

Speech Minister Corcoran Kennedy

Taxation and other economic incentives as health-promoting tools: a focus on tobacco, alcohol and unhealthy diets

University of Liverpool

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Introduction

Good morning ladies and gentlemen. Thank you to Professor Amandine Garde and the University of Liverpool for inviting me here today. I am delighted to open this conference examining the important role that price policies play in tackling non communicable diseases. I look forward to hearing the impressive range of speakers, gathered here today, all experts in their field who continue to work tirelessly to ensure that public health policies are supported by a strong evidence base.

Non Communicable Diseases

Non communicable diseases - NCDs, also known as chronic diseases, are a significant and growing problem in all countries and have the potential to overwhelm the sustainability of our health systems. In addition to the increased morbidity and mortality that is experienced, those who are less well-off suffer the most, thus widening health inequalities further.

Against that background, the prevention of NCDs becomes paramount. An important element in preventing NCDs, is tackling the key behavioural risk factors which causes them. The behavioural risk factors under consideration here today, tobacco use, alcohol misuse and unhealthy diets are considered to be the most important risk factors we need to influence.

Unfortunately, behavioural change is not easy. If it was we wouldn't be here today.

We have at our disposal a plethora of evidenced based strategies from the World Health Organisation, the European Union, Non-Governmental Organisations and others and indeed from our own individual countries as to what steps we need to take. What is common in all of them is that there is no one thing that will solve the problem, there is no silver bullet.

What we do know is that strategies need to be comprehensive in scope and be implemented accordingly. A whole of government and a whole of society approach are crucial if we are to be successful in stemming the tide of NCDs and their impact on our populations.

In Ireland we have adopted such an approach. Healthy Ireland - A Framework for Improved Health and Wellbeing is a new national framework for action to improve the health and wellbeing of our country over the coming generation. It is supported by individual strategies on tobacco, alcohol, and unhealthy diets as well as other determinants of health. No doubt you have your own strategies and policies in place.

Most evidenced based strategies identify the role of taxation or other economic incentives as a means of behavioural change to a greater or lesser extent. The challenge for those of us in the health sector, me included, is to persuade our colleagues in Finance departments, both politicians and civil servants, that there is a health dividend and an economic dividend in pursuing this agenda. We must also recognise that the impacts of taxation and other economic interventions are variable pending on the behaviour we wish to change.

Tobacco

On tobacco, there is the clearest evidence and guidance on the role of taxation and price in curbing the tobacco epidemic. The National Cancer Institute Monograph on The Economics of Tobacco and Tobacco Control, published this January, found that significant tobacco tax and price increases are the most cost-effective of interventions in tobacco control.

The WHO's Framework Convention on Tobacco Control's guidance document for implementation of Article 6 of the FCTC on price and tax measures to reduce demand for tobacco is a tour de force in this arena. It sets out very comprehensively how governments should best structure and administer their tobacco taxation policy for the betterment of public health according to their circumstances. The challenge is implementation. All of us are aware of the huge variation in the price of tobacco products worldwide and within the European Union. Ireland has one of the highest rates of duty on tobacco products in the EU. This reflects a long-standing policy of levying high rates of excise duty, relative to our fellow Member States, on tobacco products. For my part, I will continue to seek excise duty increases on tobacco products in future national budgets.

In addition, Ireland, along with like-minded Member States will stress the need to achieve a closer convergence of excise duty applied to manufactured tobacco towards the highest common denominator across the EU in discussions around the revision of the EU Directive dealing with tobacco excise duties.

Alcohol

On alcohol, the overall impact of taxation and price is not as definitive as for tobacco products; however, it is an extremely important public health tool that we need to harness.

Addressing the price of alcohol is an important component of any long-term strategic approach to tackling alcohol misuse. The price of alcohol is directly linked to how much people drink across the population and to the levels of alcohol related harms. The World Health Organisation has noted that there is “indisputable evidence that the price of alcohol matters. If the price of alcohol goes up, alcohol-related harm goes down”. Also when alcohol consumption decreases then alcohol-related harms decrease and vice versa.

