

Testimony of:

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Pre-Budget Consultations

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Thank-you for the invitation to appear before the Committee.

I. About the Centre for Science in the Public Interest

The Centre for Science in the Public Interest (CSPI) is a non-profit consumer health advocacy organization specializing in nutrition issues with offices in Ottawa and Washington, D.C. Our Ottawa health advocacy is funded by more than 100,000 subscriptions to the Canadian edition of our monthly *Nutrition Action Healthletter*, which is read by more than 1,000 residents in most federal ridings. CSPI does not accept funding from industry or government and *Nutrition Action* does not carry advertisements.

II. The Toll of Diet-Related Disease

Diet-related disease is an urgent public health problem in this country. Most Canadians consume too many calories, too much saturated and *trans* fat, salt, refined flour, and *added* sugars, and not enough vegetables, fruit, whole grains, and legumes. Every year, diet-related cases of cardiovascular disease, diabetes and certain forms of cancer prematurely end the lives of tens of thousands of Canadians,¹ and rob the Canadian economy of \$6.6 billion due to health care costs and lost productivity.² These numbers describe real, avoidable deaths and financial losses -- both on a grand scale -- yet the Government of Canada has done little to help reduce them. If unchecked, rising obesity rates and ageing baby boomers are likely to fetter access to health services, exacerbate waiting times, and strain our children's capacity to finance medicare.

III. Promising roles for the federal government in addressing diet-related disease

The Federal Government could use its spending powers to become *the last* OECD country to publicly subsidize a national school meal program, so that every child, regardless of means or region, is fed a nutritious meal suitable for optimal health and learning; in 2005, the US federal government spent about CAD\$11 billion subsidizing school meals.³ Some of the members of this Committee may have attended an information session held on Parliament Hill earlier this week by Breakfast for Learning.

But, plainly, tackling diet-related disease needn't involve significant program expenditures. Health Canada could also use its nutrition expertise to help provincial education authorities develop school curricula for health, nutrition and cooking courses, and nutrition criteria for school food service offerings.

Parliament should revisit the advertising rules in the *Food and Drugs Act* and the *Competition Act* to ensure that they adequately protect children against a barrage of commercial advertisements promoting nutrient-poor foods and products that promote sedentary living, like video games, and television programs. Parliament's prompt intervention is preferable to years of test-case litigation, which might determine that all ads directed at children are inherently misleading -- and therefore illegal -- because of children's unique susceptibility to manipulation.

And, rather than resting on the laurels of mandatory nutrition labelling for most prepackaged foods, we hope the Government, Members of this Committee and their caucus colleagues will support the expansion of existing nutrition labelling rules when *Bill C-283* comes to a vote in the House of Commons on November 8th; current regulations are predicted to reduce the burden of diet-related disease approximately 4%⁴ by producing \$5 billion in cumulative economic benefits in the coming two decades, at a non-recurring cost of about 1/5th of 1%⁵ of food sales for a single year during the phase-in period – a minimum 2,000% return on investment.⁶

Finally, Health Canada’s scientific clout could be used to urge food companies to reduce the amount of salt added to processed and restaurant foods – the source of 3/4 of our sodium intake -- as the United Kingdom and France are now doing, and as the WHO actively encouraged at a technical meeting in Paris earlier this month. Extrapolating from a US study, a 50% drop in the sodium intake could cut Canadian heart attack and stroke deaths by more than 15,000 annually.⁷ Ridding the food supply of *trans* fat could avert hundreds, possibly thousands, more premature deaths annually.

IV. Shifting sales taxes from healthful to unhealthful foods

I will focus today on food tax reform because it is probably the best studied, most promising economic incentive for healthy living.

