

Australian National Retailers Association
Submission to the
Productivity Commission
Inquiry into Waste Generation and Resource Efficiency
Draft Report

20 July 2006

PRODUCTIVITY COMMISSION Draft Recommendation 8.1:

Governments and retailers should not proceed with their foreshadowed plan to eliminate plastic shopping bags by the end of 2008, unless it is supported by transparent cost-benefit analysis. The analysis should clarify the problems that a ban would seek to address, the response of the community to a ban, and whether or not alternatives – such as tougher anti-litter laws and means for encouraging greater community participation in controlling litter – would achieve better outcomes for the community.

Definition: Light Weight Plastic (HDPE) Carry Bag

“single use light weight plastic (HDPE) bags designed for the general carriage of goods by consumers, commonly referred to as “singlet bags” (and does not include non-handled cross-contamination/barrier bags).

INTRODUCTION

The Australian National Retailers Association (ANRA) has prepared this submission to assist in the Productivity Commission’s Waste Generation & Resource Efficiency Inquiry (Inquiry), with particular emphasis on resource use efficiency of Lightweight Plastic Carry Bags.

The ANRA was recently formed by major national retailers operating through-out Australia with the key objective *to represent the interests of the national retail sector by engaging with governments, the media and the community for the betterment of Australian consumers.*

The ANRA supports the Inquiry’s terms of reference and the Productivity Commission’s Draft Report to adopt a life-cycle perspective to address waste generation, littering and resource efficiency. The use of ‘shared responsibility’ and emphasis on reducing overall life-cycle environmental impacts of Lightweight Plastic Carry Bags makes sense and is supported by the ANRA. The focus on efficient and cost-effective approaches to address Lightweight Plastic Carry Bag litter, waste generation and resource efficiency are preferable to the alternative policy options of extended producer responsibility (EPR) - levies, consumer or retailer taxes, pre-disposal taxes or bans.

ANRA members continue to act environmentally responsibly and support the notion of “shared responsibility” and therefore supports Draft Recommendation 8.1.

SETTING THE RECORD STRAIGHT

In October 2003, the Environment Protection and Heritage Council (EPHC), in approving the Australian Retailers Association (ARA) Code of Practice for the Management of Lightweight Plastic Carry Bags which contained reduction and recycling targets, stated in their Communiqué that they *“have asked officials to commence discussions on the phase out of single use lightweight carry bags containing HDPE within five years”*.

Retailers and the ARA entered into discussions with government officials to consider the phase out of the use of lightweight plastic carry bags by the end of 2008. While there was in-principle agreement with the ARA to phase out lightweight HDPE shopping bags by the end of 2008, there was not universal support by all retailers and our understanding was that the ARA's support was on the basis that a rigorously conducted Regulatory Impact Assessment would have to support the phase out which would lead to an effective ban.

Further, should any regulatory options pass a Regulatory Impact Assessment and be introduced, retailers and members of the Australian National Retailers Association (ANRA) support universal implementation of such regulatory measures. There should be no exemptions to ensure competitive neutrality. Following the significant reductions in the issuance of lightweight plastic carry bags achieved by the major retailers, it is estimated that they now account for less than 50% of the lightweight plastic carry bags issued to consumers. Therefore, any exemptions based on retailer or food service business size would fail to address the majority of the "problem".

The EPHC Communiqué following their 23 June 2006 meeting stated that "*Ministers noted progress made in plastic bag reduction and reaffirmed the Council's resolution to phase out lightweight, single-use plastic bags by the end of 2008.*" The ANRA is concerned that the EPHC has a resolution to "phase out (ban) lightweight, single-use plastic bags" which is not supported by any assessment of environmental or commercial impacts of such an action. Retailers find it difficult to operate effectively and provide informed choices to consumers when there are inconsistencies and anomalies in the management of lightweight plastic bag litter. The EPHC affirmation of a resolution to effectively ban lightweight plastic carry bags only serves to increase the ambiguity, the uncertainty and cost for retailers and their customers. The Productivity Commission's Draft Recommendation 8.1 should be brought to the attention of the Ministers who make up the EPHC.

