FOCUS ON SUGAR SWEETENED BEVERAGES

Definition of Sugary Drinks

Sugary drinks (SD) are beverages that have been sweetened with added sugars. Added sugars are those added to foods and drinks and include glucose, fructose, sucrose, brown sugar, honey, corn syrup, maple syrup, molasses, fruit puree and juice etc. The term sugar sweetened beverages (SSB) is also used to describe these products. In order to be consistent with the B.C. Ministry of Health messaging the term sugary drinks will be used in this policy.

Some examples of SD are:

- Soda pop, soft drinks
- Sports drinks and energy drinks
- Presweetened teas and presweetened coffees
- Vitamin waters
- Fruit drinks

British Columbian's are heavy consumers of SDs

British Columbian's drink large quantities of sugary drinks. Sugary Drink consumption for British Columbians between the ages of 1 and 18 years averages 250 mls of SD per day13. However, averages are misleading as a significant number of Canadians rarely drink SDs. Those that drink a little are balanced off by those who drink too much. Canadian data indicates that 600 mls was the average volume consumed by those aged 14 to 30 years who reported drinking a SD the previous day. For those aged 31 to 50 years of age, volumes averaged over 500 mls. Even at age 71 years and above, those who drank SD consumed volumes in excess of 300 mls per day.

The SD consumption picture in Canada is consistent with the revelations delivered by the former head of marketing for Coca Cola in North America, Todd Putnam, who disclosed that Coke's sales depended upon "heavy users." Their marketing strategy was to "… drive more ounces into more bodies more often." Over 1/3 of our youth are heavy consumers of SDs as 35% of B.C. teens report having had a SD the previous day. This is consistent with the rest of Canada where one third of Canadian teens report drinking sugary drinks 5 or more times per week with the typical serving size being 600 ml.

Data on SD consumption by adult British Columbian's is imprecise. We do know that SD consumption amongst adult British Columbians follows a predictable age gradient with over 35% of adults aged 18 – 34 years reporting that they drink pop two or more times per week. In contrast, less than 20% of those aged 65 years or more consume pop at this rate. With regards to sweetened "fruit drinks," 40% of 18-34 year olds drink the product two or more times per week. Less than 15% of seniors consume this product at the same frequency. However, just as for teens, those who do drink SD, drink large volumes.

Statistics Canada has reported that the Canadian per capita consumption of carbonated sugary drinks in 2010 was over 110 liters per person per year. This amounts to 300 mls per day. However, using averages drastically underestimates the true picture as perhaps one third of Canadians seldom drink the product, and consumption rates are very low amongst seniors. Therefore, the 30 to 40 % of British Columbians who drink SD regularly do so in large volumes.

The Canadian Diabetes Association, the Dieticians of Canada and other national health organizations are calling for a national reduction in sugar consumption. One method of achieving this goal is the introduction of an excise tax on Sugar-Sweetened Beverages (SSBs).

A tax on SSBs has reduced consumption in other jurisdictions. For example, Mexico added a 10 per cent tax to drinks containing added sugar in January 2014, and saw a 6 per cent decline in purchases. Reductions were greater (9 per cent) in low-income communities, where the risk of diabetes is higher. Similar consumption declines occurred in France (3.1 per cent), Hungary (6 per cent) and Finland (3.1 per cent) after taxes were introduced.[1]

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[1] Why a sugar-sweetened beverage tax will help prevent type 2 diabetes – Canadian Diabetes Association. September 3, 2015

The prevalence of diabetes in Canada is estimated at 9.3% of the population (3.4 million people) in 2015. Another 22% of people aged 20 and older have pre-diabetes. If current trends continue, one in three people will have diabetes, pre-diabetes or undiagnosed diabetes by the end of this decade.[2]

An aging population, sedentary lifestyles, and the fact that 60% of Canada's population is overweight or obese, are the main drivers of type 2 diabetes. Diagnosis is also increasingly occurring at younger ages (including the 20s and 30s).[3]

It is estimated that over half of type 2 diabetes cases could be prevented or delayed with healthier eating and increased physical activity. Diabetes cost the Canadian healthcare system and economy $11.7 billion in 2010, an increase of nearly 70% since 2000. Costs are forecast to reach $13.5 billion by the end of 2014 and $17 billion in 2024.[4]

Mortality and disability account for 79% of the total cost. Thirty percent of people with diabetes have depressive symptoms, and people with depression have a much higher risk of developing type 2 diabetes.

A 2% reduction in prevalence rates would have a 9% reduction in direct healthcare costs.

