

Submission for the 2019 Pre-Budget Consultations

By: The Canadian Beverage Association



Recommendations:

- **Recommendation 1:** Government commitment to meaningful industry engagement, including taking industry perspectives and feedback into account, in the development of regulations that impact the economic competitiveness of the Canadian Beverage Industry.
- **Recommendation 2:** Refrain from product-specific taxation.
- **Recommendation 3:** Continued, meaningful industry engagement and consultation regarding a national waste reduction strategy.

Recommendation 1: Government commitment to meaningful industry engagement, including taking industry perspectives and feedback into account, in the development of regulations that impact the economic competitiveness of the Canadian Beverage Industry.

The Canadian Beverage Association (CBA) supports the values which underpin Health Canada's Healthy Eating Strategy mandate. In fact, the beverage industry continues to take a leadership role in reducing Canadians caloric intake from beverages, with greater low- and no-calorie options and significant efforts to educate consumers on healthy beverage consumption habits.

However, Health Canada's proposed changes have unintended consequences for the economic competitiveness of the beverage industry value chain, including impact on local farmers and made-in-Canada jobs.

We have particular concerns with the regulatory burden associated with the following:

1. Bill S-228: Child Health Protection Act;
2. Canada Food Guide changes;
3. proposed Front of Pack labelling regulation; and
4. classification of Caffeinated Energy Drinks.

1) Regulatory Framework Associated with Bill S-228

The combined effect of Bill S-228 if passed and Health Canada's proposed regulatory framework will have measurable negative impact on the economic competitiveness of the beverage industry by not only placing limits on marketing to children but in effect severely limit the majority of marketing of processed food and beverage products and restaurant meals to Canadian adults.

The CBA along with the Association of Canadian Advertisers, Food and Consumer Products of Canada and Restaurants Canada have expressed concerns about the regulations which will accompany Bill S-228: The Child Health Protection Act, if passed. The combined effect of Bill S-228 and the current regulatory path being proposed by Health Canada will be pronounced and drastic, impacting the economic competitiveness of beverage industry throughout its supply chain, including rural farmers.

We have particular concerns with the methodology of the Cost Benefit Analysis (CBA) study that Health Canada intends to use to inform the development of the regulations associated with Bill S-228.

As a coalition, we have sought third-party expert assessment of Health Canada's proposed Cost Benefit Analysis methodology and format by RIAS Inc. As already documented and shared with government officials, RIAS Inc.'s economic analysis demonstrated that the potential restrictions on marketing to children suggested by Health Canada last summer would have multi-billion-dollar impacts on the Canadian economy including more than \$7 billion in lost GDP, 30,000 plus lost jobs and a reduction in annual ad spend of more than \$1.1 billion.

To properly inform decision-makers and to adhere to the requirements of the Cabinet Directive on Regulatory Management, Health Canada must meaningfully consult with all affected industry stakeholders to refine its proposal and identify alternative options.

2) Changes to “Canada’s Food Guide” regarding 100% Juice

The proposal to place 100% juice in an “avoid consumption” category carries great risk for Canadians while also failing to meet the test of a recommendation based on scientific evidence. Canadians, from growers to consumers, will be adversely impacted by this change, if made. Evidence shows the current recommendations on 100% juice consumption in Canada remain sound and there is no data to support moving 100% juice into an “avoid” category.

Given that the number of Canadians [consuming enough fruits and vegetables is continuing to decline](#), and many rural/northern communities having challenges accessing fresh fruit and vegetables, we strongly disagree with a proposed recommendation to tell Canadians to avoid drinking 100% juice.

The consequences of telling residents of Northern and isolated communities, where whole fruit and vegetables are rare and expensive, to not drink 100% juice eliminates a critical and cost-effective way of accessing servings of fruit.

Health Canada's dietary guidance needs to support a healthy lifestyle and most importantly, be based on the most up-to-date science. It is also essential that the dietary guidance takes into consideration availability of food. Canadians cannot be told to simply rely on only what is currently 'in-season' but must also be able to utilize food and beverages, like 100% juice which was prepared when the fresh fruit was available.

100% fruit juice is a good source of essential nutrients and phytonutrients. Research shows that people who drink 100% fruit juice have better quality diets than [people who do not](#). They also have higher intakes of vitamins A, C, folate and magnesium, and

lower fat (total and saturated), sodium and added sugars.¹ The evidence also points to no connection between the consumption of 100% juice and obesity or dental cavities.²

Processed/prepared foods such as 100% juice can contribute significantly to Canadians meeting their daily nutritional needs, in a cost-effective way. Health Canada's [2015 Evidence Review for Dietary Guidance Technical Report](#) noted that all forms of vegetables and fruit (whether fresh, frozen, dried, canned, cooked, or juiced) are "foods 'in line' with CFG guidance".³

Besides numerous science-based arguments against Canada's Food Guide telling Canadians to avoid 100% juice, this recommendation is a significant burden and irritant to the agri-food industry – including local farmers, juice producers and beverage companies – it amounts to the Government of Canada using its authority to specifically attempt to damage the Canadian juice industry. It would also be directly contrary to the Government of Canada's recent Innovation and Skills initiatives and Budget 2017 funding that aims to drive growth in the Canadian agri-food industry.

3) Front of Pack Labelling

As the government works to finalize its Front of Pack (FOP) Labelling directives, the Canadian Beverage Association asks that Health Canada consider whether it is premature to move forward with the proposed FOP labelling scheme, and that Health Canada ultimately adopt a FOP Nutrition Symbol approach that is informative for consumers and least likely to cause consumer alarm, confusion or false impressions about a food product required to carry such a symbol.

