



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Pwyllgor Defddfwriaeth Rhif 4
Legislation Committee No. 4**

**Dydd Iau, 25 Mawrth 2010
Thursday, 25 March 2010**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru (yn dirprwyo ar ran Kirsty Williams) Welsh Liberal Democrats (substituting for Kirsty Williams)
Christine Champan	Llafur Labour
Brian Gibbons	Llafur Labour
Bethan Jenkins	Plaid Cymru The Party of Wales
Jonathan Morgan	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Randerson	Democratiaid Rhyddfrydol Cymru (Cadeirydd y Pwyllgor) Welsh Liberal Democrats (Committee Chair)

Eraill yn bresennol
Others in attendance

Marc Donovan	Rheolwr Fferylliaeth Rhanbarthol (Gorllewin), Boots Divisional Pharmacy Manager (West), Boots
Bob Gordon	Cynghorydd Polisi Amgylcheddol, Consortiwm Manwerthu Prydain Environment Policy Adviser, British Retail Consortium
Simon Morys	Cyfarwyddwr Materion y Llywodraeth, Tesco Government Affairs Director, Tesco
David Rosser	Cyfarwyddwr, CBI Cymru Director, CBI Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Sarah Beasley	Clerc Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Nia Seaton	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Sarah Sargent	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 1.00 p.m.
The meeting began at 1.00 p.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Jenny Randerson:** Good afternoon. I welcome everyone to this meeting of Legislation Committee No. 4. I have received an apology from Kirsty Williams, and Peter Black is substituting for her. I will make the usual introductory remarks. If the fire alarm sounds, Members should leave the room by the marked exits and follow instructions from the ushers and staff. All mobile phones, pagers and BlackBerrys should be switched off, as they

interfere with the broadcasting equipment. The National Assembly for Wales operates through the media of the Welsh and English languages, and headphones are provided through which instantaneous translation can be received. That is on channel 1, and amplification of the sound is on channel 0.

1.01 p.m.

**Mesur Arfaethedig Ynghylch Gwastraff (Cymru)—Cyfnod 1:
Sesiwn Dystiolaeth 2
Proposed Waste (Wales) Measure—Stage 1: Evidence Session 2**

[2] **Jenny Randerson:** I am pleased to welcome Marc Donavan, who is the pharmacy manager with responsibility for Wales for Boots, Simon Morys, the government affairs director for Tesco, and Bob Gordon, who is the environment policy adviser for the British Retail Consortium. I am pleased that you were able to accept our invitation, and thank you for your written evidence. Members will now proceed to questions. They will be based on the scope of the proposed Measure and your written evidence. I will start by asking all three of you a general question. Can you outline briefly, for the record, your position on the proposed Measure? Shall we start with Marc?

[3] **Mr Donavan:** Okay. Good afternoon, everyone, and thank you for this opportunity to give evidence. Boots thinks that it is unnecessary to impose a compulsory charge for single-use carrier bags. As usage is decreasing, through consumer awareness and what we and other retailers are doing, we believe that the main effect of the proposal will be to create an additional administrative burden on retailers. The charge would be an unnecessary stick wielded at the high street and shoppers. The requirement in the proposed Measure for the compulsory direction of proceeds adds to the mood of punishment that this policy is in danger of creating, rather than creating a mood of encouragement. We want the destination of any proceeds to be the work in Wales of our charity partnerships, rather than the proceeds being directed by the Assembly Government.

[4] **Mr Morys:** Thank you for the opportunity to give evidence today. Tesco shares the environmental objectives of the Assembly. We do not like the levy either, but I do not want to dwell on that today. We like the voluntary approach that has been outlined by the Minister. We have made great progress with carrier bags; we have reduced the number of carrier bags that our customers use by 55 per cent across the UK, and we have introduced many technical changes to the carrier bags themselves, so that they have far less virgin plastic in them and are now oxo-degradable, which means that, if they are littering the countryside, they degrade to virtually nothing within nine months, and, if they are placed in landfill, they degrade within two or three years. We are happy for any money raised by the levy to be donated to environmental causes in Wales.

