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of Policy  
Coordination

**Evaluation  
of Food Sector Regulations  
Under Consumer Products**

CONS-MON-1987-6577

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Consommation  
et Corporations  
Canada

Consumer and  
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Evaluation  
of Food Sector Regulations  
Under Consumer Products

Program Evaluation Division  
Bureau of Policy Coordination  
Consumer and Corporate Affairs Canada

August 1987

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Evaluation of Food Sector Regulations  
Under Consumer Products

EXECUTIVE SUMMARY

Purpose: This report presents the key findings and recommendations of the evaluation of the Consumer Products regulations affecting the food sector. This includes standards and labelling regulations under the following main pieces of legislation: **Consumer Packaging and Labelling Act, Food and Drugs Act, Canada Agricultural Products Standards Act and the Fish Inspection Act.** These regulations impose mandatory requirements dealing with such items as ingredient listing, date stamps, composition standards, labelling requirements, container size standards, manufacturers' claims and grading standards.

The evaluation examined the intent and continued need for these regulations, their continued usefulness from consumers' and industry's perspectives, the scope and coverage of the regulations, their potential impacts and possible ways of improving informational disclosure. Enforcement and ongoing review of the regulations are the subject of other evaluation reports listed in Annex B.

Organization: The Consumer Products Branch is divided into four divisions at Headquarters, two of which deal with the development and administration of the relevant legislation affecting the food sector -- the Retail Food Division with 5 person-years and the Manufactured Food Division with 11 person-years. A field staff of 238 is responsible for enforcement of all Consumer Products regulations. Of the \$10.5 million budget for the subactivity, \$1.7 million was, in 1986-87, for Headquarters activities.

Findings:

The rationale for continued government intervention in labelling and standards for food is considered sound and justified. The health and safety connotations associated with the ingestion of food and the difficulty in assessing quality continue to create informational deficiencies that government regulation addresses.

From the point of view of all affected parties, a regulatory approach is considered the most appropriate way to address the informational deficiencies that may arise in the food sector.

Moreover, there is an industry perception that these requirements ensure uniformity and help protect against potential dishonest competitors' practices.

The industry generally does not view these particular regulations as having a significant impact on their costs and therefore prices. In general, compliance costs fall mainly on those who benefit from the regulations.

There is scope for improving the cost-effectiveness of enforcement activities, as discussed in an earlier evaluation (see Annex B); in particular, through use of preventative compliance techniques, more focussed compliance activities, and modification to the resource allocation and planning system. Additionally, the Memorandum of Understanding, signed in October 1985 by departments responsible for food legislation is intended to remove perceived overlap in the enforcement of regulations.

Consultation between CCAC and food industry and consumer associations on regulatory matters is considered to be working well, with support particularly for the Food Industry Liaison Committee.

The Canadian situation regarding the labelling and standards requirements for food is quite similar to the American and British experience, thus encouraging trade in food with our major trading partners. (The bilingual labelling requirement of CP&L and Food and Drug has been cited by importers' associations as a barrier to trade.)

Uniformity through the federal legislation was often cited as a means of eliminating interprovincial trade barriers.

Composition standards were perceived by some industry representatives as a barrier to innovation, though few specific examples were cited.

The requirement to date stamp foods, information used extensively by consumers, is favoured by this group to be extended to new areas such as frozen foods, packaged dried foods and canned goods. Though not having strong industry support, the concept is feasible and in use in Britain.

It was found that there is limited understanding among consumers about the grading scheme especially in the case of canned goods (terms 'fancy', 'choice',

'standard'). This confusion with the nomenclature has persisted for an extended period. This issue points up the difficulty that CCAC has had in ensuring that the consumer interest is represented in the development or amendment of CAPS regulations.

Regarding new regulatory initiatives in the food area, the recent CCAC and NHW nutrition labelling proposals are generally consistent with the evaluation findings. However, there is a wide diversity of views among consumers about what constitutes "nutritional value". Ingredient listing information currently required is used by many consumers to judge what they view as "nutritional value" of foods. Additional information viewed as important by those who want more "nutrition information" pertains primarily to the content of sugar, salt and fat. Few consumers view the declaration of nutrients as important.

Recommendations:

- . Ensure, through continued consultation with Agriculture Canada, resolution of the long-standing problem of consumers' misunderstanding of grade names;
- . Develop, in consultation with NHW, communication tools to inform consumers about the meaning and use of nutrition information;
- . Encourage, as part of the voluntary nutrition labelling scheme, disclosure of information on the amount of sugar, salt and fat in foods;
- . Incorporate the above items as consumer initiatives in support of the 20th anniversary of CCAC;
- . Consider as a consumer initiative extension of the date stamping concept to "long-lived" foods such as frozen goods or packaged dried food;
- . Ensure thorough analysis of proposed new regulations of the potential impact of food standards on product innovation and trade;
- . Review, in one year's time, the effect the various government initiatives set in place over 1986 (MOU between CCAC and Agriculture Canada, Interdepartmental Committee of DMs and the review mechanism of the Office of Regulatory Affairs) have had in redressing the problem of ensuring an adequate representation of the consumer interest in the development of CAPS regulations.

## 1. INTRODUCTION

### 1.1 Purpose of the Report

This report presents the key findings and recommendations of the evaluation of the regulations affecting the food sector that are administered by the Consumer Products sub-activity of the Consumer Affairs Bureau within CCAC. The evaluation was conducted using multiple lines of evidence and a phased approach. The evaluation examined the rationale and effectiveness of these regulations from the point of view of all affected parties: consumers, industry and government. The inspection activities relating to these regulations and the regulations underlying the radio and T.V. food advertising preclearance process were the subjects of other separate evaluations, and therefore, detailed discussion of these issues is excluded from this report. However, general comments about inspection activities provided by industry representatives are presented in the section on impacts and effects.

