



**A U S T R A L I A N
R E T A I L E R S
A S S O C I A T I O N**

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**Submission to
Senate Environment, Communications, Information
Technology and the Arts Committee**

**Inquiry into Plastic Bag Tax (Assessment and Collection)
Bill 2002 and Plastic Bag (Minimisation of Usage)
Education Fund Bill 2002**

(‘the Bills’)

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1. Executive Summary

The Bills stated propose is to collect a levy for plastic carrier bags as well as plastic flat bags without gussets or handles issued at the point of sale, and also for plastic refuse bags sold; and to use the funds for education about minimising plastic bag use and other waste damage to the environment and related purposes. The Commissioner of Taxation would administer the proposed Act.

The Australian Retailers Association (ARA) rejects a bag tax, as proposed in the Bills, as a fundamentally flawed strategy that seeks to impose a financial penalty on consumers for using carrier bags and purchasing refuse bags without proposing any solutions (other than education) to divert bags from landfill or to impact on the causes of litter.

By enforcing a tax, the community would not be encouraged to take long term responsibility for managing its use of plastic bags. Changing behaviour is more effective and sustainable if based on fostering voluntary commitment towards acting in the best interests of the environment.

Experience in Denmark shows that application of a tax without using other measures to address an issue simply causes an initial reduction in consumption, which rises to previous levels when consumers become accustomed to the new expense.

A tax of 25 cents per bag would cost consumers up to an estimated \$1.5 billion a year and cause serious administrative and operational inefficiencies for retailers. It would create an inequitable situation, with lower income earners and smaller retailers hit hardest.

To reduce the impact of bags on the environment, without imposing significant cost burdens on consumers and business, the ARA believes a well coordinated community effort is required involving the retail sector, plastics industry, all levels of government, the waste collection and reprocessing industry, environment bodies and the wider community.

This work should be based on the principles of the National Packaging Covenant – a voluntary approach between government and the packaging supply chain based on a shared responsibility to manage the environmental impact of packaging.

Specifically, such an approach includes that:

Retail industry

- reduces the number of bags being issued and increases recycling in the retail environment;
- funds focused research on practical and environmentally stable degradable bags;
- examines viable alternative bag systems.

Government

- introduces kerbside recycling with the aim of significantly increasing recycling rates;

- improves landfill and waste management processes to reduce the large number of plastic bags entering the litter stream from this source;
- strictly enforces waste management and public littering laws.

All stakeholders

- agree to the National Packaging Covenant that it is the most appropriate forum through which to address the management of plastic bags;
- agree that staff and consumer education, along with the introduction of suitable alternative bags, is vital to reducing the number of environmentally harmful bags entering the litter stream.

2. Introduction

2.1 The Australian Retailers Association

The ARA is the nationwide voice of the Australian retail industry.

The ARA's membership comprises approximately 11,000 retail businesses, which transact an estimated 75 percent of the nation's retail sales and employ around three quarters of the retail workforce.

ARA members operate around 40,000 retail outlets across the nation. Approximately 10,000 or 95 percent of the ARA's members are small businesses (i.e. employing less than 20 staff) operating in only one state.

3. Objectives

In this paper, the ARA will address its serious concerns with the proposed Bills. The objective of this paper is to demonstrate that the Bills, if passed, will:

- have no long term impact on the number of plastic bags that ultimately end up in landfill or as litter;
- absolve industry and community of responsibility to manage bag use;
- cost consumers up to an estimated \$1.5 billion a year in a new tax and may cause price rises due to increased trolley theft and shoplifting;
- result in serious administrative and operational inefficiencies and costs for retailers, particularly smaller organisations, which ultimately are reflected in increased prices;
- cause increased health and safety risks for consumers and retail staff;
- impede development of plastic recycling.

4. Background

The National Packaging Covenant Council (NPCC) is based on a voluntary and cooperative approach between government and industry to minimise the environmental impacts of packaging. Its role includes coordinating work to reduce the impact of plastic bags on the environment.

The issue of HDPE plastic bag litter was referred to the NPCC at the October 2002 meeting of the Environment Protection and Heritage Council (EPHC).

