

TRANSCRIPT

LEGISLATIVE COUNCIL ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into Recycling and Waste Management

Melbourne—Wednesday, 2 October 2019

MEMBERS

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Mr Clifford Hayes—Deputy Chair

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Ms Sonja Terpstra

PARTICIPATING MEMBERS

Ms Georgie Crozier

Mr David Davis

Mr Tim Quilty

Dr Catherine Cumming

WITNESSES

Mr George Kovits, President, MGA Liquor Committee, and

Mr Lincoln Wymer, Board Member, MGA Independent Retailers.

The CHAIR: I would like to welcome the next witnesses, Mr Wymer and Mr Kovits from Master Grocers Australia Independent Retailers. Again, thank you very much for making yourselves available today. We really appreciate it. All evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you give today is protected by law. However, any comment repeated outside this hearing may not be protected. Any deliberately false evidence or misleading of the Committee may be considered a contempt of Parliament. All evidence is being recorded, and you will be provided with a proof version of the transcript in the next few days. You are the last session, so we allocated 5 to 10 minutes to give us a presentation. I know we did not receive any submission from you, but we do have some background from the previous appearance, which again was in 2017 for the plastic bags, so we have got a good idea about what you are looking at. Who wants to go first?

Mr KOVITS: Thank you for the opportunity today. By way of background, Lincoln is one of our board members on the MGA and I am the President of the liquor association part of the MGA. As you would know about our background, we are a not-for-profit organisation representing independent retailers, family-owned enterprises throughout Australia, in particular in Victoria, and we have got roughly 900 members, so we have got a broad base.

I guess the three points of interest today specifically were—and I heard the previous gentleman talking about this—the CDS, the container deposit scheme, and the banning of single-use plastic bags, which I think takes effect 1 November. I guess our point of view is on the container deposit scheme. We represent retailers throughout Australia and we have been working very closely with the other states in their implementation of the schemes. Initially when New South Wales were looking to go into a CDS scheme, to follow South Australia and the Northern Territory, we had a lot of work and we tried to offer different ways, as industry did, in terms of how to recycle convenience—take away—CDS-appointed products. That was not successful, so then we worked very closely with them to introduce the CDS in New South Wales, Queensland and, very shortly, Western Australia.

CDS in Victoria, we have been to a couple of meetings now with the Minister and the environment protection people to look at the CDS in a circular economy, which the Minister wants to adopt. Although we still feel that there is no need to have a container deposit scheme—because I think we live in a pretty pristine environment generally in Victoria—we did try and encourage more and more bins and recycling bins for people to get rid of their product in the streets as they walked along. That was not accepted, so we have moved into a CDS.

The unintended consequence of Victoria not having a CDS is becoming far-reaching, and although it is not a Victorian issue it has created a lot of problems in regional border regions of New South Wales, where we experience now quite an extensive bit of cross-border trading. Products are being bought in Victoria, shipped to New South Wales—initially it was just the border region—and not paying the 4 cent deposit. It was creating a lot of problems for our members on the border regions of New South Wales because they became uncompetitive. They were paying \$4 or \$5 a case more for bottled water, soft drinks, beer and premix. So they were losing business to their Victorian counterparts, which, if you look at Albury-Wodonga, you are talking about a 10, 15 minute drive. It had a marked impact on their businesses. So we managed to talk to the ministers in New South Wales and we did get some temporary assistance funding to help them transition into a different type of business model, which, as you can appreciate, is quite difficult when you are in grocery and liquor.

The problem since then has grown. It has grown to the point where to supply CDS product in New South Wales you had to be registered as a first supplier. So if I was a wholesaler in Victoria, I could still supply those beverages to New South Wales as long as I was a registered first supplier and I billed them the \$2.40 per case extra on the stock going to them, and that was then redeemed back in New South Wales. There has been quite a lot of activity with non-first supplying people in Victoria supplying the New South Wales market and it is

impacting a lot of products. Now, we were advised there would be hefty penalties applied—anywhere up to \$440 000 if it went to court for a company and up to \$1500 for an individual. We were also advised in the early part that the Government would, through the EPA, move towards trying to minimise the cross-border activity that was happening. To date there has not been one case of prosecution or fine as a result of any stock going into that market. I have got some evidence here, which I am happy to share with you, with one of the major wholesalers in New South Wales, who has been heavily impacted by the cross-border trading into their market on those specific products of beer, premix and soft drinks. It has now gotten to the stage where it is really biting their bottom line.