CBA members have taken a leadership role in setting industry standards, such as our Clear on Calories FOP labelling initiative. Clear on Calories is a voluntary industry initiative, which provides up-front and clear calorie information on our beverages that, combined with our Balance Calories Initiative, has helped consumers make better informed beverage choices.

CBA notes that focusing on the three nutrients alone in the FOP symbol does not provide any guidance to the consumer on how to make a healthy food choice. Rather than being a "interpretative" system that will help consumers make choices regarding their foods and beverages, the proposed approach is simply a "warning system" that may alarm Canadians and make them doubt the safety of the Canadian food supply.

¹ O'Neil CE, et al. "Diet quality is positively associated with 100% fruit juice consumption in children and adults in the United States". *Nutr J.* 2011;10:17

² Byrd-Bredbenner C, Ferruzzi MG, Fulgoni VL, Murray R, Pivonka E, and Wallace TC.

³ Evidence Review for Dietary Guidance Technical Report 2015 Health Canada; June 2016. Cat.: H164-192/2016E-PDF; ISBN: 978-0-660-05473-5

The proposed FOP system would create a significant barrier to economic competitiveness for the beverage industry and downstream suppliers. As CBA indicated in its May 2017 submission, the broader Canadian food/beverage industry (and ultimately Canadian consumers) face costs in excess of \$2.2-billion for making label changes to comply with the proposed FOP labelling approach and other major Health Canada/CFIA mandatory labelling initiatives.

4) Caffeinated Energy Drink Regulation

While initially marketed as Natural Health Products since 2004, in 2011 Health Canada committed to incorporating Caffeinated Energy Drinks under the Food and Drugs Regulations by 2016. Unfortunately, Health Canada missed this agreed upon deadline and is now targeting 2021 to complete the regulatory transition.

Throughout this transition period, Health Canada has issued Temporary Marketing Authorization Letters (TMALs) allowing qualifying energy drinks to be marketed and available to consumers. Companies need predictability for corporate planning; temporary approvals (often delayed in coming), through TMALs do not provide predictability and as a result, amount to a barrier to economic competitiveness for the Caffeinated Energy Drink industry.

The caffeinated energy drink sector remains concerned that Health Canada will again extend the completion timeline. **Finalization of these regulatory changes would significantly decrease the onerous regulatory process associated with the TMALs for businesses as well as Food Directorate's workload and would relieve companies from the costs associated with the long approval process and unpredictability.**

Recommendation 2: Refrain from product-specific taxation.

While our industry recognizes that obesity poses a critical challenge to achieving positive health outcomes, introduction of a sugar-sweetened beverage (SSB) tax is not the answer. **SSB taxes: lack evidence of any impact on health outcomes; are discriminatory, ineffective, regressive; and will cost our economy good paying, Canadian jobs.**

As the global conversation regarding SSB taxes has evolved, so has the body of evidence demonstrating the statistically insignificant impact they have on reducing obesity or increasing positive health outcomes.

In June 2018, the World Health Organization moved away from previous suggestions of a SSB tax in their ["Best Buys" report on noncommunicable diseases](#), instead pointing to more holistic solutions to address complex health issues like obesity. Additionally, an

August 2017 study commissioned by the New Zealand Ministry of Health regarding SSB taxes concluded there is no correlation between sugar taxes and a positive impact on health outcomes. [This comprehensive study reviewed forty-seven peer-reviewed studies and working papers published in the last five years. They conclude that “the evidence that sugar taxes improve health is weak.”](#)

A [report by the McKinsey Global Institute](#) further substantiated that conclusion, stating that the most effective interventions to address obesity include portion control, followed by changes in the school environment, and parental education.

Data from [Mexico’s 2016 national health and nutrition survey](#) shows that their 2014 SSB tax has not made an impact on obesity rates either. In fact, adult obesity rates have increased from 2012-2016, especially among Mexican women.

There is a disproportionate and misplaced focus on SSBs as a unique contributor to obesity. Introducing a discriminatory tax on one small part of Canadians’ total diet will not impact the number of overweight and obese people. Experts, [including Health Canada](#), agree that the factors associated with obesity are complex, multifactorial, and include health behaviours such as eating habits, daily physical activity, as well as broader social, environmental and biological determinants.

Through their own choices, Canadians are already consuming fewer calories from their beverages. In fact, Statistic Canada’s own [CCHS 2015](#) data shows that Canadians are consuming more calories from fats, proteins, and sugars in other food sources versus beverages and those other calories are likely behind increasing weights among Canadians.

Through our Balance Calories Initiative, CBA members have committed to reducing Canadians’ daily per capita beverage calorie consumption by a further 20% by 2025, by implementing top-ranked obesity interventions including portion control, more choices and fewer calories.

Recommendation 3: Continued, meaningful industry engagement and consultation regarding a national waste reduction strategy.

Canada’s beverage sector continues to play a leadership role in managing recycling programs across Canada and developing more sustainable plastic packaging. Our members use plastic bottles made of 100% recyclable PET (polyethylene terephthalate) and are moving to make all their packaging 100% recyclable, reusable or compostable by 2025.

We also support the reduction of marine litter. CBA members are taking action through voluntary initiatives, such as the Ocean Conservancy's Trash Free Seas Alliance, while supporting Closed Loop Partners and Circulate Capital, an investment firm dedicated to investing in more effective waste collection and recycling in South and Southeast Asian countries.

CBA has extensive expertise in designing and operating Canada's industry-led recycling programs. Our sector was instrumental in establishing the first province-wide Blue Box program in Ontario and developing Manitoba's highly successful Recycle Everywhere program.

Given our expertise on sustainability, we would be pleased to work with federal officials on development of Canada's plastics strategy.