

Guidelines for Government Support for Product Labelling Schemes

The Performance and Innovation Unit of the Cabinet Office published a report in September 2000: *'Rights of Exchange: Social health, environmental and trade objectives on the global stage'*. This noted the positive role that product labelling could play in improving consumer choice and social, health and environmental outcomes. It recommended that Government should 'take steps to ensure a more co-ordinated and proactive approach across departments, underpinned by common principles and criteria'. It also recommended that operational guidelines for policy-making should be developed.

The guidelines therefore aim to provide a set of common principles to underpin policy making. They outline the options for Government involvement and highlight the various issues which require consideration before Government engages in a particular scheme. They are not intended to constrain innovative approaches to policy making or to prescribe how labelling issues should be tackled.

The guidelines recognise, however, that Government-supported labelling schemes can create trade tensions, particularly for developing countries. The UK government is committed to poverty reduction through the International Development Targets, and therefore due consideration should be given to both the trade and political implications of any proposed scheme before the Government agrees involvement. In some cases – eg social labelling (based on labour standards of the producers) – it is more appropriate to work with the relevant international body (eg the International Labour Organisation) than to pursue a UK or European scheme. In Many other cases it will be for industry and NGOs to come up with their own voluntary schemes in response to perceived demand. Government involvement in these will often be limited.

The guidelines fall into four main parts:

- i) A set of guiding principles for Government involvement in any new schemes. This covers schemes in which Government has only a supporting role (eg by provision of publicity or funding) as well as schemes – whether mandatory or voluntary – which it is proposing. There are, however, additional principles for schemes which Government is proposing since these are likely to come under most scrutiny from trade partners and will have greater implications for enforcement authorities.

- ii) A table, for guidance, outlining the possible levels of Government involvement in labelling schemes and suggesting the likely criteria for each type of approach.
- iii) A check-list of questions and accompanying flow-charts which aim to highlight the issues which need to be considered for supporting and developing labelling schemes.
- iv) A table showing where in Government the policy lead for different issues fall.

I. Principles

For any Government involvement in a new scheme (ie both support for industry / NGO- led voluntary schemes as well as schemes proposed by Government)

1. Involvement must support Government policy objectives. Policy must be proportionate and practical.
2. Government involvement must add clear value, for example increase take-up through publicity, or harmonise a number of initiatives to provide greater clarity to consumers or enforcers.
3. If the scheme would affect internationally traded goods, and Government is to play a role, then WTO partners must be consulted¹.
4. If the effect of any scheme would be to make labelling requirements mandatory (de jure or de facto) for a product, the scheme should be notified, in draft, to the European Commission under Directive 98/34/EC² (known as the Technical Standards and Regulations Directive), unless it is implementing European legislation. (Note that this could cover voluntary agreements to which the Government is a contracting party as well as requirements laid down in legislation).
5. The political impact of any scheme on bilateral or multilateral relations must be borne in mind³, for example:
 - where a scheme would cause disproportionate difficulties or costs for businesses outside the UK.
 - where a scheme is not supported by international agreement.
 - where a scheme relates to areas such as Production and Processing Methods which are likely to raise trade issues within the context of current WTO rules⁴.
6. Neither the scheme's intention nor its effect must be to protect domestic industry from legitimate competition.
7. The relationship between new labelling information and other information already carried on the product should be considered; in particular the risk of new information obscuring statutory or other relevant (and possibly more important) information.

¹ Trade Policy, DTI provide the contact point for notification of international partners and can advise on potential trade issues.

² Standards and Technical Regulations Directorate, DTI, is the contact point for, and can provide guidance on notifications under Directive 98/34/EC.

³ This is intended as a broad reference to the approaches set out in (E)DOP(T)(99)3, "Guidelines for Avoiding Future Trade Disputes" and European Secretariat Guidance (00)3.6, "World Trade Organisation Rules: Summary Guide for Policy Makers. Both documents are available from the European Secretariat of the Cabinet Office.

⁴ Lawyers and Trade Policy, DTI should be consulted on the issues involved.

8. Unless there is a clear case for added value, Government should not support any scheme which would result in the proliferation of logos or marks due to the risk of confusion to consumers.

