

ARA CODE OF PRACTICE FOR THE MANAGEMENT OF PLASTIC BAGS

Mid-2004 Interim Progress Report

This interim report describes the progress of Group One (supermarket) retailers in implementing the Code for the period of January to June 2004, and includes aggregated audited results as well as descriptions of activities.

This report is provided to the Environment Protection and Heritage Council and its contents may be used publicly.

The detailed audit results of individual retailers are confidential and will remain with the ARA.

Presentation of Results

The audited and aggregated results of Coles Myer, Foodland Australia Limited (on behalf of its Action stores), Franklins and Woolworths are presented first.

Secondly, the activities of the other Group One retailers, who are unable to follow the formal audit process, are described. As advised to the EPHC in our early progress report in February 2004, some of the non-ARA Group One signatories are unable to follow the audit process due to differences in methods of data collection. For example, most supermarket banner groups cover retailers that operate independently and do not record or report data in a consistent manner across the group. These signatories have reported on how they have implemented the Code within the constraints of their systems and organisational structures.

Summary of Progress

Since the Code was agreed, Group One signatories have commenced a full roll-out of initiatives and have made excellent progress towards meeting the agreed 2004 targets.

On present indications, the Code's targeted 25 percent reduction in the number of bags issued by the end of calendar year 2004 will be achieved.

Bag Reduction and Recycling

The audited results of the four specified retailers show they have achieved a reduction in the annualised rate of HDPE plastic bags issued (against the December 2002 baseline) at 30 June 2004 of **29 percent**.

It should be noted that the mid-year reporting date of June 2004 results in the comparison of the month of December against June, which does not take into account all the differences in seasonal trading patterns. Thus, at December 2004 the reduction

in the annualised rate of HDPE plastic bags issued might be lower than that represented in this report.

The community has responded strongly to the initiatives, as evident in the strong rate of reduction, and the challenge is now to ensure reasonable momentum is maintained. It is particularly important that customers remember to bring back their reusable bags.

The take up of reusables and the strong progress achieved in the early months of the Code's implementation are likely to be closely linked to the launch of Clean Up Australia's 'Say No to Plastic Bags' campaign and the freshness of the initiatives, which would have boosted the level of interest the public has shown in the issue of plastic bag use.

The recycling rate for HDPE bags returned in store as a percentage of total HDPE bags issued for the period January to June 2004 was **five percent**. The Code sets the target for a recycling rate of 15 percent of bags issued by the end of 2005.

It is also possible that customers are recycling bags using other means than return to store, e.g. through council pick up facilities

One of the challenges for increasing recycling rates is the provision of viable alternatives for domestic uses like bin-liners and dog clean up bags. Recycling rates will probably not fall in line with the reduction in plastic bags issued until alternatives for these uses are found, as people are not likely to be motivated to bring back bags for recycling when they have a use for them at home.

Further, as recycling feedstock reduces as fewer bags are issued, the Australian recycling industry will have less incentive to recycle HDPE bags.

Non-Supermarket Participation Must Increase

Before the Code was implemented, supermarkets accounted for around 50 percent of the HDPE bags issued in Australia, with the remaining bags coming from other types of retailer including fast food outlets.

However, with the excellent results achieved by the supermarkets, this proportion has now shifted to around 45 percent of bags issued by supermarkets and 55 percent by others. Clearly, it is crucial that non-supermarket issuers of HDPE bags are much more widely engaged in the Code if bag reduction targets are to be achieved. The ARA continues to target non-supermarkets to engage them in the Code and its initiatives.

'Say No to Plastic Bags' - Behavioural Change Campaign

Clean Up Australia is spearheading a community behavioural change campaign in support of the Code's initiatives, with the key message of 'Say No to Plastic Bags'.

This community behavioural change campaign is integral to attracting a large number of retail signatories and generating community support, and thus to the success of the Code.

Campaign funding is primarily provided by Group One signatories.

A committee including Clean Up Australia, the ARA, Coles Myer, Woolworths, Franklins, Australian United Retailers, David Jones, the Department of Environment and Heritage and the National Packaging Covenant devised the campaign with the assistance of the advertising agency, Clemenger Proximity.

The campaign is part of Clean Up Australia's Bag Yourself a Better Environment, an ongoing program to rid plastic bags from the environment by calling for retailers and shoppers to refuse, reduce, reuse and recycle plastic bags.

The campaign commenced in late January 2004. Television, radio and outdoor advertising form part of the campaign, as does public relations, direct marketing and a campaign website.

