

The Policy Pitch - *Fighting obesity: one tax and one community at a time*

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Australians are getting fatter. More than one in four adults are now classified as obese, up from one in ten in the early 1980s, and about 7 per cent of children are obese. Various interventions have been tried, but the trends are in the wrong direction. In this policy pitch, we explored what can and should be done to address obesity and its effects. Two innovative proposals were presented.

Stephen Duckett, Director of the Health program at Grattan Institute presented on Grattan's recent proposal to introduce a tax on sugar-sweetened beverages. Such a tax would recover some of those obesity costs that fall on the public purse, and which would also lead to a modest decline in obesity. Professor Anna Peeters, Professor of Epidemiology and Equity in Public Health at Deakin University outlined a potential win-win strategy involving healthy food outlets in community settings.

Speakers: Stephen Duckett, Director of Health Program, Grattan Institute
Anna Peeters, Professor of Epidemiology & Equity in Public Health, Deakin University

JO RITALE: Good evening everyone and thank you for braving the weather and coming in tonight. My name is Jo Ritale and I'm the Head of Collections here at the State Library. It gives me great pleasure to welcome you all to the *Policy Pitch* presented by Grattan Institute and State Library Victoria. This seminar is held on the traditional lands of the Kulin nation. I wish to acknowledge them as the traditional owners and I would also like to pay my respects to their elders and to the elders of other communities who may be here this evening. I'd like to give a warm welcome to tonight's speakers, Anna Peeters and Stephen Duckett, Grattan Institute members and staff, and Friends of the Library. It is a pleasure to work with the staff at Grattan Institute to present the *Policy Pitch*. This series brings to the Library industry leaders who invite discussion about complex public policy issues significant to the lives of Australians.

This evening we will explore what can and should be done to address obesity and its effects. The rates of overweight and obesity amongst Australian adults have doubled in the past two decades. Despite the plethora of diet information around us, we are now ranked as one of the fattest of the developed nations. We are about to hear two innovative proposals from two leaders in the field. Anna and Stephen, I'm looking forward to hearing your ideas for solving this health issue. It's clearly a topic of great concern and interest and it's very satisfying to see so many here this evening. I'm pleased to introduce our speakers this evening. Anna Peeters is a Professor in the School of Health & Social Development at Deakin University. She is a public health researcher with a strong interest in the provision of information to facilitate objective and equitable choices in public health by policymakers, practitioners and the community. Stephen Duckett is the Director of the Health Program at Grattan Institute. He has a reputation for evidence-based innovation and reform in areas ranging from the introduction of activity-based funding for hospitals, to new systems of accountability for the safety of hospital care.

Please join me in welcoming Anna to the stage.

ANNA PEETERS: Thanks very much Jo, and thanks Stephen for inviting me. It's a real pleasure to be here tonight. I'd also like to pay my respects to the traditional owners of this land. I'd also like to acknowledge my contributors, the people in my group in particular and funders and collaborators, and I'm looking forward very much to our discussion after the talks. What I'd like to talk about tonight, which then Stephen will follow on from, is obviously, as you know, the problem of obesity and the reason that we're having this conversation is because over the last decades obesity in Australia has increased rapidly and greatly.

What this slide shows is that in 1980 about 1 in 10 adults in Australia were living with obesity. With the most recent data from 2014/15 you can see this has increased to almost 3 in 10 Australian adults living with obesity. But not only is the prevalence of obesity today high, it's also unequally socially distributed such that if we think about the Australian population divided into quintiles of socioeconomic disadvantage, so that's fifths of the population, and we look at the least disadvantaged quintile you can see there that the proportion of adults living with obesity in Australia today is just under 2 in 10 or 19%. You can also see that's a lot less than those in the most disadvantaged quintile on the left, where around a third of Australian adults living with the greatest disadvantage today are living with obesity. There are some really powerful reasons why we need to take this issue of obesity seriously and start addressing it comprehensively. One of the reasons that we know obesity has been increasing in prevalence, both in Australian and worldwide, is because of our unhealthy dietary patterns and one of the big drivers of our unhealthy dietary patterns is today's food environment.

I was going to put up lots and lots of pictures of bad food environments, but I thought, actually, I can just ask you all to reflect on any minute of any given day in your own lives. Do you know that whatever environment you walk through, whether it's a train station, whether it's a service station to fill up with petrol, you're confronted very often with unhealthy food choices? If we think about the imbalance at the moment in our food environment such that the affordability, the availability, the promotion and the placement are really weighted in favour of unhealthy food choices, and this is across our society, from our children all the way through to adulthood, this drives our food choices and then, eventually, our food preferences. I thought of a quote that I heard recently from the CEO of the Melbourne Sports & Aquatic Centre who has recently committed to improving the healthy options there. He said, "When is it that lolly snakes became the default halftime snack?" I think it's a brilliant illustration of how our norms and preferences have changed over time and, unless we manage to rebalance these scales and tip all those elements through pricing, availability, promotion and placement back in favour of the healthy food options, we really won't be able to tackle what are now the normal habitual food preferences in our population which lead to this issue of obesity. So what I want to focus on leading up to my policy pitch is what do we do in the face of this? It's very well-accepted now globally that we need a range of complementary policies to improve our food preferences and, therefore, the food intake across our population.