(a) Context

Recommendations to reform food taxes have been advanced in expert reports published by the Canadian Institute for Health Information,⁸ the World Health Organization,⁹ the World Health Assembly,¹⁰ the Chief Medical Officer of Health for Ontario,¹¹ the Canadian Public Health Association,¹² the BC Healthy Living Alliance,¹³ the BC Cancer Agency and the Canadian Cancer Society (BC/Yukon),¹⁴ the Select Standing Committee on Finance of the BC Legislature,¹⁵ and the US Institute of Medicine (two reports).¹⁶ Notably, the federal/provincial/territorial “Integrated Pan-Canadian Healthy Living Strategy,” supported by Ministers of Health of all political stripes, recommends that Canadian governments:

“Undertake [a] feasibility study on fiscal measures to encourage healthy living (i.e. tax credits/penalties, subsidies, price supports, etc.)”¹⁷

And two weeks ago, the Canadian Medical Association recommended to this committee:

“**Recommendation 1:** That the government consider the use of taxes on sales of high-calorie, nutrient-poor foods as part of an overall strategy of using tax incentives and disincentives to help promote healthy eating in Canada.”

Most, not all, OECD countries apply lower or zero rates of tax to broad categories of food, though most do not appear to consistently use nutrition factors in making the distinction.¹⁸ For instance, while France applies a 19.6% tax rate to sweets, chocolate, margarine, and vegetable fat, it taxes fast-food at the lowest rate of 5.5%.¹⁹ And in the UK, a major factor in determining whether a food is taxed at 17.5% or 0% is its temperature at the point of purchase. In 2005, 18 US states applied

some kind of a tax on junk food and, during the period 2003-05, 49 US jurisdictions proposed new or additional soda and snack-food taxes.²⁰ And, like in Canada, most US states charge tax on restaurant foods regardless of nutritional features.

(b) Not a new food tax; just a smarter, fairer, more productive old tax

Our recommendations involve both taxation and tax relief depending on the nutrient profiles of foods. The federal government now collects GST from about one third of all food expenditures, drawing about \$2 billion in tax revenue annually.²¹

At present, the *Excise Tax Act* appears to partly acknowledge the importance of nutrition by imposing taxes on soft drinks, candy, and snack food,²² but promotes unhealthy diets by taxing low-fat milk, and vegetable dishes when sold in restaurants, as well as club soda, salads, vegetable and fruit trays, and small bottles of water when sold in retail stores.²³ Meanwhile, many unhealthful foods sold in retail stores are tax-free, such as sugary breakfast cereals, trans-fat-laden shortening, high-saturated-fat cheese, chicken wings, coffee cream, and even unhealthy luxury foods, like salty caviar.²⁴

The Federal Government should consider whether economic disincentives to choose healthy foods and tax relief on health-eroding foods comport with this (or any) government's commitment to reduce the burden of chronic disease. Quite frankly, tax incentives should be "smart," not "dumb." They should help prevent disease and promote efficiency, not prevent efficiency and promote disease. (A detailed proposal for reforming the relevant provisions of the Excise Tax Act is available on our web-site.²⁵)

(c) Price elasticities of food and foreseeable prevention of premature death

A British epidemiologist estimated that applying his country's 17.5% Value Added Tax to whole milk, cheese, butter, biscuits, buns, cakes, pastries, puddings and ice-cream²⁶ would reduce saturated fat intake enough to prevent between 1,800 and 2,500 heart attack deaths per year in the United Kingdom.²⁷ Researchers examining conditions in the United States,²⁸ Denmark²⁹ Tanzania,³⁰ China,³¹ and Norway^{32,33,34} have lent credence to the potential of tax/price incentives as a means to help achieve population-level dietary change. Even researchers critical of food tax reform predicted similar effects on dietary fat intake,³⁵ but failed to appreciate the huge number of lives that could be saved by such dietary changes. Like the successful Canadian experience with tobacco taxes,³⁶ sensibly-designed food tax incentives could help internalize the costs of food choices and promote nutritious eating.

Moreover, the effects of adding GST to nutrient-poor foods could be amplified by requiring manufacturers of taxable foods to indicate on the label that the product is "Subject to GST." This would send both information and price signals to consumers, and create incentives for manufacturers to reformulate foods by, for instance, using less added sugar and salt, and more whole grains, fruits and vegetables, or replacing saturated fats with unsaturated fats.