### 1.2 Background

#### 1.2.1 Purpose of the Evaluation

The purpose of the evaluation of food sector regulations was to provide the Deputy Minister and senior management with information related to the rationale and effectiveness of these regulations. To do so, the evaluation examined the intent of these regulations, whether there is a continued need for these regulations and their usefulness from both the consumers' and industry's perspectives. In addition, the evaluation examined whether there are areas for improvement, expansion or reduction of the regulatory program or its coverage, what are the perceived impacts and effects of these regulations, and the effectiveness of industry and interdepartmental consultation in reviewing the regulations.

#### 1.2.2 Regulatory Evaluation Issues

In 1986, the Office of the Comptroller General (OCG) in consultation with the Regulatory Affairs Secretariat developed a set of issues to be examined in the evaluation of any regulatory program. The intent of this set of issues is to provide an indication on how well existing regulatory programs perform when compared with the government Regulatory Policy and Citizens Code of Regulatory Fairness. Although the OCG requirement to examine this type of issue became public after the evaluation was completed, some of these were nevertheless addressed to some extent in the evaluation. Among those regulatory issues examined were: the economic or social problem intended to be addressed by the regulatory program; the extent to which the program



addresses the problem; the type of burden and cost that the program imposes upon society; the extent to which there is a continued need for the program; and the extent to which the program addresses the problem in the best way. Other regulatory evaluation issues -- specifically those addressing enforcement activities to ensure compliance and the adequacy of review and amendment mechanisms -- are the subject of other separate evaluations. (See Annex B for a full list of the evaluations in the Consumer Products area.)

### 1.3 Program Description

Legislative basis: The sub-activity is responsible in whole or in part for the development and administration of several Federal Acts with supporting regulations. The sub-activity has the sole responsibility for the development and administration at all trade levels of the Consumer Packaging and Labelling (CP&L) Act and its regulations. It is also responsible at all trade levels for those provisions of the Food and Drugs (F&D) Act and regulations relating to economic fraud in foods (e.g. packaging, labelling and advertising). National Health and Welfare is responsible for the health provisions of the F&D Act. Through formal transfer in 1968 of inspection and enforcement responsibilities from Fisheries and Oceans and Agriculture Canada respectively, the Consumer Products Branch administers at the retail level of trade the Fish Inspection Act and regulations and the Canada Agricultural Products Standards (CAPS) Act and regulations pertaining to dairy products, eggs, fresh fruits and vegetables, honey, maple products and processed fruits and vegetables, and poultry products.

With regard to the development/amendment of regulations under the F&D Act, CCAC has responsibility for those matters relating to packaging, labelling and advertising, and shares responsibility with National Health and Welfare for provision of the regulations respecting food standards, but has no responsibility with respect to other aspects of the legislation (i.e. drugs, cosmetics, therapeutic devices). In the case of the development or amendments of regulations under CAPS and the Fish Inspection Act, CCAC is consulted as part of the overall consultation process with interested parties, but responsibility for regulation development rests ultimately with Agriculture Canada and Fisheries and Oceans respectively.

Table 1 provides an overview of the four main pieces of legislation and regulatory dimensions administered by the Consumer Products Branch of CCAC.

Program Mandate: The sub-activity is mandated to develop and administer appropriate standards and regulations for the composition, quantity, quality, labelling, packaging and advertising of consumer products including foods.

**TABLE 1**  
**Overview of the Four Pieces of Food Legislation**  
**under Consumer Products**

Legislative Basis	Level of CCAC Responsibility for Enforcement	Regulatory Dimensions	Types of Regulatory Requirements
Consumer Packaging and Labelling Act <sup>1</sup>	All levels of trade	Labelling Packaging Standards Advertising	Common Name & Name&Address Container Size Standards Net Quantity Slack Fill Bilingual Labelling Pictorial Representation
Food and Drugs Act <sup>2</sup>	All levels of trade	Labelling Packaging Standards Advertising	Ingredient Listing Date Stamping Country of Origin Composition Standards Manufacturers' Claims Additives/Preservatives/ Flavouring
Canada Agricultural Products Standards Act <sup>3</sup>	Retail level of trade	Grading Packaging Labelling Standards	Grade Standards and Nomenclature Standards of Identity and Composition Container Size Standards Country of Origin Packaging Requirements
Fish Inspection Act <sup>4</sup>	Retail level of trade	Standards Packaging Labelling	Composition Standards Color Standards Container Size Standards Species Labelling Requirements

Remarks:

1. CCAC has the sole responsibility for the development and administration of regulations under the Consumer Packaging and Labelling Act.
2. CCAC shares responsibility with NHW for the development of those provisions of the Food and Drugs Act relating to economic fraud in food, and is responsible at all levels of trade for the enforcement of these provisions.
3. CCAC advises Agriculture Canada, however the latter is ultimately responsible for the development of regulations under the Canada Agricultural Products Standards Act. Enforcement of CAPS regulations is shared, with CCAC responsible at the retail level of trade only.
4. CCAC advises Fisheries and Oceans, however, the latter is ultimately responsible for the development of regulations and standards under the Fish Inspection Act. Enforcement, of the Act and Regulations is shared, with CCAC responsible at the retail level of trade only.

Program Objectives: Although these regulations are designed in the interest of protecting consumers, they also contribute to fairness, equity and the orderly conduct of businesses competing in the marketplace. The strategic objectives of the sub-activity as stated in the latest planning documents are as follows:

- (i) to protect consumers against product misrepresentation through detection, control and prevention;
- (ii) to assist consumers in making effective product choices by ensuring the provision of factual product information; and
- (iii) to promote equity and fair competition in the marketplace.

Program Activities: In order to assume its responsibilities with respect to the development and administration of the relevant legislation affecting the food sector, the Headquarters staff of the Consumer Products sub-activity undertakes the following activities: program development and design; monitoring of the evolution of the marketplace; on-going review of regulations; intensive consultation on regulatory matters with interested groups (consumers and industry); consultation with other federal departments involved in food regulations; participation on interdepartmental committees and international food standards writing organizations; drafting of new or amended regulations; and provision of functional and technical advice to the field and other interested parties.

Organizational Arrangement and Resources: In fiscal year 1986-1987, the Consumer Products sub-activity was composed of a Headquarters staff of 34 responsible for the development of regulations, and a field staff of 238 responsible for the enforcement activities. The Headquarters Branch is divided into four divisions, two of which are dealing with food. These two divisions are the Retail Food Division (5 person-years) and the Manufactured Food Division (11 person-years).