The editorial in The Australian newspaper of 24 May 2006 may be instructive in providing illumination on the issue of governments banning the use of lightweight plastic carry bags when it stated that "*According to the Productivity Commission, we need a much more transparent cost-benefit analysis before we ban the bag. But nobody should hold their breath waiting for one. Because when it comes to the environment, few governments dare dispute with environmental propagandists who hate debates that are based on evidence.....In questioning the great plastic bag crisis, the Productivity Commission demonstrates how environmental arguments can be plan wrong when they are based on feel-good populism rather than science.*"

ANRA POSITION

The problem identified by all government, industry and environment groups is the incidence of litter in the environment. The key objective of the original ARA Code was litter abatement and this is further identified in the 2002 Nolan ITU report. The ANRA is concerned that the focus has shifted away from the problem of litter and is focusing solely on reduction in the issuance of lightweight plastic carry bags. The Nolan ITU Final Report, commissioned by the Federal Government, identifies that lightweight plastic carry bags only contribute 2.02% of the Australian litter stream. The activities undertaken by all stakeholders needs to target litter abatement.

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ANRA members, in conjunction with the ARA and other retailers, entered into discussions with the Plastics Industry, NGO's and government, at federal and state level, via the EPHC sanctioned Plastic Bag Working Group in order to focus activities on reducing the issuance and increase the recycling of lightweight plastic carry bags in 2003. This voluntary agreement required signatory retailers to take action to reduce the issuance of lightweight plastic carry bags, educate customers on the usage of lightweight plastic carry bags, provide alternative bag types and where possible provide recycling facilities for customers to return after their use. ANRA members have expended more than \$50 million dollars in implementing these initiatives and the results have been outstanding.

ANRA members who were Group One retailers and other Group One Retailers, under the ARA Code (ie. major supermarkets), have contributed to achieving a reduction of 45% in singlet bags issued in December 2005 over December 2002. ANRA members collectively have been able to reduce the issuance of approximately 3 billion singlet bags; recycling rates have increased and many customers across the nation now have access to recycling facilities.

ANRA members have voluntarily agreed to take action to reduce the impact of singlet bags on the environment. Many of the other small to medium sized retailers and food service providers have done little to change their issuance of singlet bags.

There are a number of manufacturers/wholesalers in the market with claims that they have degradable bags to offer. However there is no local and/or independent research or data that supports the claims of these organisations and certainly no data on the environmental impact of these bags. There is currently no Australian standard or Government policy position for either Degradable, Biodegradable or Compostable bags for use within Australia. ANRA members consider that biodegradable and compostable bags could present a significant opportunity for further reduction in the environmental impact of bags as litter. However, uniform national Standards need to be developed to ensure claims can be substantiated and to avoid duplication or wastage of investment in the assessment and possible trial of "degradable" type singlet bag alternatives.

There is currently very little research into the economic and community cost that would be imposed by a regulatory ban. Until such time as this type of research is available and understood it is too early to decide that a regulatory ban is the only solution. ANRA members believe that a regulatory mandatory total singlet bag ban is not a commercially realistic or environmentally effective method to control the incidence of singlet bags in the environment and would involve significant cost to consumers and taxpayers to implement, monitor & enforce. A ban or a levy places this significant cost burden on families and negatively impacts on retail workers occupational health and safety and store and customer health and hygiene, because they would have to manage a range of heavier, dirty or clumsy alternatives. Until such time that a proper Regulatory Impact Statement (RIS) process is completed it cannot be assumed that a phase-out or ban is the only environmentally effective, public health approved and commercially viable option. More rigorous research is required before any form of regulation is imposed.

The ANRA supports the examination of uniform national measures for options to curb the incidence of singlet bag litter in the environment. There would be a significant impost on retailers, particularly ANRA member organizations, if state or local governments were to impose regulation. Research will identify the best means by which to reduce litter in the environment.

