



21st June 2018

Committee Secretary
Department of the Senate
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AACS response to the Select Committee into the obesity epidemic in Australia

To whom it may concern,

On behalf of members of the Australasian Association of Convenience Stores (AACCS), the peak body for the convenience industry in Australia, we make the following submission to the Select Committee into the obesity epidemic in Australia.

Convenience stores are typically small businesses run by people in local communities. It is a full-time job for these people to ensure their offer is consistently meeting the needs of their customers.

In recent times, in response to changing consumer preferences and behaviours, convenience stores have placed a strong emphasis on innovation and improving the health profile of the products they offer.

This is reflected in the performance of fresh food categories such as sandwiches, which enjoyed 18.8% growth in dollar value in 2017 over the previous year, according to the AACCS State of the Industry Report¹.

The point is, the convenience industry, like others in the food sector, is already responding to changes in consumer preferences for healthier products.

The imposition of additional regulations is a timely and costly burden on these small business people.

We do not wish to pre-empt the findings of the inquiry however it is not difficult to forecast the predictable responses the Committee has or will receive from the health lobby calling for a “fat tax”, “sugar tax”, “soft drink tax” or any other derivation thereof.

¹ AACCS State of the Industry Report 2017

We therefore in this submission focus on the various economic and employment implications of such proposed taxes and reinforce the lack of an evidential basis that such taxes would have any impact on obesity levels.

The AACS supports consumers being empowered with all the information they need to be free to make informed choices. We urge the Select Committee in making its recommendations to uphold the right for consumers to purchase legal products in a non-discriminatory environment based on personal choice and responsibility.

Thank you for your consideration of our submission. Don't hesitate to contact me should you require further information.

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About the AACS

Established in 1990, the Australasian Association of Convenience Stores (AACS) is the peak body for the convenience industry in Australia.

Nationally, our industry employs over 40,000 people in over 6,300 stores. The majority of these stores operate as family run businesses, often under licence or franchise agreement, or independent ownership. They regularly employ family members and people from the local communities in which they operate.

The AACS represents the interests of these small businesses; their owners, staff, suppliers and customers.

The convenience industry in Australia was valued at approximately \$8.4 billion (excluding petrol sales) in 2017 according to companies contributing to the *2017 AACS Annual State of the Industry Report*. This report contains the most comprehensive information available on the convenience industry in Australia and we would be happy to provide a copy.

As an Association we enjoy strong ties with our international counterparts including the convenience stores associations in the US, Canada, the UK and New Zealand. We also visit similar stores in South East Asia to keep abreast of changing or emerging trends.

Response to the Terms of Reference

In this section, the AACS responds specifically to select Terms of Reference the Select Committee is basing its inquiry on.

The effectiveness of existing policies and programs introduced by Australian governments to improve diets and prevent childhood obesity

Despite the revolving calls among powerful health lobbyists that taxing certain products will solve this issue, the AACS believes that these health bodies, and Governments, can no longer seek to shift the blame from their own responsibility to provide effective educational campaigns to consumers to encourage healthier lifestyles.

Certainly, the only available evidence suggests education is the most powerful tool to improve societal health.

Our industry would be pleased to make available literature to consumers that educates on a balanced diet, levels of activity required to maintain a healthy lifestyle etc if provided by government.

There are currently regulations in place to restrict how and when certain products can be advertised, with the obvious example being the restriction on advertising confectionery during children's television programming.

However, ultimately, it is parents who make decisions governing their children's diets. This means education remains the tool with the most potential to improve people's choices in this regard.

Retailers and manufacturers can play a role in this education program, potentially as a place for the dissemination of educational material.

The AACS believes the most effective strategy to tackle obesity among Australians depends on a collaborative working arrangement involving Governments, non-Government organisations and industries like ours.

The role of the food industry in contributing to poor diets and childhood obesity in Australia

In our view, the term "food industry" is too broad to be meaningful. It is self-evident to conclude that food plays a role in obesity.

But it is equally self-evident to conclude that food is not alone. In fact, there is a whole plethora of lifestyle factors that influence obesity, not least exercise, behavioural factors (video game addiction is one) and genetics, to name just a few.

In fact, Australian Bureau of Statistics data² indicate that added sugar intake among Australians is in decline even as obesity continues to rise.

Nevertheless, the trend toward healthier products is well established and in the convenience space, this is reflected in stores today, with operators innovating to offer healthier food and beverage options.