Our point of view is that from a national perspective I would encourage the Victorian Government to introduce a CDS just to make it a balanced playing field for everyone in Australia and to get rid of that problem we are going to have and the cross-border trading issues we have that corrupt the market as we move on. That is our main concern. Do we need a CDS? The answer is yes. We have got Tasmania looking at one in 2022, Western Australia comes onboard I think at the end of October. That would then make Victoria the only state or territory in Australia that does not have a CDS, and it creates a lot of problems for our members. That is the CDS side of things. What I might do is I will get Lincoln to talk about the plastic bags because he is a retailer. I think they own 17 stores throughout Victoria—

Mr WYMER: And two in New South Wales.

Mr KOVITS: and two in New South Wales.

Mr WYMER: Basically, with the plastic bags we did test it out seven years ago. We did it at our Apollo Bay store. We had a lot of issues with it over those—at that stage—six years. The best thing that has happened with the plastic bags—as much as I am saying I do not like this, but Coles and Woolies taking them off the shelf has been an opportunity for the independent retailers to do it without backlash from the community. We still get backlash, but it is nowhere near as bad. The good thing about the bags being removed at the moment in our other stores—apart from the Apollo Bay store where we tested it out, like I said, seven years ago where we started it—is that there has been a slight cost reduction in us having to buy plastic bags and give them to the customers.

The issue is now that, like the last gentleman said, we are selling so many of those heavy-grade plastic bags because people do not necessarily need another non-woven re-usable bag. They just use the plastic ones if they have forgotten them. We are selling thousands a month in each store because people have to get from the supermarket to their car to home. The boxes that we use—so we use our cardboard boxes from our loads—we keep those instore and customers get to use those. But we have that much turnover in our stores—and I can imagine what Coles and Woolies would have, which is probably 10 times what we do in turnover—that that is gone by lunchtime the next day. So you cannot actually buy boxes and give them to people; it just would not be viable to survive. So it has been good in the fact that we have removed all that plastic, but now we have actually—Coles and Woolies as well—made another plastic concern for the environment that is now anything up to five times the microns of the ones we were giving away beforehand.

With some of that—bin liners have increased. I think the gentleman said that before as well, so I feel like I am repeating a bit of what he was talking about, but stores are doing their best to keep their costs down. We have got a little bit of a revenue stream coming in with those plastic bags that we are now selling, but we are not making much money off those because we are dictated to 15 cents because Coles and Woolies are selling them at 15, and in some of our stores we cannot buy them at 15 cents, so it is actually costing us a little bit. But it has not been too bad. That is about all I have got for plastic bags I think.

One of the other issues is it has definitely increased our productivity at the registers. Over years and years and years those plastic bags have just been—you know, you pull it out and fill it up with stock and give it to the person—like a factory production line. Now the customer comes in, they might have old plastic bags, they just dump them there and you have got to sort it out and work it out. Now, that actually adds time when you are trying to put through \$100 000 or \$200 000 worth of transactions a week. So that actually adds costs to our front ends.

The other one is the plastic bags. We have not found a real answer for that that the customers are happy with in the produce area. The hand-in-bag technique of serving ham in the deli—I think you were talking about that before. A lot of this refers back to food safety. We have got customers coming in with glass containers, and our local government—not Victorian but local—is telling us, ‘If you don’t feel like you can fill that container and say that it is hygienic, then we suggest you don’t do it because it will land back on the business’.