[5] **Mr Gordon:** Thank you for the opportunity to speak. I echo some of the opening comments of Marc and Simon. There are some interesting questions at the top level about whether this is the right approach. BRC shares the ambitions of the Welsh Assembly Government with regard to reducing our reliance on landfill and reducing the impact of carrier bags, but we share the opinions of the retailers present, and other retailers, that these are not necessarily the appropriate means to achieve those reductions. We favour the voluntary approach, and the evidence that we have is that a voluntary agreement between the major grocery retailers and each of the national UK Governments has effectively halved the number of carrier bags issued between May 2006 and May 2009. That has been achieved on a voluntary basis. That is the best way to take customers with us, by rewarding positive behaviour rather than taking a more punitive approach.

[6] On the proposed Measure and how the money raised should be directed, again, we

favour a voluntary approach.

[7] **Jenny Randerson:** I turn now to Jonathan Morgan, who will ask a number of questions.

[8] **Jonathan Morgan:** To what extent will the policy divergence between England and Wales on single-use carrier bags affect British retailers? We will start with Bob.

[9] **Mr Gordon:** It looks like there will be policy divergence, which will require retailers operating in both countries to install different systems, depending on their current system. The system that they will need to implement in Wales will obviously depend on how much of an impact this will have, but it will mean new IT systems, possibly new bags and new contracts, training staff in store and measurement tools to fulfil reporting requirements. So, we will see how it is all written; it will affect retailers in different ways, but there will be an impact on those operational costs.

[10] **Mr Morys:** We will have to set up a separate supply chain for bags for Wales. There will be technical difficulties relating to what we do with unmanned checkouts and how we operate the bags there and what we do with dot.com deliveries. For example, if you order your shopping from Tesco, you can already elect not to have carrier bags and many people do that. We need to think about it, particularly where there are cross-border issues. For example, does the rule apply where the shopping is ordered or where it is delivered to and so on? These are all technical issues, but they are all soluble. I do not want to give the impression that they are insurmountable issues. We are a big and sophisticated organisation and we can sort them out.

[11] **Mr Donovan:** Similarly, the differences between England and Wales are not a problem. Devolution has given us many advantages, but there will be costs associated with these differences and time will be needed to implement the differences. So, it is not a problem, but we need to be mindful of costs and the time for implementation.

[12] **Jonathan Morgan:** The regulations to introduce the charge on single-use carrier bags under the Climate Change Act 2008 have not been published yet. This proposed Measure obviously has. Do you have any concerns about the timing of the one before the other?

[13] **Mr Gordon:** On implementation, no. As we understand it, the Minister favours a voluntary approach on the distribution of the funds, so we hope that the proposed Measure will be introduced as a reserve Measure. It could not be implemented before the regulations, but we expect that the voluntary route will be given a good run and will be reviewed; a decision will then be made on whether or not it needs to come into force.

[14] **Mr Donovan:** We would want to see the regulations of the Climate Change Act. This is sort of the cart coming before the horse with regard to this proposed Measure, in that we do not know what the regulations will say and we certainly do not know what the trigger will be for this proposed Measure; that may well be in the regulations that are planned to be introduced later this year. So, we would suggest that you consider holding the proposed Measure back until the regulations from the Climate Change Act on single-use carrier bags are introduced, so that we can fully understand what this proposed Measure would mean for us as a business.

[15] **Jonathan Morgan:** To what extent has the Assembly Government consulted with you on the voluntary agreement on the distribution of funds raised from the sale of single-use carrier bags and also around the provision of this particular proposed Measure?

[16] **Mr Gordon:** We were consulted during the original consultation on carrier bags,

which included a proposal for a third-party body, in 2009. We responded, and that proposal was revised in the light of our responses. Our wider concern is that the consultation on whether or not a charge should be introduced has not been so effectively done. The original consultation in 2009 asked how we should introduce a charge rather than whether introducing a charge was the most effective way to reduce the number of carrier bags issued in Wales. We think that there should have been, and perhaps there is still scope for, that wider question to be asked at a top level.

