

# TRANSCRIPT

## STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

### Inquiry into the Environment Protection Amendment (Banning Plastic Bags, Packaging and Microbeads) Bill 2016

Melbourne — 20 April 2017

#### Members

Mr David Davis — Chair

Ms Samantha Dunn

Ms Harriet Shing — Deputy Chair

Mr Khalil Eideh

Ms Melina Bath

Mr Cesar Melhem

Mr Richard Dalla-Riva

Mr Daniel Young

#### Participating Members

Mr Greg Barber

Mr James Purcell

Mr Jeff Bourman

Mr Simon Ramsay

Ms Colleen Hartland

Ms Jaclyn Symes

#### Witness

Mr Heath Michael (affirmed), Director Policy, Government and Corporate Relations, Australian Retailers Association.

**The ACTING CHAIR (Mr Melhem)** — Welcome, Heath Michael from the Australian Retailers Association, and thank you for making yourself available today. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and is 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. All evidence is being recorded. You will be provided with a proof version of the transcript in the next couple of days, and I now invite you to make opening comments, to make any presentation you wish prior to the committee asking questions. So we are looking at around 5 minutes, and then we will ask questions.

**Mr MICHAEL** — I thank the committee for inviting us to present our case. Would you like me to make an opening statement?

**The ACTING CHAIR** — Please do if you have an opening statement covering the issues. Then we will ask questions.

**Mr MICHAEL** — The ARA represents the leading national retailers in Australia across the full range of retail products and services. Members of ARA include Australia's most trusted retailers from the country's largest department stores, supermarkets, specialty retail, electronics, food, convenience chains, down to mum and dad operators. We have approximately 7500 members nationally. I could not tell you off the top of my head what that is in Victoria, but I think it is around 2000 or so.

In short the ARA does not support the key feature of the proposed legislation — a ban on plastic bags to customers. The ARA favours voluntary measures that focus on assisting consumers in making informed choices in the use of lightweight and other plastic shopping bags. A previous Productivity Commission report — and I need to find the correct link on this one to be able to supply the information to you — has suggested costs outweigh the benefits when it comes to costs to doing business and other anti-litter laws are more effective measures to reduce waste.

The ARA members are industry leaders in initiatives to promote the use of reusable bags in place of particularly single-use bags regardless of biodegradability; however, the ARA does not support a measure that could deny customers choice or disadvantage low-income earners or small businesses. We know from other jurisdictions that there are costs to consumers, particularly in that small business space as people do their weekly shopping.

I am just wondering whether I need to cover off on everything, having listened to some of the other previous speakers. Customers who do wish to purchase can purchase reusable bags in most of our members stores, which are available in all sizes and materials. One area that is of concern is the nature of the total aspect of the ban around plastic bags. In other jurisdictions where this has been looked at the bans have been around I think the 35 micron and less bags — the lighter weight shopping bags — to enable that reusability factor.

We also have a number of concerns around the health impacts when it comes to bags in other jurisdictions; Tasmania and South Australia in particular stand out. There is very clear usage for health reasons around lightweight bags — they are described as 'freezer bags' — for fruit, veg, meat. There will be particular scenarios where there will be health requirements when it comes to using those types of bags.

There has been some evidence revealed in discussions with retailers in jurisdictions such as Tasmania that while the number of bags used has fallen the actual weight of plastic has not necessarily fallen. In those terms, one of my retail members in that state actually realised that because they are selling the heavier reusable bags they are actually going for a higher weight, but those bags are reusable. That particular retailer also passed on that, unlike some of their competitors, they are not in a position to be able to charge for the heavier weighted bags, and it is a cost to the business. So it does depend very much on the business model whether or not you feel you can pass on that cost or whether you have to absorb it yourself. Either way there is an economic cost to either the customer or the retailer.