We have got some people in our towns who are very keen to use re-usable containers, but we have had to knock that on the head because the health officer locally said, ‘Don’t do it’. We are up against two mindsets. I am as keen as to get plastic out of the business, but it is a bit difficult to deal with it at the moment and try to find that healthy balance. In my stores in areas in regional Victoria and things like that, our Prahran store, Port Melbourne, everyone is bringing their own bags because that is sort of their psyche around that sort of thing. They are living to be better for the planet, whereas we have got people in the country areas that just do not have the money, do not have the time and all that sort of stuff to focus on those issues and are willing to pay \$5 for a re-usable produce bag and all this sort of thing. We are up against a whole heap of things.

Mr KOVITS: I think Lincoln’s point too with the bin lining bags, we have done a survey of our members and their sales in bin lining bags have increased by up to 60 to 65 per cent. Where we have a single-use plastic bag being used as a rubbish bin liner, it is now becoming another purchase item for the consumers, which is good, but what is the net gain, what is the net benefit, when it is going to landfill anyway? They are not going to bring back the newspaper, because we now have electronic devices, so wrapping your vegetable bits and everything else and putting them in the bin is gone. What does the consumer go to? Where is the next step? They have got to go to bin liners.

The CHAIR: Do you package your cucumbers?

Mr WYMER: We do not, personally, but that comes from the market. You are talking about the continental cucumbers?

The CHAIR: Yes.

Mr WYMER: That comes from the market like that, so the actual farmers and producers do that, not the supermarkets. When you buy a continental cucumber off-the-shelf, I have never seen one unpackaged in all my years of going to the markets at Epping. It comes like that. We package our radish, for example. We put sleeves on things. Unless you are doing \$60 000, \$70 000 or \$80 000 a week in turnover of produce, in fruit and veg, the refrigeration dries those products out and you have got soft radishes within a day and a half. Once you put them in plastic, they could last up to a week or two weeks on the shelf if you wanted to be really desperate. It gives small business an opportunity to keep that product as fresh as possible for longer without having it end up as waste. So there are reasons that we do that stuff.

The CHAIR: I understand that with certain products you have got to be realistic and practical about it. Certain products need to be packaged to extend their shelf life.

Mr WYMER: Extend their life, yes.

The CHAIR: But with certain products I think we are going overboard. Before we get into questions, have you finished?

Mr KOVITS: I think we have covered it.

Mr HAYES: All that has just got me thinking. When you say if you wrap the radishes they will last longer, what do you think about wrapping them and marking that packaging in a certain way so the consumer knows how to best bring that into the right waste stream—either return it to the supermarket or put it—

Mr WYMER: The plastic?

Mr HAYES: The plastic itself.

Mr WYMER: My daughters are only of primary school age, so I have done a bit with the school at the moment on this because they know I am in supermarkets. The problem is I feel like there are about 20 or 30 different types of recyclable plastic or different ways—you cannot put a coffee cup lid in this bin—

Mr HAYES: That is right.

Mr WYMER: Until we educate or do some serious branding on this—we are looking at using recycled trays for our meat. Now they are 7 cents compared to 1 cent, so that just adds costs to small business when we do not have the volume of a Coles and Woolies to be able to buy that stuff by the shipping container load. I have just found out that the recycled plastic has to be clear, so it has to be a plastic bottle of some sort to make it a clear plastic tray later. So they have actually got to separate the colours in the recycling area. I am learning all this as we go, because we are trying to do the right thing here, but the cost—

Mr HAYES: You want to find a system that works.

Mr WYMER: Well, the cost is so prohibitive for some of this stuff, especially when you are trying to compete. I know I say Coles and Woolies a lot, but they are our guys—if we are at \$20 for a steak instead of \$15, we are never going to sell them.

Mr HAYES: That is why I think it has to be something that is legislated and universal so that everybody that is involved in it is paying the cost.

Mr WYMER: I think people have to understand. I have been putting things in our recycle bin that I am finding out off news reports or the ABC TV show that you should not be putting in there—

Mr HAYES: Me too.