The total budget (O&M and salaries) for the sub-activity was \$10.5 million in 1986-1987. Of these \$10.5 million, \$1.7 million were allocated to the overall Headquarters activities.

## 2. METHODOLOGY

To evaluate CCAC's regulations affecting the food sector, various study modules were undertaken. The nature of the regulations and the number of different parties affected by the process favoured the use of multiple lines of evidence. Furthermore, these various study modules were carried out using a phased approach to allow the evaluation to become more focussed as the study progressed.

The various study modules included, in the first phase, a series of in-depth personal and telephone interviews with program personnel at both Headquarters and regional levels. These interviews provided the government's perspective on the rationale for these regulations, their effectiveness, and possible ways of improving the current program. In addition, a literature review was also undertaken in this first phase addressing five sets of issues. A first literature review examined the original objectives of the legislation affecting the food sector; a second one examined the rationale for labelling and standard requirements for consumer products; a third one compared the Canadian labelling and standard requirements with the American and British situation; a fourth one compared the results of American and Canadian empirical studies examining the consumers' perceptions about nutritional labelling, and; a fifth reviewed previous economic studies undertaken to assess the burden of all types of federal regulations on the food industry.

In the second phase of the evaluation, some fifty-six in-depth personal interviews with Canadian food industry associations, government officials and consumer groups were conducted. These interviews covered some sixty-four national trade associations, (some interviewees represented more than one trade group). The purpose of these interviews was to elicit the industry's and consumers' perspectives with regards to the relevance/need of the regulations, their effectiveness, their perceived impacts, the identification of problematic areas and possible areas for improvements, and the effectiveness of the consultation process. In addition, in this second phase, telephone interviews were conducted with five U.S. government agency officials and four U.S. trade association representatives and food industry executives. As part of this second phase, a review of the Consumer Products Branch process to amend and review regulations was also carried out. This review provided information on how, and to what extent, the Consumer Products sub-activity monitors the market, how the consultation process is working, which parties are involved in the amendment process and what the timeframes are for different types of regulatory initiatives.

In the third phase of the evaluation, a series of twelve focus groups were conducted with consumers across Canada. These focus groups provided information on the average consumer's perception of the need/relevance for the regulations and the extent to which problems are being addressed by the regulations. These results were used in conducting a nationally representative consumer survey. This survey consisted of 1,100 in-person interviews with consumers across Canada to elicit the consumers' point of view on the packaging, labelling, grading, composition, and advertising of food products.

Annex A presents a list of the various evaluation study modules that were undertaken as part of this evaluation. Reports on these study modules are available within the Program Evaluation Division of CCAC, and can be provided upon request.

### 3. FINDINGS

The key findings of the evaluation are summarized in Table 2. In general, the evaluation found that, from the point of view of all affected parties, there is still a continued need for information provided through food regulations, and that a regulatory approach is considered the most appropriate way of addressing the informational deficiencies that may arise in the food sector.

#### 3.1 Rationale for Government Intervention

Government intervention in trade is generally justified if three basic conditions exist in the market: the presence of informational deficiencies resulting from an asymmetric knowledge among traders (sellers and buyers); the failure of market forces to correct these informational deficiencies, and; the availability of cost-effective government intervention. Two particular areas where informational deficiencies are likely to exist, and remain uncorrected, involve transactions where the assessment of quality is persistently difficult for buyers, and areas with implications for health and safety. Since food products and the area of nutrition in general are by their nature and function related to health, and products for which assessment of quality is difficult, government intervention in this area is therefore considered to be an effective means of overcoming potential informational deficiencies. Furthermore, the low cost of supply and enforcement of labelling regulations, the availability of the information at point of sale and during usage, the maintenance of consumer choice, and the fact that compliance costs fall mainly on those who benefit from them,

suggest that this type of government intervention is cost-effective. However, one aspect of government intervention that could negatively affect its effectiveness, is the difficulty to communicate effectively the required information and to ensure that the information provided will be used.

TABLE 2

Key Evaluation Findings

- . Rationale for government intervention considered sound and justified given the significance of informational deficiencies, health and safety connotations associated with the ingestion of food and the difficulty in assessing quality.
- . Principles and continued need for food legislation well accepted by industry and consumer representatives.
- . Canadian situation with food standards and labelling closely follows American and British experience.
- . Limited understanding of the grading scheme by consumers.
- . Ingredient listing and date stamp extensively used by consumers to judge the nutritional value and quality of food respectively.
- . Extension of the date stamp concept to frozen foods, packaged dried food, and canned goods favoured by consumers.
- . Recent CCAC and NHW nutrition labelling proposals are generally consistent with the evaluation findings.
- . Information on the content of sugar, salt and fat important to consumers to judge nutritional value and make purchasing decision.
- . Declaration of micro nutrients (vitamins, minerals, etc.) not perceived by consumers as important nutritional information.
- . Composition standards perceived by some industry representatives as a barrier to innovation.
- . Consultation process and communications between CCAC and affected parties considered to be working well, particularly the Food Industry Liaison Committee.
- . Lack of interdepartmental coordination perceived by many industry representatives (Interdepartmental Committee of Deputy Ministers formed subsequent to this finding).
- . Historically, CCAC limited in ensuring consumer interest represented regarding CAPS regulations.

### 3.2 Problems Addressed by the Legislation

The parent legislation of the current Food and Drugs Act was originally proclaimed to prohibit the adulteration of food, that is, to respond to health and safety concerns of the time. Changes in the food market following the introduction of innovative technologies to process food and the resulting increase in competition that encouraged some dishonest business practices, forced the government to establish regulations for the accurate labelling of the content of food products (ingredient listing) and to define some food standards. In 1920, Bill No. 27, introduced and passed by the House of Commons, presented a distinction between the adulteration of food and deceptive or misleading labelling of food. The objective of the Food and Drugs legislation was therefore expanded to include the protection against economic fraud and deceptive/misleading labelling practices in addition to the protection against health hazards.