An analysis of claims data from 2010 to 2012 indicates that plan spending for prescription drug claims for employees treating type 2 diabetes is about $2,000 per capita, compared with $478 for all other claimants. The average age of type 2 diabetes claimants in 2012 was 54.6 years.

THE BUSINESS CASE

In 2012, Canada's Soft Drink and Ice Manufacturing Industry had 300 establishments operating in Canada with the majority located in Ontario (89), Quebec (56) and British Columbia (65). In the same year, the industry generated revenues of $4.4 billion and employed over 16,900 people. While any government action in this area may have an impact on the industry, market forces are already moving the industry to bottled water and flavoured water beverages[5] and the health care costs associated with SSBs demonstrate a need for government action.

Health and Business are inextricably linked. "The Charter for Healthy Living" report and "Toolkit for Joint Action," launched at the 2013 World Economic Forum in collaboration with Bain & Company, illustrate the depth of the problem and provide a framework for multi-stakeholder action. Governments have learned they cannot solve these problems on their own. Business has a major role to play because the private sector can bring unique resources and competence to the table.

Healthy living, once relegated to the Style section of newspapers and magazines, is front-page news all over the world. More than half of all deaths now result from largely preventable, noncommunicable diseases (NCDs) like cancer, cardiovascular disease and diabetes. A quarter of all NCD-related deaths affect people under the age of 60, thus killing individuals in their most productive years. Experts estimate that loss in economic output due to premature death and disability from NCDs will consume up to 5% of global GDP by 2030 and cost $47 trillion in the next two decades. In the US alone, life expectancy for the average American could decline by as much as five years due to obesity-related illnesses. In the developing world, NCD risk factors are climbing at an alarming rate as well. Physical activity in China, for example, has declined by almost 50% over the past 20 years.

Some industry leaders are already taking action because they *understand* that markets are changing. They have identified new opportunities to *advance* the availability of healthy products and services. And they are starting to *shape* their brand and market around healthy living**.** Whether you are in the business of

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[2] ROI of One Life Diabetes- Canadian Diabetes Association
[3] Diabetes: Canada at the Tipping Point - Charting a New Path. Canadian Diabetes Association and Diabetes Quebec. 2011.
[4] Diabetes: Canada at the Tipping Point - Charting a New Path. Canadian Diabetes Association and Diabetes Quebec. 2011.
[5] Agriculture and Agri-Food Canada - Canada's Soft Drink, Bottled Water and Ice Industry
[6] https://www.thestar.com/business/2016/04/11/sugar-tax-would-be-healthy-for-canada.html
http://www.bain.com/publications/articles/healthy-living-economic-necessity-and-business-opportunity.aspx

producing drugs, food, beverages, shoes or delivering medical care, healthy living is not just a minor challenge; it is a matter of economic survival.

Studies have shown that SSBs add an excessive amount of sugar to the diet of children and adults leading to increased obesity and the heightened risk of Diabetes and numerous other health risks. Further, with our aging population we are currently facing a wave of increased costs from diabetes and other diet and lifestyle related ailments.

A workplace survey conducted across Canada determined that employees with type 2 diabetes cost employers an estimated $412 per person annually due to reduced productivity while at work and $1,042 per person due to missed work (absenteeism). Employees with diabetes who experience non-severe hypoglycemic events (low blood sugars) lose between 8.3 and 15.9 work hours per month. Those who experience hypoglycemia at night, while sleeping, lose an average of 14.7 work hours per month as a result.

Based on 2012 disability claims data that indicated diabetes as the primary cause of disability, the average duration of leave is 15% longer than for those without diabetes as the primary diagnosis. Sixty-five percent remain on disability for the maximum benefit period or until death.[6]

The CEOs of Indigo books and Luvo frozen foods, respectively, are pushing for improved sugar labeling on foods.

It’s also true that Health Canada has been reviewing feedback on proposed food labeling changes. In the case of sugars, new rules would group sugars — glucose-fructose, molasses, sugar, etc. — into a single class. The total weight of all sugars would determine their placement on the “ingredients” list as opposed to the uselessly scattered representation we have now.

Additionally, the nutrition facts table would include a daily value percentage of all sugars and a handy quick rule that will guide consumers as to whether that percentage is moderate or high as a percentage of daily consumption. Canada’s Health Minister Jane Philpott is committed to improving food labels and bringing in tougher regulations.

The tax in the U.K., where the cost of obesity is estimated at $50 billion, will be introduced in 2018. Revenues will be directed toward sports and breakfast programs.

The recent Senate committee report, Obesity in Canada: A Whole-of-Society Approach for a Healthier Canada, advised the government to place a ban on the advertising of food and drinks to children, and to “consider a tax on sugar- and artificially-sweetened drinks.”