I wanted to set the context for you before both Stephen and I drill down into specific policy areas because it's very well-understood in this area that one policy is not going to fix the issue; we need a range of complementary approaches and policies if we're going to move forward. These range from things like the Live Lighter social marketing campaign. We know that we need evidence-based effective, integrated social marketing to illustrate to the population the risks of unhealthy food intake and the benefits of healthy food intake. In addition to social marketing, we know that we need policies

and initiatives around food pricing, and this is both around pricing initiatives, such as Stephen's going to be talking about, so taxes on sugary drinks, but also around things like subsidies to healthy food options. In addition to these strategies, we know that we need strong restrictions on marketing of unhealthy food and, again, this is both in terms of things that we might be quite familiar with, like television marketing of unhealthy food to children during children's viewing hours, but much more broadly to things like digital advertising, both on the computers that our children spend so much time in front of and the apps that are now emerging with freebies from every junk food outlet you can think of, all the way through to things like children's sports where unhealthy food sponsorship is clearly prevalent.

Another large pillar of what is understood to be a comprehensive regulatory or policy approach at the government level is really good food labelling. Again, this is the health star rating, so things like front-of-pack labelling for packaged foods that you now see on many of the products in the supermarkets, right through to point-of-sale labelling, like the kilojoule labelling at the fast food outlets that we're now going to see throughout Victoria due to recent legislation. So we know that we need this range of comprehensive government approaches to change basically the food environment that we live in across all those elements I outlined before and, at the same time as we do that, we need to build the skills and education of the population in order to make those healthy food choices, prepare the food, as illustrated here with the Jamie Oliver Ministry of Food, understand and appreciate healthy food, as you can see here with the famous Stephanie Alexander Kitchen Gardens, and also to understand what might be good food practice for ourselves and also for our children. So, as I said, this is a very well-accepted platform and what I really want to focus on is the gap that I've explicitly left in the middle, which is what I see as the opportunity for policy and intervention to come from community and community organisations themselves.

So my policy pitch is how we might think about implementing a healthy food policy for food service retail across our communities and my pitch is that we start from all government and community settings, and this includes things like local government, parks, sports and recreation, hospitals and universities. The reason I think these are the best food service outlets to start with is because most of these organisations have overarching goals that are consistent with healthy community goals and that clearly align with healthy food service retail. In addition, they have amongst them large population reach and if we can manage to illustrate in these settings which have consistent organisational goals that implementing healthy food service retail is feasible and effective, then there's a real opportunity to both set population preferences across those settings and also to lead by example. So that's the basis of my policy pitch. Of course, there are lots of potential hurdles to implementing healthier food service in retail settings and, although it's often consistent with organisational values across these settings, there are lots of questions around how can I implement it; what should I be implementing; is there really a health benefit if I change all the food and drink that I provide to my customers; and will it negatively impact my business?

What I want to expand on in today's talk is it's really important that we start to answer these questions from the perspective of those that we are asking to implement these policies and, unless we can align those, it's actually very difficult to move forward. So that's what I want to do, I want to talk to you about what I see as a really exciting opportunity in Victoria at the moment where we're getting a groundswell of change across a number of these organisations that enables us to answer some of these questions. One of the things that has really supported this groundswell is that there's been a development from the State Government of a series of policy documents and resources that I would

argue are now becoming the policy backbone of this change. These range from things like policy outlines, so these are actual policy documents that you can find on the State Government's website, around how to change to healthier food service retail for parks, for sports and recreation, for hospitals, so for a range of government settings. Alongside that they have a categorisation and classification guide which indicates how we can classify foods to enable this change and the highlights are a traffic light system, so you can see green which is best choice, amber which is choose carefully, and red which is limit, and there are guides on how to make these classifications according to nutrient and energy categories. Finally, they've developed with Nutrition Australia a resource base called the Health Eating Advisory Service which enables support both for the classification of foods and also strategies for change. This is the kind of a policy and resource backbone that I think you need to support a change like this across multiple organisations.

At the same time as this has been emerging, over the last five years, we've also seen really exciting leadership from a number of our community organisations and I want to really briefly show you how this is emerging over time. All these stars basically indicate Victorian organisations that have started to take action to reduce the sales of sugary drinks from their settings over time. Some of these leaders included names you will have heard of, like YMCA Victoria, Alfred Health, City of Melbourne and City of Geelong. So you can see that we're starting to get really good spread over the last five years of organisations saying we're going to change what we provide our customers to healthier drink options. In the last two years this has rapidly expanded and here you can see both individual organisations - like the Melbourne Sports & Aquatic Centre that I spoke of before and the Comprehensive Victorian Cancer Centre - and those red dots are a whole series of hospitals in the greater southwest hospital series. So you can see that by a couple of leadership organisations making movements in this area we're getting large coverage across the state and my guess is that in two years we'll see a doubling of the number of stars. So we've capitalised on that opportunity and, with a whole lot of partners, we've basically been trying to build the evidence base from those organisations that have been implementing change to address the question that I was alluding to earlier.

I want to take you through two really quick examples that start to touch on the evidence for change. One is from Alfred Hospital. Thanks to Oliver Hughes, whose study this is. Basically what this shows you if you look the left-hand bar, these are the number of cold drinks sold in one of the cafeterias at a major public hospital in Melbourne and you can see that the green, amber and red indicate the distribution of the drinks sold according to the traffic light classifications I alluded to before. What you can see is that around 40% of drinks sold were of the red or unhealthiest or limit variety. The hospital provider consulted with the retailer, who said, "I've got a really good strategy. I don't want to remove choice. What if we put the red or the unhealthy drinks behind the counter, out of sight, so they're not prominent for the customer? If a customer asks we'll give them to them. We're not going to tell them about the change and we'll see what happens". They were fairly sceptical that it would have any impact whatsoever, but in fact what happened was on the right you can see that the sales of the red drinks decreased rapidly, so from about 40% of overall drink sales down to 10%. At the same time, you can see that the top of these two columns is about the same. There was no change at all to overall drinks sold from this particular retail outlet, so the retailer had managed to achieve his health intent without compromising his business intent.