With respect to the Canada Agricultural Products Standards (CAPS) legislation, grading standards were established to assist producers in identifying the quality of their products and to facilitate trade between provinces and countries. At present, the grading standards are still serving that primary purpose, although it is considered that grading benefits all levels of trade by providing information about the quality and characteristics of agricultural products.

The Fish Inspection Act was established to facilitate interprovincial and international trade. However, the provisions of the Act and regulations also benefit retailers and consumers by providing for uniform products meeting national standards and providing information upon which to make informed choice.

In the 1960's, substantial changes in the packaging and merchandising of consumer products (including foods), and the introduction at the same time of several new prepackaged products triggered the introduction of the Consumer Packaging and Labelling Act (CP&L). The intent of this particular legislation was to ensure the disclosure of accurate information and to provide uniformity with respect to the labelling of consumer goods. This legislation contributed to the elimination of a confusing array of labelling requirements which existed at that time.

In summary, the four main pieces of Consumer Products legislation applying to the food sector are designed to correct informational deficiencies with respect to the assessment of the identity, quality and quantity of food products, and to ensure maximum protection against fraud and health hazards. This protection is ensured through



labelling requirements which include date stamps, listing of ingredients, grades, composition standards, reference to accurate and verifiable claims, and control of the presence/absence of acceptable levels of additives/preservatives. Furthermore, the evaluation also found that such requirements are perceived by the industry as a means to ensure uniformity and to protect against potential dishonest competitors' practices.

### 3.3 Continued Need/Relevance of the Regulations

Consumers still appear to be susceptible to a variety of unsubstantiated claims regarding nutrition, as well as potential fraud through substitution, and health hazards associated with allergens. As documented in the literature and reinforced in the evaluation findings, consumers appear confused about nutritional matters and tend to rely on the current labelling information to assess the quality and value of food products. This would suggest that there is a continued need for the level and type of information currently provided. Evidence from the consumer survey suggests that the majority of consumers look at labels in general when buying food and, in most cases, they do so every time, or most times, when buying a new product. Furthermore, when asked to identify problems when buying food, the majority of consumers surveyed could not spontaneously think of any problem when buying food, or name products they find difficult to buy. In effect only around 20% of consumers mentioned an element of buying difficulty which falls within the activities of the Consumer Products Branch. These results suggest that the labelling information currently provided successfully addresses the majority of consumer needs. In particular, the results of the consumer survey indicate that consumers, in general, use date stamp information extensively to judge product freshness, that about half the consumers look at ingredient listing and use this information when buying food to check what the products contain and judge their nutritional value, and that about one in four consumers attaches real importance to manufacturer claims. However, it was found that labelling information about country of origin is less important and that only a minority of consumers regard this information as useful to decide which products to buy.

Food industry representatives consulted on the relevance of the federal food regulations were supportive of the regulations in general. In particular, the majority of these industry representatives expressed their general agreement with the provision of information with respect to ingredient listing, the use and development of standards of composition, the need to maintain grading standards, and the desirability of maintaining requirements dealing with the standardization of containers.

### 3.4 International Comparisons

#### 3.4.1 Canada vs U.S.A.

The evaluation found that, in general, requirements of the Canadian and American legislation with regard to the labelling of food products and the use of composition, quality, and packaging standards are similar. One major difference in the labelling requirements between the two countries is the bilingual requirement in Canada which is believed to restrict the quantity of information available on labels in this country.

Another important difference in the labelling of food products between the two countries relates to the disclosure of nutrition information. In the U.S., the disclosure, according to a formal codification, is allowed on a voluntary basis and has resulted in widespread use among producers. In Canada, a proposal to disclose nutrition information has been extensively discussed among all interested parties, and Food and Drugs regulations are expected to be amended in the course of 1987 to allow for a voluntary program to be applied. The proposed Canadian nutrition labelling scheme will closely follow the American system as regards the information to be provided, but will differ in the format. In effect, in the U.S. the information is shown as a percentage of Recommended Daily Allowance and on a 100 g basis while in Canada the information will be presented on a per serving basis as a percent of the recommended daily intake (RDI). In the U.S., disclosure of information about fat, cholesterol and sodium content is also allowed on a voluntary basis and in effect, most food products display the information, likely as a result of competitive market conditions. Furthermore, unlike in Canada, the U.S. Federal Food Drug and Cosmetic Act has the power to require food labels to state that an ingredient is not present in a product if the ingredient has a material bearing on price or acceptance and may therefore influence the consumer's decision. Moreover, in the U.S. if an ingredient is included in a product identified by a common standard name, but is not present within the established ranges, the variance must be declared on the label.

With respect to meat and poultry products, the U.S. has adopted a more extensive labelling practice than in Canada, e.g. a declaration of nutrients both "as packaged" and "after cooking". Furthermore, "shrink" in meat or poultry products due to moisture loss during transit is regulated in the U.S. and not in Canada.

Canada and the U.S. differ as regards the actual form of grade labelling. In Canada, an alpha-numerical system is used to grade meat on the basis of tenderness and fat

content, (for example grade Canada A1, A2... B1, B2...) whereas in the U.S. the grading system is more verbally descriptive e.g. prime, choice, good, etc. However, in both countries, most retailers do not present grade information and in general, sell average quality meat, since grades are seen as providing information primarily to sellers and are of little importance to consumers.

### 3.4.2 Canada vs. Great Britain

It was found that the British situation regarding the labelling of food products as well as the case of composition, quality and packaging standards appears to be quite similar to the Canadian experience. In both Canada and Great Britain, ingredients must be listed on the label in descending order of their proportion in the food. However, there are some areas in which the British statutes have surpassed those in Canada by requiring the provision of more information to consumers. Among the differences worth noting is the U.K. Food and Drug Act requirement to date stamp all packaged goods. In particular, food lasting less than three months must be labelled "sell by day/month/year". In Canada, the F&D Act requires the date "packaged on" for fresh and previously frozen meat, poultry and fish and their by-products, and a "best before" date for most other pre-packaged goods with a durable life of 90 days or less. In addition, in Great Britain, long-lived foods must be labelled "open by month/year" or must state the date of production on the label.

