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22 August 2014

Mr Filimoni Waqabaca
Permanent Secretary for Finance
Level 10, Ro Lalabalavu House
P.O Box 2212
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budgetconsultation@finance.gov.fj

Dear Mr. Waqabaca

Re: 2015 National Budget Submission

In formulating the 2015 National Budget, the Consumer Council of Fiji requests the Government to consider policies to deal with the crises caused by Non-Communicable Diseases (NCD) which is the main cause of death in Fiji.

1.0 Introduction

The Consumer Council of Fiji (hereinafter referred to as 'the Council) is pleased to make a submission to the Fiji Government for its 2014 National Budget consultation. The Council is the statutory representative of consumers in Fiji, the largest socio-economic group and whose economic well-being is an important indicator of economic stability and development. As a statutory body established under the *Consumer Council of Fiji of the Act 1976* the Council is mandated by law to represent consumers' views, concerns and issues. The Council mainly functions as a watchdog to create a fair and just delivery of goods and services in the marketplace. The Council's insight into consumer needs and issues is a powerful tool for influencing decision-makers to bring about change.¹

¹ More information on the Council is available on its website: www.consumersfiji.org

2.0 Non- Communicable Diseases (NCDs) - Policy consideration in the 2015 National Budget

The need for national concerted action to protect and promote healthy diets has never been more urgent. Unhealthy diets are now a greater threat to health than tobacco or alcohol. The National Nutrition Survey found that rates of overweight, and average body weights in Fiji are increasing in children and adults in the last three decades. This indicates that NCDs will continue to rise if **significant interventions** are not made in a timely manner.

The growth in the incidence of NCDs has resulted in the diversion of scarce government funds to the treatment of these non-communicable diseases. These funds can bring about high social rates of return if used in education and infrastructure development rather than treating non-communicable disease. In a 2002 study carried out by the World Bank and the Secretariat of the Pacific Community (SPC), it was revealed that 38.8% of all treatment costs could be attributed to NCDs. This is likely to have increased since as the burden of NCDs has increased.

NCDs are the main cause of death in Fiji, and the most recent NCD survey found significant problems of hypertension (19% of the adult population, overweight (29%), high blood sugar (16%) and cholesterol (49%). It must be noted that every 12.6 hours in Fiji, someone is losing part of their lower limbs to diabetes. **Please refer to the attached document which justifies why Fiji must act immediately to arrest NCD issues facing our people.**

Efforts to improve diets are unlikely to be effective unless a combination of strategies such as education, changes in the food environment, and laws are considered that are supportive of healthy eating.

The budget submission focuses on the key policy issues which the Council believes the Government should take into consideration to deal with NCDs.

3.0 Our Children Need Protection

Studies in Fiji have demonstrated that the cost of soft drinks is often lower than water, that healthier foods are difficult to find in schools and that children are exposed to considerable marketing, sponsorship and promotion of less healthy foods and are affected by that advertising. It has been shown elsewhere that children are particularly vulnerable to marketing; they struggle to discern marketing hype from fact and are more likely to be influenced and confused by advertising than adults. They need protection from unnecessary advertising of this kind.

A report from the World Health Organization (WHO), *Marketing of Food and Non-Alcoholic Beverages to Children*, published in 2006 explains that there is evidence to prove that the advertising of food high in fat, sugar and salt does affect what children eat and is an important factor in the rise of child obesity. Studies also show that children are much more likely to eat food that comes in branded packaging than food with no branding-even if it is the same product.

Escalating investment into food advertising aimed at children demonstrates just how much effect they have and are hoping to have on children. Food companies adopt a whole range of highly effective marketing techniques to encourage regular consumption, repeat purchases and brand loyalty- especially amongst children.

Children play an important role in influencing their parents' purchases. Parents want to choose healthy options for their children but their efforts are being undermined by aggressive advertising and promotion of unhealthy food aimed at their children.

Competition between brands is intense. With such intense advertising there is a growing gap between the diet promoted through advertising and that recommended by dietitians. Similarly, parental authority is undermined by the wide discrepancies between what parents tell their children is healthy to eat and what marketers tell children is desirable to eat.