There’s reason enough to support a national campaign to combat obesity. The Senate report uses an OECD ranking of 40 countries to underscore the urgency: Canada ranks fifth among 40 countries for obesity prevalence, a quarter of the adult population. In the ranking of children, Canada places sixth. The costs in health care and lost productivity are high, though imprecise and out of date at somewhere between $4.6 billion and $7.1 billion.

The New England Journal of Medicine, to cite just one source, has documented the link between the consumption of sugar-sweetened beverages and increased risks of heart disease, type 2 diabetes and obesity.

In March, 2011, Denmark introduced a “fat tax” on food items with a saturated fat content in excess of 2.3 per cent. The tax was put into effect in October of that year, leading to increased costs at the production end and increased cross-border shopping as Danes sought out cheaper butter and cheese from neighbouring nations. Targeting Danish blue proved to be an ineffective way to combat obesity. None of this has anything to do with sugar-sweetened beverages. The “fat tax” was cancelled in November, 2012. The planned sugar tax was never put into effect.

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[6] Diabetes: Canada at the Tipping Point - Charting a New Path. Canadian Diabetes Association and Diabetes Quebec. 2011.

Do taxes on sugary drinks achieve their intended effect? That is, a decline in consumption? Data from Mexico says yes, even if overall calorie counts decrease only marginally. But we're talking about a much bigger movement here that pushes far beyond pop. It's about the B.C. Government taking a leadership role in collaboration with Canada's government to set a new mandate for the health of our province and our nation. A tax on sweetened drinks would send an affirming first message. And this is an ingredient in the overall recipe of reducing health care costs in B.C., preventing health challenges, reduce workplace impacts as a result of health challenges that employees face.

New industries that can be created

This is an opportunity to advance healthy living products and services. Many, if not most, products and services have a health-related component. In the food and beverage industry, there is a clear opportunity to develop and market new, healthy products at various price points and to educate consumers about these products. General Mills is among the leaders in the field. Since 2005, it has improved the nutrition profile of 64% of its US retail volume through initiatives such as whole grain addition and sodium and sugar reduction.

Health insurance companies are starting to focus more on keeping people healthy, thus transforming themselves into health promotion companies. Discovery, a South African-based health insurance company, has introduced a very successful consumer-focused health insurance product called "Vitality." Vitality includes a broad incentive-based program that offers rewards such as discounts on vacations, flights and consumer products to members for practicing healthy behaviors. An evaluation showed that hospital admission rates were 7.4% lower for cardiovascular disease, 13.2% lower for cancers and 20.7% lower for endocrine and metabolic diseases for highly engaged members.

Teleconsultation and telecoaching are on the rise, and not only in emerging markets where lower-cost solutions are needed to provide medical care. In the UK, several Internet pharmacies, such as ChemistDirect and Pharmacy2U, provide free online medical consultations for selected indications. These programs hope to promote customer loyalty on the part of profitable private-pay customers and patients with chronic diseases. Telemonitoring is entering a new era, thanks to widely available smartphone technology. Bosch Healthcare, a leading home healthcare system provider, recently announced a partnership with a wireless technology company, Great Call, to develop innovative mobile health applications that elderly patients can easily use. Dozens of companies, such as AliveCor, SHL/SmartHeart or ineedMD, provide devices that measure heart activity remotely and allow patients to send results directly to their providers without having to leave home.

As consumers increasingly seek a more holistic approach to staying healthy, the market for alternative wellness services, such as spa treatments and herbal remedies, is responding as well. It is still an open question as to which of these products will be most profitable or which will truly change behavior, but the market is not waiting for a final answer.

Taking full advantage of healthy living business opportunities will require deep customer insights, combined with the right capabilities and an innovative mindset.

POLICY OPTIONS

In British Columbia SSBs are currently exempt under the PST as groceries. While removing that exemption may seem a quick approach for the provincial government research has demonstrated that the higher shelf prices that an excise tax will produce are a greater deterrent than an additional sales tax added at the cashier. Various taxation methods have been applied globally to reduce consumption of SSBs and the current best practice recommendation of international and national health organizations is to introduce an excise tax on SSBs. The Dieticians of Canada are calling for "an excise tax of between 10-20% on SSBs leading to a consumption decrease of up to 10% in the first year of implementation."[7]

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[7] Taxation and Sugar Sweetened Beverages – Position of Dieticians of Canada, February 2016

[8] http://www.cbc.ca/news/politics/soda-tax-canada-1.3712411

The increased revenue from this approach needs to be dedicated to education for all Canadians to understand the positive impacts of a healthy diet and the costs of unhealthy choices.
The federal government has weighed the pros and cons of a financial deterrent aimed at shrinking bulging waistlines: a tax on soda pop. Finance Minister Bill Morneau's office in 2016 requested an internal analysis to explore the issues and impacts in respect of a potential tax on soft drinks.