In addition, for any labelling scheme proposed by Government (whether voluntary or mandatory)

1. There should be clarity about the objective(s) of the scheme and how success would be measured.
2. Alternative or complementary solutions to meeting the scheme's objectives (ie non-labelling measures) should always be considered with the aim of reaching the least onerous option for business which meets consumer information/protection requirements (alternative or complementary measures may be wide ranging eg negotiation to reach multilateral agreement on an issue, incentives to raise standards, information through website, care line etc).
3. Departments should at an early stage consult other Government departments with an interest, and should consider the scope for co-ordinating Government action.
4. An assessment of the costs and the benefits of the scheme for industry, consumers and enforcers should be made (this would form part of any Regulatory Impact Assessment for mandatory schemes).
5. The ways in which exporters from other countries could participate in any scheme which indicated conformity to a set of criteria should be examined (eg through establishing mutual recognition of schemes / equivalence of testing requirements)
6. LACOTS (Local Authorities Coordinating Body on Food and Trading Standards) should be consulted at a pre-consultative stage in the proposal's development since they may have important views on enforceability.
7. A wide range of relevant stakeholders should be consulted on the proposal for the scheme: eg restaurants as well as supermarkets, small businesses, charity shops for second hand goods, wholesalers as well as retailers, consumer organisations, special and minority interest groups.

For mandatory schemes

1. A Regulatory Impact Assessment should be done.
2. Consideration should be given to whether the costs of participation in the scheme would disproportionately affect either UK producers or their international competitors. If so the overall benefits to consumers, enforcers and industry would need to outweigh the drawbacks.

3. Consideration should be given to whether the costs of participation in the scheme would disadvantage a subset of producers (eg small businesses). If so the benefits of the scheme would need to outweigh the costs.
4. Estimates should be made of the costs of enforcement for the scheme. This may require a transfer of resources from the sponsoring department.

Approach to development of all schemes receiving any Government support

1. Any voluntary scheme should be open to all producers, including outside the UK where relevant.
2. If the label would indicate compliance with defined criteria, existing international standards should be used where possible, and information on the criteria/standards should be available to consumers and enforcers.
3. If use of the label would require independent assessment of conformity, a transparent system should be developed and consideration given to how other countries' producers could participate (eg consideration of mutual recognition of schemes).
4. External accreditation should also be considered to provide confidence in the independent assessors where the risks warrant this kind of assurance⁵
5. The need for and costs of consumer / enforcer education should be considered in relation to any scheme involving a logo / pictogram / mark.
6. LACOTS should be consulted on the content of any label which will be policed. It may be better to require some extra detail on the label (eg 'conforms to BSxxx') so that it is clear to companies, consumers and enforcers what the label means.
7. The labelling should have regard to the particular needs of consumers with disabilities (eg any information should be in clear typeface and of a reasonable size).
8. Regular evaluations of the scheme's impact and Government's role in the scheme should be planned.

⁵ Note that in the UK, the United Kingdom Accreditation Service (UKAS) is recognised by Government as the sole national body for accreditation, to international standards, of certification and inspection bodies, testing and calibration laboratories. Standards and Technical Regulations Directorate, DTI, can provide further advice.

II. Illustrative levels of Government involvement

Note, all these levels assume that the scheme meets the principles given above for any Government involvement.

Level of Government involvement	Criteria for given type of support	Likely characteristics of scheme
Government publicity / brokering / for industry/NGO-led voluntary scheme <i>Eg 'DVB' labelling of digital TVs</i>	If support would increase participation / uptake, lead to harmonisation of approach or improve clarity.	Likely to identify market leaders May relate to Product and Processing Methods (PPM issues)
Government funding for industry/NGO-led scheme	If required to increase participation (eg by helping smaller producers to meet certification costs) If required for education of consumers / enforcers If the scheme could not otherwise proceed.	Likely to identify market leaders May relate to PPM issues
Government role in promoting mutual recognition of schemes (by standardisation or accreditation)	If necessary to harmonise a number of initiatives (including those operating in other countries) or to provide greater clarity for consumers / enforcers	Probably relates to statements of behavioural values where initiatives have developed in an ad-hoc way
Government role in certification / verification for industry/NGO-led scheme	If necessary to provide consumer confidence in health / safety or environmental areas If necessary to eliminate misleading claims If an existing certification / verification framework has not worked.	Probably relates to attainment of minimum standards
Government development of a statutory framework for which adoption by business is voluntary	If required by EU legislation. If labelling supports a public policy objective	Probably applies to range of product categories