A second example is from YMCA and this is similar, but as pie graphs. What you can see in terms of the 2013 pie on the left and the 2014/15 in the middle, they're sales as usual across YMCA centres

across Victoria and, again, you can see that the proportion of cold drinks sold that were of the red or limit or unhealthiest variety were between 40% and 50%. They took a different path and decided they were going to remove all soft drinks from their centres, so any of you who've been to YMCA over the last year will probably, or possibly not, have noticed that they no longer sell soft drinks. The consequence of this you can see in the 2015/16 pie graph, because they had all been removed by that summer and, again, you can see that the proportion of drinks sold of the unhealthiest variety dropped a lot, in this case to around a quarter. The red drinks remaining were things like sports drinks, which they've now undertaken to remove over the next 12 months. What you can't see because it's still preliminary is that so far my team member Tara has analysed nine of these centres and there's no evidence of an overall decrease in drink sales from these cold fridges. So it looks like a very similar story: they chose a strategy, they were able to implement it across all their sites across Victoria, it had the intended potential health effect of decreasing the purchase of unhealthy drinks with no apparent impact on sales or, in fact, customer feedback, which we've also done and I can talk about later if you like.

So just a few quotes as we wind up, because I think it's important to hear this from the retailer themselves. That's Miranda who's done work with different retailers in Melton and Wyndham and Alfred and I want to read you these three quotes from different retailers in different settings who've all undertaken changes to healthier food retail. "You can see it working. You can see lines at the salad bar at lunchtime and you can see that the hot fried side is not as busy." "It is going really well, the feedback is quite positive from staff, customers." "It hasn't impacted the revenue stream in a negative way". Clearly these are three quotes out of many, but the point I really want to highlight here is along those three questions that I raised before in terms of feasibility, potential for health benefit and potential negative impact to the business. We're seeing really common themes coming out. Of course, there are complexities and hurdles and I would like to mention them before I end so that you don't think it's all easy, but clearly we're at the start what is I think a really significant journey. Some of the implementation challenges I think are worth touching on because I think that's where the policy advance is going to come, is really limited supply of healthy alternatives in certain categories. So the more that we can work in a strategic way to boost that supply side, the better it's going to be for customers and business to participate in healthy food service retail.

It's complex to work out strategies tailored for every specific site and setting, and that's where we hope development of case studies is going to be really valuable. At the moment there is the lack of a level playing field because these policy guidelines are voluntary. We are relying on strong leadership, capacity and resources across specific organisations, and that means that at the moment it's not a level playing field and that can be a real barrier for new organisations to move into the space - and we can talk about all that in the discussion as well. To summarise, if we look at what the key hurdles to implementing healthy food service retail were seen to be when we moved into this space a few years ago and as the organisations and government really started in this space, probably about five years ago, I think we're getting lots of good examples now that implementing a healthy drink policy at least, and we're getting emerging evidence now around food, is feasible and all the examples I've illustrated are ongoing, so they're clearly feasible in an ongoing and sustainable sense. They have the intended effect on purchasing, so that is customer potential health benefits down the track, and they seem to be acceptable from a business perspective, both financially but also in retail and customer satisfaction.

So I guess my policy pitch is that we start to fill in this middle ground in terms of our approach to obesity prevention and, in addition to having a growing policy and resource infrastructure in the middle there, I think it's really important that we start to link it down, so that consumers have really clear information about what's happening in these settings and why and are able to feedback, and also up, so that we perhaps have stronger policy coming from government around monitoring and incentives so that we can start to make it a much more level playing field. Thank you very much.

STEPHEN DUCKETT: Thanks very much Anna. I'd also like to acknowledge the traditional owners of the land, the Wurundjeri people of the Kulin nation, and pay my respects to their elders past and present. I'd also like to point out that Aboriginal people today have a life expectancy about ten years shorter than non-Aboriginal people and they are much more exposed to some of the problems that we're going to be talking about today, so when we hear those acknowledgements of country we should also be thinking about what the implications are for what we're doing. I'm going to talk to you today about a report we released late last year which proposed a sugary drinks tax. I'd also like to acknowledge Trent Wiltshire, who is the Associate who worked on this report with me.

Anna has covered the background quite well and she showed data about the significant increase in obesity that's occurred in adults. This slide also shows a much greater proportionate increase in obesity in kids, so from around 1% or so back there in the mid-'80s to about 7% now, the same 10 to 30 or so increase for adults, so obesity is a serious problem. We conceptualised the obesity problem as causing problems for two different clusters of interests. One is people who are obese, they have high rates of admission to hospitals, they're a sicker population generally or at greater risk of a number of diseases, but also there's a problem for the taxpayer. That is, the consumer consumes the sugary drinks or whatever, but the taxpayer who doesn't consume the sugary drinks or whatever ends up footing the bill for that obesity. So we, using data from PwC's, I think it was, analysis estimated the costs of obesity to the taxpayer of more than \$5 billion a year, actually about \$5.3 billion a year. Now some of this is because obese people have a greater tendency to use GPs. As I said, they're more likely to be sick than non-obese people, they're more likely to go to hospital, they're more likely to use pharmaceuticals, and those direct health costs add to about \$2.5 billion a year. On top of that, they're less likely to be in employment, even after you standardise for socioeconomic status, so the taxpayer loses out on not getting income tax from their employment or reduced income tax and they're more likely to be on benefits.

