

Trial of a Charge on Plastic Bags:

Report of the Steering Committee

to

The Victorian Minister for Environment
& Climate Change

and

The Australian National Retailers Association

29 October 2008

1. Introduction

Under a Memorandum of Understanding dated 1 August 2008, the Victorian Government and the Australian National Retailers Association (ANRA) agreed to work together to trial the application of a charge on single-use plastic bags (“plastic bags”) in supermarkets (the “trial”). The Steering Committee (the “Committee”) was established pursuant to that Memorandum of Understanding in order to oversee the design and implementation of the trial.

The trial was led by the Victorian Government and ANRA, with the participation of retail supermarkets Coles, IGA and Woolworths (the “retailers”).

The Steering Committee draws together a team of experts to provide oversight of the trial. It comprises representatives from the Environment Protection Authority Victoria (“EPA Victoria”), Environment Victoria, ANRA representatives from Coles and Woolworths and an independent chair from RMIT University. The Committee has been supported by the Project Manager, appointed for the trial.

2. Terms of Reference

The Committee agreed on the following Terms of Reference, which were provided to the Victorian Minister of Environment and Climate Change (the “Minister”) and the CEO of ANRA. According to the Terms of Reference, the role of the Committee is to:

- ▶ Report and advise the Victorian Government and ANRA on the trial introduction of a charge on plastic bags, including the establishment of mechanisms for collection and distribution of revenues from the trial to environmental improvement projects in the trial areas;
- ▶ Ensure that the trial is designed and delivered in a robust and timely manner;
- ▶ Review and comment on reports of trial outcomes; and
- ▶ Seek assurance that probity and due diligence are exercised throughout the trial; and

The Chair of the Steering Committee will act as spokesperson for the Committee’s activities in respect of the trial.

The Committee will produce the following outputs:

- ▶ Advice to the Victorian Government and ANRA on the integrity of the design and delivery of the trial.
- ▶ A report to the Victorian Government and ANRA commenting on the trial outcomes, including recommendations for future action, if appropriate.
- ▶ Media comment on the Committee’s views, as necessary.

3. Background

The four-week trial commenced on 18 August and ended on 14 September. Seventeen stores participated in the trial in three trial areas; Fountain Gate area (including Berwick, Hampton Park and Narre Warren), Wangaratta and Warrnambool.

An independent consultant, KPMG, was engaged by the Victorian Government and ANRA to analyse the outcomes of the trial. KPMG undertook quantitative and qualitative analysis of the trial, funded by the Victorian Government and the retailers. KPMG has prepared a report on the trial outcomes, entitled *Trial of a Government and Industry Charge on Plastic Bags: Report of Findings- Final – 20 October 2008* (the “KPMG Report”). The findings of the KPMG Report were considered in the development of the Committee’s report.

The Committee recognises that a large number of people supported the trial. Two key groups included the Trial Team and the Government Working Group. The Trial Team included ANRA, Coles, Woolworths, Metcash, EPA Victoria and the Trial Manager. The Working Group drew together the relevant areas of the Victorian Government, comprising the Department of Sustainability and Environment (DSE), EPA Victoria and Sustainability Victoria. Each retailer was supported by a team of people who were responsible for operational delivery of the trial and communicating the trial to their customers.

The Trial Manager was engaged and funded by the Victorian EPA to provide advice and administrative support to the Government Working Group and the Trial Team. The Trial Manager also provided valuable support to the Committee.

The Trial was also supported by:

- ▶ a public website and inquiry service, created by Sustainability Victoria;
- ▶ a public telephone inquiry line, provided by DSE;
- ▶ an extensive media and advertising campaign managed by DSE;
- ▶ free reusable bags for people with special needs, funded by the Victorian Government and distributed with the assistance of Victorian Foodbank Relief and the Department of Human Services;
- ▶ accounting oversight, provided by Chartered Accountants, Lumina;
- ▶ legal support for the authorisation of the trial by the Australian Competition and Consumer Commission, funded by Coles and Woolworths;
- ▶ in-store signage and advertising of the trial, provided by each retailer; and
- ▶ the seventeen stores and their employees who participated in applying the charge during the four-week trial period.

4. Trial Outcomes

The Committee regards the overall outcome of the trial as very positive, with an immediate and sustained reduction in plastic bag use throughout the four week trial. On average a 79 per cent reduction in plastic bags was achieved across the three trial areas, which is a very consistent decrease.

The trial has been successful in producing useful quantitative and qualitative data. The Committee believes that this information could be used to inform future decisions on methods to reduce plastic bag use.

