

**Preventing obesity:
An economic priority for Canada**

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**Coalition Québécoise sur la problématique du poids
An initiative sponsored by the Association pour la santé publique du Québec**

Foreword

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Coalition québécoise sur la problématique du poids

The Coalition québécoise sur la problématique du poids (Coalition Poids), an initiative sponsored by the Association pour la santé publique du Québec, is mandated to advocate for legislative and regulatory amendments and public policies aimed at creating environments that promote healthy lifestyles and help to prevent weight problems and chronic disease.

The Coalition Poids has the support of more than 350 partners in the fields of municipal government, education, health, environment, nutrition and physical activity.

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Summary

The prevalence of overweight and the associated chronic diseases in Canada is alarming. Investments must be made to prevent the diseases associated with obesity (such as cancer, cardiovascular diseases and diabetes), and help Canadians adopt a healthy diet and physically active lifestyle.

Recommendations

The government should consider the prevention of obesity to be a priority. Public policies and the creation of environments conducive to healthy lifestyles require significant investments to offset rising healthcare costs.

To obtain concrete results in preventing obesity and chronic diseases, reduce the pressure on healthcare systems, provide for substantial savings in the medium and long term and quickly generate revenues to invest in prevention, the government should:

1. impose a tax on sugary drinks, and allocate the resulting revenues to preventing obesity and chronic diseases;
2. make substantial investments in preventing weight-related problems.

France and Mexico, among others, have imposed a tax on sugary drinks. In the United States, a number of cities have recently adopted a similar tax, including Albany, Boulder, Berkeley, Oakland, Philadelphia and San Francisco.

A tax should be implemented on sugary drinks and allocated to prevention because it:

- is intended to improve Canadians' living conditions and health;
- is modelled after a tax measure that has been successfully implemented in other jurisdictions;
- is a creative way to help prevent obesity and chronic diseases;
- is intended to reduce the pressure of the healthcare system on our public finances;
- limits the social and human costs associated with disability and decreased productivity.

Obesity: a public health crisis

Since 2003, the World Health Organization (WHO) has used the term “epidemic” to refer to the public health crisis represented by increasing obesity and the diseases associated with it:

- type 2 diabetes;
- cardiovascular diseases;
- metabolic syndrome;
- musculoskeletal and joint problems
- several types of cancer.

Obesity contributes to an increase in direct healthcare costs paid by the State, in addition to a variety of indirect costs (absenteeism, presenteeism, disability and premature mortality). The human, family and social costs of preventable diseases associated with obesity must also be borne in mind.

According to the most recent Statistics Canada data, released on 1 August 2017, 27% of Canadian adults are obese and 35% are overweight. Among young Canadians between the ages of 5 and 17, the situation is hardly better, with 31% of them considered to be overweight. In 2013, UNICEF reported that Canada had the third-highest rate of childhood obesity among rich countries. Canada, the United States and Greece made up the short list of countries in which more than 20% of children were overweight.

Overconsumption of sugary drinks and obesity

The consumption of sugary drinks is of concern to healthcare providers due to its impact on health and its contribution to the obesity epidemic. This broad category of products includes:

- soft drinks;
- fruit punches and cocktails (excluding 100% fruit juices);
- sports drinks (*Gatorade*, *Powerade*, etc.);
- energy drinks (*Red Bull*, *Monster*, etc.);
- vitamin-enriched waters;
- ready-to-drink iced teas and coffees;
- flavoured dairy beverages.ⁱ

Canada has the 10th highest sales of sugary drinks in the world. In 2015, an average of 88.1 litres of sugary drinks were sold per person in Canada. Furthermore, the rate of consumption among young people is significant:

- In Canada, soft drinks, energy drinks and iced tea are the main source of sugar for those aged 9 to 18;
- Among those aged 14 to 18, boys drink on average more than half a litre of sugary drinks per day, while girls drink more than a third of a litre.

ⁱ Unlike the other sugary drinks mentioned, which do not contribute to a healthy diet, flavoured dairy beverages can be a source of some useful nutrients, including calcium, potassium and vitamin D. Given that Canadians do not consume adequate amounts of these nutritional elements, dairy beverages are sometimes excluded from tax measures applied to sugar-added beverages.

The regular consumption of sugary drinks is the only dietary habit that is consistently associated with overweight children. The literature shows that it is also associated with obesity among adults, as well as other health problems, including:

- type 2 diabetes;
- cardiovascular diseases;
- metabolic syndrome;
- deterioration in dental health.