Unlike Canada, in the U.K., the Prices Act of 1974 explicitly requires that unit pricing be disclosed on prepackaged meat, fish and most vegetables.

## 3.5 Impacts and Effects

### 3.5.1 Expected Impacts of Informational Remedies

The theory suggests that in general or, in the absence of mandatory requirements, consumers make their buying decisions in the absence of perfect information especially in areas such as food which are related to health and safety and for which assessment of quality and nutritional values are difficult. Therefore, choices are made based upon available information which may be either false or limited. To overcome these informational deficiencies in the market, governments have instituted labelling requirements on goods and standards regarding the composition, production, quality, packaging and performance of goods. The Canadian government is no different from most other countries in this regard. Therefore, two beneficial impacts of the regulations under study are the protection of consumers against potential health hazards and the improvement in choice among

available alternatives to consumers. Another positive impact associated with informational remedies should be the improved product quality which occurs whenever new information allows some consumers to alter their choice, thus providing a signal to sellers to change their product. The evaluation found that indeed Canadian consumers rely heavily on the information provided through the requirements of the regulations to make a decision to buy a new food product and even to buy food products they have bought before. Evidence from the consumer survey revealed that when consumers look at labels, they are particularly interested in the following information in addition to price (in descending order of importance) ingredient listing; weight; presence/absence of additives and/or preservatives; information on the content of sugar and salt; date stamps; brand and manufacturer; and nutritional information. Consumers also consider that the provision of this information is quite important to their purchasing decision process. In fact, the majority of industry/consumer association representatives consulted in the course of the evaluation agreed with the concept underlying the CP&L legislation.

On the downside, there are three major categories of potential costs of intervention: the firm's costs of complying, the government's cost of enforcement and the costs to buyers and sellers of unintended side effects.

The industry generally does not view these regulations as having had a significant impact on their cost structure and therefore prices in general. The information which is required by regulation is readily available to the seller and is disseminated easily at the point of sale, that is, on the packaged goods. In any event, compliance costs are eventually borne by consumers who, after all, are the main beneficiaries of the informational remedies.

Costs of enforcement of informational rules are discussed briefly below. Regarding other costs, two examples were cited by industry. The legislation was perceived by importers' representatives as a non-tariff trade barrier primarily because of the bilingual labelling requirement. Additionally, metric requirements were cited by some as posing a disproportionate burden on smaller firms. Both examples however bear reference to government policy in other areas.

### 3.5.2 Expected Impacts of Standards

As regards the development of standards, it is perceived that standards are a process to formulate and apply rules for an orderly approach to a specific activity. In effect, the standard becomes the common language that promotes the flow of goods in the market. However, it must

be recognized that standards are not without their costs. Among these costs are the possible anti-competitive consequences of standards and the associated reduction in consumer choice (elimination of low quality products in the market). Moreover, for a country as small as Canada, standards may have severe repercussions for export and import competition if they are different from the rest of the world or are different from one province to the next, and can be perceived as non-tariff trade barriers.

The evaluation found that generally there are no significant differences between the Canadian and the American food markets as regards composition, quality and packaging standards. With respect to the British experience it was also found that composition, quality and packaging standards closely approximate the experience in Canada. Furthermore, the participation of Canada on International Food Standards Writing Organizations contributes to the elimination of possible trade barriers due to differences in standards and may in some cases enhance international competition.

As regards composition standards, there was general agreement among industry and consumer association representatives about the need to have such standards and it was recognized that for certain sectors, the standards are providing protection against dishonest competition. However, it must be noted that four out of eight different groups consulted indicated that there are cases in their sectors where the rigidity of composition standards are perceived as barriers to innovation and responsiveness to consumers' needs. Low-fat cheddar and diet mozzarella were provided as examples by representatives of the dairy products sector. However, no specific examples were offered by the other three groups (representatives for meat products, food processors and consumers).

The case for federal composition standards and container standardization was made by some industry representatives who identified the lack of uniformity among provincial legislation as an important barrier to interprovincial trade.

### 3.5.3 Impact on Price and Market Structure

The evaluation found that, in general, the industry does not perceive that the food regulations administered by the Consumer Products subactivity have had significant impacts or effects on the price or market structure of their industry.

### 3.5.4 Inspection Activities

Regarding the inspection activities of the Consumer Products sub-activity, industry association representatives expressed some concern with respect to the perceived lack of uniform interpretation of regulations from inspector to inspector, between plants, among companies, and from region to region. Since these concerns were voiced, a Memorandum of Understanding between the departments responsible for food legislation and inspections was signed by the respective Ministers of the departments of CCAC and AC and a National Training Program within CCAC was also instituted.

The costs of enforcement of informational rules may be far from negligible, particularly when testing is involved. From a government perspective, the Consumer Products Compliance Evaluation found that the subactivity is doing a good job implementing current compliance plans and strategies; at the same time, the report noted that there is scope for better focussing the work to increase value-for-money. From industry, some complaints were voiced as regards the size of the samples used as a basis for prosecution. The case of ground meat was reported as an example where, in order to avoid potential loss due to seizure of the products, retailers are oversupplying the proportion of meat by about 5 percent, and it is believed that this practice has significant cost implications across Canada, given the volume of sales of ground beef.

### 3.6 Areas for Improvement

Although consumers and industry representatives believe that, in general, the regulations have successfully responded to their needs and proven useful, some areas for improvements have nevertheless been identified. Regarding date stamping of food products, it appears that there is still confusion among consumers about the meaning of "date packaged" and "best before" date and on which products each one applies. Furthermore, consumers indicated that it would be very useful if the concept of date stamping was extended to packaged dry goods, frozen foods, and canned goods in particular. The legibility of "best before" dates were also reported by consumers as problematic and identified as an area that requires improvement.

With respect to ingredient listing, it is believed that it would be helpful to some and vital to a few to specifically highlight on the label the presence/absence of key ingredients such as salt, sugar, fat, additives and preservatives. Salt, sugar and fat were seen as particularly important because their disclosure would allow consumers to avoid or reduce their consumption given the increasing publicity surrounding the potential negative effects of these items on health.