So you can see that this adds up to about \$5.3 billion a year. About 10% of that we estimate to be related to sugar-sweetened beverages. The consumption of sugar-sweetened beverages costs the taxpayer about \$500 million a year or so. Our argument was that we should recoup that \$500 million and give it back to the taxpayer so that when a person consumes a sugary sweetened beverage they bear the costs of that while the taxpayer doesn't bear any costs of that consumption. Now, as I said, sugary sweetened beverages we estimate to be about 10% of the cause of obesity. More than a third of Australians' daily energy is derived from discretionary foods, some of which are sugar-sweetened beverages, and in the younger age groups it's quite a significant proportion. For teenagers and young adults a significant proportion, 25% to 40%, of their added sugar intake comes from soft drinks. So if we change the consumption of soft drinks, we change dramatically the added sugar in people's diets. In brief, we recommended a tax on sugar-sweetened beverages. There are a number of ways you can design such a tax, but we said basically it should be a tax based on the added sugar, so that meant that we only focused on drinks which had added sugar. So fruit juice, for example, has a high sugar content in some cases but doesn't have added sugar, it's naturally occurring sugar.

One of the reasons for focusing on sugar-sweetened beverages was that essentially they have no nutritional value, they're basically just the added sugar, they're empty calories, and so we could focus very clearly. If we'd broadened our approach to include other unhealthy foods, such as all those in the red list that Anna showed us, then you've got a problem that some of those have a nutritional benefit. Chocolate milk, for example, has a milk benefit as well as a dis-benefit. Because we're taxing added sugar it was simple and easy to categorise, so it was a simple tax to design. Now what's important about the argument I'm putting tonight is that this is not a nanny state argument. The nanny state argument is that we, the bureaucrats, or we, the politicians, know better than you about what you should be consuming and we're going to tax it so that you don't consume as much of it. We're not putting that argument, rather we're putting what economists might call an externality-type argument, which is your consumption is causing costs for other people, we therefore want you to take that into account and we want to put those costs back onto you. So we're not attempting a nanny state, we're not attempting to say everything that you do is wrong, you've made poor choices. They may be poor choices, but you've made them and you bear those costs. What we're saying is we don't want to have the taxpayer bear those same costs either, so it's quite a different argument from what has typically been put in the past.

What was interesting as we were doing this study was we had this table, which are those countries or jurisdictions that have introduced a sugar-sweetened beverage tax. So we've got a list here of those that were in place when the report was produced and a list of proposed taxes as well, what the basis of the tax is and how it's structured. What was interesting about that table was more or less every week, or actually about every fortnight, we had to add another line to that table. More and more jurisdictions are introducing sugar-sweetened beverages tax. You'll see a whole cluster here in the US that were introduced in 2017 and these were by plebiscite at the same time as the Presidential election, so the American people got the benefit of Donald Trump and some of them also got the benefit of a sugar-sweetened beverages tax as a result of what they did that day. Now what's interesting, you'll see here that the UK has a tax that's coming into effect in 2018 and it's a tiered volumetric tax, it's a tiered tax and you've got two different rates, 18 pence in the pound and 24 pence in the pound, for different levels of sugar consumption. This tax hasn't come into effect obviously, it comes into effect in 2018, but what's happened is Tesco, one of the biggest retailers in the UK, has changed its formulation of its home brand drinks as a result of that proposed tax. It's brought down the amount of sugar in their sugar-sweetened beverages because of that tax. So this is really quite interesting, it's the effect of a tax before you have the tax and this is exactly what you want, you want the changed formulation.

So our proposal was for 40c per 100g of sugar levied on the manufacturers on the sugar content. We estimate that a tax of that size would also have an impact on consumption, it would reduce consumption by about 15% based on estimates from other surveys, and in the first year it would yield about \$500 million to recoup the costs that sugar-sweetened beverages cost the taxpayer and, because of the drop in consumption, in latter years the tax would raise \$400 million. Despite the evidence that Anna has just shown you, that people actually do change their consumption patterns with food placement and other strategies, a lot of people say a sugar-sweetened beverage tax doesn't work. That's not the overseas evidence. Sugar-sweetened beverage taxes do work and I'll show you. There's minimal substitution to other junk foods, low income households reduce their consumption more than high income households, and there'll be a very small reduction in obesity prevalence in Australia; partly what we're trying to do is stop the *increase* in obesity. This is from a Californian study, I've used this rather than Mexico because California is more like Australia than Mexico is. What

we have here is Berkeley. Berkeley is on the other side of the Bay from San Francisco and is connected by trains, cars and all sorts of things, so you'd expect to have spill over effects where people can go and buy their drinks in San Francisco or Oakland.

What happened was there was an actual decline in the consumption of sugar-sweetened beverages before and after the tax, and when they looked at comparable counties there was basically no change in the sugar-sweetened beverages. On the other hand, water consumption went up dramatically, bottled water amongst other things, and it went up in the other places. So basically what we're showing here is yes, the tax reduced sugar-sweetened beverage consumption and often the substitution was to water. Interestingly, Coca-Cola also own Mount Franklin mineral water. It is unclear to me where they make the most profits, whether from Coca-Cola or from mineral water, but you can see that the company itself would be able to make profit from the substitute as well as from the Coke. The effect of our tax would have put up the price of a soft drink can by about 15c, a 1.25L bottle by about 35c, a 2L bottle by about 80c and so on, so there would be a small but noticeable increase in the price of those products.