After considering the NPCC's recommendations on the issue, the EPHC asked:

- retailers to adopt a national code of practice which includes challenges to reduce bags issued by 50 percent and to increase the number of bags recycled by 50 percent by December 2004;
- that 90 percent of major chains and 25 percent of smaller retailers sign to the code of practice;
- government to prepare legislative options (tax or ban) for consideration;
- industry and the community to work together to cut plastic bag litter by 75 percent by the end of 2004.

To assist the community in achieving this, Ministers also agreed that the NPCC be the focus for all efforts including the development of a proposal for a national awareness campaign and to conduct a study on biodegradable bags that may be a suitable alternative to the HDPE bags currently used.

5. Key Issues

5.1 Tax absolves responsibility

A tax could serve to absolve the community of responsibility for managing their use of plastic bags.

A compulsory tax would undermine the founding principles of the NPCC, which is based on a voluntary and cooperative approach to managing environmental issues.

The key to minimising the environmental impact of plastic bags lies not in a single and mandatory approach, but in a range of initiatives involving all stakeholders working together.

5.2 Tax would ignore the efforts of retailers, the NPCC and consumers

Partners including Clean Up Australia, the Australian Retailers Association, Coles, Woolworths, Environment Australia, the plastics industry and consumers have done significant work on improving the way plastic bags are managed at the retail point of sale and in developing recycling systems.

The primary focus of this activity has been Clean Up Australia's annual Bag Yourself A Better Environment (BYBE) campaign, the most recent of which was conducted in March 2003 when some 2000 retail stores (primarily Woolworths/Safeway and Coles/BiLo) and 190 local government areas participated.

Retailer activities included:

- promoting the use of alternative bags and selling them at point of sale;
- encouraging recycling by providing bins and promoting their use;
- trialling bag free check-out lanes;
- staff training to maximise items packed per bag and
- questioning customers' need for a bag where appropriate.

Imposing a tax would give no regard to the coordinated efforts of retailers, government departments and community groups, both as part of the BYBE campaign and in the wide range of work being done under the NPCC. This work includes a focus on developing plastic bag recycling and a study into biodegradable bags.

Ignoring these considered and sustained efforts under the NPCC, and by working groups involved with the Environment Protection and Heritage Council to determine root causes and the best fit solutions, must raise concerns about how the proposed tax would fit within the COAG Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standard Setting Bodies.

5.3 Environmental problem unaddressed

The major reason a tax would not be effective in reducing plastic bags in landfill and litter is because disposal to waste instead of recycling and deliberate littering is a behavioural issue rather than one that can be managed from the retail point of sale.

As seen in the Danish experience of taxing plastic bags, there is no evidence such a measure makes any difference to people's disposal habits.

5.4 Paper alternatives have heavier environmental footprint

A tax may cause a dramatic increase in the use of paper bags, creating serious ramifications for the environment.

Degradable materials like paper are more damaging in landfill than plastic because they give off **more methane and carbon dioxide greenhouse gases** – our largest global environmental problem.

The Franklin Report, published in the 1980s, reviewed the waste management system for New York City, and found that paper bags cause 70 percent more atmospheric pollution than plastic bags. The Report also found that paper bags use 500 percent more raw materials to produce than plastic bags.

It takes three times more energy to make paper bags compared to plastic bags. Paper bags have been found to be six times heavier and take up around ten times the storage volume of plastic bags. There is anecdotal evidence that it would take seven times the number of trucks to deliver the same amount of paper bags than plastic bags, creating seven times more transport pollution.

Additionally, because paper bags are nowhere near as strong as plastic, people may use two or three bags inside each other for every plastic bag previously used. The weakness of paper bags also means they cannot generally be reused and will disintegrate if wet, unlike plastic bags.

These factors cause a huge **knock-on effect on pollution**.

The most environmentally beneficial solution would encourage consumers to recycle (on a 'closed loop' basis) the current HDPE bags through kerbside collection and in-store facilities at the end of their useable life cycle.

5.5 Tax would penalise recycled and biodegradable plastics innovation

The introduction of a bag tax would unfairly penalise innovative steps being made towards the use of recycled content bags and the development of secondary uses for recycled plastics.

A tax would discourage the development of markets for recycled materials and biodegradable bags, if found to be viable through the study being conducted by Environment Australia under the NPCC.