Request

The government to enact *Advertising and Promotion of Unhealthy Foods and Non-alcoholic Beverages to Children 2014* by amending the *Food Safety Act 2003*

4.0 Taxation on Sugar Sweetened beverages (SSB)

Consumption of sugar-sweetened drinks has been found to be linked with increased risk of overweight, and reducing consumption can in turn contribute to weight loss. The low overall price of soft drinks, along with their high accessibility and media presence is contributing globally to high intakes. In Fiji, studies have found intakes to be high. Intake of sugar-sweetened beverages has been found in many studies to be related to increased energy intake and risk of overweight.

Efforts are therefore needed to reduce consumption of these products through a combination of approaches including taxation to increase their pricing. Currently, the imported **Sugar Sweetened beverages** carries higher tax (32% fiscal, 15% import excise and 15% VAT) whereas locally produced SSB has an Excise duty of 5 cents per litre imposed in 2010 along with 15% VAT. It is ironical that high taxes are imposed on imported SSB when most SSBs sold in the Fiji market are locally bottled/produced.

It is of great concern to note that healthy food such as imported liquid milk has a high tax of 32% fiscal duty and 15% VAT. Food items such as Tuna and Mackerel has a high tax of 32% whereas locally produced SSB has lower tax that reduces the price of product thus influencing the purchasing decision.

Food Items	Duties		VAT
	Fiscal	Excise	
Milk (liquid) 0401.10.10	32%	0	15%
Milk (powder) 0402.10.10	32%	0	0
Tuna / Mackerel	32%	0	0

A number of countries have introduced high taxes to deal with SSBs. For example:

- **Nauru** government in 2007 implemented a ‘sugar levy’ of 30% on imported sugar, confectionery, carbonated soft drinks, cordials, flavoured milk and drink mixes, to ‘discourage excessive consumption of sugar’.
- **French Polynesian** government in 2002 implemented local and import taxes on SSBs, confectionaries and ice-cream, in order to fund the establishment of the *Establissement pour la prevention (EPAP), a prevention fund.*
- **Mexico** has also strengthened its resolve against widespread obesity and diabetes in the nation by imposing a one-peso-per-liter (around 7.6 cents) tax on CSDs.
- **India** introduced 20% tax on SSBs - study led by Sanjay Basu says that a 20% soda tax may lead to a reduction of 3% in obesity (or prevent 11.2 million new cases) , and a 1.6% decline in type 2 diabetes, or prevent 400,000 cases., over a decade 2014-2023.

A variable excise tax based on sugar content is proposed and expected to contribute to reduced intake of sugar, through lower purchasing of the higher sugar products and a partial shift to consumption of lower sugar products. It is also expected that local producers will be able to reformulate their drinks to attract lower tax rates, thus contributing to a change in the supply and variety of soft drinks.

Requests:

4.1 The government to consider proposed tax rates (based on composition of added sugar/100ml as consumed):

- 0% for those with added sugar of no more than 1g/100ml (e.g. coca cola zero, Thriftee cordial, flavoured sugar-free water)
- 5% (or 10 cents a litre) for those with added sugar of between 1.1g and 4.9g/100ml
- 15% (or 35 cents a litre) for those with added sugar of between 5g and 10g/100ml (e.g. Prima apple raspberry fruit drink, powerade mountain blast)
- 30% (or 70 cents a litre) for those with added sugar of 10.1g/100ml or more (e.g. 7ups, Pepsi)

4.2 The government to consider VAT exemption on bottled water to lower the cost to consumers.

The Council is happy to put forward its views and recommendations and hope that these are favourably considered in the formulation of the 2015 Budget.

Please feel free to contact me should you need any clarification or further information.

Yours sincerely,



Premila Kumar
Chief Executive Officer, Consumer Council of Fiji

EXPLANATORY NOTES SUPPORTING TAXATION/RESTRICTED ADVERTISEMENT OF SUGAR SWEETENED BEVERAGES (SSBs)

Definition of SSBs

In the context of the Budget proposal, SSBs refers to **soft drinks made with added sugars** (including fructose, high fructose corn syrup, glucose, sucrose/sugar, lactose and other simple sugars). This includes sweetened milk, sweetened juice, juice drinks, cordials and carbonated drinks.

