



Pre-Budget submission 2022-2023

Submission to Treasury

Obesity Policy Coalition

January 2022

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 2022-2023 Australian Government (Government) budget:

- Provide ongoing funding to implement the National Obesity Prevention Strategy, aligned to the final measures included in the strategy.
- Provide an ongoing funding commitment for preventive health, of at least 5% of the total national health budget by 2030, as set out in the National Preventive Health Strategy, and allocate an appropriate amount for the 2022-2023 budget in accordance with this commitment.
- Introduce a health levy on sugary drinks¹ to effect a retail price increase of at least 20%, generating significant revenue and reducing sugary drink consumption.

Introduction

The OPC welcomes the opportunity to make a pre-budget submission to the 2022-2023 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 aged 5-17 are overweight or obese.²

From a health perspective, these figures mean that a large proportion of the population is at heightened risk of non-communicable diseases and conditions including cardiovascular disease, type 2 diabetes and some cancers.³ After tobacco use, the risk factors of

¹ Sugary drinks include all non-alcoholic water-based drinks with added sugar, such as sugar-sweetened soft drinks, energy drinks, sports drinks and cordials, excluding 100% fruit juices.

² Australian Bureau of Statistics, National Health Survey: First Results, 2017-18.

³ World Health Organization, Obesity: preventing and managing the global epidemic, Report of a WHO consultation. Technical Report Series 894. Geneva, 2000; The InterAct Consortium. Consumption of sweet beverages and type 2 diabetes incidence in European adults: results from EPIC-InterAct. *Diabetologia* PMID, 2013.

overweight and obesity (8.4%) and poor diet (5.4%) are the highest contributors to Australia's burden of disease.⁴ Obesity may also have an adverse impact on Australians' experience of Covid-19. Studies have concluded that obesity is a risk factor for Covid-19 disease severity, with World Obesity Federation stating that '*Systematic reviews and meta-analyses overwhelmingly show that obesity is associated both with a higher risk for intensive care unit (ICU) admission and poorer outcomes for COVID-19.*'⁵

From an economic perspective, high rates of obesity and associated chronic disease cost the Government, as well as State and Territory governments, businesses and individuals, a significant amount. A 2021 study by World Obesity and RTI International found the economic impact of obesity in Australia in 2019 to be \$24 billion, or 1.7% of GDP, projected to reach \$103 billion or 2.5% of GDP by 2060 if action is not taken.⁶ A significant part of these costs are direct healthcare costs. In a report released in 2021, the AMA estimated that '*...if no action is taken to stem the obesity crisis, by 2025 taxpayers will have footed a further \$29.5 billion for the direct healthcare costs of obesity (over four years to 2024-25).*'⁷

As well as direct healthcare costs, obesity and associated non-communicable disease are also linked to indirect costs, such as loss of productivity and reduced workforce participation. An alarmingly high percentage of young adult Australians (46% of 18-24 year olds⁸), a key demographic for Australia's workforce participation and economic productivity into the future, are above a healthy weight. As those Australians are at higher risk of non-communicable disease, this may have a significant effect on our workforce and create a large economic burden, in addition to affecting health outcomes, in years to come. Australia needs to ensure its population is as healthy and resilient as possible to enable a productive workforce.

Over the last two years, Australia has experienced and continues to experience the devastating impact of the Covid-19 pandemic – from both a health and economic perspective. It has highlighted the importance of public health and more than ever clearly shown the critical role of sustained funding for prevention programs in protecting the health

⁴ Australian Institute of Health and Welfare. 2021. Australian Burden of Disease Study: impact and causes of illness and death in Australia 2018. Canberra, Australia.

⁵ World Obesity Federation. Obesity and COVID-19 policy statement. 2020. Available from: [http://s3-eu-west-1.amazonaws.com/wof-files/Obesity_and_COVID_policy_statement_final_JulyUpdate_\(002\).pdf](http://s3-eu-west-1.amazonaws.com/wof-files/Obesity_and_COVID_policy_statement_final_JulyUpdate_(002).pdf)

⁶ Okunogbe A, Nugent R, Spencer G, *et al* Economic impacts of overweight and obesity: current and future estimates for eight countries *BMJ Global Health* 2021;6:e006351. Available from: <https://gh.bmj.com/content/6/10/e006351>

⁷ Australian Medical Association, 2021. A tax on sugar-sweetened beverages: Modelled impacts on sugar consumption and government revenue, Canberra, Australia. Available from: <https://www.ama.com.au/articles/tax-sugar-sweetened-beverages-what-modelling-shows>.