A free electronic ambassador kit has been developed to facilitate support and action from local councils, community and environmental groups and schools. The kit includes promotional items, public relations materials, fact sheets, Newspoll survey results and school materials. The Ambassador program is designed so these groups can promote the campaign in their local area, encourage local retailers to participate and create awareness amongst local media and the community in general.

A retailer pack is also available to all signatories to the Code at a cost of \$45. The pack includes a guide on how to refuse, reduce, reuse and recycle plastic bags, staff training and in-store promotional materials. Proceeds are re-invested into the campaign.

The ARA regularly promotes the retailer pack to its members.

Audit Process

KPMG was appointed by the ARA, on behalf of its key supermarket members, to devise audit guidelines to outline the methodology for conducting audit procedures on selected information reported by large retailers as required by the Code.

The guidelines specify audit procedures on the systems and controls in place for collecting and reporting data and the reliability of data itself, and obtain evidence to support findings.

The outcome from each retailer is a report of factual findings detailing the results from the procedures carried out. The reports cover:

- Systems and controls in place at the retailers for collecting and reporting data on HDPE bags;
- Reliability of the resulting data reported by the retailers; and
- Evidence of retailers' achievements under other specific commitments in the Code.

The guidelines are broken into two parts:

- Head Office checklist – outlines the procedures to be conducted at Head Office for selected information, and serves as the reporting document and provides a template for reporting factual findings to management and the ARA; and
- Individual Store checklist - outlines the detailed procedures to be conducted at individual stores for selected information.

Internal auditors are required to document findings from procedures in the space provided within the checklists, and provide extra information as necessary.

The guidelines stipulate that by the end of 2004, Group One's internal audit departments must have audited 15 percent of their stores based on bag usage, and then Group One's own external auditors need to audit 10 percent of those stores.

Group Two signatories are offered a basic reporting process to follow, as it is infeasible that they should follow the full audit process.

Audited Results – Aggregated results of Coles Myer, FAL, Franklins and Woolworths

In summary, for the period January to June 2004 the Group One retailers have successfully met the six key commitments of the Code.

The summarised results are described below. This summary is taken from the Head Office checklist reports. Part of the detail for these reports comes from the Individual Store audit reports.

1. Reduction in the annualised rate of plastic bags issued (against the 2002 baseline)

A reduction of 29 percent was achieved in the January to June 2004 period. This figure is an aggregation of the four Group One retailers results, adjusted for market share.

2. Undertake active development and implementation of viable and environmentally acceptable reusable options to support reductions

All four Group Ones have developed and implemented reusable options as described.

3. Make available in stores of multiple use bags and make available customer information on reusable options

All four retailers have multiple use bags available and offer customer information on reusable options available.

4. Use of HDPE bags containing domestic recycled content and through recycling programs, maximise the recovery of quality feedstock for such bags

All four retailers use HDPE bags containing recycled content, with three out of four using bags with domestic content. Limited feedstock of domestic recycled materials restricts use.

5. Easily accessible and clearly identified recycling stations are offered to customers

All four retailers provide recycling stations, with three of the four retailers providing easily accessible and clearly identified stations in all stores. The fourth retailer had some stations that could be made more clearly accessible.

The retailers achieved a recycling rate for HDPE bags returned in store as a percentage of total HDPE bags issued of five percent.

6. Train checkout staff to build and maintain awareness of, and support the promotion of alternatives

Three retailers provided training to staff as described in all stores and one provided training in some of the audited stores.

Progress of Retailers Unable to Provide Audited Reports

The other Group One retailers (Australian United Retailers, Food Works, Metcash IGA) whose systems and operations make using the audit guidelines infeasible have provided information on how they have implemented the Code.

These retailers act as cooperative banner groups and provide members with marketing services. However, stores are individually owned and operated which at times means store compliance and consistency cannot be guaranteed.

In relation to packaging this means that stores source their own suppliers. The banner group retailers provide reusable bag products but member stores are at a liberty to make their own choices as to what they offer customers.

These types of organisation lend themselves to an entrepreneurial spirit where many retailers take a leadership role within their local communities and value providing their customers with environmentally friendly packaging options.

The retailers have made their members aware of the Code and what they need to do to be compliant.

All these retailers offer a range of reusable options at the point of sale, such as green bags, calico bags, cardboard boxes, paper bags, string bags and heavy-duty plastic woven bags.

These retailers encourage their members to sell reusable bags, for example, by continuously updating members on availability and providing order forms in weekly mailbags. Retailers are encouraging customers to use reusables through activities such as advertising in weekly handbills.

Ritchies IGA has developed a designated stand that has been introduced to all stores for stocking green and calico bags.

