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Direction de
la vérification,
de l'évaluation
et du contrôle

Audit,
Evaluation and
Control Branch

Final Report

Food Sector Evaluation Study

Part 1

Consultations Module

Prepared by
Nordicity Group Ltd.
March 1985



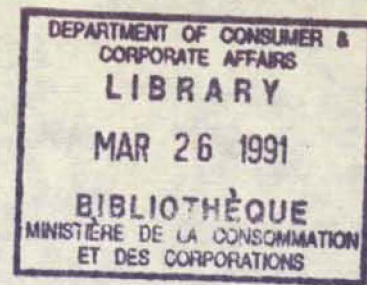
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TRADED GOODS EVALUATION

The evaluation of the Traded Goods program component consists of six separate, but interrelated, evaluation studies. These include:

- 1) Evaluation of Rationale, Achievement of Objectives and the Impact of the Component;
- 2) Examination of Prior Regulatory Review Work;
- 3) Energuide Evaluation;
- 4) Evaluation of Program Alternatives;
- 5) Food Sector Evaluation;
- 6) Textile Sector Evaluation.

This report serves as input to evaluation studies one (1) and five (5) above.

This report is one of several prepared by independent consultants as input for the evaluation of the Traded Goods program rationale and the evaluation of food sector. All evidence, advice and recommendations represent the independent views of the consultant rather than the views of the Government of Canada or any of its departments or agencies.

Section 1

1.0 Executive Summary

Interviews with representatives of all major associations in the food industry in Canada reveals the following consensus of industry views.

1. There are no problems with the Consumer Packaging and Labelling Act as a concept, although importers see its provisions as an important non-tariff barrier.
2. The department's liaison with industry has improved greatly and there are suggestions to make it even better.

Interviews revealed many specific irritants that are dealt with in the body of the report. We have selected six of them as the most important.

1. Advertising pre-clearance of broadcast food advertisements is the single largest on-going source of friction between the food industry, which is Canada's second largest advertiser, and the government. This was the only area of regulation where some respondents implicitly questioned why it should exist at all.
2. Imported goods are not being inspected as thoroughly as they ought to be for violations of the Consumer Packaging and Labelling Act. This has to do with inspection arrangements with other departments, particularly Customs and Excise.
3. Composition standards are perceived as significant impediments to product innovation.

4. All parts of the food sector complain of the difficulty of obtaining uniform interpretation of regulations from inspector to inspector, between plants, among companies, and from region to region. Being on the receiving end of rulings, the industry is naturally sensitive to variations in interpretation.
5. There was unanimous concern that the first proposals emanating from government on nutritional labelling were unworkable. While we did not encounter opposition in principle to nutritional labelling, indeed, nutritional claims are considered an important aspect of sales in a health-conscious society, we found that both industry and consumers strongly supported the view that nutritional labelling must be comprehensible to consumers. It was not clear from respondents whether the matter needs to be the subject of regulation.
6. The retail sector respondents were concerned about the fact that the views of Consumer and Corporate Affairs inspectors, who are responsible for the enforcement of regulations emanating from Agriculture Canada and Health Protection Branch in some cases, were not sufficiently taken into account in the formulation of these regulations. In some cases, it was felt that, had more weight been given to the inspection level, more realism would have been introduced in the design of the regulations.

Each of these points will be dealt with in turn.

Consumer Packaging and Labelling

There was broad acceptance among food industry associations of the principles of the Act, and that is the major finding. We did not encounter opposition in principle to the existence of the Food and Drugs Act, the Canada Agricultural Products Standards Act, the Meat Inspection Act or the Fish Inspection Act.

Certain points of difficulty may arise in future. There was concern expressed in many quarters about the cumulative impact of information on the label and its effect on sales. It is suggested that extensive consultation take place with food packagers if any new labelling initiatives are undertaken, such as for irradiation, recyclability or nutritional labelling.

The Consumer Packaging and Labelling Act had originally caused many imported products to go off store shelves, but the range of imported goods available is said to be slowly rebounding as importers adjust to its provisions.

Liaison with Industry

The Food Liaison Committee and the Trade Letter concept are perceived as a great success.

It was suggested in some quarters that a less senior working level committee be struck to handle issues of application and interpretation on a more regular basis. The Food Liaison Committee was considered to be too high a level to take up certain problems.

Advertizing Pre-Clearance

The most important point of friction between Consumer and Corporate Affairs and the industry right now is advertizing pre-clearance, which ties the Department into Health Protection Branch of Health and Welfare. It was not a problem that was anticipated by the framers of the study, but it came up constantly in interviews.

The problem was not blamed on the people who conduct pre-clearance, but on the nature of pre-clearance itself. Friction is endemic to the current arrangements whereby broadcast advertizing is previewed.

The pre-clearance procedures have been used as a means of subjecting food labels to simultaneous reviews of their contents for conformity to all federal laws. The effect has been to subject food labels to Health Protection Branch's views on nutritional claims. Thus the regulatory net has widened from the approval of the text of broadcast messages to labels, and has increased the number of grounds upon which officials may

exercise their discretion from the accuracy of market share claims to include Health Protection Branch's views on what constitutes acceptable nutritional claims.

Thus two issues are confused in one process: the utility of pre-clearance as opposed to after the fact prosecution in relation to product misrepresentation, and the ongoing disputes between government and industry, and between competing food products, about what constitutes acceptable nutritional claims.

Advertisizing pre-clearance was the only area of regulation encountered where some respondents were questioning the regulatory scheme itself, although to be fair, pre-clearance still has some support in the industry. The longest discussion of the issue takes place in Group 6; Food Processors, under the title "advertisizing pre-clearance".

Imported Goods

There was persistent complaint across many sectors that imported goods receive less inspection than domestic, and particularly that checking for violations of Consumer Packaging and Labelling Regulations in the case of imports is not being carried out where it should be, namely at border points. Solving this problem would involve negotiations with other departments.

Composition Standards

Respondents were consistent as regards the effect of composition standards on product innovation. However, many industries, such as the dairy industry, are protected from competition by composition standards. The issue itself is not within the sole jurisdiction of Consumer and Corporate Affairs, thus complicating follow-up study.

Consistency of Application of Regulations

This is a very hard problem for any Department to deal with. The complaint is not limited to CCA inspectors, in fact, they may not be the primary culprits. In any case, wherever there is more than one inspector, there is room for differences of interpretation. But the complaint was so frequent that we could not exclude it, despite its nebulous nature. Since variations of interpretation are likely to be endemic and will always occur, it would seem appropriate to concentrate on means whereby such matters could be rapidly resolved. The working level liaison committee of a food industry - CCA representatives may be helpful in this regard.

Nutritional Labelling

There is also another problem of which the Department is already fully cognizant: nutritional labelling. The interviews confirmed the broadly based lack of support for the government's original proposals in this regard. Consumers and industry were united in the view that nutritional labelling must be understandable by consumers, need not go beyond consumer requirements, and that the program should be fashioned in the light of consumer surveys. There was no indication of opposition to the principle of nutritional labelling. But the term means different things

to scientists than it does to consumers. We found no indication of a preference for having the subject matter regulated, in the sense of mandatory declarations on packages. On the other hand, many respondents spoke in favour of a voluntary, and hence market-driven, nutritional labelling system.

Feedback from the Inspection Service

The Retail Council of Canada and the Canadian Federation of Independent Grocers (CFIG) were concerned about the fact that Consumer and Corporate Affairs had been unable to bring to the attention of Agriculture Canada and Health Protection Branch an awareness of the difficulties involved in the enforcement of several regulatory initiatives. In these cases, CCA inspectors act on behalf of the other two departments to enforce regulations that, in their view, cannot reasonably be enforced. Such regulations include:

- o the requirement to keep freezer cases at 5 degrees centigrade to protect frozen meat packages;
- o the labelling of fat and moisture content of cheeses;
- o the requirement to show the country of origin of all produce, even when they are sold unpackaged in bins.

It was their view that, had CCA inspectors had a greater voice in the formulation of such regulations, the regulations would have either been greatly modified or not passed in the first place.

Section 2

2.0 Introduction

2.1 Background

This report presents the results of interviews with Canadian food industry associations. It is the completion of the first phase of a multi-phase study of food sector regulations conducted by the program evaluation branch of the federal Department of Consumer and Corporate Affairs.

The series of studies of the department's regulatory program in the food sector was commissioned by the deputy minister, following the completion in 1983 of an evaluation assessment of the traded goods component.

In this context, 'traded goods legislation' is a term used within the department to designate legislation that governs the composition, quantity, quality, labelling, packaging and disclosure of other information in relation to traded goods identified under the following Acts:

- o The Consumer Packaging and Labelling Act
- o The Food and Drugs Act
- o The Canada Agricultural Products Standards Act
- o The Meat Inspection Act
- o The Fish Inspection Act

In addition, the department approves commercials for food under the authority of broadcasting regulations passed in virtue of the Broadcasting Act, according to criteria respecting false, misleading or deceptive advertizing found in section 5 of the Food and Drugs Act.

The main purposes of these standards and regulations are to protect consumers against product misrepresentation, deception and fraud in the marketplace, to ensure that accurate and necessary information is provided to enhance the ability of consumers to differentiate among product choices, and to maintain equity in market transactions. More detailed exposition of the statutes and the traded goods component is found in Annex 1.

2.2 Approach

The consultants conducted fifty-six face to face interviews with sixty-four association representatives, government officials and consumer groups. Excluding the three government and the four consumer representatives from the total, some sixty four trade associations were covered, most of them national. Many of the national associations represent dozens of smaller trade groupings. In addition, successful telephone interviews were conducted with five US government agency officials and four US trade association representatives and food industry executives.

The list of interviewees and associations they represent directly is given in Annex 2.

2.3 Presentation of the Report

The report is divided according to groups of respondents, their answers to our interview guide constituting chapters of this report. Nine groups were identified: 1) dairy and egg 2) retail 3) fish 4) produce 5) meat 6) food processing 7) consumers and food professionals 8) the peripherals (packaging and advertizing) and 9) US government and industry representatives.

Interviewees were told by letter and by telephone call that the consultants were working on contract for the federal Department of Consumer and Corporate Affairs, Program Evaluation Branch. Their cooperation was sought to the extent of granting an interview. Only two organizations declined, both on the ground that they had no contact with the department worth speaking of.

The write-up of each interview, and the organization of each section, follows from the structure of the interview guide, which is supplied as Annex 3. The interview guide asked a number of questions under titles like "Process", "Relevance" and so forth. When the time came to write each section, we found it necessary to reclassify the answers, in the manner explained below.

Process Questions under this heading concerned their attitudes towards the adequacy of consultation by Consumer and Corporate Affairs and the problems associated with having several different regulators in the field. Answers in this section appear in summaries under Consultations with Industry, Coordination and sometimes Interprovincial Trade.

Relevance Questions under this heading asked about the application of traded goods (TG) regulations to the food sector, or to certain products, for which there was no longer a need, and about products that could use regulation. Answers to this section were generally so sparse that they did not receive a separate section, but appear under Specific Regulations in the summaries.

Information Questions under this heading asked about the information requirements applying to the respondent's industry group. It also asked specifically for agreement or disagreement on certain labelling requirements. Answers to this section are given under Labelling and Information in the summaries. One question asked about grading. Answers to that question are given in the summaries under the title Grading.

Perceived Effects Questions under this title asked about composition standards and standardization of container sizes. Answers to these questions are given under the titles Composition Standards and Standardization of Container Sizes.

Traded Goods This section asked questions about vertical & horizontal integration, regional disparities, effects on costs or price structure, and effects on smaller and larger operators. Answers to these questions are given in the summaries under the title Perceived Effects, which is sensible, even though confusing to those who may skim the report.

International Competitiveness Under this title we asked questions that were later catalogued under International Competitiveness, Alternative Approaches to Regulation, Perceived Effects - in relation to effects on imports - and Interprovincial Trade.

Summaries begin with General Observations, and proceed to Nutritional Labelling and Advertizing Pre-clearance. They also include a section on Inspection. They do so because these topics came up constantly. Had this report been written in December, the number one topic was metrication. However, this matter has been dealt with by Cabinet, hence there was no reason to raise the matter again here.

The interview guide was based on the Statement of Work and agreed to by both Program Evaluation Branch and a member of the Consumer Products component. One of the purposes of the questions was to identify problem areas and problematic aspects of the Acts and regulations, to be pursued in more depth in subsequent parts of the study.

The interview guide was structured as closely as seemed reasonable around the questions that were asked about the program in the Statement of Work. Certain qualifications must be read into the answers.

- o Association representatives speak to their economic interests. They cannot answer for consumers, for instance.

- o Association representatives cannot easily answer hypothetical questions. For instance, they have difficulty dealing with a question asking them what would be on a label if the contents of labels were not regulated.
- o Association representatives deal with this month's issues. Characteristically they treat legislation they have adapted to as a sunk cost. They concern themselves with regulatory initiatives on the foreseeable horizon.
- o Association representatives cannot answer questions above a certain level of generality, eg. "What effects do Traded Goods regulations and standards have on the efficiency, orderliness and economy of the Food sector?" - which was not asked for that reason.
- o Association representatives can be wrong on the facts. Their information or perceptions can be out of date. Departments may have corrected practices that some associations keep complaining about.
- o Association representatives, we found, characteristically deal with processes and liaison, not regulations. Few of the associations had an expert in actual regulations. The GPMC, the Dairy Bureau of Canada and the Packaging Association were exceptions. Most deal with regulations as such by means of technical committees of industry representatives.
- o Association representatives do not think in terms of program evaluation or in terms of particular components of evaluation. Their answers frequently spilled over into areas not intended to be covered by this study, eg. inspection practices, supply management, advertizing pre-clearance.
- o Association representatives were unable to deal with questions about the relevance of some regulations, for lack of detailed knowledge of the regulations affecting them.

The difficulties with the questions, from the point of view of evaluating the program, lead us into fundamental methodological concerns with this or any other kind of program review. Traded goods regulations are obviously "good things". Yet an evaluation presupposes some criteria by which to evaluate.

One such criterion might be acceptance by the regulated sector. Absence of complaint from associations most concerned with the regulations in question is surely a sensible way of gauging their acceptability. As our report shows, there is a broad measure of support among domestic producers for the goals of Consumer Packaging and Labelling legislation. Interviewees consistently favoured the display of information on a package that the legislation now requires to be shown. Their attitudes might well have been different when the legislation was introduced. The regulated sector can come to accept regulation with which it has become familiar.

The interview format gauges the degree of support for the various agencies and pieces of legislation in the regulated sector. It is not an experiment. It does not test the proposition "what would happen if traded goods regulation (however defined) ceased to apply to a sector of the food business (however defined)?" A thorough program evaluation might involve selective deregulation on an experimental basis to say whether regulation had any discernable effect on the behaviour of actors in the market. Then we would have real behavioural evidence, not opinion.