(d) Regressive effects

The average Canadian individual now spends about \$56 per year³⁷ paying GST on food purchases. In 2006/7, the "GST Credit" reimburses \$354 to the average single individual earning \$20,000 per year, and \$708 to a family of four with the same income.³⁸ These rebates could be

increased by a few dollars per person to offset further regressive effects, if any, of GST reform or increased even more ambitiously to help reduce food insecurity.

V. Examining other policies such as taxes and subsidy policies that might contribute to diet-related disease.

This Committee should also be concerned about federal corporate tax incentives that undermine Health Canada's national nutrition promotion goals – such as agricultural subsidies, permissible deductions from taxable revenue for advertising expenses to promote junk food, or film production credits that support, for example, children's television programs that teach children how to count using lollipops or ice-cream cones. We recommend the following measures.

(a) To help encourage a more nutrition-promoting blend of food advertisements, amend the *Income Tax Act* *Income Tax Act, R.S.C. 1985, c. 1 (5th supp.)* to:

- permit companies to deduct from taxable income 300% of expenses incurred to advertise nutritious foods such as low-fat milk, fruits and vegetables, and whole grain cereals;
- limit to 50% of advertising expenses incurred the permissible deduction from taxable income for the promotion of nutrient-poor foods, such as alcoholic beverages, soda pop, french fries, doughnuts, candy, nutrient-poor snack food, and any product containing high amounts of saturated fat, *trans* fat, sodium, or added sugars; and
- retain the existing rules to govern advertisements of other foods.

(b) The Departments of Finance and Health should conduct a feasibility study, jointly with the provinces and territories, of an initiative to publicly fund the services of:

- qualified dietitians for periodic preventative nutrition counselling services, especially for those at risk for chronic diet-related diseases (i.e., *before*, for example, heart attacks occur); and
- qualified lactation consultants for mothers whenever necessary during the first six months of their infants' lives.

VI. Conclusion

Policy-makers must consider the “causes-of-the-causes” of diet-related diseases, including, but not limited to rising rates of obesity, then focus on solutions that the best *available* evidence indicates will produce population health benefits. Some food and media companies defend their behaviour by wagging fingers at poor parenting or their customers' lack of will-power. These are efforts to shirk responsibility and excuses for doing nothing. In reality, dramatic national (indeed global) changes in sales tax policies, government dietary advice, food manufacturing and marketing practices, school curricula, and the unprecedented growth of (sedentary) media and computer technologies used for marketing, entertainment, and work have all likely contributed to health-eroding environments for children and adults. Governments should actively develop programs and policies to repair and prevent the adverse health and economic effects of these major societal transformations.

Thank-you.

ENDNOTES

¹ The Centre for Science in the Public Interest estimated the death toll by extrapolating from estimates for annual deaths due to inactivity-related disease. Katzmarzyk, et al. “conservatively” estimated both the number of annual deaths and the health care costs attributable to physical inactivity: 21,340 deaths and \$2.1 billion annually. See: Katzmarzyk PT, et al. The Economic Burden of Physical Inactivity in Canada. Canadian Medical Association Journal 2000;163(11): 1435-40 at 1438. We are not aware of any published estimates of the annual number of deaths attributable to diet-related disease in Canada, however, based on Health Canada estimates of the economic burden of diet-related disease, we estimate it to be roughly 25,400 deaths per year.

² See: Diane Gorman, Assistant Deputy Minister of Health, Speech at the stakeholder meeting on the review of Canada’s Food Guide to Healthy Eating in Ottawa, (January 20, 2004), 3 at http://www.hc-sc.gc.ca/fn-an/alt_formats/hpfb-dgpsa/pdf/food-guide-aliment/pres_speech_adm-pres_contexte_sma_e.pdf estimating the annual cost of diet-related disease (health care costs plus productivity losses) to be approximately \$6.6 billion.