1.10 p.m.

[17] **Mr Morys:** We are happy with the degree of consultation that we have had with the Assembly Government.

[18] **Mr Donovan:** We would agree with the British Retail Consortium. We were not specifically asked for our opinion before the consultation on the introduction of the proposed levy, but we have been involved in a number of consultations regarding legislation development in Wales. It was a shame that that was not the case in this process. Perhaps the absence of a closer working relationship with retailers, such as the Wales retail forum and so on, which has not been established yet, meant that the process did not lend itself to our being able to get involved at the beginning. Building on what Bob has said, we could have talked about some of the efforts that we have made on a voluntary basis before discussing a levy on single-use carrier bags.

[19] **Brian Gibbons:** Marc, did you say that the retail forum has not been established, or communication has not been established with the forum?

[20] **Mr Donovan:** We are not aware that the retail forum has been established yet. However, we are aware that aerospace has a forum where ideas can be bounced around quite freely. A retail forum for Wales might be a good thing to establish so that such issues can be discussed to identify a nice way forward before moving on to the consultation process.

[21] **Brian Gibbons:** There must be a strong case for that, because if we are making legislation in Wales, it is important that we can engage with key stakeholders. If these stakeholders are not organised to articulate their point of view, then legislation may be deficient. Indeed, that was a point made by the Confederation of British Industry in its submission—I am not sure whether you have looked at it. If stakeholders are not up and running and in a position to engage with the legislative process, then there is a risk that the legislative process will be deficient.

[22] **Jonathan Morgan:** In relation to the voluntary agreement and the way in which money is distributed to other organisations after a charge has been applied for carrier bags, how do you ensure transparency and openness, and how important is that within the current framework? I would also like to know how important it may be in any future regulations that may come out of a Measure should it go beyond being a reserve Measure. What organisations—if you are able to tell us; obviously, I do not want to intrude if you cannot—have benefited as a result of the money that has been raised so far?

[23] **Mr Donovan:** Do you mean money raised through charges for carrier bags?

[24] **Jonathan Morgan:** Yes.

[25] **Mr Donovan:** Boots specifically has a bag, which we call a ‘gorgeous bag’, for which we have entered into a charity partnership with Breast Cancer Care and the Eve Appeal, which receive all of the profits made from selling that. Consumers like it and respond to our efforts in this area, and they purchase it for that reason. We publish the amount of

money that we raise through that as part of our corporate social responsibility report. It is also monitored by the charity and internally so that we can give it to those charities.

[26] In 2010, we have a great opportunity to partner with Macmillan Cancer Support as a corporate charity. So, we see a synergistic relationship between Boots and Macmillan Cancer Support, and we want to make a difference in people's lives, not just raise funds. Our Boots pharmacists will be able to have an impact on the lives of cancer patients as well as their carers.

[27] Our customers tell us that they want that. We want to give the money raised through this levy to our charity partnerships rather than direct it to an environmental cause, or elsewhere. We feel that it is important that we continue those partnerships and build on them so that consumers and visitors to our stores understand where we are coming from with the partnerships that we have with these charities.

[28] **Mr Morys:** Corporate responsibility is not an add-on; it is an integral part of our business. We measure our success as an organisation and our individual success within that organisation with a steering wheel, and community is one part of that steering wheel. Like many other businesses, we publish an annual corporate responsibility report, which shows, across the piece, how we are doing things. That is important to how we communicate with our customers, because we aim to gain lifetime loyalty from our customers. We raise large sums for charity; according to the most recent published figures, for 2008, we raised £57 million in the UK, and, of course, we are a worldwide business now—we have more floor space outside the UK than in it. So, we would see any money raised through us by a levy being published as part of our corporate responsibility plan.

[29] We are at the very start of deciding how we would choose causes in Wales. I had a conversation with our corporate responsibility director the other day, and her first idea was for us to leave it up to local stores, or perhaps groups of stores in an area, to talk to their customers, to ask them what, in that area, they would like to do to help the environment. In that way, I think that we would get better buy-in. If the levy is coming, we want to work with and engage with our customers, to ask them what they are interested in and how we can work with them.