People have criticised sugar-sweetened beverage taxes because they are regressive, that is people on lower incomes would pay a higher proportion of their income on the tax than people on higher incomes. That's partly because of differences in consumption patterns, so what you see here is even though people on the lowest quintile spend less, this is on total beverages not just sugar-sweetened beverages. There is an increased spending as you go up the income gradient but this is what proportion of household income is spent on beverages in total and you can see a negative gradient here, that is lower income households spend more on beverages of all types than higher income households. So you could say that it is going to be regressive, however you do need to look at the values over here. This is 0.75% of household income compared to about 0.45%, so what we're talking about is 0.3% on beverages in total, so sugar-sweetened beverages are possibly about half of that, so we're talking about 0.15% of a gradient. So yes, it is regressive, but the gradient is very, very small and it's a very small proportion of household income, so it's a trivial proportion of household income. As a result, organisations such as the Australian Council of Social Service (ACOSS) ended up supporting a sugar-sweetened beverage tax.

We released this report late last year and we got some nice publicity in the Financial Review, it would raise \$520 million and cut obesity, a positive article. On the other hand, in The Australian they weren't so positive, saying there's a fat chance a sugar tax will reduce obesity. This guy also claimed that obesity isn't related to health problems either, which was interesting. The Deputy Prime Minister and the Assistant Minister for Health came out and said it was a stupid idea to tax sugar of any kind; that is unrelated of course to the fact that the National Party represents sugar seats in Queensland. It's interesting, I forget what newspaper it was, but you can see the ads for not necessarily healthy products there. Barnaby Joyce referred to the tax as "bonkers mad" which I thought was a claim to fame, but interestingly the Treasurer didn't actually rule it out, nor did the Labor Party. I don't think it'll be in this coming Budget, but certainly if they're looking for budget repair \$500 million from a sugar tax would seem to me to be a place they could look, rather than some of the other places they're looking. That's where we've got to, that's the report, and we're happy to answer any questions. Thank you very much.

AUDIENCE: One of the many socioeconomic problems which we and the developed world have is gambling. I see the parallels between excessive indulgence in food and, with it, obesity, and probably

sugar being a major contributor, as comparable to the problems with gambling. I don't see how you're actually going to overcome these. People will do what they want with their freedom to exercise how they spend their life, what they eat etc.

STEPHEN DUCKETT: Yes, we agree with you, people should be free to do whatever, with reason of course, but that was not what we argued. What we argued was yes, they can make those choices, yes, they can gamble, yes, they can consume sugar-sweetened beverages, but they only bear some of the costs themselves. A neoclassical economist would argue that when you make those choices you are taking into account the health impacts 10, 20, 30 years into the future. Well, of course, people don't, but that's what an economist would argue and then they would say that you've made that choice, it's a rational choice, you've decided that the benefit you get today is worth the cost you're going to incur tomorrow. However, what we're arguing is when you make that choice you're also causing costs for the taxpayer and you're not taking those into account because you don't bear those costs. We want you to bear those costs, hence that's why we've proposed the tax, but I agree with you.

ANNA PEETERS: I guess from a broader policy perspective too, that's why I put those scales up because I think at the moment the food environment is out of balance, so there isn't the same kind of promotion, pricing structure or availability of all the healthy foods. Interestingly, a lot of consumers want that reorientation because they feel that then they and particularly their children might make different choices. Examples came from when we were interviewing people at YMCA, a lot of the parents said, "We really like these changes because now we can go to the café, because if we went to the café before our children would not relent until we bought something unhealthy and we don't want to". So I think that it's a bit more nuanced than that as well, that in fact a lot of consumers might make different choices if we had a different choice architecture.

STEPHEN DUCKETT: What was interesting when we released this report was I did a fair amount of media that day, including on two big talkback programmes, including Alan Jones in Sydney. I was expecting to be attacked and so on for the nanny state argument, but in fact they supported this approach, I think because their listeners also supported it for the reasons Anna has outlined.

AUDIENCE: Leading on from that, do you guys do much work in the area of education so that people actually understand what's healthy and what's not considering there are so many different opinions in the media nowadays? Also, have you done much looking at the labelling itself? There have been issues with the five stars, for example, that some things that aren't so healthy have got five stars, whereas nuts have got one or two because they're seen as fatty.

ANNA PEETERS: I don't personally work in education or social media, but there are a lot of people in the audience that I know do and may want to comment. I guess the big picture response to that would be twofold, that I think there are quite a lot of people working in that space and there are some good government initiatives, I put the Live Lighter up there for social marketing and education, and there are some good skill-building programs, like the Jamie Oliver Minister of Food and the Stephanie Alexander Kitchen Garden, so I think there are a lot of good strategies and approaches. From a policy perspective, I think the way forward is to make those things more joined up and I guess that's what I was trying to argue at the end. I think the more we can join up the top-down policy response with the individual education information and then the community level changes it'll be critical. So just really briefly, one of the responses we had from one of the local governments in a

more disadvantaged community that is changing its sports and rec food environment was now we need to do our own targeted social marketing so our customers understand what we're doing and why and can actually influence how we do it. So I think what you're pointing to is really critical and I think there are some really good things happening there; I would probably argue we join them up as much as possible.

STEPHEN DUCKETT: Can I just follow-up that Anna, do you know if those communities which are adopting healthy city policies, or whatever they are, face much resistance locally to what they're doing?

ANNA PEETERS: I think it varies and it's probably too early to tell, to be honest. All the surveys that we and others have done have only detected overwhelming customer support, however, I think in some of the suburbs now where they're trying to make the changes they feel like there's going to be more pushback. We haven't seen it in the sales yet, but we haven't done the customer surveys so I think that we don't know yet.

AUDIENCE: You've obviously created two classes here, the good drinks and the bad drinks, and you're talking about taxing the bad drinks rather than just using methods such as marketing options, which Anna has described amply. Obviously you've got choices, you can either tax the bad drinks or you can reduce the tax on the good drinks. Drinks that have labour input, that are value-added, are subject to GST. Have you thought about GST exemption? Also, no-one has mentioned the bowl of sugar in just about every café, so are you proposing some sort of even higher tax on a packet of sugar from the supermarket?