Consequently the results speak to the relationship of Consumer and Corporate Affairs vis-a-vis its regulated clientele. As to the fundamental validity of the program, the results show a broad measure of support for the principles of the Consumer Packaging and Labelling Act among those respondents who do not represent Importers. In all cases where respondents took issue with those principles, they

did not hold back anything. Consequently we feel secure in making this judgement. As to other statutes that the study concerns itself with, our study did not reveal any challenge to the existence of such legislation. The sole exception is advertizing pre-clearance, where in our view certain respondents were either implicitly or explicitly questioning why it should exist at all.

2.4 Areas of Interest to Other Departments

The summary of the fish sector associations will interest the Department of Fisheries and Oceans.

The Department of Agriculture may find the summaries of the produce and meat sectors of interest.

Health Protection Branch of Health and Welfare Canada may find discussion under the topics of "advertizing pre-clearance", "composition standards" and "nutritional labelling" of particular interest throughout the summaries.

Customs and Excise may wish to note the dissatisfaction expressed by domestic producer organizations about the lack of adequate inspection, in their view, of imported food products.

Section 3

Group 1

1. The Dairy and Egg Respondents

1.1 Introduction

The dairy and egg respondents represent two highly regulated industries, in that price and output regulation prevail across Canada. The respondents include both primary producers and processors. The key respondents were the Dairy Bureau of Canada, representing the producers, and the National Dairy Council, the Ontario Dairy Council, and the Conseil de l'Industrie Laitière representing the processors. Also interviewed were the Association des Producteurs de lait du Québec, the Conseil des Coops Fédérées direction de la division laitière, the BC Milk Board, the BC Dairy Foundation, the Dairy Farmers of Canada, the Canadian Egg Producers Association, the Canadian Federation of Agriculture (the latter three at the same time) and Fédco, a Quebec based egg producers board. All these responses have been sifted and weighed in the following exposition of their responses.

1.2 General Observations

The division of authority in the constitution has a great deal to do with the structure of the industry, since the federal government shares jurisdiction over agriculture with the provinces. For instance, the provinces can set more rigorous composition standards than the federal government, and if they do, provincial composition standards will prevail over federal within the province. As the industry is based on composition standards, provincial action in this matter is crucial. Take marketing boards as another example. The federal government established an umbrella structure, using its jurisdiction over

inter-provincial trade, and delegated power to provincial marketing boards to make supply management work. While these factors are not unique to the dairy or egg sectors, it may be that the degree of economic regulation by marketing boards, which are principally provincial in scope, shifts the balance of power towards the provinces.

Generally, in so highly regulated an industry as this, the primary complaint concerns the difficulty of getting one uniform interpretation of regulations across the country from various regional and central offices. This problem is not caused by Consumer and Corporate Affairs as such, but arises from the number of federal and provincial regulatory agencies and the close degree of regulation of the industries concerned. As the National Dairy Council said "apart from perennial disputes about the existence of various laws and regulations", the need to have one uniform, national interpretation was highest on the list of their concerns. This concern cuts across all departments and through all regulatory regimes.

Specifically in relation to Consumer and Corporate Affairs, and also Health Protection Branch, the current major concern is the attitude of the Department towards claims in the generic advertizing of milk. Generic advertizing is necessary because there is almost no product differentiation permitted in the fluid milk industry, and because milk competes against other beverages. All respondents said that the industry is being prevented from using words like 'pure' and 'natural' in relation to milk for invalid reasons. Since regulations require them to add vitamins 'A' and 'D', it is felt that preventing them by another

regulation from using words like 'pure' and 'natural' is unfair. While the rule has never been formally promulgated, it has been issued in an advertizers' guide and is being treated as an operative rule. Some added that the industry cannot effectively tie print and broadcast advertizing together, and that both margarine and cereals are being allowed to make claims that milk is not. In the case of margarine, there is the sense that implicitly health claims are being allowed, and in relation to cereals, that most of the benefit is in the milk added to the cereal, but when milk is advertized separately it may not make the same claims.

There was concern in this sector as in all others about the original proposals for nutritional labelling being incomprehensible and that third party claims, which are characteristic of advertizing in this industry, would generate a requirement for nutritional labelling.

Third party claims made by marketing boards on behalf of milk producers, are an instance. Nutritional labelling should be for the healthy, said the Dairy Bureau of Canada and should not be aimed at those with special dietary needs. The regulations concerning fat and moisture content in cheese were held to pose particular problems of compliance, both by dairies and by retailers.

Inflexibility in composition standards and other regulations were admitted to protect the dairy franchise but were frequently cited as barriers to innovation and responsiveness to consumers (See discussion under Composition Standards).

1.3 The Issues as Revealed in the Questionnaire

Nutritional labelling: Recent proposals from HPB were high on the list of concerns. One respondent said he favoured nutritional labelling "within practical limits", which was "not the direction we are heading in", he continued. Most were lukewarm to the proposal.

Advertizing: Apart from the words 'pure' and 'natural', some respondents felt CCA should be more sensitive to the marketing aspects of the business. The industry should be allowed generic advertizing without generating a requirement for nutritional labelling. Pre-clearance procedures were mentioned as causing occasional problems.

Consultation with Industry

The industry seems generally pleased with the level of consultation, although the Ontario Dairy Council felt that nutritional labelling had gone too far before it was put out for discussion.

Coordination

a) among federal departments

This was cited by the National Dairy Council as 'more of a myth than a real problem'. Jurisdictions were thought to be well set out, and where there are contradictions among agencies, all concerned try to work

out the problems. However, some overlap in inspections was noted. Also, label approvals: the decision by Agriculture Canada to give definite approvals, rather than merely opinions, as CCA does, was welcomed.

Coordination was said to be much better than it used to be and that the institution of the Trade Letter was very helpful.

However, two major processor groups were unanimous that consistency of interpretation of regulations throughout departments was an important concern in so highly regulated an industry.

b) federal-provincial. No problems were cited.

c) interprovincial

Several points of conflict were cited. 1. Ontario's stickiness with regard to Ultra-High Temperature (UHT) milk; 2. Quebec's regulations on package sizes (ice cream) and product composition (yogurt); 3. variations in 'best before' and expiry dates; 4. Ontario's margarine colouring rule, which was mentioned with approval by the butter industry.

Labelling and Information

As to the general question concerning current CP&L requirements, there was broad agreement that they were needed. One dissent was concerned with ingredient listing, for which it is claimed there is no need because milk is a natural product. Adverse comments were made about the use of margarine labels as implicit health claims.

The name and address of the distributor was suggested as being more relevant than that of the manufacturer in one case. Also, the minimum information, said a respondent, should be a) weight and b) possible toxic additives. A better system of guides for recommended daily allowances was thought desirable by a respondent.

There was no support for a revised system of ingredient listing, showing percentages, rather than the current system of ingredients by weight in descending order.

Composition Standards

One way composition standards arose in the interview guide was in relation to whether they had affected the introduction or development of new products and processes.

The dairy industry is in many senses the creation of composition standards. It was noted that in many ways, standards have protected the traditional dairy franchise, but many observed that they also introduced inflexibility. 'Low-fat cheddar' and 'diet mozzarella' were cited as having been impossible to introduce under those names. 'Calorie-reduced butter' is another example given.

Yogurt was cited as a good example of how an industry could develop its own composition standards, and that government should not be in a rush to establish composition standards for new products.

Grading

Grading did not elicit much controversy. The Conseil de l'Industrie laitière doubted the usefulness of the grading of cheese, which could be accomplished by the reputation of the firm or the brand. The grading of cheese was said to be the result of the taste of twenty people, though it was noted that people enjoy consistency of product.

One of the grading questions asked whether grades helped processors in the manufacture of products as intermediate goods. It was more useful as an advertizing tool in the trade than in the store, said one. It was found useful in selling products as ingredients in other products, although another noted that intercompany supply contracts provide more precise criteria than do grades.

A tendency for the top grade to become the only grade available was mentioned. The example given was butter. Grading was held by one interviewee to be fundamental to pricing. More information about the meaning of grades might make second or other grades acceptable to consumers.

Standardization of Container Sizes

Standardization of container sizes met with approval in this industry, although it was noted that Quebec has regulated its own ice cream container formats. Generally it was held to have increased the ability of consumers to make rational purchase decisions and for stores in setting up store displays, and to have lengthened production lines. No effect was noted on our ability to sell in foreign markets, because we have to produce to foreign requirements in any case.

Inspection

Issues of inspection arose in the questionnaire owing to a question about formal/informal agreements among departments. We did not hear of significant aggravation in the realm of dairy or eggs. Some overlap of inspection occurs because inspectors go in for different reasons. When queried about this, the National Dairy Council pointed out that the reaction to inspection depends on the degree of regulation of the industry. The dairy industry, being highly regulated as to price, production quotas, and plant conditions, takes inspection with less resistance. In some of the smaller companies, inspectors are relied upon as a form of quality control. The Ontario Dairy Council's reply to the issue of inspection was that there was too much of it, but there was recent improvement now that the Ontario Ministry of Agriculture and Food inspects for all provincial agencies. The Dairy Bureau spoke of too little inspection of imports, a theme we heard across many food sectors, if not all of them. Inspection should be done at the point of export, said one.

As regards eggs, the limited number of inspectors was said in one case to permit the selling of eggs below the grade indicated. Another said the egg industry gets blamed when eggs are mishandled at the store level.

Perceived Effects

Respondents were in many ways asked about the perceived effects of traded goods regulation on the size of units, vertical and horizontal integration, innovation, consumer price, and discrepancies of effect from region to region.

The best answer given was that the whole industry is structured in relation to regulation. Consolidation into larger units continues.

Supply management, which as we know does not fall into the category of traded goods regulation, was acknowledged as the major factor. Also significant, and not a matter of traded goods regulation, was the effect of packaging and shelf life on longer production runs, and therefore larger units of production. But traded goods regulation was included among the causes of continuously larger units of production. Other points mentioned were:

- o Slowness of approval by HPB was said to slow introduction of new processing technology.
- o Independents have had to regroup into larger associations under the impetus of regulation.
- o The switch from parchment to foil in covering butter was observed by two respondents to have raised its price. So did the addition of Vitamins A and D and the regulation of levels of butter fat.

Labelling requirements differ from province to province, and unless the most stringent requirement was met, different requirements were barriers to interprovincial trade.

Metrication was observed by several as having been a greater burden on smaller producers than larger producers.

The most important effect of traded goods regulation, perhaps, lies in the matter of innovation. Throughout the interviews the tale was repeated that close regulation of composition standards hinders innovation, particularly in respect of countering competitors in producing lower-fat, calorie reduced products.

Interprovincial Trade

Quebec's legislation regarding container sizes and product composition standards was identified as a barrier to interprovincial trade in secondary processed products, such as ice cream. Ontario's special definition of ultra-high temperature (UHT) milk was another. Variations in "best-before" and expiry dates were another. Supply management was pointed out as the reason there is no interprovincial trade in fluid milk. Traded goods regulation by the federal government, in the form of composition standards, and container standardizations, acted more to allow the possibility of interprovincial trade. It was noted that it was more and more difficult to market a national product. However, the provinces recognize that if the supply management system failed, they would be in trouble with the producers. Too many interprovincial barriers would so limit the market that manufacturers would not have enough supplies of product.

International Competitiveness

The industry view was that supply management policies make Canadian dairy and egg products uncompetitive on international markets. The Canadian Dairy Commission sells milk powder on the international market at prices subsidized by the taxpayer. Labelling and other traded goods regulations were not considered relevant to this issue. High Canadian standards were not mentioned as being helpful to foreign sales in this sector.

Specific Regulations

Some standards under the Food and Drugs Act were said to be obsolete because they refer to products no longer manufactured. There was a consensus, said the National Dairy Council, that they remain on the books.

Alternative Approaches to Regulation

Two points are worth noting here.

The first is in relation to Japan. The National Dairy Council pointed out that in Japan, if government decides that a product is safe, it can be marketed with anything on the label as long as it is not fraudulent. The name of the product, its volume and mass are required. Otherwise the label of a Japanese product will carry recipes telling the consumer how to use it. In other words, if it is allowed on the shelves, it is safe. Labels can concentrate on other matters.

The second observation was made by the Conseil de l'industrie laitière du Québec. While it is never easy to establish, it should be clearly stated in whose interest a regulation is passed. If it is deemed necessary to protect consumers, let industry figure out the means to do it, and if they don't comply then regulate. More responsibility should be put on industry to figure out ways of implementing approaches that are decided upon between government and industry. In other words, industry should be more fully involved in the problem definition stage, and regulation should be used where industry cannot agree upon an appropriate response. Use the threat of regulation as a way of avoiding having to regulate, was the message.

Group 2

2. The Retail Sector

2.1 Introduction

Three major associations represent the retail sector. They are the Retail Council of Canada (RCC), the Canadian Federation of Independent Grocers (CFIG) and the Association des détaillants en alimentation (ADA). The RCC represents the large corporate chains; the CFIG, the independents principally in English Canada, and the ADA, the independents in Quebec. The CFIG with 3,400 retailers, represents 40-43% of the industry, says its president, and represents \$28 billion in annual sales. The RCC claims 70% of all the food sector, with 10 members. The ADA has 2,000 members and claims to represent 80% of all independents, and 67% of the market, in Quebec. Included also in this section are the responses of the Canadian Grocery Distributors Association, representing 315 companies and \$24 billion in annual sales. Distributors come after producers and immediately before retailers in the food chain.

2.2 General Observations

The hottest issue at the time of our interviews (December 1984) was metrication. This issue has since been laid to rest by cabinet decision. The most significant concern relating to traded goods legislation was the application of dating, labelling and other requirements to food that is packaged in-store rather than packaged at the factory level. Details follow in the paragraphs below.

For the independents, there was considerable apprehension over the development and enforcement of combines legislation, which lies beyond the bounds of this study. It was observed that Consumer and Corporate Affairs orientation is towards the lowest possible consumer price at any given time, rather than towards industry structure, which over time affects prices through competition.

2.3 Issues as Revealed by the Questionnaire

Nutritional Labelling

Nutritional labelling, as a policy initiative, was not a pressing concern to the retailers. The RCC said it should not be legislated, but that terms should be defined in such a way as to make them able to be given out by suppliers. The Grocery Distributors called it an overabundance of information.

Advertizing

Advertizing pre-clearance was not held to be a problem by this sector, because there are no permanent campaigns in food retailing, said the CFG. The Grocery Distributors mentioned problems with slowness of response time.

Process/Consultation with Industry

The RCC said it respected the deputy minister and the department and called the Food Industry Liaison Committee a success. On balance, they felt that they received satisfactory hearings and that CCA was more responsive than HPB or Agriculture. The respondent for the RCC, pointed out that it doesn't matter how long it takes to resolve a problem, as long as government doesn't prosecute. The CFG said that CCA staff has been "pretty good, particularly Lawson Hunter and his group - which

is not to say we have won any battles". The ADA and the Grocery Distributors complained of neglect by CCA, and the Distributors mentioned they were not getting through to the Department as they had been accustomed to.