[30] **Brian Gibbons:** That has a lot to commend it. A few years ago, we took evidence about corporate giving, and it showed that, when that is driven by headquarters, which is usually inside the M25 or somewhere like that, Wales features very poorly. The approach that you enunciated has a lot to commend it, as it would give other organisations, the more peripheral ones, a better chance to get in on the benefit.

[31] **Mr Morys:** I think that doing it in that way would give smaller organisations an opportunity to benefit. If we were to do it on an all-Wales basis, we would be more likely to pick a bigger organisation, which is not necessarily what our customers would like.

[32] **Jenny Randerson:** Bob, did you want to add anything?

[33] **Mr Gordon:** Yes. To answer the question of how this will be achieved, the regulations, as proposed, intend to require retailers to report what they have done with the net proceeds of any money that they have raised. That would be effective, certainly in the presence of the eventual Measure, so that if retailers did not report or act in the spirit of the agreement, something more difficult or burdensome would be coming down the line. It is my personal belief that the majority of retailers will give the money raised to the intended causes, because they will have to report back.

[34] We want to end up in a situation in which consumers feel that the money that they

give as part of the levy is going to the right place, and one in which the retailers feel that they have the autonomy to say where it is going, so that that relationship can be built. As you have heard from the two retailers here, they would use it as an opportunity to build the relationship with their customer base. That would be a much different process for a local retailer, say someone operating one store. They would maybe want to give to a local cause, such as a school or something else that would fit in with their customer base. Allowing the flexibility of a voluntary approach will be effective, and it will enable the retailers to build that relationship with their customers.

[35] **Jonathan Morgan:** I was going to ask you your opinion of the detail of the proposed Measure, which, in effect, says that, if the voluntary agreement were to break down, the Government would direct the use of those funds towards environmental projects, and that would certainly be limited to the legislative matter that affects this particular proposed Measure. However, I get a feeling for where you are coming from, so I do not need to pursue that point.

[36] When we took evidence from the Minister, it came across as the carrot and the stick—from my point of view, there seemed to be a bit more stick than carrot. I think that Brian Gibbons used a similar term when we were quizzing the Minister. Can you see where the Government is coming from in saying that, while it wants a voluntary agreement to continue for as long as possible, in the event of it breaking down, something else has to be in place?

[37] **Mr Gordon:** Of course. I would like to see something that says, if retailers do co-operate on a voluntary basis, they should be allowed to continue to co-operate on that basis. If retailers do not, the Measure could kick in then. If you have 90 per cent of retailers co-operating, with 10 per cent not co-operating, do you then penalise all retailers, even those that have been responsible and done exactly as you have asked under a voluntary agreement? There has to be a way of keeping this light touch for retailers. The intention of this levy is to reduce the number of single-use carrier bags in Wales. It is not to generate funds and then create a cumbersome system whereby those funds have to be given to certain charities. That has to stay at the core of what we are trying to achieve.

1.20 p.m.

[38] **Brian Gibbons:** Just to follow that up, all of the submissions make the point that you have some misgivings about support being directed towards certain organisations. However, if you look at the proposed Measure, it is not so.

[39] As you said, if the voluntary approach fails—and that is a big ‘if’—there would be nobody else to blame except yourselves, because the ball is in your court as to whether that happens. If the voluntary approach does fail, the support is not to be directed towards organisations; it is for specific purposes. Are you more content with that?

[40] **Mr Donovan:** Yes, we are more content with that. We do not have much clarity about what the trigger would be—the proposed Measure contains no explanation of what would trigger the use of the regulatory powers in Sections 1 and 2 of the proposed Measure. Until we have the regulations and an understanding of those, we would need to consider that carefully. We would rather stay with the voluntary approach and give the money to LATCH, the Welsh Children’s Cancer charity that we support in Wales, or Macmillan or whatever charity we choose. We would rather do that. However, if the approach breaks down, the way that it is judged to have broken down is all very unclear. We have not discussed what we would do if that happened.