I have done a lot of notes on this, and I am very conscious that you have covered off on a lot of these issues already. I am probably happy to take some questions. I might just touch on the piece around potential bans around polystyrene and other food safety measures. We would be highly concerned about what the alternatives are in those circumstances. My understanding, having talked to a couple of the large retailers, is those products are completely recyclable. There would be a significant cost if alternatives were looked at, and that significant cost once again would be either to the business or to the customer immediately. Ultimately that cost is going to

get passed on. I think the community does need to consider what economic impact there could be with these measures — an additional cost to the consumer and the retail economy, particularly given Victoria's economic strength in this area.

A final comment that I will make is if this legislation was to be considered it probably needs to be taken back to the drawing board and reconsidered in another form. With some of the consultation processes we have gone through in other states we were able to address multiple-use heavy-weighted bags that are already being used for multiple usage and what restrictions could be utilised around health implications. No jurisdiction could ban those lightweight bags for usage for fish, chicken, bread et cetera. You would need to use them because of health requirements.

I am happy to hand over to questions. Like I say, I have written a fairly long introductory piece, but having sat here for the last hour or so, complete with fire emergency in the middle, I have heard you go over most of the evidence, so I am happy to take some questions.

**The ACTING CHAIR** — Thank you very much for that. If there is a particular point you wanted to make and you forgot and you want to go back to it, you can always go back to it. Maybe if I can kick it off with the easy subject, which you have not covered — the microbeads ban. What is your association's view on that — a voluntary ban versus legislation?

**Mr MICHAEL** — My understanding is there is going to be a voluntary ban that will come into play. We are not a manufacturer. Yes, our members do buy products that are made from those products. My understanding is they buy them from onshore as well as offshore. We are not a manufacturing association. You would probably need to talk to someone who is actually manufacturing those products and supplying them.

**The ACTING CHAIR** — But generally speaking the feedback from your members is that they were quite supportive of — —

**Mr MICHAEL** — None.

**The ACTING CHAIR** — They are not supportive?

**Mr MICHAEL** — No feedback, to be quite honest, on the microbeads.

**The ACTING CHAIR** — No feedback. Okay.

**Mr MICHAEL** — I have had a few phone calls in the last few days, but no-one has raised microbeads.

**The ACTING CHAIR** — Okay. In relation to introducing bans on let us say single-use bags in comparison with other jurisdictions, can you take me through what you mean by the costs on business, or are there going to be any costs on business, whether it is red tape or the actual cost? I would not mind if you can give me some real figures, if you have figures. Maybe you want to take that question on notice — not just hypothetical cost.

**Mr MICHAEL** — The joy of representing large businesses as well as small is they never, ever like telling you their actual figures, and it is a piece that is difficult to measure. I might be able to get some in-confidence information, but it would be in-confidence — it would not be on the public record. The real cost has been around the additional cost of bags when retailers are required to supply the heavier weighted bags ultimately. There is the cost to the consumer where they decide to charge for those products. I do have members who do only supply the reusable bags. I know you used an example a bit earlier on today of a particular retailer. They are a member of ours. Their low-cost business model means that that cost to a consumer is accepted by the consumer as part of doing business in that retailer. They are anything up to a third less expensive than other equivalent supermarkets. The consumer understands that when they enter that premises, and they pay for the reusable bag when they enter that premises. That retailer also in many jurisdictions does not even accept credit cards or it has a credit card fee because they are a low-cost model and they pass those costs on to the consumer.

We also have some of those department stores. As you would be aware already, they already supply a heavier weight of reusable bags. That is a piece that we would not understand — that there would need to be a ban on those products — because those bags already get reused within the marketplace.

We are aware of feedback, particularly in Tasmania and South Australia, at a consumer level. I spent Christmas-New Year in Tasmania, and the repeated comment was, 'I just have to pay for my bin liners now'. The consumer does seem to shrug it off, but there is an acceptance that, 'Well, I need to pay for bin liners', and there is some evidence from our Tasmanian-based retailers that they have been selling increased numbers of those bin liners as a result of the bag ban down there. I could try and get some of that evidence, but once again my retailers do not like handing out their figures.