The European Alcohol Policy Alliance notes that the real price of alcohol and alcohol taxation has been decreasing in most EU countries, with alcohol up to 50% more affordable in some instances. Despite Ireland having relatively high excise duty rates, the price of alcohol remains affordable, particularly in supermarkets.

Strong and cheap alcohol products are favoured by the heaviest drinkers, who generally try to get as much alcohol as they can for as little money as they can. Unfortunately these are also most at risk of alcohol related illness. Strong and cheap drink are also favoured by young people, who have the least disposable income and the highest prevalence of binge drinking.

Minimum Unit Pricing or MUP as it is commonly called is another economic measure that we can use in trying to reduce the misuse of alcohol. MUP sets a minimum price per gram or unit of alcohol. It is a targeted measure, designed to prevent the sale of alcohol at very cheap prices and should have a substantial impact on alcohol consumption for high risk drinkers.

The minimum price of an alcohol product is determined by the alcohol content of the product – the higher content, the higher the price. In Ireland, we are proposing to levy 10 cent per gram of alcohol on all alcohol products, which equates to €1 euro per standard drink. This proposal is contained in our Public Health (Alcohol) Bill as part of a suite of measure to reduce alcohol consumption.

MUP is an effective price strategy to address the increased affordability of alcohol in countries where retailers are using very cheap alcohol as a loss leader to attract customers. MUP will prevent large multiple retailers from absorbing increases in excise rates and from using alcohol as a loss leader.

However, the introduction of MUP as a health promoting measure has not been plain sailing. As you are no doubt aware, the European Court of Justice found that MUP may be justified on the grounds of the protection of health if it is proportionate to the objective pursued, and cannot be achieved by other measures such as taxation.

The case was returned to the Scottish Court of Session and I welcome its recent ruling in favour of proposals to introduce minimum pricing for alcohol (MUP).

The Scottish Court's judgement that alternative measures, including increases in taxation, are not capable of protecting life and health as effectively as minimum pricing reflect what our Irish evidence tells us and therefore we are continuing to pursue this measure. I think we all hope that public health triumphs in the upcoming appeal in Scotland.

Unhealthy Diets

On unhealthy diets and specifically on "soda taxes" the evidence base is not near as comprehensive or as compelling as it is for tobacco and alcohol. However, what research we have suggests a positive impact for public health.

The introduction of additional tax measures beyond the existing mechanisms such as excise or VAT to influence consumption and affect health status improvements is a relatively new concept in its application. However, there is emerging evidence in a number of countries in relation to policy efficacy and impact.

As these types of policy measures have only been introduced in recent history, there is limited data that has been analysed; reviewed; or evaluated. Countries with a “soda type tax” include Hungary, France, Belgium, Finland, Mexico and in a number of states and cities in the USA. I understand that the UK also has plans in this arena. No doubt we will hear further data today which will strengthen the evidence base.

In Ireland, our Programme for Partnership Government committed to introducing a health levy on Sugar Sweetened Drinks. Towards the end of last year my Department produced a Working Paper on the topic and recommended the introduction of a graded tax on pre-packaged SSDs on sale in Ireland.

The Working Paper also recommended that we re-invest any proceeds of tax toward inter-sectoral actions in support of healthy lifestyles; and that we evaluate the impact of the measure over time. In Budget 2017, our Minister for Finance confirmed that we would introduce a tax on sugar-sweetened drinks.

Given the highly integrated production and supply chains which exist in the soft drinks industry between Ireland and the United Kingdom, it was felt prudent to align the Irish sugar-sweetened drinks tax with the UK's tax proposal, in terms of time-frame and structure.

In addition, given the importance that such a measure is as effective as possible, as fair as possible, and minimises the administrative burden on business, the Department of Finance is in the process of carrying out a public consultation on the matter. Submissions to the consultation process closed on the 3rd Jan past and we await with interest outcome of that process.

In conclusion, can I thank you again for the invitation to open this very important conference here today. I think we will all learn a lot more about the role of taxation and other economic incentives in behavioural change which should help prevent NCDs.

The challenge for us all is to show how such measures are both effective and cost-effective in the fight against NCDs and to convincingly persuade those who need persuasion to implement them.

The populations we serve expect nothing less. Thank you.