The KPMG Report demonstrates strong community support for the trial. The Committee notes that a substantial majority of 86% of consumers supported initiatives to reduce plastic bag use and that 60% of consumers were happy to participate in the trial, based on a perception that they were “helping a good cause”. By contrast, 13% of customers expressed concern at the cost of plastic bags resulting from imposition of the charge.

The Committee acknowledges the high level of support by all participating parties and the success of a collaborative approach between government and industry in establishing and implementing the trial.

However, while there were a number of substantiated positive results from the trial, the KPMG Report highlights some areas that will require further thought and consideration should the trial be extended, or in the event that consideration is given to imposing a permanent charge on plastic bags. In particular, the trial has raised a number of issues in relation to impacts on retail employees and service impacts in retail stores. These, and other key issues arising from the trial, are outlined in Section 6 below.

5. Trial Design and Delivery

In accordance with its Terms of Reference, the Committee was responsible for ensuring that the trial was designed and delivered in a robust and timely manner. Outlined below are the key areas that were considered by the Committee in relation to the design and implementation of the trial.

5.1 Trial Establishment

The Committee acknowledges that, as with any trial, planning is critical to successful outcomes. In particular, the Committee notes the importance of clarifying and agreeing the respective roles and responsibilities of all participating parties upfront, in addition to planning sufficient time for stakeholder engagement and negotiation regarding trial design.

5.2 Collaborative Voluntary Approach

The Committee recognised that successful results can be achieved utilising a voluntary approach rather than the imposition of a regulatory mechanism, if both industry and government support the trial, or the implementation of a charge on a permanent basis. The benefits of partnering and collaboration between Government and retailers is acknowledged and endorsed by the Committee.

5.3 Duration of the Trial

The Committee is unable to ascertain whether consumer behaviours would be sustained over a longer time period than the four week period of this trial. The qualitative results suggest this is achievable. However, qualitative data does not always translate into quantitative outcomes.

The four week trial had an immediate impact of reducing plastic bag use. However, the KPMG Report noted a slight drop off in the reduction in the final week of the trial. Whilst the KPMG Report suggests that this might be attributable to customers forgetting to bring their reusable bags and not wishing to purchase additional reusable bags, ongoing consumer behaviour patterns cannot be definitively understood absent longer term data and surveys.

The Committee recommends that if further trials were considered, they should be undertaken over longer time periods and include qualitative and quantitative analysis prior, during and after the completion of the trial to better understand patterns of consumer behaviour. The Committee is aware that challenging timelines applied to this trial which limited such considerations.

5.4 Qualitative Analysis

The Committee was pleased by the adoption of its pre-trial recommendation to include qualitative assessment as part of the trial. It believes that the qualitative results enriched the value of the report on the trial and are highly beneficial to any consideration of future application of a charge on plastic bag use.

The inclusion of feedback from both supermarket employees and customers was recognised as valuable, and some variation from these perspectives was identified which the Committee regards as warranting further exploration should consideration be given to extending the trial or imposing a charge on a permanent basis. In addition, the Committee believes that it would be important to include an analysis of the overall retailer perspective in any future analysis.

As noted in 5.3 above, the results highlight to the Committee the potential benefit of a broader application of qualitative assessment prior, during and following any extension of the trial, or in the event that a permanent charge was considered.

5.5 Revenue

The Committee is satisfied that the mechanisms for collecting, recording, reporting and investing the revenue raised during the trial were adequate and appropriate to the scope and scale of the trial.

The Committee notes the findings of the KPMG Report that support for any future regime is conditional upon community understanding of the allocation of any funds raised and that revenue from the sale of plastic bags will not be available to either Government or industry.

Accordingly, the Committee recommends that, in the event of any extension of the trial, or in the event of a permanent charging arrangement, communications prior to, during or after the imposition of the charge should include clear messages about the allocation of revenue received from the sale of plastic bags.

5.6 Amount of the Charge

The KPMG Report indicates that the imposition of a ten cent charge was very effective over the four week period of the trial in generating a significant reduction in plastic bag usage.

Irrespective of whether the charge is positioned as 10 cents or 25 cents on a permanent basis, the Committee notes that a core group of consumers will continue to use plastic bags (10% and 6% respectively).

The evaluation of price points was limited to a quantitative assessment of the impact of a 10 cent charge and a qualitative evaluation of the impact of a 25 cent charge. Although the qualitative data suggested a further four per cent reduction with a 25 cent charge, it is uncertain whether this would actually occur in practice. In addition, it is unclear whether any further reductions would be achieved above the 25 cent price point. Accordingly, in the event that the trial is extended or consideration be given to imposition of a permanent charge, the Committee believes that the effectiveness of a charge should be monitored and evaluated on a periodic basis and revised if necessary.

The Committee notes that any charging model will require retailers to be involved on an ongoing basis in administering the charging arrangements.

