AUSTRALIAN FOOD & GROCERY COUNCIL

AFGC SUBMISSION

RE: THINK

TAX DISCUSSION PAPER, JUNE 2015

Sustaining Australia

SUMMARY

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to lodge this submission in response to the tax discussion paper *Re:Think, Better Tax System, Better Australia*.

The Tax Review is a vital opportunity for the Australian Government to provide a much needed boost to jobs, growth and investment, through designing a more efficient and simplified tax system that raises Australia's international competitiveness as a market in which to invest and do business.

The Tax Review can achieve these outcomes for the Australian economy by moving the tax base to a viable long-term position using a mix of taxes that imposes the least economic distortions.

It is well recognised that Australia places an overly high reliance on income and company taxes by international standards and that this mix is problematic. As the Intergenerational Report showed, demographic changes are leading to a declining income tax base. It is also known that company taxes impose a higher level of economic costs than other taxes. There is a need to shift from our heavy reliance, by international comparisons, on personal income taxes and company taxes, to more efficient taxes that have a less distortionary effect on the economy.

The Tax Review also presents an opportunity to improve Australia's attractiveness as a market in which to invest and conduct business. With the drop off in mining investment there is a need to broaden the base of Australia's economy. The Australian Government has identified food and agribusiness as a future growth sector[1], with enormous potential to turn our high quality agricultural production into high value, premium priced food for the growing middle class markets in Asia and beyond.

However, challenges faced by food and grocery manufacturers in the domestic market risk hampering Australia's competitiveness and appetite to invest in new plant and equipment. The AFGC has therefore proposed a short-term investment incentive to bring forward investment in food and grocery processing, which would help turn around the continuing decline in non-mining investment.

Other areas of tax reform that will help boost jobs, growth and investment in the food and grocery manufacturing sector are improvements to the research and development investment allowance and reform of taxes on input costs, such as payroll taxes and stamp duties, which are a deterrent to jobs growth and investment.

An area of tax reform not supported by the AFGC is the introduction of corrective taxes, such as on sugar, fat or sodium. Such taxes are inefficient, inequitable and there is no evidence supporting their effectiveness in achieving health policy objectives.

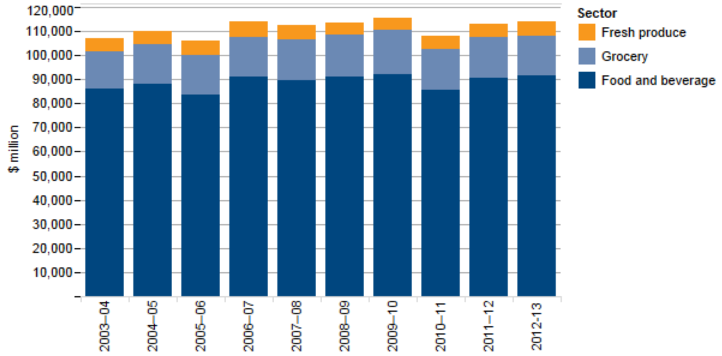
[1] Australian Government, *Industry Innovation and Competitiveness Agenda*, October 2014

PREFACE

The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, drink and grocery manufacturing industry.

The membership of AFGC comprises more than 178 companies, subsidiaries and associates which constitutes in the order of 80 per cent of the gross dollar value of the processed food, beverage and grocery products sectors.

Fig 4.1: Composition of the industry's turnover ($2012-13)



Source: Based on ABS, catalogue number 8221.0, 8159.0 and 8155.0
Note: As outlined in chapter 3 of the State of the Industry 2014 report, caution should be applied when comparing data before and after the 2006 ANZSIC code changes.

With an annual turnover in the 2013-14 financial year of $114 billion, Australia's food and grocery manufacturing industry makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

Manufacturing of food, beverages and groceries in the fast moving consumer goods sector is Australia's largest manufacturing industry. Representing 27.5 per cent of total manufacturing turnover, the sector accounts for over one quarter of the total manufacturing industry in Australia.

