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Release Document

September 2018

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30 April 2018

The Secretariat
The Tax Working Group
PO Box 3724
WELLINGTON 6140

submissions@taxworkinggroup.govt.nz

The New Zealand Beverage Council's Submission to the Tax Working Group 2018

Introduction

1. The New Zealand Beverage Council (NZBC) proudly represents the manufacturers, suppliers and distributors of New Zealand's juice, carbonated drink, bottled water and flavoured dairy brands. Our members represent over 75 percent of the non-alcoholic ready-to-drink beverages sold at retail level in New Zealand.
2. As an industry association, the NZBC represents and advocates for its members, and aims to work constructively with partners, regulators and decision-makers to ensure the right settings are in place to allow the beverage industry to succeed.
3. The NZBC believes the non-alcoholic beverage industry has the potential to play an increasingly important role in New Zealand's economic future – creating jobs, strengthening the country's manufacturing base, supporting the regions and growing the country's export earnings.
4. We make this submission following reported comments by Tax Working Group Chairperson Sir Michael Cullen that it is possible *"to use of the [tax] system to change people's behaviour in ways which increase the wellbeing of all of us is very much on the agenda at the present point in time"* and reports that the Chairperson *"appeared warm to the idea of taxes on environmental and social issues such as greenhouse gas emissions, pollution and the causes of obesity"*.¹
5. The New Zealand Beverage Council interprets these as indications that the Tax Working Group is actively considering taxes relating to obesity and water usage. In particular, we note a number of international jurisdictions have introduced a tax on sugar-sweetened beverages in recent years and increased commentary by some lobby groups about the introduction of such a tax as a policy option to address obesity in this country.

¹ See <https://www.stuff.co.nz/business/industries/101970814/new-taxes-could-change-bad-behaviours-suggests-sir-michael-cullen>

6. We also note a proposal to introduce a royalty on bottled water, as outlined in 2017 Labour Party Manifesto, which was refined to a royalty on exported bottled water in the Labour-New Zealand First Coalition agreement. We believe the introduction of such a royalty should be considered as a new tax and is therefore worthy of consideration and comment by the Tax Working Group.
7. The New Zealand Beverage Council does not support the introduction of a tax on sugar-sweetened beverages or a royalty on the export of bottled water for the reasons outlined in this submission. We are strongly of the view that taxes designed to change the behaviour of consumers or manufacturers should have a clear policy intent, be comprehensive (as opposed to singling out certain industries or sectors of the economy) and supported by international scientific evidence on what works. We do not believe a tax on sugar-sweetened beverages, or a royalty on bottled water, meet these criteria.
8. The New Zealand Beverage Council, however, understands that our members have important social and environmental responsibilities. Our members are absolutely committed to working to minimise their impact and making sure consumers have both choice and access to the right information at the right time, so they can make the best decisions for themselves and their families.

Taxes on sugar-sweetened beverages

9. In recent years there has been increased worldwide discussion regarding the effectiveness of taxes on sugar-sweetened beverages, as well as other foods that are deemed unhealthy, as a policy intervention to reduce obesity. This discussion has been driven against a backdrop of increasing obesity rates in the developed world and the success of tobacco taxes in driving down smoking rates in a number of countries, including New Zealand.
10. There are marked differences, however, between tobacco and sugar sweetened beverages. Most importantly, no level of tobacco consumption is safe. Moderate consumption of sugar-sweetened beverages, on the other hand, causes no harm to human health and can form part of a healthy, balanced diet. In fact, the adverse effects that can be caused from the overconsumption of sugar are no different to health effects caused by the overconsumption of any other food product.
11. Like many developed and middle-income countries, New Zealand does have a growing obesity issue. The causes of this are numerous and complex, and the scientific evidence indicates there is no single simple solution. At its core, however, obesity is the result of an imbalance in excess energy consumption and too little energy expenditure over time. Factors contributing to obesity include environmental factors, increased availability of high-energy processed food, reduced opportunities for physical activity, parental health and genetic predisposition².

Sugar-Sweetened Beverages and obesity

12. There is no doubt that the over-consumption of any energy source, including sugar-sweetened beverages, can lead to weight gain and obesity in individuals. However, the overall consensus of scientific evidence on sugar and sugar-sweetened beverages shows they do not have a unique effect on body weight beyond their contribution to total kilojoule intake.

