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AMA

Sugar tax will cut disease and save lives

AMA launches new report: A tax on sugar-sweetened beverages.

The AMA has today called for a tax on sugary drinks as a key plank of its plan to tackle chronic disease and make Australia the healthiest country in the world.

In his first address to the National Press Club in Canberra today, AMA President Dr Omar Khorshid said that Australia lags behind comparable nations in health outcomes and disease prevention, and it was ‘time for action’ to reduce consumption of sugar-filled drinks.

“More than 2.4 billion litres of sugary drinks are consumed every year in Australia. That’s enough to fill 960 Olympic sized swimming pools,” Dr Khorshid said.

“Diabetes, obesity and poor vascular health are huge contributors to the burden on our health system.

“Sugary drinks – and, in particular, those which have little or no nutritional value – fuel this problem,” he said.

The tax proposed in the AMA’s report released today, *A tax on sugar-sweetened beverages: Modelled impacts on sugar consumption and government revenue*, would raise the retail price of the average supermarket sugary drink by 20 per cent. This would be an important first step towards tackling obesity and raise revenue to take further steps.

The rise is in line with a World Health Organization recommendation and could, over a 25-year period, result in 16,000 fewer cases of type 2 diabetes, 4,400 fewer cases of heart disease and 1,100 fewer cases of stroke.

“It could save lives, and save millions of dollars in healthcare costs,” Dr Khorshid said.

“It would also generate revenue – we estimate about $814 million annually – which we believe could be spent on other preventative activities.”

Dr Khorshid explained the modest tax would only apply to sugary soft drinks – those which have no, or very little nutritional value.

“These are drinks you don’t need in your diet,” Dr Khorshid said.

“We are not advocating taxation at the level we have on cigarettes. But it sends a clear message that if the Government puts a tax on these drinks, these products are not good for you.”

Dr Khorshid said the heavily marketed drinks were a “lucrative money spinner for industry, with children and teenagers often on the receiving end as major consumers.”

“There’s no doubt there will be industry arguing against this move. But it’s time we considered the facts,” Dr Khorshid said.

Aware of the need for change, parts of the beverage industry were already reformulating their products, introducing low sugar and no sugar options. "It’s actually a growth market for them to move away from sugar, but it needs to happen much quicker and across a broader range of products - and this policy intervention will speed it up," Dr Khorshid said.

Dr Khorshid explained that sugar cane farmers were also not likely to be impacted, as only 20 per cent of their total production is consumed in Australia. Only 5.3 per cent goes towards domestic sugar sweetened soft drink manufacture. The estimated change resulting from drop in consumption due to the tax is only a fraction (0.64 per cent) of total industry production.

"Our analysis suggests that the change in volumes from our proposed tax is actually within the current levels of natural volatility in the sugar market," Dr Khorshid said.

Dr Khorshid said that the proposed tax was a brilliant health initiative – a critical first step to tackle obesity that would save on health expenditure, not increase it.

"The tax on sugary drinks sends a clear price signal to consumers that a product is unhealthy and makes it less affordable. It can also nudge manufacturers to reformulate their products to contain less sugar. The added bonus is that it will generate revenue to rekindle our nation's preventative health agenda," Dr Khorshid said.

The AMA's report notes Australia lags behind more than 45 jurisdictions across the world who have already implemented taxes on sugar-sweetened beverages (SSBs). Success of the tax has been confirmed in comparable countries like the United Kingdom, where robust evaluations have shown a drop in sugar consumption following the tax.

The AMA's call for a tax on sugary drinks is part of its new blueprint for a robust, sustainable health system – beyond the pandemic – with high quality, patient-centred care at its heart. The *Vision for Australia's Health,* also launched today, calls for reform around five policy pillars – general practice, public hospitals, private health, equity and innovation.

