



## **Environment and Rural Development Committee Consideration of the Environmental Levy on Plastic Bags (Scotland) Bill**

### **Response from the Federation of Small Businesses in Scotland**

#### **1. Introduction**

- 1.1 The Federation of Small Businesses is Scotland's largest direct member business organisation and campaigns for a social, economic and political environment in which small businesses can grow and prosper. Representing a large number of retailers across Scotland, the Federation welcomes this opportunity to comment on the Environmental Levy on Plastic Bags Bill.
- 1.2 As part of our consideration of the issues contained in the Bill, the FSB commissioned a small survey of members. The FSB represents over 18,000 members in Scotland with 17% of this number categorised as retailers. Our research consisted of a telephone interview with 100 small businesses involved in retailing. Overall only a small majority (47%) were against the introduction of a levy as proposed in the Bill but a number of useful comments, including concerns about the practicalities for businesses were raised and we will refer to these comments in our submission.
- 1.3 The Committee's call for evidence seeks general comments on the Bill, as well as asking some broad questions. We felt it would be appropriate to organise our comments under three main headings: the general principles of the bill; collection and enforcement and the implications for businesses.

#### **2. Principles of the Bill**

- 2.1 We note that this Bill has three aims. Firstly, it aims to reduce the number of plastic bags and thereby protecting the environment; secondly, it will help local authorities reach landfill targets; and thirdly, it aims to raise awareness of environmental issues such as litter.
- 2.2 A number of pieces of research have been cited in discussions about the impact of plastic carrier bags on litter, the aesthetic environment, landfill targets and wildlife. The Committee will also be aware of the Extended Impact Assessment prepared for the Scottish Executive by AEAT.
- 2.3 On the basis of the evidence available we do not believe that the Bill would meet its stated aim of 'protecting the environment' as the Lifecycle Analysis commissioned by the Executive<sup>1</sup> shows that the Bill would actually increase the weight of waste sent to landfill each year as consumers switch to paper bags. Not only would the Bill create more landfill, it would result in more pollution and greenhouse gas emissions as a consequence of greater manufacture of paper bags and the increasing quantities of these breaking down in landfill sites. The increased expenditure of retailers on paper bags would also negate the

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<sup>1</sup> Proposed Plastic Bag Levy - Extended Impact Assessment Final Report Volume 1. AEAT (2005) Study commissioned by The Scottish Executive

potential benefit of any savings made as a result of a reduction in expenditure on plastic bags, as paper bags can be anywhere between six and twenty-seven times more expensive than plastic ones.

- 2.4 Reducing waste going to landfill is undoubtedly a huge problem for Scotland. Commercial waste already accounts for approximately 20% of all waste sent to landfill by our councils – tackling this problem and focusing attention on the provision of effective, affordable alternative waste disposal options for businesses would be far more productive in helping Scotland face its landfill problems. Lastly, we must tackle the third aim of raising awareness.
- 2.5 The Policy Memorandum accompanying the Bill comments on the effectiveness of taxes aimed at raising awareness of environmental impacts, both the Climate Change Levy and the Landfill Tax are cited. The FSB's biennial membership survey, *Lifting the Barriers to Growth*, has shown that the Climate Change Levy has barely affected business behaviour in relation to energy efficiency. It is likely that the PlasTax is not the only measure introduced by the Republic of Ireland to encourage a more resource efficient approach by the public. We understand that domestic waste disposal is now charged according to weight – this would certainly encourage people to think carefully about what they throw away.
- 2.6 Whilst the likely reduction in plastic carrier bags which would result from the implementation of this Bill sounds attractive, in reality there would be little environmental benefit and this may prove a distraction from some of the more fundamental environmental problems Scotland faces. The report commissioned by AEAT confirms that if the Bill – as introduced – would reduce the amount of plastic bags going to landfill but would actually have a series of other negative environmental impacts as a result of the increase in use of paper bags. Given that the at best limited environmental benefits would be at the expense of significant implications for certain business sectors (including job losses) and widespread disruption for many other sectors (particularly small businesses) we cannot support the general principles of this Bill.

