

Item #29

Email on Treasury Working Papers on sugar tax (Gardiner, 2016;
Creedy, 2016)

Email containing summaries of two Treasury Working Papers on sugar tax, prepared by the
Ministry of Health for the Minister of Health, sent 27 January 2017

Sent By: Bronwyn Croxson/MOH on 27/01/2017 5:52:24 p.m.
To: [REDACTED]
Copy To: Hamiora Bowkett/MOH, Monique Waayer/MOH, Nichola Bennett/MOH, Deb Struthers/MOH, [REDACTED]
Subject: Treasury Working Papers on sugar tax

Dear [REDACTED],

Happy new year.

Thank you for forwarding the two Treasury working papers on sugar tax that you received from the Office of the Minister of Finance on 22 December 2016.

The papers are consistent with the advice the Ministry of Health has provided to Minister Coleman on this issue. In particular, the two papers both highlight critical gaps in the evidence which underlie our current position that there is insufficient evidence that a sugar tax would be effective in reducing obesity.

We would be happy to provide a briefing note if required. As you will have noted from the original email, Treasury expected that the papers would be published on their website this month. We will let you know when they are published.

The following are the key points of the papers:

Gardiner, A. 2016. *Implications of a Sugar Tax in New Zealand: Incidence and Effectiveness.*

This paper consists of a literature review and an empirical analysis of New Zealand household survey data to determine whether a sugar tax might impose a heavier burden on lower income groups ("regressivity").

The paper notes the high consumption of sugar and sugar-sweetened beverages (SSBs) in absolute amounts and as a proportion of energy intake in more highly deprived areas. Also, looking at the total population, the paper notes that SSBs represent a particularly high proportion of energy and sugar intake for young people.

For most population groups, people with higher incomes consume fewer SSBs. However, for Maori people, higher SSB intake tends to be associated with higher income.

The author points out a lack of evidence of consumer response ("elasticities") to sugar taxes, noting a range of methods in published studies with many lacking robustness. In particular, published studies have largely ignored the potential for substitution to other unhealthy foods and drinks. The paper suggests that this casts significant doubt on the argument that sugar taxes would deliver health benefits.

The paper's empirical analysis of New Zealand household survey data reveals that a tax on SSBs would be regressive. It also concludes that a broader tax on highly sugary foods would be more regressive than a tax only on SSBs.

Creedy, J. 2016. *Sugar Taxes and Changes in Total Calorie Consumption: A Simple Framework.*

This paper briefly discusses the published evidence on consumer substitution to other foods in response to a tax on SSBs or other caloric items, and develops a theoretical model of consumer choice where there is a possibility of substitution.

The author notes the overall poor quality of published studies and lack of evidence with respect to food and beverage substitutions that may offset any potential health benefits from reduced intake of SSBs.

The theoretical model demonstrates that the success of a tax intended to reduce caloric intake is dependent on the extent to which consumers will reduce intake of SSBs as well as the extent to which they increase intake of other sources of calories. Evidence of reduced intake of SSBs alone is insufficient to be confident of a reduction in total caloric intake.

The theoretical model also shows that the risk of unhealthy substitution offsetting any reduced consumption of SSBs is highest when substitutes have low prices, represent a large share of total expenditure relative to SSBs, and have high calorie content relative to SSBs.

The paper concludes that the evidence gap with respect to substitutions is significant and that further research is needed.

With best wishes

Bronwyn

		Date	Author	Title
Notes Link		22/12/2016	Michael Johnson	FW: Treasury working papers - sugar tax