As an example, the document pointed to a pre-budget recommendation made by the Heart and Stroke Foundation, which urged Ottawa to impose a tax of five cents per 100 millilitres on sugar-sweetened beverages. The Heart and Stroke Foundation told Ottawa that such a levy would be a sustainable source of tax revenue that would generate $1.8 billion every year for the public treasury. In Morneau's 2016 budget, the Liberal government pledged to help "families make better food choices" and indicated it would take steps during 2016-17 to add more details on food labels about added sugars and artificial dyes in processed products. In March 2016, a Senate committee released a report about fighting obesity that recommended Ottawa explore the possibility of implementing a new tax on sugar-sweetened and artificially-sweetened beverages.

Further, Prime Minister Justin Trudeau has said his public health priorities include:

- Restricting commercial marketing of unhealthy food and beverages to children.
- Eliminating trans fat.
- Reducing salt in processed foods.
- Improving food labels to give more information on added sugars.

A boost in taxes sends a clear message to the general population about the detrimental effects of sweet drinks, said Jean-Claude Moubarac, a researcher in the nutrition department at the University of Montreal, where he studies food consumption trends. "The same would work in Canada," Moubarac said in an email. "I agree that tax should be part of a larger strategy, that should include first and foremost measures to support and defend real foods, in order to really promote health."

Currently in Canada, labels don't tell people how much added sugar is in a product, said David Hammond, a professor of public health at the University of Waterloo, who was not involved in the studies. "The average Canadian child consumes about 33 teaspoons of sugar a day, and we get most of that sugar from beverages," said Hammond. "The highest source of sugar consumption among kids is actually beverages, it's fruit juice and it's pop."

The “Rethink Sugary Drinks Coalition” was formed in 2015 to address the health impacts of SD overconsumption in B.C.

- There is a strong scientific consensus that excessive Sugary Drink (SD) intake is a major risk factor for the development of obesity and resultant chronic illnesses such as type 2 diabetes, heart disease, hypertension, stroke and 7 different cancers
- SD overconsumption is an independent risk factor for type 2 diabetes and heart disease regardless of weight status
- British Columbians are heavy consumers of SDs
- SD consumption in B.C. is estimated to trigger health care costs in excess of $90 million per year
- SDs are not subject to the PST and as a result heavy consumers often cause above average health care costs yet pay below average taxes

British Columbia could benefit by encouraging the Federal government to mandate that warning labels be place on SDs in order to help consumers better understand the risks of consuming SDs. This would build on the province’s Healthy Families B.C. and Carrot Rewards initiatives to educate the public about the risks associated with excess SD consumption. However, from our experience with tobacco we know that educating consumers to reduce their intake of an unhealthy product is necessary but often not sufficient to counterbalance aggressive marketing.

In addition, British Columbia could work with the Federal government to institute an excise tax on SDs with a significant portion of the revenue being returned to the provinces to fund health promotion. A tax on

SDs would act as a price disincentive to purchase and serve as a point of purchase reminder of the negative health consequences of consuming the product. There is strong evidence that price increases significantly decrease consumption.

The province of B.C. should move to extend the PST to cover all SDs in order to recoup a portion of the costs that these products trigger. Taxing SDs will facilitate consumers taking responsibility for the extra health care costs associated with these products.

There are effective policy measures that can be taken to decrease the rate of SD overconsumption. These measures are consistent with B.C.'s free enterprise philosophy and with best practices. We encourage our policy makers to implement these policies in B.C. and to work with the Federal government to enact effective policies on a national level.

Any company embarking on a healthy living initiative would do well to ask itself the following questions: Are we well positioned to meet the inevitable changes and challenges? Can we readily identify our most attractive healthy living growth opportunities? Is health part of our balance sheet? Do we have a clear vision of how healthy living will shape our market and workforce two to five years down the road? Do we know what capabilities we will need to build? Do we have a comprehensive program that allows for effective evaluation in place? Today's answers to these questions will determine tomorrow's front-page news.

THE CHAMBER RECOMMENDS

That the Provincial Government work with the Federal Government:

1. To explore and examine options for better food labels for sugary beverages. B.C. can work with Federal/Provincial/Territorial partners to mandate warning labels on SDs.
2. To implement education campaigns in schools and on broadcast media to help consumers make informed choices.

Submitted by the Surrey Board of Trade.