The diverse and sustainable industry is made up of over 27,469 businesses and accounts for over $55.9 billion of the nation's international trade in 2013-14. These businesses range from some of the largest globally significant multinational companies to small and medium enterprises. Industry spends $541.8 million in 2011-12 on research and development.

The food and grocery manufacturing sector employs more than 299,731 Australians, representing about 3 per cent of all employed people in Australia, paying around $12.1 billion a year in salaries and wages.

Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost half of the total persons employed being in rural and regional Australia. It is essential for the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

Australians and our political leaders overwhelmingly want a local, value-adding food and grocery manufacturing sector.

1. PRINCIPLES OF GOOD TAXATION

AFGC supports the well-accepted principles of a good taxation system, namely that it should be:

- Efficient - through being targeted at well-defined objectives,
- Equitable - avoiding unwarranted and unforeseen burdens on individuals or parties, and
- Simple - by imposing minimal compliance and enforcement costs on the community.

In addition to being designed in accordance with these principles, it is important that Australia's tax system is internationally competitive and supports jobs, growth and investment in the Australian economy.

2. THE NEED FOR TAX REFORM

1.1 AUSTRALIA'S INTERNATIONAL COMPETITIVENESS

As with many sectors of the Australian economy, the Australian based food and grocery manufacturing sector is competing in global supply chains with mobile capital that is increasingly drawn to locations, such as the Asia Pacific region, that have lower company tax rates and better investment incentives than Australia.

An internationally competitive taxation system would encourage food and grocery manufacturing companies to maintain existing, and invest in new or expanded, operations in Australia. This would contribute to economic and employment growth as well as ensuring a diversified economy that is resilient to future economic shocks. In the absence of taxation reform, Australia risks losing existing operations and future investments in food and grocery manufacturing to other countries that offer more competitive taxation arrangements.

The need for tax reform can be seen clearly in the results from the 2014-15 Word Economic Forum Global Competitiveness Index, which identifies Australia's tax rates and tax regulations as the 2nd and 5th most problematic factors for doing business in Australia, respectively. Of the 144 countries measured by the World Economic Forum, Australia ranks a low 74th on the effect of taxation on incentives to invest, and 80th on the effect of taxation on incentives to work. Lastly, Australia ranks 104th for the significant share of profits collected through tax (47%).

From 2004, Australia was listed in the top 20 competitive economies in the world. However, in 2013-2014 Australia slipped to 21st and in 2014-15 to 22nd position. The impact of taxation on Australia's falling competitiveness cannot be ignored – it is consistently identified as a key constraint along with the burden of general government regulation, labour market inflexibility and lack of productivity.

On the effect of taxation on incentives to invest, Australia (74) is ranked alongside Kenya (76), Bolivia (77) and Sierra Leone (78) and not our competitors including New Zealand (24), United Kingdom (25) and the United States (34). On the effect of incentives to work, Australia (80) is ranked alongside Iran (81), Pakistan (82) and Suriname (83) and not our competitors New Zealand

