

CLUBS AUSTRALIA SUBMISSION COUNTRY OF ORIGIN LABELLING FOR SEAFOOD

Clubs Australia welcomes the opportunity to comment on the proposed changes to mandatory country-of-origin labelling (CoOL) for seafood products.

Clubs Australia represents 6,000 licensed clubs that employ more than 140,000 people. Clubs are not-for-profit, member-owned organisations whose central activity is to provide sporting and recreation infrastructure to their members and the wider community.

Most clubs are small businesses and 69% do not operate gaming machines, demonstrating that food service is central to the club industry's performance. For instance, Australian clubs operate more than 5,000 restaurants and bistros, 1,600 cafes and more than 12,000 bars.

Clubs Australia has consulted widely with member clubs, wholesalers, and other relevant stakeholders in preparing this submission. While Clubs Australia does not support a mandatory CoOL scheme for hospitality venues, we have made a series of recommendations on implementing a mandatory CoOL scheme for seafood that will minimise regulatory costs, in the event that the Government implements this scheme.

SUMMARY OF RECOMMENDATIONS

- Enable businesses to display the origin of their seafood at the entrance to the restaurant or other visible location, rather than on printed menus.
- Delay enforcing the proposed rules until at least two years from Royal Assent.
- Make wholesalers – not food service providers – responsible for keeping record of the origin of any seafood ordered to support compliance checks.
- Exempt small businesses and instead run an educational campaign to encourage voluntary uptake of seafood CoOL for this cohort.

Deloitte Evaluation of CoOL Reforms

Supporting Australian made and sourced products is a priority for clubs. As NFP, member-owned businesses, the community expects its clubs to prioritise locally sourced products. Many clubs already promote the Australian sourced seafood on their menus and actively seek out local suppliers.

As described to Clubs Australia by one regional club, domestically sourced seafood is almost always labelled as such as the club understands consumers prefer locally caught produce. However, unlike the beef trade, Australian seafood is highly seasonal and supply often fluctuates throughout the year.

Clubs Australia notes an extensive report produced by Deloitte which recommended against any changes to the existing CoOL scheme. The report, which was commissioned by the Department of Industry, Science, Energy and Resources, notes that the current CoOL Scheme is not only efficient but, “perhaps more cost-effective than it was anticipated to be before implementation”.¹ Clubs Australia supports this report and, in-line with industry feedback, do not believe any change to the scheme will benefit either consumers or clubs.

¹ Country of Origin Labelling Cost Benefit Analysis, Deloitte Access Economics, 2021.

Clubs Are Sensitive to New Regulatory Costs

With rising inflation and increased pressure on household budgets, there is a risk of discretionary spending declining. Food services within clubs are already a low-profit revenue stream. An Independent Pricing and Regulatory Tribunal (IPART) review of the Registered Clubs Industry found that clubs make a loss on food, equivalent to 1.7% of total profit.²

Increasing red tape and creating further regulatory costs on an industry will squeeze already tight profit margins. Moreover, inflation has a uniquely potent impact on clubs because they are constrained in passing on higher costs to customers because customers tend to be voting members.

Displaying CoOL

Clubs Australia firmly believe there should be flexibility in how member clubs are expected to display their CoOL. For many venues, displaying information about the origin of seafood on physical menus would increase the cost of doing business, particularly considering menus would need to be reprinted every time the origin changes.

There is a risk that, if venues need to update menus every time supply switches from Australian to imported, it may become more efficient for clubs to drop Australian suppliers and source all their seafood products internationally where supply is more consistent.

A 2014 Senate Rural and Regional Affairs and Transport References Committee inquiry found that there are costs involved in implementing the Northern Territory scheme as referred to in the Discussion Paper. The Senate report notes that ongoing menu changes are the most substantive cost of the scheme.

It would be more efficient to enable the seafood CoOL to be displayed upon entry to the restaurant or food service area. Clubs could utilise digital screens, and specials or announcement boards to efficiently identify the country of origin of the seafood on the menu while not increasing costs to venues.

Clubs Australia recommends enabling businesses to display the origin of their seafood at the entrance to the restaurant or other visible location, rather than on printed menus.

Compliance and Enforcement

Supply issues in the seafood industry are common due to the highly seasonal nature of the industry and inconsistent domestic supply. The Australian Bureau of Agricultural and Resource Economics (ABARES) reports that Australia imports about 220,000 tonnes of seafood every year and 65% of seafood sold in Australia is imported.³

² Independent Pricing and Regulatory Tribunal, Review of the Registered Clubs Industry in NSW, 2008

³ Fisheries and aquaculture statistics 2021, ABARES, Department of Agriculture Fisheries and Forestry.

Venues are often required to source their seafood from different providers month to month depending on availability. A regional club gave feedback to Clubs Australia that its tiger prawns are usually sourced from Queensland, however, when there is not enough supply the prawns come from Vietnam. The club has a strong preference for the Queensland prawns however, this decision is often made for them based on supply.

In clubs, as in some restaurants, it is common for menus to change throughout the year based on the season and how consumer demands change. If a mandatory seafood CoOL scheme is legislated, enforcement should not begin until such a period whereby clubs have been able to monitor how their supply varies through the typical seasons. This would provide valuable insights for clubs regarding the fluctuation of seafood supply and how venues can be prepared for the introduction of labelling requirements.

Clubs Australia recommends delaying enforcing the proposed rules until at least two years from Royal Assent.

Considering the seasonal nature of seafood and clubs' reliance on wholesalers to source seafood products on their behalf, it should be the wholesaler's responsibility to keep adequate records of seafood origin.

Requiring clubs to keep their own records would be burdensome and time-consuming, creating additional communication between clubs and wholesalers. It is the wholesaler's duty to source the seafood and as such the onus should be on them to keep track of the origin and be prepared to supply that to authorities when required.

Clubs Australia recommends making wholesalers – not clubs – responsible for keeping a record of the origin of any seafood ordered to support compliance checks.

Mandatory Seafood CoOL Exemption

Clubs Australia supports the proposed exemptions from seafood CoOL as set out in the proposed model of the discussion paper. These include exemptions for local grassroots sporting or recreation clubs, and for fundraising events.

There are many clubs particularly in regional Australia which are wholly run by volunteers opening for a few days a week primarily for a sporting or recreational purpose, such as bowls. These clubs have a limited food and beverage offering. The additional compliance cost of mandatory seafood CoOL would be detrimental to their business and would drive most to completely drop seafood from their menu.

Small businesses – as defined by the ATO as having a turnover of less than \$10 million – should be exempt from mandatory seafood CoOL. Instead, it is proposed that the government run an educational campaign outlining the benefits for businesses of labelling seafood and encourage voluntary uptake of seafood CoOL. Exempting small businesses would acknowledge the costs associated with such a scheme while still supporting the domestic seafood industry by encouraging small businesses to voluntarily provide seafood CoOL.

Clubs Australia recommends exempting small businesses and instead running an educational campaign to encourage voluntary uptake of seafood CoOL.



Contact Information

Clubs Australia appreciates the opportunity to provide a submission. For further information, please contact Simon Sawday, Executive Manager of Policy and Government, at ssawday@clubsaustralia.com.au.