Submission to the Senate Economics References Committee Inquiry into Personal Choice and Community Impacts 2015

August 2015

The Centre for Independent Studies (CIS)
PO Box 92, St Leonards, NSW 1590
Phone: +61 2 9438 4377

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This submission has been prepared by The Centre for Independent Studies (CIS) for the Senate Economics References Committee Inquiry into Personal Choice and Community Impacts.

Recommendations

1. **That the Department of Health withdraw all financial support for the Health Star Rating system, including explanatory websites, public awareness campaigns, and studies of its effectiveness.**

2. **That the government restore the tax on ready-to-drink alcoholic drinks ('alcopops') to pre-2008 levels, preliminary to an overall reconsideration of alcohol taxes.**

WHAT IS THE 'NANNY STATE'?

The nanny state can be defined as 'excessive regulation and control by government of citizens' freedom of choice and action, justified as an obligation or duty of government to ensure individual and public health and safety.'

The fundamental orientation of this submission is that democratic citizenship in a free country should foster personal responsibility for one's voluntary behaviour and its consequences without governmental interference, unless that behaviour has harmful effects upon others.

We see the central issue as the balancing of an assumed duty of care on the part of government against the preservation of personal responsibility and choice. Government should seek to do only what cannot be done as well or better by its citizens and civil institutions without government involvement. Such a view restricts government primarily to matters of defence and public order under the rule of law. Arguably, government should not be in the business of dispensing 'benefits' at high cost in the form of steadily increasing taxation, and incurring the efficiency costs of the resulting 'churn.' All of this reduces the financial capacity of rational citizens to make their own 'beneficial' arrangements and decisions.

The welfare state has played a key role in the steady displacement of personal responsibility for voluntary decisions that might have unwelcome and costly outcomes — particularly in matters of health and safety. The scope of 'free' medical care under Medicare, for example, is such that the costs of voluntary risk-taking behaviour of many kinds that may lead to personal injury or ill-health are imposed upon the state, and therefore upon taxpayers rather than upon the risk-takers. The innocent taxpayers end up paying the costs of risky actions in which they have played no part.

Under such a regime, it is accordingly rational for the state to seek to reduce these costs by measures intended to curb personal risk-taking through nanny state regulation in things such as mandatory bicycle helmets, seat belts, devices on boats, and much more, intended to reduce risks to health and safety.

However justifiable in principle, in practice such efforts to protect citizens from themselves are often poorly thought out, insufficiently targeted, overly intrusive, and unlikely to achieve their intended aims. Two recent examples are the Health Star Rating system of front-of-pack labelling for food products and the so-called 'alcopops tax' on ready-to-drink mixed alcoholic beverages.

HEALTH STAR RATING SYSTEM

The Health Star Rating system is a front-of-pack label for packaged food products designed to present consumers with information about a product's nutritional value.

Each item's rating — on a half-star scale between ½ stars (least healthy) and five stars (most healthy) — is based on an algorithm developed by the federal Department of Health. The algorithm is calculated as follows: a baseline score is computed based on kilojoules, saturated fat, sodium, and sugar per 100 grams or 100 millilitres; points are then added to this score based on the item's fruit, vegetable, nuts, or legumes content (FVNL) and in some cases also its protein or dietary fibre content.

It should be noted this algorithm is based entirely on information available on the nutritional information panel that packaged food items already carry. The Health Star Rating system therefore cannot be justified on the grounds that it provides consumers with information they would not otherwise have had.

The Department of Health funded the creation of a website to explain the Health Star Rating system and also a public awareness campaign to educate consumers about it. For example, it is confusing to some consumers that some brands of potato chips have a higher star rating than Pink Lady apples, cake can have a higher score than bread, and so on. It must be explained to grocery buyers that the star ratings are intended to be used to compare *like with like*. Some cakes score higher than some breads, but this does not mean consumers would be better off replacing bread with cake in their diet. It only means high-scoring cakes are healthier than low-scoring ones.

The need for a multi-million-dollar campaign to explain how to use the Health Star Rating system correctly undercuts the claim that it presents nutritional information in a simple, easy-to-understand way. Just as Health Star Ratings provide consumers with no new information beyond what is already presented in nutritional information panels, it likewise fails to present that information in a way that requires significantly less effort to apply effectively than current health labels.

The Health Star Rating system was developed and launched at a cost of $11 million, with further costs to be borne by food manufacturers in the form of label redesigns and recipe alterations.[1] This cost was justified because "research commissioned by government prior to the release of the HSR system indicated that the implementation costs to industry are only a very small fraction of the cost to society of chronic diseases such as diabetes, which the HSR may help reduce through better food choices."[2]

It is true that the cumulative costs of chronic disease across the population of Australia are large enough to dwarf the cost of this program. But that is not an appropriate point of comparison. It

[1] '$11m committed for flawed food rating system,' *The Australian*, 17 April 2014.
[2] Rachel Clemons & Katinka Day, 'Health Star Ratings FAQ.' Choice.com.au, 25 February 2015.

would be appropriate only if the Health Star Rating system would totally eliminate heart disease, diabetes, and other such conditions. But it will not — it will not even eliminate obesity, one risk factor among many that can lead to these conditions.