<p><i>Eg EU Eco-label for selected product groups; organic food labelling</i></p>	<p>If sector supports the initiative, but will not / cannot develop a coherent scheme without intervention.</p> <p>If it may prevent misleading claims</p>	
<p>Legislation / mandatory labelling</p> <p><i>Eg Energy efficiency labelling for domestic appliances and lighting; ingredients listings for medicines, foods, cosmetics.</i></p>	<p>If required by EU legislation</p> <p>If comprehensive coverage is required and voluntary initiatives cannot achieve this.</p> <p>If there is scientific evidence that labelling is necessary to protect or promote the health and safety of consumers or the environment.</p> <p>(In relation to food) If desirable to promote informed consumer choice or promote / protect the health and safety of consumers</p>	<p>Probably provides information about the product itself or environmental issues rather than other issues relating to production or processing methods (food labelling schemes may provide exceptions)</p> <p>Typically sets minimum standards or provides information on single issues</p> <p>May require a rigorous system of evaluation</p>

III. Checklist of questions for consideration when appraising a scheme

1. What is the objective of the scheme? Is this consistent with Government policy?
2. Is Government proposing the scheme? Are there alternative approaches to achieving the scheme's objective?
3. Why can't the market deliver the scheme without Government involvement?
4. What added value will Government involvement bring?
5. Does the scheme affect internationally traded goods? Would it create an obstacle to trade? If so can it be justified under both EC and WTO rules? <i>If its impact falls predominantly on businesses in other countries or it addresses production and processing methods, particular care is needed. If in doubt consult Trade Policy section of DTI</i>
6. Have you considered whether international and European partners need to be consulted? <i>If in doubt consult Standards and Technical Regulations Directorate, DTI (European notification) and Trade Policy DTI (WTO notification)</i>
7. Could the scheme cause political difficulty? Are you consulting all other Government departments with an interest?
8. What approach do other countries (EU and outside) take to the issue? <i>As far as possible approaches to an issue should be harmonised (eg a common test for a product)</i>
9. What buy in / demand is there from business? If backed by eg a trade association, what proportion of relevant businesses does that represent?
10. What buy in / demand is there from consumers? What potential benefits would the scheme offer them?
11. What buy in / demand is there from enforcers? Will the scheme provide clear parameters for compliance?
12. Will the scheme add to producers' costs? <i>Consider any costs of certification as well as of compliance</i>
13. Will the costs disadvantage or exclude a subset of producers (eg small businesses, or producers from developing countries)?
14. Has any necessary regulatory impact assessment been carried out on the scheme considering both costs and potential benefits?
15. Have you considered the need for measures to compensate those disadvantaged by the scheme?
16. Do similar schemes already operate in the UK?
17. What mandatory and / or voluntary labelling or testing already applies to the products under discussion? Is there likely to be room for additional information? <i>If in doubt speak to Consumer Affairs, DTI</i>
18. How will you ensure that the consumer / enforcer will notice / understand / be able to enforce compliance with the label? <i>This is particularly important if a symbol / pictogram is proposed</i>
19. Have you checked whether any proposed logo already exists, eg as a Trade Mark?
20. Is the label to indicate compliance with a standard?
21. Does a relevant British / European /international standard already exist?
22. Is any independent certification/verification needed or could the supplier/manufacturer self-certify?