Coordination

Respondents were critical of some aspects of interagency coordination. Both the RCC and the CFG wondered about the process that led to the imposition of temperature requirements for vacuum packed meats in freezers. The requirement is to maintain temperatures of 5°C in the freezer. No one had been consulted yet, said the CFG.

- o where in the freezer should it be 5°C?
- o shelf-life dating would be cheaper than changing all the freezers
- o where did HPB get its information on freezers in the first place? From meat inspectors?

There was criticism of how Agriculture Canada develops standards and regulations that CCA is required to enforce at the retail level.

Agriculture was criticized by the RCC for not talking to the retail level enforcement people. Generally there was concern that the marketplace implications of many regulations, particularly labelling and dating, were not given sufficient weight.

The Distributors characterized the process of dealing with government as being one of overlap among departments and within departments, with too many players who all need to be briefed and who do not coordinate their

responses. Alone among these respondents he called for an amalgamation of fisheries, agriculture and food into one department.

Inspections are also an aspect of interdepartmental coordination, and are dealt with in their own heading below.

The RCC said that lack of consultation among departments was a major concern. Agriculture Canada had promulgated regulations concerning store packaged or bulk items that CCA inspectors would be required to enforce which they knew to be unenforceable because of high rates of turnover and product substitution in produce bins. They include:

- o country of origin labelling requirements
- o "product of Canada" labelling requirements
- o The 'Canada' prefix to grading, ie. "Canada Grade A" applied to domestic and foreign produce

Labelling/Information

The theme of overabundance of information was repeated by some respondents here. In addition, both RCC and the CFG wanted more lenient treatment of store-packed goods. As usual throughout all interviews, there was general agreement that net quantity, common names and ingredient lists were useful, but for store-packed goods, the name and address of the manufacturer could be left out. The name of the sales agent or importer might be more relevant, said one.

We asked about the use by the various members of packaging, labelling and grading information supplied by others in the preparation of their own products. This information was said to be useful, although such information need not be on every package. Contracts are used to specify quality, so that packaging, labelling and grading information may not always be relevant.

There was no support for changing ingredient listing by weight to some other method.

Grading

The RCC said that Agriculture Canada was conducting a study on the relevance of grading, which they support. They would welcome an exploration of the usefulness of grading in consumer terms. Both CFG and RCC support grading as useful for food industry professionals, but they both questioned producer-oriented grading, such as 'Canada fancy' and 'Canada choice'. Only one of all the people interviewed knew the difference between these two terms. The RCC noted that a move was afoot to change beef grading from one based upon consumer preference to one based on producer preference, and opposes it on the ground that it would cause consumers to doubt the value of an 'A' grade in all cases. The CFG said they do not want grading to cause a waste of food. Items of like quality should be graded similarly, which I interpret to mean as a call for consumer-oriented grades across product lines.

Composition Standards

Respondents had no views.

Standardization of Container Sizes

Standardization of container sizes drew little response for or against. The RCC said it likes standardization and that it was beneficial to consumer decision making. The Distributors noted that, since we pack in imperial measure for the US market, it had no effect on our competitiveness in that market, and observed that only a few products were subject to standardization.

Inspection

Inspection as a topic arose in relation to formal and informal agreements among departments. The CFG said, and I would venture to say other retailer respondents feel the same way, that people doing inspections "conduct themselves a lot better" than several years ago. People with businesses to run would rather be advised and persuaded than hammered with punitive attitudes. That was a major and dominant message among the many signals received.

The CFG mentioned that some inspectors had been measuring the size of bruises on apples on busy Friday afternoons, whereas consumers either will not buy bruised fruit, or they will buy at reduced prices. Price reductions to clear old products off the shelf is a routine procedure. Hence, inspection of such trivia does not by implication increase consumer choice.

A major consideration in relation to inspection, and ultimately legislation and prosecution, is the sample size required for a prosecution. According to the RCC, one package is enough for prosecution. This has implications for the cost of ground beef, which

represents 3% of all food sales. Forty percent of all beef is ground. Owing to the tolerances with which fat and meat can be produced, retailers must protect themselves by oversupplying the proportion of meat relative to the minimum meat percentage. The gap, says the RCC, is about 5%. This has significant cost implications across Canada, given the proportion of sales of ground beef.

Perceived Effects

Traded goods regulations were not identified as having affected the structure of the industry. The CFG said that volume rebates from large suppliers were very significant, and that to combat it the independents had formed buying groups. Volume rebates, said the CFG, reward size domination rather than efficiency. The RCC and the CFG pointed out that marketing boards and supply management legislation transformed the dairy industry, as distribution rights were bought up and dairies shut down. The RCC noted that legislation increasing the labour-intensivity of the industry swings market share away from the chains towards the independents. Cited in this context were, in order of importance, provincial labour laws favouring unions, returnable containers, price changes on packages and shelves, and extended hours and Sunday shopping. The higher rates of unionized labour is the factor affecting this shift.

In terms of effects on particular food products, the following were cited by the RCC as important determinants of food costs:

1. marketing boards
2. temperature control regulations in freezer cases (HPB regulation)
3. trucking - the regulation of which has been delegated to the provinces
4. restrictions on imports and import licensing arrangements
5. returnable containers
6. taxes
7. tariffs on produce in season.

No particular importance should be read into the order.

Interprovincial Trade

Marketing boards were identified as an important barrier. Certain provincial grading systems for vegetables were cited - Ontario grade A potatoes. Differing regimes for the return of bottles and cans were also mentioned. The CFGC complained that independents were not well represented on marketing boards, or before them; the meaning was unclear.

International Competitiveness

The only pertinent comment came from the Grocery Distributors, who said that Canadian commercial attaches should be better informed of Canadian products available for export. We heard like criticism of the trader service from the Importers Association.

Specific Regulations

The 5°C rule for vacuum-packed meats has been discussed above.

Alternative Approaches to Regulation

The CFIC drew attention to the Robinson-Patman Act of the United States as an appropriate model for combines legislation in this country.

Group 3

3. The Fish Sector

3.1 Introduction

The associations we interviewed can be divided into Pacific, Atlantic, and Great Lakes fisheries. The Fisheries Council of Canada/Conseil Canadien des Peches is the federal association of the Atlantic fisheries associations; the Fisheries Council of British Columbia represents all but 20% of the west coast fishery, the latter being represented by the Prince Rupert Fishermen's Cooperative Association. The Fish and Seafood Association of Ontario represents Ontario fresh water processors. We did not interview the Prince Rupert Coop. We interviewed the Seafood Processors Association of Nova Scotia separately as well.

3.2 General Observations

Associations in the fish sector feel they have relatively little to do with Consumer and Corporate Affairs. Asked to list the departments with which they have the most contact, the Fisheries Council of Canada and the Fisheries Council of BC gave in order: Fisheries and Oceans (DFO), External Affairs (foreign trade), DRIE, the Coast Guard, and DOE (weather forecasting).

1. The Fisheries Council represents the PEI Seafood Processors Association, the Fisheries Association of Newfoundland and Labrador, the Atlantic Queen Crab Association, the New Brunswick Fish Packers Association, the Seafood Processors Association of Nova Scotia and l'Association Quebecoise de l'Industrie de la Peche.

The Fisheries Council claimed that the industry revenues amount to about \$1.3 billion, of which 80% is exported. Of the exports, 70% goes to the US, the rest to the European Economic Community, Japan and Iberia.

Asked to list the problems most frequently mentioned with federal regulation of their sector, the Fisheries Council gave in order

1. DFO resource management: quotas, licensing of fishermen, technology used and timing of fishing
2. DFO inside plant inspection of processes
3. Provincial licensing of types of plants, location, and planning of production

The major federal initiative mentioned was that DFO was putting through a new set of regulations whose effect would be to put much more emphasis on the grading of fish. Concurrently a system of plant registration is being imposed, with deregistration as a penalty in the last resort, to enforce compliance to DFO's perception that the market was complaining about a lack of consistency in Canadian product.

The Fisheries Council of BC listed in order the following problems:

1. DFO fish inspection: inconsistency of enforcement within companies and between plants
2. Concern about 'cash buyers': those who process fish without controls, although this was said to be more a problem of provincial enforcement
3. Licensing of vessels: turnaround time

4. PEMDE program: export marketing assistance from DRIE and External Affairs
5. Coast Guard: search and rescue facilities on the West Coast are insufficient
6. DOE weather forecasting

The BC respondent noted that the lack of property rights by individual fishermen in fish stocks leads to a maximizing of equipment in order to take advantage of opportunities. Five hundred boats are enough to take the west coast catch; 4,500 boats are licensed.

The management by DFO of fisheries stocks was seen by both the west coast and the Atlantic fisheries councils as necessary. But both respondents had serious concerns with the manpower allocated to the regulation of fisheries. The BC association observed that there was one bureaucrat for every four fisherman, and 350 person years in DFO in evaluation and audit, financial control, and computer systems. The Fisheries Council of Canada was even more categorical. The total value of fish taken in a given year was \$800 million. The budget of DFO alone was \$600 million. Coupled with the budgets of DRIE, Trade and the provinces, the fisheries will never pay the cost of the bureaucracies that regulate the industry. Six thousand people in DFO, DRIE, Trade division at External and the provinces concern themselves with fishing. The Fisheries Council of Canada said that Denmark governs its fisheries with 300 people and the industry catches the same amount of fish, Norway does the same with 1,400 regulators, and that the budget of the fisheries department in the United States is about \$180 million, for about the same amount of fish caught as Canada.

Whether these figures are accurate or not is beside the point. In the perception of the industry, CCA and traded goods regulation is not a great concern.

3.3 Issues Arising from the Questionnaire

Nutritional Labelling

Not mentioned.

Advertizing Pre-Clearance

Not mentioned.

Consultation with Industry

Respondents had no contact with Consumer and Corporate Affairs. The Fisheries Council of Canada was generally pleased with consultation by DFO. The respondent was concerned that if irradiation is approved as a preservative, that the symbols and process be flexible enough for fish products.

Coordination

a) among federal departments

Interdepartmental coordination was not a problem. The BC respondent said he had heard some "noises" about integrating food inspection under one agency. He said he would oppose it if it were true.

b) federal-provincial and c) among provincial agencies

The Seafood Processors of Nova Scotia said that the provincial fisheries ministry has a different view on the management of the sector from DFO, which makes it difficult for the industry to know what the rules are.

Labelling and Information

There was agreement for the need to display information on net quantity, common names, address and name of manufacturer, and grades on a package. Ingredient listing was not felt to be necessary, nor were composition standards for fish, a natural product. Names and addresses of the manufacturer are not held to be necessary where a wholesaler takes delivery of the product and repackages it for resale; for the retail level, it was held to be necessary. The Fisheries Council of Canada observed that for that portion of the product that is exported, Canadian labelling requirements are redundant. The Nova Scotia Seafood Processors said "DFO seems to think it has some authority over packaging and labelling that derives from their quality improvement program".

Composition Standards

No comments were made by the major groups. The Nova Scotia association said that composition standards have affected the development of Kamoboko-style processed products, ie. fish that tastes like more expensive shellfish.

Grading

The BC Fisheries Council objected to the imposition of grading standards, developed for the east coast fishery, on the west coast.

Standardization of Container Sizes

Metrication was said to have helped the industry sell in foreign markets, but the BC Fisheries Council noted that can sizes have stayed the same during (soft) metrication.

Inspection

Inconsistency of inspectors' judgments within companies and between plants has been mentioned above in 'General Observations'. The BC and Ontario associations mentioned that "cash buyers" ie. processors operating outside regulation, were a problem.

Perceived Effects

Traded goods regulation was not observed to have affected industry structure. Tariffs and marketing pressures, plus the cumulative pressure of compliance with all regulations, has had detrimental effects on the smaller processors. There is "no question of the smaller ones going by the way" said the Fisheries Council of Canada. The new grading system being imposed by DFO was perceived as affecting significantly the cost of fish to the consumer.

Interprovincial Trade

Quebec's regulation of the fisheries sector was considered to be a growing barrier to interprovincial trade, as regards labels and packaging nomenclature and that formal and informal agreements between Quebec and others were breaking down.

International Competitiveness

The Fisheries Council of BC observed that federal traded goods regulations, in this case, grading, had created advantages for Canada. The salmon exported from Canada to Japan, being graded more stringently than US salmon, had created a separate market niche to our benefit.

Alternative Approaches to Regulation

The Fisheries Council of Canada observed that in the United States processors can purchase a grading certification for sales to school lunch programs and the military. Apart from these instances, there was no grading for ordinary consumers. This approach was simply noted, neither recommended nor disparaged. On the other hand, DFO regulations made social concerns higher than economic ones, says the Nova Scotia Seafood Processors. The ban on freezer trawlers, as well as other measures designed to increase employment, have increased costs. They said that the industry is prevented from increasing productivity as it would like. A very important factor for them is that companies in the United States or Japan have more control over their own businesses. Resource management was good in Canada; resource allocation, that is to say, which economic interests get to fish which quantities, is a problem.

Group 4

4. The Produce Sector

4.1 Introduction

This sector covers the producer associations of fresh fruit and vegetables. The major association is the Canadian Horticultural Council, with 100 members representing 33,000 farmers. Industry revenues are between \$3 and \$4 billion. The Canadian Fruit Wholesalers Association, headquartered with the 'Hort' Council, covers 95% of the distributive trade, with 550 members. The same respondent answered for both groups. We spoke to the Ontario Federation of Agriculture (one interview), the Ontario Fruit and Vegetable Growers Association (OFVGA), the Ontario Apple Dealers association, the Ontario Small Fruit Growers Association (one interview), the Canadian Mushroom Growers Association (one interview), and the BC Coast Vegetable Coop.

The Ontario Fruit and Vegetable Growers, with the two other allied associations, represent \$450-500 million at the farm gate and between 9,500 and 10,000 fruit and vegetable producers. The Mushroom Growers are a \$125 million industry. The BC Coast Vegetable Coop has about \$20 million in annual sales. All are members of the Canadian Horticultural Council, save the Ontario Federation of Agriculture. The OFA results are also considered in relation to the meat industry.

4.2 General Observations

In this sector the major concern voiced was about inconsistent enforcement of regulations, and unrealistic attitudes of regulators and inspectors towards commercial realities. Since most of the discussion

of the Hort Council concerned inspection and grading, we assume that the "unrealistic attitudes" are encountered in relation to those matters.

We encountered the same sort of concern with the Food Processors Association, whose members "can" the produce of the members of the Hort Council. Another light on the basic complaint was given by the BC Coast Vegetable Coop, which said that conflict between government agencies, and varying interpretations by each of them, were the major problem.

One instance of what is meant by 'unrealistic attitudes' is the example given by the BC Coast Coop. Consumer and Corporate Affairs inspectors can reject an entire truckload of produce if a single package is found underweight. "CCA does not see the relativity of things beyond a single consumer unit".

4.3 Results from the Questionnaire

Nutritional Labelling

No comments were made.