² See <http://www.superu.govt.nz/sites/default/files/Economic%20and%20social%20cost%20of%20obesity.pdf>

13. For example, a scientific paper released in 2016 reviewed high quality recently published evidence on the effects of added sugars on obesity, diabetes and heart disease. The authors concluded that “the normal added sugars in the human diet (for example, sucrose, high-fructose corn syrup and isoglucose) when consumed within the normal range of normal human consumption or substituted isoenergetically for other carbohydrates do not appear to cause a unique risk of obesity, diabetes or cardiovascular disease.”³
14. Likewise, a 2015 scientific review on fructose-containing sugars concluded that “like with the earlier fat story, it is difficult to separate the contribution of fructose-containing sugars from that of other sources of excess calories in the epidemic of obesity and cardiometabolic disease. Attention needs to remain focussed on reducing the overconsumption of all caloric foods ... and promoting greater physical activity.”⁴
15. A further review of the highest-level evidence noted that “sugar-sweetened beverages are a marker of an unhealthy lifestyle and their drinkers consume more calories, exercise less, smoke more and have a poor dietary pattern.” The authors noted that many factors in the diet provide excess calories and for real health benefits, it is important to focus on the whole diet.⁵
16. Raising obesity rates also cannot be solely attributable to increasing sugar intake. In fact, the intake of sugar and sugar-sweetened beverages has been decreasing in both New Zealand and Australia, while at the same time as obesity rates have been increasing⁶.
17. Between 1997 and 2009, median daily added sugar (as sucrose) intake for New Zealand males fell from 62 to 55 grams while median female added sugar (as sucrose) intake decreased from 45 to 42 grams. This occurred at the same time obesity rates increased from 17 percent of the population to 27.7 percent for males and from 20.6 percent to 27.8 percent for females⁷. Similar trends have been seen in Australia and the United Kingdom.
18. New Zealand adults get, on average, 21.5% of their daily energy intake from total sugars, or which 11.1% is free sugars⁸. This is close to the World Health Organisation’s recommendation, which suggests less than 10% of daily energy should come from free sugars.
19. The largest source of added sugar (sucrose) in New Zealand diets is sugar and sweets (23%), with non-alcoholic beverages contributing 16%⁹. In fact, soft drink consumption in New Zealand is actually falling – down 4.2 percent since 2010¹⁰, while sales for low and no-sugar non-alcohol beverages have grown by 66.7 percent over the past decade¹¹.
20. In saying this, the New Zealand Beverage Council does recognise that the over-consumption of sugar-sweetened beverages does play a role in contributing to excess energy intake. That is why

³ J. Rippe and T. Anglepoulos, “Added Sugars and risk factors for obesity, diabetes and heart disease,” *Int J Obes* 2016; 40: S22-27.

⁴ V. Ha, et al “Do Fructose-Containing Sugars Lead to Adverse Health Consequences? Results from Recent Systematic Reviews and Meta-analyses,” *Adv Nuir* 2015; 6: 504S-511S.

⁵ See <https://link.springer.com/article/10.1007%2Fs00394-016-1345-3>

⁶ <https://www.srasanz.org/sras/sugar-and-health/sugar-and-obesity/>

⁷ New Zealand Adult Nutrition Survey page 308

⁸ See <http://www.ncbi.nlm.nih.gov/pubmed/29186927>

⁹ New Zealand Adult Nutrition Survey

¹⁰ The New Zealand Beverage Council calculation based in part on frequency of beverage drinking reported by Nielsen through its consumer and media insights (ICM) service for YE Q1 2016.

¹¹ Nielsen Scantrack total supermarkets MAT to 18/9/2016

the beverage industry in New Zealand has also taken significant steps to provide consumers with more choice and better education and information to allow informed dietary choices. This includes new and reformulated products, offering low and no-sugar varieties and the voluntary displaying of kilojoule information on front labels.

21. In addition, in 2017 NZBC Members pledged to only sell bottled water to primary and intermediate schools in New Zealand. This is a significant commitment by the industry to help address childhood obesity and deliver sugar-free schools in New Zealand. NZBC Members also do not advertise any beverage in media that directly targets children under-14, or where 25% or more of the expected audience will be under-14.