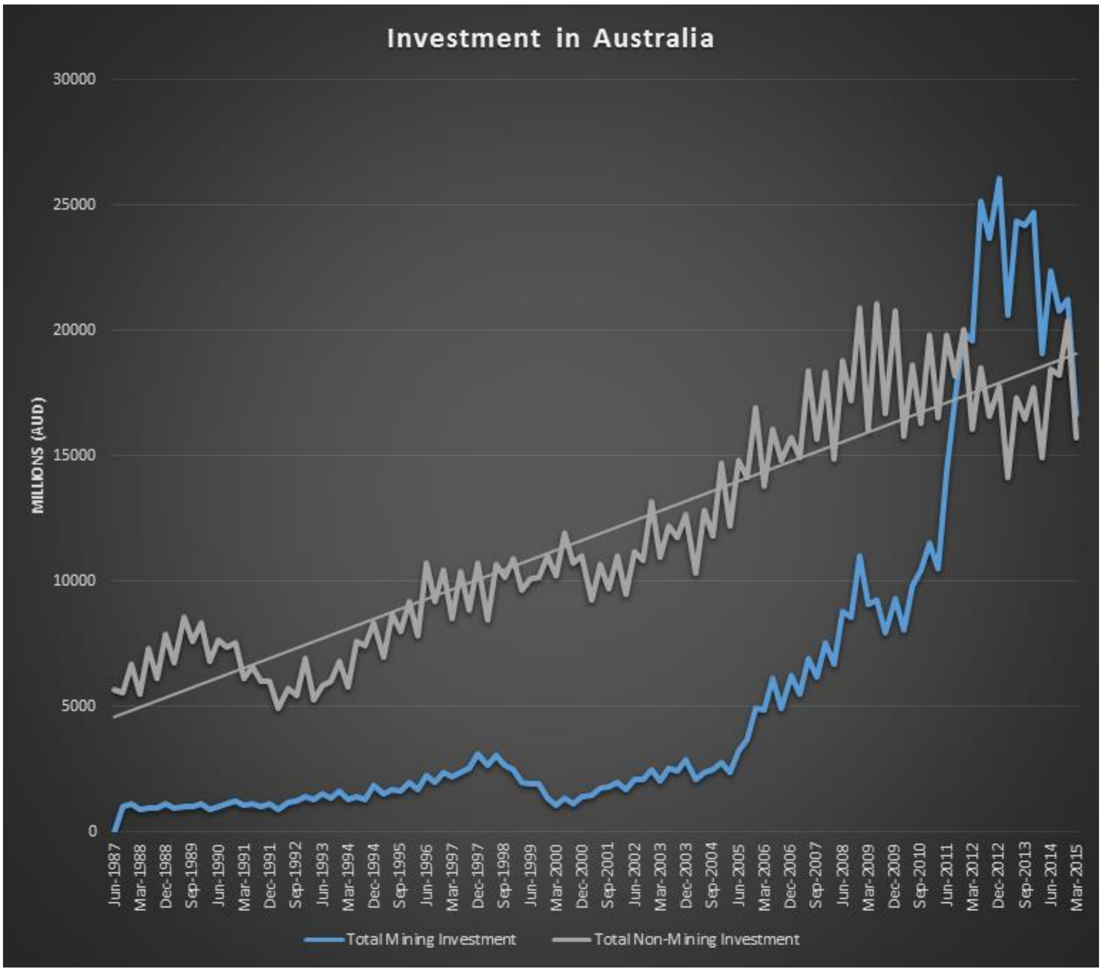
(12), Canada (23) and the United States (37). Clearly Australia has a critical opportunity to improve taxation arrangements to better compete with like countries.

1.2 GROWTH AND INVESTMENT

The Australian economy has been exceptionally stable and resilient during recent tough global conditions. This has been due to a number of factors including strong investment activity in the minerals and energy sectors.