³ USDA. *Federal Costs of School Food Programs*. Accessed at <http://www.fns.usda.gov/pd/cncosts.htm> on October 2, 2006.

⁴ As indicated above, according to Health Canada, mandatory nutrition labelling for prepackaged foods is estimated to save the economy \$5 billion over twenty years, and the total economic burden of diet-related disease is approximately \$6.3 billion per year. Therefore, the reduction of diet-related disease due to mandatory nutrition labelling is: \$5.3 billion / (20 * \$6.3 billion), or 4.2%.

⁵ That is, \$263 million costs over three years divided by approximately \$120 billion sales revenues for foods purchased in retail stores over three years.)

⁶ Agriculture and Agri-food Canada, *Costs and Benefits of Nutrition Information* (2000) at 4. The prevention dividend = \$5.3 billion benefit / \$263 million costs of modifying labels, or 2,015%.

⁷ Havas S, Roccella EJ, Lefant C. Reducing the public health burden from elevated blood pressure levels in the United States by lowering intake of dietary sodium. *Am J Pub Health*. 2004; 94:19–22. (Levant is a former director of the US National Heart, Lung and Blood Institute.)

⁸ K. Raine, *Overweight and Obesity in Canada: A Population Health Perspective*, (Ottawa: Canadian Population Health Initiative of the Canadian Institute for Health Information, 2004) available at http://secure.cihi.ca/cihiweb/dispPage.jsp?cw_page=GR_1130_E. Though the CIHI commissioned and published the report, it attributes the views expressed therein to the author, not the institution. The Canadian Institute for Health Information is an independent, pan-Canadian, not-for-profit organization working to improve the health of Canadians and the health care system by providing quality, reliable and timely health information. It is funded by federal and provincial ministries of health and some health care institutions. Dr. Raine’s recommendation, at p. 54, states:

“Develop a complementary strategy to the GST/HST to subsidize the cost of low-energy, nutritious food with taxes of sufficient magnitude to affect sales of high-energy, low nutrient foods. The effect would be a changed price structure for food that favours purchase of more nutritious choices.”

⁹ *The Report of the Joint WHO/FAO Expert Consultation on Diet, Nutrition and the Prevention of Chronic Diseases: Technical Report 916*, (Geneva: World Health Organization, 2003) which states at 139:

“Supporting the availability and selection of nutrient-dense foods (fruits, vegetables, legumes, whole grains, lean meats and low-fat dairy products): ...The following are all important: increasing access --- especially of low-income communities --- to a supply of nutrient-dense fresh foods; regulations that support this; facilitating access to high-quality diets through food pricing policies; nutrition labels to inform consumers, in particular about the appropriate use of health/nutrition claims. The provision of safe and nutritious food is now recognized not only as a human need but also as a basic right.” [emphasis added]

Available at: http://www.who.int/hpr/NPH/docs/who_fao_expert_report.pdf

¹⁰ Resolution 57.17 of the 57th session of the World Health Assembly passed on May 22, 2004 adopting the “Global Strategy on Diet, Physical Activity and Health.” Article 47 states, in part:

“Fiscal policies. Prices influence consumption choices. Public policies can influence prices through taxation, subsidies or direct pricing in ways that encourage healthy eating and lifelong physical activity. Several countries use fiscal measures, including taxes, to influence availability of, access to, and consumption of, various foods; and some use public funds and subsidies to promote access among poor communities to recreational and sporting facilities. Evaluation of such measures should include the risk of unintentional effects on vulnerable populations.”

Available at: http://www.who.int/gb/ebwha/pdf_files/WHA57/A57_R17-en.pdf.

¹¹ Dr. Sheela Basrur, Chief Medical Officer of Health for Ontario, *2004 Report Of The CMOH: Healthy Weights, Healthy Lives*, (Toronto: CMOH, 2004) at 49 which recommends, in part:

“investigating the potential impact of food pricing options on consumption patterns, especially for communities where healthy foods, such as fruits and vegetables, are particularly expensive.”