STEPHEN DUCKETT: We didn't. We focused very, very closely on sugar-sweetened beverages, partly because the narrower the target you have the clearer the argument is, that is there's no real nutritional value from the added sugar in sugar-sweetened drinks. Also, it's not quite fair to say that we identified bad drinks and good drinks. What we did say is the tax related to the amount of sugar, so the more sugar you had the more tax you paid and the less sugar you had the less tax you paid, so it's a sliding scale, not an all or nothing in the case of sugar-sweetened beverages. I accept that, say, for fruit juice that was out of our scope. When we started this approach we also thought about the issue of the GST. In the end, we didn't go down that path, partly because of complexity reasons because what we're proposing is a tax paid by the wholesaler, not tax paid by the retailer, and the GST exemptions for fresh food and so on and are quite complex to administer locally. However, we tried to get some data on what the change in consumption patterns were with the introduction of the GST and the change in relative prices, but we actually couldn't get the data so we couldn't model any of those effects, which is why we didn't go down that path. Others have proposed that the revenue from a sugar tax should be used in part to subsidise healthy choices.

ANNA PEETERS: I was just going to say that same thing. I think there are some good modelling studies that show that if you can both increase the price on things like sugary drinks but then also offset the high prices of things like fresh fruit and veg, particularly in our regional and remote areas, then you do get a much greater benefit. Your question made me realise I didn't answer the last part of your question which was about any categorisation system essentially is imperfect and what do you do about that. I guess my sense is that at the moment we're at the start of what I think is going to be huge policy change globally over the next five years and so I suppose what I'm looking for is real leadership from government and community to say we are going to make a stand and we're going to

shift everybody's preferences to healthier food in all the ways we can. So I think implementing a labelling system that's front-of-pack and fairly clear is a really strong and good step, which doesn't mean the classification is perfect in any of these systems. So I think then it's everybody's job to try and work to keep refining them to make them as credible and usable as possible.

AUDIENCE: In relation to the calculation of the tax, is that benchmarked against healthier drink prices? I'm interested, if people are switching on price what is stopping the manufacturers of healthier drinks increasing the price, or is there any evidence that that happens?

STEPHEN DUCKETT: The evidence we've had in other countries where a similar tax has been introduced is that the manufacturers pass the cost on so the price goes up. In other countries sometimes they've introduced a broader tax across a range of products, so not only the narrow target we have, so we can't actually use the price changes in other drinks to model what happened. Just speculating, I can't see why the fruit juice people would increase the price of fruit juice just because the price of Coke has gone up. I mean, they could increase it in the hope of getting more profit, but that might influence the consumption of their product rather than products whose price didn't go up. So I think the market is such that they probably wouldn't increase it, but we don't have any evidence either for or against that. As to why people are switching, obviously if the price goes up the consumption of that particular product is likely to go down just because of a price effect. We also think it would be valuable to label the drinks that have got this tax on it so there'd be a signalling effect on top of the price effect, so it would be a doubling, in a sense, of the food label warning on this. In the report I think we recommended a labelling effect as well so people would become much more aware that this is an extra taxed product.

ANNA PEETERS: Just to support that, one of the students in my group, Miranda Blake, has done a study to try and dissociate those two effects, which obviously is hard to do in the real world. There's an online panel with both price changes but also information and it appears that those two effects are independent but accumulative, so they both contribute.

AUDIENCE: If this tax were to be successful, do you think it will be possible to apply it to other food products that are considered unhealthy and, if so, which ones would be next on the list?

STEPHEN DUCKETT: We thought about this as a precedent-setting approach because we think it has merit in other areas where we want to be changing behaviour and increasing revenue at the same time. Obviously other countries have broadened the sweep to include other sorts of beverages, including Diet Coke and those sorts of beverages; they're not in our list. So sweeping it across to other beverages would be probably the next way you could do it, the problem with that is with sugar-sweetened beverages we can say this is what we want to reduce, the sugar content, and we've got an unequivocal measure of the sugar. Once you try and extend the remit of a tax what you've got to do is say we want to measure, in a sense, what the contribution of that product is to, for example, obesity and then you've got to say we've got to be able to have a measure of working out how much chocolate is bad versus how much milk is good, or whatever it's going to be. So you need an index that you can point to and then apply a tax to that index. Such an index doesn't exist as far as we're aware, but that's conceptually where you want to get to. So yes, you can think about extending it, but I'd like to get this one in first before we talk about the extension.

AUDIENCE: I thought both your presentations contained within them an assumption that consumption of these sorts of drinks and foods was ultimately a product of dysfunctional personal decision making. I think if you accept that then you accept nudging and choice architecture re-designers fundamentally correct solutions or partial solutions. There's clearly a lot of conjecture about the origins of obesity, but if you accept that it's a more sociologically-based phenomenon that has, particularly in poorer areas, a lot to do with depleted communities and depletion of institutions and norms, if you accept that and if you look instead at things such as - and Anna mentioned in her presentation - the astonishingly high prices and scarcity of healthy fresh foods in regional, remote and low SES areas in the supermarkets out there, because obviously these foods are perishable and they're more expensive to produce and transport. If you accept that the origins and the causes of obesity are in significant dispute, might that change the implications of your analysis?