⁸ Australian Bureau of Statistics, National Health Survey: First Results, 2017-18.

of Australians, in creating a healthy and resilient population and in ensuring a healthy and productive workforce.

We support a renewed Government focus on preventive public health measures and ask the Government to adequately fund measures set out in the National Preventive Health Strategy, in the finalised National Obesity Prevention Strategy and to allocate funding to implement its commitment to increase prevention funding to 5% of the national health budget by 2030.

Recommendation 1: Allocate appropriate ongoing funding to implement the National Obesity Prevention Strategy

The Australian Department of Health closed consultation on the draft National Obesity Prevention Strategy (NOPS) in November 2021, but no final strategy has yet been released. We strongly support the timely release of this strategy as a fundamental framework to facilitate and hasten action on obesity prevention in Australia.

In our submission to the Department of Health, we recommended the NOPS be accompanied by a funding plan that identifies committed, ongoing and adequate funding from all governments. The NOPS funding must be new funding that is sustained over the NOPS' 10 year time period, and must be based on the amount required to implement, monitor and evaluate the measures included in the final NOPS and the in the implementation plan that we recommend be developed following its release.

We ask the Government to ensure that the NOPS, including a funding plan, is released as a matter of priority and that appropriate allocations are included in the 2022-2023 budget based on implementation of the NOPS' immediate and medium-term proposals.

Recommendation 2: Implement the commitment to increase spending on preventive health to 5% of the national health budget by 2030 and allocate spending in the 2022-2023 budget to reflect this.

We support the Government's National Preventive Health Strategy, and strongly support its commitment to increase preventive health funding to 5% of the annual health budget by 2030. This commitment must be reflected in the 2022-2023 budget.

Priority funding should be given to measures that have been demonstrated to be effective and cost-effective. The ongoing 5% investment should be embedded into ongoing funding allocations, with a mechanism developed to identify priorities for allocation of the funds on an annual basis. It is also important to determine which categories of spending will be eligible to receive funds under the 5 % investment. It is important that the 5% represents new funding

and excludes spending related to the Covid-19 response and vaccination program, and any spending relating to treatment of non-communicable conditions.

In addition to this ongoing commitment, we recommend that measures set out in the National Preventive Health Strategy and the National Obesity Prevention Strategy are allocated new funding to ensure they are implemented, monitored and maintained where effective.

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

Background

Health levies on sugary drinks are a 'win-win' for governments, as in addition to raising revenues, evidence shows that they can reduce sugary drink consumption.⁹

We recommend the introduction of a levy to increase the retail price of sugary drinks by a minimum of 20%, as this is most 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

With many countries having now adopted a health levy on sugary drinks, research shows that these levies can be influential in improving diets across the population by encouraging companies to reformulate their products, making healthier options more affordable and encouraging people to drink less sugary drinks. Evidence from Mexico has found that its tax has reduced the amount of sugar-sweetened beverages bought, with a 37% reduction in the total volume of sugar-sweetened beverages purchased two years after the introduction of the tax in 2014.¹¹

⁹ Wright A, Smith KE, and Hellowell M. Policy lessons from health taxes: a systematic review of empirical studies. *BMC Public Health*, 2017; 17:583; Thow AM, Downs S, and Jan S. A systematic review of the effectiveness of food taxes and subsidies to improve diets: Understanding the recent evidence. *Nutrition Reviews*, 2014; 72(9):551-565; Helen Eyles et al., 'Food Pricing Strategies, Population Diets, and Non-Communicable Diseases: A Systematic Review of Simulation Studies' (2012) 9(12) *PLOS Medicine* 1; Brownell et al. 'The Public Health and Economic Benefits of Taxing Sugar-Sweetened Beverages' 361(16) *New England Journal of Medicine* 1599; Andreyeva et al. 'Estimating the potential impact of sugar-sweetened beverages to reduce consumption and generate revenue' (2011) 52(6) *Preventive Medicine* 413; Wang YC et al. 'A penny-per-ounce tax on sugar sweetened beverages would cut health and cost burdens of diabetes' (2012) 31 *Health Affairs* 199–207.

¹⁰ Veerman JL, Sacks G, Antonopoulos N, Martin J, "The impact of a tax on sugar-sweetened beverages on health and health care costs; a modelling study", (2016) *PloS One*, 11(4).