² Australian Bureau of Statistics, *Australian Health Survey: Consumption of Added Sugars*, April 2016.

Many convenience retailers and suppliers have in recent times taken action to improve the health profile of their products.

The beverages industry has been particularly active in this area. The industry continues to develop self-regulating standards which offer consumers a greater choice of healthy options.

Many companies have introduced initiatives such as smaller pack sizes and reformulated ingredients, designed to improve dietary intake and impact the food supply while satisfying consumer preferences. Low sugar and no sugar beverage options are now typical items in any given brand's range. Many confectionery items are labelled to draw attention to these issues as well.

These efforts to innovate should be supported, not hindered with the imposition of additional costs in the form of taxation or other excises.

Any other related matters

Sugar tax, fat tax and soft drink taxes are periodically hailed as some kind of saviour to the obesity issue in Australia.

The available evidence suggests such taxes would do anything but solve the problem. Instead, the economic ramifications including cost of living pressure, especially on those people in lower socio-economic demographics, can be expected to intensify.

The AACS has previously welcomed the Turnbull Government's stance not to introduce a so-called sugar or soft drinks tax, despite the repeated efforts of health lobbyists, in recognition that there are more effective ways to tackle obesity without threatening jobs and raising consumers' grocery bills.

Reactionary taxes like those proposed have a history of failure and consequential negative impacts, such as potential job losses, threats to food manufacturers and industry, and loss of sales and increased costs to convenience stores.

AACS research in this area shows most Australians are opposed to a sugar tax on the basis it would pressure their budgets and threaten jobs. But while it obviously makes no political sense to pursue a sugar tax policy, the available evidence suggests it makes no health sense either.

According to the research, which we summarise in this submission, consumers believe the most effective strategy to reduce obesity is to ban advertising of high calorie foods during children's TV programs.

When taxation backfires: legal tobacco excise in Australia

The assumption that introducing taxes to 'solve' complex social issues is absurd and without foundation. History has proven this time and again.

There is an evidential basis for the failure of reactionary taxation on select products without proper consideration of the economic consequences in Australia: the excise applied to legal tobacco.

Regular excise increases on legal tobacco products especially hurts the hip pockets of Australians on lower incomes and has given rise to the spiralling illicit tobacco crime wave in Australia.

The regulatory environment for legal tobacco has made Australia one of the most lucrative markets for illegal tobacco in the world. Illegal tobacco products are sold with impunity by criminals across the country and are worryingly easy for people, including minors, to access.

According to KPMG, illicit tobacco comprised 15%³ of total tobacco consumption in 2017, which was an increase from 14.3% in 2016. This equated to a \$1.9 billion loss in Government revenue.

The introduction of a fat tax, sugar tax or soft drink tax could lead to the creation of a black market for these products, playing directly into the hands of criminals.

International experiences

The AACS believes the introduction of more taxation on select products would be an unacceptable economic risk to take in the context of the challenges already faced by retailers and manufacturers.

These negative impacts have been experienced in other countries where similar taxes have been introduced.

In 2011, Denmark introduced a “fat tax” in an attempt to limit the population's intake of fatty foods. It was scrapped 12 months later and the Danish Government quickly cancelled its plans to introduce a sugar tax.

According to the Danish tax ministry, this was because of increased prices for consumers, increased administrative costs which created a bureaucratic nightmare for producers and retailers, and because it put jobs at risk. All the while, Danes simply travelled across the border to make purchases.

Mexico introduced a soft drink tax in 2014 and the results have been similarly counterproductive. According to the Mexican Secretariat of Finance and Public Credit (Treasury)⁴, sales of taxed products declined initially when the tax was introduced, only to rebound to pre-tax levels and show growth thereafter.

More recently, in the US, the city of Philadelphia last year introduced a “soda tax” on soft drinks which had the immediate impact of raising prices for consumers. Additionally, as was the case with the Danish example, consumers immediately began making their purchases in neighbouring jurisdictions, harming local businesses.

³ <https://home.kpmg.com/uk/en/home/insights/2018/05/illicit-tobacco-in-australia-2017.html>

⁴ Putting taxes into the diet equation, WHO, <http://www.who.int/bulletin/volumes/94/4/16-020416.pdf>, accessed May 2018.