Main points (see fact sheet below)

A tax on sugar-sweetened beverages: Modelled impacts on sugar consumption and government revenue. https://ama.com.au/articles/tax-sugar-sweetened-beverages-what-modelling-shows

AMA's Vision for Australia's Health
https://ama.com.au/media/australia-should-be-worlds-healthiest-country

Speech by AMA President Dr Omar Khorshid to the National Press Club, 9 June 2021

98 June 2021 ~~June 2021~~

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Main Points – AMA's report: A tax on sugar-sweetened beverages: Modelled impacts on sugar consumption and government revenue

Sugar and the cost of obesity

- Overweight and obesity is a significant and growing issue in Australia. Sugar-sweetened beverages (SSBs) are a major contributor to the obesity crisis and provide almost no nutritional benefit.
- SSBs contain large amounts of free sugar — delivering a high number of liquid calories but providing almost no nutritional benefit. There are 8-12 teaspoons (33-50 grams) of sugar in the average 375 ml can of soft drink.
- The AMA estimates that Australians drink at least 2.4 billion litres of sugary drinks every year. That's enough to fill 960 Olympic sized swimming pools. Young males are the biggest consumers.
- The AMA estimates that if no action is taken to stem the obesity crisis, by 2025 taxpayers will have footed a further $29.5 billion (over four years) for the direct healthcare costs of obesity.
- A systematic review of worldwide costing studies estimated that people living with obesity have medical costs that are approximately 30 per cent greater than their healthy weight peers.
- The AMA wants to see steps taken towards reducing obesity because it is a major risk factor for a range of chronic and preventable conditions including type 2 diabetes, heart disease, stroke and cancer.

How a tax on SSBs would work

- The benefits of an SSB tax are threefold: it would introduce a price signal to consumers that the product is unhealthy; create a disincentive in the form of higher prices; and incentivise manufacturers to reformulate (i.e. lower the sugar content of products). An added bonus is that it would raise government revenue which could be spent on further initiatives to tackle obesity.
- In this report it is suggested to tax a subset of SSBs — all non-alcoholic drinks containing free sugars, excluding 100 per cent fruit juice, milk-based and cordial drinks. The focus is on drinks that provide no nutritional benefit.
- Original modelling by the AMA indicates a tax on select SSBs would reduce sugar consumption from soft drinks by 12 to 18 per cent (27,596 to 43,804 tonnes of sugar) and raise annual government revenue of $749 million to $814 million.
- The tax that has been modelled is a specific excise tax based on sugar content, set at $0.40 per 100 grams of sugar (per unit of product). This tax rate was chosen with the World Health Organization's recommendation in mind – that a tax on SSBs would need to raise the retail price by at least 20 per cent in order to have a meaningful health effect. The tax rate of $0.40/100g sugar would raise the retail price of the average supermarket SSB by 20 per cent.
- Under the proposed tax rate, the amount of tax paid on a 375ml can of coke with 40g sugar (sugar content is 10.6g/100ml) would be $0.16.

Impact of the tax

- Reduced sugar consumption and improved diet would likely lead to a reduction in the prevalence of obesity and substantial healthcare savings. Previous Australian modelling estimated that an SSB tax that increases the retail price by 20 per cent would lead to a reduction in the prevalence of obesity of around 2 per cent and healthcare expenditure savings of $609 million to $1.73 billion. It also estimated that the tax could, over a 25-

year period, result in 16,000 fewer cases of type 2 diabetes, 4,400 fewer cases of heart disease and 1,100 fewer cases of stroke.

- More than 45 jurisdictions across the world have implemented SSB taxes. There has been confirmed success already in a number of countries, including the United Kingdom (2018), Mexico (2014), France (2012), Chile (2014), Catalonia, Spain (2016), and in some US jurisdictions (Portland 1991; Cleveland 2003; Berkeley 2015), where robust evaluations have shown a drop in consumption following the tax. The report includes case studies of SSB taxes in the UK and Mexico on pages 11 and 12, with the UK tax very similar in design to the proposed Australian tax.
- A tax on SSBs would be an important first step towards tackling obesity and would raise revenue to take further steps. Revenue should be earmarked for preventive health measures such as awareness and education initiatives to improve health literacy around diet and nutrition.
- For the majority of the population, there is an affordable alternative to SSBs in the form of tap water, and part of the intent of an SSB tax would be to move consumers towards this untaxed, healthy substitute. This means that any barriers to safe water access also require action. Therefore, revenue should also be used to ensure all Australians have reliable access to a clean, safe water supply.
- Australian surveys have consistently shown majority support for a tax on SSBs. Public support is even higher if tax revenue is hypothecated to fund initiatives to tackle obesity. A nationally representative survey undertaken in 2017 found 60 per cent of Australians support a tax on sugary drinks. This increased to 77 per cent support if the proceeds were used to fund obesity prevention.