The argument for a sugar tax

22. Advocates for a tax on sugar-sweetened beverages argue that the tax will result in an increase in the price of these sugar-sweetened beverages relative to other items, therefore reducing the demand for sugar-sweetened beverages as “rational consumers” respond to these higher prices by changing their purchasing behaviour and switch to “healthier” alternatives. It is further argued that the reduction in consumption of sugar-sweetened beverages should correspond with a reduction in obesity rates.
23. This argument relies on a number of assumptions, including (1) taxes will raise the price of sugar-sweetened beverages by an amount similar to the tax; (2) consumers will respond to higher prices by buying proportionately less sugar-sweetened beverages; (3) consumers will not substitute other equally-caloric products to replace any decrease in consumption of sugar-sweetened beverages; and (4) any reduction in overall calories consumed as a result of the tax will lead to a noticeable decline on obesity.
24. Some jurisdictions have introduced a tax on sugar-sweetened beverages in recent years as a policy intervention to combat obesity, including Mexico, the city of Berkley in California, and more recently the United Kingdom and South Africa. As a result, there is a significant body of research and evidence on whether these assumptions hold true in a real-world environment.

The Mexican Experience

25. In 2014, Mexico enacted a tax of approximately 10% (one peso) per litre on all sugar-sweetened beverages, excluding dairy or alcoholic beverages, as well as an 8% tax on “junk food” such as chips and candy. The Mexican experience is often cited by both proponents and opponents to taxes on sugar-sweetened beverages.
26. The tax did increase the retail price of sugar-sweetened beverages between nine and 19 percent and academic research by Popkin showed the 10% tax resulted in a six percent drop in the sale of soft drinks over its first full year.¹² A follow-up article by the same research group calculated the overall reduction in demand for sugar-sweetened beverages at 7.6%.¹³ The fact that the consumption fell by less than the amount of tax suggests demand for sugar-sweetened beverages tends toward inelasticity.

¹² Colchero, Arantxa et al. “Beverage purchases from stores in Mexico under the excise tax on sugar sweetened beverages: observational study.” In *British Medical Journal* 352, h6704 January 2016.

¹³ Colchero, Arantxa et al. “In Mexico, Evidence of Sustained Consumer Response Two Years After Implementing a Sugar-Sweetened Beverage Tax” in *Health Affairs* Vol. 36 No. 3 March 2017

27. However, the impact of the tax was short-lived. Euromonitor sales figures for Mexico reveal that while sales of carbonated beverages declined from 16,375 million litres in 2013 to 15,915 million litres in 2014, consumption rebounded to 16,156 million litres in 2016 and appears to be continuing to grow.
28. The tax also does not appear to have any meaningful impact on the caloric intake of the Mexican population. The caloric consumption from beverages has declined only slightly – between two and six calories per day – in a diet of roughly 3000 calories per day in Mexico. This represents less than a half-of-one percent decrease.¹⁴
29. More importantly, the tax has had no impact on obesity rates in Mexico. In fact, Mexico’s 2016 national health and nutrition survey has shown that obesity rates in the country have increased from 2012-2016, especially among adult woman (a rise from 73% of the adult female population to 75.6% of that population).¹⁵
30. The Mexican experience also highlights the regressive nature of these types of taxes, with the burden of taxation on sugar-sweetened beverages being carried by those who can least afford it. This is because individuals on lower incomes spend proportionately more of their incomes on foods. Over 63% of the tax was collected from the lowest socio-economic group¹⁶.
31. The tax also resulted in a significant economic impact in Mexico. The National Household Income and Expenditure Survey (ENIGH) and the Monthly Survey of the Manufacturing Industry (EMIM), suggested the tax was responsible for the loss of 10,815 jobs both in the non-alcoholic beverage industry directly and in agriculture companies that are major suppliers to the industry.¹⁷

The Berkley Experience

32. In 2015, Berkley, California became the first city in the United States to enact a penny per ounce excise tax on sugar-sweetened soft drinks, energy drinks and iced teas with the goal of reducing local obesity rates. Alcohol, 100% fruit juices and milk products were exempt, regardless of sugar content.
33. A study on the effect of the tax in Berkley found the tax has actually resulted in an increase in the overall calorie intake because of changing consumer behaviour. The study found that while caloric consumption of taxed beverages dropped marginally by an average of six calories per day – the equivalent to a bite of an apple, caloric consumption of untaxed beverages rose by an average of 32 calories per day, resulting in an increase of 26 calories per person per day resulting from the tax.¹⁸
34. It appears that because of the tax, consumers in Berkley switched their purchasing behaviour from soft drinks to other calorie dense non-taxed products such as milkshakes, fruit juices and

¹⁴ J Cantu, D. Curiel, and L. Valero, “The Non-Alcoholic Beverage Industry in Mexico, Centro de Investigaciones Economicas,” at 58 (2015)

¹⁵ Mexico’s 2016 National Health Survey (ENSANUT).

