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Supporting document 3

Consultation Regulation Impact Statement

Proposal P1067 – Health Star Rating System

Office of Impact Analysis ID 26-12071

Executive summary

This Consultation Regulation Impact Statement (CRIS) provides Food Standards Australia New Zealand's (FSANZ) consideration of costs and benefits of the proposed draft variation. The final analysis will be provided to decision makers to inform their decision on the proposed changes to the Australia New Zealand Food Standards Code (the Code).

The CRIS contains the impact analysis (including the consideration of costs and benefits) of the proposed draft variation.

What is the problem?

Poor diet contributes a significant cost to Australian and New Zealand economies. The estimated direct and indirect costs of overweight and obesity are \$23.9 billion in Australia and \$13.5 billion in New Zealand per year and is expected to rise. Many consumers understand the link between consuming a poor diet and the subsequent negative health implications. However, food choices are influenced by a range of factors, and individual choice is only one aspect. Improving diets requires multiple complementary strategies to address individual behaviours, community influences, the food system and the wider food environment.

Food labelling has a role in supporting consumers to make informed choices. While the nutrition information panel is a valued and trusted source of information by consumers, there are several barriers to its effective use. Front-of-pack (nutrition) labelling (FoPL) can provide convenient, relevant and readily understood nutrition information on the front of food packaging.

The Health Star Rating (HSR) system was introduced in Australia and New Zealand in 2014. It is a voluntary FoPL scheme that rates the overall nutritional profile of packaged food and assigns it a rating from 0.5 to 5 stars. Consumer research shows high awareness of the HSR and increasing use with most consumers agreeing the HSR makes it easier to identify healthier food.

Low industry uptake of the voluntary HSR system limits the use of the system by consumers. While consumers often report the HSR has influenced their purchasing decisions, typically to encourage healthier choices, real-world data suggests the impact of the HSR on purchasing

may be minimal. The HSR has appeared on less than 40% of intended foods in Australia and New Zealand since its inception in 2014. This may influence findings as consumers cannot use the HSR if it is not displayed on the food they purchase.

FoPL can also encourage favourable compositional changes of packaged foods. For example, if a competitor's comparable food receives a superior rating it may be more attractive to consumers.

A consistently available HSR system could guide consumers in making food comparisons and support decisions in line with dietary guidelines, while indirectly encouraging nutritional improvements in the food supply.

Why is government action needed?

Following a request from the Food Ministers' Meeting in February 2026, FSANZ initiated Proposal P1067 to consider mandating the HSR system in the Code after voluntary HSR uptake targets were not met.

The primary objective of this proposal is to provide convenient, relevant and readily understood FoPL to better support Australian and New Zealand consumers to make informed food choices in line with dietary guidelines and that FoPL is consistently available on most packaged food products to ensure consumers can easily compare similar products.

FSANZ has prepared a set of proposed amendments to the Code. This reflects in part FSANZ's assessment that the direct and indirect benefits to the community, Government and industry arising from amending the Code as proposed are expected to outweigh the costs of the proposed measures.

A mandatory HSR system combined with other measures, including broader nutrition education initiatives, would contribute to public health efforts to reduce the prevalence of diet-related non-communicable diseases in Australia and New Zealand. The implementation costs of the HSR system may act as a barrier to government action, however, mechanisms, such as transitional arrangements, are available to minimise the burden for food businesses.

While consumers choose foods for a variety of reasons, many of which are not health related (for example price, taste and for cultural reasons), mandating the system is expected to improve consistency, comparability and accessibility of nutrition information. This would address some limitations of the voluntary approach, enhance consumer trust and provide greater regulatory certainty for industry and enforcement agencies.

What options are to be considered?

Alternative options have been considered during the inception of FoPL in Australia and New Zealand and in preparing this proposal. Non-regulatory measures alone would not provide the framework needed to implement the HSR system in a way that meets the proposal objective.

The CRIS considers 2 options to address the problem:

1. Maintaining status quo
2. Amending the Code to mandate the HSR system.

What is the net benefit?

The net benefit of maintaining status quo (option 1) by definition is zero as it involves no change. However, maintaining status quo might cost consumers through the inconsistent availability of the HSR.

Option 2 considers the cost to industry of updating the labelling of each packaged food in the Australian and New Zealand food supply to display the HSR. This includes additional business costs such as staff time, updating record-keeping and IT systems, and engaging with consultants to adjust to the proposed changes. Government costs such as the provision of educational materials and cost to enforcement agencies have also been considered.

Estimated cost of option 2

	AUD \$
Initial	
Operational cost	187.5 million
Label change cost	127.8 million
Total initial cost	315.2 million
Ongoing (per annum)	
Operational cost	3.7 million
Government	3.5 million
Total ongoing	7.2 million

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 expected from consumers who choose healthier foods using the mandatory system and indirectly from a healthier food supply if food manufacturers choose to formulate or reformulate packaged food to improve their HSR. These benefits are unquantified at the 2nd call for submissions (CFS) with work underway to monetise improved health outcomes in a future iteration of the Regulation Impact Statement.

At the 2nd CFS, FSANZ has used breakeven analysis to assess the options. FSANZ also assessed Australian and New Zealand shoppers would need to save just over one minute (62 seconds) in their weekly shop by comparing and evaluating the nutritional value of packaged food to meet the cost of the proposed change.

Breakeven analysis of option 2

Costs over 10 years	AUD \$
Present value of costs of option 2	319.2 million
Present value of obesity costs	280.8 billion
Percent reduction required to breakeven	0.11%
Present value of costs of option 2 (Australia only)	204.8 million
Present value of health costs attributable to dietary risks	22.2 billion
Percent reduction required to breakeven	0.92%

Who was consulted and how was their feedback incorporated?

A 1st CFS was released in May 2026. The 1st CFS sought stakeholder feedback on FSANZ's assessment and proposed approach. Supporting documents were also shared on consumer research, technical assessments and analysis of HSR algorithm performance.

380 submissions were received from academia, government, individuals, industry, consumer and public health groups.

Submitter feedback informed changes to the initial proposed approach and supported the preparation of the CRIS.

What is the best option from those considered and how will it be implemented?

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.

Mandating the HSR system, combined with other measures, would better support healthier food choices and thereby assist in addressing the public health issues.

FSANZ is proposing a 3-year transition period and a 2-year stock-in-trade period.

How will the chosen option be evaluated?

Agencies with responsibility for food policy, implementation or standards development could act individually or in concert to evaluate and/or monitor the standards. Jurisdiction enforcement data could be used to measure compliance with proposed Code requirements, along with previous methods to measure HSR uptake. Various subjective methods could be used to measure consumer awareness, understanding and trust in the HSR system.

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1. Introduction

Proposal P1067 – Health Star Rating System is considering changing the Australia New Zealand Food Standards Code (the Code) to require the Health Star Rating (HSR) symbol on packaged foods for retail sale in Australia and New Zealand.

This Consultation Regulation Impact Statement (CRIS) contains the impact analysis (including the consideration of costs and benefits) FSANZ has undertaken on the proposed changes.

The CRIS has been prepared to meet the requirements of:

- *Regulatory Impact Analysis Guide for Ministers' Meetings and National Standards Setting Bodies* of the Office of Impact Analysis (the Guide; 2023)
- section 59 of the *Food Standards Australia New Zealand Act 1991* (FSANZ Act).

This CRIS has been prepared in line with the Guide.

The Office of Impact Analysis (OIA) guidance requires FSANZ to answer the following impact analysis questions when developing a Regulation Impact Statement (RIS):

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

These questions have been answered in the following sections. The OIA has assessed the CRIS and considers the overall analysis conducted to be compliant with the Guide.

In assessing this proposal and in making its decision to prepare the proposed draft variations to the Code, FSANZ is also required by section 59 of the FSANZ Act to have regard to a range of matters. These include whether the costs arising from the proposed measures outweigh the direct and indirect benefits to the community, government or industry.

FSANZ has decided to prepare a set of proposed amendments to the Code. This decision reflects, in part, FSANZ's assessment that the direct and indirect benefits to the community, government and food industry arising from amending the Code as proposed are expected to outweigh the costs of the proposed measures. The CRIS sets out the reasons for that assessment in Section 5 below.

The assessment was based on the best available evidence at the time the decision was made to prepare the amendments. This included submissions received from stakeholders in response to the 1st call for submissions (CFS).

1.1. Health Star Rating system

The Health Star Rating (HSR) system is a front-of-pack (nutrition) labelling (FoPL) scheme that was developed to align with Australian and New Zealand dietary guidelines. The HSR system is a voluntary system centring on an interpretive summary indicator based on nutrient profiling.¹ The HSR rates the overall nutritional profile of packaged food and assigns it a rating from 0.5 to 5 stars. It is intended to provide a quick, easy, standardised way for consumers to compare the nutritional value of similar foods to help them make informed food choices aligned with dietary guidelines.



Figure 1. Health Star Rating

The HSR should be used to make comparisons between similar foods, for example, comparing a yoghurt to another yoghurt, not comparing a yoghurt to a bag of chips. The HSR is not intended to replace dietary guidelines or advice from nutrition experts.

The HSR calculator is used to determine the HSR for a food. It is currently available as an off-line excel-based calculator and an on-line web-based calculator.²

The algorithm used to calculate a HSR includes components of food considered to increase the risk of chronic disease (energy, saturated fat, total sugars and sodium) and components considered to decrease the risk of chronic disease (protein, dietary fibre and fruit, vegetable, nut and legume content [FVNL]). In the calculator, foods are assigned to one of 6 HSR categories based on the general food type and compositional requirements. The combination of components contributing to any single calculation differ by food.

Under the current voluntary system, a HSR can be displayed using several formats each varying in the amount of information provided (see Appendix A). They include: the HSR only (Figure 1), HSR + energy declaration, and HSR + energy and prescribed nutrient declarations. Optional high or low text can be applied to the nutrient icons and %DI can be applied to the energy icon.

The HSR system was developed in response to the *Labelling Logic: Review of Food Labelling Law and Policy Report* (Australia and New Zealand Food Regulation Ministerial Council 2011). The review recommended an interpretive FoPL system be developed, reflective of a comprehensive Nutrition Policy and public health priorities.

The HSR system is a joint New Zealand, Australian and state and territory government initiative which was developed collaboratively by technical and nutrition experts from government, industry, public health and consumer organisations. It was endorsed in June 2014 by the Australia and New Zealand Ministerial Forum on Food Regulation (now the Food Ministers' Meeting [FMM]) for voluntary implementation in Australia and New Zealand.

¹ FoPL schemes include non-interpretive, interpretive and hybrid systems such as Warning Labels, (Multiple) Traffic Light labelling, Healthy Choice logos, Health Star Rating and Nutri Score (Afroza et al. 2024; Talati et al. 2019).

