

What's the most economic way to tackle obesity? Increase taxes on alcohol

December 12 2018, by Jaithri Ananthapavan, Gary Sacks And Vicki Brown



Pint or chocolate bar? They're just about equal in kiljoules. Credit: [Seth Weisfeld](#)

We don't often equate the kilojoules we drink in our glass of wine or

pint of beer with the weight that accumulates around our middle. But our new [study](#) shows increasing the price of alcohol is the most value for money policy option to prevent obesity in Australia.

The study, released today, shows if we increase [alcohol taxes](#) by standardising them across different types of alcohol, overall alcohol consumption would go down. This would lead to substantial reductions in the kilojoules Australians consume each day.

In 2016-17, Australians drank [186 million litres of pure alcohol](#) – equivalent to more than nine litres for each person over the age of 15 years.

The health and social harms associated with drinking too much are [well documented](#). Our research is among the first to show that policies aimed at reducing alcohol consumption would also have significant impacts on body weight.

Current taxes on alcohol

Australia's current alcohol taxation system is [complex and illogical](#). Most alcoholic beverages are taxed based on their alcohol content, but different rates of tax are applied to different products.

Beers have the lowest rates, and spirits and ready-to-drink beverages (such as a can of bourbon and cola) have the highest.

Wine is taxed using a different system (the [wine equalisation tax](#)) based on its final wholesale price.

Under the current system, the [total price](#) (including taxation, in 2013 prices) of a standard drink (equivalent to 10g of alcohol) varies from around A\$0.65 for cask wine to A\$2.79 for ready-to-drink beverages.

Proposed new tax regime







Public health groups have long [advocated](#) for reforms to the current alcohol taxation system in Australia.

Our research group modelled the impact of replacing the current system with a uniform volumetric tax, based on alcohol content.

We applied a tax of 84 cents per standard drink across all alcoholic beverages (beers, wines, spirits and ready-to-drink products). This is equivalent to a 10% increase to the rate currently applied to spirits.

This proposed change would have the biggest impact on the price of cask wine, increasing it by more than 120%. The price of beer will increase by 28% on average, bottled wine by around 33%, and ready-to-drink [alcoholic beverages](#) by 2.7%.

Universal volumetric tax equivalent to 84¢¹ per standard drink

Alcohol type ²	Approx. mean energy content per standard drink	Mean price per standard drink (current tax scheme) ³	Mean price per standard drink (new tax scheme)	% Change price
 Wine	307kJ (100ml)	\$1.96	→ \$2.60	33% ↑
 Cask	307kJ (100ml)	\$0.65	→ \$1.44	121% ↑
 Beer	411kJ (260ml)	\$1.57	→ \$2.02	29% ↑
 Mid beer	504kJ (422ml)	\$2.31	→ \$2.90	26% ↑
 Spirits	267kJ (30ml)	\$1.67	→ \$1.75	4.6% ↑
 RTD's	625kJ (250ml)	\$2.79	→ \$2.87	2.7% ↑

¹Equivalent to a 10% increase in the 2013 tax rate applied to spirits bought off-premise (e.g., bottle shops, liquor stores)

²Relates to off-premise alcohol only

³Prices based on 2013 price and tax estimates from Jiang et al. 2016 *Drug and Alcohol Dependence*, vol. 163, pp. 222-8

Credit: Deakin University

Impact on health

Increasing the price of alcohol is one of the most effective ways of [reducing consumption](#).

Alcohol is high in kilojoules, with a pint of beer almost on par with a chocolate bar in terms of energy content. So even relatively small levels of alcohol consumption can have a [big impact](#) on daily energy intake.

Our modelling showed that the proposed new tax regime would, on average, result in a 16% reduction in alcohol consumption across the population. This would lead to average weight loss of around 0.7kg.

When this is modelled over the lifetime of the whole population, the health impact is substantial. It is estimated that this tax change could prevent more than 190,000 cases of diabetes and 16,000 cases of cancer.

In total, the policy change could result in more than 470,000 healthy life years gained for the Australian population.

By preventing obesity-related diseases, this policy would save about A\$4.8 billion in health-care costs.

These savings are much higher than the total costs of administering this change to the tax system, at A\$31.9 million.

The health impacts are in addition to the [many other benefits](#) of reduced alcohol consumption. These include the prevention of several chronic diseases (including liver cirrhosis and breast cancer), injuries, road accidents and violence.

The additional revenue collected from this new tax regime compared to the current taxation system would be around A\$2.3 billion each year.

We need an obesity prevention strategy

The Council of Australian Governments (COAG) Health Council recently [committed](#) to develop a national obesity strategy. In addition, the Senate Select Committee into the obesity epidemic in Australia released a report last week that set out a number of [recommendations](#) for government. These initiatives recognise that a range of policies are needed to address the current obesity crisis.

In addition to the alcohol tax changes, [our study](#) examined the cost-effectiveness of 15 other obesity prevention policies. These included [bans on TV advertising for unhealthy foods](#), a 20% [tax](#) on sugary drinks, the [Health Star Rating](#) food labelling system, and interventions targeted at schools, workplaces, supermarkets, local communities and private health insurers.

We found that all of the interventions evaluated would result in substantial [health](#) benefits for Australia and offer good value for money. There are a broad range of promising policies that can be acted on by a range of decision makers including local, state and federal governments and the private sector.

Even though increasing the price of alcohol is likely to be unpopular, if governments are committed to an effective national obesity strategy then an increase in [alcohol](#) taxation should be considered as one part of a comprehensive societal response.

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