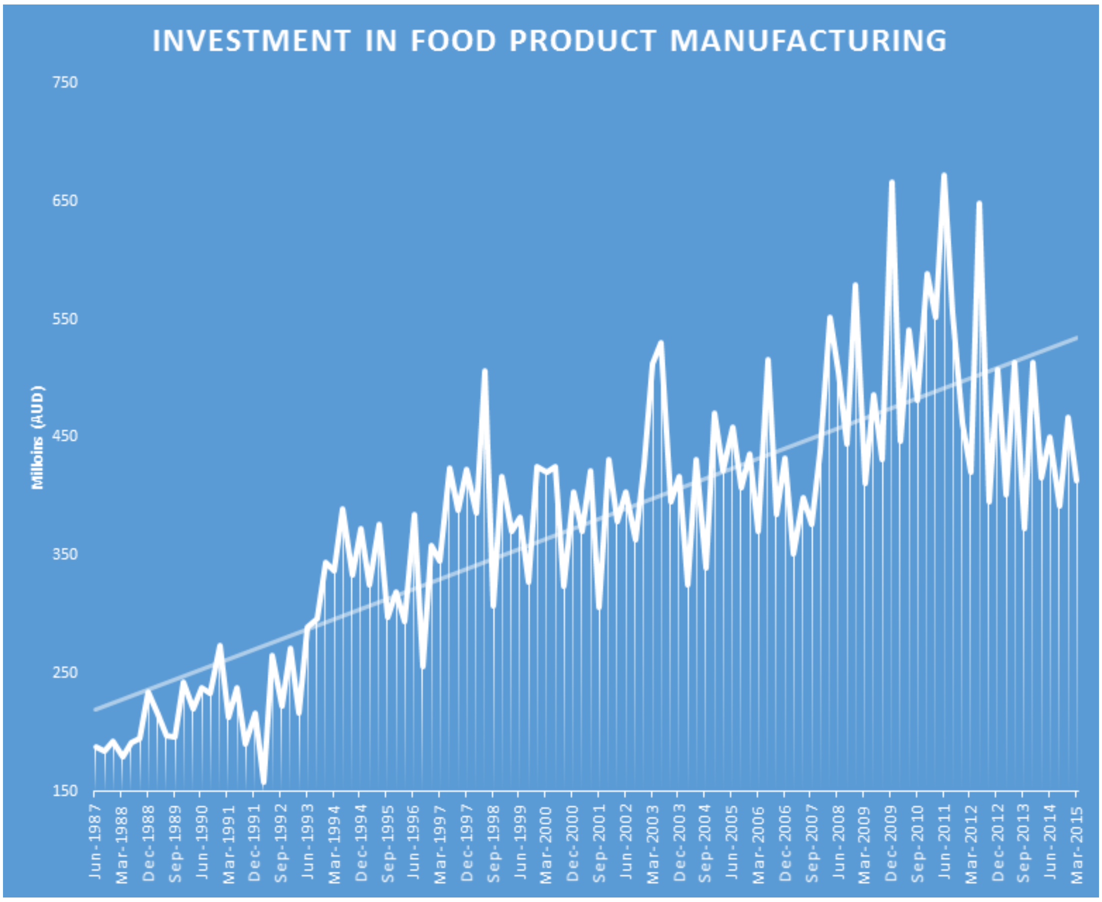
However, the sluggishness of the global economy, high labour and capital costs, and the strong exchange rate have caused a drag on the trade-exposed non-mining sectors of the economy. It is likely that it will take some time before these pressures moderate and, until then, Australia will suffer to some extent from being a high cost location from which to produce and export, and in which to compete with imports. As discussed above, Australia's taxation system compounds these negative effects on Australia's competitiveness.

Australia is currently experiencing a drop off in investment in the mining and energy sectors, as major projects move from the construction to operational phase. However of great concern is that there has been no upturn in non-mining investment to compensate. In fact, to the contrary, the most recent ABS statistics highlight the fall in non-mining investment in Australia (graph below).



Source: ABS 5625.0 Private New Capital Expenditure and Expected Expenditure, Australia, 28 May 2015

As the following graph shows, there has been a significant fall in investment in food product manufacturing in recent years to below trend levels. This is occurring at a time when Australia should be expanding production scale and innovation to take advantage of growing global demand for food and consumer goods.



Source: ABS 5625.0 Private New Capital Expenditure and Expected Expenditure, Australia, 28 May 2015

3. TAX REFORMS TO SUPPORT ECONOMIC GROWTH

The emergence of a large consumer market in our local region provides significant opportunities for Australian food and grocery manufacturers. As economies near to us become more affluent, their taste and preferences will likely change towards higher value added products and away from subsistence items.[2] Australia's ability to harness these opportunities comes down to our ability to be innovative and competitive.

However, despite these opportunities, cost and profitability pressures (including rising input costs, retail price discounting and an increase in low cost imports) risk dampening the Australian food and

[2] In 2014 AFGC, with funding assistance from the Australian Government, released market insight reports that indicate the opportunities that exist for exports of processed food products to Thailand, China and Malaysia. The reports are available at http://www.afgc.org.au/our-expertise/sustainability-and-trade/afgc-market-insights-china-malaysia-and-thailand/

grocery manufacturing sector's ability to capitalise on these opportunities and drive a recovery in non-mining economic growth.

To stimulate investment and growth in the Australian food and grocery manufacturing sector, at a time when domestic investment in the non-mining sectors of the economy is falling, the AFGC considers there is a need for a package of taxation measures with the following elements:

i) A simplified research and development (R&D) tax incentive,
ii) An investment allowance for investment in capital works, plant and equipment, and
iii) Reduced taxes on input costs, such as state based payroll taxes and stamp duties.