Evidence of relationship between SSBs and Obesity

- Most recent and intensive systematic review of all studies found an association between sugars intake and body weight, mediated via energy intake (Morenga, Mallard et al. 2013). It was also found that reducing the intake is associated with reducing weight in adults.
- The corollary to this is that “industry-funded reviews were more likely to suggest that evidence supporting a causal relation between SSB consumption and weight gain was weak” (Massougboji, Le Bodo et al. 2014). This should be expected as the industry will “skewer” research to deliver outcomes it sees ONLY beneficial to it.
- It is also noted that consumption of liquid calories does not affect satiety (feeling of fullness) in same way as solid calories. Therefore the increased calorie intake accompanied with normal meals overloads the total energy input by the individual.

Research shows that after a 350ml drink might contain about 700KJ (about 167kcal), a 70 kg person needs to undertake the following equivalent Physical Activities to burn these calories:

- **Running 1.5 miles**
- **Walking for 40 minutes**
- **Aerobics 27 minutes**

SSBS AND DIABETES

In countries with higher intakes and higher levels of diabetes epidemiological links show that SSBs have a direct causation of Diabetes independent of Physical Activity, Body Mass Index and alcohol. (Weeratunga, Jayasinghe et al. 2014, Basu et al 2013)

This effect is NOT just mediated through obesity (Schulz et al 2004) suggested half effect via obesity.

High intake (about 1–2 servings/day) had a **26% greater risk of developing type 2 diabetes** compared to low intake (none or 1 serving/month) (relative risk [RR] 1.26 [95% CI 1.12–1.41]). For metabolic syndrome risk was 1.20 [1.02–1.42]. (Malik et al 2010).

SSBS AND OTHER RISKS

STROKE: High (more than 2 serves a day) vs low intake: RRs 1.19 (95% CI: 1.04, 1.36) for total stroke and 1.22 (95% CI: 1.04, 1.42) for cerebral infarction.(Larsson, Åkesson et al. 2014)

HEART DISEASE: High intake vs low intake associated with (RR 1.35 [95% CI 1.1–1.7] CHD risk, adjusted for BMI and other lifestyle factors RR 1.21 (Fung et al 2009)

GOUT: HFCS sweetened beverages increase risk of gout with risk increasing by 12-15% for each additional drink per day. (Batt et al 2013) Via increased serum uric acid level

SSBS AND DENTAL CARIES

SSBs have been noted as an “independent” causative factor for Dental.

The Effect on Caries of Restricting Sugar Intake has been the subject for Systematic Review to Inform WHO Guidelines and the following findings are noted:

- There is consistent evidence of moderate quality supporting a relationship between the amount of sugars consumed and dental caries development.
- There is evidence of moderate quality to show that dental caries is lower when free-sugars intake is < 10% E.
- Dental caries progresses with age, and the effects of sugars on the dentition are lifelong. Even low levels of caries in childhood are of significance to levels of caries throughout the life course.
- Analysis of the data suggests that there may be benefit in limiting sugars to < 5% E to minimize the risk of dental caries throughout the life course.

MARKETING/ADVERTISING TO CHILDREN AND ADOLESCENTS

WHO's 'Set of Recommendations on the Marketing of Foods and Non-Alcoholic Beverages to Children' which recommends that all its member states develop multi-sectoral approaches to ensure children are protected against the marketing of 'junk food'(WHO, 2010)

The Proposed International Code on Marketing of Foods and Non-Alcoholic Beverages to Children recommends that there should be 'no marketing to children of energy-dense, nutrient poor foods that are high in fat, sugar or salt and brands associated with such foods. It proposes that food categories be defined by nutrient profiling. According to this code, restrictions should be placed on all broadcast marketing of 'junk food' between the hours of 06:00 and 21:00. For non-broadcast marketing it should be considered whether children are potential recipients of the promotion in significant numbers regardless of the target audience (Consumers International & International Obesity Taskforce, 2008).

TAXATION AND IMPACT ON EMPLOYMENT

This is a primary primary argument industry uses against SSB taxes - that they will cause considerable regional job losses.

SSB taxes do not have a negative impact on state-level employment, and industry claims of regional job losses are overstated and may mislead lawmakers and constituents.

(Am J Public Health. 2014;104:672–677. doi:10. 2105/AJPH.2013.301630)