Available at:

http://www.health.gov.on.ca/english/public/pub/ministry_reports/cmoh04_report/healthy_weights_112404.pdf

¹² Irene Strychar, E.D., P.D., “Fighting Obesity: A Call to Arms” (2004) 95 Canadian Journal of Public Health 12-14 which recommends:

“Providing tax incentives to industry for a) modifying food products that are healthier choices and b) advertising healthy choices.”

¹³ BC Healthy Living Alliance, “Regulatory and Economic Interventions” which recommendations include:

“Consider a focused trial of taxation measures for specific unhealthy foods”

Available at: <http://www.bchealthyliving.ca/advocacy.php?view=all>

¹⁴ H. Krueger and Assoc., *Risk Factor Interventions: An Overview of Their Effectiveness*, (Vancouver: CCS & BC Cancer Agency, February 2005) which concluded at 183:

“The most promising interventions to pursue in an initial obesity control campaign include:

- Increased use of financial levers such as positioning healthy food to be the “low price” choice in the marketplace.”

¹⁵ See the discussion at pp. 62-3 in: The Select Standing Committee on Health, *The Path to Health and Wellness* (Victoria: Legislative Assembly of BC, 2004) at 62-3. Recommendation 29 states:

“The Committee recommends that both the provincial and federal government examine modernizing the tax structure and amend tax policies, including establishing tax credits, to ensure tax policies are fair and equitable, promote strong and healthy families, childhood development and health and wellness in our society.”

¹⁶ Jeffrey P. Koplan, et al., eds (2005) “Preventing Childhood Obesity: Health in the Balance” (Washington, DC: National Academies Institute of Medicine) at 44 recommends:

“ The committee suggests that research into the effects of taxation and pricing strategies be considered a priority to help shed light on the potential outcomes of more broadly applying taxation as a public health strategy for promoting improved dietary behaviors, more physical activity, and reduced sedentary behaviors.”

J. Michael McGinnis et al. eds., (in press, 2006) “Food Marketing to Children and Youth: Threat or Opportunity? Committee on Food Marketing and the Diets of Children and Youth” (Washington, DC: National Academies Institute of Medicine). A pre-publication executive summary at http://www.nap.edu/execsumm_pdf/11514.pdf at ES-12 recommends:

- Government should consider incentives (e.g., recognition, performance awards, tax incentives) that encourage and reward food, beverage, and restaurant companies that develop, provide, and promote healthier foods and beverages for children and youth in settings where they typically consume them (e.g., restaurants, schools, amusement parks, sports venues, movie theaters, malls, and airports).
- Government should explore combining the full range of possible approaches (e.g., agricultural subsidies, taxes, legislation, regulation, federal nutrition programs) for making fresh fruits and vegetables readily available and accessible to all children, youth, and families.”

¹⁷ See the Integrated Pan-Canadian Health Living Strategy prepared by the Secretariat for the Intersectoral Healthy Living Network in partnership with the F/P/T Healthy Living Task Group and the F/P/T Advisory Committee on Population Health and Health Security (ACPHHS)

available at http://www.phac-aspc.gc.ca/hl-vs-strat/pdf/hls_e.pdf at 39 which recommends the Federal Government:

“Undertake feasibility study on fiscal measures to encourage healthy living (i.e. tax credits/penalties, subsidies, price supports, etc.)”

¹⁸ Organisation for Economic Cooperation and Development, *Consumption Tax Trends: VAT/GST and Excise Tax Rates, Trends and Administration Issues*, (Paris: OECD, 2004) at 22. The G-8 average excludes Russia for which figures are not available.