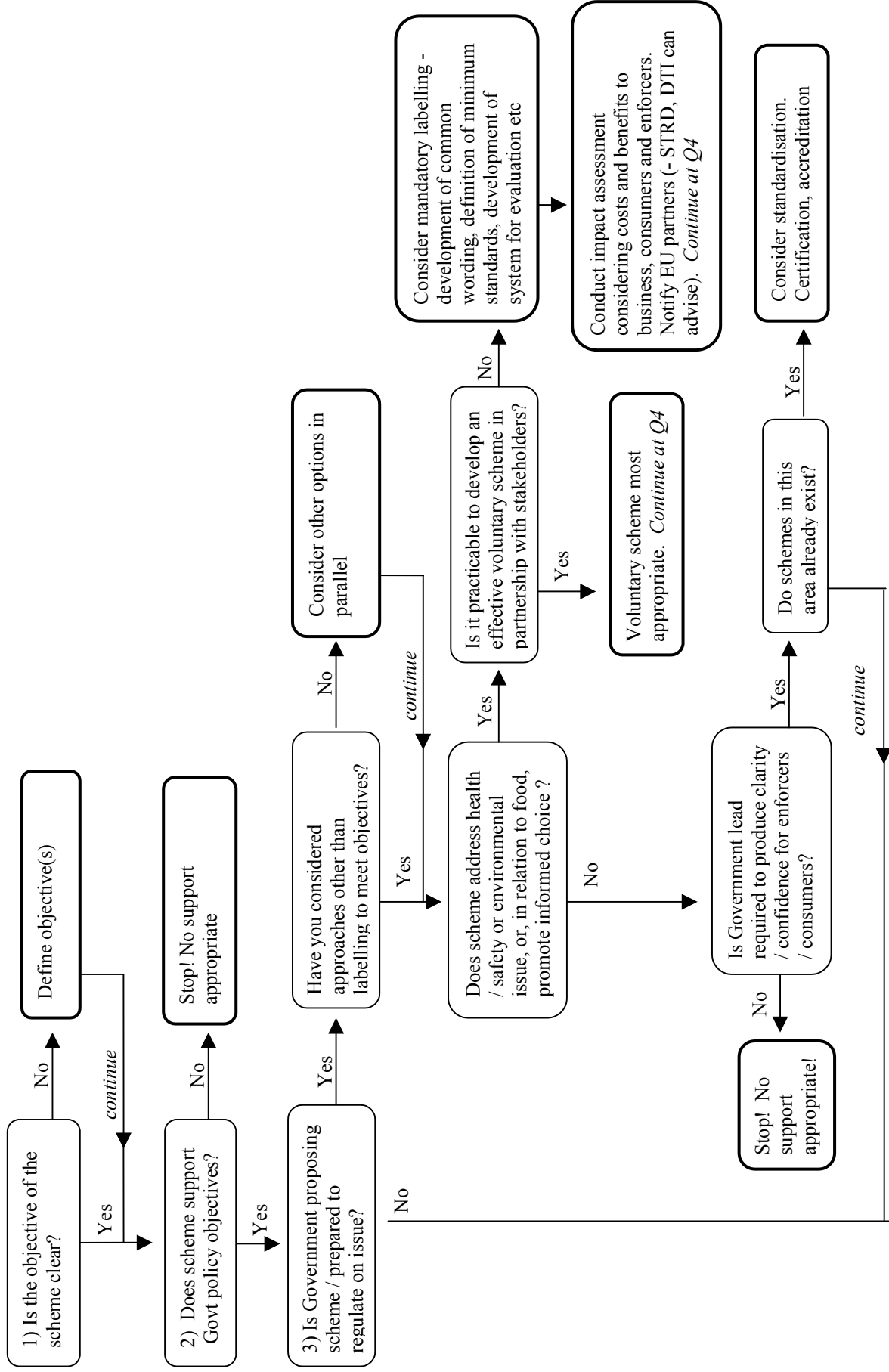
23. If the scheme will need policing, have the enforcement authorities been consulted and the costs considered?