² <https://www.healthstarrating.gov.au/calculator>

The HSR system was reviewed after two and five years of implementation. No changes were introduced following the two-year review. A package of updates was introduced in 2020 following the five-year review, including updates to the algorithm (mpconsulting 2019).

1.2. Food and grocery manufacturing in Australia and New Zealand

Food manufacturing is a key commodity in the Australia and New Zealand economies. Australia's food and beverage manufacturing sector comprises over 10,000 businesses of all sizes (ABS 2025) and employs 239,000 people (ABS 2026a). The New Zealand food manufacturing sector comprises around 3,500 enterprises and employs 88,900 people (Stats NZ 2025a).

Australia and New Zealand also rely on each other for food and beverage commodities. In Australia, food manufacturing exports accounted for \$47.0 billion and imports totalled \$23.8 billion in 2025-26 (ABS 2026b; 2026c). New Zealand was one of the highest value destinations for Australian food and beverage exports and was also a top source of food and beverage imports into Australia (AFGC 2021).

In New Zealand, processed food exports accounted for \$3.2 billion in 2025 (MPI 2026). Forty-one percent was exported to Australia. Processed food and beverage imports for household consumption totalled \$5.5 billion in 2025 (Stats NZ 2025b) with Australia being a top source of imports to New Zealand for many food and beverage commodities (Stats NZ 2026).

2. What is the problem?

Poor diet contributes a significant cost to Australia and New Zealand

Diet plays an important role in our overall health and wellbeing. Poor diet is a key contributor to excess weight (overweight and obesity) and non-communicable diseases such as coronary heart disease, stroke, bowel cancer and type 2 diabetes (AIHW 2024; 2025).

The Australian Dietary Guidelines (NHMRC 2013) and Eating and Activity Guidelines for New Zealand Adults (Ministry of Health 2025a) are part of a preventative, population-level approach to promote healthy eating. They provide evidence-based population health advice on healthy eating to reduce the risk of chronic diseases and improve health outcomes. They include recommendations on the types and amounts of foods and beverages people should consume, as well as advice to limit foods and drinks high in certain nutrients and choose foods higher in others. Currently, Australian and New Zealand diets are not meeting dietary guidelines (AIHW 2026; Ministry of Health 2025b).

The cost of poor diet to the Australian and New Zealand health systems are significant and are increasing. The estimated direct and indirect costs of overweight and obesity are \$23.9 billion in Australia and \$13.5 billion in New Zealand per year (Appendix B). This cost will increase with the proportion of those living with overweight and obesity expected to keep growing (Global Obesity Observatory 2025).

Many consumers understand the link between consuming a poor diet and the subsequent negative health implications, however, behaviour does not necessarily change. Individual choice is not the only factor driving what people eat. Factors influencing dietary behaviours can include food environments, social and cultural norms, food literacy and changes in the global food systems over time.

Multiple complementary strategies are needed to support change addressing individual behaviours, community influences, the food system and the wider food environment

(Australian Government 2021). Improving nutrition information can help consumers make healthier choices at the time of purchase. Reformulation can also improve the nutritional composition of processed foods. Both are strategies recommended to ‘create supportive, sustainable and healthy environments’ to reach this ambition (Commonwealth of Australia 2022).

Food labelling has a role in supporting consumers to make informed choices

Food labels provide information that supports consumers to make informed food choices. Food labels also help to protect public health and safety by displaying information such as use-by dates, ingredients, allergens, instructions for storage and preparation, and advisory and warning statements.

In Australia and New Zealand, the nutrition information panel (NIP) is required on most packaged food (Figure 2). The purpose of the NIP is to provide consistent, meaningful, and accurate information about the nutritional content of foods, to enable consumers to make informed food choices in-line with dietary guidelines. The NIP is on the back-of-pack and provides information on the average quantity of energy, protein, fat, saturated fat, carbohydrates, sugars and sodium.

NUTRITION INFORMATION		
Servings per package: 5		
Serving size: 10 g		
	Average Quantity per Serving	Average Quantity per 100 g
Energy	341 kJ	3410 kJ
Protein	1.1 g	10.9 g
Fat, total	4.5 g	45.3 g
- saturated	3 g	30.4 g
Carbohydrate	9 g	89.8 g
- sugars	1.7 g	17.4 g
Sodium	40 mg	396 mg

Figure 2. Nutrition information panel

The NIP is a valued and trusted source of information by consumers (FSANZ 2026a). However, there are several barriers impacting effective use of the NIP by consumers, including: the use of technical language and abstract measures (e.g. grams), difficulties in physically reading the panel (i.e. legibility), inconsistent information across products, limited personal relevance and time pressures (FSANZ 2026b). Limited nutritional literacy also remains a key barrier with many consumers lacking the nutritional understanding to interpret the information in the NIP, with specific elements of the NIP, such as percentage daily intake and ‘per serving’ information, are found to be more challenging for some consumers to interpret and apply (FSANZ 2026a).

In contrast to the NIP, FoPL can provide convenient, relevant and readily understood information on the front-of-pack. Evidence indicates FoPL can improve consumer understanding of the nutritional content of foods and the healthfulness of food choices and purchases, compared with when no FoPL is present (Kelly et al. 2024). Interpretive (summary) FoPL systems have been found to have a greater effect on these outcomes than non-interpretive systems. Standardised FoPL systems are increasingly being implemented by national governments to communicate the healthfulness of packaged foods to consumers (Acton et al. 2023).

FSANZ's review of the NIP found consumers use the NIP and the HSR system in complementary ways when both are available on pack (FSANZ 2026b; 2026d). Consistent with their respective purposes, the HSR acts as a quick visual cue to the nutritional profile of a food, while the NIP is consulted for more detail.

Consumer research shows high awareness and use of the HSR

Awareness of the HSR system is generally high overall (85% or more) but is greater in Australia than New Zealand (FSANZ 2026a; 2026c). Most consumers agree the HSR makes it easier to identify healthier food (Pollinate Research 2015; 2016; 2017; Colmar Brunton 2018; National Heart Foundation 2017; 2019). Consumers' level of trust in the HSR is associated with their use of it. In 2024, 6 in 10 Australians and 5 in 10 New Zealanders trusted the HSR system (FSANZ 2025a).

Understanding the HSR is regulated, supported by government or backed by science improved trust in the HSR. Limited knowledge about how the star rating is calculated, believing the food industry can manipulate or purchase star ratings, or the presence of nutrition content or health claims alongside low star ratings reduced trust. Perceived alignment between star ratings and consumer understanding of product healthfulness was also an influencing factor, with perceived misalignment reducing trust (FSANZ 2026b; 2026c).

While consumers often report the HSR has influenced their purchasing decisions, typically to encourage healthier choices, real-world data suggests the impact of the HSR (as currently implemented) on purchasing may be minimal. Self-reported use of the voluntary HSR by consumers has been increasing over time despite the small number of foods currently displaying a HSR. In 2025, 7 in 10 consumers now use the HSR at least sometimes when shopping, and most consumers agree the HSR makes it easier to identify healthier food (FSANZ 2026a). Lab-based experimental research suggests the presence of the HSR increases the likelihood of consumers choosing healthier foods and decreases the likelihood of consumers choosing less healthy foods (Talati et al. 2016; 2017; Cooper et al. 2020; Jauregui et al. 2022; Thomas et al. 2021). However, the small number of real-world studies showed limited impact of the HSR on purchasing decisions, except for those who were motivated to use the HSR (Bablani et al. 2022; Ni Mhurchu et al. 2017a; Neal et al. 2017).

Contextually, it is important to note the HSR has been displayed on less than 40% of foods in Australia and New Zealand since its inception in 2014 (Australian Government 2026). This may influence findings, i.e. consumers may not use the HSR as it is not present on the food they buy. There is broad support for mandating the HSR, with consumers suggesting doing so would increase their trust and use of the HSR (FSANZ 2026a; FSANZ 2026b). However, the exact impact of a mandatory system on consumer perceptions and food behaviours is unknown. There are currently no similar schemes internationally which have moved from a voluntary to a mandatory system to provide real-world evidence on how consumer behaviour may change.

Low uptake of the voluntary HSR system by industry limits effective consumer use

The low prevalence of the HSR on food packaging may be a barrier to use. Low uptake and selective use of the voluntary system by industry have limited effective consumer use of the system (Bablani et al. 2020). In 2020, the FMM set uptake targets for industry to encourage further implementation of the HSR system. As of November 2025, 39% in Australia and 36% in New Zealand of intended foods displayed the HSR (Australian Government 2026). Those that do display the HSR symbol are skewed towards healthier foods that gain higher ratings with a mean and median rating of 3 and 3.5 stars, respectively.

At the five-year review, only a small number of retailers and manufacturers were responsible for a large proportion of the uptake of the HSR in Australia (mpconsulting 2019). During the review, manufacturers gave a range of reasons for not voluntarily adopting the HSR system. Reasons provided included reluctance to display the HSR symbol where the HSR did not align with consumer expectations (i.e. foods with high total sugars receiving high HSRs), lack of commercial incentives and consumer demand for the system, and uncertainty about the system continuing.

Front-of-pack nutrition labelling can encourage a healthier food supply

An indirect benefit of FoPL is it may stimulate favourable compositional changes to packaged foods. The food supply on average may become healthier when FoPL labelling is applied. A mandatory FoPL system may further encourage reformulation to respond to market behaviour if a competitor's comparable food were to receive a superior rating and was therefore more attractive to consumers using the FoPL.

FSANZ identified 6 studies investigating the effect of the voluntary HSR system on the reformulation of packaged foods. The largest study reported a 0.5%, 1.4% and 1.6% reduction in energy, sodium and fibre, respectively, in Australia, and a 4% and 2.3% reduction in sodium and total sugar, and a 1.9% increase in fibre in New Zealand (Bablani et al. 2020).

Diet is important in maintaining overall health and wellbeing, however, consumers face various barriers using existing nutrition information. A consistently available HSR system could guide consumers in making food comparisons and support decisions in-line with dietary guidelines. It could also indirectly improve the nutritional composition of packaged food available for purchase.

3. Why is government action needed?

Since 2014, a voluntary HSR system has been in place to provide a quick, easy, standardised way for consumers to make informed food choices aligned with dietary guidelines. Voluntary uptake targets were introduced in 2020 following the five-year review of the HSR system. If the final target was not met by industry, ministers would consider mandating the system.³

In February 2026, the FMM asked FSANZ to prepare a proposal to consider mandating the HSR system in the Code. The FMM's decision was made noting only 39% in Australia and 36% in New Zealand of intended foods displayed the HSR, well short of the final voluntary uptake target of 70%. Ministers also considered FSANZ's consumer research, which showed strong support for the HSR system, but also identified consumer misunderstanding about how the system is intended to be used, particularly that HSRs are only intended to support comparisons between similar products.