¹⁶ Kantar World Panel Mexico Report (2014)

¹⁷ J. Cantu, D Curiel, and L. Valero, “The Non-Alcoholic Beverage Industry in Mexico, Contro de Investigaciones Economicas,” at 58 (2015)

¹⁸ L. Silver et al., “Changes in prices, sales, consumer spending, and beverage consumption one year after a tax on sugar-sweetened beverages in Berkley California, US L A before-and-after study,” *PLOS Medicine* (April 18, 2017)

smoothies. This finding is not surprising and is backed up by research by Yale University, which found that when confronted with a tax on sugar-sweetened beverages, consumers tend to switch to milk and juice beverages, which may contain as much, or more, sugar as soft drinks. The result is no change in total calories consumed.¹⁹ Another study in the United States involving the actual purchases of 100 households found that a ten percent increase in soft drink prices led to growth in beer consumption.²⁰

Real-world experience is supported by the research

35. The outcomes in Mexico and Berkley are supported by a recently released report by the New Zealand Institute of Economic Research (NZIER) titled *Sugar Taxes: A Review of the Evidence*, which concluded that the evidence that sugar taxes improve health care is weak.²¹
36. As part of their research, the NZIER authors reviewed 47 peer-reviewed studies and working papers relating to sugar taxes, and found that:
 - (i) Estimates of reduced intake are often overstated due to methodological flaws and incomplete measurements.
 - (ii) There is insufficient evidence to judge whether consumers are substituting other sources of sugar or calories in the face of taxes on sugar in drinks.
 - (iii) Studies using sound methods report reductions in intake that are likely too small to generate health benefits and could easily be cancelled out by substitution of other sources of sugar or calories; and
 - (iv) No study based on actual experience with sugar taxes has identified an impact on health outcomes.²²
37. Likewise, McKinsey Global Institute's 2014 report *Overcoming Obesity: An Initial Economic Analysis* found that taxing sugar is one of the least effective interventions in combatting obesity. The study found that of 40 model interventions, taxation was not in the top ten interventions and that the science supporting taxation as an effective policy intervention was deemed as weak.²³
38. According to the McKinsey Global Institute, the most effective ways to combat obesity include reformulating drinks, offering smaller portion sizes and providing better education. The New Zealand Beverage Council supports these as effective measures to combat obesity.

Water royalties

39. As part of its 2017 Manifesto, the New Zealand Labour Party undertook to "introduce a freshwater royalty on water bottlers and other large commercial water users and set the royalty at a fair and affordable level" and "return the majority of royalty revenue to regional councils to fund rate reductions and the likes of better water management, restoration of waterways and wetlands and

¹⁹ Fletcher et al. 2010

²⁰ Wanskick, Brian et al., *From Coke to Coors: A Field Study of a Fat Tax and Unintended Consequences* Available at SSRN 2079840 (2012) July 29, 2014

²¹ NZIER, "Sugar Taxes: A Review of the Evidence" at ii (2017)

²² Id. At i-ii.

²³ McKinsey Global Institute "Overcoming Obesity: An initial economic analysis." November 2014.

safe drinking water supplies in rural areas”.²⁴ The subsequent coalition agreement between the New Zealand Labour Party and New Zealand First undertook to introduce a royalty on exports of bottled water.²⁵

40. We also note comments from the Tax Working Group Chairperson Sir Michael Cullen at the International Fiscal Association Conference, where he is reported as saying “We face many environmental challenges such as water pollution, possible over-allocation of water, plastic pollution of the oceans, and congestion, in Auckland especially. All this means that it is possible use of the system to change people’s behaviours in ways which increase the wellbeing of all of us is very much on the agenda at the present time.”²⁶
41. The New Zealand Beverage Council would consider the introduction of water royalties targeting the water bottling industry as the imposition of a new tax on the industry and is it therefore worthy of consideration by the Tax Working Group.

