

Hong Kong Retail Management Association (HKRMA)
Submission on
Product Eco-responsibility (Plastic Shopping Bags) Regulation

4 March 2009

1. Introduction

Members of the Association are committed to working with the Government and other stakeholders to promote environmental protection initiatives, and to assist in consumer education. We continue to believe that effective reduction in plastic bag usage is best achieved by voluntary initiatives and education, as recommended by the Government's own consultant, GHK, in May 2007.

Furthermore, if a levy is to be introduced, we have always believed that it should be applied universally, as is the case in other countries where similar types of levy apply.

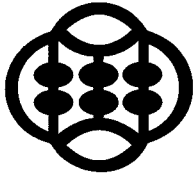
Regarding the current proposal by the Environmental Protection Department (EPD) which imposes a plastic shopping bags levy on selected retailers, the Association would like to make some recommendations and highlight a few fundamental issues. The affected retailers have raised a number of concerns to the EPD on some specific operational issues arising from EPD's proposed implementation of the levy scheme.

2. Recommendations

- (a) Set up a taskforce now to establish an ongoing review mechanism for the proposed scheme in order to determine and measure the effectiveness of it. It is important to do this now so that relevant data can be collected from the beginning.

We propose that the taskforce should:

- review the objectives of the scheme;
- define "indiscriminate use" of plastic bags across Hong Kong;
- set targets for the number of bags in Hong Kong to be reduced;
- determine methodology to calculate plastic bag usage and re-usage in Hong Kong;
- measure "switching" behaviour of consumers resulting from the levy implementation; and
- Review administration costs incurred by affected retailers.



- (b) Establish now a comprehensive roadmap to extend the level to all retail outlets in Hong Kong.

3. Fundamental Issues

In the Schedule, we have included our comments on the fundamental flaws of the proposed levy.

4. Practical difficulties

Administration cost

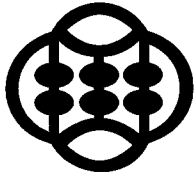
The collection of the plastic shopping bag levy will cost retailers in respect of IT system upgrade, back-end support, operating cost, promotion cost for educating the public of the new levy, etc. These costs will not be off-set by the savings from reduced use of plastic shopping bags.

Retailers are most concerned about the cost arising from the fees chargeable upon payment of the levy by credit card/ EPS/ Octopus card. When a customer pays for his shopping at affected retail outlets with a credit card, the credit card company levies a percentage fee on the transaction amount which is deducted from the repayment retailers will receive from the card companies. The commission on the extra sum charged by way of the levy will be substantial. HKRMA suggests that the Government reimburses the affected retailers the cost incurred.

Public Education

It will take time for consumers to get used to paying for their plastic bags. The fact that the levy is not applied universally will add to the confusion of some customers. It is therefore very important and crucial that the Government clearly explains its policy and relevant implementation details to members of the public to avoid misunderstanding.

More important, as the agents to collect the levy, affected retailers would not want to be seen by confused customers as beneficiaries of the levy. Retailers expect that some disputes at check-out counters and cashiers are unavoidable, at least in the initial stage. A hotline must be provided by EPD for dispute handling. Instead of mobilizing 400 EPD staff to monitor the implementation of the scheme, resources would be better utilized and better results achieved if some manpower could be invested into handling complaints through the hotline.

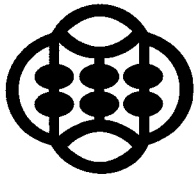


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Third Party Operation

As for the requirement for exempted third party operation in the prescribed retail outlets, it should be noted that third party operators usually operate under their own business registrations with head office addresses. HKRMA is of the view that a certified true copy of the third party operator should be considered sufficient for the purpose of establishing the fact that a third party operation is indeed not carried out by a registered retailer.



Schedule 1

Fundamental Issues

Indiscriminate use, or reuse in action?

The Government's objective for introducing the plastic shopping bag levy is to tackle what it calls the indiscriminate use of plastic bags. While the retail industry agrees that the usage of plastic bags could be further reduced, preferably through enhanced voluntary efforts supported by consumer education, the premise that there is widespread indiscriminate use is questionable.

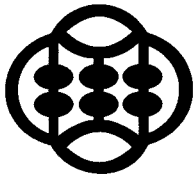
The Government has never fully established the definition of what it means by indiscriminate use.

According to a survey conducted by the Government, plastic shopping bags are re-used as garbage bags by over 90% of the respondents. These findings indicate that there is no extensive indiscriminate use of plastic bags as households are making use of the bags they receive, instead of throwing them away indiscriminately.

In other words, in the absence of comprehensive waste reduction, recycling and re-use measures, households will need the same amount of garbage bags to throw away waste. If they are not re-using plastic shopping bags, they are likely to use plastic bags obtained from other means, principally from more than 90% of retail outlets not covered by the levy, or they may simply buy garbage bags. Accordingly, the usage of plastic bags in Hong Kong may not necessarily be reduced.