If the HSR system were to be mandated, the number of foods displaying a HSR symbol would increase, providing greater opportunity for consumers to make informed food choices.

In developing food regulatory measures, FSANZ must have regard to the FSANZ Act objectives (1(a)(b)(c)). These are:

- the protection of public health and safety
- the provision of adequate information relating to food to enable consumers to make informed food choices

³ 70% of intended products by 14 November 2025

- the prevention of misleading or deceptive conduct.

The primary objective of this proposal is to provide convenient, relevant and readily understood FoPL to better support Australian and New Zealand consumers to make informed food choices in-line with dietary guidelines. To further support consumers, a secondary objective of this proposal is to make information consistently available on the FoP of most packaged food products, helping consumers easily compare similar products. These objectives and success factors are set out in Table 1.

Table 1. Proposal objectives and success factors

Objective	Success factor
1. To provide convenient, relevant and readily understood FoPL to better support Australian and New Zealand consumers to make informed food choices in-line with dietary guidelines.	Providing FoPL in an easier to understand format to support consumers to make informed healthier choices.
2. FoPL is consistently available on most packaged food products to ensure consumers can easily compare similar products.	Nutrition information is readily available on FoP so consumers are easily able to compare the nutrition information of most packaged foods.

FSANZ has prepared a set of proposed amendments to the Code. This reflects in part FSANZ's assessment that the direct and indirect benefits to the community, Government and industry arising from amending the Code as proposed are expected to outweigh the costs of the proposed measures.

This section covers the reasons why FSANZ considers mandating the HSR in the Code to be appropriate and discusses barriers and opportunities to government action, including:

- a mandatory HSR system would work with a system of public health measures to reduce risk factors contributing to the prevalence of non-communicable disease
- the implementation cost to the food industry
- the variety of motivators behind food choices
- the Code can be used to administer a mandatory HSR system.

3.1. A mandatory HSR system in combination with other measures would contribute to public health efforts to reduce risk factors contributing to the prevalence of non-communicable disease

As discussed in Section 2, a system-wide approach is needed to support improvements to diet and obesity. The HSR system is one strategy aimed to positively impact these issues in Australia and New Zealand. Other initiatives targeting the consumption and composition of packaged food include:

- Healthy Food Partnership, including the Reformulation Program (Department of Health, Disability and Ageing)
- Heart Foundation Food Reformulation Programme (funded by Health NZ)
- National Food and Drink Policy (Health NZ).

FSANZ undertook an assessment prior to commencing Proposal P1067, with evidence suggesting consumers appreciate the simplicity of the HSR system and understand more stars indicate a healthier food relative to a food with fewer stars (FSANZ 2025a; 2026a). FSANZ's assessment indicates the HSR on food labels would help consumers make informed healthier food choices in line with dietary guidelines, noting consumer education about how best to use the system would be needed.

While further consumer education may raise awareness of the HSR system in its current voluntary form, as noted in Section 2, the low prevalence of the HSR on food packaging is a barrier to its increased use by consumers. Based on the outcome from the voluntary HSR system, no alternatives to government action have been identified to increase uptake of the system.

A mandatory HSR system combined with other measures, including broader nutrition education initiatives, would contribute to public health efforts to reduce the prevalence of diet-related non-communicable diseases in Australia and New Zealand.

3.2. Implementation cost to the food industry

The implementation costs of the HSR system may act as a barrier to government action, however, mechanisms are available to minimise the burden for food businesses.

Along with reasoning provided in Section 2 for not voluntarily adopting the HSR, Australian and New Zealand food industries highlighted the additional costs associated with displaying a HSR as burdensome (HSRAC 2017). The cost of implementation for food businesses includes changes to food packaging and resources such as staff time. At the five-year review, the ongoing administrative costs to industry associated with demonstrating compliance were also noted.

To overcome the cost barrier associated with providing consistent FoPL FSANZ can use transitional arrangements. This supports food businesses to implement mandatory labelling changes when it best suits the business, such as during a routine label review. Labels are routinely reviewed by businesses to incorporate updates to food formulations, other regulatory requirements (e.g. country of origin) and branding. A food business may also change the packaging of foods for limited-run promotional activities.

While businesses will still incur costs for familiarising themselves with the regulatory change, there are tools available to minimise the cost that would otherwise be a constraint to implementing the HSR system.

3.3. Consumers choose food for a variety of reasons

Food labels are one of many sources of information informing consumer choices. The *Policy Guideline on Food Labelling to Support Consumers to Make Informed Healthy Choices* acknowledges consumers choose food for a variety of reasons, many of which are not health related, such as price, taste and for cultural reasons. Error! Bookmark not defined.

While this could act as a barrier to the success of government action, the Guidelines also recognise many consumers find it difficult to use nutrition information on food labels, such as the NIP, to apply dietary guideline recommendations when making food choices. This is consistent with the findings of the NIP Review (FSANZ 2026d). FSANZ's assessment shows there is good overall alignment of the HSR algorithm with the dietary guidelines. Therefore, the HSR system may support consumers to make decisions in-line with dietary guidelines.

FSANZ also concluded from its assessment that the HSR system is consistent with the Guideline which states information on food labels should take into account the nutritional content of the whole food, particularly risk nutrients identified in the dietary guidelines, so as not to mislead the consumer.

3.4. A mandatory HSR system can be achieved using the Code

FSANZ is responsible for the amendment and maintenance of the Code, which is regulation. Only FSANZ can amend the Code with Ministers' agreement (see Section 7.1). Among other things, the Code specifies requirements for what information must be on food labels.

Preparatory work completed prior to Proposal P1067 found there are no barriers to mandating the HSR system in the Code subject to the Act requirements being met. However, changes to the system were considered likely to transition the system from a voluntary to mandatory scheme, align HSR requirements with existing Code provisions and provide greater clarity.

Changes to the Code are made frequently and the food regulatory system is well equipped to manage them. Although FSANZ is not responsible for implementing the Code, it works closely with regulators from each jurisdiction through the Implementation Sub-Committee for Food Regulation to ensure the implementation of amendments to the Code do not act as a barrier to its success. The working group promotes a consistent approach to implementing Code requirements.

4. What are the options?

Pre-proposal

Prior to the introduction of the HSR system a literature review helped identify FoPL systems developed or implemented in the market internationally. Features of the systems were compared against the aims and objectives expressed in the *Front of Pack Labelling Policy Statement*.⁴

Two possible models were identified: a binary system (i.e. the absence or presence of a health mark) or a scaled system (i.e. ranking foods on a "health" scale). A binary system was found to not meet the desired objectives and principles, and in preference approaches to developing a rating system were explored.

Non-regulatory measures

Non-regulatory measures alone would not provide the framework needed to implement the HSR system in a way that meets the proposal objective.

Consumer education alone is unlikely to achieve the proposal objective. However, it is agreed by all stakeholder groups that mandating the HSR system without complementary consumer education would limit its impact in enabling consumers to make informed, healthier decisions (FSANZ 2025b).

The use of a code of practice was also investigated as a non-regulatory option. A code of practice is developed using the same procedures as a standard but does not go through the FMM for consideration.

A code of practice could set out the HSR system, provide for its administration and governance, and establish procedures not necessary to set out in a standard. However, a code of practice could not establish an enforceable or 'mandatory' HSR system. While a code of practice could incentivise more businesses to implement the HSR system, alone it would not achieve the proposal objective. Outcomes would likely be similar to status quo with low uptake of the HSR.

⁴ <https://www.foodregulation.gov.au/resources/publications/policy-statement-front-pack-labelling>

Alternative measures

FSANZ has also considered whether the HSR symbol could be provided either on the label of the food or on a label adjacent to the display of the food in the retail environment. Such an approach would provide the manufacturer the option of displaying the HSR symbol on the package or providing the HSR to the retailer for their display alongside the food. The consumer would not be required to use a digital device to access the HSR as it would need to be immediately visible to the consumer at the time of purchase.

While the option of displaying the HSR adjacent to the food would eliminate label change costs, costs for the retailer would be incurred. There is insufficient evidence available to support this approach as being effective in allowing consumers to access the HSR to compare foods. It is also unclear if introducing such variation in how consumers access this information would impact trust in the HSR system. Monitoring and enforcement could be more complex if authorities needed to contact the manufacturer for off-pack algorithm information used to validate the HSR (e.g. dietary fibre content). FSANZ is therefore not proposing this approach.

FSANZ considered 2 options to address the problem identified in Section 2:

1. Maintaining status quo
2. Amending the Code to mandate the HSR system.

Consultation during the HSR preparatory work indicated industry stakeholders generally prefer a voluntary approach, however, some consider mandating the HSR would provide regulatory certainty and an even playing field.

The analysis in Section 5 assesses the costs and benefits to the community, government, and industry that may arise from these options.

4.1. Option 1 – Maintaining status quo

When considering any changes to regulation, FSANZ includes the status quo to compare other options against. If FSANZ's assessment leads to the decision to maintain the status quo, Proposal P1067 would be abandoned. For this proposal, the status quo is for the voluntary HSR system to remain.

As mentioned in Sections 2 and 3, the FMM set uptake targets for intended products to voluntarily display the HSR. Table 2 below shows the uptake levels against each target.

Table 2. HSR uptake against targets set by FMM

Year	Target	Australia	New Zealand
2023	50%	32%	30%
2024	60%	35%	33%
2025	70%	39%	36%

Also discussed in Section 2 is the high consumer awareness and use of the HSR under a voluntary system, with most consumers agreeing the HSR makes it easier to identify healthier food. While consumers often report the HSR has influenced their purchasing decisions, typically to encourage healthier choices, real-world data suggests the impact of the HSR on purchasing may be minimal. As seen in Table 2, the HSR has appeared on less than 40% of intended foods in Australia and New Zealand. This may influence findings as consumers cannot use the HSR if it is not displayed on the food they purchase. Low and selective industry uptake of the voluntary HSR system by industry limits the use of the voluntary system by consumers.

Table 3 measures option 1 against the proposal objectives.

Table 3. Option 1 against the proposal objectives

Objective	How the option meets the objective
1. To provide convenient, relevant and readily understood FoPL to better support Australian and New Zealand consumers to make informed food choices in-line with dietary guidelines.	Under status quo, packaged foods will continue to display back-of-pack nutrition information to enable Australian and New Zealand consumers to make informed choices. However, Section 2 highlights that some consumers encounter difficulties in using the NIP. The HSR will be available on some products voluntarily displaying the HSR to support food choices in-line with dietary guidelines.
2. FoPL is consistently available on most packaged food products to ensure consumers can easily compare similar products.	Under a voluntary system, uptake of the HSR is not expected to significantly increase. Currently, less than 40% of packaged foods display the HSR symbol under status quo. While this will enable some comparison, consumers will not be able to consistently compare the HSR of similar foods. Furthermore, as mentioned in Section 2, the foods voluntarily displaying the HSR are skewed towards a higher rating. A voluntary system would not encourage foods with lower ratings to display the HSR.