Mr WYMER: But it is plastic, it is—

Mr HAYES: I buy a takeaway coffee and I do not know whether the lid goes in the bin or the cup goes in a separate bin or which bin.

Mr WYMER: I know, and unless you live, breathe and eat it, which some of our customers do, it is very hard to understand.

Mr HAYES: That is why I think things like that should be marked so the consumer knows which bin they go to. Also we were talking about wrapping food, and you were talking about putting them in containers. Would it be possible to go back to the old way of wrapping it in paper? Well, it is still done in the deli section a lot.

Mr WYMER: It is, but it is in plastic first. So we have got rubber gloves, we have got tongs, we have got all these different methods. I have been in the game now for—

Mr HAYES: Cannot you use that old—what was that sheet of clear paper that you used to put down and then—

Mr KOVITS: The wax paper?

Mr HAYES: Yes, that wax paper.

Mr WYMER: There is actually a wax-lined deli paper you can get. Now you can compare that in costs. Every bit of packaging that we use we actually do not get money back for, so that has all got to be built into the cost.

Mr HAYES: So it would cost more?

Mr WYMER: There are bits of paper that have got that wax lining on it, there are ones with plastic lining on it, there are a million different types of things we can buy but at a cost. That could be double the cost with the wax lining on it or the extra sheet; that could be double just the normal clear newspaper-style deli paper.

Mr HAYES: So it would be a matter of cost to introduce systems like that?

Mr WYMER: It definitely is. It is all coming down. We are seeing it come down, especially in the last two to three years. You are seeing these costs come down dramatically. The problem with independent supermarkets—now, look, we have got 17 stores, but there are mums and dads out there that have got one store, and they are up against a Coles, a Woolies, an Aldi, a Kaufland, whatever, and they are trying to just make ends meet for their household. So they say, ‘If I can save \$30 on a thousand bits of paper, I am going to do it for the deli department’.

Mr HAYES: When it comes to the plastic bin liners, I am just thinking that in future if we get a system where everyone is using FOGO, then maybe bin liners will not be such an issue because people will not be putting food into the rubbish bin. I do not put food into my hard rubbish.

Mr WYMER: What is FOGO, just quickly?

Mr HAYES: It is where the council collects all organic material, garden waste and food commingled and takes all the organic stuff away.

Mr WYMER: We have just opened a store, and I approached the council about getting a green bin because with our brand—it is called ‘your go-to grocer’ as a brand—we are trying to go down this green and healthy and all this sort of line and not rely so much on tobacco and liquor retailing, which a lot of other independents do. Then I tried to get different bins from the council. It all costs money. In the end I could have got a big bin for \$19 per drop or I could have got a \$19 one, a \$15 one and a \$40 one for cardboard waste. So that has just tripled or quadrupled my waste management costs in that store.

Mr HAYES: I am not just thinking about the store, but I am thinking about the general public and the problem of lining bins and people using plastic bags for bin liners and buying plastic bags.

Mr WYMER: Yes, it is getting it from the kitchen to the bin though.

Ms TERPSTRA: Thanks for your presentation today. Just a couple of questions, and this relates back to what Mr Melhem was talking about earlier—we were talking about, just as an example, the shrink-wrapped cucumbers. Are there any steps you think you could take—because I understand a lot of this is consumer-driven; often consumers will look for products that might use less plastic or whatever—are there any steps you could take perhaps that could encourage some of your producers or people you are buying off to perhaps reduce their plastic?

Mr WYMER: What we have got is: we do buy some prepacked organic product for some of our stores because the turnover is not big enough to buy a box of organic apples and then sell it, so we can actually buy it by the tray. That is on a recycled cardboard, cornstarch plastic. That is great for organic, but when we are trying to overwrap our meat, if we try to use the cornstarch one for our meat trays or whatever, it is so expensive and we go through so much wrap and it actually does not stick as well as the old plastic ones. I think there are independents out there and retailers out there trying to do the right thing.