The Water Bottling Industry in New Zealand

42. The water bottling industry is a very small user of New Zealand’s freshwater resource. The Ministry for the Environment estimates that 0.02% of the daily amount of consented consumptive, non-hydroelectric water is allocated for water bottling.²⁷ There are approximately 52 local entities currently consented to produce bottled water for the domestic market.
43. The size of the domestic market is estimated to be about \$140 million and the industry uses approximately 135 million litres of water annually²⁸. Current exports of bottled water are also very small, at an estimated \$23.7 million annually or 27.9 million litres.²⁹ The majority of New Zealand’s bottled water is exported to the United States (46%), and China and Hong Kong (43%).
44. The total market for bottled water is therefore estimated to be \$163.7 million or 162.9 million litres. By comparison, it is estimated 5 trillion litres of water is used every year for irrigation in New Zealand, representing over 65.9 percent of New Zealand’s freshwater take.³⁰

The Economic Benefits of the Bottled Water Industry

45. The economic benefits of water bottling to local communities is estimated at around \$60.7 million per annum based on return on capital and labour³¹. The sector is estimated to employ 916 full time equivalents in New Zealand and pays an average wage of \$62,874. This means that the water bottling sector is delivering \$57.6 million in salaries and wages to local communities.

²⁴ Labour Party Manifest 2017

https://d3n8a8pro7vhmx.cloudfront.net/nzlabour/pages/8414/attachments/original/1504825077/Water_Policy.pdf?1504825077

²⁵ Coalition Agreement between the New Zealand Labour Party and the New Zealand First Party

<http://img.scoop.co.nz/media/pdfs/1710/362429780LabourandNewZealandFirstCoalitionAgreement.pdf>

²⁶ <https://www.stuff.co.nz/business/industries/101970814/new-taxes-could-change-bad-behaviours-suggests-sir-michael-cullen>

²⁷ Information provided to the NZBC by the Ministry for the Environment

²⁸ *Water Bottling in New Zealand: Industry overview and initial analysis of potential charge*. Ministry for the Environment and Deloitte, January 2018

²⁹ Ibid

³⁰ <https://www.stuff.co.nz/business/industries/97796506/The-biggest-users-of-New-Zealand-water>

³¹ *Water Bottling in New Zealand: Industry overview and initial analysis of potential charge*. Ministry for the Environment and Deloitte, January 2018

46. In addition, it is estimated that the water bottling operations of New Zealand companies generated around \$28 million in profits in 2016-17. It is assumed that 10 percent of this profit (or \$3.1 million) is accrued by privately owned New Zealand companies, which is assumed to be spent in the local community.³²
47. Importantly, the bottled water industry tends to be located in some of New Zealand's economically struggling regions – such as Northland, South Waikato and the Eastern Bay of Plenty. These communities tend to have high unemployment rates, a low manufacturing base and few large employers. The water bottling industry, therefore, makes an important contribution to these regions.

A royalty scheme for bottled water

48. Under the Crown Minerals Act 1991, royalties are paid to the New Zealand Government by companies extracting New Zealand's oil, gas and mineral resources. This is reflection that under legislation, the Government owns New Zealand's petroleum and mineral resources, and the payment of a royalty ensures the country receives a fair return from the extraction of these non-renewable resources.
49. Water is fundamentally different. It has long been government policy that no one owns freshwater, including the government. And unlike petroleum and mineral resources, water is renewable. In fact, it is estimated 500 trillion litres of freshwater flows through New Zealand lakes, rivers and aquifers, of which only 10 trillion litres (2%) is extracted for human use³³. Of that 10 trillion litres, only 163 million litres is used for water bottling.
50. Given the comparatively tiny amount of New Zealand's freshwater used by the water bottling industry, it would be manifestly unfair to target a royalty solely at the industry. Contrary to public opinion, profitability of bottled water is not particularly high, and the imposition of a royalty is likely to have a devastating impact on the sector, particularly among smaller boutique operators.
51. Establishing a water bottling operation requires significant investment. While the cost of developing the infrastructure depends on factors such as the nature of the water source, location, type and capacity of the plant, a complete large-scale bottling operation costs between \$10 million to \$40 million to prepare the site, construct the building and install the plant and equipment.
52. Analysis undertaken by Deloitte indicates a range of earnings before tax of 5% to 30%³⁴. This low level of profitability limits the ability of water bottlers to absorb any royalty without passing the cost onto consumers. Economic analysis indicates that bottled water is elastic, and demand is highly responsive to changes in prices. It is estimated that a one percent increase in the price of water would lead to a 1.17 percent reduction in the demand for water.³⁵
53. This means that a water royalty could have a significant impact on demand. For example, if a water royalty of 10 cents per litre was placed on bottled water, and a water bottler passed this on to the consumer, demand could drop 20%, significantly impacting the profitability of the operation.