### **3. Collection and Enforcement**

- 3.1 The Bill sets out provisions enabling local authorities to collect the levy, not less than monthly and enables them to retain a reasonable sum to cover administrative costs. It also signals that there should be a designated authorised officer with powers of entry and powers to inspect relevant records. Beyond that, much of the detail is left to the discretion of local authorities with certain powers given to Scottish Ministers to make further provision in relation to authorised officers, levy collection and record keeping.
- 3.2 We are concerned about the possibility of inconsistency in collection methods across Scotland and would prefer, in the interests of making the levy easier to implement, that the same collection schedule apply across Scotland. Various possibilities have been raised, from an annual, retrospectively-based payment, to fixed monthly estimates with an end-of-year rebate. When asked how regularly they felt the levy should be collected, the majority of FSB members supported monthly collection. There was little support for an annual collection.

- 3.3 The actual payment method of the levy has yet to be decided. In Ireland we understand that the PlasTax takes the form of a monthly direct debit. The possibility of tying levy collection in with business rates payment has been raised but we have not yet examined this proposal in any detail. There are obvious concerns about the cost efficiency of 32 local authorities all processing returns and collecting payment – many local authorities will surely have little money left over, after administration costs, to benefit environmental projects. The most efficient method of collection would be for central collection by Customs and Revenue and it remains to be seen whether any formal request to facilitate this is constitutionally possible.
- 3.4 When asked about completing returns on the number of bags distributed the majority of respondents to our survey indicated a preference for a simple paper form, though it would probably be preferable that a variety of methods for submitting returns were available. In terms of registration, it would make sense to have some form of centrally-held online register. This would take some time to develop but would probably be a very useful development, particularly for any future analysis.
- 3.5 There is little reference to an enforcement policy which is in-keeping with recommendations from the Hampton Report and the Enforcement Concordat. Since it is likely that enforcement will fall within the remit of Trading Standards officers, it is likely that they will already be aware of these documents. However, should this Bill be implemented we would like to ensure an enforcement policy (which is proportionate to risk) is drawn up and issued as guidance to all local authorities. We would also like assurances that a Scottish Executive funded awareness campaign, which includes direct guidance for businesses, is agreed. One factor overlooked in the Bill is whether or not the levy will be subject to VAT, and if so, at what rate. This will obviously impinge on the end cost to the user if the levy itself is set at 10p.

#### **4. Implications for Business**

- 4.1 The Bill will affect businesses in two different ways. First there are the obvious effects for businesses involved in the manufacture and distribution of plastic carrier bags should there be a downturn in the number of plastic bags required by retailers. Evidence from the Carrier Bag Consortium suggests that hundreds of jobs in Scotland may be lost and that opportunities for diversification are limited.
- 4.2 We have been contacted by an FSB member company (packaging design and supply company) which is particularly concerned about the effect of this Bill. They suggested to us that analysis work carried out with clients on the implications of a plastic bag levy indicated a downturn in business which would lead to a staff reduction.
- 4.3 We would like to see a more detailed analysis of plastic bag design and distribution businesses in Scotland included in the Regulatory Impact Assessment being prepared by the Scottish Executive, as it seems likely that while relatively few businesses are involved, the implications for these businesses could be severe.
- 4.4 The second way this Bill will affect businesses is the practical implications for businesses which will be subject to the levy.