With regard to the current **grading schemes**, the evaluation found a high level of confusion among consumers about grade names and their exact meaning especially in the case of canned goods (fancy, choice, standard). This may in part explain the low use of the information when making a purchasing decision. Industry views on the grading scheme were mixed. Most industry representatives supported grading information as a needed producer-oriented type of information but they questioned the utility of this information to consumers. The evaluation found that greater uniformity in nomenclature across different product areas and more emphasis on consumers' education would help to alleviate the current confusion in the market about grades and would enhance their utility in comparative shopping (since grades serve as a price/quality indicator).

The consumer survey revealed that consumers experience different levels of irritation in relation to the size, shape and form of packaging leaving them with a misleading impression of the quality (fresh fruits, vegetables, and meat in particular) or quantity (chips, cereals, etc.) of product contained. Furthermore, given the growth in the number of single and two-person households and the aging of the population, some concerns were expressed about the lack of small sizes for some packaged goods. Industry representatives also mentioned the rigidity of the regulations as regards the use of opaque bags for certain products where it is believed in their view, that it would be preferable.

With respect to **composition standards**, the evaluation found that it would be particularly important when developing such standards to ensure that they do not constitute barriers to innovation as is now perceived by some sectors of the industry. However, to do so, will require that CCAC undertake further studies to determine the extent to which industry's perceptions are well founded.

### 3.7 Nutrition Labelling

The review of American and Canadian empirical studies examining consumers' attitudes towards nutrition labelling information revealed that concern about the nutritional value of foods is growing slowly, and that there is a wide diversity of views among consumers about what constitutes nutrition labelling. These studies also revealed that the information is only being used by a minority of consumers in deciding which food products to purchase.

The results of the consumer survey conducted in the course of the evaluation are consistent with the results of the reviewed empirical studies. The consumer survey indicated that many Canadian consumers (65 percent) are

concerned about the nutritional value of food but only about half of all consumers check food labels for information about "nutrition". However, when asked to mention what information they look for on a label, and consider important at time of purchase, nutrition information in the sense of declaration of nutrients (vitamins, proteins, etc.), ranked seventh out of fourteen on a list of items. Consumers who are concerned about nutrition but do not look at labels, feel they either know enough about this or are not concerned enough to check for the information. The survey revealed that the majority of consumers who check for "nutrition information" rely heavily on ingredient information and only 15 percent of all consumers feel there is a need for additional information. When asked about what additional nutrition information they require, consumers focussed on ingredient related information such as salt, sugar and fat and only 3 percent of all consumers mentioned detailed nutrient information. The evaluation found that there exists a broad spectrum of consumer interpretation about what constitutes "nutrition information" and that, in effect, few define it in terms of nutrients. For the vast majority, nutritious products are those which contain few additives or flavourings, and/or are free from or low in certain ingredients such as salt, sugar and fat.

When asked about their awareness and use of the detailed nutrition information currently provided on cereal boxes, 44 percent of consumers indicated that they were aware of the information while only 22 percent regarded the information as useful. Of the 44 percent who are aware, 20 percent felt the information could be made more useful by either changing the presentation (14 percent) or the content (11 percent). Based on these results it could be concluded that the majority of consumers are not overly concerned with nutrition information as generally defined by food nutritionists.

From the perspective of industry and consumer associations, there was unanimous concern that the first government proposal on nutrition labelling as outlined in Information Letter No. 641 issued in 1983 was unworkable. However, the associations' representatives generally agree with the utility of providing some nutrition information to consumers. In effect, such information is considered by many as an important aspect of marketing and sales in a health-conscious society. Furthermore, there is general agreement among the affected parties that nutrition labelling must be comprehensible to consumers and that the system has to be simple. The majority expressed the view that the introduction of a nutrition labelling program should be accompanied by a consumer information/education campaign in order to be successful (a suggestion re-inforced by the results of the consumer survey as regards consumers' perception of nutrition labelling).



Taking into consideration comments made on Information Letter No. 641, new proposals were suggested in July 1986 via Information Letter No. 713 issued jointly by CCAC and NHW. These new proposals were the result of the work of the Intersectoral Working Group on Nutrition Labelling comprising representatives of consumers, industry, producers, health professionals, CCAC and NHW. In this Information letter, it is proposed that the nutrition labelling scheme be voluntary, that when nutrition information is provided a core list of energy value and nutrients be declared (content of protein, fat, carbohydrate and sodium) with the absence of any of these from the food being expressed as zero. Declaration of other nutrients such as vitamins, minerals, sugar, starch, dietary fibre, cholesterol, polyunsaturated/monounsaturated, other fatty acids may be added if so desired. It is proposed that the presentation of the information be expressed in kilocalories and/or kilojoules for the energy value, and in grams and milligrams for the other nutrients while information on vitamins would be declared as a percentage of the "recommended daily intakes". All the nutrition information is expected to be presented on a "per serving" basis.

In general, the core list suggested in the new nutrition labelling proposal is consistent with the findings of the evaluation as regards the type of information consumers would rely on to decide on the nutritional value of food, that is, protein, fat and sodium (The core list also includes energy value and carbohydrates). However, information about the content of sugar which is not included in the core list was also mentioned by consumers as an important piece of information to judge nutritional value. Furthermore, the voluntary approach and the proposed information scheme closely follows the American experience except as regards the format of presentation (per serving basis in Canada versus per 100 g basis in the U.S.), and should thus contribute to enhance international competition.

### 3.8 Regulatory Consultation

#### 3.8.1 Industry Consultation

The evaluation found that, in general, industry representatives are satisfied with the consultation carried out by the Consumer Products Branch in undertaking regulatory initiatives. For the industry, the time taken to resolve a problem is not perceived as too important as long as government is responsive to their needs and does not prosecute in the meantime. Furthermore, industry expressed the view that the Food Industry Liaison Committee and the use of Communiqués, Trade Letters, Information Letters have had very positive impacts on improving the relations between industry representatives and CCAC.

