and industry groups

Feedback from the hospitality sector in response to seafood CoOL was mixed. Some industry stakeholders were very supportive, especially business already providing seafood CoOL information to their patrons.

‘We don't have a problem with disclosing where our seafood products are from.’

Hospitality industry peak bodies consulted include the Australian Hotels Association, Clubs Australia, the National Retail Association and the Restaurant and Catering Industry Association of Australia. If supportive of seafood CoOL, they provided heavy qualifications. Mostly they were unsupportive of any labelling change however, but if change were to happen then the AIM model was preferred.

'In line with Clubs Australia's submission to the initial consultation, we support the first of the three options outlined the RIS; maintaining the status quo. Alternatively, Clubs Australia supports Option 2 (AIM Model) over Option 3 (Country Model).'

— Clubs Australia

Feedback from the hospitality sector has informed the proposed transition period for introducing seafood CoOL, as well as the form and content of the education materials and communication strategy.

Seafood producers, importers, and industry groups

A diverse range of stakeholders make up the seafood industry, including fishers, farmers, importers, and merchants. Stakeholders from this group include the Tasmanian Seafood Industry Council, Australian Barramundi Farmers Association, The Master Fish Merchants' Association of Australia, Sydney Fish Market, WA Fishing Industry Council, Seafood Industry Australia, NSW Seafood Industry Council, Australian Council of Prawn Fisheries, Northern Seafoods, and Falcon Fishing Company.

'All seafood should have country of origin labelled on the display when purchasing of product in all outlets (grocery store, fish and chip shops, retail outlets, ETC), this is so people know where the seafood is coming from.' – Seafood producer

The Australian seafood industry has been advocating for seafood CoOL for many years and is overwhelmingly supportive of the AIM model. As consumers gain a greater understanding of where their seafood comes from, the industry expects increased demand from the hospitality and food service sector for locally sourced seafood over imports. Seafood importers oppose seafood CoOL for this same reason, in addition to believing many consumers mistakenly believe imported seafood is low-quality or unsafe. This feedback will inform the content of education materials.

'This has been a long time coming. We're very happy to see it implemented. It will support our business by making others accountable for what they are selling, and it will promote the local seafood industry.' – Tobin Fish Tales, QLD

In response to the discussion paper, seafood stakeholders also raised the possible confusion of “imported” or “international” being used interchangeably, and preferred “imported” of the two.

'To avoid confusion and misinterpretation, we believe either the term imported or international must be adopted and the two should not be interchangeable. The preference of NSW SIC is to use the terms, “Australian”, “imported” and “mixed origin” as this will be simpler and more readily understood.'

— NSW Seafood Industry Council

They also emphasised the importance of ensuring a communication strategy that addresses the needs of the full spectrum of hospitality businesses. The department has taken this feedback onboard and it will be used to inform education and guidance materials.

Government

Government submissions varied in their support for seafood CoOL, from either highly supportive to negative. This was expected considering the broad spectrum of stakeholders and priorities across government.

Benefits of seafood CoOL highlighted by government stakeholders include:

- transparency: consumers have a right to know exactly where the seafood they are buying comes from
- traceability: traceability of seafood through the supply chain is important for food safety and security
- consumer preference: many consumers want information and prefer to buy products that are locally produced
- differentiation: Australia is known for its high quality seafood and sustainable practices.

'CoOL allows consumers to know exactly where the seafood they are buying comes from. This can increase transparency and trust between consumers and producers, especially if the product is known for its quality.' – Tasmanian Government

The most raised opposition to seafood CoOL by government stakeholders was the burden on business owners. The Australian Small Business and Family Enterprise Ombudsman and the NSW Small Business Commission expressed concern about the high cost of compliance the AIM model will impose on hospitality businesses but noted the Country model would be even more onerous and costly. In their view the variation between the AIM and Country models, in terms of regulatory burden and benefit to consumers, was minimal.

'The impacts and challenges of this proposal have the potential to result in significant new compliance costs, especially when considering the financial and time cost associated with updating menus as well as having to do so on a more frequent basis because of any new requirements. If poorly designed, requirements may be unworkable for many small businesses.' – NSW Small Business Commission

Other stakeholders

The department also received submissions from stakeholders across academia, conservation and environmental groups. The submissions were broadly supportive of seafood CoOL, acknowledging that consumers need to understand where the seafood they eat comes from. Conservation and environmental groups encouraged the government to go further than the policy options, requiring not just country but region of origin, species, whether wild caught or farmed, and by whom.