Option 2 – Amending the Code to mandate the HSR system Under this option, the Code would be amended to require the HSR symbol on foods for retail sale in Australia and New Zealand.

The 2nd CFS details the proposed regulatory approach to changing the Code to require the HSR on packaged foods.

The approach includes:

- requiring the HSR symbol on most food for retail sale required to bear a label
- amending aspects of the algorithm from that used for the voluntary system
- requiring the HSR system to be presented using the trademarked HSR symbol and that the symbol comprises the stars element only (see Appendix A)
- requiring display of dietary fibre in the NIP when it is used to obtain modifying points in the algorithm.
- allowing for the presentation of the HSR symbol on re-labelled imported foods (i.e. over-stickered)
- requiring dairy, calcium and FVNL content to be provided on request for enforcement purposes.

A 3-year transition period has been proposed, along with a 2-year stock-in-trade provision. Transitional arrangements are discussed in Section 7.4.

Table 4. Option 2 against the proposal objectives

Objective	How the option meets the objective
1. To provide convenient, relevant and readily understood FoPL to better support Australian and New Zealand consumers to make informed food choices in-line with dietary guidelines.	The HSR will be available on most packaged foods after the 3-year transition period to support food choices in-line with dietary guidelines. Consumers suggest a mandatory system would increase their trust and use of the HSR (FSANZ 2026a; FSANZ 2026b). Universal application is expected to strengthen the system by improving consistency, comparability, and accessibility, The NIP and other labelling information will continue to be available on the back-of-pack for the consumer to consult for more detail.
2. FoPL is consistently available on most packaged food products to ensure consumers can easily compare similar products.	Mandating the HSR on most packaged foods will provide consumers with consistently available FoPL after the 3-year transition period. The number of foods displaying a HSR will increase, be more readily available and provide a greater opportunity for consumers to make informed food choices based on the food's overall nutritional profile at the point of purchase.

5. What is the net benefit?

This section sets out the analysis of the options, comparing the direct and indirect benefits to the community against the costs associated with the option.

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. Section 5.3.1.2 discusses efforts to quantify health benefits for future iterations of the RIS.

A breakeven analysis has been used to consider the magnitude of the unquantified benefits (reduced obesity, dietary risk factors and time savings) required to meet the estimated costs of implementing a mandatory system. This analysis gives a comparison of the magnitude of possible costs and benefits but is a highly limited measure given the uncertainty of how option 2 may impact these issues.

Stakeholder feedback provided at the 1st CFS has been incorporated into the analysis.

5.1. Option 1 – Maintaining status quo

The net benefit of the status quo (option 1) by definition is zero as it involves no change. If no other option is likely to achieve a net benefit, option 1 would be the preferred option of the CRIS.

This option would not address any public health risks identified in the 2nd CFS. As noted by some submitters in response to the 1st CFS, maintaining status quo might cost consumers through the inconsistent availability of FoPL and where foods receiving higher HSRs are

more likely to display the HSR. 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.

5.2. Option 2 – Amending the Code to mandate the HSR system

Table 5 and 6 describe the impacts to consumers, industry and government of option 2.

Table 5. Impacts of option 2

Stakeholder group	Option 2
Consumers	Consumers are supported to make informed healthier food choices (reduced information search costs).
	Contributions to improved health outcomes are expected from consumers who choose healthier foods by comparing foods 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 food 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 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 food to increase its appeal, or formulate new foods to gain a higher HSR.
Government	Health system cost savings.
	Costs related to consumer education.
	Costs related to providing guidance and enforcement.

Table 6. 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 food by comparing HSRs.
Quantified but not a requirement of P1067	Food businesses	Costs related to reformulation, if a business decides to do so, or formulating new foods to gain a higher HSR.

5.3. Impact to consumers of option 2

Australian and New Zealand consumers will be impacted through:

- consistent FOPL on packaged foods for retail sale in Australia and New Zealand, supporting informed healthier food choices
- improved health outcomes from:
 - consumers who choose healthier food by comparing foods using the HSR
 - a healthier food supply if food manufacturers choose to formulate or reformulate some of their food to improve their HSR.

5.3.1. Informed Choice

A mandatory HSR system will reduce the asymmetry of information Australian and New Zealand consumers encounter under status quo. Some consumers may not be aware of dietary guidelines to reduce chronic disease risk or may find it difficult to interpret the nutritional content of packaged foods. The HSR provides consumers with a simple summary of the overall nutritional profile of foods aligned with the dietary guidelines. This will support consumers to make informed, healthier food choices.

As noted in Section 3, consumers choose foods for a variety of reasons. For consumers who value nutrition when making food choices, mandating the HSR may reduce information search associated with making healthier food choices by improving the information available to consumers.

FSANZ proposes the HSR symbol is comprised of the stars element only and that other elements are not permitted to be included. Seventy-one percent of foods currently displaying the HSR on packages use the stars element only (FSANZ 2026e). Consumer research demonstrates the stars-only symbol best supports understanding of the HSR (FSANZ 2026c). Participants were substantially more accurate, faster and found it easier to identify healthier options using this symbol, further improving the information to support healthier food choices.

FSANZ has not attempted to quantify the consumer welfare gains from improved information received from a mandatory HSR system, however, Section 5.8 uses the potential for consumer time savings in making healthier food choices in a breakeven analysis.

To understand how consumers currently interact with the voluntary HSR system, FSANZ undertook a literature review (FSANZ 2026c). This is summarised in the following sections.

5.3.1.1. Impact of the HSR on consumer perceptions

Overall, the available evidence suggests when a HSR is present with a star rating of less than 3, perceptions of healthfulness either decline (Jauregui et al. 2021; Thomas et al. 2021) or remain steady (Talati et al. 2016). Studies presenting the HSR only rather than other formats were more likely to show improved accuracy in perception of how healthy a food is. However, the effect may also be influenced by food type, as these varied across studies. No studies looked at the impact of HSR scores greater than 3 on healthfulness perceptions.

There were conflicting results around whether the HSR would increase willingness to buy or pay for food. One randomised controlled trial suggested it would not influence consumers' willingness to buy a food (Talati et al. 2016). However, more complex discrete choice experiments suggested the HSR may increase consumers' willingness to pay for foods (Talati et al. 2017; Cooper et al. 2020). One study indicated this was the case even when the star rating was low (Talati et al. 2017).

5.3.1.2. Impact of the HSR on purchasing behaviour

The number of consumers reporting their purchasing had been influenced by the HSR varied widely depending how the question was asked and the sample assessed. Of consumers who had purchased a food with the HSR previously, between 38% (Pollinate 2015) and 66% (FSANZ 2025a) agreed the HSR had influenced their purchasing decision in some way. However, self-report measures can be susceptible to social desirability and recall bias, which may overestimate the impact of the HSR.

As discussed in Section 2, lab-based experimental research suggests the presence of the HSR increases the likelihood of consumers choosing healthier foods and decreases the likelihood of consumers choosing less healthy foods. Three studies found the HSR did not increase the healthfulness of purchasing decisions, however, in all cases this may be attributable to the study design (Talati et al. 2019; Hamlin & McNeil 2016; 2018). Two studies reported in three papers suggest the HSR may encourage healthier choices even in the presence of other marketing attributes, such as claims (Talati et al. 2017; 2018). However, its influence on purchasing decisions may be stronger when claims are not present. Lab experiments also highlighted the star rating, the food type, consistency of application of the HSR across foods and the HSR format may all impact how influential the HSR is on

purchasing decisions. However, limited studies systematically tested these contextual factors making it difficult to draw definitive conclusions.

Real world data suggests the impact of the HSR may be minimal in a more realistic setting. A meta-analysis of two large field experiments where consumers could scan product barcodes to view a HSR found no statistically significant difference between the healthfulness of food choices if consumers saw the HSR compared to the NIP (Ni Mhurchu et al. 2017a; Neal et al. 2017). However, there was an improvement in the healthfulness of purchasing decisions for those motivated to use the HSR information. Analysis of actual purchasing data also suggested the HSR had no impact on consumer purchasing decisions (Bablani et al. 2022).

5.3.1. Improved health outcomes

Comparing the nutritional value of similar foods and making informed food choices in line with dietary guidelines can potentially reduce the risk of chronic diseases and improve health outcomes in Australia and New Zealand.

5.3.1.1. Choosing healthier foods

It is difficult to quantify the benefit of Australian and New Zealand consumers choosing healthier food choices due to a mandatory HSR system. No international consumer behaviour comparisons can be made where a previously voluntary FoPL has been made mandatory. There are also limitations in using the existing literature with real-world evidence of the HSR system as the HSR has not been consistently available on front-of-pack for consumers to use.

FSANZ's Consumer Insights Tracker (2026a) found 74.7% of respondents selected nutrition in their top 3 food values most important to them when choosing which foods to buy. Based on this over 9 million consumers across Australia and New Zealand could be assumed to be regular shoppers placing at least some value on nutrition when making food choices⁵.

Displaying the HSR on food will allow for the direct comparison of food's overall nutritional profile, making it easier for consumers to make healthier choices. If regular shoppers use the HSR system to make healthier choices, benefits of their food choices will flow through to others dependent on their food shopping, such as children.

Supporting healthier food choices may reduce the risk of chronic disease. As discussed in Section 2, overweight and obesity contribute significant cost to Australian and New Zealand health systems. 67% of adults aged 18 and over and 27% of children and adolescents aged 2 to 17 were living with overweight or obesity in 2024 (AIHW 2026).

5.3.1.2. A healthier food supply

The nutritional content of the packaged food supply may also become healthier over the long term if food businesses are motivated to reformulate foods to gain a higher HSR. A mandatory HSR system may further encourage reformulation in response to market behaviour, particularly if a competitor's comparable food receives a superior rating and is more attractive to consumers.

FSANZ identified 6 studies investigating the effect of HSR on the reformulation of packaged foods. Notwithstanding the limitations of these studies, they generally reported FoPL had an effect on food reformulation (Bablani et al. 2020; Morrison et al. 2019; Herrera et al. 2018; MPI 2017; Ni Mhurchu et al. 2017b). In Australia and New Zealand, Bablani et al. (2020)

⁵ Assuming one shopper for a family household and two shoppers for multi-family and group households.

found foods voluntarily adopting the HSR were 6.5% and 10.7% more likely to increase their HSR rating by ≥ 0.5 stars respectively.⁶ Generally, the most frequent improvements were observed following changes in energy and sodium levels.