**The ACTING CHAIR** — Moving from plastic bags to paper bags, for example, in some of the retail sector — clothing and various— do you see a move or a shift from plastic to paper, as paper is considered to be more environmentally friendly and recyclable?

**Mr MICHAEL** — There would be usage issues around particularly food. I am old enough to remember when I was a kid and there were paper bags and how the bottoms would always fall out of them as the product was damp and leaked. There are practicalities around paper and why it was moved away from. Some fashion retailers or electronics retailers will use paper bags, but not all for weight restriction reasons. If it is a heavier weighted recyclable bag, they do use those. A lot of the discount chains do not use heavier weighted bags— and that is a cost factor — because they are discount chains for a reason. There will be an increased cost to the consumer as a result for those discount chains if the heavier weighted bag option was utilised. We can all think of those discount chains. When you go in there and you buy half a dozen cheap products you need something to carry them in. I am happy to take other questions.

**Ms DUNN** — Thank you, Chair, and thank you, Mr Michael, for your submission today. I am just working out where to start first in relation to this.

**Mr MICHAEL** — It is a broad range of retailers we have got.

**Ms DUNN** — Yes, it sure is, and a broad range of issues in relation to that. A lot of this is linked in with consumer behaviour, so with that in mind, going down the road of still providing a heavier weight plastic bag, what I am grappling with is that there are still environmental issues; it is just a heavier weighted plastic bag rather than a behaviour change which has environmental benefits because you can reuse a reusable bag many, many hundreds of times versus a heavier micron plastic bag.

**Mr MICHAEL** — It depends what your definition ultimately is of that reusable bag, but the heavier weighted option is seen as one of those reusable options. I am someone who has travelled a fair bit, and I have got to say I have still got a bit of a load of bags, as I realised every time I walked up to a supermarket in Tasmania over Christmas, which is a habit that the consumer does need to break— that you end up with multiple prominent supermarket brand bags. And I know my wife is reusing those. They are heavier weighted, but they last, and that is why you reuse them. Like everyone's cupboard where they keep their bags, I am surprised there are a lot of the ones from Coop shops in Italy or wherever else it is that we have collected them from. You do reuse those bags. They are not immediately thrown out, although sometimes they are used as bin liners and other mechanisms. Friends who do live in South Australia regularly recite the story of how they now buy bin liners whereas they used to use shopping bags.

**Ms DUNN** — In terms of the single-use plastic bags, do you have any information at all on the cost to your membership of buying those bags?

**Mr MICHAEL** — That is really going to depend on the nature of the store and the nature of the retailer. As you can imagine, some of the significant retailers would be paying cents per bag.

**Ms DUNN** — Yes, because of the volume differences.

**Mr MICHAEL** — So the answer is no. The cost can be anywhere from a cent or two to 12 or 13 cents, so it really depends on the type of bag.

**Ms DUNN** — That makes sense. I guess because there is not that data collected, you would not know the actual volume of bags that is being purchased.

**Mr MICHAEL** — No. I would probably have to refer to the local environment agencies or the state environment agencies who have the best data on that, or the manufacturers.

**The ACTING CHAIR** — Maybe you can ask your members, and they would be able to write to you and tell you.

**Mr MICHAEL** — Well, you could, on an individual basis.

**The ACTING CHAIR** — It would be a difficult one.

**Mr MICHAEL** — Believe me, I do not have the time to phone up every member and ask them how many plastic bags they sell.

**Ms DUNN** — Have you got any idea, in relation to the bags your members are buying, where they are manufactured?

**Mr MICHAEL** — It will be from multiple sources, and it will be cost that is driving it. So China could be one of those places. It could be Indonesia; it could be Australia.

**Ms DUNN** — Okay. You talked about health impacts in other jurisdictions and freezer bags, fruit and vegetables, meat and bread. It is my understanding that this bill is only in relation to fruit and vegetables, not in relation to meat and bread. So putting that aside, you talked about specific health requirements in relation to that grab bag of different products. Are there any specific health requirements in relation to fruit and vegetable packaging?