3.1 R&D TAX INCENTIVE

For Australian based manufacturers to succeed in the growing, internationally competitive, global food and grocery markets there is a need for R&D into new products, packaging and processes. In the absence of a simple, internationally competitive R&D tax incentive system in Australia, companies will increasingly consider undertaking their R&D activities (and capital investment) in other countries that place a higher value on, and give more support to, R&D.

In October 2014, the Australian Government released the *Industry Innovation and Competitiveness Agenda*, which stated that Australia must pursue industry policies that focus on innovation and entrepreneurship. The Re: Think Discussion Paper states that the R&D tax incentive is the primary mechanism through which the Government seeks to encourage companies to undertake R&D activities in Australia.

The AFGC is therefore surprised and concerned that the Government has recently introduced a bill to reduce the R&D tax incentive rate by 1.5 per cent, and to apply the rate reduction retrospectively to 1 July 2014. This is despite the fact that the offsetting reduction in company tax rates has not resulted, other than for small businesses. This change is premature given there has been no assessment made of the impact that this reduction will have on the willingness of companies to undertake R&D in Australia. It also sends a mixed message – that the Government recognises the need for industry to innovate, yet is reducing the main support that is intended to encourage businesses to undertake R&D.

The AFGC strongly supports continuation of the R&D tax incentive and argues that the bill to reduce the rate should be withdrawn. However, as the following comments indicate, the current system is overly complex and therefore opportunities to encourage additional R&D are being lost.

In terms of the operational aspects of the R&D tax incentive, the AFGC offers the following comments:

- The application process is overly complex and costly:
    - This is demonstrated by the fact that companies and their regular accountants are often unable to understand the eligibility criteria and complete the necessary forms, so they need to engage expert consultants at considerable cost.

  - Such expertise is often too costly for small to medium sized companies to engage, and they lack the time and resources to provide the necessary level of detail required in the applications, so they are missing out on the incentives to undertake R&D.

  - The system is complicated by the fact it is administered by two bureaucracies – the Australian Tax Office and AusIndustry, which increases the amount of justification that companies have to provide.

- There has been a reduction in the number of activities that are eligible to be claimed. For example, the development of software is ineligible even where it is an essential support for ‘core activities’. There is therefore a need to re-examine the types of R&D activities that are/ should be eligible for the tax incentive, particularly given the changing nature and use of technology in manufacturing processes.

- Within the food and grocery manufacturing sector, new product development such as developing a loaf of bread with an extended shelf life, can involve several activities undertaken in different locations. The application process for the R&D tax incentive discourages the grouping of these projects, making it very resource intensive to fill in a separate form with separate justification for each individual activity. Companies therefore do not see the tax incentive as encouraging them to undertake such projects.

The AFGC recommends that the Government retain the current level of R&D tax incentive; simplify the application process; and review the scope of eligible activities, with the aim of ensuring that Australia’s R&D system is internationally competitive.

3.2 TARGETED INVESTMENT INCENTIVES

As shown in section 2.2, investment in food product manufacturing has been in a trend of decline since about 2011. This is despite the fact the food and grocery manufacturing sector faces export growth opportunities due to rising global demand for food and rising incomes in neighbouring countries.

Some of the investment inertia arises from the fact that Australia’s food and grocery manufacturing sector has faced a fall in its international competitiveness as a result of a transitioning economy – with structural change occurring both domestically and at a global level.

A credible case can be, and in the past has been, made for short-term targeted and finite assistance for sectors that face temporary factors that affect their long-run competitiveness. On this basis, the AFGC is proposing a three year 30 per cent investment allowance for plant and equipment in Australian based food and grocery manufacturing. The intent of the investment allowance is to stimulate new investment or bring forward investments that are otherwise being held back.

The attached report, prepared by KPMG, *Economic Modelling of an Investment Allowance for the Food and Grocery Sector,* provides detailed justification for the proposed allowance and modelling of its economic impact. It is important to note that the modelling shows a positive return of up to $750 million per annum to the federal budget in year four, once the investments are operational.