### 3.8.2 Interdepartmental Consultation

Responsibility for the development and enforcement of food regulations is shared between four departments. Consumer Packaging and Labelling regulations are the sole responsibility of CCAC, while for the Food and Drugs regulations, CCAC shares the responsibility for the development and enforcement of regulations dealing with food with Health and Welfare Canada. As regards the CAPS and Fish Inspection legislation, the relationship between CCAC and Agriculture Canada and Fisheries and Oceans is different. The latter two Departments play the lead role and have sole responsibility for developing or amending the respective regulations. While agreements do exist to ensure that CCAC is being consulted whenever modifications to the CAPS regulations are contemplated, the evaluation found that the influence of CCAC in the amendment of CAPS regulations has, in practice, been limited. In effect, because CCAC does not formally share the responsibility for the development process, it is difficult for CCAC to influence the direction of the modifications proposed by Agriculture Canada to ensure that the consumer interest (as opposed to the producer interest) is taken into account. This situation, therefore adversely affects CCAC performance in meeting its objectives.

The majority of the industry representatives consulted during the evaluation expressed the view that there is a perceived lack of coordination between the four departments involved in the regulatory process. It is the industry's view that the regulatory and amendment process is involving too many players within and among departments and that this is increasing the complexity of the process. In particular, references were made to Agriculture Canada developing standards and regulations that CCAC enforces at the retail level without having adequately consulted with CCAC and the retail sector as regards the applicability of the regulations. Furthermore, some perceived overlap in inspections were noted. However, since these comments were made, Memorandum of Understandings between the concerned departments were signed to avoid any overlap/duplication of federal inspection activities at all levels of trade, and to improve coordination among departments.

## 4. RECOMMENDATIONS

Based on the findings of the evaluation, recommendations are proposed to improve the effectiveness of the regulatory program. These recommendations cover the following broad areas:

- . areas or information that could be considered for improving the usefulness of the regulations.
- . nutrition labelling: as a CCAC anniversary initiative, development of an information campaign to ensure understanding and proper use of the information.
- . food standards and their perceived impact on innovation and trade.
- . CCAC's role with respect to CAPS legislation.

In Table 3, a summary of the recommendations is presented.

#### 4.1 Areas for Improving Informational Disclosure

Consumers are confused about the meaning and application of the grading scheme and this is perceived to adversely affect their ability to undertake comparative shopping with respect to price/quality comparisons. To reduce consumers' confusion about grades, a problem known and acknowledged by all affected parties (industry, consumers, and government) for years and for which the Ministerial Task Force on Program Review recommended that departments responsible for grading standards consider ways to improve the uniformity of the nomenclature, it is recommended that:

1. The Consumer Products Branch continue consultation with Agriculture Canada and industry to resolve the long-standing problem of consumers' misunderstanding of grade names. Alternatives should address the use of a more uniform nomenclature and/or the development of a tripartite information campaign and/or the development of an information pamphlet to be distributed in exhibits and/or other means.

Following these consultations, CCAC in collaboration with Agriculture Canada, should develop an implementation plan to put in place the preferred option. This could be undertaken as a consumer initiative in support of the 20th anniversary of CCAC.

Two main aspects (i.e. ingredient listing and date stamps) of the regulations are considered by consumers as very important and relevant in allowing them to make better purchase decisions. Moreover, consumers expressed much interest in having the concept of date stamping extended to areas not currently covered by the regulations, a situation that currently exists in Great-Britain. In fact, there

seems to exist growing concern about the quantity of sugar, salt and fat contained in food. To address these consumers' concerns it is recommended that:

2. With the upcoming introduction of a voluntary scheme to allow the provision of nutrition information, the Consumer Products Branch encourages and facilitates the disclosure of information regarding the amount of sugar, salt and fat contained in food. In reviewing and amending the Food and Drugs regulations to accommodate the introduction of nutrition labelling, or changes to ingredient listing regulations, special attention should be given to the possibility of ensuring that additional information be provided with respect to the content of sugar, salt and fat.
3. The Consumer Products Branch investigate as a consumer initiative the possibility of extending the concept of date stamping either in the form of a "Best Before Date" or "Open by Month/Year" to long-lived food products, particularly in the case of frozen foods, canned goods and pre-packaged dry food, and prepare a discussion paper to serve as a basis for consultation with all interested parties.

#### 4.2 Nutrition Labelling

The review of the empirical studies examining consumers' attitudes towards nutrition labelling revealed that consumers are very confused about what constitutes nutrition labelling and how to interpret and use the nutrition information currently provided on cereal boxes. In light of the 20th anniversary of CCAC, this presents an opportunity to raise the visibility of the Department and ensure that the proposed nutritional scheme is successful. It is therefore recommended that:

4. As an initiative in support of the 20th anniversary of CCAC, the Consumer Products Branch in collaboration with the Communications Branch of CCAC and NHW develop a communication program that will inform consumers of the use and usefulness of the proposed nutrition labelling information. This communication program should be launched as soon as possible after the introduction of the new nutritional labelling proposal. Furthermore, cooperation of the industry should be sought given that industry representatives have long held the view that an information campaign is a condition for the success of the proposal.

TABLE 3

RECOMMENDATIONS

- . Ensure, through continued consultation with Agriculture Canada, action to reduce or eliminate consumers' confusion with respect to the current grading scheme, especially in the case of canned goods (fancy, choice, standard).
  
- . Develop communication tools to inform consumers about the meaning and use of nutrition information.
  
- . Encourage, as part of the voluntary nutrition labelling scheme, disclosure of information on the amount of sugar, salt and fat contained in foods.
  
- . Incorporate the above items as consumer initiatives in support of the 20th anniversary of CCAC.
  
- . Consider, as a consumer initiative, extension of the date stamping concept to certain long-lived food products, such as frozen foods, canned goods and packaged dried food.
  
- . Ensure thorough analysis of proposed new regulations of the potential impact of food standards on product innovation and trade.
  
- . Review, in one year's time, the effect that various government initiatives (MOU between CCAC and Agriculture Canada, Interdepartmental Committee of DMS and the review mechanism of the Office of Regulatory Affairs) have had on redressing the problem of ensuring an adequate representation of the consumer interest in the development of CAPS regulations.