This is a common tactic among nanny state advocates: to refer to the immense cost of chronic disease and thereby suggest that a program directed at reducing that cost will be a money-saver in the long run. The implication is an unfair one in this case, since it is not clear what magnitude of impact the Health Star Rating system will have on obesity rates, or indeed if it will affect the shopping habits of a sufficient number of obese people to a sufficient extent to have any impact at all.

Recommendation 1

That the Department of Health withdraw all financial support for the Health Star Rating system, including explanatory websites, public awareness campaigns, and studies of its effectiveness.

THE 'ALCOPOPS' TAX

In 2008, the Rudd government raised the tax on ready-to-drink alcoholic beverages by 70 percent, increasing the price of such products by as much as $1.30 per bottle.[3] One of the rationales offered for this large tax increase was that it would help to combat binge drinking. RTDs, sometimes called 'alcopops,' were associated with binge drinking on the part of young women, who were thought to favour sweet-flavoured RTDs like Smirnoff Ice and Bacardi Breezers. In fact, the RTD market was dominated by dark-spirit mixes such as bourbon-and-coke products, which are favoured by males over 24.

This tax increase did not have its intended positive health effects. A 2011 study of Gold Coast hospital admissions found "the increase in the tax on alcopops was not associated with any reduction in alcohol-related harms."[4] This failure could have been, and was, predicted. First, this tax singled out one narrow category of alcoholic beverages with many near-equivalent substitutes available, making it unlikely that an overall decrease in consumption would occur. Indeed, the decrease in consumption of RTDs was offset by increases in consumption of other types of alcohol, including straight spirits that consumers could then mix themselves.[5]

Secondly, the association between RTDs and binge drinking was rhetorically potent but not supported by evidence. The 2007 National Drug Strategy Household Survey found no evidence that RTDs were the preferred drink of those consumers drinking at high-risk levels. Nicola Roxon, the Health Minister under whom the tax increase was passed, described the increase in sales of RTDs between 2004 and 2008 as "an absolute explosion in sales" but the government's own health research agency found that this 'explosive' increase "does not appear to have directly contributed to any increase in risky (and high-risk) alcohol consumption."[6]

[3] 'Booze blitz: alcopop tax lifted by 70%,' *The Age*, 27 April 2008.
[4] Steve R Kisely et al., 'Effect of the increase in "alcopops" tax on alcohol-related harms in young people: a controlled interrupted time series.' *Medical Journal of Australia* 195:11 (2011).
[5] 'Beer, Wine, Spirits, and RTDs: ABS Apparent Consumption of Alcohol 2008-09.' Canberra: Australian Bureau of Statistics.
[6] Australian Institute of Health and Welfare, 'Inquiry into Ready-to-Drink Alcohol Beverages: AIHW Submission.' Senate Community Affairs Committee, May 2008.

At the time it was passed, the 'alcopops' tax was predicted to raise an increased $2 billion over four years. In the event, it raised somewhat less than forecast, but it still brings in close to $1 billion per year. At the time the tax increase was passed, there was some confusion about whether its primary purpose was to curb alcohol-related harm or to raise revenue. One MP who spoke against the bill in parliament had no doubts: "We understand on this side that this is purely a tax grab. This is purely a way of raising revenue."[7]

Regardless of the government's original intentions in passing this tax increase, its status as a revenue-raiser makes it financially and politically more difficult to reverse the tax hike now it has been shown to fail its public health goal. This is a common pattern with nanny state programs: a public health rationale is used to justify programs and taxes whose main benefit is to raise revenue for the government.

Those currently arguing against a reversal of the 'alcopops' tax have also employed the same rhetorical tactic we saw with the Health Star Ratings system: comparing the cost of the program against the overall cost of the public health problem with which it is associated, regardless of whether the program can reasonably be expected to result in any reduction of the public health problem's costs. In arguing for a tax increase on wine-based drinks that are packaged to resemble 'alcopops,' in order to have these drinks taxed at the same rate as their spirit-based counterparts, one public health advocate stated: "Here's a gift-wrapped budget measure that delivers considerable savings while at the same time reducing alcohol harms that cost this nation $36 billion dollars every year."[8]

That $36 billion figure is not an appropriate point of comparison in this context. Rather than raise the tax on other alcoholic products to bring them into line with the excessive tax imposed on 'alcopops' for poorly conceived public health reasons, as this public health advocate suggested, the 'alcopops' tax should be reduced.

Recommendation 2

That the government restore the tax on ready-to-drink alcoholic drinks ('alcopops') to pre-2008 levels, preliminary to an overall reconsideration of alcohol taxes.

[7] Alex Hawke MP, Parliamentary Debates (Cth. House of Representatives), 25 February 2009.
[8] Michael Thorn of the Foundation for Alcohol Research and Education, quoted in 'Potent new wine-based alcopops expose alcohol tax "dog's breakfast,"' *Sydney Morning Herald*, 5 April 2015.

The Centre for Independent Studies (CIS)

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