**Pre-Budget submission 2019-2020**

**Submission to Treasury**

**Obesity Policy Coalition**

**January 2019**

**About the Obesity Policy Coalition**

The Obesity Policy Coalition (OPC) is a partnership between Cancer Council Victoria, Diabetes Victoria, VicHealth and the Global Obesity Centre at Deakin University, a World Health Organization (WHO) Collaborating Centre for Obesity Prevention. The OPC advocates for evidence-based policy and regulatory change to address overweight, obesity and unhealthy diets in Australia, particularly among children.

**Recommendations**

The OPC makes the following recommendations to Treasury for the 2018-2019 Australian Government budget:

* Fund the development and implementation of a whole-of-government national obesity prevention strategy, including the measures outlined below.
* Increase spending on preventive health, with a particular focus on programs to reduce the growing burden of overweight and obesity, and associated chronic disease.
* Introduce a health levy on sugary drinks[[1]](#footnote-1) to effect a retail price increase of at least 20%, generating significant revenue and reducing obesity levels.

**Introduction**

The OPC welcomes the opportunity to make a pre-budget submission to the 2019-2020 Australian Government (Government) budget. Obesity is a critical issue in Australia from both a health and economic perspective. The National Health Survey for 2017-18 reports that two-thirds (67.40%) of Australians are overweight or obese and around one-quarter (24.9%) of children ages 5-17 are overweight or obese.[[2]](#endnote-1) Of concern was a large increase, of nine percentage points, in 18-24 year olds in the three years since the previous survey. From a health perspective, these alarming figures mean that a large proportion of the population is at heightened risk of non‑communicable diseases including cardiovascular disease, type 2 diabetes and some cancers.[[3]](#endnote-2) From an economic perspective, high rates of obesity and associated chronic disease and lost productivity cost the Government, as well as State and Territory governments, businesses and individuals, a staggering amount.

To address this critical public health issue, the OPC advocates for a comprehensive range of measures to be introduced by government, including those recommended in this submission. For more information on the policies and positions supported by the OPC, please see our website at [www.opc.org.au](http://www.opc.org.au/).

**Recommendation 1: Fund the development and implementation of a National Obesity Prevention Strategy**

The COAG Health Council recently announced support for the development of a National Obesity Prevention Strategy. We welcome this announcement and recommend the Government commit appropriate funding and resources to develop and implement a national obesity prevention strategy.

A national obesity prevention strategy would outline a whole-of-government approach to addressing obesity, and should detail actions to be taken by the Government and other key stakeholders to meet set targets over the longer term. The strategy must also include appropriate funding, resourcing and monitoring to assess progress against set targets and milestones. This approach can be seen in other countries, for example in the United Kingdom’s strategy *Childhood obesity: a plan for action*, Chapter 2.[[4]](#endnote-3)

We ask the Government to allocate funding to enable the strategy to be implemented as soon as it is finalised, in the 2019-2020 financial year if appropriate. This funding should be new and should not come from existing allocations

**Recommendation 2: Increase spending on preventive health**

We strongly urge the Government to significantly increase spending on preventive health, focusing on programs and policies targeting overweight, obesity and associated chronic disease.

Current spending on preventive health does not match the significance of the problem and makes it difficult to achieve real progress. In the 2016‑17 financial year, Australian Government spending on public health (which includes prevention activities) was only 1.5% of total recurrent health spending, with the average annual growth rate of constant price public health spending increasing around half as fast as total health expenditure from 2006‑07 to 2016-17, widening this gap between significance of problem and available funding.[[5]](#endnote-4)

Given the severity of the problem, what is needed is a substantial, long-term investment in obesity prevention. An impactful level of investment would be similar to that provided as part of the now-ceased National Partnership Agreement on Preventive Health.

This type of significant funding increase could be invested in evidence-based policies and programs aimed at preventing and reducing obesity across Australia. A comprehensive package of measures is required to address the many contributors to obesity, to be detailed in the National Obesity Prevention Strategy outlined above. In particular, we would like to see increased funding for community-led systems-based intervention programs, those that deliver multi-component interventions across a range of settings that influence an individual’s daily environment. These interventions, however, require significant levels of funding beyond those currently provided by the Government.

**Recommendation 3: Introduce a health levy on sugary drinks to increase the retail price by 20%**

Background

Sugary drinks are a significant contributor to obesity in Australia. Robust evidence has associated the consumption of these products with increased energy intake, weight gain, diabetes and dental erosion.[[6]](#endnote-5) Australians are high consumers of sugary drinks. A 2016 analysis of added sugar consumption in the Australian population found that sugary drinks accounted for the greatest proportion of added sugar intake in the population.[[7]](#endnote-6)

Health levies on sugary drinks are a ‘win-win’ for governments. In addition to raising revenue to be spent in the national interest or on public health initiatives, there is evidence that they can reduce consumption and improve population weight and health outcomes. [[8]](#endnote-7) [[9]](#endnote-8)

We recommend the introduction of a levy to increase the retail price of sugary drinks by a minimum of 20%, as this is what has been shown to be effective in changing behaviour. An Australian modelling study found that a 20% health levy on sugary drinks could result in a 12.6% decline in consumption of sugary drinks and an overall decline in obesity of 2.7% in men and 1.2% in women. It is estimated that 1,606 more Australians would be alive in 25 years if the levy were introduced.[[10]](#endnote-9)

