

15 January 2009

Mr. Alfred Lee
Assistant Director (Waste Management Policy)
Environmental Protection Department
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5 Gloucester Road
Wanchai, Hong Kong

(By fax 2511 3658 & by mail)

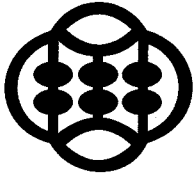
Dear Mr. Lee,

Re: Product Eco-responsibility (Plastic Shopping Bags) Regulation (“Regulation”)

After detailed discussion with our members, we highlight below our views on the draft Regulation and the Legislative Council Brief that you recently submitted to the Legislative Council for positive vetting.

On Third Party Operation

1. It is not usual practice for concessionaires to operate under requirements (i), (ii), (iii), and (v) set out on paragraph 6 in your Legislative Council Brief:
 - (a) On requirement (i), i.e. “the operator operates under a separate business registration at the location in question”, the concessionaire usually operates under a Business Registration with an address of its head office, but not the location in question.
 - (b) On requirement (ii), i.e. “the operation occupies a clearly defined area (e.g. a physical sales counter)”, the concessionaire may not necessarily have a well defined location within the prescribed retailer due to the limited physical space of the retail store and the short duration of the consignment arrangements.
 - (c) On requirement (iii), i.e. “the brand name of that third party is conspicuously displayed within that area”, brand names are not necessarily displayed.
 - (d) Members believe that the condition (iv) stating “the operation is managed by an employee of that third party” is sufficient to define the concessionaire is operated by a third party independent of the prescribed retailer.



On Exemption at Trade Fair

2. Members request that a temporary outlet such as in a trade fair environment should be exempt from the Plastic Shopping Bags Levy Scheme due to its temporary business nature.

On Application for Exemption of Part of the Area of Registered Retail Outlet

3. Members, in particular those from the Department Stores Sector, would like to request your Department to clarify paragraph 8 (b) of the Legislative Council Brief stating that “50% of the retail floor area of the whole outlet”. More detailed elaborations should be given to the trade on whether it is based on the entire complex i.e. the whole department store or based on each floor, as well as whether the location of each cashier should be clearly marked on the floor plan.

On Implementation

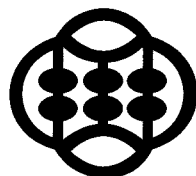
4. The [Regulation] states that “a prescribed retailer shall ensure that no plastic shopping bag, or nothing that can be easily turned into a plastic shopping bag, is provided directly *or indirectly* to a customer from a qualified retail outlet of that retailer”. We are concerned about the apparent conflict between the Regulation and paragraph 6 of the Legislative Brief and we request further written confirmation on the meaning of this part of the Regulation in so far as it relates to plastic bags being provided to consumers by concessionaires at prescribed retail outlets.

On Implementation Date

5. Members reiterated that a 6-month lead time from the date on which the regulation is passed is required to prepare for the implementation. In particular, time will be needed for prescribed retailers to modify their IT systems.

On Environmental and Sustainability Implications

6. In paragraph 10 of the Legislative Brief, it is stated that a “50% reduction in the number of plastic shopping bags (equivalent to about 1 billion bags) issued by



prescribed retailers could be achieved”. Accordingly, based on this statement, the EPD estimates as follows:

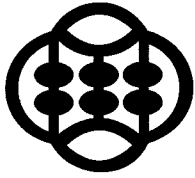
Current number of plastic shopping bags issued by prescribed retailers annually	Number of plastic shopping bags issued by prescribed retailers annually after levy implementation	Annual reduction in the number of plastic shopping bags issued by prescribed retailers (50%)	Annual revenue received by Government after levy implementation (50 cents per bag)
2 billion	1 billion	1 billion	\$500 million

We question all of these figures. In particular, prescribed retailers currently only issue about 800 million plastic shopping bags each year. Accordingly, if this number is reduced by 50% after implementation of the levy, then the figures will be as follows:

Current number of plastic shopping bags issued by prescribed retailers annually	Number of plastic shopping bags issued by prescribed retailers annually after levy implementation	Annual reduction in the number of plastic shopping bags issued by prescribed retailers (50%)	Annual revenue received by Government after levy implementation (50 cents per bag)
800 million	400 million	400 million	\$200 million

In paragraph 13 of the Legislative Brief, it is stated that the EPD expects to raise “\$200 million per annum”, meaning that it expects prescribed retailers to issue 400 million bags per year after the implementation of the levy.

We are not able to reconcile your figures in paragraphs 10 and 13 of the Legislative Brief and request you to do so. Either the EPD is overstating (by 600 million plastic shopping bags) the number of bags that will be saved (which we believe to be the case) or it is under-estimating (by \$300 million per year) the amount of revenue that it will receive.



HONG KONG
RETAIL MANAGEMENT
ASSOCIATION

香港零售管理協會

We understand that a working group meeting will be held with the trade on 20 January 2009. We urge the Department to clarify the above-mentioned concerns before the working group meeting is held. Should you have any queries, please feel free to contact me on 2866 8311.

Yours sincerely,

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Peter Johnston

Chairman

Task Force on Plastic Shopping Bags Levy Implementation

Hong Kong Retail Management Association

c.c. Panel on Environmental Affairs, LegCo