ANRA members are committed to participating in solving the litter problem. This has been demonstrated by the activity undertaken by organisations to date and the results achieved in plastic bag issuance reduction. The ANRA and its members will work closely with key stakeholders to maintain and raise community awareness and encourage responsible bag use and disposal.

Whilst it is too early to identify a solution, a process of review and continuous environmental improvement has been adopted as the ANRA is prepared to continue activities to reduce the impact of singlet bag litter in the environment. Development will continue on alternative bag types that would satisfy customers, assist in achieving the desired environmental outcome and be commercially sustainable. ANRA members are part of a Task Force working on viable alternatives which includes the assessment of lightweight degradable bags.

The Australian National Retailers Association (ANRA) members maintain their support for an on-going program to achieve longer term litter reduction objectives set by the Federal & State Governments and will continue to work with Government and other key stakeholders to raise awareness targeted at reducing plastic bag litter.

ANRA Recommendation

The ANRA supports the Productivity Commission Draft Recommendation 8.1 and suggests the recommendation be amended to read as follows:

Governments should not proceed with their foreshadowed plan to eliminate plastic shopping bags by the end of 2008, unless it is supported by transparent cost-benefit analysis. The analysis should clarify the problems that a ban would seek to address, the response of the community to a ban, and whether or not alternatives – such as tougher anti-litter laws and means for encouraging greater community participation in controlling litter – would achieve better outcomes for the community.

BACKGROUND

The Draft Report at page 144 is correct to note that the extent to which plastic bags, let alone lightweight plastic carry bags, harm Australia's marine wildlife is very uncertain. The often quoted environmental groups' figure of 100,000 marine animals killed annually is based on a study in Newfoundland over a four year period, 1981 – 1984, and which estimated the number of animals entrapped by plastic bags. The Productivity Commission is correct to observe that the actual number of animals injured or killed annually by plastic bag litter is nearly impossible to determine.

The extent of litter and damage attributed to plastic bags, let alone lightweight plastic carry bags, is correctly noted in the Draft Report as being very small. The impact in landfill is also noted as accounting for a very small proportion of waste going to landfill.

In the current debate around lightweight plastic carry bags, there are some advocates who are using the facts like a drunk uses a lamp post – more for support than illumination and will no doubt dismiss the Productivity Commission's rigorous work. The Draft Report correctly identifies, based on evidence, that guidelines for the management of plastic bag litter at landfill sites and public places are likely to be more efficient and effective in addressing litter and any subsequent adverse impacts

than banning lightweight plastic carry bags. The Draft Report's view that further enforcement and community action against littering might be more effective and efficient seems plausible and should be tested ahead of any ill founded and drastic step of banning lightweight plastic carry bags.

The Draft Report also identifies the important step of considering the impact that a ban on the use of lightweight plastic carry bags would have on consumers. Apart from being fit-for purpose in their primary role of carriage of goods, being low cost and efficient at point-of-sale, there are many legitimate secondary uses consumers have for lightweight plastic carry bags as research shows a high proportion are reused – they are not just single-use bags from a consumers point of view.

Background to the ARA Code for the Management for Plastic Shopping Bags

Nolan ITU in its Final Report - *Plastic Shopping Bags- Analysis of Levies and Environmental Impacts* December 2002 said:

The current (light weight) plastic shopping bag is well suited to its task – it is cheap, lightweight, resource efficient, functional, moisture resistant, allows for quick packing at the supermarket and is remarkably strong for its weight. The production of 6.9 billion plastic shopping bags consumes approximately 36,850 tonnes of plastic, or 2% of total plastics produced in Australia each year. This is a small percentage of the total amount of packaging consumed in Australia each year, which is estimated to be around 3 million tonnes. It has been estimated that plastic shopping bags make up 2.02% of all items in the litter stream, however, they pose real ecological impacts and hazards and as such need to be effectively addressed along with other components of the litter stream.