**Mr MICHAEL** — It would depend on each state authority, and even local authorities, as to what those requirements are. You could not put fruit straight in a dirty shopping basket; that is an example. I think we all know that they are not the most pleasant things as you are going around, and how are you going to carry your half a dozen brussels sprouts? I mean, there are some practical implications. Whether paper bags are an option for some of that product, no, they are not, because they will become soggy and wet and fall apart.

**Ms DUNN** — Sorry, you said — we will use the brussels sprouts; it is a good example — you could not put them in loose in, what, a trolley or a basket did you mean?

**Mr MICHAEL** — Have you used some of them in shopping centres? I do not like touching them let alone putting something I am about to eat in them.

**Ms DUNN** — You mean my experience as a shopper? It is probably not about me. What I am trying to understand is what those health requirements would be. What I am trying to reconcile in my mind is that this bill contemplates a ban on fruit and vegetable packaging but is there legislation in place that is in conflict with what the desired outcome of that bill is?

**Mr MICHAEL** — I am not sure of the specific legislation. You would need to check in with the health department and local authorities.

**Ms DUNN** — So you are not aware yourself of that?

**Mr MICHAEL** — No.

**Ms DUNN** — You talked about the fact that in Tasmania bag use had fallen but the weight of plastic has not fallen because of this issue around providing a different weight of plastic bag. On the other side of the equation are you aware whether there has also been a reduction in waste as well? Have they gone hand in hand?

**Mr MICHAEL** — I am not aware of that data.

**Ms DUNN** — You also talked about Tasmania— and I am not sure if it was the membership generally or a specific member — deciding to absorb the cost rather than charge consumers for bags. I am just wondering if you could unpack a little bit more for me their rationale behind that.

**Mr MICHAEL** — I think that was very much because they were in a very competitive space with some major retailers. So some grocery retailers felt that in order to compete they needed to be seen not to be passing the cost onto the consumer. There is a reality that ultimately if a cost is borne by a business it will ultimately get priced into product as well, so you always expect a higher product price at the end of the day.

**Ms DUNN** — Because essentially I guess there is an economic impact and it is either going to go through retailers to consumers or it is direct to consumers, depending on whether they buy a bag or de facto buy a bag through retailers.

**Mr MICHAEL** — As with any regulation there will be an ultimate cost to the broader economy, to people's disposable income, to business profitability. One way or the other that all gets balanced out

**Ms DUNN** — Do you actually measure at all how many plastic bags are given out for free, essentially, in Victoria by your retailers?

**Mr MICHAEL** — No.

**Ms DUNN** — That is not collected?

**Mr MICHAEL** — No.

**Ms DUNN** — Do you know if any of your larger members might actually do that?

**Mr MICHAEL** — They would know just through their purchasing processes. You would have to ask them on an individual basis. I suspect they would only supply that data on a confidentiality basis.

**Ms DUNN** — That is something that perhaps the committee can pursue outside of this process, Chair.

**Mr MICHAEL** — We have used organisations like PwC and Deloitte when we do need to make specific arguments, and they tend to collect database from the majors on the basis that that information is de-identified and de-branded.

**Ms DUNN** — What we have heard as part of our evidence here is that there is some real harm being done by plastic pollution. Looking at your organisation, and I understand you have a code of practice in relation to your organisation and your membership, I am just wondering: are you in a place where perhaps it is time to be more ambitious in a more rigorous framework to get better environmental outcomes?

**Mr MICHAEL** — The retailers would be more than happy to work with government to look at voluntary mechanisms to reduce waste, to reduce the use of bags. We have been progressing down that path for many years. As you would know from your own experiences, you can buy those products at counters in most retail environments — whatever can be done to assist that. We always prefer a voluntary environment than a regulated environment, but we are more than happy to work with regulators and government to achieve those goals.

**Ms DUNN** — I think one of the difficulties for us in relation to that is the lack of data. It is very hard for the committee to ascertain whether there is a direct relationship between offering other bags for sale and a reduction of single-use plastic bags. That is what makes it challenging to know that just because you have got the other bags there, are people using them or are we still using the same use of single-use plastic bags regardless?