This additional taxation boost stems from the fact the increased investment stimulated by the allowance contributes to a larger economy.

The modelling, undertaken in early 2014, included two scenarios based on varying assumptions about investment responsiveness to rates of return (which are affected by interest rates). Access to more funds at lower interest rates would potentially affect this responsiveness to invest. The current low interest rate environment may make the higher responsiveness scenario results more likely.

3.3 REDUCED TAXES ON INPUT COSTS

State based payroll taxes, stamp duties (for example on motor vehicles and financial transactions) and conveyancing duties (for example on new commercial premises) are effectively taxes on input costs and are therefore a disincentive to employment growth, wages growth and company growth.

The food and grocery manufacturing industry is a labour intensive industry, employing more people than the mining and transport equipment manufacturing industries combined and contributing 33.7 per cent of all manufacturing industry jobs. Approximately 45 per cent of all persons employed in the industry work in rural and regional areas.[3]

Payroll tax is a disincentive for boosting employment in this sector and, in particular, the threshold is a disincentive for employment growth by small businesses.

Payroll tax, stamp duties and conveyancing duties are inefficient taxes, with a higher marginal excess burden (MEB) compared to other taxes. The modelling of marginal excess burdens undertaken by Treasury for the Tax Review did not include the MEB for payroll tax. A study undertaken by KPMG in 2010 estimated that every additional dollar earned from payroll tax results in a loss in consumer welfare of 41 cents.[4] This was estimated to be a higher economic distortion than most other taxes.

In addition to the fact that such taxes result in a high economic distortion, they result in a high administrative and compliance burden for companies that operate in multiple jurisdictions due to the need to understand the different ways payroll tax is calculated (rate, thresholds and applicable definitions) and to complete multiple payroll tax returns.

It would be efficient to replace payroll tax, stamp duties and conveyancing duties with taxes that have a lower economic cost per dollar of revenue raised. The removal of these taxes would help to boost jobs, investment and economic growth.

4. CORRECTIVE TAXES

The tax discussion paper raises the question of whether Australia has the right mix of taxes and whether changes could improve the mix.

[3] AFGC, *State of the Industry*, 2014, p. 46
[4] http://www.taxreview.treasury.gov.au/content/html/commissioned_work/downloads/KPMG_Econtech_Efficiency%20of%20Taxes_Final_Report.pdf

From time to time, there are calls from various groups for corrective taxes, such as sugar or fat taxes, to change consumer behaviour. Such taxes are proposed on the basis that certain consumer behaviours (such as consumption of sugar or fat) result in costs (such as through the health budget) being borne by the community (a negative externality). It is purported that a tax on the consumption of sugar and fat can alter behaviour and therefore reduce the costs borne by the community.

The AFGC supports a tax system based on the principles of good taxation (listed above) – the tax must be efficient/ well targeted), equitable and compliance costs minimal. The AFGC argues below that corrective taxes in the form of a sugar or fat tax does not meet these criteria and should not be implemented.

4.1 NOT LINKED TO NUTRITION AND HEALTH OUTCOMES

The AFGC does not dispute that poor nutrition is associated with poor health outcomes. In Australia, there are a number of preventable illness including cardiovascular disease, diabetes, osteoporosis and many cancers that have diet as a factor in their causes. The incidence of adult obesity is also reflective of poor lifestyle choices, including inactivity, as well as poor diet choices, and to some extent, genealogical factors.

The food industry recognises that it has a role to play in the provision of healthy food choices, and to that end has invested significantly in reformulation, as well as research and development and portion size control. The food industry actively participates in a number of initiatives to help inform consumers with regard to nutrient intake including the Healthier Australia Commitment, the Daily Intake Guide and the Health Star Rating program.

Corrective taxes on single nutrients – such as sugar, sodium or fat – are sometimes suggested as possible policy measures to combat obesity. Corrective taxes that are focused on a single nutrient are problematic and unlikely to succeed because they are:

- Ineffective: single nutrient taxes incorrectly assume that nutrient alone may affect an individual's health outcome. The consumption of sugar, sodium or fat doesn't necessarily cause obesity, non-communicable disease or shortened life expectancy; these outcomes are dependent on factors including lifestyle, physical activity and genetics. While a single nutrient tax (or a tax targeted at a particular type) may reduce the population's total overall consumption of that product type, there is little evidence to suggest that this would result in a commensurate improvement in health outcomes, or indeed, even in consumption of total kilojoule intake by an individual or amongst the entire community.