Irreconcilable figures?

The retail industry has repeatedly queried the accuracy of the Government's estimation that one billion plastic shopping bags will be reduced each year and has presented actual figures based on the industry's statistics. But the Government has never provided further information or explanation and the industry believes that the Government's figures are incorrect. Based on figures available to HKRMA, affected retailers distribute about 800 million plastic shopping bags each year. Accordingly, even if affected retailers did not give away any bags, the reduction could not possibly be one billion. HKRMA feels that because the difference is so big, the Government must explain how it comes up with its estimates.



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The Government's calculation of its expected revenue from the levy is also questionable. If one billion plastic shopping bags can really be reduced and one billion plastic shopping bags are still handed out after the levy, an annual revenue of HK\$500 million will be raised instead of HK\$200 million the Government estimated.

Accordingly, either the Government's estimated reduction of one billion is overstated (by 600 million bags) - which we believe to be the case; or the government is under-estimating the amount of revenue that it will receive (by \$300 million per year).

The Government's estimated reduction in plastic shopping bags and the amount of levy raised cannot be reconciled. The Government has yet to explain how its figures can be reconciled and we question the soundness of the Government's policy if the basic assumptions for such policy are flawed.

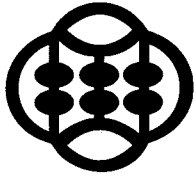
Fundamental flaw: 4% as soft target

The levy will only cover 4% of all retail outlets in Hong Kong, with 96% of outlets allowed to give away plastic bags freely. What is most worrying is that to date the Government has failed to present a comprehensive roadmap to achieve overall reduction of plastic bag usage. The Government's only plan is to initiate a review of the levy scheme one year after its commencement. A review in one year is not a roadmap unless there is a detailed plan on what to review and what goals the review will seek to achieve.

A policy is fundamentally flawed if it fails in its effectiveness. It is obvious that, with only 4% coverage, the scheme's effectiveness will be very limited. Consumers can easily switch to other outlets where plastic bags remain free. A 4% coverage makes no sense unless the Government has a clear roadmap on extending the scheme in a timely manner to other outlets by a phased approach.

Switching Undermines Effectiveness

As most people are used to reusing plastic bags, it is very likely that consumers will turn to the 96% of retail outlets not covered by the levy to get plastic bags for daily use. Although previously acknowledged the problem of "switching", the Government has never assessed how many people will switch to non-affected outlets to get their bags. Nor has the Government assessed how many more people will switch to buying garbage bags.



There are other possibilities of switching: from smaller to bigger bags, from bags with handle to bags without handle, from plastic bags to paper bags, etc.

The “switching” behaviour of consumers will have a direct impact on whether or not there is a reduction in “indiscriminate usage” of plastic bags or, more importantly in our opinion, whether or not the amount of waste sent to landfill can be significantly reduced by the levy scheme. In other words, without proper assessment, the Government will not be able to assess the scheme’s effectiveness, or the lack of it.

[It is noteworthy that the Government’s consultants, GHK, has concluded in its impact assessment that a levy scheme would reduce plastic shopping bag use, and bag use in general, but switching to alternative bags was anticipated to result in a negative net environmental impact. According to GHK’s report, since alternative bag types are both bulkier and heavier than plastic bags, switching was expected to increase the overall weight of bag waste to landfill by some 24% and volume of bag waste to landfill by some 123%. Even under the low switching scenario, volume of bag waste to landfill was still anticipated to rise by some 90%.]

Dodging the Landfill Problem

It is apparent that the real issue is not indiscriminate use of plastic bags as the vast majority of customers are re-using their bags. By focusing on what the misconceived idea of indiscriminate use of plastic bags, officials are not tackling the genuine issue of waste reduction – landfill capacity.

To achieve one of its key objectives in the Policy Framework for the Management of Municipal Solid Waste (2005-2014), between 2005 and 2014 the Government will need to reduce the tonnage of municipal solid waste (MSW) deposited in the landfills by 2.11 million tonnes (from 3.42 million tonnes in 2005 to 1.31 million tonnes by 2014). The tonnage of plastic bags distributed by affected retailers was about 20,000 tonnes in 2005, representing only 0.6% of the total landfilled MSW in Hong Kong. But if the policy objective is to achieve significant reduction of waste in landfill, more proactive measures to tackle commercial and industrial waste should be in place.

The landfill disposal of commercial and industrial waste increased by almost 16% from 0.965 million tonnes in 2006 to 1.12 million tonnes in 2007, representing an increase of 155,000 tonnes or more than seven times of the total absolute weight of regulated bags in landfill. Even if all prescribed retailers were to give no plastic shopping bags, landfill waste will only reduced by some 20,000 tonnes per year, but the increase in commercial and industrial waste in 2007 alone is 155,000 tonnes.