On 2 October 2003, the Environment Protection and Heritage Council (EPHC) noted in its communiqué under the heading **Plastic Bags:**

*Moving ahead with the national campaign to reduce plastic bag litter, Ministers today formally accepted the Retailers Code of Practice for the Management of Plastic Shopping Bags.....**Retailers are supporting the Governments and the community goal of cutting lightweight plastic bag litter by 75%.***

Background to Plastic Bag Litter

Nolan ITU, the environmental consultant engaged by government, highlights the lack of robust litter data and the small contribution (approx 2% of all litter) that lightweight plastic carry bags contribute to the litter stream.

Nolan ITU recognise the contribution of (light weight) plastic shopping bags to the litter stream, however also note that they should not be separately targeted but addressed **along with other components in the litter stream** (emphasis added). A question to be answered is why would the primary focus be on light weight plastic carry bags which make up approximately 2% of the litter stream (and arguably considerably less following the major reduction in HDPE bag issues, alternative bag use, increased recycling / recycled content and public litter awareness) and not address the other components of the litter stream?

The Nolan ITU Final Report - *Plastic Shopping Bags- Analysis of Levies and Environmental Impacts* December 2002 noted that *Plastic shopping bags appear to be approximately 2.02% of the Australian litter stream, although reliable data on the total litter stream is unavailable.* This percentage of HDPE singlet bags entering the litter stream is estimated by Nolan ITU to be equal to 0.5% of total output of HDPE singlet bags. Nolan ITU went on to note that *a certain percentage are littered, either directly by consumers or from being blown out of the garbage stream and landfills, however the actual number of bags currently in the environment and the number littered annually is not known.*

The Senate Environment, Communications, Information Technology and the Arts Legislation Committee Inquiry into the Plastic Bag Levy (Assessment and Collection) Bill 2002 [No.2] and the Plastic Bag (Minimisation of Usage) Education Fund Bill 2002 [No.2], November 2003 (the Senate Inquiry) at clauses 2.24 to 2.27 of their report, they noted that Nolan ITU *suggests that the nature of many goods purchased and carried in plastic bags affects the end destination of both the product and the bags. The destination of bags strongly affects their disposal destination, including recycling and reuse of the bags, as well as their littering potential. The three major destinations that have been identified are, home, away from home – outdoor, and away from home – commercial and industrial. Outdoor use locations include take-away food areas, and picnic, camping and building sites. Indoor locations include businesses, offices, shows, exhibitions and other commercial areas. The original destination of plastic bags may be to the home, but the proportion of these are reused and their ultimate destination may be determined by this secondary use. Out door use locations are considered to carry a greater possibility that the bags will be littered than indoor use locations.*

Nolan ITU estimates that approximately 20 per cent or less(ie.aprox. 0.4%) of all plastic bags (not all of which are generated by food retailers)which are utilized in outdoor away-from-home locations are littered, with the remainder of those littered coming from inadvertent litter sources through waste management activities (emphasis added).

Mr Allen of Nolan ITU appeared before the Senate Inquiry in Melbourne and is reported to say, ***We were identifying that the litter is not actually coming from the full retail but predominately from away-from-home destinations. So if you have convenience store, takeaway food type outlets you will probably find that while they make up a relatively small number in plastic bag consumption, they contribute a relatively high number to the litter issue. (emphasis added).*** These outlet operators have by and large not participated in or given any support for the ARA Code.

Nolan ITU Final Report - *Plastic Shopping Bags- Analysis of Levies and Environmental Impacts* December 2002 noted that *There is a high level of reuse of plastic shopping bags, with an estimated 60% of bags with an "at home" destination cascading to a second use before disposal.* This re-use is now accepted as an effective domestic garbage disposal medium by local Councils, garbage contractors and the general public. Systems, processes and equipment are all geared to this long standing and effective domestic waste disposal practice.

The ANRA considers that statistically robust litter data would be required to make any assessment of the environmental impact of the ARA Code on reducing litter and to provide a base to measure the effectiveness of any future industry and government initiatives.

Despite the 3 billion (45%) bag reduction by major supermarkets and ANRA members, supermarket/retail bags litter remains static over the 5 year life of the Clean Up Australia surveys, at around 2% of the total litter stream. Therefore major supermarket retailers do not appear to be the significant source of lightweight plastic bags litter, and this is supported by the Government's consultant, Nolan ITU.

