

Taxing Sugar Sweetened Beverages: The Case for Public Health

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Issue:

Obesity and overweight in all age groups are at historically high levels in Canada (1, 2). Over half of adults in Canada and Alberta, and over a quarter of Canadian children and adolescents are classified as overweight or obese (3, 4). Being overweight or obese is a key risk factor for cancer and other chronic diseases (5-7). Obesity in childhood is an especially serious concern as extra body weight over time further increases the risk for developing these diseases (8). In Canada, the direct and indirect economic costs of obesity total between \$4.6 and \$7.1 billion a year (9). The costs of obesity in Alberta alone are estimated to total over \$1.27 billion (10, 11).

Although the causes of obesity and being overweight are complex, dietary intake and food choices play an important role (12). When individuals regularly ingest more calories than they expend during the day, they inevitably gain weight (7). Sugar sweetened beverages (SSB), those defined as "soda sweetened with sugar, corn syrup or other caloric sweeteners and other [sweetened] carbonated and uncarbonated drinks such as sports and energy drinks" (13), provide calories but virtually no nutrients and are thought to be one of the dietary factors leading to the increase in obesity and overweight. Evidence supporting this relationship in both children and adults has been mounting over the last few years with several studies demonstrating a link between body weight, risk for chronic disease and the intake of SSB (14-19).

SSB are unique products in that they are linked only to health risks and offer no health benefits when consumed. In addition SSB may displace nutritionally superior beverages such as milk (20) within daily diets (21). According to the Canadian Community Health Survey (CCHS) the top three beverage choices for both men and women are water, coffee and milk (21). Men aged 19 to 30 were an exception, ranking regular soft drinks as their third choice for consumption (21). In the early years (ages 1-3), Canadian children generally drink water, milk and fruit juices. However, as children get older both boys and girls are found to drink less milk and juice and consume more sweetened beverages including soft drinks and fruit drinks (21). In fact, studies indicate that intake of SSB is increasing with a parallel decrease in milk consumption (22, 23). Finally, evidence suggests that individuals who drink SSB do not typically change their eating pattern to compensate for these liquid calories, the likely mechanism linking SSB to weight gain (24-26).

Government public health policies, including taxation, have proven to be effective tools for facilitating a healthy lifestyle in Alberta. In the field of tobacco control, increasing taxes on tobacco products as part of a comprehensive strategy, has contributed to a decrease in tobacco use in the province (27). The principles of taxing unhealthy food and beverages are similar; fiscal measures can encourage healthy eating by creating financial disincentives for purchasing and consuming unhealthy foods and beverages. In fact, over the past several years there have been a number of calls to implement a general junk food tax. The Canadian Cancer Society, the World Health Organization (WHO) and the Heart and Stroke Foundation of Canada all support increasing taxes on unhealthy foods and beverages as a means to decrease unhealthy food and beverage consumption (28-30). However, unlike tobacco products which have no safe level of use, the challenge of defining what constitutes 'junk food' has often stalled public health efforts to tax unhealthy foods and beverages. In contrast, SSB offer no nutritional value other than calories which come almost exclusively from simple sugars. Therefore, developing criteria for a tax on SSB is a much simpler and feasible policy option. In fact, the Chronic Disease Prevention Alliance of Canada (CDPAC), a national coalition of eleven prominent health and wellness organizations, recently issued a position statement calling for multilevel government action to implement a tax on SSB as a feasible option to address obesity and chronic diseases (31).

There are two different models for taxing SSB; an excise tax, or a sales tax. An excise tax would see SSB taxed on a fee per volume basis. A sales tax would be applied as a percentage of the product's price. Regardless of the chosen model (excise vs. sales) taxation offers several benefits as a policy intervention for reducing consumption of SSB in Alberta.