All studies reported findings in energy, of which 3 were improvements (Bablani et al. 2020; Herrera et al. 2018; Ni Mhurchu et al. 2017b). All of the 5 studies reporting findings in sodium reported improvements (Bablani et al. 2020; Morrison et al. 2019; MPI 2017, Ni Mhurchu et al. 2017b). Four studies reported findings in sugar, with improvements reported in one (Bablani et al. 2020). Two of 4 studies reported improvements in fibre and one reported a deterioration in fibre (Bablani et al. 2020; Ni Mhurchu et al. 2017b). Four studies reported findings in saturated fat and protein, of which none were significant.

The heterogeneity of samples and outcome measures precludes the estimation of quantitative effects through meta-analysis. However, the largest study, Bablani et al. (2020), reported a 0.5%, 1.4% and 1.6% reduction in energy, sodium and fibre, respectively, in Australia. In New Zealand, a 4% and 2.3% reduction in sodium and total sugar was reported, along with a 1.9% increase in fibre.

Taken overall, the findings suggest reformulation of foods following the introduction of HSR led to reductions in nutrients of concern in packaged foods displaying the HSR.

The potential impact of reformulation in New Zealand has been modelled by Cleghorn et al. (2025). Population health gains and \$568 million (NZD) in health sector cost savings could be found if the HSR were made mandatory in 2025, compared to \$8 million saved if the system remained voluntary.

Some stakeholders disagreed with reformulation producing a genuine benefit to public health and were concerned reformulation to improve HSR scores may not be making meaningful nutritional improvements.

FSANZ has engaged a consultant to model health outcomes that may result from reformulation in the food supply. The results of the modelling would be provided in the decision RIS for this proposal.

5.4. Impacts to food businesses of option 2

Refer to Appendix B for the assumptions used in the following analysis.

Australian and New Zealand food businesses will be impacted by:

- requiring the HSR symbol on most packaged foods for retail sale in Australia and New Zealand
- updates made to the HSR system for foods already displaying the HSR symbol.

An inherent impact of option 2 are transfers that might occur between food businesses. Some businesses may sell more and others less, if greater transparency of the nutritional profile of foods leads to consumers changing their purchasing behaviours.

This proposal covers a wide range of foods, ranging from food sold by small-batch manufacturers (i.e. sold at a farmers market), to food from large multi-national companies. Proposed changes are likely to impact individual businesses in different ways.

Table 7 estimates the number of food and beverage manufacturers in Australia and New

⁶ In Australia the time points were 2014 and 2018, and in New Zealand 2013 and 2019.

Zealand that may be impacted by Proposal P1067.

Table 7. Food and beverage manufacturers in Australia and New Zealand by business size

	Australia	New Zealand
Micro (0 to 4 employees)	4,424	2,376
Small (5 to 20 employees)	1,169	628
Medium (21 to 199 employees)	804	432
Large (200 or greater)	139	75

Note: For Australia, these figures do not include non-factory based bakery product manufacturers as these businesses may not have labelled foods and are likely not impacted by P1067 (ABS 2025). A detailed breakdown was not available for New Zealand. Employee headcount of food and beverage manufacturers in New Zealand is based on the proportion of Australian manufacturers in each category against NZ food and beverage enterprises (Stats NZ 2025a).

Smaller businesses may have fewer resources than larger businesses to implement regulatory change. The costs of this proposal may therefore be proportionately higher for some smaller businesses relative to their revenue or profits and may impact the ability for smaller businesses to compete. Stakeholder feedback from the 1st CFS informed assumptions about the proportion of stock keeping units (SKUs) held by businesses of different sizes. FSANZ has used this, along with cost multipliers ascertained from an expert elicitation process to weight the estimated cost of label change (see Box 1 and Appendix B).

This analysis assumes there to be 50,000 SKUs in the Australia and New Zealand food supply, with 60% in Australia and 40% in New Zealand. These proportions closely resemble the total intended SKUs published in HSR uptake reporting (Australian Government 2026). As discussed in Section 1.2, Australia and New Zealand are key trade partners, including for packaged foods. There is an unknown quantity of SKUs available in both Australia and New Zealand that do not have unique packaging for each market. The impacted SKUs discussed in the following section may be an overestimate due to double counting.

Conversely, FSANZ has little data on food importers and the number of imported foods relabelled (over-stickered) and will also be impacted under option 2. Two thousand SKUs are assumed to be re-labelled in Australia and New Zealand, based on previous assumptions used in country-of-origin labelling (CoOL) reforms (DISR 2016) where 4% of products were assumed to be imported (including packaged and unpackaged).

The following sections discuss:

- operational costs
- cost of label change (i.e. updating food packaging), including impacts specifically for food importers
- reformulation costs (not a requirement of this proposal).

5.4.1. Operational costs

This section considers:

- familiarisation with regulatory changes, including training and system updates
- engagement with consultants, specifically for small businesses.

FSANZ did not receive information through the 1st CFS to assist in quantifying the cost of familiarisation and staff training. FSANZ has adapted figures used in the evaluation of CoOL reforms (DISR 2022a)⁷. Proposal P1067 and the CoOL scheme are similar in the sense they affect a broad range of foods. For the HSR, some costs may be lower, given information

⁷ Deloitte conducted a survey of businesses impacted by the CoOL Scheme to understand the realised costs to businesses associated with meeting the CoOL requirements.

required to calculate and implement the HSR should be known and used often by most businesses.

Submitters also noted the additional impact of updating systems and processes to capture, store and maintain additional data inputs to support HSR calculations and audit requirements.

Table 8 includes costs for staff time record-keeping and updates to IT systems that may result from the proposed changes. These costs are applied on a per-business basis.

Submitter information also noted most small businesses will not have the in-house capability and may choose to engage a food labelling consultant. This assists small businesses in understanding the proposed changes and to ensure their foods comply with the requirements. Information provided at the 1st CFS also indicated 20-30% of SKUs within a business may require review by a regulatory consultant. Table 6 presents all small businesses receiving 2 hours of external advice and one hour of advice for 25% of SKUs.

It is also acknowledged there may be some ongoing cost associated with mandating the HSR. Table 6 includes staff time may be required for ongoing maintenance of HSR related systems on a per business basis.

Table 8. Operational costs of option 2

	AUD \$
<i>Initial</i>	
Staff time	138.6 million
Record-keeping and IT	34.0 million
Engagement with consultants	14.8 million
Total initial	181.2 million
<i>Ongoing (per annum)</i>	
Staff time	3.7 million

It will be voluntary for food businesses to use dietary fibre in the HSR algorithm. FSANZ anticipates businesses will only use fibre in the algorithm where they determine the benefits outweigh the costs. The cost of undertaking dietary fibre testing has therefore not been included in the overall cost of option 2.

FSANZ does not have sufficient information on the number of food importers in Australia and New Zealand which primarily over-sticker their food to quantify this impact. The requirement to label the HSR may increase the barriers to entry for food importers. Stakeholder feedback is welcomed to inform the assessment of this impact.

5.4.2. Cost of label change

Food businesses will incur costs to add the HSR symbol to packaged food labels. Foods already displaying the HSR symbol may also incur label change costs if previously permitted variations of the HSR symbol need to be removed.

Required label changes are assumed to be a one-off cost. However, a business may incur an ongoing cost to maintain an accurate HSR if a food's formulation changes after the HSR is applied. This ongoing cost is captured in Section 5.4.1 as an operational cost.

FSANZ uses an in-house label change cost model to estimate these costs (Box 1).

Box 1. FSANZ Label Change Cost model

FSANZ's label change cost model (due to be published before the decision RIS) was gathered through an expert elicitation exercise. Experts provide independent judgements, which are anonymously aggregated and fed back to the expert group, allowing participants to review their views in light of the collective response. Expert elicitation is a well-established approach in regulatory cost modelling where empirical data are sparse or highly variable.

The cost estimates cover four components of label change expenditure:

- label redesign
- printing costs including developing and printing plates, films or files, engraving plates or cylinders, and colour matching
- administrative activities
- other activities such as market testing.

The model considers 14 distinct packaging types, reflecting the breadth of materials and print technologies in use across the industry.

A label change is classed as either a minor, medium or major label change. A minor change includes changes to label text only. A medium change includes changes to text and label layout. A major change includes changes to text, label layout and potential changes to label shape or size. The cost model also contains costs for different transition periods and considers stock-in-trade provisions.

For label change cost model purposes, the proposed changes are considered a medium change for foods not already label the HSR (62% of total SKUs). For foods needing to change the presentation of the HSR to stars-only (11% of total SKUs), this is considered a minor change. This is assumed to impact only medium and large businesses as these businesses are more likely to have voluntarily implemented the HSR.

Industry stakeholders provided FSANZ with estimates of label change costs at the 1st CFS. These costs ranged from \$2,500 and \$60,000 per SKU.

Where a business chooses to use dietary fibre in the algorithm, they will be required to declare this component on the food's label (in the NIP). It will be voluntary for food businesses to use dietary fibre in the HSR algorithm. FSANZ anticipates businesses will only use fibre in the algorithm where they determine the benefits outweigh the costs. The cost of label updates associated with the declaration of dietary fibre has therefore not been included in the overall cost of option 2.

5.4.2.1. *Cost of label change for imported foods which are relabelled*

Some imported foods will be labelled for the Australian and New Zealand market at the overseas point of manufacture. In these instances, FSANZ has assumed standard label change processes and associated costs discussed in Section 5.4.1 apply. Other imported foods are re-labelled after entering Australia or New Zealand to meet domestic labelling requirements may face different costs under the proposed changes.

Re-labelling imported foods is not considered a new cost. However, the proposed changes may increase re-labelling costs for some importers, for example where over-sticker labels need to be re-formatted or increased in size to display a HSR. For this analysis FSANZ considers displaying the HSR on an over-sticker label to be similar to the cost of a medium change for a small producer.

Some stakeholders were concerned the proposed changes increase compliance complexity. They noted many imported foods use global packaging artwork shared across multiple international markets and the proposed changes may require country-specific packaging. They also noted some imported foods are culturally specific and relied upon by communities across Australia and New Zealand.

5.4.3. Total label change costs

Table 9 presents the estimated cost of adding the HSR to labels of most packaged foods as proposed.

Table 9. Label change costs of option 2

	AUD \$	% total cost
<i>Domestically produced or manufactured overseas for domestic consumption</i>		
Medium label change		
Micro (1,600 SKUs)	7.2 million	5.7
Small (4,700 SKUs)	19.2 million	15.0
Medium (10,900 SKUs)	38.6 million	30.2
Large (14,000 SKUs)	42.7 million	33.4
Minor label change		
Medium (2,400 SKUs)	5.6 million	4.4
Large (3,100 SKUs)	6.2 million	4.8
Total cost for domestically produced	119.5 million	
<i>Imported foods which are re-labelled</i>		
Medium label change (2,000 SKUs)	8.2 million	6.4
Total cost	127.8 million	

Note: SKUs rounded to the nearest hundred. Figures may not add up to total cost due to rounding.