'Labelling laws empower seafood buyers to make an informed choice by establishing consistent national end-product labelling requirements, at all points of

sale for all wild and farmed fish products and seafood, that include species name (standardised common name and scientific) and: fishing method, point of capture (to allow identification of stock and management body), vessel owner nationality (who caught it), OR farming method, and farm location (region, country) exporting country.’ – AMCS campaign email

Other feedback included the importance of effective education and awareness to ensure acceptable compliance levels, and the need for ongoing monitoring and enforcement activities.

‘A significant education process would be necessary and expected if the labelling is required by legislation.’

Other issues raised through consultation

Throughout consultation, stakeholders raised matters that were out of scope of seafood CoOL. These matters included:

- food safety
- extensions to seafood CoOL labelling on seaweed, pet food, skin care and pharmaceuticals products
- sustainable fisheries and marine environments
- improving fish naming and species identification
- illegal, unreported, and unregulated fishing (known as IUU)
- import border controls
- transnational crime – slavery and environmental crime
- provenance testing and seafood fraud
- seafood trade and supply chains.

The department will share the information provided to the relevant Australian Government agencies with policy responsibility.

7. What is the best option from those we have considered and how will it be implemented?

The best policy option was determined by considering which option is likely to best achieve the objectives of seafood CoOL and has the highest estimated net benefit.

The preferred regulatory option closely aligns with option considered within the department's discussion paper and the consultation RIS.

The results of the CBA indicate that seafood CoOL requirements under the AIM model (Option 2) result in highest net benefit with a BCR (1.33) with consumer utility benefits outweighing the costs to industry and government.

7.1. Recommendation

Based on this decision RIS and stakeholder consultation throughout the policy design process, it is recommended that Consumer Ministers agree **Option 2: ACL information standard – AIM model**.

Regulating menu labelling via the Seafood CoOL Standard would result in one consistent menu labelling system for Australia. It is the option most likely to achieve the objectives of seafood CoOL. That is, it will:

- provide increased information to consumers about the origin of seafood in hospitality settings that is consistent and reliable
- provide hospitality businesses with greater certainty about how to label their seafood
- be simple for hospitality businesses to comply with to minimise the impost or burdens.

Option 2 has the greatest net benefit and the most support from stakeholders overall. Under the AIM model, total monetised benefits of consumer WTP for seafood CoOL are estimated to be approximately \$775 million in NPV terms over 10 years, yielding a BCR of 1.33. Total costs are estimated to be \$584 million in NPV terms over 10 years.

The AIM model should be relatively simple to implement. The requirement that only one letter be added next to each dish on printed menus and/or menu boards is one with minimal impact, and one that reduces the amount of time and money hospitality businesses will need to spend on implementation. This will, in turn, encourage early and consistent adoption by hospitality businesses should the model be applied.

7.2. Why are the other options not preferred?

Option 1: No change

Option 1 was determined unacceptable as it would not satisfy consumers and the Australian seafood industry who have been calling for change for years to introduce a seafood CoOL into hospitality settings.

Option 3: ACL information standard – Country model

The CBA determined the costs associated with the Country model would exceed the benefits realised, with a BCR of 0.81. Costs to industry would be significantly higher compared to the AIM model, due primarily to:

- higher upfront costs to establish labelling practices
- greater frequency of menu updates to comply with specific country labelling standards.

The CBA found that benefits to consumers would not materially increase under the Country model (compared to the AIM model) because, although consumers valued knowing the country of origin for imported seafood, their willingness to pay for this information did not equal or exceed the additional costs to businesses.

Total costs under this option are estimated to be \$960 million in NPV terms over 10 years, with benefits estimated at \$775 million. Benefits did not increase relative to the AIM model, as data captured in the consumer survey and during focus groups did not indicate a material difference in monetised value between the 2 options. The costs and benefits under the Country model yielded a BCR of 0.81. Members of the Australian seafood industry also acknowledge that Option 3 places too much burden on hospitality businesses to change their menu labelling due to the seasonality of seafood supply and rising administrative costs.