**Mr MICHAEL** — That might be something that some of the majors could provide, but as I say you are going to probably have to ask them to do that on a confidential basis.

**Ms DUNN** — And that might be something we pursue as a committee.

**Mr MICHAEL** — And it will depend on the nature of the volume changes with particular stores, areas et cetera, population growth. You are going to have a whole range of factors.

**Ms DUNN** — That is right. It is complex in terms of the context.

**Mr MICHAEL** — Yes.

**Ms DUNN** — I am not sure if you are aware, but there was a consultation and review process undertaken by the Queensland government fairly recently which echoes your evidence today in that it preferred voluntary measures as opposed to government regulation. In terms of being faced with regulation is the sector's preferred instrument in that case a ban and not a tax? What I am interested in knowing in terms of that finding is: does that reflect your own experience or not? If the writing is on the wall, which way would you go?

**Mr MICHAEL** — Certainly I would not support taxes in any context.

**Ms DUNN** — I thought you might say that.

**Mr MICHAEL** — We have worked through the implementation of bans in other jurisdictions. There needs to be commonality in approach. We would actually see that as a process that would not be implemented immediately off the back of this particular legislation. We would be looking at a process that would be more consultative, take in those concerns and look like some other jurisdictions. With Queensland potentially in play at the moment, how are national organisations going to make sure that they are doing the right thing in all jurisdictions? With a simplified process of doing business in all jurisdictions, it would be good to be able to align what various state governments are doing. As I am sure you hear often, harmonisation is one of those death knells within business that we get to experience dealing with cross-border all the time.

There have been a number of good processes. I have heard the questions about time frames. September is completely unrealistic. We usually have gone through 12-month consultation periods, and then even I think there were a couple of states where there was a six-month introductory period. The ban commenced, but retailers were given six months or so to get rid of old stock, which is fair and reasonable, particularly for those at the smaller end of the market, who will stock up and they will need to get product out of shelves. All of those consultation processes would need to occur before a ban came into place.

**Ms DUNN** — That is an excellent segue to a question. I know you talked about the consultation processes as part of your submission and a redraft of the bill. When you talk about a redraft of the bill, what sort of elements are you talking about in relation to that?

**Mr MICHAEL** — Look, a total plastic bag ban would not work. I cannot see how. In the context of looking at other jurisdictions, they have accepted a total plastic bag ban would not work. We would certainly be advocating for the re-usable heavier weighted bags as being part of that. Even what are known as the recyclable bags, you quite often find that they are woven types of heavy plastic.

**Ms DUNN** — Heavy plastic, yes, woven.

**Mr MICHAEL** — Yes. So you need to be able to look at the supply of alternative bags, alternative products, to have the particular health regulators come in and tell you what they believe are the correct requirements around food safety measures, whether it is fruit and veg et cetera, which I am unable to tell you off the top of my head.

**Ms DUNN** — That is fine. There is another thing I am wondering whether you are aware of. I am just thinking this probably applies to those large supermarket retailers. Is there any measurement around the labour cost in relation to packing a pre-provided single-use plastic bag versus a bag that has been brought in? Is there any sort of measure around that?

**Mr MICHAEL** — You would be coming down to service times. While I am sure there have been some studies done into service times, it is one I am not aware of.

**Ms DUNN** — No. It might be part of the list.

**Mr MICHAEL** — Yes. Look, we have all stood in the queues, and I honestly do not know what is faster — I think it is a bit of a judgement call — whether it is using multiple single-use or big re-usable bags. The major inconvenience for customers tends to be forgetting bags, and it happens to all of us, unfortunately. As one of those multiple shoppers, I know I regularly turn up without a shopping bag. A bad habit, but we all do it.