- 4.5 Our survey of retail members (mainly clothing, grocers and general stores) indicated that 93% of respondents are currently handing out free plastic bags as part of their business. The average turnover of respondents' businesses was between £200,000 and £400,000 and they hand out, on average, between 1,000 and 4,000 free bags per month. The cost of the plastic bags used varies but the average spend on plastic bags is up to £100 per month. It should be noted that a number of businesses were unable to say how many bags they used in a month and how much they currently spend on plastic bags.
- 4.6 Our survey reflects the anxiety expressed by many small retail businesses over the introduction of a plastic bag "tax". There are particular concerns regarding the practical recording of data (to enable returns to be completed). Despite assertions in the Bill that bureaucracy has been kept to a minimum, the requirements of the Bill will still result in a significant degree of "set up" time for businesses.
- 4.7 The main time and cost implications for businesses result from the following steps required by the Bill:
- registration process with local authorities in which bags are handed out
  - stock take of plastic bags
  - adjustment of tills to record levy charge on receipts
  - subsequent changes to accounting records
  - advising/training staff on introduction of levy
  - advertisement of levy to customers
  - ongoing recording of each charge (whether electronically or manually)
  - completing return (possibly monthly) to the local authority, including stock take of plastic bags held at the end of the month or reference to electronic till records
  - financial transaction of levy payment to local authority
  - storage of receipts and plastic bag purchase documents for 5 years
- 4.8 Most concerns relate to adjusting tills and the implications for internal accounting, regarding the application (or not) of VAT and the classification of the sale. Adjusting tills to record the levy on receipts is not necessarily regarded as particularly difficult but evidence from Ireland suggests that this will amount in a cost to some businesses. Our survey suggests that the implications of recording this data depend on the nature of the technology used in the business with those using computerised systems relatively unconcerned about recording data on bags used while those who operate older tills or non-computerised systems (for stock control) are more concerned about how they will cope.
- 4.9 Some businesses have also mentioned to us the importance of determining how the levy will be classified. If the levy is not subject to VAT is it to be classified as a VAT exempt sale? We understand that it has yet to be determined whether or not the levy would be subject to VAT and would welcome a decision on this matter.
- 4.10 If the levy is introduced evidence suggests that many businesses will switch from plastic to paper bags. Our survey indicates that 35% of respondents would change to paper bags. The AEAT report demonstrates the sizeable price difference between paper and plastic bags (£6-8 per 1000 plastic bags, £220 per 1000 paper bags). Many businesses feel that they have no choice but to package their goods in some form of bag and if they wish to avoid paying the levy their only alternative is paper bags which would

represent a clear cost increase to them in addition to implications for storage of paper bags.

- 4.11 We have also received representations from small businesses regarding the impact of a plastic bag levy on unplanned purchases. Many felt that tourists or visitors would be less likely to purchase goods, while others felt that convenience stores benefit from additional items being bought once the shopper is in the store (where he/she originally only intended to buy a pint of milk) and that this trade would be affected if the customer felt they would have to pay for a plastic bag to carry home unplanned purchases.
- 4.12 Many of these concerns would be neutralised if there was an exemption for businesses with less than ten employees, and this would still mean that the supermarkets, which sell around 80 per cent of all food consumed in the UK, would be covered by the Bill. Also, shopping trips to these large retailers are typically planned and made by car which means that it is far more practical for shoppers to take their purchases home in boxes or re-useable bags. Similarly, it may be worth considering an exemption for plastic bags which are being re-used as this would not encourage an increase in the number of plastic bags in circulation and would provide some small businesses with the alternative option of using previously-used bags. Whilst this would not be appropriate for every business, there are cases where this might be a useful option.

## **5. Conclusion**

- 5.1 The FSB does not doubt that Scotland faces a number of significant environmental challenges. We are clear that businesses, the public and governments have responsibilities to tackle these problems. In particular the Environmental Levy on Plastic Bags Bill seeks to address the “throwaway” society culture.
- 5.2 Despite the seemingly attractive result of a reduction in the number of plastic carrier bags in circulation in Scotland, the evidence available simply does not suggest that this Bill, as introduced, would result in any real environmental benefit, nor does it seem likely in our opinion that the stated aims would be achieved by this Bill.
- 5.3 The Extended Impact Assessment prepared by AEAT demonstrates that non-food, small retailers would suffer most negatively from the introduction of this Bill, whereas larger food retailers would benefit. Since it seems logical that the latter group are responsible for distributing the majority of plastic carrier bags (up to 80%) this would seem to represent a rough deal for the smaller, non-food retailers who are already struggling in a difficult trading environment.
- 5.4 Taking these points into consideration we must conclude that despite the superficial attractiveness of this Bill, it would in fact be a poor piece of legislation, disproportionately affecting those who are least at fault, limited in its ability to achieve environmental benefits and potentially resulting in significant Scottish job losses.