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For discussion

A Proposal on An Environmental Levy on Plastic Shopping Bags

PURPOSE

This paper consults Members on a proposal on an environmental levy on plastic shopping bags.

BACKGROUND

2. Hong Kong is facing an imminent and serious waste problem. The Government's "First Sustainable Development Strategy for Hong Kong" has recommended, amongst others, to implement the "polluter pays" principle to tackle the waste problem. Among these wastes, over eight billion plastic shopping bags are disposed of at our landfills every year. This translates into more than three plastic shopping bags per person per day, which is much higher than the figures of developed economies overseas¹. We consider that the "abuse" of plastic shopping bags can be effectively addressed in accordance with the "polluter pays" principle.

THE PROPOSAL

An Environmental Levy

3. As foreshadowed in the "Policy Framework for the Management of Municipal Solid Waste (2005-2014)" (Policy Framework), we propose to introduce a producer responsibility scheme (PRS) on plastic shopping bags, which would involve an environmental levy. Retailers covered by the scheme will no longer be allowed to give out free plastic shopping bags; and their customers must pay an environmental levy for each plastic shopping bag they ask for.

¹ The figures of developed economies overseas are usually in the range of one to two plastic shopping bags per person per day.

4. The proposed environmental levy would create a direct economic incentive to encourage consumers to switch to reusable shopping bags and reduce the indiscriminate use of plastic shopping bags. The proposed environmental levy will also serve as a constant reminder to the public of their “eco-responsibility”. This approach has been adopted in Ireland and in Taiwan, where a reduction in the use of plastic shopping bags by about 90% and 80% respectively was recorded in the first year of implementation. The “No Plastic Bag Day” campaign² supported by the Environmental Protection Department (EPD) in the past year further confirms that an environmental levy is workable and effective in reducing the use of plastic shopping bags.

The Level

5. We propose to fix the environmental levy initially at 50 cents for each plastic shopping bag. In a public opinion survey on the “usage of plastic shopping bags” conducted in 2006, more than 85% of respondents said that they would reduce the use of plastic shopping bags if an environmental levy of 50 cents was imposed. In addition, the result of the “No Plastic Bag Day” campaign indicates that a voluntary charge of 50 cents could lead to a drop in plastic shopping bag usage by up to 54% at participating retail chains. We consider that a levy of 50 cents would create a sufficient incentive to reduce the use of plastic shopping bags, while not exceeding a level generally accepted by the public.

The Scope

6. There are some 55,000 retail outlets in Hong Kong. We consider that it is *not* feasible from the outset to impose a blanket requirement of plastic shopping bag levy on all retail outlets. To ensure a successful introduction of the levy and an effective administration of the scheme, we propose to adopt a phased approach by first covering chain or large supermarkets, convenience stores and personal health and beauty stores. According to our landfill survey, while chain or large supermarkets, convenience stores and personal health and beauty stores make up less than 4% of our retail outlets, more than 20% of plastic shopping bags in our landfills are originated from these retailers. We therefore consider that we could achieve more prominent reduction by first covering these retailers.

7. There are no precise legal definitions for chain or large

² The “No Plastic Bag Day” campaign was co-organized by major green groups with the support of EPD between June and December 2006. On designated “No Plastic Bag Day” (i.e. the first Tuesday of each month), participating retail chains would not proactively give out plastic shopping bags and would encourage customers to donate 50 cents for each plastic shopping bag.

supermarkets, convenience stores and personal health and beauty stores, even though they are generally well-recognized by the public. To facilitate compliance and enforcement, we propose to apply the environmental levy on a person³ (“relevant retailer” hereafter) who carries on a retail business in Hong Kong that -

(a) offers for sale at the same time the following three categories of products -

- (i) food and beverages, including confectionery or snacks;
- (ii) non-prescribed medicine, first-aid items and dietary or herbal supplements; and
- (iii) personal hygiene and beauty products, including soaps, shampoo, tooth paste, tissues, cosmetics, perfumes, hairstyling and shaving products, etc.;

and

(b) either has two or more retail outlets owned or controlled⁴ by that person (including franchisers), regardless of size; or has a single retail outlet with a retail floor area⁵ of not less than 200 square metres.

8. The proposed definition will mean that small-scale, individual neighbourhood retail stores that offer a wide range of products for sale will not be covered in the scheme. We preliminarily estimate that some 70-100 retailers with about 2,000 outlets would fall within our proposed definition. We would continue our voluntary efforts to promote plastic shopping bag reduction at retailers not yet covered by the scheme.

9. Through the introduction of the environmental levy and with our continuing voluntary efforts, we consider that it will help change the public’s habit and lead to a longer-term and more sustained reduction in overall plastic shopping bag usage. After we have gained experience in running this scheme, we will review whether and how to expand the environmental levy to other retail outlets.

³ A “person” also includes a corporation or a partnership.

⁴ A person is controlling a retail outlet if he has the power to determine the types of products offered for sale at the outlet and their selling prices, and is either the landlord or tenant of the premise in which the outlet operates.

⁵ “Retail floor area” refers to all permanent built-up enclosed space available at the outlet, whether owned or leased, which are accessible by customers, including space for display of goods, passage ways and cashiers, but excluding storage space and offices for the use of staff only.

Bags subject to the Environmental Levy

10. We propose that the environmental levy will apply to plastic shopping bags as defined as bags that -

- (a) are made wholly or predominantly of plastic; and
- (b) have carrying handles, holes or strings.

