

# **Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget**

**Coalition québécoise sur la problématique du poids**

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## Recommendations

To make tangible progress on preventing obesity and chronic disease, reduce pressure on health care systems, achieve significant savings over the medium and long terms, and generate revenue that can be invested in prevention, the government should do the following:

1. impose a tax on sugary drinks whose proceeds are allocated to prevention of obesity and chronic disease; and
2. make major investments in preventing weight-related problems.

## Summary

Two in three adults and one in three children in Canada are overweight. Studies have found that obesity costs Canadian taxpayers between \$4.6 billion and \$7.1 billion annually. Overconsumption of sugary drinks is one of the main factors behind obesity, and it is associated with cardiovascular diseases, Type 2 diabetes, cavities, tooth erosion and some cancers. Many countries, including France, the United Kingdom and Mexico, have put a tax on sugary drinks with encouraging results. A number of American cities, such as Philadelphia, San Francisco and Berkeley, have also brought in such a tax.

The government urgently needs to invest more in preventing obesity so that Canadians can live in a society where it is easy to eat well and be physically active every day.

## Obesity: A social and economic issue

In 2003, the World Health Organization (WHO) called the public health crisis of increased **obesity** and related diseases an “epidemic.” Those diseases are as follows:

- Type 2 diabetes;
- cardiovascular diseases;
- musculoskeletal and joint disorders; and
- some cancers.<sup>1</sup>

Obesity is still rising and driving up the direct cost of health care for the government, as well as creating indirect costs (absenteeism, disability and premature death).<sup>2,3,4</sup> **In Canada, obesity reportedly adds between \$4.6 billion and \$7.1 billion in costs every year.**<sup>5</sup> Not included in those figures are the human, family and social costs of obesity-related diseases, which are preventable.

Statistics Canada reports that **27% of Canadian adults are obese and 35% are overweight.**<sup>6</sup> **The situation is also troubling among youth aged 5 to 17, as 31% are considered overweight.**<sup>7</sup> In 2013, UNICEF reported that Canada had the third-highest child overweight rate among wealthy nations. Canada joined the United States and Greece on the short list of countries where more than 20% of children are overweight.<sup>8</sup>

## Sugary drinks: A major contributor to obesity

Canada has the 10th highest sales of sugary drinks in the world. In 2015, an average of 88.1 litres were sold per person.<sup>9</sup> **Sugary drinks are the largest source of total sugars in Canadians’ diets.**<sup>10</sup>

Regularly consuming sugary drinks is the only dietary choice consistently associated with overweight among children. The literature shows that they are also associated with obesity in adults and other health problems, such as Type 2 diabetes, cardiovascular diseases, poor dental health and some cancers.<sup>11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21</sup> As well as harming human health, these non-essential products have a large environmental impact (garbage, water waste and greenhouse gases).

To help Canadians change their eating habits and follow the guidelines in *Canada's Food Guide* that recommend drinking water and limiting intake of sugary drinks, **a tax modelled on the excise tax could be levied on drinks containing added sugar**. This tax would signal that sugary drinks are no ordinary food and discourage people from drinking them. As is done elsewhere in the world, the tax could be collected from distributors, manufacturers and importers based on the number of litres produced or imported. This model has a number of advantages:

- the tax is easy to collect;
- the amount of the tax is often included in the list price rather than at checkout; and
- the tax generates more stable and predictable revenue than other types of taxes.<sup>22, 23, 24</sup>

## Taxation of sugary drinks: An effective, internationally proven measure

### France

On January 1, 2012, France began taxing **drinks with added sugar or artificial sweeteners** at a rate of €7.16 per hectolitre (9¢ per litre). The tax is adjusted annually based on the increase in the consumer price index (excepting tobacco) from two years prior. In 2016, the tax had reached €7.53 per hectolitre.<sup>25</sup>

**On July 1, 2018, the tax was changed to vary with the amount of added sugar.** The goal was to encourage manufacturers to reformulate their products to reduce their sugar content. Drinks containing artificial sweeteners are still taxed, but at a lower rate (€3.50 per hectolitre). Drinks containing both artificial sweeteners and added sugars are taxed twice. **All revenues from the tax go toward social programs, including universal health insurance.**<sup>26</sup>

### Mexico

In 2014, Mexico imposed a tax that **increased the average price of drinks with added sugars**, except for flavoured milks and drinkable yogurts, **by about 10%**.<sup>27</sup> Concentrates, powders, syrups, essences and flavour extracts that can be diluted to produce sugary drinks are also taxed. During its first two years (2014 and 2015), the tax generated US\$2.6 billion in revenue. Legislation was passed to devote some of the funds raised by the tax to installing water fountains in schools.<sup>28</sup> In December 2017, the tax increased to 1.17 pesos per litre.<sup>29</sup>