Advertisizing Pre-Clearance Procedure

Restrictions on the use of the words 'fresh', 'natural' and 'pure' were objected to. The industry feels it cannot advertize the health-related characteristics of commodities, such as high vitamin C content in tomatoes. Generic advertizing is made very difficult by Food and Drug regulations, said the Ontario Fruit and Vegetable Growers Association.

Consultation with Industry

The Hort Council is the only group in contact with Consumer and Corporate Affairs on a periodic basis. The sense of the responses was that Agriculture was the most responsive, followed by Consumer and Corporate Affairs. They have greater troubles with Health Protection Branch in relation to pesticides and nutritional claims. H&W takes a zero risk approach to crop protection materials and the OFVGA feels they may be too stringent in this regard. The industry supports safety concerns but not the zero risk concept.

Coordination

Four federal agencies and between three to six provincial bodies have a say in relation to agricultural chemicals. While each may have valid concerns the result is undue delay and complications.

Although not relevant to this study, the OFVGA noted that Agriculture Canada and Revenue Canada have coordinated the imposition of seasonal tariffs on imported produce, there might be new problems developing because of legal technicalities delaying the imposition and cancellation of the tariffs.

The BC Coast Vegetable Coop, whose president, Phil Beall, sits on a joint Agriculture/Hort Council committee on regulation, observed that conflict among various federal agencies was the number one problem. It was felt that Agriculture Canada and CCA inspectors regulate the same products, but give varying interpretations. However CCA inspections at the processor level were very, very rare, he said. Agriculture Canada

was seen as helpful in resolving interagency disputes. Federal agencies "communicate well with each other out here" (in British Columbia). "When inspection and regulation work well, I know my competition wins or loses on the same terms", he said. At headquarters in Ottawa, said the BC Coop, "we desire greater cooperation of CCA with other departments".

The Mushroom Growers noted that there was "competition between departments for a piece of the action - small sections in several departments were all participating in the same area".

The OFVGA spoke of the effect of different regulators and jurisdictions as being frequent delays and confusion, which causes great difficulties and confusion.

Other coordination issues will be addressed under 'Inspection' and 'Interprovincial Trade'.

Labelling and Information

Labelling affects the produce sector much less than the packaged food industry. The absence of adverse comment can be taken as general support for current labelling requirements, or lack of objection to them.

Bilingual labelling is supported by the Hort Council, which says there is considerable non-observance of its provisions. The BC Coast Coop asked why bilingual labelling was still a necessity for produce sold out west. "If it is the law of the land, would someone enforce it for imports and locally-sold produce? Either drop it or enforce it".

Composition Standards

No comments were made.

Grading

Grading is crucial to the produce industry, and receives strong support from its component associations. The Hort Council is concerned about insufficient manpower deployed at the grower and trade level on this matter, presumably to enforce grading. The BC Coast Vegetable Coop urged Ottawa to maintain Agriculture Canada's inspection and grading services. Grades are established by Agriculture Canada in conjunction with the Hort Council. The OFVGA said that the grading system seems to fall down in communicating information from producer through consumer. The Ontario Federation of Agriculture objected to the prefix "Canada No.1" on imported produce.

Standardization of Container Sizes

Produce container sizes are established by Agriculture Canada under the CAPS Act. Standardization was not held to have had detrimental effects on their ability to compete domestically. Containers (presumably boxes) are still in US dry measure, owing to the necessity of being able to sell into the United States. The OFVGA noted there were 75 different containers for all commodities, and that the industry wants to reduce that number, but not in advance of the United States or to the detriment of trade with that country. However, it is a matter of self-regulation, and our impression is that standardization has not occurred yet. Different container sizes, and provincial regulations concerning same, were identified as barriers to interprovincial trade.

Inspection

The OFGVA spoke of overlap of inspection services among CCA, Agriculture and the provinces, but that the situation had improved. The Hort Council said that improvements in the level of service as regards inspection and grading would ensure quality and minimize problems. They spoke of the need to rationalize the system whereby Ontario, Quebec and three federal agencies each carry out inspections. The industry was not adequately served by inspectors at the shipping and wholesale levels, and increase of manpower here would reduce inspection requirements at the retail level. Agriculture Canada inspections should not be reduced, said the BC Coast Coop, because inspectors serve as arbitrators between the producer and the packager.

Perceived Effects

The industry was unanimous on the subject that traded goods regulations had not affected the size of units in their sector. Regulations governing pesticides had created significant cost advantages for some US imports, it was claimed, since Canadian producers were not allowed to use them. In addition, both the Canadian Federation of Agriculture and its Ontario counterpart complained that certain pesticides were abruptly pulled off the market, to their members' cost and disadvantage.

Interprovincial Trade, and Specific Regulations

It was claimed by the OFGVA that, in regard to certain grading and package-size regulations, Quebec and Ontario had created barriers to interprovincial trade in produce. They were not identified in the interviews.

The BC Coast Vegetable Coop identified section 27(2) of the Fresh Fruit and Vegetable Regulations, (SOR 84-591), passed in virtue of the CAPS Act, as imposing a heavier inspection burden on vegetables emanating from British Columbia than the prairie provinces.

International Competitiveness

Pesticide regulations and their effect on the cost of production of domestic regulations have already been noted.

Also, the standardization of produce containers should not proceed so as to hinder our export trade to the United States, as was discussed above.

Alternative Approaches to Regulation

The Mushroom Growers mentioned ECC-type import regulations as being worth consideration, and added that a lot of our programs are out-dated, but did not elaborate.

Group 5

5. The Meat Industry

5.1 Introduction

In this section we review the comments made to us by producers and processors of both red meat and poultry. They include the Canadian Poultry and Egg Processors Council (one interview), the Ontario Poultry Council, the Ontario Hatchery Association, the Canadian Hatchery Association (one interview), the Canadian Cattlemen's Association (one interview), the Canadian Federation of Agriculture and the Canadian Pork Council (one interview), the Ontario Federation of Agriculture (one interview), the Canadian Meat Council (one interview) and its Quebec subsidiary, the Conseil des Viandes (one interview), the Coop Fédérés du Quebec, division des viandes (one interview).

The Canadian Poultry and Egg Processors Council gave a figure of annual revenues in the \$1.5 billion range, the Cattlemen's Association's figure was \$3 billion in gross sales, the Meat Council's figure for industry was \$8 billion in sales, the Canadian Pork Council's figure for industry sales was \$1.7 billion.

The Meat Council claims 33,000 employees in its member companies, the largest food sector. The Canadian Pork Council claims 57,000 producers as members, of which 30-35,000 are commercial operators. The Cattlemen's Association claims to represent 100,000 cattle-raising farmers.

5.2 General Observations

We did not find a consistency of themes across all respondents in this sector. We did find issues where two or three respondents would agree were important and aggravating. In no particular order, they would be: lack of consistency of inspectors from plant to plant, foreign products allowed into Canada with higher levels of pesticide residue than Canadian products are permitted, and nutritional claims in generic advertizing. Lack of interdepartmental coordination in matters of policy was also mentioned. There was an absence of strenuous complaint, but the usual number of points of friction.

Overall, the major agency to which these groups relate in the federal government is the Department of Agriculture. Respondents seemed generally pleased about the state of that relationship. The Canadian Poultry and Egg Processors Council expressed the view that they want to have one regulatory agency to deal with, preferably Agriculture Canada. Several spoke of the desire for more self-regulation. They appreciate the fact that there is now one inspector who applies all federal laws during inspection at the plant level.

5.3 Issues Arising from the Questionnaire

Nutritional Labelling

We received few explicit considered views on this matter. The longest comment was that the Canadian Federation of Agriculture wants it to be simple, cheap and understandable to consumers. The Canadian Meat Council was against it.

Advertizing Pre-Clearance

The Cattlemen's Association said they resent restrictions on the advertizing of the merits of beef. It is leaner than it used to be, but the industry is prevented from saying so. This problem leads to an aspect of interdepartmental cooperation. A press conference was used to announce the results of a study, showing beef to be a third leaner than it used to be. Consumer and Corporate Affairs wanted to have the results incorporated into H&W nutritional tables. Agriculture Canada delayed this from happening by conducting more research, in the opinion of the Cattlemen's Association. The Canadian Federation of Agriculture also had concerns about health claims. It said health claims were dealt with by CCA, nutrition by Health and Welfare.(2) Who will assume responsibility to settle these issues? Who weighs the evidence? Who plays the lead? Moreover, the CFA seeks a means of appealing decisions of the Advertizing Council on acceptable wording. It concurred with the Cattlemen on the subject of the 'stickiness' of authorities in obtaining approvals for meat promotion campaigns.

Consultation with Industry

Views on CCA were mixed. The CFA was pleased with CCA regarding the process of developing "information labelling" (sic) in milk products. It found that CCA granted adequate time to respond on the subject of the constituents of meats, although for reasons internal to membership the association was unable to respond in time. While most respondents noted that delay was inevitable in dealing with government, it sometimes acts to protect them.

(2) Health claims and nutritional claims are in fact dealt with by Health and Welfare.

The Meat Council noted a lack of flexibility on the part of CCA to adapt proposals to industry concerns. Neither the Ontario Poultry Council nor the Quebec wing of the Meat Council has contact with CCA to speak of. The Cattlemen found that it was quite difficult to find out what the real problem is, and said that all agencies tend to be very secretive. They had found it possible to modify a regulation on standardization of nomenclature. The Canadian Poultry and Egg Processors noted that it was becoming easier to deal with CCA, that it used to be very difficult to do so, and that relations were going reasonably well. It complained, on the other hand, that CCA was not sufficiently familiar with their product and processing and that its judgments were made by the book.

Coordination

We noted some concerns in this group about interagency cooperation at the federal level. The CFA observed that its basic relationship was to Agriculture, and that there was sometimes confusion as to who would pick up what issue. On the subject of cheddar cheese standards, HPB had ignored Agriculture. The CFA did not feel that pesticide residues had been resolved as an issue at the time of the interview (December 1984). Agriculture was more sensitive to the economic and technical nature of pesticide use; HPB was less sensitive to economic interests.

The Ontario Poultry Council claimed there was a lack of communication among regulators, and a lack of depth of knowledge on the part of regulators, both as to industry operations and as to what other regulators are doing. Their testimony is equivocal, however, in

that they did not identify any federal regulators or regulations that were in conflict. The Cattlemen spoke to the same effect: it was difficult to get federal regulators together, that the result of different regulators and jurisdictions was confusing to industry, and consolidation was needed. They noted an absence of agreement between Agriculture and HPB as regards nutrition.

The Meat Council spoke of the problem of policy coordination among the three federal departments as the second-largest problem, after inconsistency among inspectors at the plant level. The Council wants Agriculture to be the lead agency on meat processing industry regulations. While they have a good working relationship with H&W and CCA, they would like to have one focus.

The Conseil des Viandes said that industry is in favour of a certain amount of regulation but dislikes having to deal with several agencies and several levels. They were pleased that one inspector now applied all federal laws at the plant level. The Canadian Meat Council likes having Agriculture in the lead role in their industry and wants to keep things that way. The effect of several agencies and jurisdictions is "not a big issue because everyone tries to keep it that way".

As regards differences between the federal and provincial levels, some were noted. As a result of the Labatt's Lite beer case, so it was said, some processed meat products, such as sausage, were no longer subject to federal inspection as regards their composition, at least with respect to Intraprovincial trade.

Differences among provinces were also present. The Canadian Pork Council spoke of different hog grading standards among provinces. Hogs are sold on the basis of a national grid index. Some provinces had amended the grid slightly. It did not constitute in their opinion a barrier to trade. The CFA said it was seeking uniformity on the subject of bacterial counts in industrial milk.

Labelling and Information

We did not receive much response to our questions on this subject. With a few exceptions there was general support for the current requirements to be shown on labels. The Ontario Poultry Council suggested that there might be more information given on product handling, especially in regard to new poultry products. The Canadian Poultry and Egg Processors Council said that labelling restrictions are a deterrent to product merchandizing. They also held that current labelling requirements were not necessary; on net quantity - product could be weighed and priced at the store level; on common names - "let the consumers decide"; grading - "probably in favour of grading by brand name only". The Canadian Meat Council came out foursquare for current labelling requirements for prepackaged goods. For store packed goods, they thought the common name, net weight, and name and address of the agency responsible for the product would be sufficient.

We found no support for alternative ingredient listing.

The Meat Council said that it found information from others on net quantity, common names, address and name of source, ingredient listing, and grades to be useful in the preparation of their own products.

The Coop Fédérés had concerns about the amount of information on their labels placed on boxes, and wanted latitude to put the label on the side, or split into several parts.

Grading

If these consultations had been conducted in February, 1985, the hottest topic in this group would have been cost-recovery for inspection and grading services.

The grading system met with general approval. The Meat Council said it was useful for beef and lamb, but not for pork because of the processing system. Grading was useful to the trade as a basis of settlement of prices with producers. Their chief complaint was to get uniformity of application between graders. The Cattlemen echoed the general approval and the complaint: the system is not sufficiently precise for cutability and would like to have the grading system more like the one for hogs, which in their view is less subjective. The Conseil des Vlandes said they liked the grading system, which is established between the meat industry and the Department of Agriculture. They anticipated this month's (February 1985) regulatory controversy by reminding us that they want grading and inspection paid for by government. The Coop

Fédérés, division viandes, mentioned with approval that ultrasound analysis is now being used for grading.

Composition Standards

The Canadian Meat Council believes that composition standards restrict the development of new products. The Conseil des Viandes mentioned their concern about composition standards being the same across the country. Composition standards were not considered barriers to innovation by the Canadian Poultry and Egg Processors Council. It may be that the latter group has less contact with this aspect of the business. The Cattlemen's Association spoke of composition standards as having retarded innovation in processed meat and mechanical de-boning.

Standardization of Container Sizes

As with composition standards, the subject did not elicit strong views. The Cattlemen's Association called for more standardization of boxed beef. Specifications could be developed that would help them serve the food service industry more efficiently. However what may be involved here is not standardization of container sizes so much as more accurate specification of product. The Canadian Poultry and Egg Processors Council found that standardization had had no negative effects on domestic competition or customer choice. Likewise with the Canadian Meat Council.

Inspection

Lack of consistency of the application and interpretation of regulations at the plant level was said by the Canadian Meat Council to be their most important problem. The Canadian Poultry and Egg Processors Council said exactly the same thing, with the same order of importance. The subject of concern was the regulation of in-plant conditions by Agriculture Canada inspectors.

This was the most important problem to two of the largest meat processing industries.

Perceived Effects

The tendency of health and safety regulation to lead to different plant configurations and larger economic units was observed. The larger, older slaughterhouses were particularly affected. Modernization is being imposed through regulatory requirements. The Cattlemen's Association agreed with the views of the Conseil des Viandes on this matter. Small units have more difficulty complying, some observed.

The Ontario Poultry Council believes that supply management has allowed the poultry industry to continue in Canada, and has slowed down both vertical and horizontal integration.