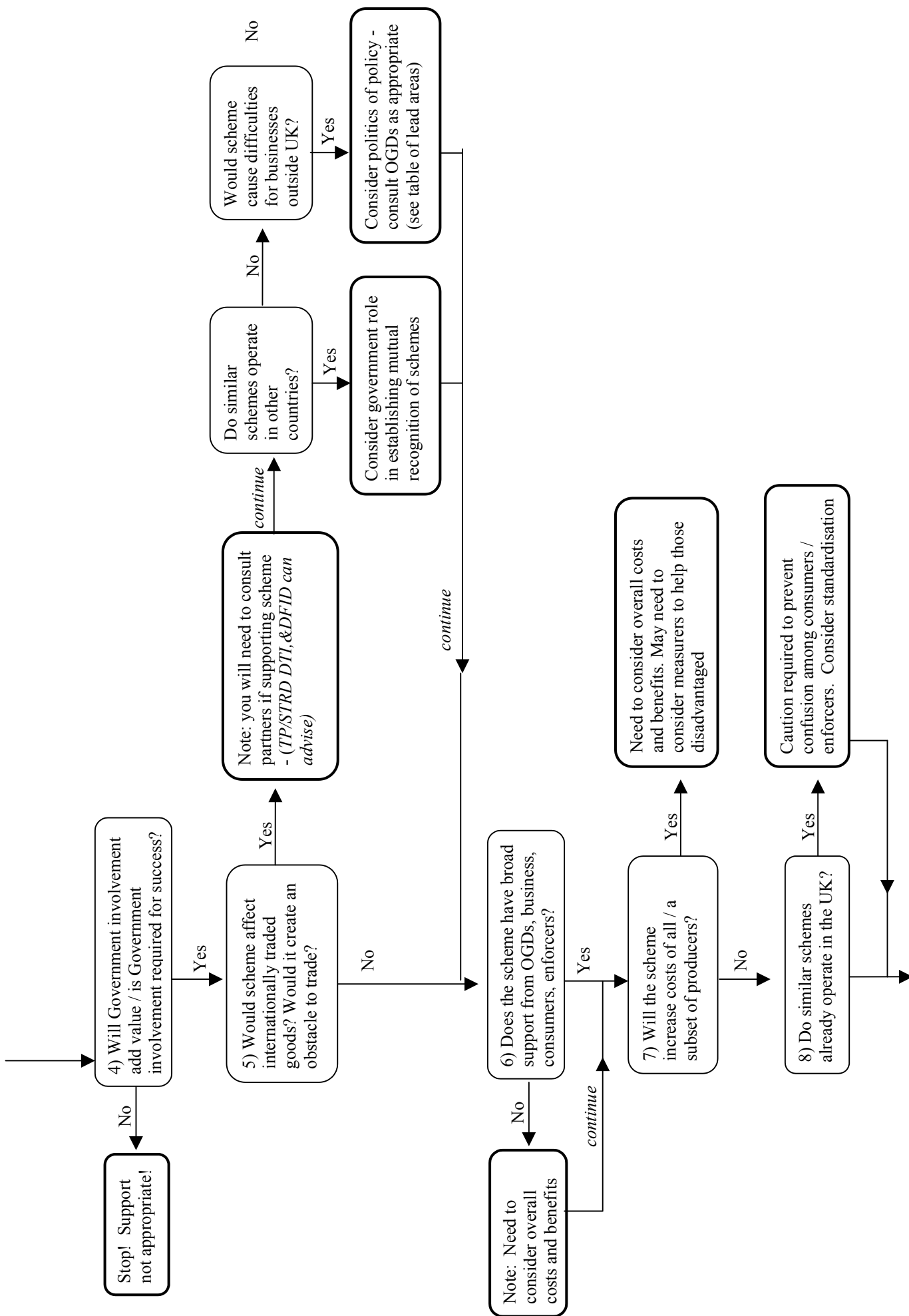
24. How and when do you intend to evaluate the scheme and the Government's involvement in it?