¹¹ Pedraza LS, Popkin BM, Batis C, Adair L, Robinson WR, et al. The caloric and sugar content of beverages purchased at different store-types changed after the sugary drinks taxation in Mexico. *Int J Behav Nutr Phys Act*, 2019; 16(1):103. Available from: <https://pubmed.ncbi.nlm.nih.gov/31718664/>

In the UK, analysis shows that producers have reduced the sugar in their drinks to minimise the tax they pay, with a 43.7% reduction in the total sugar content per 100ml between 2015 and 2019 for the drinks subject to the levy.¹²

For further information about why Australia should implement a health levy on sugary drinks, and the experience of other countries, please see the Obesity Evidence Hub.

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 \$814 million annually.¹³ It is also predicted to reduce healthcare spending both in the short and longer-term.

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.¹⁴ 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.¹⁵ Use of existing tax frameworks capable of accommodating a tax would mean

¹² Public Health England, [Sugar reduction: report on progress between 2015 and 2019 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk), October 2020.

¹³ Veerman JL, Sacks G, Antonopoulos N, Martin J, above n 10. Duckett, S., Swerissen, H. and Wiltshire, T. 2016, A sugary drinks tax: recovering the community costs of obesity, Grattan Institute. Lal A Mantilla-Herrera AM, Veerman L. Backholer K, Sacks G, Moodie M, Siahpush M, Carter R, Peeters A. (2017) Modelled health benefits of a sugar sweetened beverage tax across different socioeconomic groups in Australia: a cost-effectiveness and equity analysis. *PLOS Med* 14(6), Australian Medical Association, 2021. A tax on sugar-sweetened beverages: Modelled impacts on sugar consumption and government revenue, Canberra, Australia. Available from: <https://www.ama.com.au/articles/tax-sugar-sweetened-beverages-what-modelling-shows>.

¹⁴ National Health and Medical Research Council, Australian Dietary Guidelines (Incorporating the Australian Guide to Healthy Eating) 2013; Vartanian et al., 'Effects of soft drink consumption on nutrition and health: A systematic review and meta-analysis' (2007) 97(4) *American Journal of Public Health* 667; Tahmassebi JF, Duggal MS, Malik-Kotru G, Curzon ME. Soft drinks and dental health: a review of the current literature. *J Dent* 2006; 34(1): 2-11; Armfield JM, Spencer AJ, Roberts-Thomson KF, Plastow K. Water fluoridation and the association of sugar-sweetened beverage consumption and dental caries in Australian children. *Am J Public Health* 2013; 103(3): 494-500; Moynihan PJ, Kelly SA. Effect on caries of restricting sugars intake: systematic review to inform WHO guidelines. *J Dent Res* 2014; 93(1): 8-18.

¹⁵ Thow A and Kaplin L (2013) 'Using economic policy to tackle chronic disease: Options for the Australian Government' 20 *Journal of Law and Medicine* 604 at 608-609.

implementation would not require the development of complex independent legislation and administrative structures.¹⁶

The low cost of implementation and administration, together with its potential to reduce obesity and associated healthcare spending, mean that a health levy on sugary drinks is a cost-effective policy. A 2018 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.¹⁷

Conclusion

We urge the Government to appropriately fund implementation of the National Obesity Prevention Strategy, the National Preventive Health Strategy and to implement its commitment to allocate a minimum of 5% of the annual health budget to preventive health, by 2030. A substantial investment in preventive health, in particular obesity prevention, is urgently needed.

A health levy on sugary drinks in Australia deserves close attention given the evidence supporting a levy as a cost-effective and powerful intervention to reduce consumption, improve diets and potentially reduce obesity over time. For more information on the policies and positions supported by the OPC, please see our website at www.opc.org.au.

¹⁶ Ibid.

¹⁷ Ananthapavan J, Sacks G, Brown V, Moodie M, Nguyen P, Barendregt J, Veerman L, Mantilla Herrera A, Lal A, Peeters A, Carter R. Assessing cost-effectiveness of obesity prevention policies in Australia 2018 (ACE-Obesity Policy). Melbourne: Deakin University, 2018. Available at: [ACE-Obesity Policy report – Assessing Cost-effectiveness of Obesity Prevention Policies in Australia \(aceobesitypolicy.com.au\)](http://aceobesitypolicy.com.au)