[41] **Brian Gibbons:** I think that that is fair. We have to see the regulations to get clarity. I

think that Boots, in its submission, stated that the experience from the introduction of the levy on single-use carrier bags in the Republic of Ireland could have unintended consequences, and almost suggested that its experience was that the carbon footprint has now increased in the Republic of Ireland. I searched the internet to see whether there was any evidence of that and I did not come across any. The evidence that I found indicated that the levy worked, big time, and that many other countries and cities, including the United States, are taking the same line and introducing the levy. In your paper, you said that your experience was to the contrary. Could expand on that?

[42] **Mr Donovan:** Yes, of course. We trade in the Republic of Ireland, where this tax on single-use plastic carrier bags has been introduced. There has been an 80 per cent reduction in the use of single-use plastic carrier bags in the Republic of Ireland. As a retailer, Boots and many other retailers in the Republic of Ireland have turned to paper. We supply our consumers with paper carrier bags rather than plastic carrier bags. However, that is not measured or included in the data on the success of the tax on single-use plastic bags over there.

[43] Its success has been a reduction in the use of single-use plastic bags rather than a reduction in the use of plastic. There is some evidence to show that nearly as much, if not more, virgin plastic goes into the Republic of Ireland now than before the tax was imposed. What we want to see, through the regulations in this proposed Measure, is a change in the behaviour of consumers. That is what we are heading towards and it is picking up pace. We have not seen a change in the behaviour of consumers in the Republic of Ireland through the tax that has been introduced there.

[44] **Brian Gibbons:** Would you be able to document that? Tesco also trades in the Republic of Ireland. My own impression is that that is not true. I would agree with what you said at the beginning, namely that a lot of paper bags were used and people did not realise that heavy duty paper was so carbon intensive. However, during the last three or four years, people are either using the long-life plastic bags or the cotton bags. Do you have any documented evidence, other than an impression?

[45] **Mr Donovan:** We could certainly go back to our team and submit documented evidence to the committee regarding our insights on trading in the Republic of Ireland, if you wish.

[46] **Brian Gibbons:** I do not know how easy it would be for Tesco to do the same.

[47] **Mr Morys:** The problem with the Irish example is that I have not seen a proper evaluation of it. If the test is whether it has reduced the number of carrier bags sold, then the answer is straightforward. However, we look at carrier bags as part of the wider environmental picture, and we are trying to change the behaviour of consumers. In terms of the environment, we need to change people's buying patterns. We do that with green Clubcard points, home insulation, energy-efficient light bulbs, and by giving people Clubcard points for recycling and so on. We are trying to win hearts and minds. If you are going to do a proper evaluation, just looking at the number of carrier bags sold is not enough. There is a lesson for us here because we could be back in this room in two years' time, asking how well it went, and we could be having the same argument that it may have reduced the number of carrier bags sold, but that someone needs to look at how many bin liners have been sold and whether their use has exploded, and whether people may be using long-life bags, but not using them long enough for it to be of benefit to the environment. There needs to be a sophisticated approach to evaluation, and we are not quite sure about it yet—I guess that we have not asked the question yet. We would like to work with the Assembly Government and use our resource to co-operate. In a way, this measure can be a pilot for others because if it works, others may follow.

[48] **Brian Gibbons:** There can be unintended, counter-intuitive consequences to any policy, and that is why I was interested in asking about that. I have seen no evidence to confirm what you are saying, but that is why—

[49] **Jenny Randerson:** Before I bring Bob in, Bethan would like to ask something.

[50] **Bethan Jenkins:** I wanted to ask a question on the paper bags, just to clarify a point. Are you, as retailers, actively introducing paper bags as a way of deviating from plastic bags, or are you also trying to look at other options, such as the long-life plastic bags that have been mentioned? Are they being used as a loophole for retailers that would prefer to use plastic bags, but are seeing this as an alternative?