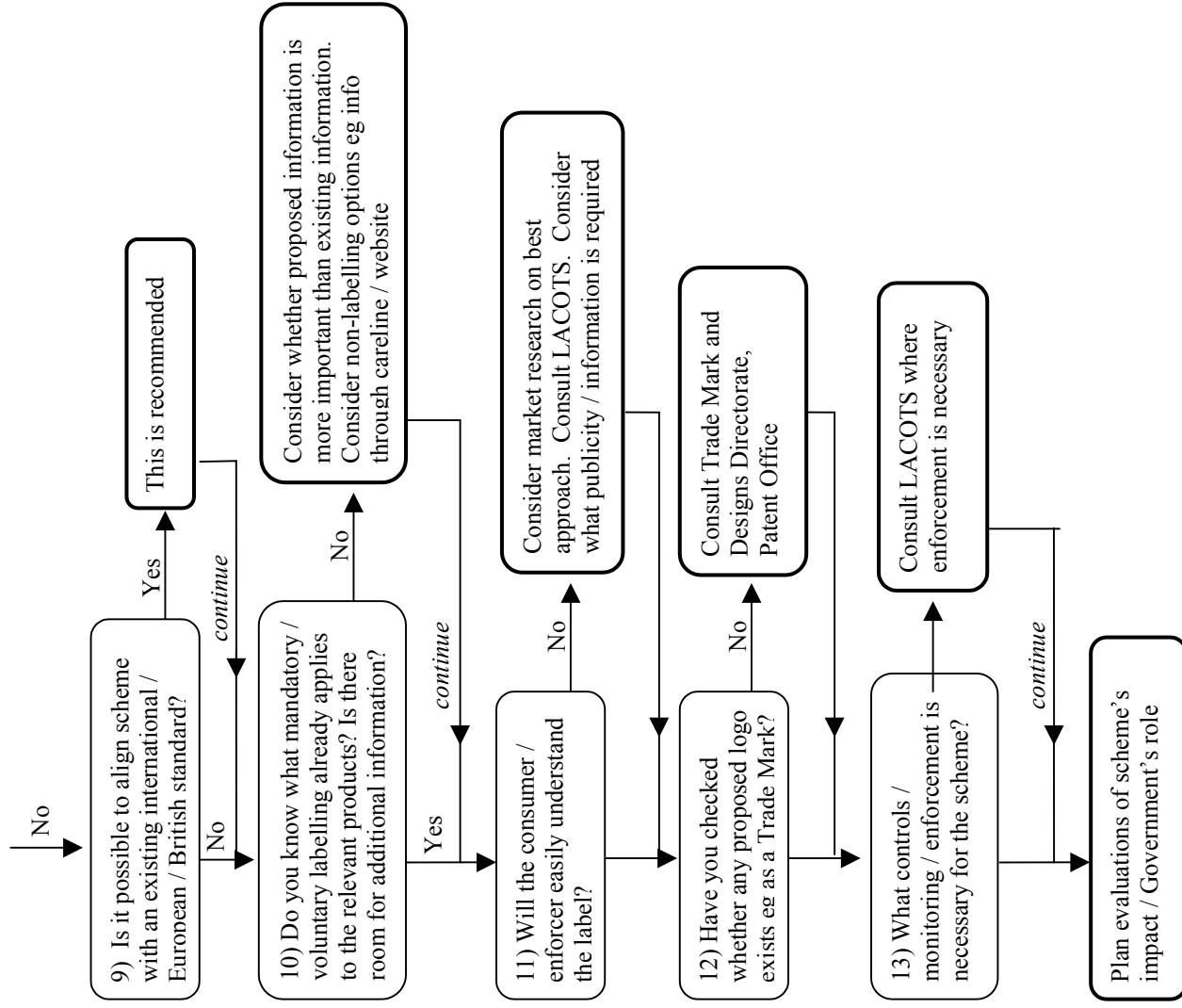
IV. Lead areas

Accreditation and conformity assessment	DTI, Standards and Technical Regulations
Beef Labelling	DEFRA, Beef and Sheep Division
CE Marking	DTI, Standards and Technical Regulations
Eggs and Poultry Meat and labelling	DEFRA, Milk, Pigs, Eggs and Poultry Division
Enforcement	Local Authorities Coordinating Body on Food and Trading Standards (LACOTS)
EU ecolabelling scheme	DEFRA, Environment, Business and Consumers Division
EU energy labels	DEFRA, Environment, Business and Consumers Division
EU Protected Food Name Scheme	DEFRA, Marketing, Competition and Consumers Division
Farm animal welfare and labelling	DEFRA, Animal Welfare Division
Food Labelling	Food Standards Agency, Food Labelling
Footwear labelling	DTI, Consumer Affairs
Health, nutrition and other claims (food)	Food Standards Agency, Food Labelling
Labelling schemes - existing	DTI, Consumer Affairs
Medicines labelling	Medicines Control Agency, Product Information Unit
Misleading Advertising / Control of Misleading Advertising Regulations	DTI, Consumer Affairs
Organic Food	DEFRA, Rural and Marine Environment Division
Place of origin labelling (food)	Food Standards Agency
Private Sector Food Chain Assurance Schemes	DEFRA, Marketing Competition and Consumers
Quantity / volume / weight marking	DTI, Consumer Affairs
Regional Branding	DEFRA, Marketing Competition and Consumers Division
Safety labelling	DTI, Consumer Affairs
Social labelling	DWP
Technical Standards and Regulations Directive / notification of EU partners	DTI, Standards and Technical Regulations
Textiles labelling	DTI, Consumer Affairs
Trade implications of schemes	DTI, Trade Policy consulting with DfID and FCO
Trade Marks	Patent Office, Trade Marks and Designs
Trade Descriptions Act	DTI, Consumer Affairs
UK Accreditation Service	DTI, Standards and Technical Regulations
Wine	DEFRA, Food and Drink Industry Division