International Competitiveness

The biggest factor may be pesticide residues in imported beef, and the fact that such pesticides are not allowed in Canada.

Both the Canadian and the Ontario Poultry Councils observed that supply management has made our products uncompetitive in foreign markets. "It has nurtured inefficiency and complacency", said the Ontario Poultry Council.

Metric conversion was felt to have created difficulties in managing and administering sales to the United States, according to the Coop Fédérés.

The Cattlemen find that we are pretty much in harmony with our main market, the United States, although there are health measures that retard trade (additives like diethyl stilbestrol).

While the Canadian Meat Council did not think our conditions more restrictive than for our major trading partners, others thought Canada's conditions were among the most stringent in the world, and that our meat inspection service was the best guarantor of quality. The poultry industry praised Health and Welfare as being ahead of the US and Europe as regards sanitation.

Alternative Approaches to Regulation

There were no alternative approaches that attracted interest from these respondents, with the exception of the Canadian Poultry and Egg Processors, who praised the US approach, which places more emphasis on self-regulation and market response.

Barriers to Interprovincial Trade

Supply management and provincial subsidies to producers aimed at provincial self-sufficiency, were identified. Provincial health and safety, and workmen's compensation rules, were said to discourage locating plants in Quebec.

Barriers to Imports

Supply management, import licensing and veterinary inspections were identified. There were no complaints from the industry about them.

Group 6

6. The Food Processing Sector

6.1 Introduction

This is the largest sector interviewed, in terms of number of respondents and industry revenues. It also has more day-to-day contact with Consumer and Corporate Affairs than the others, with the possible exception of the retailers. The Grocery Products Manufacturers of Canada represents \$37 billion in annual revenues. Six interviews were necessary to cover its membership. The Canadian Food Processors Association (the canners) follows in order of size. Their annual sales amount to \$3 billion. Interviews were also conducted with their British Columbia and Ontario provincial associations for a total of three, the Canadian Frozen Food Association (industry revenues \$2 billion), the Canadian Softdrink Association (industry revenues \$2 billion), the Bakery Council of Canada (industry revenues \$1.6 billion), the Canadian Sugar Institute (industry revenues \$600 million) and the Canadian Potato Chip and Snackfood Association (industry revenues \$500 million) follow in order of size.

6.2 General Observations

We found a high concentration of articulate spokesmen in this sector. Pre-clearance of broadcast advertizing, and its tie-in with labelling, was the highest priority concern. Inconsistency of interpretation among inspectors, less than adequate inspection of imports, and the inability to use terms, such as 'pure' and 'natural', would follow. The Canadian Food Processor Association criticized the tendency of the regulatory community not to be sufficiently cognizant

of economic imperatives in the business. They and the GPMC questions the way in which CCA determines the public interest on the basis of a few letters or consumer representatives, rather than on the basis of consumer attitude surveys and focus groups. Caution was counselled in relation to the development of nutritional labelling. Thorough surveys should be made of how consumers use old labelling nutritional claims in their shopping decisions, and of how they might use any new system.

6.3 Issues Arising from the Questionnaire

Nutritional Labelling

The comments made in the general observations immediately above were reflections of widespread doubt about proposals they had received on the matter. An increased desire for statements of nutrition was noted, but nutrition should not become a composition standard, said one GPMC respondent. Nutritional labelling should be simple, meaningful, easy to apply, supported by comprehensive nutritional education and tested by consumer research. The labelling program should be voluntary, said another GPMC respondent, unless foods for special dietary purposes are concerned. The Sugar Institute opposed nutritional labelling, as did the Ontario Food Processors and its sister organizations. A GPMC representative also pointed out that nutritional labelling could have been a problem for small companies that do not have the lab facilities to do nutrient analysis.

Advertisizing Pre-Clearance

The GPMC said the food industry is the second-largest advertizer after the government. The advertizing pre-clearance system was probably put in place by industry, guessed a GPMC respondent. The people involved in reviewing broadcast advertizing review an enormous number of ads per year; one respondent calculated it as one review every five to ten minutes. In some cases it appears that Consumer and Corporate Affairs sends material to Health Protection Branch for review, on the ground that health claims are being made. HPB then seems to require such claims to be made on the label of the product. The system was described as a constant irritant. GPMC members were almost unanimous in criticism of procedures and interpretations. Approvals are slow. Print ads escape pre-clearance, but print and broadcast media campaigns cannot be coordinated. A lack of a forum to appeal from advertizing pre-clearance decisions was also troubling. The GPMC spoke of the existence of a split of opinion within the industry as to whether advertizing pre-clearance should remain at all. It was also noted in subsequent conversation with GPMC (March 1985) that pre-clearance of food advertizements by the CBC was redundant. The GPMC wants in any case to see a change in legislation whereby the Minister's discretion, delegated to him under the Broadcasting Act, would be constrained to be exercised within some public criteria. The Advertizing Standards Council also speaks to the same effect.

It was observed that the pre-clearance of labels and advertizing was not a problem of obstructive officials but was inherent in the process itself. They are required to judge the effect of words on the sensibilities of the public, areas in which there are no standards. The latest edition of the Guide was seen as an honest attempt to clear up

problems by letting its criteria of judgment be known. Immediately the new criteria come into conflict with advertizers who strain the boundaries of the language.

Still on the subject of advertizing, GPMC representatives and the Canadian Food Processors Association were critical of changes being imposed that would prevent the use of the words 'pure' and 'natural' in relation to products where such words had been used for twenty-five years or more. Is 'digestive' a health claim on a biscuit? Can a biscuit not have 'cream' filling when the filling is not a dairy product? There were complaints of extravagant enforcement in this area. CCA guidelines to advertizers on food and health claims require clarification, said the Canadian Sugar Institute.

Consultation with Industry

Generally CCA received high marks for improved consultation. A review process is now in place whereby companies may contest rulings by local and regional CCA officials. HPB has the same system, which works well and the GPMC said that CCA should review its own appeals system to see how well it is working.

Delays in having problems addressed were considered no worse than can be expected, except in the case of advertizing pre-clearance, which are considered too long. An exception was the Biscuit Manufacturers, who claimed that two to three years were required to get additional package sizes approved. "In most cases problems are addressed but not necessarily redressed", said the GPMC. CCA was thought by

GPMC to be good at working out practical solutions to problems caused by having several different regulators and jurisdictions, and to be less concerned with protecting turf than others.

The respondent for the Edible Nut Processors approved the introduction of trade information letters and a technical committee which meets once a year. He suggested that developing departmental agendas, distributing them to interested people to be notified, regular reviews of regulations, and the tabling of such reviews in annual reports are good ideas. "If all this review is merely internal, they won't be effective", he said.

The Food Industry Liaison Committee has had a very positive impact on relations between the GPMC and the Department. It has enabled people to distinguish monitoring of issues from potential or actual prosecution. It was called a confidence building measure. The information letter has also been welcomed by GPMC. However, industry cannot always figure out within the ninety-day time limit what the effects of a proposal will be on an industry. The information letter lowers the cost of compliance, it pulls people together who have done the studies, and it permits a consensus to develop and suggestions to emerge.

There was a suggestion from a GPMC respondent that a working level committee, below the level of the Food Liaison committee, would help solve smaller problems of inspection and compliance that the senior level committee cannot. Our attention was drawn to the liaison that HPB keeps with its industries. Any policy issues can be put in front of

the meeting of HPB and its regulated clientele for discussion.

Technical experts are brought in as the need requires. After the annual budget has been set, there is a discussion of enforcement priorities.

"A bit of cops and robbers", as it was described.

The Sugar Institute was pleased with its relations with CCA, despite its inability to modify a regulation or requirement. The Snackfood Association noted that a three-year delay in working out chip weight tolerances was preferable to government rushing into imposed solutions. The Food Processors thought that the consultative process was "okay", although all respondents would tend to agree with them that "the system is not designed to deal with problems quickly". The Soft Drink Association, the Bakery Association and the Frozen Food Association were generally satisfied with their relations to CCA. The BC Food Processors remarked that they "could not recall ever having dented CCA's programs to the extent of their doing something for us".

The weight of the interview results on this topic, in our view and recollection, was to the effect that CCA's liaison to industry was good and that relations, once bad, were good and getting better.

Interdepartmental Coordination

There was a general sense among GPMC interviewees that practical solutions were being found to the problems caused by multiple agencies and jurisdictions, although any number of problems always remain. The Sugar Institute, the Snackfood Association, the Ontario Food Processors and the Bakery Council were generally of the same view. There is a

basic problem, one said, where the application of an Act is divided between two ministries.

The Canadian Food Processors Association commented that enabling legislation was the problem. Competitive products might be regulated at different levels. "Government resources are improperly organized to meet our needs" said its representative. For instance,

- a) tomato soup - one branch of Agriculture
- b) consomme - health of animals branch of Agriculture
- c) fish soup - Fisheries and Health and Welfare
- d) formulated product - not inspected at all

He also said that HPB's relationship to CCA was unproductive. HPB makes decisions about health claims. CCA defers to them. Those who make decisions should enforce them, he said. The CFPA would favour one organization governing agriculture and food, from ground to sale.

Pre-clearance was also mentioned as a major instance of a coordination problem by a GPMC respondent. Other instances were given; Agriculture, registration of pesticides; H&W, responsibility for safety and residues.

The tendency of strong Ministers and deputy ministers to build empires and for bureaucrats to be secretive and compete for a piece of the action was observed by some, and hence there were behavioural constraints on the degree to which coordination would ever be perfect.

The biggest problem of interdepartmental coordination, said the Ontario Food Processors, was the relation of Agriculture Canada and Customs & Excise. Imports are felt by more than one respondent not to receive the same degree of inspection for labelling and other infractions as does domestic product. Foreign products should move under 'detention', as does unlabelled domestic product. Others asked why packaging and labelling were checked at the retail level in the case of imports, whereas it would be more effective for them to be checked at the major points of entry.

Federal-Provincial and Interdepartmental Coordination/Barriers to Interprovincial Trade

The GPMC spoke of duplication of inspections between federal and provincial inspectors as an area for improvement. Bulk foods come under provincial authority. HPB has no authority over bulk foods, and CCAC has none in relation to health. Hence bulk foods, in GPMC's view, escape effective regulation as to health standards.

There was concern over the uncertainty of federal composition standards in the wake of the Labatts Lite decision and its implications for barriers to interprovincial trade.

Quebec's language law was identified by a couple of respondents as having had negative effects on labelling.

Differences between Quebec and Ontario in legislation regarding beverage containers were a matter of concern.

Labelling and Information

There was general acceptance of the presence of designations of net quantity, common names, name and address of the manufacturer, and ingredient listings.

Nutritional labelling came up again in this context as a potentially significant problem - getting all the information onto the label could be extremely costly - according to the Ontario Food Processors.

A few respondents supported the mention of potentially dangerous contents for people with certain disabilities.

The GPMC expressed support for the view that information on how to store and how to use the product should also be on a package. Producers must have the opportunity to describe what the product is, so as to help retailers position it on shelves. The GPMC spoke of a government move to have all essential information on the principal display panel. The industry would like "to review this in terms of both minimums and maximums", the respondent said. Both the GPMC and the Packaging Association, whose views are taken up later, both would oppose a statutory requirement to put more information on a label. This view was supported by the Snackfood Association, the National Dairy Council, and the Ontario Food Processors/Frozen Food Associations. Respondents in many sectors are concerned that recipes are being pushed off to make room for less useful information.

There was no support for revised ingredient listing. Processors tend to set their own requirements of suppliers in contracts. Hence labels were not especially favoured as sources of information about ingredients used in the production of more finished products.

Composition Standards

Composition standards are seen by the GPMC as an impediment to innovation, according to the GPMC's regulatory expert. The margarine representative at GPMC noted that composition standards had forced the edible oil industry to improve its product. Another GPMC respondent noted that research had been stimulated by concerns about toxicology, environmental contaminants, shelf-life and water loss, so that although composition standards inhibit new product development, they stimulate other forms of research.

Grading

Grading received general support from the Canadian Food Processors. A tendency for the top grade to become the only available was noted in certain product lines, vegetables, butter and meat are examples.

For most respondents in this sector, grading was either not controversial or not relevant.

Standardization of Container Sizes

Standardization occurred generally because of metrication. A tendency towards smaller package sizes has been caused by changing demographic characteristics of the population.

Inspection

The chief issue in this sector is the relatively slack inspection of imports, according to many. Customs and Excise does not carry out the kind of inspections of imports to which domestically-produced goods are subject. Imports escape Consumer Packaging and Labelling inspection until the retail level, it was claimed, and CCA does not have enough inspectors to do the job. A good start on this issue had been made in the Food Liaison Committee.

Another pertinent observation made by the CFPA was as follows. If plant people can know every regulation that needs to be conformed to, why is it seemingly impossible for inspectors to know every requirement of every agency?

Perceived Effects

Beyond the obvious example of supply management, there were few examples given of regulation having changed the structure of industries or imposed significant cost increases on particular food products. The price of wheat being set by the Canadian Wheat Board was one. The Food and Drug Act was said by a knowledgeable food scientist to have consolidated certain operations on a national scale over the course of fifty years. The Canadian Sugar Institute observed that metric conversion had had a discernable effect on the costs of its products. The Canadian Food Processors Association said that regulations that maintain a quality level encourage alternative uses of produce that does not make the grade.

However, all labelling, inspection, health and standardization regulations impose a cost, said the Ontario Food Processors/Frozen Food Association, and none of the respondents, in our view, would disagree with that statement. The question asked was whether the costs imposed were significant.

There was some concern in the CFPA and elsewhere that inspection practices were hindrances to the introduction of new technologies.

International Competitiveness

Some commented to the effect that higher health and plant cleanliness standards raised domestic costs of production, but in general few commented on this point. Labelling changes in the mid-seventies were held to have cost a lot, and there was concern about imports escaping these requirements.

Alternative Approaches to Regulation

A GPMC respondent mentioned that Holland had worked out a good system of nutritional labelling worth studying.

There was praise for the Canadian regulatory environment and approaches to regulation from two senior GPMC respondents. The quality of personnel concerned was said to be higher than in the United States or the UK by one, and the other respondent said the Canadian approach, which in the realm of Food and Drug regulations bans all that is not actually permitted, means that problems are more effectively addressed.

The CFPA, like the National Dairy Council, praised the attitude of Japan towards government. Japan, it believes, has identified goals, and all legislation must be in concert with those goals, which consist generally of pursuing national economic growth. Trade associations have a much greater say in the development of regulation in Japan.

The Ontario Food Processors/Frozen Food Association said that in the fresh produce market, the State of Florida had no grades on oranges; the market is allowed to decide.(3)

The Softdrink Association mentioned that some European countries list ingredients by numerical code, an approach which might bear further study.

The Bakery Council thinks that France, Germany, the UK and Sweden have a more flexible attitude towards advertizing the nutritional values of food.

(3) The consultants think this view is likely to be in error.