For example, in an attempt to ascertain that their membership base was compliant with the Code, Food Works sent out a survey requesting a list of packaging currently purchased, including the environmentally friendly options. Respondee confirmed they were offering packaging alternatives to their customers. In the few cases where they did not, the stores were contacted by their Regional Business Advisor and counselled that as signatories to the Code FoodWorks stores are required to comply.

All retailers make information available on reusable options and educate customers about bag issues, such as in posters and wobblers. For example, AUR has a Pack 8 campaign at Food-Rite, Food-Store and Food-Express stores where staff are trained to be more aware of local environmental issues and are encouraged to pack eight items in each plastic bag.

All retailers have facilitated staff training to support the Code's principles. For example, bag issues have been incorporated into induction training procedures and information is made available in staff rooms, and staff seminars and awareness campaigns have been run.

It is believed that bags made of recycled material are used at most of the retailers' stores, though as many buy their own bags from various suppliers it is not certain if all of these bags contain recycled content.

Code Signatories

The ARA continues to encourage a wide range of bag-issuing businesses to sign to the Code.

Group One signatories

As defined in the Code, Group One retailers include the major and smaller supermarket chains and independent supermarkets sponsored by wholesalers or under banner groups.

The targeted participation rate of 90 percent of the ARA's Group One members by 31 December 2003 has been achieved. These retailers have around 80 percent of dry groceries sold in Australia pass through the check-outs of their stores.

Coles Myer brands K-Mart, Liquorland, Target and Officeworks are signed as Group One signatories and thus to fulfil the extra commitments required of this group, although they fit in the category of Group Two retailers. These retailers will use the Group Two reporting procedures.

Most other Group One retailers that are outside of the ARA's membership have also committed to the Code and already have significant bag management programs in place.

Group One signatories to the Code

- Australian United Retailers (AUR)
- Bi-Lo
- Coles Supermarkets Australia Pty Ltd
- Foodland Australia Limited
- Food Works
- Franklins Pty Ltd
- IGA (including Ritchies)
- K-Mart Australia Ltd
- Liquorland Australia Pty Ltd
- Officeworks
- Target Australia
- Woolworths Supermarkets (including Safeway)

Group Two signatories

As defined in the Code, Group Two signatories are all retailers that issue lightweight HDPE plastic bags that are not in the Group One category.

The Code targets a 25 percent participation rate of ARA Group Two members by 31 December 2004, and an ARA commitment to campaign strongly to enlist as many non-ARA Group Two retailers as possible.

The ARA has promoted the Code through the available avenues, but at this stage there has been a limited response of Group Two retailers. Currently, 92 Group Two retailers have signed.

To encourage as many Group Two retailers as possible to join the Code, the ARA asked them to commit to a one-page summary of the Code's principles and to implement a minimum range of core initiatives. This avoided Group Two retailers having to commit to the ARA Code in its entirety, although they are encouraged to read it. The full document is lengthy and it would not be feasible to expect it to be adopted widely by Group Two retailers.

The ARA promoted the Code through direct mail, regular articles in its national and state newsletters, a mail out of the one page summary and signatory sheet, through the ARA website and by working with a range of relevant retailer associations to promote it to the widest number of Group Two retailers possible.

The ARA has liaised with the Department of Environment and Heritage to contact industry associations and major fast food organisations to urge their participation in the Code.

Organisations that ARA has liaised with include:

Australian Booksellers Association
Australian Business Limited
Australian Gift and Homewares Association Ltd
Australian Hotels Association
Australian Music Retailers Association
Australian Newsagents Federation Ltd
Australasian Association of Convenience Stores
Distilled Spirits Industry Council of Australia DSICA
Hardware Association of NSW
Hardware Federation of Australia
Liquor Stores Association of New South Wales
Liquor Merchants Association of Australia
Liquor Stores Association of WA
NARGA Australia Pty Ltd
National Footwear Retailers Association
NSW Retail Tobacco Traders Association
Pharmacy Guild of Australia
Restaurant and Catering Australia
Retail Confectionary and Mixed Business Association
Shopping Centre Council of Australia

The ARA has regularly provided these organisations with updates and suggested articles for their publications, and offered them the opportunity to sign the Code as a Group Three organisation, ie. an industry body who commits to promoting the Code to its membership.

These bodies have been sent them a Group Two signatory form and summary of the Code's principles and were asked to send it to their memberships.

The response from several bodies has been excellent, and it is understood that many of the organisations have run articles in their member publications. The ARA has worked to change the possible perception by other industry bodies that the issue of bag management is contained to the ARA and its members, by explaining that this is an issue affecting all bag-issuing businesses and the entire community.