5.4.4. Reformulation

As discussed previously, an indirect impact of displaying the HSR symbol is food business may be motivated to reformulate their food to improve its HSR. Reformulation is not a requirement of the proposal. FSANZ anticipates businesses will only reformulate a food where they determine the benefits outweigh the costs.

While it is difficult to predict the rate of reformulation under a mandatory HSR system, the literature discussed in Section 5.3.1.2 provides evidence where some food businesses are willing to reformulate to gain an improved HSR. A number of submissions received at the 1st CFS confirm businesses would consider reformulation if the HSR were mandated. Reasons included to maintain existing ratings if foods are impacted by system changes and to improve market competitiveness. Reformulation was reported to take between 3 months and more than a year depending on the business size.

FSANZ commissioned a report from FoodSouth (2025) to provide an improved understanding of the reformulation process, including the factors influencing the effort, timelines and estimated cost of reformulation. Using methodology used by the US FDA (2025) to estimate how many SKUs may be reformulated in a comparable FoPL proposal, FSANZ estimates \$51.6 million could be spent on reformulating existing packaged food due to the HSR. Refer to Appendix B for more detail.

The cost of reformulation has not been included in the overall cost at this stage. As mentioned, reformulating a food will only occur where a business determines the benefits of reformulating outweigh the costs.

FSANZ understands only a small proportion of new SKUs brought to the market remain long term, and a significant proportion of SKUs are stable products. However, mandating the HSR in the Code may incentivise food businesses to formulate new foods to receive higher HSRs than comparable foods.

5.4.5. Total industry cost

Table 10 summarises the costs discussed in Sections 5.4.1 and 5.4.2.

Table 10. Cost to industry of option 2

	AUD \$
Initial	
<i>Domestically produced or manufactured overseas for domestic consumption</i>	
Operational cost	187.5 million
Label change cost	119.5 million
<i>Imported food which are labelled</i>	
Operational cost	Unable to be estimated
Label change cost	8.2 million
Total initial cost	315.2 million
Ongoing (per annum)	
<i>Domestically produced or manufactured overseas for domestic consumption</i>	
Operational cost	3.7 million
<i>Imported food which are re-labelled</i>	
Operational cost	Unable to be estimated

Note: FSANZ does not have an estimate of the number of food importing businesses and is unable to estimate the total operational cost.

At the 1st CFS, stakeholders estimated total costs of the proposed approach to be between \$20,000 to \$5 million per business. FSANZ is unable to estimate a cost per business because the proposal will impact businesses differently. Costs may vary depending on factors such as the number of SKUs owned, the types of food manufactured, packaging materials and formats used, and individual business processes.

5.5. Impact to government of option 2

Government costs considered in this section include:

- system costs
- consumer education
- enforcement.

Compared with the status quo option 2 is expected to result in a relatively small increase in costs. This includes costs associated with implementing a mandatory system, such as providing further guidance to industry, and broader consumer education. To account for a currently unknown increase in costs, FSANZ has assumed additional government costs to be \$15 million over 5 years, based on previous HSR expenditure (see Appendix B). One submitter provided information supporting \$3 million per year as a suitable estimate for an education campaign.

Australian state and territory and New Zealand food regulation agencies are responsible for enforcing the Code. Verifying compliance is a part of routine activities undertaken by government officers. Ensuring a compliant and accurate HSR will be an additional label element for government to verify. Submitters noted additional expertise, training and resources would be required to monitor compliance. Jurisdictions also noted an added cost

of providing technical advice related to the HSR. There was concern an increase in areas requiring enforcement may place additional pressure on front-line enforcement resources.

FSANZ has estimated HSR verification may add 30 minutes to regular enforcement activities. FSANZ would be interested in stakeholder feedback on this assumption. The proposed requirement for food businesses to provide dairy, calcium and FVNL content to enforcement agencies on request will improve the ability for enforcement agencies to verify the accuracy of HSRs on food packaging.

Table 11 presents ongoing costs to government that may arise from mandating the HSR system.

Table 11. Cost to government of option 2

	AUD \$
System costs (e.g. education campaigns)	3.0 million
Enforcement costs	500,000
Total per annum	3.5 million

As discussed in Section 5.3.1.1, supporting healthier food choices may reduce the risk of chronic disease, which may in turn reduce burden on related healthcare spending. These benefits may also arise if mandating the HSR encourages businesses to reformulate food and improve the nutritional composition of the food supply. The direct and indirect costs of obesity have been estimated to be \$23.9 billion and \$13.5 billion each year, in Australia and New Zealand, respectively (see Appendix B).

5.6. Other considerations of option 2

At the 1st CFS many submitters highlighted the current cost pressures faced by industry, including labour, energy and supply chain constraints. Concern was raised that additional regulatory burden from the proposed changes will hinder competition, make it more difficult for businesses to manage these pressures and increased costs will be passed onto consumers. Australia and New Zealand have been experiencing high food prices due to a range of factors, including weather events and supply chain disruptions.

To minimise impacts on industry, a proposed 3-year transition period will provide additional time for food businesses to make required changes to comply with the Code. The transition period enables businesses to coordinate a mandatory labelling change at a time which is most cost-effective to them.

Stakeholders also raised concerns about packaging wastage. The proposed 2-year stock-in-trade period would help minimise potential environmental impacts by allowing businesses to continue selling food that do not meet proposed Code requirements after the 3-year transition period. This would reduce packaging write off and waste and is particularly beneficial to businesses that sell food with a long shelf-life.

Box 2. Examples of transition periods and assumptions used

Country of Origin Labelling (CoOL) scheme

The CoOL scheme used a 2-year transition period and 2-year stock-in-trade period. Compliance with the CoOL scheme significantly increased between its introduction in 2016 to 2019 (91%; The George Institute for Global Health 2021).

Evaluation of the CoOL reforms found (DISR 2022b):

- 80% of respondents aware of the transition period (42%) considered it to be an appropriate length of time
- 94% said it enabled minimisation of costs at least to a “small extent”
- 9% indicated the transition period was not sufficient to implement the changes and were impacted by write-off costs.

One industry representative group indicated their members review labelling artwork at least once every two-years and could capture changes during this time.

However, the evaluation found the experience with the transition period to vary by industry. Those with more complex supply chains and longer shelf-life reported difficulty in meeting the timeframe.

FSANZ expert elicitation for label change costs

FSANZ expert elicitation (see Box 1) estimated a medium business is likely to order 7 months of packaging stock in advance. The experts estimated it would take a medium business 10 months to use 95% of packaging stock.

US Food and Drug Administration (US FDA) labelling cost model

The US FDA uses a labelling cost model to estimate the cost of label changes when conducting economic impact analyses (Muth et al. 2015). The model recognises manufacturers who can align a regulatory label change with a scheduled voluntary labelling update incur a lower cost rather than the full cost of an uncoordinated labelling update. For example:

- for a compliance period of one year, 89% of branded and 95% of private label products would face uncoordinated costs.⁸
- for a compliance period of 2 years, all branded products are assumed to be able to coordinate with their own voluntary labelling update and 74% of private label products would face uncoordinated costs.
- for a compliance period of 3 years, all branded products are assumed to be able to coordinate with their own voluntary labelling update 43% of private label products continue to face uncoordinated costs.

5.7. Total quantified and unquantified cost of option 2

Table 12 presents the costs of option 2 at the 2nd CFS.

⁸ Private-label food products are manufactured by a third-party and labelled under another brand. Common examples include retailer home-brands.

Table 12. Total cost of option 2

	AUD \$
Initial	
Operational cost	187.5 million
Label change cost	127.8 million
Total initial cost	315.2 million
Ongoing (per annum)	
Operational cost	3.7 million
Government	3.5 million
Impacts on the ability small businesses and food importers to compete with large domestic businesses	See Section 5.4 and 5.4.1.
Potential impacts on cost pressures if food businesses cannot absorb the proposed changes into routine label changes	See Section 5.6.
Total ongoing	7.2 million

5.8. Breakeven analysis of option 2

FSANZ has used breakeven analysis to consider the magnitude of the unquantified benefits required to offset the estimated costs of implementing a mandatory system. The analysis provides an indication of the magnitude of possible costs and benefits but is a highly limited measure given the uncertainty of how option 2 may impact the issues below. Further, the breakeven analysis does not consider other costs and benefits discussed in this CRIS which could not be quantified.

FSANZ has undertaken breakeven analyses using:

- cost of obesity in Australia and New Zealand (see Appendix B)
- cost attributable to dietary risk factors in Australia (AIHW 2024)
- value of time saved by Australian and New Zealand shoppers (see Table B3 in Appendix B).

In the analyses, the cost of the proposed option and health costs have been discounted at 7% over a 10-year period. The analysis assumes Australian and New Zealand consumers will use the HSR to make healthier food choices, the HSR will support quick and easy food choices and these decisions have an impact on the rates of overweight and obesity and on reducing risk of diet-related disease.

Obesity and overweight

As seen in Table 13, 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.

Table 13. Breakeven analysis with the cost of obesity (\$AUD)

Total present value of costs	319.2 million
Estimated cost of obesity	280.8 billion
Percent reduction required to breakeven	0.11%

Dietary risks

As seen in Table 14, if the healthcare cost attributable to dietary risks in Australia 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. Equivalent information was not available for New Zealand.

Table 14. Breakeven analysis with health costs attributable to dietary risks (\$AUD)

Total present value of costs (Australia only)	204.8 million
Health cost attributable to dietary risks (Australia only)	22.2 billion
Percent reduction required to breakeven	0.92%

Consumer time savings

To investigate the benefits of the CoOL scheme, the value of consumer time was used in a breakeven analysis to put the time savings required to offset implementation costs into perspective (DISR 2016). As discussed in Section 5.3.1, a mandatory HSR system will reduce the information search costs of making healthier food choices by improving the information available to consumers.

Using the same methodology, Australian and New Zealand shoppers valuing nutrition when making food choices (assuming around 27-32% of the Australian and New Zealand population) would need to save just over one minute (62 seconds) in their weekly shop by comparing and evaluating the nutritional value of packaged food using the HSR to meet the 10-year cost of the proposed change. Table B3 in Appendix B presents the detailed methodology.

5.9. Net benefit of option 2

FSANZ considers mandating the HSR system as proposed under option 2 will leave Australian and New Zealand consumers in a better position compared to status quo. While the food manufacturing industry, importers and government will face direct and indirect costs associated with displaying the HSR on packaged food as proposed under option 2, there will also be benefits from the regulatory certainty and consistency provided by a mandatory HSR scheme.