  Some common corrective taxes targeting a specific nutrient include taxes on soft drinks or products with a certain level of saturated fat. While these taxes may reduce the consumption of that particular product, consumers may switch to other products with equally high levels of the nutrient (for example juice products). Indeed, research in the US into taxation rates of soda indicates that although a higher tax will lead to a moderate decline in consumption in soft drink by children and adolescents, this is offset by consumption of other high kilojoule drinks[5].

- Inefficient: In considering the design of corrective taxes, a core consideration for policy-makers must be whether the tax is efficient, that is, whether it achieves its objective at the least possible cost to economic efficiency and with minimal administration and compliance costs. Corrective taxes, by their nature, are assumed to encourage behavioural change, but in considering whether such a tax is an appropriate policy prescription, weight must be given to the broader costs. In relation to single nutrient or product-specific taxes, these costs include the impost on consumers who moderate their intake and practice a healthy lifestyle, the disproportionate impact on lower income earners, for whom consumption expenditure makes up a larger proportion of their total income, and the flow-on effects in regard to employment and business investment. A fat tax would be regressive, taxing the poor proportionately more than the rich. Poor people who are not overweight or obese would be caught by the tax, even though their consumption of 'bad' foods is not causing them to be either overweight or obese.

The Henry Tax Review explicitly examined the case for a 'fat tax' as part of its discussion on enhancing social and market outcomes through tax policy. The Review found that any 'fat tax' (or tax on salt or sugar for example) should be rejected because[6]:

- Spill-over costs are difficult to quantify and it is not established that any such costs exist; indeed, unpriced spill-over costs are prevalent in taxation policy responses to health, social and environmental externalities. Care should be taken in considering whether to impose corrective taxes.

- While there is a relationship between obesity and health and productivity costs, the relationship between these costs and the consumption of a single food product or type is complex and dependent on factors including overall diet, physical activity and inherited and social factors.

- Any quantifiable health benefits from a fat tax must be weighed against the cost to those people who are at low risk.

EVIDENCE

One of the strongest analyses of policy options for reducing obesity comes from the McKinsey Global Institute Report *Overcoming Obesity* (November 2014)[7].The report modelled and compared a 10% sugar and fat tax against fifteen other intervention groups to assess the efficacy of these

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[5] Fletcher, Frisvold and Teff, *The effects of soft drink taxes on child and adolescent consumption and weight outcomes* 17 September 2010 http://www.sciencedirect.com/science/article/pii/S0047272710001222

[6]http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_2/chapter_e.htm

[7]http://www.mckinsey.com/insights/economic_studies/how_the_world_could_better_fight_obesity

policy options. The tax option ranked fourth lowest in terms of disability-adjusted life years saved (DALYS), and was the ninth most expensive option considered per DALYS.

Furthermore, the evidence strength rating of each proposal was assessed using the Oxford Centre for Evidence-Based Medicine 2011 Levels of Evidence system. The fat and sugar tax fell in the lowest classification rating – Level 1 – where the quality of evidence is “logic based on parallel or indirect evidence with no direct evidence for change in weight or change in consumption or physical activity levels.” In contrast, the highest classification rating – Level 5 – is awarded to proposals for which there is “sufficient evidence of effectiveness on weight. Based on systematic review of randomized trials on weight change.”

A CASE STUDY IN UNINTENDED CONSEQUENCES: THE DANISH FAT TAX

In 2011, the Danish Government introduced a tax on food products containing more than 2.3% saturated fat, including butter, dairy products and meat. The tax was abolished after one year because of a community backlash and the emergence of unintended consequences from the imposition of the tax. These spill-over costs has not been properly considered or accounted for in the original development of the tax. The costs included:

- High administrative burden on industry: both food producers and retailers were faced with the task of assessing each product sold for saturated fat content. In many case, it was technically unfeasible to determine the values of saturated and unsaturated fats in a product and in these cases, the tax was imposed based on the entire fat content. Estimates of the administrative cost to business were in the range of $27 million[8].