³² Ibid

³³ <http://www.scoop.co.nz/stories/PA1604/S00367/bottled-water-concerns-misplaced.htm>

³⁴ *Water Bottling in New Zealand: Industry overview and initial analysis of potential charge*. Ministry for the Environment and Deloitte, January 2018

³⁵ Ibid

Alternatively, if the royalty is absorbed by the company it could also adversely impact on profitability and impact their ongoing viability. This is particularly the case for smaller operators.

54. The imposition of a water royalty on exported bottled water would make New Zealand bottled water significantly less competitive on international markets. Given the low level of profitability in bottled water, exporters would have little choice but to pass on at least some of the royalty to consumers. This would increase the cost of New Zealand water relative to other brands, who do not have to pay a royalty. As previously noted, water is elastic, and consumers are sensitive to price. This is likely to result in a significant drop in sales and market share.
55. It is also unlikely that the imposition of a royalty will raise significant funds for the government given the relatively low level of water used by the industry. If a levy of 10c per cubic metre (1,000 litres) of water was imposed on exported bottled water, the Government could expect to receive \$2,370 per year. If the same rate was applied to all bottled water, the royalty received would increase to \$16,400. This would be significantly less than the cost of setting and administering a royalty scheme. Alternatively, a 10 cent per litre royalty on exported bottled water would raise \$2.79 million. However, given the likely reduction in the export of bottled water following the imposition of a royalty, funds raised are likely to be significantly less.
56. The imposition of a royalty will also likely see smaller boutique operators ending their business and some larger multinational operators shifting their operations elsewhere to maintain operations. This will mean that the economic benefits enjoyed by the community will significantly diminish. It has already been noted that the industry is located in some of New Zealand's more economically depressed regions, meaning that any reduction in industry activity is likely to have a magnified impact.

Water pricing

57. The New Zealand Beverage Council understands that there are increasing demands on New Zealand's freshwater resources, particularly in some drier areas, and that a mechanism for water pricing may have some merit in ensuring a fair, efficient and optimal use of water.
58. Any water pricing system, however, must be equitable and apply to all commercial users of water. It is unfair and discriminatory to only target water royalties at water bottlers when they use 0.02% of New Zealand's consented freshwater. There is also no rational reason to charge a royalty on exported bottled water, but not charge it on other products that require significant water such as beer, wine and milk.
59. It is also unjust to expect the water bottling industry to fund the clean-up of New Zealand's waterways through a royalty. It is acknowledged that the sector benefits from access to clean water, and that New Zealand bottled water's brand is enhanced by the country's clean and green reputation, the water bottling industry, however, does not contribute to the pollution of New Zealand waterways. In fact, it is in the industry's interest to protect the sources of drinking water from pollution and not interfere with the environment unnecessarily.
60. It is the New Zealand Beverage Council's position that if government is looking to fund the clean-up of New Zealand's waterways though some form of industry levy, this levy should be sourced from those industries that contribute to the pollution of New Zealand's waterways.

Conclusion

61. The New Zealand Beverage Council supports the Government's desire to improve the structure, fairness and balance of the New Zealand tax system. The Council also supports the Government's objective of a tax system that promotes the long-term sustainability and productivity of the economy.
62. Taxes designed to change the behaviour of consumers to the betterment of both themselves and to wider society can have their place in the tax system. There is no doubt that significant taxation of tobacco has, in part, resulted in marked reductions in smoking rates. There is, however, a marked difference between tobacco and sugar. No level of consumption of tobacco is safe. Even very small amounts of tobacco smoking can cause adverse health outcomes. On the other hand, sugar-sweetened beverages are safe to consume in moderation and sugars form part of a balanced and healthy diet.
63. International experience has also shown that a tax on sugar-sweetened beverages will not have the same results as tobacco taxes. There are several reasons for this, including the willingness of consumers to pay higher prices, switch to budget brands or purchase equally high calorific but non-taxed items.
64. The New Zealand Beverage Council is open to working with government to look at an improved mechanism to allocate New Zealand's freshwater resources. This might include introducing some form of pricing mechanism.
65. Any pricing must apply equally to all commercial users of water to achieve the desired outcome. The New Zealand Beverage Council is opposed in the strongest possible terms to any form of tax, royalty or levy that targets just one user of water, which is viewed as discriminatory and a threat to New Zealand's fledging water bottling industry.
66. The New Zealand Beverage Council very much looks forward to the recommendations of the Tax Working Group. We thank you for your consideration of this submission and if you would like any further information from the Council, please contact the Council's Communications and Engagement Manager Stephen Jones at [1]

Yours sincerely

[1]

Olly Munro
President
New Zealand Beverage Council