Benefits to Taking Action:

Taxation has the potential to reduce consumption of SSB in Alberta. Although taxation has not yet been implemented in jurisdictions similar to Alberta, economic models have suggested that a 10% tax would reduce consumption by 8-11.5% (32, 33). A study in Norway found that those who consume the largest quantities of SSB are most sensitive to price; an increase of 10.8% in the cost of SSB would reduce consumption in the lowest consuming group by 7% and in the highest consuming group by 17%. This effect would be magnified with larger tax increases (34). In addition to reducing consumption levels, a recent study also found that increasing the price for carbonated beverages by 10% was associated with a decrease of 0.42% in the average child's body mass index. (35).

Taxation would be applied in the general retail environment in Alberta. Thus, the impact of taxation would be felt beyond specific food settings (schools/workplaces) and could achieve a greater effect on the over-all consumption of SSB at the population-level. This broad-based policy intervention could create an environment where drinking water or healthier beverages becomes a relatively easier choice for Albertans and the price of purchasing SSB effectively becomes a barrier to its consumption.

Taxation is a cost-effective intervention for governments and taxpayers to reduce SSB consumption and the related costs from obesity and chronic disease while providing new government revenue. A recent study in the US found that a penny-per-ounce excise tax on SSB could reduce consumption by 24%, while also generating about \$79 billion in new tax revenue over 2010-2015(36).

According to a recent survey of Alberta decision-makers in Government, schools, workplaces and the media, 63% respondents would support the implementation of a tax on unhealthy food and beverage purchases in Alberta, and 60% would support taxing soft drinks and energy drinks (37). Similarly, when the Alberta public was surveyed 59% of respondents said they would also support this action as a means to promote healthy eating (38). What's more, when government revenue from taxes is reinvested in health, the general public appears to be even more supportive of taxation as a means to encourage healthy lifestyles. A recent poll in New York (39) found that support for a "soft drink" tax increased from 52% to 72% when respondents were informed that the revenue would be directed to obesity prevention efforts.

Considerations:

There are criticisms of using taxation as a policy tool. The most common concern is that fiscal measures that are universally applied such as taxation will cause harm to those most vulnerable in our society; Albertans with the lowest incomes will be disproportionately affected. However, evidence shows no indication that a tax on SSB would be regressive and unfairly penalize this population (33). SSB are also considerably cheaper to purchase than healthier beverage options. For example, the average price of one litre of milk in Canada is approximately \$2.20 compared to about \$1.60 for two litres of pop (40). Increasing the price of SSB through taxation would lessen the relative price difference between the two choices, making healthier beverages a more attractive option for Alberta consumers. SSB provide no nutritional benefit while water, a generally accessible beverage for Albertans, would provide similar hydration without extra calories. In short, no one in Alberta physically needs or experiences health benefits from consuming SSB.

Many studies exploring the impact of taxing or subsidizing food and beverages have indicated that a substantial difference in price is needed in order to have a significant impact on purchasing behaviours (41-45). In fact, experts suggest a minimum tax of about 20% of the price, as a current tax of 7% in the US has not produced the desired effect on weight outcomes (33).

Preventing obesity, reducing cancers and other chronic diseases requires multiple interventions by several levels of government in order to be effective. Taxation is an evidence-informed policy intervention with potential for limiting the consumption of SSB in Alberta. However, it should not be employed as a single intervention. Rather, it should be included within the mix of policy and programming to reduce the consumption of unhealthy foods and beverages in Alberta.

APCCP Priorities for Action:

- Advocate for the taxation of energy-dense, nutrient-poor food and beverage choices, beginning with SSB in Alberta.

What's Next:

- In April 2011, the APCCP surveyed Alberta MP candidates for the federal election to assess their support for efforts to address this issue. Results for the *Healthy Canada Now* survey are available on the website.
- The APCCP will examine available taxation models to assess for feasibility of implementation in Alberta.
- The APCCP will develop a communications strategy and evidence-based arguments to counter anticipated responses from food and beverage Industry stakeholder groups in response to taxation as a public health measure.
- The APCCP will examine the potential health impact of higher prices for full sugar drinks on patterns of consumption for artificially sweetened beverages.

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