The proposed criteria primarily target those plastic shopping bags commonly distributed at the cashier counters of “relevant retailers”. In accordance with the definition above, plastic bags with no carrying handles, holes or strings that are commonly offered at supermarkets for wrapping unpackaged fresh food would *not* be caught under the scheme as the usage of such bags is justified on the grounds of public hygiene. Sealed plastic bags applied before goods are offered for sale (e.g. boxes of tissues) and plastic bags sold as packaging materials (e.g. sandwich bags) or bin liners would also *not* be caught under the scheme as they are not plastic *shopping* bags distributed by “relevant retailers” for free. Since the proposed environmental levy aims to address the problem of indiscriminate use, reusable shopping bags (e.g. environmentally friendly bags made of plastic) sold for \$5.00 or more each would be exempted, as such reusable shopping bags already carry a price and would be used and re-used productively.

11. Some people have proposed exemption of degradable plastic shopping bags from the environmental levy. We do not support this proposal, as our key objective is to reduce the indiscriminate use of plastic shopping bags. The disposal of degradable plastic shopping bags has its own environmental impact, and imposes further pressure on our landfills. The best solution to our waste problem is, therefore, to bring our own reusable shopping bags at all time and avoid plastic shopping bags at source.

The Administration of the Scheme

12. The EPD will administer and enforce the whole scheme. “Relevant retailers” are required to register with EPD and to charge their customers the environmental levy in full. The amount of the environmental levy should be explicitly made known to the customers on receipts. EPD would carry out front-line enforcement to ensure the environmental levy is fully passed on to the customers. To allow for subsequent audits by EPD, “relevant retailers” must keep true and sufficient records on the amount of plastic shopping bags acquired and the amount of levy collected. “Relevant retailers” are also required to submit returns and transmit the levy collected to EPD on a quarterly basis. If “relevant retailers” fail to furnish a return timely or EPD has reasons to believe that the amount of levy payable on the

return is under-reported, EPD may estimate the amount of levy payable and serve an assessment notice to the retailer concerned. A statutory appeal board will be established to consider appeals against decisions made by EPD on, for example, the estimated amount of levy payable by “relevant retailers”.

IMPACT OF THE PROPOSAL

13. With the introduction of the environmental levy, we envisage the number of plastic shopping bags distributed from chain or large supermarkets, convenience stores and personal health and beauty stores will be reduced by close to 1 billion from the current figure of more than 1.8 billion. It is equivalent to some 50% reduction of plastic shopping bags at “relevant retailers”. The reduction in plastic shopping bags also represents a saving of raw materials, as well as the energy and transport costs involved in their production.

14. Based on the estimated 50% reduction in the use of plastic shopping bags in chain or large supermarkets, convenience stores and personal health and beauty stores and some 50% allowance for plastic bags for packaging fresh food, the environmental levy could generate up to \$200 million a year. The experience in Ireland suggests that the use of plastic shopping bags could experience significant drop initially (i.e. more than 90%), and as such, the environmental levy collected for the first few years could be significantly less than \$200 million per year.

COMMITMENT ON ENVIRONMENTAL PROTECTION

15. The Administration is committed to environmental protection, which requires close partnership with the community at large. With the introduction of the environmental levy, we pledge to further strengthen our efforts in this regard. In particular, we are committed to promoting environmental awareness in the community and solving our waste problem in the long term through the Environment and Conservation Fund, strengthened cooperation between District Councils and Home Affairs Department on district-based environmental activities and investment in waste management infrastructure.

PUBLIC CONSULTATION

16. A two-month public consultation on the proposal started on 28 May 2007 with a briefing at the Legislative Council (LegCo) Panel on Environmental Affairs. Going forward, we will consult District Council Chairmen and Vice Chairmen on 21 June 2007, while a public forum will be arranged in due course to gauge the views of the public. We will also

discuss the implementation details with the trade and other stakeholders. The views collected will form the basis for the drafting of the Product Eco-responsibility (PER) Bill and its subsidiary legislation.

WAY FORWARD

The Product Eco-responsibility Bill

17. As stated in the Policy Framework, we will provide for the legal basis of all the PRSs under one piece of primary legislation, namely the PER Bill, which will allow us the flexibility of introducing individual PRSs as and when appropriate. Taking into account the comments from LegCo Members, as well as the experience in local and overseas waste management legislation, we propose to set out the essential elements of individual PRSs in the main ordinance and to provide for the implementation and operational details in the subsidiary legislation.

18. On this basis, we propose that the tentative body of the PER Bill would set out the purpose of the legislation; the types of products and materials intended to be covered; the major regulatory measures of the PRS on plastic shopping bags such as the imposition of the environmental levy, the definitions of plastic shopping bags, the requirements of registration, return submissions and record-keeping; the enforcement powers of the Director of Environmental Protection and authorized officers; the penalties for different offences; and an appeal mechanism against the decisions of the Director of Environmental Protection or authorized officers. The Bill will also allow the Chief Executive in Council to provide for the definition of “relevant retailers” to which the levy will apply and the implementation and operational details of the PRS on plastic shopping bags, such as the time and methods of registration, the time and methods of submitting returns, the records to be kept, etc. through subsidiary legislation. In the future when we have firmed up the details of other PRSs, new parts will be added to the main ordinance through amendment bills to provide for the essential elements of these PRSs. Again, subsidiary legislation will be made for the implementation and operational details of the new PRSs.

ADVICE SOUGHT

19. Members are invited to comment on the proposal and the way forward.

Environmental Protection Department
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