- Favoured big business over small business – the administrative burden fell disproportionately on smaller retailers and producers who were unable to pass on the administrative burden to consumers and were required to absorb the cost. Speciality producers such as cheese-makers and butchers were particularly hard hit by the tax[9].

- Damaged domestic producers and retailers – Given Denmark’s open borders and close proximity to other countries (particularly Germany) it is no surprise that the introduction of the fat tax so a 10% rise in cross-border shopping from 2011 to 2012[10]. While corrective taxes are designed to discourage purchase of a product, policy-makers must be wary that consumers may seek to consume the product without paying the tax.

4.2 HYPOTHECATED TAXES – THE PUBLIC POLICY DANGER

Some lobby groups have proposed an alternative argument for the imposition of single nutrient taxes – that the revenue raised from the taxation source can be ‘ring-fenced’ from general government revenue and used to fund obesity prevention programs directly. There is, in this form

[8] Petkantchin, V. “‘Nutrition’ taxes: the costs of Denmark's fat tax”, *Institut Economique Molinari*, May 2013
[9] http://www.economist.com/news/europe/21566664-danish-government-rescinds-its-unwieldy-fat-tax-fat-chance
[10] ibid

of proposal (known as a hypothecated tax), an implicit acknowledgement that single nutrient taxes are ineffective at reducing obesity-related disease. There are a number of public policy reasons why hypothecated nutrient taxes should be rejected by government:

- Lack of transparency – designed in its purest form, a hypothecated tax should be the only source of revenue allocated to a particular policy goal, so that the public understands the full cost of the policy action[11]. In reality, hypothecated taxes tend to make up only a part of the total expenditure on a policy. For example, the Medicare levy contributes only about a quarter of the revenue required to fund that system[12]. In this way, hypothecation can mask the true cost of a policy to the community; indeed, the alternative can also occur, where declines in total government expenditure on a policy can be hidden by the hypothecation (money being fungible, increases in one tax can offset reductions in other related government expenditure).

- Absence of accountability – a general principle of good governance is that the way in which money is raised should not determine spending priorities. By removing the responsibility to determine public policy priorities from government ministers, hypothecation essentially removes their core purpose - the reason for which they are elected[13].

- Variability in revenue – a hypothecated nutrient tax would be subject to an unpredictable revenue stream dependent on the health of the economy, rather than the public policy need. The great danger in tying funding of a policy to a particular tax is that it has the potential to create waste in times of economic growth and expenditure cuts when consumer spending is depressed[14].

5. CONCLUSION

The Tax Review is a much needed opportunity to design a more efficient, equitable and simple tax system that makes Australia a more internationally competitive market in which to invest and conduct business. Tax reforms have the potential to boost jobs, growth and investment in the Australian economy.

Such growth potential exists in the food and grocery manufacturing sector, however investment and employment is currently being held back, in part due to an uncertain economic environment, as well as structural changes in the global and domestic economies. To support jobs, growth and investment in the food and grocery manufacturing sector, AFGC recommends the Government:

i) Simplify the process and expand the scope of eligible activities within the research and development (R&D) tax incentive,

[11] Carling, Robert, “Tax Earmarking – Is it Good Practice?” CIS Policy Monograph 75, 2007
[12] ibid
[13] Seeley, Antony, “Hypothecated Taxation”, House of Commons Library 27 September 2011
[14] Doetinchem, O, “Hypothecation of tax revenue for health”, World Health Report (2010) Background Paper, No 51

ii) Introduce a three year 30 per cent investment allowance for investment in capital works, plant and equipment in the food and grocery manufacturing sector, and

iii) Reduce taxes on input costs, such as through the elimination of state based payroll taxes and stamp duties.

iv) Resist calls for corrective taxes on single nutrients, such as sugar, fat and sodium, as they are inefficient, inequitable and there is no evidence supporting their effectiveness in achieving health policy objectives.