

**Pre-Budget submission 2020-2021**

**Submission to Treasury**

**Obesity Policy Coalition**

**December 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 2020-2021 Australian Government budget:

* Provide ongoing funding to implement the National Obesity 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 over a set period.
* 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 sugary drink consumption.

**Introduction**

The OPC welcomes the opportunity to make a pre-budget submission to the 2020-2021 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 aged 5-17 are overweight or obese.[[2]](#endnote-1) From a health perspective, these 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 significant amount.

To address this critical public health issue, the OPC advocates for a comprehensive range of measures to be introduced by government. 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: Allocate appropriate ongoing funding to implement the National Obesity Strategy**

The COAG Health Council has recently consulted on the National Obesity Strategy. We strongly support the development of this strategy as a fundamental framework to direct action on obesity prevention in Australia.

The strategy requires appropriate funding to ensure that it is implemented and monitored. This funding must be new funding and must be ongoing and sustained over the strategy’s 10-year time period. The amount of funding required must be based on the final measures included in the strategy and the implementation plan. We understand that the strategy may not be finalised before the budget is prepared, and so we ask the Government to provide an allocation in the 2020-2021 budget that is estimated based on the implementation of the current immediate or short-term proposals in the National Obesity Strategy consultation paper.

**Recommendation 2: Allocate a minimum of 5% of the annual health budget to preventive health**

We support the Government’s commitment to developing a National Preventive Health Strategy. As with the National Obesity Strategy, this must be linked to an ongoing funding allocation. We recommend that measures set out in the final National Preventive Health Strategy are allocated new funding to ensure they are implemented, monitored and maintained where effective.

In addition, we recommend the Government commit to an ongoing investment in preventive health representing at least 5% of the annual national health budget within a set time period. This represents a significant increase from existing funding levels and would demonstrate the Government’s strong commitment to preventive health and complement expenditure by State and Territory Governments.

This commitment could be implemented through graduated increases in investment, for example over the period covered by the National Preventive Health Strategy. Priority funding should be given to measures that have been demonstrated to be 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.

We recommend this funding and associated oversight arrangements are incorporated into the National Preventive Health Strategy. This funding should be distinct from the funding required to implement the final National Obesity Strategy.

**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 suggests that they can reduce sugary drink consumption.[[4]](#endnote-3)

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.[[5]](#endnote-4)

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. 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.[[6]](#endnote-5) In the UK, the majority of producers have reformulated products to minimise or avoid the tax they pay, while simultaneously reducing sugar content.[[7]](#endnote-6)

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.[[8]](#endnote-7) It is also predicted to reduce healthcare spending.

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.[[9]](#endnote-8) 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.[[10]](#endnote-9) 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.[[11]](#endnote-10)

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. This intervention was predicted to save the Government more money (both now and in the longer-term) than any other, even without taking into account the revenue generated by the levy.[[12]](#endnote-11)

**Conclusion**

We urge the Government to appropriately fund implementation of the National Obesity Strategy and to allocate a minimum of 5% of the annual health budget to preventive health, on an ongoing basis. 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 potentially powerful obesity prevention intervention. 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).

**References**

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. [↑](#footnote-ref-1)
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4. 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 Affair* 199–207. [↑](#endnote-ref-3)
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7. UK Government. Soft Drinks Industry Levy comes into effect. London, England 2018. Available from: https://www.gov.uk/government/news/soft-drinks-industry-levy-comes-into-effect [↑](#endnote-ref-6)
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