Group 7

7. The Consumer/Professional Sector

7.1 Introduction

The consumer/professional sector is comprised of two consumer groups and two professional groups. The consumer groups are the Consumers Association of Canada and the Canadian Diabetic Association. We spoke to the head of the food committee of the CAC and the nutritional specialist at the Diabetic Association. The professional groups are the Canadian Dietetics Association, made up of some 4000 dieticians, and the Canadian Home Economics Association, which has some 1800 members, part of whom are also members of the dietician group. The CAC is the largest consumer association in Canada. No membership data was available. The Diabetics Association has some 45,000 members across Canada.

7.2 General Observations

The Consumers Association is not currently being deluged with complaints about any specific issue. As a result of recent newspaper articles, some questions have been raised about the use of so-called necessary additives in food. It does not appear to be an important issue. All four associations raised the issue of nutritional labelling. The CAC was originally very supportive of the concept but is now somewhat less enthusiastic. No specific reasons were given. The Dietetics Association believes that more information should be included on labels. They submitted a brief in response to the guidelines that were issued. They would like to have some feedback from CCA on nutritional labelling and other issues raised here (metric deregulation, health food industry compliance with advertizing and promotion rules). Nutritional labelling has been a very emotional issue within the

membership of the Home Economics Association with both pro and con factions. The issue crystallized as a result of the circulation of the guidelines.

As might be expected, the Diabetics Association has very strong views on nutritional labelling. While their major concern is the amount and type of sugar, they feel that nutritional labelling should be voluntary except where specific claims are made eg. 'reduced in sugar', 'low in fat', or 'low in calories'. Portion information is very important to diabetics so they can tell how a food fits into their eating pattern. The list of ingredients does not provide information about the percentage composition of sugars or fats. Diabetics have to write to food manufacturers for the necessary information. In this latter regard they are concerned about imprecise addresses of manufacturers on labels. Also the CDA shares common ground with Health and Welfare on food guidelines concerning definition and meaning terms. From their point of view, they want to have all relevant information about all sugars in foods or medicines clearly spelled out. There is a lack of specificity in labelling and meaning of terms. The Diabetics Association would also like to see labelling in restaurants, as well as nutritional labelling of fresh produce to compete with nutrition labelled packaged goods.

The Canadian Dietetics Association had two concerns in addition to nutritional labelling. The first of these was the metric issue: either we convert or not but don't deregulate. The second was that of advertizing and promotion on the part of the health food industry. The Association believes this group should have to operate according to

the same rules as others in the food industry with respect to the use of terms such as 'vitamins', 'natural' and 'organic'. There is perceived to be a good deal of misinformation in this regard which takes advantage of people who are ill or have problems that they are trying to correct on their own.

A point of concern raised by the Consumers Association was that CCA had a strong food section at one time which fought battles for consumers and supply management and the anti-competitive practices of food chains. It appears that the number of people concerned with food in the Department has diminished over time.

7.3 Issues Arising from the Questionnaire

Process

Both the Consumer and Diabetics Association speak favourably of their dealings with CCA. CAC feels that consultation has been fairly good; however, they feel that they have had less success in dealing with competition policy and legislative matters. Both groups indicated that HPB was also helpful to them. Agriculture was less helpful except for the Food Advisory Service which according to CAC, provides a valuable information service.

The two professional groups have little experience in dealing with the regulatory process - except on special occasions eg. nutritional labelling guidelines. The Dietetics Association felt that there is often confusion as to which federal regulations are applied in a given situation. They also believe there is some conflict in views between people in nutrition programs and those on the regulatory side, including approaches to health foods.

Relevance

The Canadian Dietetics Association believes that additional regulation is needed in these areas. They are:

1. handling and storage of bulk foods
2. health and nutrition claims for 'health foods'
3. certain food products used for treatment of disease should be more closely regulated

From CAC's point of view, they do not want to see dairy/vegetable mixes banned. They want to see these mixes retained and labelled properly.

Information

Both the Dietetics and Diabetics Associations want to have information provided to consumers that is informative and meaningful. The general thrust of their approaches is to deal with matters such as net quantity and nutrient content on a portion basis. The Diabetics Association specifically wants nutritional content expressed in grams per consumption unit (eg. starches, dietary fibre, sugar (COH) grams of protein, fat and milligrams of sodium). The Dietetics Association would like to see a 'core list' approach to nutritional labelling "be utilized to display energy and macronutrient information".

With respect to ingredients listing, none of the groups favoured a change from the current system - the Diabetic Association would prefer to address the matter in the composition standards. CAC believes that ingredients listing can disguise the fact that one item is present in great

quantity while others are insignificant. Also, labelling changes would be prohibitive. The Dietetics Association feels that any change would be confusing to consumers.

Grading

CAC sees grading as being of value to producers because it seems to have more to do with appearance and size than other qualities. The Diabetics Association believes that the meat grading system allows too much fat. They would like to see the system improved from that point of view. The term 'light' could be potentially useful in this context. This reflects their concern that about 80% of diabetes could be prevented with weight control. The Dietetics Association would like to see grading based on nutritional characteristics.

Perceived Effects

The Diabetics Association says that rigidity of rules concerning composition standards prevents addressing consumer problems - in the case of low sugar content in what would otherwise be called a jam meant that the potential new product could not be called a jam. The Dietetic Association had no experience in that area; however, with regard to questions on standardizations of container sizes their major concern was with the unit of measurement. They want to stay metric.

Regulatory Impacts

None of the groups had any comments in this area, including effects on costs or price structure.

Competitiveness

The CAC made comments about regulations hindering provincial trade to the same effect as other industry associations: they were against barriers to trade. Using the example of milk, they identified supply management as hindering interprovincial trade. CAC also expressed the view that no one listens to their concerns about supply management.

Group 8

8. The Peripherals

8.1 Introduction

This is a miscellaneous group. The Canadian Packaging Association (industry revenues, over \$6 billion), the Advertising Standards Council, the Canadian Health Food Association (industry revenues, around \$30 million) and the Canadian Importers Association have views and interests that bear directly on this study. Others, like the Brewers Association (industry revenues \$7.1 billion), the Canadian Restaurant and Food Services Association (industry revenues \$16 billion), the Canadian Automatic Merchandizing Association (industry revenues \$350 million) and the Canadian Distillers Association, who have minimal direct contact with Traded Goods Regulations, declined to be interviewed.

8.2 General Observations

The Packaging Association had well considered views on consultative processes and government-industry development of regulations that ultimately have packaging and labelling implications. Basically they think industry should be involved at the conception stage of regulation. Whatever the loss in terms of bureaucratic control they said, is more than made up for in terms of lower compliance costs, which derive from industry participation in the design of the regulatory scheme and the cooperation developed by the consultation. They also were firm in the view that labelling requirements, of which CP&L requirements are only a part, have reached a point of diminishing returns.

The Importers Association is the most sensitive of all to the non-tariff barrier aspects of government regulation and official behaviour. It is a natural adversary of CCA and other domestic food sector organizations.

8.3 Issues Arising from the Questionnaire

Advertizing Pre-clearance

The Advertizing Standards Council favours the current system. Like the GPMC, it favours the notion that the Minister's discretion be constrained to act according to published criteria in this area.

Consultations with Industry

The Packaging Association noted that consultations with industry by CCA were improving. They had special praise for the Toronto regional office. The Importers Association feels it has had some justified complaints dealt with by CCA. The Health Food Association is a new organization and will need time to develop its Ottawa connections.

Interdepartmental Coordination

The Packaging Association observed that if a dairy sold orange juice, it would have to do so in hard metric, where US imports are in US dry measure. Problems of coordination are inevitable if not preceded by extensive consultation. "Successful businesses are organized for the market, departments are organized for their own convenience".

The Importers found no blatant contradictions, but problems are made more complex by regulatory overlap among federal agencies. The least expensive way to solve these problems would be to have an advisory group of the three ministries to meet two to three times a year, with representatives of importers with food sector interests. While not relevant to traded goods legislation, the head of the Importers Association said, "Canadian trade officials know nothing about Canadian import laws or regulations. They tell foreigners Canada is a closed country". People wishing to sell in Canada must go to his organization or CCA for information. Trade commissioner misinformation about CP&L, Food and Drugs, and CAPS Acts requirements is "constant". This view of Canada's trade officials was echoed by the Grocery Products Distributors in relation to opportunities for food exports.

Interprovincial Trade

Brewers are principally regulated by provinces, whose actions are, among other things, aimed at generating employment. The Brewers Association pointed out that one brewery in Denver supplies all of the United States with Coors beer. The same economies of scale are prevented here.

The Packaging Association was sensitive to the use of provincial packaging regulations as non-tariff barriers. The same view was confirmed by the Canadian Automatic Merchandizing Association.

The packagers also alerted us to the requirement to show the province of origin on interprovincial shipments. This is a requirement of the Canadian Freight Association under CTC authority.

Packaging and Labelling

The comments of the Packaging Association have been noted above. They noted that the Workplace Hazardous Materials Information System and the development of regulations governing the transportation of dangerous goods by Transport Canada and the Canadian General Standards Board were models to follow. Since all packaging and labelling requirements ultimately come to bear on Packaging Association members, it might be wondered whether they should be invited to the Food Industry Liaison Committee.

The Packaging Association seeks flexibility to have certain information not on the label, but on the package: the universal product code, symbols for recyclability and irradiation are examples.

In this regard it may be useful to mention that the BC Coast Vegetable Coop, the Canadian Poultry and Egg Processors Association, the Canadian Health Food Association and the Packaging Association had concerns about opaque packaging. In some cases opacity is necessary to preserve the contents from light. Regulatory attitudes were seen as inflexible on this point.

For the Importers Association, the CP&L Act was "the world's largest non-tariff barrier". Every aspect of our bilingual labelling, metric conversion and other labelling regulations is unique to this country. Hence importers and foreign producers must comply for a market of 25 million, and many decide it is not worth the cost. However, the Importers Association observed that the availability of foreign products had rebounded over the years as foreign producers adapted to the CP&L Act.

Composition Standards

The Packaging Association proposed that independent laboratory listing would speed approvals greatly.

The Brewers say they consider themselves bound by their now-voluntary composition standards, "We don't see remaining outside of composition standards forever. The competitive market would not be allowed to substitute for composition standards forever".

The Importers Association finds domestic composition standards so high in relation to all other countries that, in their view, they constitute important non-tariff barriers.

Grading

No comments were made, except by the Importers Association, who called the implementation of the current system "completely atrocious". He referred to a 'go slow' situation by meat inspectors at the time of the interview (December 1984).

Standardization of Container Sizes

The Packaging Association suggested that as long as per-unit costs were indicated, there would be no need for standardization of container sizes. Standardization through metrication had confused the marketplace, in the case of soft metrication, had reduced the availability of certain package sizes. The Importers Association said metrication reduced the availability of kinds of products in the period 1976-1979 by about 20%. The figure has climbed back as other producers adapt to our standards.

Inspection

The Importers Association found the inspection service of CCA "harsh and bureaucratic. People aged 19 to 23 are exercising enormous powers".

Perceived Effects

The Packaging Association noted that packaging technologies had significant effects on production costs, shelf life, and the possibility of centralizing production in larger units.

It was important to recognize demographic changes and permit smaller package sizes in many cases.

The CP&L Act had reduced the kinds of products available in English Canada in the first years of its implementation. Bilingualism and our particular form of (soft) metrication were identified as more restrictive than conditions existing in our major trading partners' countries.

Alternative Approaches to Regulation

The Canadian Health Food Association is caught in a legislative blind. Our laws recognize things as food or as drugs, but not as food supplements. The problem in their view lies in the insensitivity of regulatory categories to the kinds of product they are selling. Since most of their products are imported, they have every conceivable problem with labelling as well as food and drug regulatory requirements.

Group 9**9. US Government and Industry Representatives****9.1 Introduction**

Food sector consultations with US government agencies and industry representatives were carried out by telephone, on the basis of a predetermined list of contacts. The calls included four government agencies:

Food and Drug Administration (2 interviews)

Federal Trade Commission (1)

US Department of Agriculture (1)

Office of Management and Budget (1)

Six industry associations were contacted; however, it was possible to get useful information from only three of them because of the availability of people. One industry was contacted directly, at the suggestion of our association representative. The associations contacted were:

American Frozen Food Institute (1)

American Association of Exporters and Importers (0)

International Food Additives Council (1)

Grocery Manufacturers of America (0)

National Juice Products Association (1)

United Fresh Fruit and Vegetable Association (0)

The single industry contact was with Giant Food Inc, a Washington, DC area chain that has had a nutritionist on staff to work with consumer interests for the last ten years.

9.2 Nutritional Labelling

Nutritional labelling was announced in the US in 1973 and was in place in 1975. The US idea of nutritional labelling differs from Canadian federal government proposals in this matter. Nutritional labelling is administered by the Food and Drug Administration, and is mandatory in two areas:

- o fortified foods eg. vitamin enriched bread
- o where specific dietary or nutritional claims are made e.g. low fat, low sodium, salt-free or protein level

Otherwise nutritional labelling is voluntary and many companies are proceeding on a regular basis. It is estimated that 40-50% of the total market basket now carries nutritional labelling of some sort. It is said to be growing in importance across the food industry because of the increasing awareness of the close link between health and nutrition. The remaining 50-60% of labelled products carry the list of ingredients only.

As of July 1, 1985 quantitative data on sodium content is to be included on the label. Fat and cholesterol will be included next. There was some earlier industry concern about their ability to provide the necessary quantitative supporting data, particularly among smaller firms. Those with fewer facilities and staff may get together in future to pool nutrient data. USDA is assisting in this regard by improving weak areas.

There is a widely held opinion in the US that their approach to nutritional labelling is the worst in the world! The problem stems from an overconcentration on micro-nutrients, at the expense of more relevant information. The label's information is complex and unattractive to read. Consumers appear to want the following kind of information (in approximate order):

1. calories
2. fat and sodium
3. cholesterol
4. fibre

Protein is not included in the group because of a UN committee decision years ago to reduce the daily protein requirements. It has been assumed since that time that the US population has been consuming enough protein - which may or may not be the case.

Evidence of changes in consumer eating habits and increasing concern for nutrition is shown in the rapid growth of such products as "up scale frozen entrees" by Weight Watchers and Lean Cuisine (Stauffer). These are high quality items providing good nutrition. Companies have difficulty meeting product demand. Contributing factors are changes in family structure (many more one and two person households) as well as health/nutrition concerns.

Areas that continue to be a problem with regard to nutritional data are private labels (store packaged food), fruit and vegetables, and developing supporting data for nutritional claims.

The type of mandatory data that is included on nutritional labels is expressed in US Regular Daily Amounts - Vitamins and minerals are expressed in percentages, protein is expressed in grams or percentages and other items are expressed in milligrams. Some companies do not put the label on the package, or only include part of it. A separate brochure may be included with sodium and/or other information.

Feedback to USDA on nutritional labelling is both pro and con. Consumer groups often raise the subject of fat content as something that they want on the label. USDA does not perceive that they have any overwhelming mandate from consumers to change or proceed with nutritional labelling.