¹⁹ A. Leicester, F. Windmeijer, *Briefing Note No. 49: The 'Fat Tax': Economic Incentives to Reduce Obesity*, (London: The Institute for Fiscal Studies, 2004) available at <http://www.ifs.org.uk/consume/bn49.pdf>

²⁰ Chouinard HE, Davis DE, et al., “Effects of a Fat Tax on Dairy Products,” Working Paper No. 1007, Dept. of Agriculture and Resource Economics & Policy, Division of Agricultural and Natural Resources, University of California at Berkeley, 2005 at 26-7 at <http://are.berkeley.edu/~lafrance/working%20papers/WP-1007.pdf>; and US Institute of Medicine, *Progress in Preventing Childhood Obesity: How Do We Measure Up?*. Koplan, JP et al., ed. (Washington, DC: IOM Committee on Progress in Preventing Childhood Obesity, 2006). Prepublication Draft at p. 162. Available on the Internet at: <http://www.iom.edu/?id=37008>

²¹ This is a rough estimate calculated by applying the definition of basic groceries in the *Excise Tax Act* to broad categories of foods identified in Statistics Canada food expenditure data. Other taxable purchases -- the sales of which could not be estimated from Statistics Canada data -- include purchases of bottled water, salads and fruit trays sold at grocery stores. See the definition of “basic groceries” in Part III, Schedule VI of the *Excise Tax Act*, R.S.C. 1985 c. E-15. (see: <http://laws.justice.gc.ca/en/e-15/text.html>). Statistics Canada estimates that, in 2001, approximately \$760 per person was spent on restaurant foods and approximately \$172 per capita on cookies, sweet biscuits, desert pies, cakes and other pastries, sugar preparations, potato chips and similar products, non-alcoholic carbonated beverages, most of which are subject to GST. Taxed at a rate of 6% for 32 million Canadians, these foods produce GST revenue of at least \$1.8 billion annually. See: Statistics Canada, *Food Consumption in Canada - Part II, 2004* based on “Family Food Expenditures in Canada,” for the year 2001 Cat. No. 62-554 HPB.

²² See section 165 of the *Act* and the definition of “basic groceries” in subsections 1(c)-(f) and section 2 of Part III of Schedule VI.

²³ Subsections 1(c), (o), (o.1), (o.3), and section 2 of the Schedule.

²⁴ Sections 1 generally, and subsections 1(d) and (h) of the Schedule, as well as section 165 of the Act.

²⁵ Our proposal for revising the current *Excise Tax Act* definition of "Basic Groceries" to bring the principles underlying the decade-old GST rules into accord with modern understanding of the relationship between diet and disease can be found in our recommendations to the Romanow Commission (at http://cspinet.org/canada/pdf/romanow_submission.pdf at PDF pages 15-23).

²⁶ The six categories and corresponding price elasticities he used are: whole milk, -1.0; cheese, -0.5; butter, -0.7; biscuits, -1.0; buns, cakes and pastries, -1.0; puddings and ice-cream, -1.

²⁷ T. Marshall, “Exploring a Fiscal Food Policy: The case of diet and ischaemic heart disease,” (2000) *British Medical Journal* (320:301); and A. Leicester, F. Windmeijer, *Briefing Note No. 49: The 'Fat Tax': Economic Incentives to Reduce Obesity*, (London: The Institute for Fiscal Studies, 2004) (see: <http://www.ifs.org.uk/consume/bn49.pdf>)

²⁸ J. Kinsey, and B. Bowland, “How Can the US Food System Deliver Products Consistent with the Dietary Guidelines? Food marketing and retailing: An economist’s view” (1999) 24 *Food Policy* 237 at 251; and J. Strnad, Professor of Law, Stanford University, “Conceptualizing the ‘Fat Tax’: The Role of Food Taxes in Developed Economies” Harvard Tax Policy Conference, Cambridge, Massachusetts (October 2002) at 83.

²⁹ Sinne Smed, Jørgen Dejgaard Jensen and Sigrid Denver, Differentiated Food Taxes as a Tool in Health and Nutrition Policy, presented at the XIth Congress of the European Association of Agricultural Economists, 'The Future of Rural Europe in a Global Agri-Food System,' Copenhagen, Denmark, August 24-27, 2005 at http://www.eaae2005.dk/CONTRIBUTED_PAPERS/S23_474_Jensen&Smed.pdf

³⁰ A. Abdulai, and D. Aubert, "A Cross Section Analysis of Household Demand for Food and Nutrients in Tanzania," (2004) *Agricultural Economics* 67 at 77 concluding that own-price elasticities for food are near one, and therefore food consumption is very responsive to price changes, however, expenditure elasticities are higher indicating that income policies would be even more effective in influencing consumption patterns in this developing country.