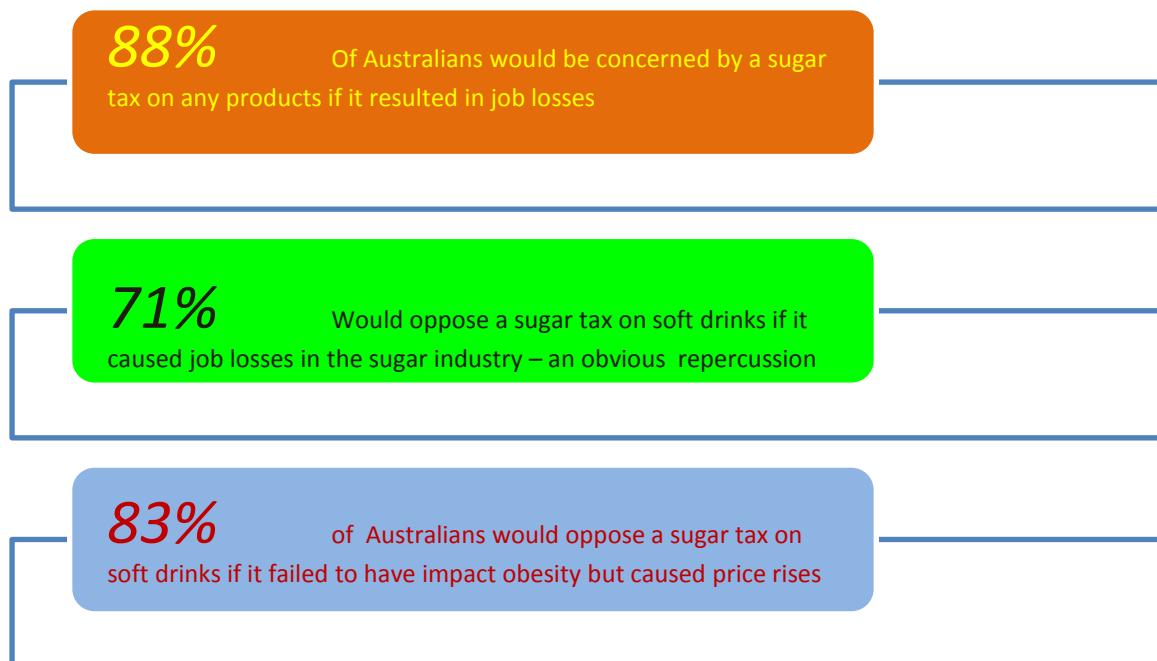
AACS research: the effectiveness of a sugar tax in tackling obesity

From the voters' perspective, recent AACS research shows that the majority of Australians believe a sugar tax would be ineffective in the fight against obesity.

A summary of this research, based on a survey of 4,000 Australians aged 18 and over conducted in September 2016, is included for your reference in this submission.

The research shows most Australians are opposed to a sugar tax on the basis it would increase cost of living pressure, threaten businesses and jobs, and because there are better ways to tackle obesity.

Other concerns include the threats to food manufacturers, the sugar industry and convenience stores.



39%

A minority of those who do not consume sugar-based soft drinks believe that a sugar tax would be effective

40%

Of Australians would oppose a tax on all foods which contain sugar - just 36% would support such a tax

82%

Of consumers believe education programs to encourage healthy eating and exercise would be effective in tackling obesity - this is seen as the most effective strategy

Conclusion

In considering its findings, the AACS reinforces to the Select Committee its belief that only through a comprehensive strategic education program can we effectively tackle the issue of obesity in Australia. A sugar tax, which morphs into a 'beverage tax' is certainly not the right way to go despite lobbying by some 'health' groups.

Industry is already responding to changing consumer preferences for healthier food and beverage options and these efforts should be supported, not hindered, by potentially damaging taxation.

Multi-faceted strategies to tackle the obesity epidemic in Australia should involve agreement and collaboration between Governments, non-Government organisations and industry.

We also urge the Committee to consider Government's responsibility to support small businesses like convenience stores, and protect jobs in the process.

The imposition of additional regulations invariably negatively impacts these businesses in a financial sense, and can jeopardise small businesses' capacity to compete on a level playing field with the major supermarket chains.

Convenience stores today provide a much broader range of healthy meals, snacks and beverages to deliver the choice that consumers desire.

Importantly, we support peoples' right to choose to buy legal products in a non-discriminatory environment.

On behalf of AACS members, we'd like to thank the Select Committee for its consideration of our submission and we welcome the opportunity to participate in the inquiry in any way the Committee sees fit.

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