ANNA PEETERS: I think that's a really important point. I don't think it changes the implications. I agree with you, I haven't put all those broader social determinants up on any of my pictures and they clearly do play a role and I think that's a really important point, but the broader point I was trying to make is that I think we know that we're going to need to do a multitude of different things and that they are going to be things that happen from the top down at the individual level and then also at that community level. So I didn't talk about all the many things you can do at the community level, but definitely there's a lot of fantastic work going on where people are going out to different communities and asking what is it that you think would make a difference for your obesity rates and getting a real variety of results, not all of which are on those pictures. So I think you're absolutely right. I guess what interests me is how do we engage all the different actors we need to engage and try and connect them as much as possible so that what we're doing is synergistic, rather than lots of different things happening at once? But I think you're totally right.

STEPHEN DUCKETT: We don't claim that a sugar-sweetened beverage tax is going to fix the obesity problem, that's not our claim. Our claim is that obesity is rising and the current strategies don't seem to be addressing that, so you need to have new strategies. Anna, in her presentation, said that the right answer is multiple strategies. We're proposing that one of those strategies is a sugar-sweetened beverage tax. We were worried about the regressive impact of this and I agree with you that there are a whole cluster of factors, which are partly community factors and partly broader societal factors about the obesogenic environment, if you want to use that term, that impact on personal choices and peer choices. We didn't address that, partly because it ended up too complex and partly because the report would then end up as a report about obesity with multiple strategies and we wanted to have a targeted, more focused report to highlight the impact of this one strategy as an additional strategy. We did in the report canvas some of the ways in which you might spend the money. We didn't make any recommendations about that, but it is certainly true that every time any country or jurisdiction has introduced a tax of this kind they've allocated the revenue to addressing some of the issues that you've raised and/or to develop obesity programs in schools.

AUDIENCE: There's quite a bit of time between when policy suggestions come out in the literature and when they're actually implemented into government policy. I'm just wondering what kind of momentum and support is needed for this type of policy to take place in Australia?

STEPHEN DUCKETT: We weren't the first people to propose a sugar-sweetened beverage tax in Australia, a number of people have done that. One of the things Grattan did was to re-frame the argument to try and address one of the criticisms of a tax of this kind, which is the nanny state

argument, and also to quantify it, although others have done that quite well as well. We also focused on trying to get political support. We released this report at Parliament House and the meeting was sponsored by a person from the Liberal Party, a person from the Labor Party and Senator Di Natale, the leader of the Greens, so we had tripartite support for this proposal from those individuals in the case of Labor and Liberal; the Greens adopted a somewhat similar policy at the last election. As part of our release strategy we briefed politicians and bureaucrats about this to try and win them over to this sort of approach. The best we could do with both Labor and Liberal was not to rule it out, although Barnaby Joyce certainly made his views about it clear. But with all of these things you don't expect someone to adopt the policy the day after the report is released, it's a slow burn and it's also keeping the pressure up. There are a number of organisations, such as the Obesity Coalition, who are continuing to support this and more or less every month or two a new organisation comes out and endorses a tax on sugar-sweetened beverages.

AUDIENCE: How likely it would be for this policy to actually happen, given the vested interests and the current political climate?

STEPHEN DUCKETT: The argument from the National Party, well, they didn't make this explicit but their argument is it's going to destroy the sugar industry. We actually did some work on modelling how much impact it would have on the sugar industry. Sugar is a world market and it would divert 2% of Australia's sugar production from domestic consumption to overseas sales, so it's a very, very small proportion of the sugar industry that would be actually impacted by this. When you think about it, not all sugar is used for sugar-sweetened beverages and not all sugar-sweetened beverages will cease production, it just works its way down and so is not significant. Notwithstanding that, there are a number of lower house seats which are sugar-impacted, including Christensen's, and so there is obviously a politics associated with it. I don't think either party would go to the election with this as a promise before the election for that reason, however it's one of those sorts of things that we can hope will be implemented when they look at the budget bottom line.

ANNA PEETERS: Can I just add to that, I think that clearly to get some change you need a momentum or a groundswell and I think it has to be iterative, individuals and communities need to want something and then that filters through organisations, government has to want it, and there's a cycle that goes on all the time, there are lobbyists. There are lots of actors, but I think what is exciting, I'm probably slightly more optimistic than Stephen not that it will be in the next Budget, but I think we will see a sugar drinks tax or something similar probably in the next five years and I guess the reason I think it is because we're seeing that momentum changing. As Stephen said, every week almost a new sugary drinks tax is announced somewhere in the world and, on top of that, as you said, in the newspaper we're starting to see it as really, "Well yeah, of course, why wouldn't we consider a sugary drinks tax?" I can tell you, five years ago it was not on the table and you would have been laughed off this stage if we were talking about it, whereas now in much more popular media you're starting to see it as a pretty sensible suggestion. Now we've just got to see how to do get there and work with the lobby groups. That's such a different framing.

So the healthcare services that I put up as one of the batches of stars in the southwest, they've decided to take action in their local communities. They were asked what would you like to do in your communities, and they're acting across lots of different social determinants of health areas, but they said, "Where we can act is to take sugary drinks out of our hospitals, so we're taking them out. We're making a leadership stance and we're starting a petition for a sugary drinks tax". That's got nothing to

do with their healthcare network ostensibly, but they now see that as a natural consequence of their leadership for their community and their community's health. So I think we're seeing really pivotal changes in a community sense.