A number of assumptions should be noted, including:

- potential double-counting of SKUs available in both Australia and New Zealand
- SKUs that have implemented the HSR system in an alternative format than proposed after the uptake reports were completed and therefore are not captured in the minor label change cost
- implementation for all businesses has been assumed to take place in the third year (last year of transition), when in reality this uptake is likely to be a gradual and occur when a business undergoes a routine labelling review during the 3-year transition period
- businesses will positively reformulate their food as has been occurring under status quo
- each food manufacturer or importer will be impacted by the proposed changes in different ways. This analysis treats each business and their SKUs as the same, only differentiating by business size. Section 5.10 explores different packaging costs.

5.10. Sensitivity analysis of option 2

Table 15 presents sensitivity analysis exploring the total present value of costs of option 2 under different transition periods and label change costs.

Table 15. Sensitivity analysis of option 2

	Discount rate		
	3%	7%	10%
3-year transition	349.8 million	319.2 million	299.2 million

	Discount rate 7%
2-year transition	364.1 million
3-year transition	319.2 million
5-year transition	272.7 million
Lowest packaging cost	308.4 million
Highest packaging cost	339.0 million

The analysis finds the present value of costs estimated under option 2 could range from \$308.4 to \$339.0 million depending on the packaging material used and required to be updated.

A 3-year transition period is an estimated to save \$44.9 million compared to a 2-year transition period. While there is estimated to be a \$46.5 million savings from a 5-year transition compared to a 3-year transition period, food businesses are likely able to incorporate regulatory changes into their routine reviews within a 3-year period (Box 2). The delayed consumer benefits of a 5-year transition period would also need to be considered.

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

Statutory consultation underpins FSANZ's standards development process. FSANZ consults with stakeholders to ensure we understand their business, and to seek information and advice to inform the proposal assessment and standard development.

6.1. Pre-proposal stakeholder engagement

To gather early stakeholder input, FSANZ released a call for information paper in 2024 seeking, among other things, information and evidence to help inform work relating to HSR⁹. FSANZ received 74 submissions from academics, government, industry and public health and consumer groups.

There was general support from public health, academics, government and consumer groups for mandating the HSR in the Code. Some believed other factors, such as the level of processing, should be considered to achieve the HSR system's objective. Some also considered there was limited evidence the voluntary HSR had supported the intended public health outcomes.

Most industry submitters did not support mandating the HSR. However, some considered mandating would provide regulatory certainty and an even playing field.

In 2025, FSANZ held two webinars to further explore stakeholder views on the application of the HSR system and to discuss challenges involved with transitioning from a voluntary to mandatory scheme. A total of 114 stakeholders attended the webinars representing businesses, public health organisations, academia and government. FSANZ also received written comments from 28 participants.

Stakeholder views were mixed, particularly on foods to which the HSR should apply. However, there was broad agreement on the need for consumer education and evidence-based decision making.

⁹ <https://www.foodstandards.gov.au/business/labelling/hsr-nip-review>

6.2. 1st CFS

In May 2026, FSANZ released the 1st CFS for P1067. The CFS included FSANZ's initial assessment and proposed approaches, and included a preliminary consideration of costs and benefits.

During the submission period, FSANZ also held 3 webinars to support stakeholder understanding of the proposed approaches.

380 responses were received from stakeholders at the 1st CFS. The stakeholders FSANZ heard from included:

- academics
- businesses
- individuals
- industry bodies
- consumer and public health interest groups.

Stakeholder feedback related to the consideration of costs and benefits is provided in Box 3.

Box 3. Submitter feedback on the 1st CFS consideration of costs and benefits

Many stakeholders were of the opinion the preliminary consideration of the impact to food businesses presented at the 1st CFS did not reflect real-world business processes and their respective costs. In particular, stakeholders were concerned the extent of the relabelling process had not been considered by FSANZ. Other impacts such as stock write-off and environmental wastage were also raised as not being addressed by the analysis.

Some submitters were also concerned additional costs would be incurred if the HSR algorithm were to be updated, such as following a review of the Australian Dietary Guidelines.

FSANZ also acknowledges the stakeholders who provided detailed information regarding label change costs for their businesses. This information has been considered in preparing the CRIS.

In general, stakeholders were concerned of higher food prices, as a flow-on impact from increased cost to businesses. Some stakeholders were also concerned consumers may be impacted by reduced choice if imported foods were being withdrawn from Australian and New Zealand markets if compliance costs of the regulatory change cannot be met.

The key outcomes from feedback received from FSANZ's approach at the 1st CFS include:

- declaration of algorithm components on-pack – at the 1st CFS FSANZ proposed all foods displaying the HSR would need to declare dietary fibre, calcium and FVNL on pack if used in the HSR algorithm or used to determine dairy content. At the 2nd CFS, FSANZ proposes dietary fibre must be declared in the NIP if used in the HSR algorithm. Calcium and FVNL will be required to be provided to enforcement agencies upon request.
- formulated supplementary foods (FSF) – at the 1st CFS FSANZ proposed to prohibit the HSR on FSF. At the 2nd CFS, FSANZ proposes the HSR be required on all FSF.
- calcium criterion – at the 1st CFS FSANZ proposed the calcium requirement for milk and milk-based beverages in Category 1D should be ≥ 100 mg calcium per 100 mL. At the 2nd CFS FSANZ proposes the calcium requirement for milk and milk-based beverages in Category 1D (but not dairy analogue beverages) should be ≥ 75 mg calcium per 100 mL.

- transition period – at the 1st CFS, FSANZ noted food businesses would be given a transition period to make the required labelling changes and comply with the Code but did not propose specific timeframes. In developing these transitional arrangements, FSANZ considered the complex and diverse regulatory changes proposed. FSANZ also considered the range of products on the market required to adopt the proposed labelling requirements, the costs and practicalities of transition for industry, submitter views, precedents for transitional arrangements for other relevant FSANZ proposals and applications.

The 3-year transition period proposed at the 2nd CFS would minimise costs for businesses, particularly for smaller businesses where costs may be disproportionately higher, while not unduly delaying implementation of the amendments. A transition period of 4 years or greater may unnecessarily prolong the implementation of the proposed amendments with a resulting cost to public health.

6.3. Who and how we plan to consult

Following consideration of submitter feedback, FSANZ has presented a revised approach at the 2nd CFS. This CRIS was also prepared in consideration of feedback provided and the consideration of costs and benefits is presented again for further stakeholder comment.

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

FSANZ's assessment is mandating the HSR system would better support consumers to make healthier food choices, compared to a voluntary system (status quo), thereby assisting in addressing the public health issues identified in Section 2.

While the status quo would somewhat achieve the objective of ensuring consumers are enabled to make informed food choices through existing food labelling requirements, such as the NIP, option 2 would go further. It would consistently provide simple, summarised information to support healthier food choices and address some of the barriers consumers experience when using the NIP.

FSANZ considers option 2 to be the best available option. While FSANZ is unable to quantify the benefits of option 2, Section 5.8 presents several breakeven analyses assessing the magnitude of the unquantified benefits required to offset the estimated costs of the proposed change. As discussed, FSANZ is also undertaking work to quantify potential health outcomes associated with the proposed change to support a cost benefit analysis. This will be presented in a Decision RIS.

Unquantified benefits of option 2 include:

- Improved information for consumers – consumers will benefit from the summarised nutritional profile of packaged food being accessible on FOP. This will reduce the information search costs consumers face making informed, healthier food choices.
- Clarity and consistency – option 2 will require most packaged food to display the HSR. Australian and New Zealand food manufacturers that have not already implemented HSR will need to do so. A consistently available HSR label will also provide transparency to consumers.

7.1. Decision-making process for the proposed changes

The FSANZ Board will make a decision to approve, amend or reject the draft variations to the Code.

All FSANZ decisions on proposals are notified to Food Ministers (from the Commonwealth, Australian States and Territories and New Zealand) who can, within 60 days of notification from FSANZ, decide to either:

- ask for a review, or
- agree the standard should become law.

If ministers do not seek a review, the changes are:

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

If a review is requested, FSANZ will review the proposal. Review requests must be finalised within three months, unless an extension is granted by Food Ministers. The proposal will come back to the Board who will decide to either:

- reaffirm its decision (with or without changes to the proposal), or
- withdraw its approval (resulting in no change to the Code).

Reviewed decisions are returned to Food Ministers for further consideration. Food Ministers can accept, amend or reject the draft standard.

7.2. How will the proposed changes be implemented

After the above decisions, and based on the current Act requirements, implementation and enforcement of the draft variation to the Code would be the responsibility of the Australian states and territories and New Zealand food regulation agencies.

FSANZ supports implementation by consulting on proposed changes to the Code, providing support to jurisdictions to coordinate implementation across jurisdictions, and providing support materials to businesses and consumers.

Compliance is enforced and non-compliance is addressed under each jurisdictions' Food Act. Those Food Acts and related legislation also specify penalties for non-compliance. Verifying compliance forms part of routine audit or inspection activity by government officers. Additionally, jurisdictions follow-up on notified complaints. There will be no additional or special mechanism to enforce compliance for this proposal.

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

7.3. Implementation challenges

Potential implementation challenges include ensuring consumers are aware, understand and trust the HSR system, and implementing the HSR system in a way that minimises unintended impacts on the price of food.

Ensuring consumer awareness, understanding and trust of the HSR system

Stakeholders across all groups agree government-led education programs are essential to

support implementation of a mandatory HSR system and to build consumer trust. It was suggested education programs should explain:

- how the HSR aligns with dietary guidelines
- its objectives and intended use
- how star ratings are determined using the algorithm
- the relationship between the NIP and the HSR
- the role of government in maintaining the system.

The *Policy Guideline on Food Labelling to Support Consumers to Make Informed Healthy Choices* emphasises changes to food labelling should be accompanied by consumer education to support consumers' use and understanding of food labels in the context of dietary guidelines. Food ministers have also highlighted the need for increased education.¹⁰

Most consumers understand more stars indicate a healthier food relative to a food with fewer stars. However, two thirds of consumers do not understand the HSR should only be used to compare similar foods. Māori and Pacific Peoples appear to have a poorer understanding of the HSR relative to the general New Zealand population (FSANZ 2026c).

Consumers' level of trust in the HSR is associated with its use. Understanding the HSR is regulated, supported by government or backed by science improved trust (FSANZ 2026c). If consumers had seen education campaigns or seen the HSR on foods they trusted, they were more likely to trust the HSR (Colmar Brunton 2018; Pollinate Research 2017).

Limited knowledge about how the star rating is calculated, who operates the system and believing industry can manipulate or purchase star ratings contribute to reduced trust (FSANZ 2025a). Perceived alignment between star ratings and consumer understanding of food healthfulness was also an influencing factor, with perceived misalignment reducing trust.