5.7 Trial Locations

The trial was undertaken in three areas that were intended to be representative of the Victorian community. These areas were also chosen because all retailers involved in the trial are represented within their boundaries.

In addition, these three areas are identified by the retailers as medium to low density and likely to reflect local shopping behaviours.

The Committee is unable to comment on the reduction likely from transitory shopping (e.g. from work to home), unplanned shopping and shopping without the use of motor vehicles. The impact of such shopping behaviours is not revealed by the selection of these trial areas and the Committee believes such impacts warrant further consideration.

5.8 Pre-trial Data and Benchmark Comparators

The Committee's view is that the data selected for benchmarking and comparison purposes (e.g. retail data on overall sales and reusable bag sales) was appropriate, as it was the average of the month immediately preceding the trial.

5.9 Factors Potentially Influencing the Response to the Trial

The Committee noted that significant effort and resources were invested in establishing the trial to provide successful outcomes.

The media campaign and in-store signage were highly successful in creating a high level of awareness of both the trial and the amount of the charge, as evidenced by the qualitative results.

The Committee notes that some consumer behaviour change may have occurred in advance of the commencement of the trial as a result of media coverage dating back to April 2008, and particularly in the months of June and July when media confusion arose over the trial start date.

In addition, retailers implemented a number of promotional campaigns during the trial that could have impacted upon the outcomes, such as the offer of three reusable bags for \$2.00.

It is possible that the positive consumer response to this trial could influence community responses to alternatives, should they be considered in future.

Government provided support to people in need through free bags to around 8,000 people living in the trial areas. Local support agencies were responsible for determining appropriate distribution of these bags. The Committee believes that support mechanisms for people in need would be required in any further trials or if the charge was established on a permanent basis.

5.10 Administration and Oversight of the Trial

The Committee recognises the value of using independent parties to analyse the results, support participating parties and manage trial implementation. It endorses the involvement of independent third parties in any further trials.

6. Key Issues Arising from the Trial

The trial highlighted key areas that require careful consideration and attention should the trial be extended in the future, or in the event that consideration is given to imposing a permanent charge on plastic bags.

6.1 Impact on the Retailers

The trial results do not include an analysis of scan and idle rates at the supermarkets. The Committee notes that any future arrangements should seek to understand such impacts.

The KPMG Report identifies efficiency gains from the reduction in the volume of bags, but changes in idle rates are unknown. Any increases in idle rates have the potential to financially impact the retailers and potentially increase consumer costs.

6.2 Service Impacts

The qualitative results highlight a number of issues of concern to supermarket employees. Each of these issues requires careful management. Occupational Health and Safety issues were raised by employees in respect of the weight and movement of bags, in addition to the hygiene of bags presented for reuse.

The Committee believes that should the trial be extended, or in the event that a permanent charge is imposed, shoppers should be educated on the type and design of the bag that supports the quickest transaction times and ensures maximum service efficiency levels.

Education programs should include information on the importance of hygiene in using reusable bags, the carrying and lifting capacity of reusable bags and the types of bags appropriate to present for reuse.

6.3 Consumer / Community Response to the Trial

As noted above, a substantial majority of 86% of consumers supported initiatives to reduce plastic bag use and 60% of consumers were happy to participate in the trial, based on a perception that they were “helping a good cause”. By contrast, 13% of customers expressed concern at the cost of plastic bags resulting from imposition of the charge.

The KPMG Report indicates that 45% of customers surveyed support a ban on plastic bags. However, a quarter of respondents, or 25%, opposed a ban and 30% were indifferent. The Committee believes that this qualitative data is important in considering what action might be adopted to reduce plastic bag use.

Shoppers and members of the community were provided with several avenues to provide comments prior, during and after the trial. There were a number of in-store options, a consumer feedback phone line and a trial website.

The qualitative feedback from retailers’ employees in relation to customer complaints did not explore the actual frequency of consumer complaints (e.g. number of complaints per day or week) and did not define terms used by staff to describe the rate of occurrence of complaints (i.e. “rarely”, “occasionally” and “frequently”). In addition, the analysis did not compare this feedback to customer complaints in relation to other issues. This presented challenges for the Committee in understanding the nature and extent of complaints about the trial, and the actual impact of such complaints.

The Committee acknowledges that receiving negative feedback about the trial placed a burden on supermarket employees. However, it is expected that this feedback would diminish over time if the trial was extended or if permanent charging arrangements were established.

6.4 Community Understanding of Environmental Issues

The Committee believes that an opportunity exists to further explore broader community education initiatives regarding the use of plastics. Feedback provided to the retailers and the customer feedback lines highlighted gaps in understanding of degradable and biodegradable options. The Committee believes that the community could be provided with support and information to better equip them to make environmental decisions in relation to plastic products.