³¹ X. Guo and B.M. Popkin, "Food Price Policy Can Favorably Alter Macronutrient Intake in China" (1999) 129(5) *Journal of Nutrition* :994 at 999, 1000; and H. Ma, A. Rae, J. Huang, S. Rozelle, "Chinese Animal Product Consumption in the 1990s" (2004) 48 *The Australian Journal of Agricultural Resource Economics* 569 at 585.

³² K. Rickertson, "The Demand for Food and Beverages in Norway" (1998) 18 *Agricultural Economics* 89 at 97, 99.

³³ B. A. Swinburn, I. Caterson, J. C. Seidell, W.P.T. James, "Diet, Nutrition and the Prevention of Excess Weight Gain and Obesity" (2004) (7:1A) *Public Health Nutrition* 123 at 134-5, 137.

³⁴ *National Council for Nutrition: Strategy Plan for 2005-2009*, (Oslo: Norwegian Directorate for Health & Social Affairs, March 2005) at 12. (Available at http://www.shdir.no/vp/multimedia/archive/00007/IS-1259_Engelsk_7033a.pdf.) which recommended:

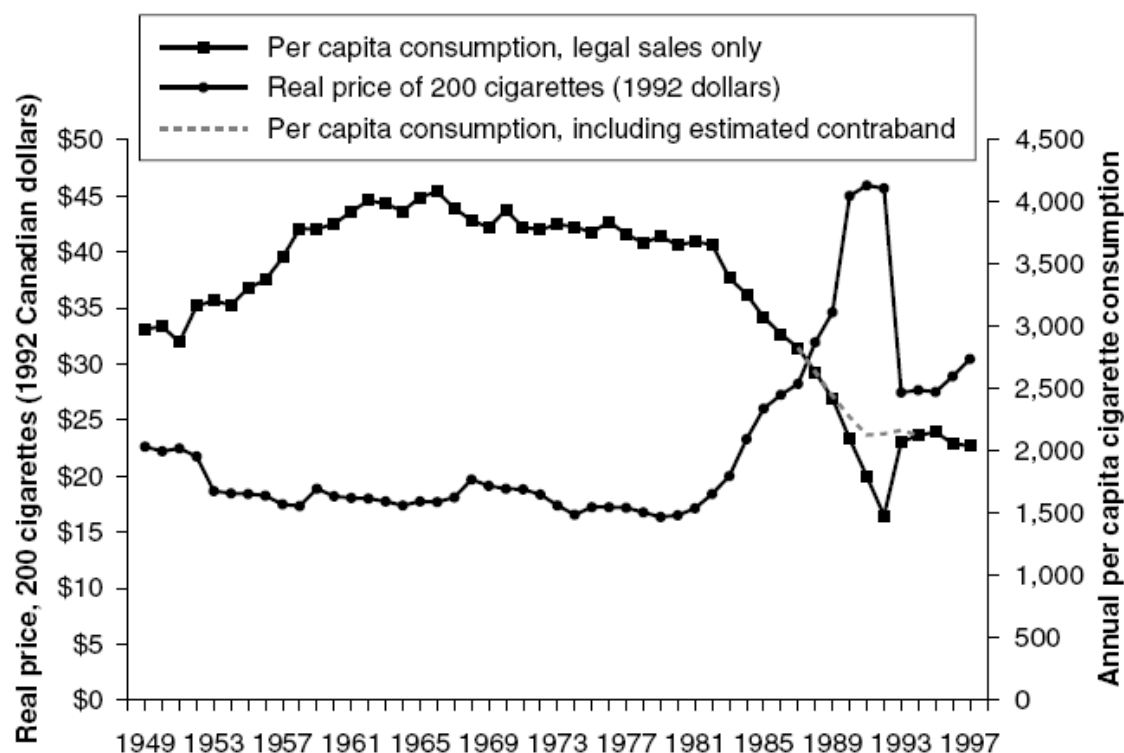
"To reduce the consumption of energy-dense, nutrient-poor foods, these foods ought to be relatively more expensive. This can be achieved by increasing VAT from the present-day reduced percentage to the standard percentage... Studies of price elasticity show that higher retail prices on sugar, chocolate and foods that contain added sugar would help curb their intake. This applies to high-consumption groups in particular. For instance, a doubling of the production tax and VAT on soft drinks could result in a reduction of more than 40 percent in the consumption of soft drinks among high-consumption groups. Taxes on sugar, chocolate and other foods that contain added sugar are so-called special excise taxes that also tax the consumption of these foods. The food and related-products industry is striving to remove or reduce these excise taxes. Since it has been shown that price is an important factor for the consumption of sugar-rich products, these taxes should remain in place, and preferably be raised. Consideration should also be given to earmarking the government revenues from these taxes for health-promoting nutrition efforts."