In FSANZ's focus group study (FSANZ 2026b), several participants pointed out mandating the HSR might not improve consumer confidence in and the use of the system unless other steps were also taken. Consumer education on how the system works and who oversees it was considered important, as was ensuring costs are not passed to consumers.

Avoiding unintended pressure on the price of food

Industry stakeholders were concerned the costs of implementing mandatory HSR would be passed onto the consumer in the form of higher food prices. FSANZ is aware of the current cost of living pressures Australian and New Zealand consumers are experiencing and has used tools available to minimise unintended consequences on the price of food.

The proposed transitional arrangements support food businesses to implement mandatory labelling changes when it best suits the business, such as during a routine label review. Labels are routinely reviewed by businesses to incorporate updates to food formulations, other regulatory requirements (e.g. country of origin) and branding. A food business may also change the packaging of foods for limited-run promotional activities. Businesses can coordinate a mandatory labelling change at a time most cost-effective to them.

There are ongoing costs with implementing a mandatory HSR system in terms of ensuring HSRs are accurate and internal business systems are maintained (see Section 5.4.1). The HSR will join other mandatory nutrition information that businesses must already ensure are accurate and the HSR calculator is available for businesses to calculate and maintain their ratings. Implementation of the HSR as proposed will use nutrition information already

¹⁰ <https://www.foodregulation.gov.au/food-ministers-meeting-communique-25-july-2025>

available to businesses and does not require businesses to procure analytical tests to calculate a HSR.

7.4. Transitional arrangements

At the 2nd CFS FSANZ is proposing a 3-year transition period. During the 3-year period, food may be sold if they comply with either the Code as in force (as if the proposed variation had not taken effect) or the Code as amended by the proposed variations.

An additional 2-year stock-in-trade provision has also been proposed. This will permit foods produced or packaged before the end of the transition period to remain legally available on the market for an additional 2 years. This acknowledges the proposed changes will affect food with a longer shelf life. FSANZ invites stakeholder feedback on these transitional arrangements.

8. How will the chosen option be evaluated?

Across Australia and New Zealand's food regulatory system, multiple agencies have responsibility for actively monitoring and evaluating food standards including FSANZ and other Commonwealth agencies and the jurisdictions. Under the food regulatory system, the Commonwealth and jurisdictions develop policy principles which FSANZ considers when developing food standards. This structure also provides for reviewing the outcomes of the standards against their policy principles. Agencies with responsibility for food policy, implementation or standards development could act individually or in concert to evaluate and/or monitor the standards. Non-food policy entities within government can also play a role in monitoring and evaluating food standards.

A logic model for Proposal P1067 is presented in Figure 3. In the medium term, jurisdiction enforcement data could be used to measure compliance with proposed Code requirements. Alternatively, previous methods to measure HSR uptake could be used to understand how many foods have the HSR on label. Various subjective methods could be used in the medium and long term to measure consumer awareness, understanding and trust in the HSR system.

To measure nutrient composition change in the food supply, packaged food databases, such as FSANZ's Branded Food Database (BFD) could be used to assess if there are changes to HSRs overtime. Similarly, packaged food databases could be used to see if packaged foods new to market are, on average, entering with higher HSRs.

Figure 3. Logic model for mandating the HSR system

Problem	Consumers need to be supported to make informed and healthier food choices			
Objective	To provide nutrition information to better support Australian and New Zealand consumers to make informed food choices in-line with dietary guidelines.			
Long term outcomes	Informed and healthier consumers		A healthier food supply	
	Indicator	Measure	Indicator	Measure
	Awareness of the HSR	As at medium-term	Change in food composition	Change in average HSR
	Understanding of the HSR system	As at medium-term	Change in composition of foods not on the market at implementation	Change in average HSR of new foods
	Trust in the HSR system	As at medium-term		
Medium-term outcomes	Consumers are informed and able to easily compare packaged food to make healthier food choices		Industry continue to label the HSR on packaged food	
(after transition period)	Indicator	Measure	Indicator	Measure
	Awareness of the HSR	Percentage of consumers who recognise the HSR	Compliance with requirements to accurately display the HSR	Jurisdiction enforcement data
	Understanding of the HSR system	Percentage of consumer who correctly understand how to use the HSR		
	Trust in the HSR system	Percentage of consumers trusting the HSR system		
Short-term outcomes	Regulatory certainty for industry to consistently label the HSR across packaged food			
Outputs	A mandatory FoPL system which is simple for industry to comply with and for jurisdictions to enforce	Effective consumer education material to support consumers to be aware, understand, and use the HSR to make healthier choices		Industry guidance material to support compliance in accurately displaying the HSR
Inputs	FSANZ undertakes a rigorous and transparent standards development process	Consumer research to investigate how consumers understand and use the HSR system	Stakeholder participation in consultation process to understand existing issues or concerns	Engagement with jurisdictions to develop an enforceable mandate

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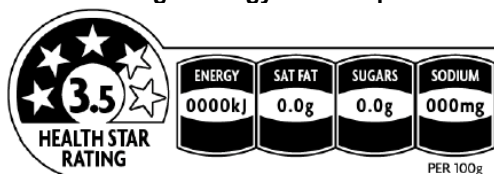
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Appendix A. HSR symbol designs

1. HSR + energy icon + 3 prescribed nutrient icons + 1 optional nutrient icon (plus the two optional elements: with and without the use of the terms High / Low and %DI)



2. Health Star Rating + energy icon + 3 prescribed nutrient icons



3. Health Star Rating + energy icon



4. Health Star Rating



Figure A1. Hierarchy of HSR symbol designs (Per 100 g option displayed)

Appendix B. Summary of assumptions used in the cost benefit analysis

Table B1. Industry cost assumptions

	Assumption	Source
Business size label change cost multipliers		
	%	
Micro	31	Label change cost model expert elicitation
Small	16	
Medium	0	
Large	-14	
Share of SKUs by business size		
	%	
Micro	5	Information provided at the 1st CFS
Small	15	
Medium	35	
Large	45	
Cost assumptions		
	AUD \$	
Minor label change (3-year transition)	2,324	Label change cost model expert elicitation
Medium label change (3-year transition)	3,549	
Staff time, initial – Small	500	Based on a business survey conducted by Deloitte for the evaluation of CoOL reforms (DISR 2022)
Staff time, initial – Medium	100,000	
Staff time, initial – Large	50,000	
Record-keeping and IT – Small	750	
Record-keeping and IT – Medium	5,000	
Record-keeping and IT – Large	100,000	
Staff time, ongoing – Small	100	
Staff time, ongoing – Medium	1,000	
Staff time, ongoing – Large	5,000	
Regulatory consultant per hour	500	
Proportion of SKUs requiring engagement of regulatory consultant	25%	Information provided at the 1st CFS
SKU figures		
To label – Australia	18,300	HSR uptake report (rounded)
To label – New Zealand	12,200	
Already labelled – Australia	11,700	Rounding based on HSR uptake report
Already labelled – New Zealand	7,800	
Proportion of food already labelled to remove alternative HSR formats	29%	1st CFS SDX
Imported foods which are relabelled - Australia	1,200	CoOL assumption 4% of total SKUs are imported (DISR 2016)
Imported foods which are relabelled – New Zealand	800	
Reformulation		
Cost of reformulating – small	30,500	FSANZ reformulation model – substitution of a minor functional ingredient for a food of medium complexity
Cost of reformulating – medium	243,000	
Cost of reformulating – large	370,900	
Proportion of SKUs to be reformulated	0.5%	US FDA FoPL Proposed Rule (FDA 2025)
Recipes to SKU ratio	0.8:1	

Cost to government

Table B2. Enforcement costs of option 2

	AUD \$
Labour cost (hr)	91.54
Additional audit time (hr)	0.5
SKUs audited	1000
Jurisdictions	9
Total	411,930

Note: The OIA recommends a default hourly labour cost of \$91.54 be used where labour rates are unknown (OIA 2026)

Cost of overweight and obesity

The cost of overweight and obesity covers direct healthcare costs, such as pharmaceuticals and hospital care, along with indirect costs, such as lower productivity as a result of absenteeism and forgone taxation.

Australia

The Australian Institute of Health and Wellbeing (2024) estimated the health system spending directly attributable to overweight (including obesity) to be \$7.0 billion in 2023-24.

PricewaterhouseCoopers (PwC, 2015) estimated the indirect cost of obesity in Australia in 2011-12. In 2011-12 there were 4.8 million obese people in Australia.

The Global Obesity Observatory (2025) projects 33.9% and 31.5% of Australian male and females to be obese in 2026. The projected male and female adult population in 2026 is 10.8 million and 11.2 million, respectively. This would be an estimated 3.7 million and 3.5 million male and females, respectively, that are obese.

This would be a 49% increase from 2011-12. Inflating the indirect cost of obesity estimated by PwC to population growth and projected obesity rates finds the 2026 direct and indirect cost of obesity in Australia to be \$16.9 billion.

New Zealand

Sapere (2022), commissioned by Hāpai Te Hauora, estimated the cost of excess weight (overweight and obesity) in 2021. It was estimated in 2019-20 1.24 million New Zealand adults were obese.

The Global Obesity Observatory (2025) projects 34.5% and 37.6% of New Zealand males and females to be obese in 2026. The projected male and female population in 2026 is 2.1 million each. This would be an estimated 716,000 and 801,000 male and females, respectively, that are obese.

This would be a 22% increase from 2019-20. Inflating the total cost of excess weight estimated by Sapere to population growth and projected obesity rates finds the 2026 cost of excess weight in New Zealand to be \$13.5 billion (Australian dollars).

Use of the cost of overweight and obesity in the breakeven analysis

Costs and benefits are typically considered over a ten-year period. The combined Australian and New Zealand cost of obesity has been summed over a ten-year period, and a 7% discount rate has been applied.

Population growth and obesity rates have only been used in inflating the costs from the two studies, and has not been accounted for over the ten-year period.

Consumer time savings

Table B3. Consumer time savings required to breakeven on option 2

	Australia ^a	New Zealand ^b
Single family/lone households	9,232,400	1,546,011
Multi-family/group household	502,200	162,090
Regular shoppers	10,236,800	1,870,191
% of population at time	39.8%	35.8%
% of current population	11,076,094	1,919,675
% valuing nutrition ^c	8,273,842	1,433,997
Present value cost per shopper		\$32.72
OIA Leisure time		\$37.00
Seconds per week required to breakeven		62

^aABS (2022)

^bStats NZ (2025c)

^c In FSANZ's Consumer Insights Tracker (2026a), 74.7% of respondents selected nutrition in their top 3 food values most important to them when choosing which foods to buy.