The other thing is—you are saying people are looking for that—the percentage is so small. We have got the squeaky wheels in our towns, which is fine, and we do our best to address their needs, but the families that are coming to some of these places, they are—

Ms TERPSTRA: They do not really care, no.

Mr WYMER: Well, it is not that they do not care. I think it is just that they are wondering where their next meal is. I am talking about Griffith here, I am talking about Alexandra, I am talking about Benalla where our stores are. I am not talking about Prahara or Port Melbourne or Brighton where our other stores are—not an issue. People have got all day to think about that stuff. In some of those other demographics that is the concern.

But if they come to us and say, ‘Here are your apples’, and every one is in cornstarch plastic—wrapped apples—we will buy it. But Coles and Woolies, everyone, needs to get on board for that cost to be—

Mr KOVITS: As we have been saying, it has got to be legislated. It has got to be a standard, and if it is not a standard, it is cost prohibitive to a lot of people. As Lincoln has been saying, our members, everything, is related to cost. How do we minimise cost? How do we cut the red tape down so everything is viable for all those reasons?

Ms TERPSTRA: Yes. And I am noticing in some Woolworths stores that they have receptacles for people to bring back their soft plastics et cetera, so there is—

Mr WYMER: I was with Woolies for 26 years.

A member interjected.

The CHAIR: Through the Chair.

Ms TERPSTRA: Sorry, I am just asking a question. So there is definitely a bit of a move by some of the larger supermarkets to have these, where you can take your soft plastics back to things like that. So is that something that you might think about doing? Or again is it not really—

Mr WYMER: We are happy to do it. At the end of the day it is a cost again. We have got a café in our Port Melbourne store, and we tried to get the container removal cost for the coffees. We are trying to sell as many keep cups as we can, but the cost on getting our containers removed was crazy. We are actually not making money off our café now. We are doing as much as it costs in wages, so we have got it there as a service. You add that again, it could be another \$150 a week just to remove our coffee cups.

Ms TERPSTRA: From a small business perspective it is tricky for you.

Mr WYMER: It is tricky, yes.

Mr KOVITS: It is very tricky, yes.

Ms TERPSTRA: The other thing is, just going back to the example that Mr Melhem raised about the supermarkets, there are some overseas that are allowing customers to bring their plastic containers in. I note your earlier answer that the sort of advice around was it could be a bit dodgy—

Mr WYMER: I have got written proof, if you want it, from all our councils.

Ms TERPSTRA: No, no. Sorry, if I could just finish the question. So, for example, in New Zealand one supermarket will actually wash the containers. That is how they dealt with that problem. Has the advice you have sought around that issue included perhaps a strategy of washing containers, or was it just, 'No. We recommend you just don't even go there'. Can you expand on that?

Mr WYMER: It is a little bit of that, but then when we look at it as well, we are not big stores. We are not Coles or Woolies with six or seven people in the deli. It might be one, it might be two people. And then you are stopping on a Saturday to try and—

Mr KOVITS: And then you have got occupational health and safety issues around how you wash them, how they are treated and how they are handled to get them re-used, so it is a lot of issues.

Mr WYMER: Yes. I do not feel we were the beast that implemented a lot of this stuff over the years, but the cost has come down on those deli containers we buy in a sleeve so much where they are healthy but bad for the environment. We are keen to do anything as an organisation if it does not mean members lose their house, and we are doing what we can with our stuff as well with our 17 stores. We are trying where we can, but if I try and implement any of this stuff in Griffith and the cost goes up, and we have got two Woolies and a Coles and Aldi in town and they are not doing it—

Ms TERPSTRA: Yes. You are representing smaller operators—

Mr WYMER: Yes, we definitely are.

Ms TERPSTRA: We have asked the larger stores to come. But again, it is just interesting to hear your perspectives on this. For example, the use of the plastic containers is being done overseas, so that is why I am interested to hear your perspective. So it is happening right now.

Mr WYMER: Yes. I mean—

Mr KOVITS: I think space is also an issue. Retail space is also an issue, because if you introduce all these other—

Mr WYMER: Cleaning spaces.

