The UK Government shows leadership with a Soft Drink Tax announcement

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A Conservative UK Government has announced a new soft drink tax with revenue recycling towards school-based physical activity programmes. In this blog we briefly look at the UK initiative and assess its possible utility for changing New Zealand's obesogenic environment.

NZ adults consume approximately 29 teaspoons of sugar per day, and children consume approximately 25 teaspoons (1,2). Beverages are the highest contributor to total sugars intake for Kiwi kids and the second highest contributor for adults, and it is clear that Kiwis far exceed the World Health Organization free sugars target of less than 10% of daily energy (about 12 teaspoons of sugar). Furthermore, NZ has the third highest rate of obesity in the OECD and many children suffer from tooth decay.

In response to similar problems in the UK, a plan for a new soft drink tax has just been announced in the UK budget. The UK's Finance Minister (Chancellor George Osborne – pictured above) stated: "I am not prepared to look back at my time here in this Parliament, doing this job and say to my children's generation I'm sorry. We knew there was a problem with sugary drinks. We knew it caused disease. But we ducked the difficult decisions and

we did nothing'."

The measure will tax soft drink manufacturers according to the volume of the sugar-sweetened drinks (SSBs) they produce or import. The tax will fall into two categories including one for total sugar content above 8g per 100 ml and one for drinks with a sugar content of 5g to 8g per 100 ml. The tax looks substantial enough to make a notable difference in soft drink prices. The measure translates to a 25p (53c) per litre tax; which (for a NZ$2.50 1L bottle) would be a ~21% price increase if manufacturers and retailers fully pass it on to the shelf price (without reducing their profit margins). Most regular soft drinks including Coca Cola, Pepsi, and 7Up contain 10 or more grams of sugar per 100mL. Manufacturers will have two years to reformulate their products and produce healthier options before the tax is implemented in 2018.

Additionally, the tax will probably generate a lot of revenue, estimated at between £520 million to more than £1 billion. The UK Government says it will spend the revenue on fitness programmes and extended school hours for children so they can take part in more sports. As discussed on this blog site previously – such revenue recycling can be a good way of ensuring public support for new taxes designed to protect health or the environment.

Is this new tax likely to work?

There is a vast amount of evidence that taxes can reduce consumption in other areas: especially for tobacco, alcohol and carbon taxes. While the specific evidence for SSB taxes is more limited, it is substantial enough to start acting in our view. For example, there is now evidence published in peer-reviewed journal articles on the Mexican soft drink tax experience in regard to: the effects of increased prices (3), estimated price elasticities (4), and changes in beverage purchasing for SSBs and beverage alternatives (5). Mexican data showing reduced production of soft drinks and increased production of bottled water (6), is also favourable. Experimental work testing a 13% price increase on soft drinks also indicates that these taxes are effective in reducing purchases (7), and modelling work is suggestive of health benefits (e.g., this NZ modelling work (8). Furthermore, the UK tax has specific features that will increase it's likely effectiveness including the level of taxation (>20% in line with international evidence (9)), recycling funds for obesity control, taxing on volume of soft drink produced, having a specific health aim and using a threshold tax sensitive to sugar content (see our previous blog).

What about New Zealand?

The case for a soft drink tax in NZ might seem even stronger than in the UK, given that NZ has higher obesity levels and obesity is probably a more important contributor to health inequalities. Furthermore, NZ is less wealthy than the UK (on a per capita basis) so it can less afford the burden of obesity-related disease and dental disease on its taxpayer-funded health system.

NZ Governments also have had good experience with the use of health-promoting taxes in the past. The annual tobacco tax increases from 2010 to January 2016 are at a world-leading level. There has also been use of revenue recycling (albeit at a modest level) from alcohol taxes into revenue for health promotion (to the former ALAC, now the Health Promotion Agency). Petrol taxes are also used to fund roading and ACC.

We suspect that adopting a soft drink tax in NZ would be a wise move to consider and that the public would support it if the revenue was recycled into other interventions that

benefited child health or wellbeing. Waiting for more 'definitive evidence' would probably not be wise given the likely costs to public health of further delays. Moreover, the government is currently supporting other obesity strategies with similar (or even less) supporting evidence, so why act differently now?

Of course a soft drink tax is no panacea. It is one component, albeit an important component, of a package of policies to address obesity that signals 'seriousness' to industry and stimulates a change in product formulation (e.g. the package recently promulgated in Ireland). As we discussed in a previous blog, Mexico has introduced a wide suite of interventions that are anticipated to work together to reduce SSB consumption; including constrained sales of calorie-dense foods in schools, restricted airtime for junk food advertisements on children's TV programmes, and a tax on packaged snacks. We consider that introducing a SSB tax could be an important component of a comprehensive government strategy to help fix the obesogenic environment in NZ and to also improve oral health for both children and adults. Such a tax could complement policies to restrict sales of calorie-dense foods in schools and to restrict junk food advertisements to children on all media as recommended in the ECHO Report (see a previous blog on SSB tax implementation). These measures would also help address health inequalities.

Conclusion

In summary, the UK Government is showing international leadership on the soft drink tax issue. Recently, the NZ Government has claimed that the 'evidence is not yet in' for a tax on sugary drinks. We have previously outlined how difficult it is to estimate precisely the health impact of food taxes and subsidies. Change the price of one food, and not only does its consumption change, but also the consumption of foods that are complements or substitutes. Nevertheless, we suggest the recent evaluation of the Mexican sugary drink tax in the BMJ tips the scales; one would always like more evidence, but at some point the evidence is sufficient to act to protect public health. A recent report by the McKinsey Global Institute (10) on this issue concluded that an incomplete evidence base should be no barrier to action: "We should experiment with solutions and try them out rather than waiting for perfect proof of what works, especially in the many areas where interventions are low risk." Fortunately, the UK Government has clearly decided so, and is joining Mexico and other countries in leading the way.

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