9.3 Packaged or Canned Foods

USDA regulates all products with more than 2% meat content. Labelling is mandatory in this regard. The inspector-in-charge may approve minor label changes on the spot. Ingredient labelling is required for all standardized food products. There are no mandatory dating requirements on any products - that is voluntary.

Voluntary labelling is handled by the Food and Drug Administration. Their field inspectors have authority to examine voluntarily labelled products and cite them for violations.

With respect to differences between Canadian and US packaging and labelling regulations, some of those interviewed were unaware of any major differences that would adversely affect trade. Our observation was that US labelled products were more likely to be accepted into Canada than vice versa.

9.4 Food Additives and Terminology

Ingredients listings deal only with direct additives. For example, corn syrup may be listed as an ingredient in 'Coca-cola'. Analysis of the product may show traces of sulphites which have been used in the manufacture of the corn syrup. They are ingredient additives that are not listed on the final product.

Sweeteners are handled differently in Canada and the US.

Cyclamate-based sweeteners are banned in the US but they are available in Canada (eg. drug stores). Saccharin is used extensively in the US as a sweetener but not in Canada. Aspartame is the only one of that type used here.

The International Food Additives Council has endorsed the principle of multiple sweeteners, which would provide consumers with a choice in this regard.

The only group that are exempt from ingredients listing are the portion control industry that have blanket exemption from labelling from the FDA for packages of less than half an ounce.

On terminology, there does not appear to be any control over the use of terms such as 'pure' and 'natural'. It is a continuing problem, especially to food processors. The Canadian government is perceived to be further ahead in this regard than the US.

9.5 Inspection and Grading

Federal inspection of meat and poultry products is mandatory for interstate movement or for export. It is carried out by USDA. Grading is voluntary and carried out on a fee basis. Grading is treated as a marketing program and carried out by the Agricultural Marketing Service of USDA. Citrus juice producers in Florida have to meet standards of identity (FDA) and quality (USDA). The State of Florida has a set of regulations that are more stringent than those of FDA and USDA. Continuous plant inspection is provided for the State by USDA. This testimony contradicts other information we received on the absence of grading of Florida oranges.

Fish inspection is the responsibility of FDA. Actual inspection is carried out on a voluntary basis by a branch of the Department of Commerce.

9.6 Advertizing

The Federal Trade Commission is responsible for advertizing and market practices, which includes fraudulent practices and false or deceptive ads. They monitor advertizing and respond to complaints. The FTC seldom initiates anything unless there are flagrant violations.

There is no advertising pre-clearance. No advertizing protocol has been developed for substantiation, although they would like to have one. If there is a problem with a food label it is handled by FDA. FTC would only get involved if there were fraudulent ads or other deceptive practices involved with the product.

9.7 Regulatory Review

In 1981 President Reagan issued Executive Order 12291, which gave the authority to the Office of Management and Budget to clear all new regulations before they were issued. OMB is to carry out a cost/benefit analysis and impact assessment of any regulation that would cost industry \$100 million or more. All new regulations are reviewed to minimize overlap, duplication and conflict.

Also In 1981 the President set up a Task Force to:

- o screen all the regulations put in place by the previous administration (they reviewed 120 and dropped some)
- o act as an umpire between OMB and other agencies.

The work of the Task Force has been completed and it has been disbanded.

Section 4

4.0 Areas of Interest for Other Government Agencies

4.1 Agriculture

Agriculture Canada officials may find the summaries of the produce and meat sectors of interest to them. Generally there was satisfaction with the Department from its clientele groups, both as regards consultation and departmental attitudes. There was somewhat less satisfaction with the inspection service: consistency of interpretation from plant to plant and company to company in the meat industry was a source of complaint. Few respondents seemed interested in having one inspection service, although all were glad that one set of inspectors at the plant level was enforcing all federal regulations. See also comments relative to Customs and Excise.

4.2 Health and Welfare

Health and Welfare will find the respondents' views on nutritional labelling and advertizing pre-clearance of interest. The chief concern in relation to nutritional labelling is whether it will be of use to consumers, rather than nutritional experts. The need to fashion nutritional labelling according to the interests and understanding of consumers was emphasized by all respondents who had views on the subject at all. There was concern that this message had not been inwardly accepted by the Department as valid. We found no coherent view that nutritional labelling be mandatory for all food products.

The role of HPB in advertizing pre-clearance came under fire from groups frustrated by delays in label approvals, which have become adjuncts to the pre-clearance procedure.

4.3 Fisheries and Oceans

The Department will be interested in the report on the fish sector in its entirety. The fundamental concern was that the Department is overmanned relative to what respondents consider to be the real and accepted requirements of managing Canada's fisheries, and the corollary of this concern was that regulations were being used to preserve a way of life at the expense of reasonable levels of economic efficiency. On smaller issues, DFO initiatives were generally well received - the new grading system is a case in point.

4.4 Customs and Excise

The criticism made here had to do with the fact that domestic producers consider that imports do not receive adequate inspections, to the disadvantage of domestic producers. Inspections for the purpose of enforcing Canada's packaging laws are not carried out with sufficient frequency or intensity, in their view.

4.5 The Trade Commissioner Service (External Affairs)

Canada's trade service was criticized by the Canadian Importers Association and the Grocery Products Distributors. Members were considered to lack knowledge of domestic import requirements, and to be unaware of export opportunities for domestic producers.

Annexes

Annex 1 - The Traded Goods Component

Annex 2 - Associations and Persons Interviewed

Annex 3 - The Interview Guide

Annex 1 - The Traded Goods Components

Annex 1

1. The Traded Goods Component

The Traded Goods program component is part of the Consumer Products sub-activity of the Consumer Affairs Bureau of the Department of Consumer and Corporate Affairs. The Traded Goods (T.G.) program component is mandated to develop appropriate standards and regulations for the composition, quantity, quality, labelling, packaging and other disclosure of information for traded goods identified under specified Acts. The main purposes of these standards/regulations are to protect consumers against product misrepresentation, deception and fraud in the marketplace, to ensure that accurate and necessary information is provided to enhance the ability of consumers to differentiate among product choices, and to maintain equity in market transactions. To this end, the program component monitors developments in the market and prepares recommendations for legislative and regulatory changes in consultation with consumer and trader associations, other departments and levels of government and international standard writing associations. The Traded Goods component is responsible in whole or in part for the administration of several Federal Acts with supporting regulations.

Legislation and Regulation Affecting the Food Sector

As regards the Food sector, the major regulations affecting this sector fall under the Food and Drugs Act (shared responsibility with National Health and Welfare), the Canada Agricultural Products Standards Act (shared responsibility with Agriculture Canada), the Fish Inspection Act

(shared responsibility with Fisheries and Oceans), the Consumer Packaging and Labelling Act (Traded Goods' sole responsibility) and the Meat Inspection Act (advisory and consultative role for CCA). A brief summary of the major Acts affecting the Food sector is provided below:

The Food and Drugs Act is "an act respecting food, drugs, cosmetics and therapeutic devices". The Act is structured in four parts each specifying provisions affecting food, drugs, cosmetics and devices. These are: administration and enforcement; controlled drugs; and restricted drugs respectively. CCAC shares responsibility with the Department of National Health and Welfare for the administration of those sections of the Act and regulations respecting food, but has no responsibility with respect to other aspects of the legislation which do not deal with economic fraud in foods.

The Act prohibits any labelling, packaging, treatment, processing, sale or advertizement of food which would mislead or deceive customers as to the character, value, quantity, composition, merit or safety of the product. Any product which is not packaged or labelled according to requirements specified in the regulations is deemed to be in violation of the Act. In addition, where a standard has been prescribed for a food under the regulations, the Act requires that the labelling, packaging, sale or advertizement of the food must comply with the standard. Finally, the Act prohibits certain health claims regarding the treatment or cure of specific diseases.

Canada Agricultural Products Standards Act: Responsibility for this Act is shared with Agriculture Canada. This Act basically provides grade and quality standards and specifies packaging and labelling requirements for agricultural products. The component's role is to administer the CAPS Act and regulations at the retail level of trade and to advise Agriculture Canada as regards the development of new regulations or amendments to existing ones which will be beneficial to consumers.

Fish Inspection Act: The component shares the responsibility for administering this Act with the Department of Fisheries and Oceans. The component's role as regards this Act is the same as in the case of the Canada Agricultural Product Standards Act (ie. administration of the F.I.A. at the retail level and advise F. & O. concerning the development of new regulations or amendments to existing ones).

Consumer Packaging and Labelling Act: The Act comes under the exclusive responsibility of Consumer and Corporate Affairs. It provides the basic rules for labelling, including the questions of standardization of package sizes, bilingual labelling, and the prohibition of false or misleading information on all consumer goods packages. Other legislation must be in line with this Act insofar as packaging and labelling is concerned.

In addition to the above, the component provides advice concerning the development of standards/regulations under Acts whose responsibility lies with other federal departments. This is the case for the Meat Inspection Act, which falls under the responsibility of the Department of Agriculture Canada.

SUBJECT
OBJET

Food Advertisement Pre-Clearance Process

1. Authority

The requirement for CCAC to approve commercials for food subject to the Food and Drugs Act prior to broadcast is established in Sections 11, 13 and 19 of the three Broadcasting Regulations (AM and FM Radio and Television). In carrying out this responsibility, advertisements are examined in relation to the false, misleading or deceptive provisions as found in Section 5 of the Food and Drugs Act. The Consumer Packaging and Labelling Act and other legislation applicable to foods are taken into consideration in the approval process to ensure that the labels on the products are in compliance with the applicable requirements. The misleading advertising provisions of the Combines Investigation Act concerning the false, misleading or deceptive characteristics of advertising are not referred to in the pre-approval process due to the existence of comparable requirements specific to foods in Section 5 of the Food and Drugs Act.

While comparative advertising is not prohibited by legislation, special attention is given to those commercials where competing products are identified. In such advertisements, the focus of attention is generally given to comparative claims which are often prone to elements of unfair disparagement. The department does not directly concern itself with elements of disparagement that may reflect on a competitor or his products unless the message is false, misleading or deceptive as outlined above. Direction to advertisers with respect to elements of disparagement has been included in the guidelines issued for both industry and government use by the Advertising Standards Council (A.S.C.). These guidelines are monitored by the A.S.C. along with several other non-regulatory matters referred to in their Codes relating to advertising.

2. Procedure - Applicable to All Food Advertisements Requiring Pre-clearance

There are presently two routes an advertiser or an agency can opt for in submitting food advertisements for pre-approval, namely through:

- A. the C.R.T.C., or
- B. the private agency.

A. C.R.T.C. route for all but wine, beer and cider advertisements

- 1) The advertiser or agency sends three copies of the proposed commercial by mail to the C.R.T.C. not less than two weeks in advance of the intended use.
- 2) The C.R.T.C. assigns a continuity number to the commercial and has it delivered by their messenger (daily) to C.C.A.C. The messenger also picks up the previous day's advertisements and returns them to the C.R.T.C.
- 3) C.C.A.C. reviewers proceed to examine the advertisement to ascertain that it is not false, misleading or deceptive, thus conforming with the provisions of the Food and Drugs Act (5), of the Consumer Packaging and Labelling Act (7), as well as those of other legislation. The commercial is subsequently:
 - i) approved,
 - ii) edited, or
 - iii) rejected (further information may be requested to support a claim, rewording may be required, or the storyboard may be changed).
- 4) Whether approval is granted or not, the script is returned to the C.R.T.C.
- 5) At the C.R.T.C.:
 - i) if no changes are required, a dated stamp indicating "APPROVED" is placed on the commercial;
 - ii) if any changes are required, the "APPROVED" stamp is still applied but the suffix "C", indicating conditional wording, is placed beside the C.R.T.C. continuity number;
 - iii) if the commercial is rejected, the C.R.T.C. continuity number is then suffixed by "R", for refused, and a dated stamp indicating "NOT APPROVED" is applied.

- 6) The C.R.T.C. returns the original copy of the commercial to the advertiser by surface mail, retains one copy for its files and forwards the other to C.C.A.C.
- 7) Upon receipt of the commercial, the advertiser agrees with the corrections made, if any, or contacts the reviewer by telephone to present his arguments and/or explore possible means of overcoming the problem. Advertisers often request personal interviews in order to guarantee a speedy resolution of differences and processing of the revised script.
- 8) Once agreement has been reached, the commercial is corrected and approval is granted, as per above.

For wine, beer and cider advertisements

- 9) The advertiser submits six copies of the advertisement by mail to the C.R.T.C.
- 10) Same as steps A. (2., 3. and 4.) above.
- 11) At the C.R.T.C.:
 - i) if the commercial has been rejected by C.C.A.C., it is returned to the advertiser immediately.

However,

- ii) if no changes are required, or if conditional wording has been proposed by C.C.A.C., the advertisement is presented at the Beer, Wine and Cider Committee.

This Committee, whose membership consists of C.R.T.C. officials and representatives of the provincial liquor control boards (usually Ontario/Quebec) with C.C.A.C. representation upon invitation only (very seldom), reviews the advertisements taking into consideration the C.R.T.C. and provincial policy requirements.

Note: In the past, the C.R.T.C. administered a "good taste" provision, but now this requirement is left to the discretion of individual broadcasters such that the C.R.T.C. activity, in this area, has become a clerical operation.

- 12) Once the Committee has completed its work, it may, in certain special circumstances, send the commercial back to C.C.A.C. via the regular route. However, since the Committee's rules are more restrictive, no further changes are usually made by C.C.A.C.
- 13) The C.R.T.C. returns the script to the advertiser with the appropriate annotations (see A. 5. i), ii) and iii) above).

B. Private agency route

The actual clearance process is the same as in A. above. However, the private agency, which assigns a fee for its services, acts as go-between and courier bringing the commercial to the various government departments involved in the pre-approval process and by relaying the information (C.R.T.C continuity number, approval, corrections or rejection) by telephone to the advertiser - usually the same day.

Annex 2 - Associations and Persons Interviewed

Annex 2

<u>Association</u>	<u>Interviewee</u>
<u>Milk & Egg</u>	
BC Milk Board BC Dairy Federation	Geoff Thorpe, General Manager George Vernon, General Manager
Conseil des Coops Fédérés	Jean Marc Bergeron, directeur de la division laitière
Quebec Milk Producers	Roch Morin, directeur des services de publicité
Dairy Bureau of Canada	John Lestage, Vice-President Nutrition Kempton Matte, President Dale Tulloch, Vice-President
Ontario Dairy Council	Tom Kane, President
Conseil de l'industrie laitière du Quebec	Claude Lambert
Fédco	Claude Bernard, President
Dairy Farmers of Canada	David Kirk, Ex. Director
<u>Fish</u>	
Seafood Processors Assn. of Nova Scotia	Eric Rowe, Deputy Director
Fish & Seafood Assn. of Ontario	Art Jefferson, Sec. Treas.
Fisheries Council of Canada	Ron Bulmer, Ex. Director
Fisheries Council of BC	Mike Hunter, Ex. Director
<u>Meat</u>	
Conseil des Viandes du Canada	Roland Soucy
Conseil des Coops Fédérés (division des viandes)	Yvon Mercier
Ontario Federation of Agriculture	Pam Young, Asst. Mgr., Research
Canadian Poultry & Egg Processor Council	Don MacKenzie

Page 2 continued

Canadian Meat Council

Dave Adams,
General Manager
Larry Campbell

Dairy Farmers of Canada

David Kirk, Ex. Director

Canadian Pork Council

Richard Doyle

Canadian Egg Producers

Martin Rice,
Glenn Flaten

Canadian Cattlemen's Assn.