#### 4.3 Food Standards

In response to concerns expressed by some food sectors as regards the potential impact of food standards on innovation and trade, it is recommended that:

5. In developing Regulatory Impact Analysis Statements (RIAS), the Consumer Products Branch carefully consider the industry's comments about the potential impact of proposed food standards regulations and/or amendments as regards their perceived restriction on the introduction of new products and their possible adverse effects on trade.

#### 4.4 CCAC's Role as Regards CAPS

Differences in the expected role of CCAC as regards the development of regulations under the Food and Drugs Act and the Canada Agricultural Product Standards Act have affected CCAC's performance in meeting its objectives. In effect, as regards the F&D Act, it is clearly understood that CCAC takes responsibility for the development and amendment of regulations and participates in the development of standards with respect to protection against economic fraud and misrepresentation. However, CCAC's role as regards the development and amendment of regulations and standards under CAPS is less powerful and not specifically defined and has therefore limited CCAC's influence in counterbalancing the interests of producers. Over 1986, various government initiatives and mechanisms have been set in place which should help to improve or redress this problem. (Specifically, signing of the MOU between CCAC and Agriculture Canada, formation of the Interdepartmental Committee of DMS and establishment of the review mechanism of the Office of Regulatory Affairs). To monitor the situation it is recommended that:

6. The Consumer Products Branch review in one year's time the effect that these various government initiatives have had on redressing the problem of ensuring an adequate representation of the consumer interest in the development of CAPS regulations.

ANNEX A

Background Study Modules  
used in the Evaluation  
of Food Sector Regulations

Annex A

Background Study Modules used in the  
Evaluation of Food Sector Regulations

This annex presents a list of the evaluation study modules that were used to assess the activities of the Consumer Products Branch with respect to the administration of food regulations. The evidence contained in these study modules was gathered by independent consultant teams under the direction of the Study Director. The list that follows identifies the title of the report on the study module, the name of the firm responsible for the conduct of the study and the date of completion. Copies of these reports are available through the normal procedures of the Access to Information Act.

1. An Examination of the Rationale for Labelling and Standards Requirements for Consumer Products, by Kotowitz Economic Research Inc., Toronto, April 1984.
2. An Examination of Labelling and Standards Requirement for Consumer Products in Foreign Countries, by M.K. Berkowitz & Assoc. Ltd., Toronto, April 1984.
3. Food Sector Evaluation: Review of Relevant Literature, by Gordon Cassidy, Hull, May 1984.
4. Examination of Original Objectives of Traded Goods Legislation, by Price Waterhouse Associates, Ottawa, May 1985.
5. Food Sector Evaluation Study, Part I Consultations Module, by Nordicity Group Ltd., Ottawa, March 1985.
6. Traded Goods Evaluation, Regulatory Amendment Process: Case Studies, by Gordon Cassidy, Hull, Summer 1984.
7. Process of Amending Regulations - Case Studies, by Gordon Cassidy, Hull, October 1984.
8. Traded Goods Evaluation Study, Consultation in the Regulatory Amendment Process, CCAC, Hull, June 1985.
9. Traded Goods Evaluation: Consumer Perception Focus Groups, by Canada Market Research Ltd., Toronto, January 1985.
10. Consumer Products Consumer Survey, by Canada Market Research Ltd., Toronto, January 1986.



ANNEX B

Other Evaluation Reports  
Addressing the Consumer Products Area

## Annex B

### Other Evaluation Reports Addressing the Consumer Products Area

#### Energide Evaluation

The evaluation of the Energide program (completed in March 1985) found that continuation of the program in either existing or modified form would not provide good value-for-money, and therefore recommended both termination of funding in March 1986 and revocation of the Energide regulations (contained in the Consumer Packaging and Labelling Act). These recommendations were accepted in a Cabinet decision on April 26, 1985.

#### Radio and T.V. Food Advertising Pre-Clearance

This study, completed in July 1986, assessed the feasibility and consequences of repealing the food advertising pre-clearance regulations under the Radio and Television Broadcasting regulations of the Broadcast Act. Requested by Cabinet (MTF follow-up), the study was conducted in close collaboration with the Department of Communications and the CRTC. Three alternative approaches, all of which could yield savings over the current regulatory process, were identified.

#### Consumer Products Compliance System

The study, completed in August 1986, examined objectives and indicators to monitor performance of field inspections activity as well as assessing the relative effectiveness of various compliance activities undertaken by the subactivity. The study disclosed that current compliance plans and strategies could be realigned to improve results achieved by the subactivity and its inspection activities. The study recommended nine changes to the subactivity compliance system. Program Evaluation Division is working with the subactivity on implementation of key recommendations.

#### Regulation Review and Amendment Process (Consumer Products)

An evaluation of the review and consultation process for new or modified regulations (completed in November 1986) examined ways to streamline the current process, offering recommendations designed to improve the effectiveness and efficiency and reduce costs of the existing review process. While based on Consumer Products data, a draft policy was

prepared that may have application across a number of sub-activities and are in line with requirements of the new Regulatory Process Action Plan.

Proposed Consolidation of Consumer Products/Marketing Practices

Requested by Cabinet (MTF follow-up), the study was conducted in close collaboration with management of the Consumer Affairs, Competition Policy and Policy Coordination Bureaux. Completed in August 1986, the study drew on earlier evaluations in assessing the feasibility and consequences of various forms of consolidation of the two program areas and developed an action plan for implementation of the recommended option.

Evaluation of Textile Sector Regulations Under Consumer Products

This study (draft scheduled for September 1987) evaluates the Consumer Products regulations and programs affecting the textile sector. The study deals with three textile programs -- the Textile Labelling and Advertising Regulations, the Care Labelling Program, and the Canada Standard Size Program. It examines the rationale for government intervention in the marketplace and considers the need for, achievements of, and alternatives to the set of textile regulations and programs.

Evaluation of Consumer Products Regulations: An Overview

This report (draft scheduled for October 1987) assesses the need for and relevance of the component in today's environment, drawing heavily on the above evaluations.



