

FOOD INDUSTRY ASSOCIATIONS: THEIR ROLE AND VALUE IN POLICY AND REGULATION

Food industry associations (or trade associations) provide a valuable mechanism for advising government on the practical and commercial implications of regulatory proposals, which can result in best practice regulation, assist government in protecting the public interest, and advance broader economic policy objectives.

A. Government, Industry and shared objectives

The fundamental roles of government are to secure broad social objectives, to protect the public interests, and to support economic growth and development. Industry's fundamental role is to create value through products and services and to ensure those products and services are

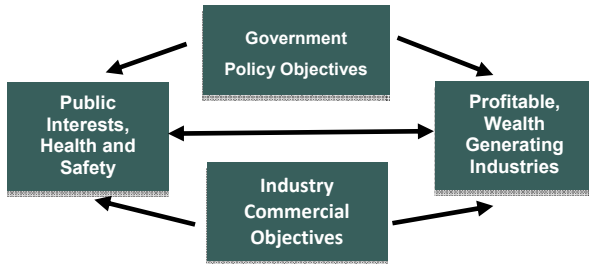


Figure 1. Government and industry have common objectives – economic development and community wellbeing.

safe and suitable for consumers. Meeting consumer demand for safe food and therefore protecting consumers is also a top priority for industry. Food safety incidents also are costly to address (e.g., with product recalls) and damaging to brands and businesses.

In this sense government and industry have shared objectives. Both want to meet the demands of the public, drive economic growth, and protect public interests.

B. The costs of regulation

It is generally recognised that regulations impose costs not only on the industries being regulated (costs of compliance), but also on government (enforcement costs) and on consumers (impacts on price and product availability). To regulate most effectively, these costs must be outweighed by benefits.

Therefore, when developing food safety regulations, it is not only in the industry's interest but also in the interests of government to estimate and minimize costs. It is good regulatory practice to conduct a regulatory impact assessment to ensure that the costs imposed on industry are less than the anticipated benefits from the regulations.

Regulation costs should be estimated through regulatory impact assessments

Imposing unnecessary costs is contrary to the government's objective of supporting wealth creation by industry.

It should be noted that developing economy governments may require technical capacity and additional resources to generate regulatory impact assessments and effectively manage food safety incidents.

C. The value of consultation

Designing cost-effective food regulations requires specialist technical, scientific, and legal skills coupled with practical knowledge of the food technologies and operational procedures used by the food industry. Government regulatory agencies may possess scientific expertise but they rarely have a deep understanding of food industry operations and the constraints (technical and commercial) under which they operate. This is why consultation with the food industry during development of food regulations is important. The food industry can provide input to government on the potential impact and cost of food regulations, as well as on how to meet regulatory

objectives whilst ensuring practical, cost-efficient implementation. The scientific and operational expertise that industry can provide in this regard may be particularly beneficial when it can assist developing economy governments by maximizing resource allocation and increasing technical capacity. Companies operating internationally and food industry associations with international links can also provide insights into global best regulatory practice.

Government / Industry information sharing through industry associations leads to better regulatory outcomes.

D. The role of food industry associations

Industry associations can assist with effective industry consultation by providing governments WITH a mechanism to canvas and collect the views of a broad range of industry representatives. Associations also act as conduits for information to inform their company members of the policy priorities of government relevant to their businesses. In turn they can inform government of the collective views of industry on regulatory matters including by providing advice regarding technical issues, practical constraints, unintended consequences, and potential commercial impacts. This can inform regulatory impact assessments, improve regulatory outcomes, and help government balance and achieve the dual objectives of protecting the public interest and supporting economic growth. Using associations as a tool to amplify and unify individual business voices also allows industry to more effectively convey common interests and priorities and minimize the likelihood of policy or regulatory initiatives which are unnecessarily costly.

E. Characteristics of effective industry associations

The most effective industry associations share certain key characteristics:

1. **Governance** – In accordance with the legal requirements of the country in which they operate, effective industry associations should carefully observe relevant competition laws and regulations and operate in all ways lawfully. They should have a constitution which details the primary objectives of the association, the terms of membership, and the governance arrangements such as the size of the board, and the election of directors.
2. **Representation** – Strong associations will have membership that includes a substantial portion of the industry sector they claim to represent, generally including a balanced representation of sizes of companies represented and also geographical location.
3. **Resources** – While resources and staffing will vary, effective industry associations should be well-resourced. Depending on member companies' needs, associations will generally maintain a secretariat with specialized staff able to address the portfolio of issue areas members require.
4. **Integrity** – Industry associations rely on the integrity of the information and positions they present to government. Positions must be fact-based, focussed on the issues relevant to the association's members, and maintain the highest standards for transparent management of interests.
5. **Credibility** – To build credibility, industry associations' positions must be consistent across the issues they address. This can be established by linking them back to agreed principles and frameworks, such as good regulatory practice.