‘The country model is not a preferred option. The costs of providing greater detail are not outweighed by the benefits to the consumer of this greater detail.’
— Tasmanian Seafood Industry Council

7.3. Implementation

Delivering seafood CoOL through the AIM model will involve:

- finalisation and enactment of the Seafood CoOL Standard
- development of clear and accessible guidance materials for businesses in a range of languages
- implementation of a communication strategy to raise awareness and educate consumers and hospitality businesses about the new requirements
- monitoring and compliance activities
- evaluation of the effectiveness of the scheme.

Should Consumer Ministers agree to the preferred option in this decision RIS (Option 2), the ACL will be amended to reflect the proposed additional regulation as described in Option 2. The Seafood CoOL Standard would most likely be signed in mid-2024, however this would be subject to other government priorities and the need to ensure sufficient consultation to resolve the various complexities of any proposed reforms.

To help ensure seafood CoOL is successful, it should be implemented consistently across all jurisdictions.

Respondents to the discussion paper and consultation RIS emphasised the importance of a comprehensive, accessible, and inclusive education and awareness strategy to accompany the introduction of seafood CoOL. The strategy would need to cover a nation-wide audience and be targeted towards consumers, impacted businesses, and seafood suppliers.

7.4. Transition period

Consumers and consumer groups generally favoured a relatively short transition period of no more than 6 months, so that consumers can benefit from the changes as early as possible. Respondents from the hospitality industry generally indicated that a longer transition period would be necessary.

Overall, it appeared to be the general industry consensus that, for a range of updates, a period of 6 months may be possible but, for certain updates, 12–18 months would be an appropriate transition period. Industry respondents noted that the burden of implementation would be felt significantly by smaller businesses.

The draft Seafood CoOL Standard has been proposed to commence on 1 January 2025, with an awareness and education strategy rolled out from mid-2024.

7.5. Implementation risks

ACL regulators have expressed concern about potentially high levels of non-compliance with seafood CoOL. Non-compliance may be for a number of reasons, from a lack of education and awareness to deliberate mislabelling. Concerns about non-compliance primarily stem from the size and complexity of the hospitality sector (including the significant number of small businesses and culturally and linguistically diverse (CALD) business owners), and the lack of regulator capacity to carry out high levels of inspections across jurisdictions.

To address these concerns, the department consulted with Commonwealth, state and territory regulators to develop a 'base model' implementation and compliance framework for seafood CoOL that addressed these concerns. This framework informed the government costings for the CBA, and included:

- a broad education and awareness strategy across a number of mediums and translated into multiple languages
- up to 750 onsite inspections per year over the first 3 years of seafood CoOL.

The final implementation and compliance framework for seafood CoOL is subject to government decision.

8. How will we evaluate the chosen option against the success metrics?

Seafood CoOL would be subject to ongoing monitoring and analysis of outcomes. This would include an evaluation of seafood CoOL 2 years after it becomes mandatory. The evaluation would assess whether the scheme has been successful in achieving its objectives and if further action is needed.

The effectiveness of seafood CoOL could be tracked by metrics such as:

- changes in consumer behaviour, including purchasing decisions, as a result of seafood CoOL
- complaints and compliance levels across hospitality sector
- business implementation and compliance costs attributable to seafood CoOL.

Specific evaluation plans would be finalised following implementation.

Monitoring and analysis activities would be delivered consistent with the Commonwealth Evaluation Policy. The findings and lessons learned would be used to support continuous improvement and future decision-making in policy design. The evaluation would also be shared with relevant governance bodies and stakeholders.

9. Conclusion

The seafood CoOL AIM model would provide substantial benefits for consumers and the economy. It is low cost, low burden but gives consumers enough evidence of seafood CoOL to seek more information.

It will assist the hospitality sector and Australian seafood industry by making sure that seafood CoOL is accurate and not misleading consumers as to the origin of seafood.