5.6 Consumer costs

Consumers would bear most of the cost of a bag tax. At current rates of use, this would mean a cost burden of up to \$1.5 billion a year, and would hit those families with large grocery requirements the hardest.

A tax would impact most on lower income groups forced to spend disproportionate levels of disposable income on bags.

Research presented at Clean Up Australia's Bag Yourself A Better Environment information session in May 2003 showed the average family uses around 20 plastic bags per week. Based on this, a family would pay around \$5 per week if a bag tax were introduced.

Consumers will bear the eventual price rises caused by the increase in shoplifting and theft of trolleys and wire baskets. This type of theft has been shown to be a serious problem in Ireland following the introduction of the PlasTax in March 2002.

5.7 Marine life threat in perspective

Broad and emotive claims made in the media that plastic bags have killed 'thousands of marine life' are not based on factual research.

Cigarette butts, pallet strapping, bait bags and six-pack holders would still be discarded if a tax were in place, polluting all waterways and endangering marine life.

There is a need to encourage a voluntary community commitment to litter and resource management so that all types of marine pollution are reduced. Imposing a tax on plastic bags alone will not make any significant impact on improving the marine environment.

5.8 Health and safety risks

Plastic bags are very hygienic, convenient and a safe way to carry groceries home, however, the re-use of unclean bags for food shopping could have public health implications.

If a tax is introduced, people will pack more into their bags whether they are bringing in their own or buying them at the store. This exposes customers and retail staff to safety risks from lifting heavy loads and the increased possibility of bags or boxes breaking and dropping heavy contents that could cause injury.

Reusable alternatives that can be maintained in a safe and hygienic state should be available for use where suitable to the individual and to the retail business, with the choice to access plastic bags where appropriate (which are then recycled).

5.9 More shoplifting

A major problem for retailers in Ireland is shoplifting.

In many stores, all purchases are bagged to show security staff that customers have been through the checkouts and paid for their goods.

In the case of a tax, many shoppers would exit stores with all types of bags or with no packaging for goods at all, making it easier for shoplifting to occur.

5.10 Retailer delays and operational issues

Delays would occur in retailers because of the longer time required to pack alternative bags.

Based on an average purchase of ten items, the use of alternatives bags will add three to five seconds to each purchase. This would increase operating costs by over \$20 million per year for major retailers, causing price rises in due course.

5.11 Retailer inefficiencies and costs

Introduction of a tax would cause significant administrative and operational issues for retailers, and Australia's 50,000 smaller retailers would be hit the hardest.

The Bills propose that each tax charge be itemised on the retailer receipt. This would be highly onerous for smaller retailers in particular, who may require system changes similar to those required to implement GST.

The Bills state that retailers must keep a full record of the number of bags in stock before the commencement of the Act, and the number of bags purchased by the retailer in each accounting period. This highly onerous task would not deliver useful information since the number of taxed bags sold would be itemised under another section of the Bills.

To simplify the administration of any bag tax, if the Bills were passed, it should be applied at the wholesale and import level to minimise the administrative burden on both government and retailers. This would encourage retailers to be self-disciplined in recouping their money from customers according to bag usage.

The compliance requirements of the Bills are complex, requiring retailers to report to the Commissioner of Taxation.

6. Advantages of plastic bags

Plastic bags have many advantages for both customers and retailers because –

- they minimise expenses associated with labour, storage and handling and therefore allow retailers to maintain one of the lowest prices for basic goods in the OECD;
- they make shopping more convenient for customers as they can carry more than one bag at a time and move through checkouts quickly;
- HDPE bags are fully recyclable, low in cost and volume and made of very thin, strong, light film. The light weight of plastic bags reduces fuel consumption during transport, reducing greenhouse gases;
- they are hygienic, resistant to moisture and able to carry frozen goods;
- most people re-use them at least once, for example, to line bins, store or carry shoes, carry gym or wet gear, dispose of nappies and animal waste, etc.

7. Conclusions and recommendations

The ARA and its supporting members recommend that the Senate Environment, Communications, Information Technology and the Arts Committee reject the Bills as they will clearly not deliver the perceived benefit to the environment. Additionally, a tax would impact negatively on a range of other areas, including increased costs to customers, particularly lower income groups.