Research around the world shows that these levies can be influential in improving diets across the population by encouraging companies to reformulate their products or making healthier options more affordable, raising revenues for governments to spend on obesity prevention, or both. This impact was recognised by the Senate Select Committee Inquiry into the obesity epidemic in Australia, with the final report noting the Committee *“…is of the view that the introduction of a SSB tax will have a significant impact on reformulation… [and] believes that a SSB tax will influence purchasing and consumption behaviour.”*[[11]](#endnote-10)

Sugary drink taxes have been implemented in many countries around the world. Evidence from Mexico has found a sustained reduction in sugary drinks consumption following the 2014 introduction of a levy on sugary drinks of approximately 10%, with the biggest fall in the purchase of sugary drinks among lower socioeconomic groups[[12]](#endnote-11) [[13]](#endnote-12) In the UK, where a levy has been applied on the soft drinks industry of 16p per litre for drinks with 5-7.9g of sugar per 100ml and 24p per litre for drinks with 8.0g+ per 100ml since April 2018, the vast majority of producers have reformulated products to minimise or avoid the tax they pay, while simultaneously reducing sugar content.[[14]](#endnote-13) The levy on manufacturers is designed to encourage reformulation of products to lower sugar levels, and is hypothecated towards obesity prevention initiatives including school sports and breakfast clubs.

A health levy on sugary drinks is widely supported both in Australia and internationally. The World Health Organization promotes the use of taxes and subsidies to improve the affordability of healthier food products and discourage the consumption of less healthy options.[[15]](#endnote-14) A health levy on sugary drinks is also supported by many Australian health organisations including Australian Medical Association, Public Health Association Australia, Australian Healthcare and Hospitals Association, Committee of Presidents of Medical Colleges, Australian Dental Association, and Australian Chronic Disease Prevention Alliance (Heart Foundation, Cancer Council Australia, Kidney Health Australia, Diabetes Australia, Stroke Foundation), as well as the other signatories to the recommendations in the ‘Tipping the Scales’ Australian Obesity Prevention Consensus.

The Australian public also strongly supports increasing the price of sugary drinks. Research into the attitudes of Australian grocery buyers found that 69% of participants supported a tax on sugary drinks if the revenue was used to subsidise healthy foods.[[16]](#endnote-15).

Economic impact and cost-effectiveness

A health levy on sugary drinks would provide a significant revenue source for the Government, estimated by various studies and reports at between $400 and $642 million annually.[[17]](#endnote-16)

A health levy on sugary drinks would also reduce the significant economic cost of obesity, largely incurred by government. In 2015, PwC estimated the total cost of obesity in 2011-12 in Australia to be $8.6 billion (in 2014-15 dollars), including costs borne by governments and individuals.[[18]](#endnote-17) PwC found that adult obesity cost the Commonwealth Government $6.06 billion in 2011-12 (in 2014-15 dollars), in both direct and indirect costs. The Grattan Institute’s 2016 report on a sugary drinks tax estimated that in 2014-15, obesity generated $2.6 billion in extra healthcare spending by governments.[[19]](#endnote-18)

A specific area where the Government may see substantial healthcare savings within a relatively short period is on dental health. Evidence shows that sugary drink consumption is linked to high levels of dental caries and dental erosion.[[20]](#endnote-19) A decrease in sugary drink consumption may lead to a drop in the levels of dental caries and dental erosion, resulting in decreased government spending on dental services, including on hospital dental treatment for children.

In Australia, a health levy on sugary drinks could be relatively simply imposed through existing tax structures, keeping the costs of implementation and administration reasonably low.[[21]](#endnote-20) Use of existing tax frameworks capable of accommodating a tax would mean implementation would not require the development of complex independent legislation and administrative structures.[[22]](#endnote-21)

The low cost of implementation and administration, together with its effectiveness in reducing obesity and associated healthcare spending, mean that a health levy on sugary drinks is a cost-effective policy. A recent analysis of cost-effective policies to tackle Australia’s obesity epidemic by Deakin University identified that a health levy on sugary drinks would save the Australian Government $1.7bn, costing very little (~$11.8m) to implement, while delivering $1.7bn in total healthcare cost offsets. This intervention was predicted to save the Australian Government more money than any other, even without taking into account the revenue generated by the levy.[[23]](#endnote-22)

**Conclusion**

We urge the Government to fund the development and implementation of a National Obesity Prevention Strategy and significantly increase spending on preventive health programs, focused on overweight, obesity and associated chronic disease. A substantial investment in obesity prevention is urgently needed.

A healthy levy on sugary drinks in Australia deserves close attention given the evidence supporting a levy as a cost-effective and potentially powerful intervention, particularly given Australia’s high rates of overweight, obesity and non‑communicable diseases. For more information on the policies and positions supported by the OPC, please see our website at [www.opc.org.au](http://www.opc.org.au).

Please contact Katarnya Hickey, Legal Policy Adviser to the OPC at katarnya.hickey@cancervic.org.au if you have any queries about this submission or require further information.

**References**

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