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Previous reviews

This issue has been examined numerous times in the past by varying levels of government, by industry, and consumer groups, including:

- Labelling Logic: Review of Food Labelling Law and Policy, an independent review of national food labelling law and policy, conducted by Dr Neil Blewett in 2011 (2011 Blewett Review)
- Senate Rural and Regional Affairs and Transport References Committee inquiry into the requirements for labelling of seafood and seafood products in 2014
- House of Representatives Standing Committee on Agriculture and inquiry into CoOL for food in 2014
- Senate Rural and Regional Affairs and Transport Legislation Committee inquiry into the Food Standards Amendment (Fish Labelling) Bill 2015, a private Senator's bill, in 2015
- Joint Select Committee on Northern Australia inquiry into opportunities for expanding aquaculture in Northern Australia in 2016
- Productivity Commission inquiry into Regulation of Australian Marine Fisheries and Aquaculture Sectors in 2016
- Seafood Origin Working Group (Industry-led), chaired by the Hon Craig Laundry MP, former Assistant Minister for Industry, Innovation and Science, in 2017
- The Australia and New Zealand Ministerial Forum on Food Regulation and the former Legislative and Governance Forum on Consumer Affairs consideration of extending origin labelling to seafood in food service in 2018
- Department of Industry, Science and Resources 'Evaluation of Country of Origin Labelling for Food 2020-2021' (CoOL Evaluation)
- Queensland Parliament 'Food (Labelling of Seafood) Amendment Bill 2021'
- The House of Representatives Standing Committee on Agriculture and Water Resources inquiry into Australian aquaculture sector 2022.

The most recent investigation on the issue undertaken by the department was the CoOL Evaluation. The matter of increasing information for consumers on the purchasing of seafood in hospitality settings was not fully assessed in this report.

The CoOL Evaluation found that the benefits of seafood labelling in hospitality would probably not outweigh the costs, but no investigation of this matter was undertaken. The selling of seafood in hospitality settings was not the primary focus of the evaluation and there was no cost benefit analysis undertaken. The findings of this report were indicative only and that it stated that a more in-depth assessment was required.

What the report did find was that mandatory labelling was found to be more beneficial than voluntary labelling or information giving to consumers. It was the mandatory labelling information that was driving the increased benefits to consumers.

The Northern Territory (NT) is currently the only Australian jurisdiction with a form of mandatory origin labelling. Under legislation introduced in 2008, fish retailers (such as restaurants, food vans, supermarkets) are required to label seafood as imported if it was not harvested in Australia. Imported seafood must be labelled with an 'i' or an 'I' on packaging, menus, display boards, pamphlets, and other advertising materials. Dishes containing seafood of mixed origins need to be labelled as 'contains imported seafood products.'

A review was conducted on the NT scheme for the FRDC in 2011 (Calogeras et al. 2011). It found there was support from the food services sector and consumers, compliance was relatively high, and business costs appeared to be relatively modest. However, it also found that some consumers mistakenly assumed that unlabelled seafood was imported, instead of seafood with Australian origin not requiring labelling.

Other Australian state and territory governments have also considered mandatory origin labelling for seafood in past years. Most recently with Queensland Government's 'Food (Labelling of Seafood) Amendment Bill 2021' referring the issue to the Commonwealth in 2022 as it was a consumer information, rather than a food safety matter.

There have also been various similar industry and government initiatives and resources on seafood origin, including to encourage consumers to ask about it when dining out and helping them find Australian seafood if it aligns with their preferences. For example, while not directly related to origin labelling, the seafood industry has taken action to help educate consumers about seafood origin.

In 2020, Seafood Industry Australia launched the Great Australian Seafood brand, website, and marketing campaign, which was funded by the Australian Government under the \$1 billion COVID-19 Relief and Recovery fund.

The Great Australian Seafood website helps provide origin information through its Fish Finder tool which allows consumers to search for suppliers and fish and chip businesses that sell Australian seafood near them.

Other initiatives that help provide origin information include:

- the New South Wales Government's [Eat More Seafood](#) program, which provides grants for projects to increase community awareness of the benefits of buying seafood locally
- the Tasmanian Seafood Industry Council's (TSIC) [Eat More Tassie Seafood](#) grant for projects that promote Tasmanian seafood, and TSIC's [Seafood Trail](#) which promotes local seafood tourism
- [Safe Food Queensland](#) information on Australian seafood.