



# Australian Council of Social Service

6 July 2018

Committee Secretary  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary,

## **Select Committee into the Obesity Epidemic in Australia**

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for community services and the not-for-profit sector. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

ACOSS welcomes the opportunity to contribute to the work of the committee in this important area. The focus of this submission is ACOSS' proposal for the introduction of a tax on water based sugar-sweetened beverages, contained in ACOSS Budget Priorities Statement. A copy of ACOSS Budget Priorities Statement is attached.

Australia has one of the highest rates of overweight and obesity in the OECD and both are increasing (especially among children), triggering recent and future increases in the prevalence of chronic illness such as diabetes.<sup>1</sup> Obesity is rising dramatically in Australia: one in four adults are estimated to be obese, up from one in ten in the early 1980s, and about 7 per cent of children are obese. Excessive sugar consumption is linked to high levels of obesity and associated health problems, and should be discouraged.

A comprehensive harm reduction strategy is needed, including regulatory reforms (to restrict advertising targeting children, improve the transparency of labelling of food and beverages, and restrict the financing of sporting and similar activities by producers) and

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<sup>1</sup> Combined rates of overweight and obesity were 63% in 2014, up from 56% in 1995 and 61% in 2007-8 (Australian Institute of Health and Welfare (2017), Healthy Communities: Overweight and obesity rates across Australia, 2014–15.) There is no national strategy to prevent increases in obesity and no national authority to lead this work since the Australian National Preventive Health Agency was abolished in 2014. [PHAA (2016), Policy-at-a-glance – Prevention and Management of Overweight and Obesity in Australia Policy]



direct expenditures on relevant services (especially preventive health care programs, which are chronically under-funded compared with acute care).<sup>2</sup>

A part of the strategy should be to discourage the production and consumption of water-based drinks with added sugar, since these often have a very high sugar content and have no nutritional value. Over-use of products like sugar creates what economists call 'negative externalities': they impose costs on the wider community including immediate family and health services.

The current sugar price does not reflect both the personal and social costs from consumption and overconsumption. Higher tax rates on harmful products ('social taxes' or 'pigovian taxes') are a key part of effective strategies to reduce social harms, though tax measures must be accompanied by effective regulation, promotion, and support services.

The aim of a sugar tax is to reduce consumption to the extent that there is clear evidence that it is socially harmful, and the market price fails to capture the full personal and social costs of harmful consumption. A sugar tax will not increase public revenues in the long term (since well-designed social taxes reduce the consumption of harmful products). In addition to reducing obesity over the long-term, lower consumption of sugary drinks would have immediate benefits for dental health.

A tax on sweet beverages in the UK applies to drinks with sugar content above 5g/100ml and at a higher rate of up to 24p/litre for drinks with over 8g of sugar per 100ml. It is estimated to raise £520m a year, earmarked for preventive health and fitness programs for children. Soft drink manufacturers have already reduced the sugar content of their products to bring them under the thresholds for higher taxation.<sup>3</sup>

A sugar tax in Australia could be coupled with reform of other social taxes such as reforms to alcohol taxes to equalise the cost of wines and other drinks. Revenue raised could contribute to expenditures to improve public health and reduce obesity, including healthy eating and sports programs in schools and a public subsidy for the transport of fresh food to remote areas. In remote Aboriginal and Torres Strait Islander communities a fresh food transport subsidy would be a direct, equitable and cost effective way to improve health.<sup>4</sup>

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<sup>2</sup> See Obesity Policy Coalition: <http://www.opc.org.au/downloads/policy-briefs/reduce-sugary-drinks-in-australia.pdf> and <http://www.opc.org.au/downloads/policy-briefs/the-case-for-australian-tax-sugar-sweetened-beverages.pdf>

<sup>3</sup> Mexico introduced a 10% tax on drinks with high sugar content in 2014. After a year, sales of sugary drinks dropped by up to 12%. [WHO (2015): **Using price policies to promote healthier diets.**]

<sup>4</sup> This could be modelled on a Canadian program, 'Nutrition North America', which provides a transport subsidy to food providers in remote, isolated regions. Funding is based on the total weight of fresh food



We would be happy to provide the committee with further information upon request. For further information, our point of contact is John Mikelsons, Senior Policy and Advocacy Officer on (02) 9310 6212 or [john@acoss.org.au](mailto:john@acoss.org.au).

Yours sincerely,

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products shipped to eligible communities, who must then pass on the savings to consumers. The program receives \$CA60 million per year.