Schedule 2 of the National Packaging Covenant, *Environmental Goals, Overarching Targets and Key Performance Indicators*, notes under Goal 3 (Consumers able to make informed decisions about consumption, use and disposal of packaging of products) that data is to be collected to provide the *Amount and type of consumer packaging in the litter stream* and the measurement of *Improvements in littering behaviour*.

The National Packaging Covenant requires *that all parts of the packaging supply chain, consumers and governments have a role to play ensuring that packaging is developed and managed throughout its lifecycle in a way that minimizes the consumption of materials and other inputs during production and adverse environmental consequences*.

One of the conclusions of the Senate Inquiry noted at clause 2.116 that, *Additionally, of their own volition, consumers will need to take greater responsibility for their use and littering of plastic bags if significant improvements in the impact of the bags on the environment are to be seen*.

The Senate Inquiry at clause 2.35, Clean Up Australia pointed out that levels of littering and recycling differ between the two countries (Australia and Ireland) and this may affect the tools that can be brought to bear on the problem:

The situation in Ireland is different from Australia's. There are a couple of key factors. The level of litter of plastic bags in Ireland is 15 per cent of the litter stream, in Australia it is 2.02 per cent. The other major difference between Ireland and Australia is that Australia has a very substantial recycling infrastructure, and Ireland does not. Therefore, Australia has greater options in terms of addressing the issue.

The Taiwan Environmental Protection Administration lifted a 4.5 year ban on retailers offering customers light weight plastic carry bags in March 2006 because evidence showed that the policy did not work.

The Preface to the National Packaging Covenant 15 July 2005 notes *the Covenant is designed to minimize the environmental impacts arising from the disposal of used packaging, conserve resources through better design and production processes and facilitate the re-use and recycling of used packaging materials.... The adoption of product stewardship policies and practices by all participants in the packaging supply chain that contribute to the minimization of the environmental impacts of consumer packaging within their individual spheres of influence, the optimization of packaging to balance resource efficiency and maximize resource re-utilisation and where applicable and sustainable, the provision of used packaging and paper recovery systems*.

The Product Stewardship principles contained in the National Packaging Covenant note under *Education* that; *It is essential that reliable information be developed and circulated to assist consumers in making informed purchasing choices*.

Background to Retailers' Position

Submission to Environment Protection and Heritage Council (EPHC) October 2002 – EXTRACT (ARA and Plastics and Chemical Industry Association)

Position Statement: The plastics manufacturing and retail industries share the concern of the wider community at the visual pollution caused by all litter, and the harm that some litter causes to bird, marine and other animal life. The actions of an irresponsible minority impose an environmental, social and economic burden on our community.

The extent of the litter problem – and of the need for a sustainable approach to all resource usage – requires commitments and actions from all stakeholders, including:

- *Acceptance of responsibility by all members of the community for their behaviour to ensure that all products, including plastic bags, are disposed of appropriately at the end of their life cycle*
- *Enforcement by government of anti-litter laws (and stronger laws where required)*
- *Agreement by all parties to the National Packaging Covenant that the covenant is the most appropriate means to address the litter issue*
- *Application by government of the NEPM for Used Packaging Materials to ensure that all parties with a responsibility in this area accept that responsibility and contribute to the solution*
- *Agreement by government that the COAG Principles and Guidelines for standards and regulations must be applied in the management of the issue*
- *Application by all parties of the principles of Reduce, Re-use, Re-cycle in their management of the litter issue*
- *Adoption nationally of the Victorian-based Shopping Bag Code of Practice to provide a common framework and measures to track performance*
- *Implementation of a comprehensive education program to protect consumers from potential food safety risks that might result from cross-contamination between raw and cooked foods*
- *Recognition by government that Australians are gainfully employed in the manufacture of plastic bags and provide goods and services to those companies that manufacture bags*
- *Provision to consumers of accurate, unbiased information to permit a choice of shopping and other bags relevant to their requirements*

ANRA members continue to support this approach as outlined in October 2002.

