

**Utilising taxation to alleviate the burden of obesity in Australia**

“Sugar, rum and tobacco are commodities which are nowhere necessities of life (but) which are ...objects of almost universal consumption, and which are therefore extremely proper subjects of taxation.” Adam Smith, *The Wealth of Nations*

The prevalence of obesity in Australia is growing and is a major contributor to escalating health care and societal costs. This was estimated to cost Australia \$58.2 billion in 2008 <sup>1</sup>. I call upon the Australian Government send a price signal to consumers that their food choices have a health cost, which is now being borne by tax-payers through the health care system in addition to their personal wellbeing. Relying upon education of consumers alone to make better food choices in environments where unhealthy food is artificially cheap will remain an unsuccessful approach to addressing obesity. Pricing (and addressing relative pricing of healthy vs unhealthy foods) is one critical strategy the government needs to address to curb future health care expenditure. I propose that the Australian Government acts to curb the growth of obesity via taxation on the foodstuffs which are major contributors to this preventable disease.

The evidence to support this approach is growing and is advocated by economists and public health professionals. The Cancer Council, Diabetes Australia and the Heart Foundation have been calling for the Department of Treasury and Finance to investigate taxation options to increase the price of sugar sweetened beverages to influence food choices. <sup>2</sup> Modelling done in the US of the impact of a “penny for an ounce” tax on soft drinks predict such a tax would have raised \$13 billion in 2010, reduce consumption of soft drinks by 15% amongst adults 25-60 years and would result in savings of \$17.1 billion over 10 years. <sup>3</sup> The funding generated by this new tax should be used to address nutrition programs in communities which are food insecure (ie they don’t have access to affordable nutritious foods) as was recommended at the 2015 National Rural Health Alliance conference<sup>4</sup> as taxing foods without subsidising healthy foods could have deleterious impacts in vulnerable remote communities where healthy food is currently unaffordable.

A recent systematic review<sup>5</sup> found that taxes on unhealthy foods and subsidies of healthy food are likely to be effective methods of improving food consumption patterns. McKinsey Global Institute

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1. Access Economics, 2008 *The growing cost of obesity in 2008 : three years on*. Diabetes Australia Canberra 2008 Retrieved from : <http://www.diabetesaustralia.com.au/PageFiles/7830/FULLREPORTGrowingCostOfObesity2008.pdf> on May 30 2015.

2. Diabetes Australia, Cancer Council and Heart Foundation, 2015 Sugar-sweetened beverages consumption in Australia : The problem and what needs to be done Retrieved from: [http://www.rethinksugarydrink.org.au/downloads/Consensus\\_position\\_statement.pdf](http://www.rethinksugarydrink.org.au/downloads/Consensus_position_statement.pdf) on May 30 2015.

<sup>3</sup> Y Wang, P Coxson, Y Shen, L Goldman, K Bibbins-Domingo 2012 A Penny-Per-Ounce Tax On Sugar-Sweetened Beverages Would Cut Health And Cost Burdens Of Diabetes *Health Affairs* Vol 31, no 199-207.

<sup>4</sup> National Rural Health Alliance Conference, 2015 Retrieved from : <http://www.ruralhealth.org.au/sharingshed/priority-recommendations> on May 30 2015.

<sup>5</sup> A Thow, S Downs, S Jan 2014 A systematic review of the effectiveness of food taxes and subsidies to improve diets: Understanding the recent evidence *Nutrition Reviews* Vol 72, Issue 9 pp 551-561.

(MGI) recommends<sup>6</sup> that taxation forms one of a multi-pronged strategy to address the immense burden of obesity upon society. Crucially, MGI calls upon governments to act now rather than allowing costs to mount while they wait for further evidence. Indeed many have begun to act already<sup>7</sup>. It is important to recognise that taxation of tobacco was one strategy used by Australia previously with great success and community support to curb smoking in Australia (along with other effective public health measures) and these same principles now need to be applied to the context of nutrition to achieve similar benefits in this field.

Nutrition programs do not currently have stable funding systems, resulting in reduced effectiveness of health promotion which hampers efforts to reduce the burden of illness in Australia. This proposal to tax unhealthy food/drink is one which would be initially revenue-neutral (if taxes raised were allocated to health promotion efforts targeted to alleviate food insecurity) but the positive benefits to government health budgets would accrue over time as the burden of disease is lifted from the health care system from reduced rates of preventable chronic diseases.

It is acknowledged that there is likely to be strong opposition to this proposal by food and drink manufacturers however it should be recognised that some sales of soft drinks are likely to be replaced by healthier choices such as water and milk-based drinks, both of which would be positive substitutions and maintain revenue for affected companies. I urge the government to seriously consider this proposal in the light of the urgent need to address obesity in Australia.

Yours sincerely,

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<sup>6</sup> McKinsey Global Institute, 2014 How the world could better fight obesity. Retrieved from : [http://www.mckinsey.com/Insights/Economic\\_Studies/How\\_the\\_world\\_could\\_better\\_fight\\_obesity](http://www.mckinsey.com/Insights/Economic_Studies/How_the_world_could_better_fight_obesity) on May 30 2015.

<sup>7</sup> The Guardian 17 January 2014, Mexico enacts soda tax in effort to combat world's highest obesity rate Retrieved from : <http://www.theguardian.com/world/2014/jan/16/mexico-soda-tax-sugar-obesity-health> On May 30, 2015