Charles Gracey,
Ex. Vice-President
Carol McDonell

Ontario Poultry Council
Ontario Hatcheries Assn.
Canadian Hatchery Federation

Dr. David Mitchell

Produce

BC Coast Vegetable Cooperative
Assn.

Phil Beall, GM

Ontario Fruit & Vegetable Growers
Ontario Apple Dealers Assn.
Ontario Small Fruit Growers Assn.

John van der Zalm,
Ex. Director

Canadian Horticultural Council
Canadian Fruit Wholesalers Assn.

Doug Dempster, Ex. Director

Processed Foods

Grocery Products Manufacturers
of Canada

Marilyn Knox, Vice-President
Technology,
Don Jarvis, Vice-President,
Government Relations

Biscuit Manufacturers Assn.
Pet Foods Assn.
Breakfast Cereals Manufacturers
Assn.
Soap & Detergent Manufacturers
Assn.

Susan Watanabe

Canadian National Millers Assn.

Steve Markey, Ex. Director

Edible Nuts Assn.

Shirley Cryderman

Tea and Coffee Assn. of Canada

Allen Austin

Institute of Edible Oil Foods

Phil Moyes

Canadian Sugar Institute

Robert Thomson, President

Canadian Mushroom Growers Assn.
Canadian Potato Chip Snackfood
Assn.

Hank Taylor, Ex. Sec.

Page 3 continued

Canadian Food Processors Assn.	Mike Teeter, Vice-President
Canadian Frozen Food Assn.	Chris Kyte, Ex. Director
Ontario Food Processors Assn.	E.L. Chudleigh,
Ontario Frozen Food Council	Ex. Vice-President
Ontario Tender Fruit Institute	
Ontario Tomato Products Council	
Canadian Food Processors Assn., BC branch	Ernest Gordon, Manager
Western Food Processors Assn.	
Canadian Softdrink Assn.	Tibor Gregor, President
Ontario Softdrink Assn.	
Bakery Council of Canada	Charles Tisdall, Managing Director

Retail

Canadian Grocery Distributors	Ray Bertrand, President
ADA (Assn. des détaillants en alimentation)	Gisele Hamelin
Retail Council of Canada	Tim Carter, Vice-President, General Manager, Food Division
Canadian Federation of Independent Grocers	Tony Wilshaw, President

Consumers and Professionals

Consumers Assn. of Canada	Ruth Titheridge, Head Food Committee
Canadian Dietetics Assn.	Marsha Sharp, Ex. Director
Canadian Diabetic Assn.	Jan Eno, National Nutrition Consultant
Canadian Home Economics Assn.	Margaret Pope

Peripherals

Advertising Standards Council	Don Oliver, President
Canadian Health Food Assn.	Siegfried Gursche, President
Canadian Importers Assn.	Keith Dixon, President
Canadian Restaurant & Food Services Assn.	Doug Needham, Ex. Vice-President
Canadian Packaging Assn.	Barry Winfield

Canadian Automatic
Merchandizing Assn.

Brewers Assn. of Canada

Government

Health Protection Branch,
Health and Welfare
Canada

Agriculture Canada

Department of Fisheries
and Oceans

US Government and Industry

Industry Programs Branch,
Centre for Food Safety and
Applied Nutrition, FDA

Centre for Food Safety
and Applied Nutrition, FDA

Food Safety and Inspection
Service, USDA

Bureau of Consumer Protection,
FTC

OMB

American Frozen Food
Institute, McLean Virginia

National Juice Products
Association, Tampa, Florida

Giant Food Inc., Washington,
D.C.

Don Blowe, Ex. Director

Ken Lavery, President

Barry Smith, Chief, Food
Regulatory Affairs,
Food Directorate

Dan Harkin, Director,
Regulatory Matters,
Food Protection & Inspection
Branch

B. Lingeman, Chief, Quality
Control, Inspection and
Technology Branch

Cynthia Leggett, Industry information
officer

Dr. Raymond Stokes, Chief,
Consumer Studies Branch

Lou Gast, Associate Administrator

Irene Vawter, Associate Director,
Consumer Education

Ed Dale, Director, Information and
Regulatory Affairs

Hugh Symons

David Kerr, Secretary and General
Counsel

Janet Tenney, Nutrition Program
Manager

Annex 3 - The Interview Guide

INTERVIEW GUIDE

TRADED GOODS REGULATIONS

General

1. If you had to describe the most frequently mentioned problem with federal regulation of your sector (the food industry), what would it be?

- a) Determine whether it relates to the traded goods sector: grading (G), composition (C), packaging (P) or labelling (L), advertising (A) and net quantity (NQ) or to some other? Specify
- b) Does it relate to specific regulations, enforcement practices, delay, or cost of compliance overall?
- c) Does it relate principally to the activities of Health and Welfare, Consumer and Corporate Affairs, Agriculture or other?

PROCESS

2.0 As regards Consumer and Corporate Affairs, has the regulatory process permitted you to

2.1 Highlight your problems with regulatory staff, and seek satisfactory accommodation within the regulations? _____

2.2 Modify a regulation or requirement? _____

2.3 Have your problems addressed without excessive delay? _____

2.4 With respect to all regulators and agencies, and not just CCAC, has the regulatory process permitted you to work out practical solutions to problems caused by having several different regulators and jurisdictions? _____

2.5 How well do the formal or informal agreements among regulators work out as regards your food sector? _____

2.6 What is the effect on your sector or organization caused by different regulators and jurisdictions? _____

2.7 Are there regulations or regulators are in contradiction or conflict and, if so, which ones and where?

a) among the federal agencies? _____

b) between federal and provincial jurisdictions? _____

c) among provincial agencies? _____

2.8 Can you identify which regulations or regulators work to the same effect as those of Consumer and Corporate Affairs? _____

2.9 Would you like to make any other comments or observations pertinent to the regulation of grading, composition, packaging, labelling, advertising and net quantity? _____

RELEVANCE

3.0 Can you think of regulations that continue to apply to your industry (the food industry) for which there is no longer a need? If so, could you explain?

3.1 Can you think of food products currently subject to traded goods regulation that could safely be exempt? Which products? Which kinds of regulation? _____

3.2 Likewise, can you think of food products currently exempt from traded goods regulation that should be regulated? Which products? Which kinds of regulation? _____

INFORMATION

4.0 What information requirements in relation to labelling affect your industry (the food industry)? (If necessary, distinguish requirements by segments of the food industry) _____

4.1 What is the minimum information needed to provide consumers with useful product information? _____

4.2 Specifically, in relation to products you are concerned with, is there a need for statements of

Why?

net quantity _____

common names _____

address and name of manufacturer _____

ingredient listing _____

composition standards for standardized products (eg. margarine, mayonnaise) _____

grading _____

nutrition _____

Can you think of products for which these requirements are not necessary? Or for which they are particularly necessary? _____

4.3 Do your members use packaging, labelling, and grading information
* supplied by others in the preparation of their own products?

4.4 What kind of information is needed by your member companies in the
* preparation of their food products?

- net quantity _____
- common names _____
- address and name of manufacturer _____
- ingredient listing _____
- composition standards _____
- grading _____
- nutrition _____

Why is this information useful? How is the information used?

4.5 Current regulations under the Food and Drugs Act require a listing
of ingredients in descending order of proportion and on the basis
of weight. An alternative would be to allow producers to list
ingredients by percentage, and leave them to decide what the
percentage composition would be. Would this approach be preferable
from your point of view? Would this approach be preferable from a
consumer's point of view?

4.6 Does the current grading system established for agricultural
products provide a useful differentiation of relative product
qualities: for the purposes of purchase and sale by:

a) Producers, processors, wholesalers and marketers; _____

b) Retailers and food distributors; _____

Are there ways that the system could be improved? _____

PERCEIVED EFFECTS

5.0 Have composition standards affected in any way the introduction or development of new products and new processes? _____

Specify _____

5.1 * Does the standardization of container sizes for certain food products affect the ability of Canadian producers to compete domestically? Can you give examples? _____

5.2 Has the standardization of container sizes affected the ability of consumers to differentiate products or to make rational purchase decisions? _____

5.3 Has the standardization of container sizes or packaging and labelling requirements affected the availability of products? (eg. health foods)? _____

TRADED GOODS

5.4 * Are there regulations whose imposition has changed the structure of your member industries? (vertical & horizontal integration) If so, how? _____

5.5 Are there regulations that have affected smaller traders more than larger ones, or larger ones more than smaller ones, or one region of the country more than another? _____

5.6 Are there regulations that have significantly affected the cost or price structure of particular food products you are familiar with? How? _____

INTERNATIONAL COMPETITIVENESS

6.0 * Have federal traded goods regulations (other than for bilingual labelling) created conditions different from those affecting your foreign competitors in foreign markets? Are our federal conditions more or less restrictive than for Canada's major trading partners? Have they affected your ability to compete? If so, in Canada or abroad? _____

6.1 Are you aware of food sectors where foreign countries have developed alternative approaches to legislation or regulation to achieving the same objectives as our traded goods regulations? Would these approaches be usable in Canada? _____

6.2 Are there regulations that have affected the importation of products into Canada? How? _____

6.3 Can you identify regulations that hinder interprovincial trade? _____

Issue	Group	Dairy & Egg	Retail Sector	Fish	Produce	Meat	Food Processing	Consumer/Professional	Peripherals	The US
Consistency of Interpretation of Regulations		No 1 problem	-	No 1 problem	No 1 problem	No 1 problem	-	-	-	-
Advertisizing		dissatisfied No 2 problem	-	-	dissatisfied with rulings on health claims, 'pure' and 'natural' etc	dissatisfied with generic advertizing restrictions No 2 problem	No 1 problem. See report	Dietetics want more regulation of health claims	Ministers discretion to be constrained by public criteria (CPMC concurs)	no advertizing preclearance
Nutritional Labelling		negative reaction to current proposals	not a pressing concern	-	-	make it simple and cheap; not generally favoured as a concept	No 2 problem. See report.	No 1 concern to Diabetics 1. portion information essential 2. sugars of all types a concern N.L. must be informative and meaningful	concern about cumulative effect of info requirements - packagers	voluntary. US system said to be "worst in the world", see report
Consultation with Industry		generally pleased	RCC and CFIG pleased. ADA and Distributors not pleased	no contact with CCA	little contact with CCA biggest problem is HPB	mixed views on CCA	CCA gets high marks working level. CCA-Food industry liaison proposed (Importers concur)	CAC generally pleased. Concerned for fate of food section at CCA	get industry involved at the conceptual stage of regulation	-
Coordination		essentially related to provincial non-tariff barriers (NTB's)	a major concern in relation to development and implementation of regs.	not a problem	room for improvement	very difficult to get federal agencies together	considerable problems caused by legislation not set up to cover industries	-	made more complex by regulatory overlap	-
Labelling and Information		apparent acceptance of CP&L requirements	more lenient treatment of store-packed goods is desired	general approval of CP&L requirements	not a big problem enforce, or drop bilingual labelling requirements	general support for labelling requirements	1. get more information on use onto packages 2. info overload caused by CP&L requirements	closely related to nutritional labelling concerns	CP&L the biggest NTB "in the world" - Importers	1. labelling of ingredients mandatory only if meat content exceeds 2% 2. ingredient listings
Composition Standards		1. very important to this industry 2. important block to product innovation 3. support for industry-developed standards/not to be regulated	-	-	-	hindrance to innovation	1. barriers to innovation 2. general concern about breakdown of federal composition standards	1. closely related to nutritional labelling concerns 2. hindrance to innovation 3. concerned for fate of federal composition standards	have independent labs carry out tests - Packagers	give only direct additives, not ultimate composition of product
Grading		generally approved (see report for details)	grades useful in consumer terms	West Coast objects to East Coast-related grading imposed on them	1. strong support in principle 2. object to 'Canada' prefix to imported produce grades	general approval of current system opposition to charging processors for the service	general tendency for top grade to become only grade noted	-	-	-
Standardization of Containers		generally approved	generally approved	-	has not occurred yet	-	-	mixed comments. see report	see report	mandatory only for interstate and for exported meat
Inspection		No perceived aggravation apart from consistency	1. general improvement noted 2. concern over sample sizes as basis for prosecution	No 1 problem	sample sizes as basis for prosecution	No 1 problem inconsistency of interpretation	inspection of imports inadequate. Ag. - Customs & Excise relationship the key	-	why not use per unit costs? Would obviate standardization - Packagers	-
Perceived Effects		1. economic regulation the major factor in industry structure 2. composition standards slow innovation	1. volume rebates countered by buying groups 2. no perceived effects of traded goods regulation	no perceived effects of traded goods regulation	none related federal traded goods regulation	modernization imposed through regulatory requirements	1. Food and Drug requirements cause gradual consolidation of industry on a national scale 2. supply management	-	1. Importers find CCA and Ag. arrangements and practices a matter of great concern 2. metrication à la Canadienne an important NTB - Importers	-
Interprovincial Trade		many barriers noted. See report for details	1. marketing boards 2. interprovincial trucking regulation	Quebec's regulatory efforts	Ontario and Quebec uses package sizes and grades as NTB's	1. supply management 2. provincial attempts at self-sufficiency	-	CAC concerned about provincial NTB'S	1. packaging regs. important NTB'S 2. province-of-origin on interprovincial shipments	-
International Competitiveness		supply management makes Canada uncompetitive	-	-	pesticide residue regulations	residues of drugs in meat	1. composition standards: concern for future 2. Quebec's language law 3. returnable containers: Que.-Ontario dispute	-	-	-
Specific Regulations		-	temperature control regulations in freezer cases	-	1. opacity of produce bags desired in some cases 2. s27(2) Fresh Fruit and Veg. Regulations, CAPS Act	residues of drugs in meat	-	handling and storage of bulk foods a concern	opacity of bags in some cases	-
Alternative Approaches to Regulation		yes. read comments in report. Japan cited	US combines legislation approved by CFIG	massive over-regulation cited	-	general approval of federal meat inspection as guarantor of international sales	1. Holland - nut. labelling 2. general level of Canadian bureaucrats thought better 3. Japan - labelling and product approvals	-	-	strong pressure to reduce overlap. OMB (TB equivalent) reviews all new regs. carries out analysis of regs costing industry \$100 million or more
									Health Food Association caught by Food and Drugs Act	-