**The ACTING CHAIR** — Is there any aspect of the bill that the association will support? I heard you in your opening saying you only support a voluntary process et cetera and that even with the single-use bag you had some reservation on. You are representing members all over the country, and in some jurisdictions there are already some sorts of bans. Some of your members have actually voluntarily banned — like Aldi, for example. I assume they are one of your members?

**Mr MICHAEL** — Yes, they are one of our members.

**The ACTING CHAIR** — I think this is more or less working reasonably well. I understand it is a conflicted position for you because within your members — —

**Mr MICHAEL** — Look, I know this has been discussed at board level and our board position is we do not support the plastic bag bans. However, we will work with jurisdictions that are looking at undertaking those bans as to what practicable outcomes will allow retailers to get on with doing business at a minimum impact cost wise and time wise.

**The ACTING CHAIR** — So basically you are saying that as an organisation you have given some consideration to it. Because this issue is going to be addressed sooner or later, would you be in a position to put something to government about, for example, what things you might be able to live with?

**Mr MICHAEL** — Look, if government told us that it was a path that was being gone down, as with every other policy change we would be putting in our position that we oppose the plastic bag ban but pose some options around what might work if it was imposed.

**The ACTING CHAIR** — Are you able to share with us some of what these options might be? With a caveat that I understand your board has not approved any of it, can you share some of the thinking?

**Mr MICHAEL** — It is a caveat I do have to keep very much in mind. At joint approval, we have put submissions into other states on this issue, and we would be happy to — —

**The ACTING CHAIR** — I am glad you raised that, because I notice you have not put in a formal submission to this inquiry.

**Mr MICHAEL** — No.

**The ACTING CHAIR** — But I am happy for you, if you would like, after today's hearing to send us some notes in relation to some of these issues. I think we should be able to — —

**Mr MICHAEL** — I am happy to. I was not actually aware of the submission process until we were invited to be witnesses. I have had some consultation with the department over the last couple of years on the issue. They are very similar issues to what we are discussing now. We understand it is a thought process the government is going through, and until decisions are made by government as to what they want to do, we would engage fully in whatever government wants to do at that point.

**Ms DUNN** — Just in relation to providing the committee with more information, it would be great if you could include those submissions to other states as well to point us in the right direction in relation to those. The only other thing I wanted to pick up on goes back to the issue around health impacts and hygiene and food packaging. In relation to plastic, we are all aware that plastic is a product of the petrochemical industry and probably has an enormous amount of chemicals as a part of it, so I am just wondering is there anything prescribed that says that plastic is the most hygienic way to package things?

**Mr MICHAEL** — I understand that some plastics can be manufactured from vegetable starches as well. There are other alternatives out there.

**Ms DUNN** — Are many of them in use?

**Mr MICHAEL** — I am not aware of it. I believe there have been attempts over time, but I think ultimately it comes down to cost factors.

**Ms DUNN** — As a consumer I note that the most perverse thing is that organic food is wrapped in plastic, which strikes me as completely counter to the whole reason you would be buying organic food to then wrap it in a chemical wrap. I am trying to understand: is it the only hygienic way to package food really, and the healthiest way? Is it prescribed, or has it just become standard practice?

**Mr MICHAEL** — There would be a bit of both depending on regulations in different jurisdictions. There is a convenience piece and the customer's desire for product to be packaged in particular ways. As to alternatives, I understand over the years there have been attempts at looking at alternatives. For plastic bags there were cornstarch plastic bags that apparently still left some sort of environmental residue, but I think they got banned



some time ago. There have been all sorts of attempts, but at the moment the most efficient, effective and cheapest is the product that is being used at the moment.

**Ms DUNN** — Thank you for that, Mr Michael.

**The ACTING CHAIR** — Thank you very much, Mr Michael. I appreciate that if you have got any other materials you would like to share with us it would be great if you could forward it to the secretariat. A copy of the transcript will be emailed to you for you to review for any typos or errors that you may correct. Again, thank you for your contribution.

**Mr MICHAEL** — We are more than happy to engage with government in discussions in this area moving forward.

**The ACTING CHAIR** — Thank you very much.

**Witness withdrew.**