An excise-type duty could be applied to beverages containing added sugar, while excluding products with nutritional value recognized by the medical community and nutritionists. Following the example of the City of Berkeley, California, as well as France and Mexico, a certain amount could be collected from distributors or manufacturers and importers, based on the number of litres produced or imported. This has several advantages: it is simple to collect from manufacturers; it is often reflected in the price shown rather than at the cash register; and it generates more stable and predictable revenues than other types of taxation because it is not dependent on the sale price set by the industry. Finally, the tax should be adjusted annually to maintain its long-term effectiveness.

Collectively overweight: a real threat to the employment sector!

While the effects of a tax on sugary beverages may be of concern to some, they are trivial compared with the impact of obesity on employment in Canada. The prevalence of obesity in the labour force has a marked effect on the workplace, affecting the productivity of those afflicted. Targeting products with negative externality on health (such as sugary beverages) and investing in prevention is likely to have more positive than negative effects. According to several studies, the indirect costs of obesity, including decreased productivity, are generally higher than the direct healthcare costs.

Draw from the international success of this measure

Mexico

In 2014 Mexico imposed a special excise tax that amounts to an increase of approximately 15% on the average price of sugar-added beverages sold in that country, with the exception of flavoured milk and drinkable yoghurt. Flavoured concentrates, powders, syrups, essences and extracts that become sugary drinks when water is added are also included. In the first two years (2014–2015), the tax generated revenues of US\$2.6 billion. In order to reduce the attractiveness of these drinks and promote healthy hydration, a law was enacted to install water fountains in schools.

Mexico's national institute for public health and the University of North Carolina assessed the impact of the tax for 2014, and the preliminary results indicate that purchases of sugary beverages decreased by 6% in the general population, and by 9% in the most disadvantaged communities.

In the spring of 2016, industry representatives claimed that the tax was ineffective in reducing consumption because sales of sugary beverages had increased in 2015. By way of correction, Mexico's national institute for public health published two official notices to explain that conclusions cannot be drawn as to the effectiveness of the tax by relying solely on data pertaining to gross sales, given that several factors influence the consumption of sugary drinks (e.g., changes in total population, economic vitality, marketing strategies employed by the sugary drink industry).

A study published in *Health Affairs* in March 2017 confirmed that consumption did decline over the first two years of the tax. It also appears that sales of taxed sugary drinks decreased more in 2015 (9.7%) than in 2014

(5.5%). Therefore, contrary to what representatives of the industry try to make people believe, the tax did indeed have an effect on the purchase of these unhealthy products: on average, sales decreased by 7.6% in 2014 and 2015.

Berkeley

Since 1 March 2015, the City of Berkeley has been taxing the distribution of sugar-sweetened beverages at a rate of US\$0.01 per ounce (about \$0.35/litre). This municipal excise tax covers the right to distribute sugary beverages in the city. Over the first nine months, from March to November, its actual revenues totalled US\$1,093,778.74.

Because this is a general tax, it was adopted without being directly tied to a commitment to invest the revenues in prevention. It nevertheless includes the creation of a standing committee on sugary drinks, whose mission is to propose to the City of Berkeley investment initiatives aimed at reducing their consumption.

Moreover, a study published in the *American Journal of Public Health* indicates that Berkeley's excise tax reduced consumption of sugary drinks in socioeconomically underprivileged environments, which often have the highest number of consumers and people affected by health problems. Compared with Oakland and San Francisco, consumption of sugary beverages in Berkeley decreased by 21%, while water consumption increased by 63%. Another study published in *PLOS Medicine* in April 2017 shows that sales of sugary drinks declined by almost 10% over projected sales in the absence of a tax on these products.

France

Since 1 January 2012, France has been taxing sugar-added beverages and beverages containing sweeteners at a rate of €7.16/hL (\$0.09/L). Since 1 January 2014, the revenues from these “behavioural taxes” are allocated to health insurance.

In 2015, this excise tax was €7.50/hL (\$0.11/L), which is an increase of 5 euro cents over 2014. The measure provides for an annual adjustment proportionate to the rate of growth in the consumer price index (excluding tobacco) from the previous year. In 2016 the tax therefore rose to €7.53/hL, and remained unchanged in 2017.

All revenues from the tax are allocated to funding social security, which includes universal health insurance. When the tax was created, it was agreed that half of the revenues from the levy on sugar-added beverages (120 million euros) would be invested in health, and that the rest (approximately 160 million euros) would go to the general fund. One year later, in October 2012, elected officials voted to allocate all revenues from “behavioural levies,” such as the taxes on sugar-added and sweetened beverages, to funding social security, as of 1 January 2013.