Mexico's National Institute of Public Health (INSP) and the University of North Carolina assessed the tax's impact over its first two years. The study used purchasing data from Nielsen Mexico's Consuming Panel Service from January 2012 to December 2015. The results showed that **purchases of sugary drinks declined in 2014 by 6% among the general population and by 9% in disadvantaged communities, which are most affected by health problems.**<sup>30</sup> In 2015, purchases of sugary drinks reportedly declined even further.<sup>31</sup>

In 2016, industry representatives published a report arguing that the tax was ineffective because sales of sugary drinks had increased.<sup>32, 33</sup> The INSP released two official statements to correct the record, noting that the scientific allowances necessary to interpret the sales data had not been made.<sup>34, 35</sup> It is impossible to draw conclusions on the tax's effectiveness using only gross sales data. To determine the impact of the tax, the sales data must be adjusted using several factors that affect

sugary drinks consumption (e.g., changes in total population, economic growth and marketing strategies such as discounts and promotions). These factors must be isolated in order to determine the tax's true impact.<sup>36</sup>

Accordingly, just because sales increased does not mean the tax is ineffective. Higher sales can also be spurred by other factors. The trends and factors in play before 2014 must be considered in order to project what sales would have been if the tax had not been implemented. After adjusting the sales data for these factors, the INSP researchers' statistical model confirmed that sales had decreased by 6% in 2014 and 8% in 2015.<sup>37</sup>

## Berkeley

Since March 1, 2015, the City of Berkeley **has taxed the distribution of drinks with added sugar** at a rate of US1¢ per ounce (about 35¢ per litre). Between May 2015 and June 2018, Berkeley collected US\$5.1 million (C\$6.7 million) in revenue.<sup>38</sup> Relative to Oakland and San Francisco, consumption of sugary drinks in Berkeley decreased by 21%.<sup>39</sup> A 2017 study showed that sales of sugary drinks declined by nearly 10% compared with projected sales without a tax on these products.<sup>40</sup> Finally, a 2019 study confirmed that, **three years after the tax was implemented, the decrease in consumption continued.**<sup>41</sup>

## Philadelphia

Since January 1, 2017, Philadelphia, the sixth-largest city in the United States, has taxed **drinks with added sugars or artificial sweeteners**. The tax amounts to US1.5¢ (C2¢) per ounce of sugary drinks and is collected from distributors who supply retailers that then sell these drinks to consumers (restaurants, grocery stores, convenience stores, etc.).<sup>42</sup> **The tax serves to collect revenue to fund improved public infrastructure in disadvantaged neighbourhoods and create free spaces in licensed early childhood education centres.**<sup>43</sup> Since the tax was implemented, Philadelphia has collected US\$167 million (C\$218.3 million).<sup>44</sup> A 2018 study on the tax's short-term impact on sugary and diet drink consumption found that it had decreased. The authors also noted that consumption of bottled water had increased. Consumers may have been discouraged from switching to diet drinks because the tax applies to those products as well.<sup>45</sup>

## United Kingdom

On April 6, 2018, the United Kingdom imposed a **tax on manufacturers and importers of sugary drinks that varies with sugar levels**. The first tax rate is £0.18 (C29¢) per litre for drinks containing between five and eight grams of sugar per 100 ml. The second rate is £0.24 (C39¢) per litre for drinks containing more than eight grams of added sugar per 100 ml. The tax also applies to syrups and concentrates that are diluted to produce beverages. Some drinks, such as 100% pure fruit juices, baby formula and meal replacements used for medical purposes, are exempt from the tax.<sup>46</sup> In the six months after the tax was implemented, the United Kingdom brought in £153.8 million (C\$251.1 million) in revenue.<sup>47</sup>

## The tax's economic and employment impact

Some argue that a tax on sugary drinks would have a negative impact on the job market. Yet recent studies have not revealed significant changes in employment after these taxes have taken effect.<sup>48, 49</sup>

Moreover, investing the tax revenue likely creates other jobs, and any money that is no longer spent on sugary drinks will be spent on other things.<sup>50</sup>

Current consumption of these drinks, fuelled by aggressive marketing, creates negative externalities that damage the health of Canadians and the planet. Given the limits of government resources, industry's joint responsibility for the problem and the effect prices have on consumption, **imposing a tax on sugary drinks and using the revenue for preventive health care is a valid solution.** Public health is a valuable economic resource. Canada needs to invest more to reduce health care spending and limit the social costs, human suffering and disabilities associated with obesity and chronic disease. With 15 million overweight adults and nearly half of Canadians having a chronic disease, more preventive measures are essential.

To review the references, visit <https://cqpp.qc.ca/fr/references-memoire-2020/> [in French only].