The Committee recognises that the purpose of the trial was to analyse an unsolicited response from the local communities in trial areas. Therefore targeted advertising by the Government and retailer in-store displays were only initiated in the week prior to the trial. Whilst, as noted above, media interest in the proposed trial did raise community awareness of the trial, the extent to which the trial enhanced the understanding of underlying environmental issues surrounding use of plastic within the community remains unclear.

Accordingly, the Committee believes that any future arrangements involving a charge on plastic bags would benefit from a community education program that provides a clear explanation of the environmental benefits to the community from reducing plastic bag usage. Providing explanations in simple comparative terms would help customers to understand their achievements and the benefits of their efforts.

6.5 Sustaining Change

The qualitative findings suggest that a permanent regime would result in a higher reduction in plastic bag use than that exhibited during the trial. The Committee notes that such qualitative assessments do not always translate into equivalent actual results, but that the consumer views expressed at this point are very encouraging.

There appears to be a positive link between the reduction in use of plastic bags due to price, and the behaviour changes at different price points (i.e. 10 and 25 cents). However the Committee cautions that the net benefit of a higher charge should be considered before its imposition.

6.6 Bin Liners

The Committee holds some concerns about the data in relation to the use and future purchase of bin liners and it seeks clarity from KPMG on the data and findings in the KPMG Report in this regard.

The Committee notes that the results, as evidenced in the KPMG Report, do not determine the level or frequency of reuse of plastic bags. For example, a shopper may reuse every plastic bag in a useable condition or only infrequently reuse bags. The number of bags in reusable condition is unknown, as is the regularity of plastic bag reuse.

The Committee believes that should further trials or permanent charging arrangements be considered, related education programs and performance indicators should focus on the net reduction in plastics.

Clearly, based on the evidence of the trial, a reduction is achievable through a primary mechanism such as a charge. However, the net impact on plastics is uncertain if there is no real alternative to bin liners. Bin Liners are an important issue in this context; however, the qualitative questions did not fully explore this impact and the data on the impact on bin liner purchase and use is therefore inconclusive at this point.

Feedback from customers participating in the trial highlighted some concern over the need to purchase bin liners if a charge is applied to plastic bags. In the Committee's view, any extended trial would be necessary to understand the impact of a charge on bin liner purchases and use in the short and longer term.

A broader environmental opportunity exists in reducing the use of bin liners through greater recycling and composting of waste within the home. In conjunction with any future initiatives to reduce plastic bag use, a complementary education program could be put in place to help inform the community that bin liners are avoidable.

6.7 Type of Bags

The trial has focussed on testing the choice between single use plastic bags and reusable bags and the results are limited to these comparisons.

In some cases the customer may bear both a bin liner cost and a plastic bag charge. However, such cases are expected to be in the minority as, based on the results of this trial, most consumers would be expected to purchase reusable bags. However, the question remains whether the purchase and use of a reusable bag offsets the cost of purchasing bin liners fully and over what time period. In this regard, the Committee notes that the payback on a reusable bag purchased from the supermarket is short, based on life cycle analysis work. However there is an upfront impact of this purchase and the payback occurs over time.

In the event that any further charging arrangements are considered, the Committee recommends that work be undertaken on defining and researching the relative merits of various bag options, from environmental and economic perspectives - including biodegradable plastic, heavy weight plastic and reusable bags.

Concluding Comments

The Committee is confident that the trial of a charge on plastic bags was designed and delivered in a robust and timely manner, taking into account the time constraints within which all parties were operating. Probity and due diligence was exercised throughout the trial and effective mechanisms were established to collect and distribute the revenues from the trial to environmental projects in the trial areas.

The trial delivered an immediate and significant reduction in the use of plastic bags, which was consistent across all three trial areas. The trial engendered strong support from shoppers surveyed in relation to action to reduce plastic bags.

The Committee believes the outcomes of the trial are valuable in considering future methods to reduce the use of plastic bags.

Should the trial be extended, or in the event that consideration is given to imposing a charge on plastic bags permanently, there are key areas that require further consideration. These include the duration of the trial in affecting long term behaviour change, the potential impact on retailers and retailer employees, the impacts on service delivery, wider issues of community education on plastic bags and alternatives and information on bin liners.

The Committee congratulates the Victorian Government, ANRA and all the supporting partners on the development and delivery of the trial and commends the report of trial consultants, KPMG.



Signed by

Caroline Bayliss, Director Global Sustainability Institute at RMIT University

Chair

For and on behalf of the Steering Committee:

Majella Allen, Manager Public Affairs, Coles Limited

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