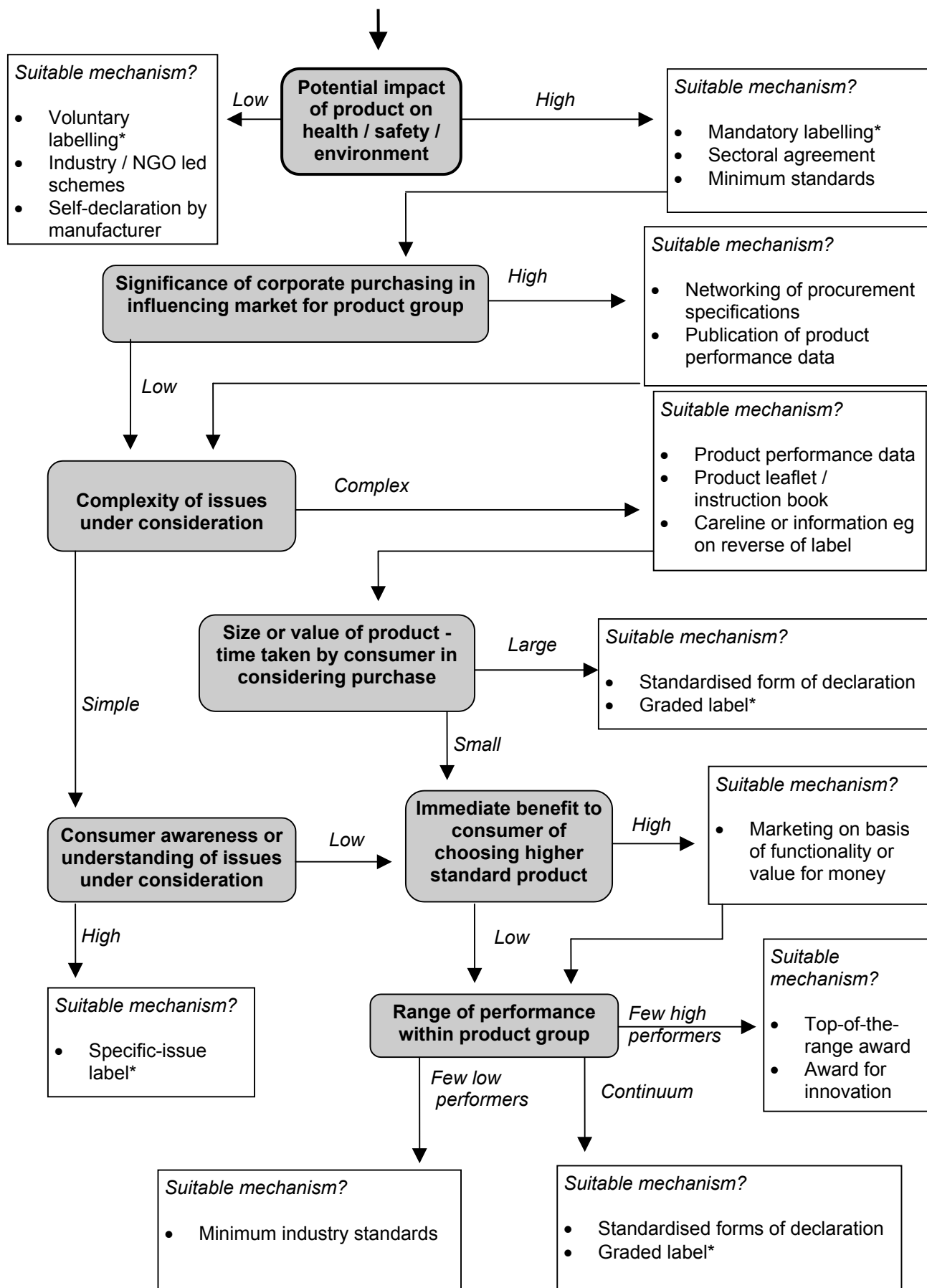
Flow chart for officials considering product labelling schemes







What type of consumer information is most suitable?



* Apply Checklist III.