

## **Extension of the Environmental Levy Scheme on Plastic Shopping Bags**

### **Submission by HKGCC**

*The Hong Kong General Chamber of Commerce's (HKGCC) responses to the five questions posed in the Consultation Paper on the captioned subject (Page 23-24) are as follows:*

#### **Q1 The Government proposes to extend the levy scheme on PSBs to cover all retailers. Do you agree with this direction?**

HKGCC welcomes the government's proposal to extend the levy on plastic shopping bags (PSBs) to cover all retailers. Since the implementation of the current phase of the levy scheme on 7 July 2009, it has been consistently the recommendation of the key bodies in the retail trade to the government that the levy should be extended to all retail outlets.

We believe that if the government's goal is to effectively reduce the amount of waste disposed in the landfills, the proposed extension of the scheme to all retailers is a necessary step. The facts speak for themselves: of the estimated 8 billion plastic bags in circulation, 90% are distributed from sources other than the chain stores currently being regulated. The universal application of the levy is a much-needed and necessary step to achieve the government's waste reduction objective.

The chamber has always found it unjustifiable for the existing levy to be applied to only 4 per cent of retailers, which are mainly supermarkets and chain stores. This is not only inadequate in meeting the declared environmental objective, but also creates an unlevel playing field in the retail market.

In the absence of convincing reasons for imposing the levy on only one particular segment of the retail market, it has given rise to an impression that the policy was either arbitrary, or the government seemed to have chosen expediency over principle. The move to make it a universal levy for all retailers will restore the level playing field, and therefore should be supported.

#### **Q2 Should you agree with the Government's proposal in extending the coverage of the Levy Scheme to all retailers, do you agree that all retailers, regardless of their business scale, should be covered?**

As stated in our response to Q1, HKGCC is supportive of extending the coverage of the levy scheme to all retailers, regardless of business size.

However, we are keenly aware that many SMEs will find the compliance cost unduly heavy if they are required to collect the levy, keep a record, and pass it to the government, as

mandated under the existing system. As rightly pointed out in the Consultation Paper, since Hong Kong does not have a VAT system such as that in Ireland, many retailers simply do not have the system in place to handle the levy as required in the existing phase. It would be a business friendly measure to relieve the requirement to pass the levy to the government, as in Mainland China and Taiwan.

**Q3 Should exemption be granted to PSBs that are directly and solely used for food hygiene purposes? Are there other circumstances where the use of PSBs is also justifiable on the grounds of food hygiene?**

We agree that PSBs used for food hygiene purpose should be exempted from the Levy, a practice adopted in some other jurisdictions. However, in order to avoid confusion, the government should work with stakeholders to come up with a clear definition of food hygiene purpose. We agree with our retail sector members that the use of PSBs solely for carrying food items of the following categories should be exempted:

- Fresh fish, meat, poultry, fruits, vegetables
- All frozen or chilled food items (including chilled drinks) and cooked food
- Dairy products
- Cooked food
- Bakery products
- Confectionary

Our members operating pharmacy stores hope to see that plastic bags used for containing loose pills dispensed at hospitals, clinics or pharmacies be exempted. We agree that this is reasonable and in line with the exemption for food hygiene purpose.

**Q4 Apart from those PSBs used on food hygiene grounds, should we also include flat-top bags (those without handles) into the definition of PSBs and be regulated?**

We hear from our retail trade members that since the vast majority of flat-top bags are used for carrying food items, it would avoid confusion if exemption continues to apply to all flat-top bags.

**Q5 Should we adopt the Government's proposed approach to reduce indiscriminate PSB use by introducing legislation on a mandatory charge by retailers where the charges collected need not be remitted to the Government as the practice already adopted in the Mainland and Taiwan?**

As mentioned in our response to Q2, HKGCC agrees that it would greatly reduce the compliance cost for retailers, especially the SMEs, if they are not required to remit the collected charges to the Government. This has been a long standing recommendation from HKGCC and the retail trade. There has been successful experience of such practice in Mainland China and Taiwan, and we are glad that the government is interested in considering this idea.

To avoid adding unnecessary administrative cost to retailers, the governments should also consider removing the requirement for retailers to issue receipts or keep records for the plastic bag charges. Many small shops do not have the practice of issuing receipts. We would like to emphasize that this proposed change should be applied to all the shops. It would offend the principle of fairness if the 4% retailers currently regulated by the levy scheme would not benefit from this business friendly policy.

\*\*\*\*\*

16 August 2011