STEPHEN DUCKETT: When you look back at the cigarette case there was state experimentation, Victoria in fact being one of the leaders in this area. Unfortunately, the law changed and so you can't have state experimentation on a sugar-sweetened beverage tax, or so I thought. When we were writing this report I desperately wanted to be able to say this is a state revenue source but I spoke to two lawyers and basically the answer is no, it constitutionally is not possible. However, since we've written the report I've had further thoughts about how you could actually get state experimentation and one of the ways I think you could do that, and I haven't got around to writing an op-ed on this, is payroll tax. Payroll tax is a state tax and you could go to Coles or Woolies and say, "We'll discount your payroll tax if you do something about healthy options in your supermarket" or something like that. So you can think about a structure which would put a financial incentive on those big retailers and it would be up to the states to implement, so you might get some experimentation. As I said, I thought about that after we'd written the report, but that's always the case with these things.

AUDIENCE: What is the chance of being able to leapfrog from a state-to-state perspective, particularly when you look at that list that you've put up of jurisdictions which are a mixture of countries and the like because, like you, I have a funny feeling that we could even go back to things like licence fees, which is what they were?

STEPHEN DUCKETT: As I said, I got two good lawyers who know the Constitution to give me advice and John Daley, our CEO at Grattan, also happens to know something about this because he was an Associate to the Judge who wrote the case. With my best efforts I couldn't get anything reasonable into the report, but then subsequently I thought of this payroll tax idea.

AUDIENCE: Yes, I think it would be really interesting because if we can leapfrog in that way, particularly with the changes that are going on politically across Australia at the moment, there's the potential to have synergy between the states.

ANNA PEETERS: Can I just add one thing to that, because I think the other area where you can see price change without legislation is, again, through the different community organisations. One in the areas I was talking about before in more disadvantaged areas, the cities of Wyndham and Melton, one of the sport and rec centres there off their own back, before there was any kind of strategic intervention, realised that the price of bottled water was prohibitive to their community attendants. So they've put a price fix on bottled water, just off their own back, because they saw that as an equitable and healthy thing to do. We're trying to evaluate that as well which will be great evidence going forward, but I think there are lots of ways, once you start to get that community thinking about what they can do from their perspective, to drive those price shifts.

AUDIENCE: I agree that economics is the way to go. I think it's very powerful and speaks strongly and I think obesity has major health impacts. What I'd like to ask Dr Duckett is whether you considered the cost of the dental impact of sugary drinks and, if you did, would we knock that ball out of the park?

STEPHEN DUCKETT: We were only looking at the cost to taxpayers and the Commonwealth taxpayer subsidy to dental is very indirect, most of it's through private health insurance, so it wasn't in the modelling.

AUDIENCE: I'd like to know what you included in the health costs, because I've seen some work suggesting that looking at the lifetime health costs a significant amount lifetime health cost is cost of dementia care, and if people have lower life expectancy costs of dementia care tend to be less. Have you looked at that and are lifetime health costs an issue?

STEPHEN DUCKETT: Dementia costs would impact both in medical costs and hospital costs, and they're already included, but also in aged care costs, because people with dementia have higher use of residential aged care facilities. We didn't take into account residential aged care in our cost estimates, it was just health costs.

AUDIENCE: There are so many countries and places that you nominated that have been successful in getting beyond the vested interests that seem to be so powerful here. Why is that? Is there something that we can learn from these different places that we could perhaps apply here in Australia?

STEPHEN DUCKETT: As I understand it, Coca-Cola and the soft drink manufacturers mounted huge campaigns and spent millions of dollars to try and prevent those community plebiscites getting up in the US and I think they did in some cities; it's only the ones that were successful that we listed up there. I always go back to the cigarette case. We didn't move from a situation of no cigarette tax and no cigarette regulation to where we are now, it was a slow process where community support was built for each initiative along the way, be it the tax initiatives or the regulation of sites of smoking and sites of sale and the packaging labels. Each of those was a step along the way and each involved community support. What I think we're seeing, and what Anna is describing, is the community support is building there. What I experienced on the Alan Jones programme, the community support is building there so it's another example where the politicians are probably a bit behind the community in where the community is prepared to go in terms of this area. So I suppose I could become more optimistic that it'll eventually get there.

AUDIENCE: I'll just go back to the dental question from before, as a dentist myself. I think the whole issue of what's happening in sugar has to go beyond obesity. We hear "obesity" all of the time and it's very easy to forget that dentistry is a huge issue, diabetes is a huge issue, and we're seeing links with sugar and so many other diseases. We know 1 in 2 kids have tooth decay by the age of six and we're putting thousands of kids under general anaesthetic each year, which is a huge cost to the public health system, to extract a lot of teeth. The dental costs are around about \$9 billion a year and tooth decay is probably about half of that, so I think it's important that when we're talking about these issues we bring everyone in together and we don't just focus on one particular disease. I think we strengthen our argument to advocate for these sorts of measures, whether it's a tax or whether it's the sort of stuff that Anna's talking about around changing environments, because we're not talking about one problem, we're talking about a multitude of problems that are linked to sugar.

STEPHEN DUCKETT: I agree. You're absolutely right, it's not only dental, and we should've highlighted the dental issues but, as with many of these things, you're not only addressing obesity, but by addressing obesity you're addressing multiple other conditions or issues as well. So I agree.

ANNA PEETERS: Totally, you could frame the whole thing around healthy nutrition and I think that's the way we should go. I think a lot of it is around whose attention you're going to catch at what point in time, but I totally agree with being joined up. All the burden of disease data is around poor nutrition being the leading cause of disability, adjusted life-years, so that's a catch-all.

STEPHEN DUCKETT: Thank you very much for attending, especially on a day where you risk being drowned as you walk outside the door - although it wasn't raining when we came in, who knows what's happening now? Thank you very much Anna for your presentation. I believe there'll be a follow-up questionnaire that comes out to people who registered to ask what they thought about it and what else Grattan should do. Thank you to the State Library for the venue, which is really great. Thanks very much everybody.

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