Major Retailers' Achievements Since 2003

Many consumers have changed their behaviour and now use and more carefully dispose of lightweight plastic carry bags. Through their efforts lightweight plastic carry bag use in supermarkets has fallen dramatically along with a significant increase in the recycling of used bags.

There has been a massive 45% reduction in the use of lightweight plastic bags by the major supermarket chains as a result of the program and its significant investment – a reduction of approximately 3 billion bags or 16,000 tonnes of plastic over the last 2 years.

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The efforts of the past two years represent a significant community attitudinal change program that has been supported by the Government, Environmental Groups and major supermarkets.

While consumers' actions have been remarkable, it has required a significant investment by the major supermarkets with Coles Myer, Woolworths, Metcash / IGA and Franklins having embraced the program and spending more than \$50 million to:

- Achieve a significant reduction in the number of light weight (HDPE) plastic carry bags issued in the last two years;
- Increase the recycling and recycled content of the bags issued; and
- Increase public awareness of the environmental benefits of increased bag recycling and alternative bag re-use.

Having vigorously embraced a challenging commitment to a phased reduction to achieve significant reductions in the number of lightweight plastic carry bags (singlet bags) issued, the increase in recycling of singlet bags, the increase in the recycled content of singlet bags, the introduction and increased consumer use of alternative re-usable bags and the heightened public awareness of the need to dispose of singlet bags in an environmentally responsible manner the ANRA believes that these achievements have not been borne by all Australian retailers and there are substantial opportunities to leverage the benefits which the major retailers have achieved across the whole retail sector.

Despite these major achievements, the majority of consumers have yet to alter their behaviour.

Through the experience of the last two years, ANRA members now believe that the significant reductions that can be achieved through the current measures among major retailers have been largely realised. However, further benefits can be achieved by:

- Expanding the program to the many tens of thousands of food service providers and smaller retailers who now account for over half of the bags issued annually
- Developing an approved degradable bag replacement option that meets environmental, OH&S, business and community specifications so they can be readily adopted across the retail sector.

Extending the program to the tens of thousands of retailers currently not in the program will obviously expose the process to millions more customers and may well encourage the responsible recycling or disposal of unused bags; the increase in recycled content bags and the increased use of reusable and alternative bags to become more of the social 'norm' enabling the benefits of the efforts of ANRA members to date to extend to all retailers and for the litter reduction focus to gather further momentum. Governments might need to consider incentives to encourage the investment needed by the smaller retailers.

The ANRA strongly believes that new avenues need to be explored to achieve further reductions. However, it counsels against the use of any mandatory measures such as carry bag bans or levies because they would impose significant financial penalties on retailers which will be inevitably passed on to consumers; with the cost falling most heavily on those who can least afford it. There will also be health and safety risks associated with a multitude of types, sizes and composition of alternative bags. These risks will be borne by the tens of thousands of retail store staff and by millions of customers.

To date no degradable bags have been found that meet their claimed performance standards, and Government and industry standards are yet to be finalised. None the less, ANRA members believe this avenue must continue to be urgently explored. The ANRA seeks Government commitment in developing environmental policies and uniform national Standards in regard to degradable alternatives and substitutes to help retailers work through this process.

The ANRA believes that working under the principle of “continuous environmental improvement” *, a commitment to the maintenance of the current measures and to a broadening of the responsibility to all retailers of lightweight plastic bag reduction, recycling and re-use, should continue. It is willing to review any avenues for further reductions through the development and implementation of new solutions for the lightweight plastic bag litter issue.

* Continuous Environmental Improvement Objectives:

- Work with Government to identify environmentally and commercially feasible degradable light weight bag alternatives suitable for large scale introduction with further HDPE bag reductions linked to their availability.
- Minimise litter by working with stakeholders to responsibly dispose of used carry bags and to work closely with Government and key stakeholders to develop initiatives to achieve this Objective.
- Continue to optimise the use of alternative carry bags, the recycling of used light weight plastic carry bags and the recycled content of carry bags.