6. **Communication** – Industry associations must maintain communication platforms to effectively represent their members' views to government, other stakeholders, and the wider community. Effective communication with its own members and to the wider community helps to build profile and assist advocacy.
7. **Strategic long term planning** – By developing strategic plans for their organization and for the wider sector they represent, industry associations. In doing so they can draw their membership together around common goals and provide a framework for prioritizing the work of the secretariat.
8. **Member responsive** – Most importantly, industry associations must respond to the views and priorities of their members. The members provide the resources for the organization, and they must receive real value for this investment. A virtuous cycle comprising effectiveness, member value, revenue and resources provides a self-sustaining model for successful industry associations (Fig. 2).

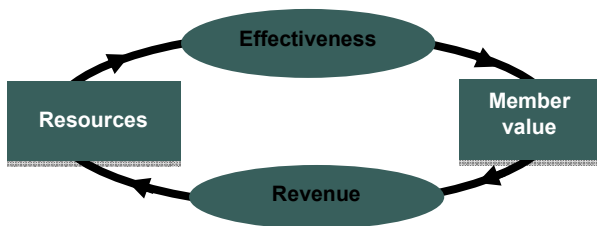


Figure 2. Member value, revenue, resources and effectiveness of industry associations are strongly linked.

F. Successful advocacy through engaging with government

Industry associations must be familiar with, and work to communicate with, governments during the regulatory development process, the main elements of which include:

1. **Problem identification** – the issue being addressed by proposed regulation should be clearly identified regarding its nature, its magnitude and ramifications if not addressed.
2. **Outcome sought** – the anticipated outcome of imposing the regulation needs to be specified with a clear statement of who will benefit, and what the benefit will be.
3. **Other options** – alternative approaches to achieve the same outcome need to be canvassed with an assessment as to why regulation is the preferred option.
4. **Regulatory impact assessment** – before enacting regulations a full assessment of anticipated benefits and harms should be conducted. The assessment should be quantitative including monetary estimates, and regulation should only be adopted if the benefits clearly outweigh the costs.

Through advocacy and consultation government learns of industry's positions, and industry understands government policy objectives.

5. **Consultation** – relevant stakeholders should be included in a formal, open, government-led consultation. Issues identified during the consultation should be addressed and, if necessary, the regulatory approach modified.

Such policy and regulatory frameworks provide governments confidence that regulations are necessary and will be effective. They also provide industry and the public with a mechanism to hold government accountable for its policy and regulatory interventions. The net result will be best practice regulation with proportionate regulatory

responses, where the most important issues with the most severe potential impacts will attract the most substantial regulatory intervention.

Credible, representative, well-governed industry associations can serve as a trusted source of knowledge and expertise for governments and can also disseminate information about government policy objectives. This two-way communication improves regulatory outcomes and can produce opportunities for other types of cooperation that also achieve common government, industry, and public goals.

G. Further observations on successful advocacy

Effective food safety regulations must be founded on strong scientific evidence. Regulatory decision making will take into account scientific evidence, political, commercial, and other considerations. Successful advocacy by industry associations relies upon understanding the various factors impacting regulatory outcomes. Ultimately decisions are made by people, and so establishing strong communication channels and professional relationships is paramount to successful advocacy.

Strong relationships are built on:

1. **Respect** – all stakeholders should be respected and their views and arguments judged on merit.
2. **Commitment** – advocacy must be flexible and open to developing acceptable outcomes and alternatives.
3. **Tolerance** – disagreements are frequent, but they can be constructive, ultimately leading to acceptable outcomes.
4. **Transparency** – all relevant interests and any potential conflict of interest in advocacy must be transparently declared and managed to maximize the benefits of consultation and minimize risks.
5. **Communication** – consistent and open communication will minimize misunderstandings and avoid entrenching suboptimal outcomes.
6. **Trust** – productive relationships are founded on trust. Trust is hard to secure, and if lost, advocacy becomes more difficult, if not impossible.

When the evidence base is not conclusive, human judgement will come into decision-making.

H. Conclusions

Industry advocacy has a legitimate and valuable role in assisting government's development of food safety regulations. Industry consultation is a key component of good regulatory practice that benefits all stakeholders in the regulatory process, including consumers. Industry associations are a critical vehicle for industry advocacy, but their effectiveness relies on establishing a track record of integrity and credibility from a strong fact and evidence base. This in turn allows strong relationships between industry and government and with other stakeholders, based on mutual respect and trust.

Industry-regulator dialogue based on respect and trust contributes to good regulatory practice benefiting all stakeholders.

Prepared by the **Australian Food and Grocery Council** (www.afgc.org.au) and the **Grocery Manufacturers Association** (www.gmaonline.org) on behalf of the Asia Pacific Economic Cooperation Food Safety Cooperation Forum Partnership Training Institute Network (<http://fscf-ptin.apec.org>).

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