Mr KOVITS: cleaning spaces and stuff, if you go to the back of a supermarket like an IGA or a FoodWorks, their work areas are very, very narrow because they dedicate most of the floor space to retail, so they work in combined spaces. And then their loading and unloading docks are very small and not secure, so it is not as easy to do that, whereas the bigger format stores have got a lot more space to play around with.

I think, getting back to your point about supplying the ability, I commend them for doing it because they control it from a head office environment. They say, 'This is what we're going to do', and it is done. We have to go out to 3500 members and say, 'We'd like you to do this. It's going to cost you money', and they are going to laugh at us.

Mr WYMER: I think we have got, out of our 17 stores, only five delis. The rest is packaged, hang sell ham because a deli is so expensive. You can lose all the money you are making in the rest of your store by running a deli department.

Ms CROZIER: Thank you both for your comments. Thank you very much for the reality that your members and yourselves are dealing with on a daily basis trying to make a living and, as you say, hang on to the house, competing against the bigger corporates, which is very difficult, and also the appreciation of the independent stores in country areas where the consumer wants a fresh product so therefore you wrap it, their not having the luxury of going down to the local market here in Melbourne. Thank you for giving us that perspective because I think that is important for the Committee to understand.

I am interested in the comments that you made in relation to those issues that Ms Terpstra has spoken of: the washing of containers and the strict regulations we have around food handling in this state and the extra burden that would put on to you and your members. I am interested in the consultation that local governments had with you in relation to this. Have they spoken to you as a body at all from a food handling perspective?

Mr WYMER: This is my business personally? Yes.

Mr KOVITS: Not specifically, no. Not specifically on those issues, no.

Ms CROZIER: It is in relation to the banning of the single-use plastic bags and how that would affect fresh food and produce, so probably not the deli type.

Mr WYMER: No.

Ms CROZIER: The scenario which goes to more complexity if you are handling food or, as I think Ms Taylor said, handing over their own food containers. Some will do that, some will not, but I think people are very cautious because of the strict food handling regulations that are here in the state, which is fair enough. Owners do not want to be caught up in a food contamination scare that sends their business down the tube.

Mr KOVITS: No, and litigation.

Ms CROZIER: And litigation, exactly.

Mr WYMER: If we are washing it and then we are giving it back to them, and then they get salmonella poisoning they say, 'Well, you washed it'.

Ms CROZIER: There is still a risk there, yes. My question is: with all of that in consideration, what consultation have you had with various levels of government about how you can manage this?

Mr KOVITS: I have attended a couple of meetings with environment and EPA regarding a broad spectrum of issues, but that was never on the agenda.

Ms CROZIER: Should it be?

Mr KOVITS: I think it should, yes. Absolutely, without question.

Mr WYMER: I do not even know if I have seen anything except from our own MGA on the upcoming plastic ban.

Ms CROZIER: I find that astounding as you are a major player and you provide a huge service to the community and you are a small business. I find that astounding that you have not been taken into consideration.

Mr WYMER: I think through the master grocers, obviously the guys that work at our head office—I am on the board obviously—get it and they send it out to the independent retailers. But I do not think I have seen anything from local government on, ‘Are you ready for this?’.

Ms CROZIER: Thank you. I think that is very poor.

Mr WYMER: I am not trying to throw anyone under the bus.

Ms CROZIER: I know. That is the reality of what you are dealing with.

Mr WYMER: If it was not for the MGA, our members would be quite ignorant as to what is coming.

The CHAIR: Any further questions? Mr Hayes?

Mr HAYES: No, I think that is it, thank you—except I just want to thank these guys for coming. You have come representing grocers in Australia and Victoria with your concerns and exchanged ideas with our Committee. I just want to say I am really disappointed that the major supermarkets have not taken up the challenge to come and talk to us and put their views and complain about the costs in their industries.

Mr WYMER: I would swap with them any day.

Mr HAYES: Thank you very much.

The CHAIR: Thanks for coming. We really appreciate it.

Committee adjourned.