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Plastic Bags: Do We Need More Government Intervention?

Earlier this year the minister for the environment Dr Nick Smith floated the idea of a levy on lightweight plastic bags under the Waste Minimisation Act.

Prime Minister John Key quickly ruled it out. However, we are likely to hear similar proposals to reduce the use of plastic bags and other “extended producer responsibility” measures in the future.

How should we evaluate such proposals? They offer a case study in how to conduct sound, evidence-based, public policy analysis.

The use of plastic retail carry bags raises legitimate issues of public concern. In particular, they can be a source of litter which takes years to decompose, and they may injure or kill wildlife, particularly marine life.

Government intervention could potentially be justified on ‘public good’ grounds because litterers cannot always be made to pay for the costs they impose on others.

However, the case for additional government intervention rests on whether the benefits of action to reduce plastic bag use exceed the costs. This is an empirical question.

The Australian Productivity Commission produced an extremely valuable 500-page report on waste management in 2006. It looked at the plastic bag issue in some depth.

On littering, the Commission reported Australian government research suggesting that only 0.8% of plastic bags become litter, that plastic bags account for 2% of all litter items by number, and that around 2% of annual expenditure on cleaning up litter is attributable to plastic bags.

On wildlife, the Commission found that plastic bag litter had the potential to injure wildlife but the impact was very uncertain and some claims of harm were greatly exaggerated.

Set alongside these costs are the obvious benefits of plastic bags to shoppers and retailers. As the Australian government research noted, “The current plastic shopping bag is well-suited to its task – it is cheap, lightweight, resource efficient, functional, moisture resistant, allows for quick packing at the supermarket and is remarkably strong for its weight.”

Health considerations also provide a strong case for using disposable plastic bags to package meat and other food.

The Productivity Commission drew on a study by the Allen Consulting Group which estimated the balance of costs and benefits of 11 policy options to reduce plastic bag use. This is the approach required under New Zealand’s regulatory impact analysis regime.

The options ranged from the imposition of a government levy to an outright ban. The conclusions were striking: in all cases, and even on very conservative assumptions, actions would impose heavy net costs – up to \$1 billion annually – on the community.

Similar considerations apply in New Zealand. Plastic bags represent less than 0.2% of all waste to landfill and a very small percentage of all litter.

Many plastic shopping bags – around two thirds of supermarket carry bags, according to one survey – are reused as waste bin liners, rubbish bags, dog poo bags, lunch bags or general carry bags.

Moreover, alternatives to plastic bags have significant drawbacks. Paper bags are unsuitable for many uses, and use on the scale required would have other environmental consequences.

So-called reusable ‘green bags’ have some advantages but the carbon impact of their manufacture in China is higher than that of lightweight plastic bags, there is currently no recycling stream for them in New Zealand

or Australia, and a recent Canadian study found that they pose public health risks due to unsafe levels of bacterial contamination.

Another important issue is cost: wealthier middle class shoppers may be willing to pay more for alternatives; levies on plastic bags hit low-income families hardest.

All this indicates that voluntary approaches by manufacturers and retailers such as those initiated under the 2004 Packaging Accord in New Zealand make more sense than new regulation.

They have resulted in 100 million bags being taken out of circulation in the last four years.

The Warehouse has introduced a 10c charge on its plastic bags and Foodstuffs has announced it will apply a 5c charge from August. At present, of course, bags are not 'free' – they are a cost built into supermarket prices. The charge is therefore in the nature of a tax. The 'tax revenue' is to be applied to charitable causes, but some customers might prefer to pay less and support causes of their own choice.

If arguments for government intervention on plastic bags arise again, the analysis undertaken by the Productivity Commission should be seen as a model. It concluded that the most cost-effective government action would be to target littering directly through education and better enforcement of litter laws.

The same kind of rigorous regulatory analysis needs to be applied generally; 'feelgood' responses can be very harmful. Upcoming cases in point include climate change policies and liquor regulation.

If the economic, environmental and social benefits of regulatory action do not exceed the costs, the result is that the community as a whole is poorer.

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