³⁵ H. H. Chouinard, D. E. Davis, T. LaFrance, and J. M. Perloff, *Effects of a Fat Tax on dairy Products: Working Paper No. 1007*, (Department of Agricultural and Resource Economics and Policy, U. Calif. At Berkley) at 20 which predicted a 1.4% reduction in total fat intake upon applying a 10% tax on milk fat alone.

See also: F. Kuchler, A. Tegene, and J. M. Harris, "Taxing Snack Foods: What to Expect for Diet and Tax Revenues" (2004) 747-08 *Agriculture Information Bulletin* 1 at 5, 9 which found that a 10% tax on salty snack foods (assuming own-price elasticity of -0.7) could lead to an approximately one-pound reduction in purchases annually and a 0.69 pound reduction in body fat *per capita*. The authors noted that "salty snack consumption decreases as the tax rate and price elasticity of demand increase, exactly as expected" (at 9). From a population health perspective, such impacts are very significant indeed. Even more, the authors did not attempt to assess the likely decline in consumption of dietary sodium which might accompany this change and could also have significant public health benefits on blood pressure and, by extension, cardiovascular disease risk.

³⁶ While comprehensive interventions are more effective (i.e., taxes accompanied by workplace smoking bans and education campaigns, etc.), a 33% tax increase alone could be expected to reduced smoking among men by 20% (from 25% to 20%). See S. Stephens, L. L. Pederson, et al., "Comprehensive tobacco control policies and the smoking behaviour of Canadian adults" *Tobacco Control* 2001;10:317-322. According to a case study on Canada published by the World Bank, increased taxation on tobacco products has always proven to be the biggest factor in predicting per capita consumption. D. Sweanor, K. Kyle, "Legislation and Applied Economics in Pursuit of the Public Health," at 87 and 87-91 in J. de Beyer and L. Waverly Bridgen, *Tobacco Control Policy: Successes and Strategies*, (Washington: The World Bank, 2003) at <http://www1.worldbank.org/tobacco/pdf/2850-Ch04.pdf>. The following table, excerpted from Sweanor and Kyle, reveals that tobacco use is very responsive to and inversely related to price as modified by taxes.

Figure 4.2. Cigarette Consumption and Real Cigarette Prices, Canada, 1949–98



Note: Real prices are calculated from the consumer price index. In high-smuggling years the effective price was lower because smuggled cigarettes evade taxes and are sold at prices below the retail prices of legally sold cigarettes. Consumption data include the highest credible estimate of contraband sales. Cigarettes include fine-cut tobacco equivalents (1 g).

Source: NSRA data.

³⁷ Statistics Canada, *supra* note 18: $\$56 = \$932 * 0.06$.

³⁸ See the Canada Revenue Agency GST credit calculator at <http://www.cra-arc.gc.ca/benefits/calculator/menu-e.html>