[51] **Mr Donovan:** No, we are not using that as a loophole. We recognise that consumers want something to carry their goods away in. That includes providing paper bags, as a lot of retailers in Ireland have done. Paper bags are heavier and bulkier and it takes a lot to transport and manufacture them and so on. We have noticed over a 1,000 per cent increase in nappy sack sales within our organisation in the Republic of Ireland. Consumers go to different areas to meet their need for plastic. We are committed to reducing the use of plastic carrier bags and paper bags in the Republic of Ireland and the UK. We are not using it as a loophole, but we are trying to articulate our experience of and our insights into the issues in the Republic of Ireland after the levy.

[52] **Mr Morys:** We are the same. We are certainly not going to introduce paper bags, because we think that they are worse for the environment. We have been trying to improve our own single-use carrier bags. So, in comparison with 2006, our plastic carrier bags are 20 per cent lighter than they were, 20 per cent of the material in our plastic carrier bags is now chalk, and 30 per cent of the material is recycled plastic. Plus, we have an additive that makes them degrade quicker.

[53] **Jenny Randerson:** I am very conscious of the fact that Bob has been sitting there quietly for some time, so I am sure that he has something to contribute now.

[54] **Mr Gordon:** I had almost forgotten what I wanted to say. I want to return to the issue of Ireland as it raises one of the central questions for me. I will try to communicate it, but it is quite difficult for me to do so because I think that it is quite a complex idea. Within Ireland, they have had to ramp up the charge because they got a massive reduction to start with and then the reduction came down, so they have had to increase the charge. The stick has got bigger and bigger as it has gone on. I just want to quote some words that you used: 'It worked big time'. I think that we need to ask ourselves what we mean by 'worked'. What did it achieve? What are you hoping to achieve with this levy? Are you hoping to achieve a reduction in the use of single-use carrier bags or are you hoping to introduce this as part of a wider perspective on how to change the behaviour of the people of Wales on environmental issues?

1.30 p.m.

[55] By making the stick bigger to keep this reduction in the use of carrier bags, are you turning people off the environmental agenda? Is this an effective tool to work with the people of Wales to get them to understand why their behaviour is bad and to get them to think about their wider behaviour? Their driving, the way in which they manage their food waste and their recycling behaviour have a far greater impact. There are some big issues here that Wales are rightly doing a lot of good work on, but this carrier bag levy is a big stick. I am not sure, in the range of measures and the wider behaviour change that we are trying to achieve, that it is appropriate. So, did it work? Yes, it achieved a reduction in the number of plastic bags

used, but did it change the hearts and minds of the people of Ireland? I do not know. They have kept ramping up the charge. I hope that I have conveyed that idea. I am not necessarily suggesting one thing or the other; I am asking what you mean by ‘worked’, and whether you will achieve that.

[56] **Christine Chapman:** Mr Donovan mentioned that, in Ireland, there was an increase in buying nappy sacks. Did Tesco see an equivalent increase? Has there been an evaluation of the use of bin liners or other things that people may have used?

[57] **Mr Morys:** No, we did not do that. We should have done it in the beginning. If the Irish Government had asked us to help it to measure the impact, we would have done it, but we did not do it at the time. If we went back to do it now, I am not sure that it would be accurate. It is not that we are unwilling to do so; we are always willing to work with Government and there are many areas where we have knowledge and experience that helps. However, you have to do it from the time you start a measure. This is why we could do this better in Wales.

[58] **Jenny Randerson:** I draw your attention to the fact that this legislation deals with whether the levy is directed to specific causes, rather than the principle of the proposed Measure, which is contained in separate legislation, namely the Climate Change Act 2008. I want to place that on the record, because we are straying into the principle of the proposed Measure.

[59] **Mr Gordon:** I apologise, that is my fault. That was not my intention. I got carried away.

[60] **Jenny Randerson:** The direction of the questions was going that way. I am sorry, Brian, you were in the middle of your questions.

[61] **Brian Gibbons:** What do you feel has been the consumer demand or response to your voluntary approach? You say in your recommendation that it has achieved 50 per cent success, whatever success looks like. Maybe Bob could answer this. You could compare that to Marks and Spencer, which, at one stage, brought in a levy and achieved an 80 per cent success rate, compared to the industry average of 50. What was the consumers’ response to yourselves and what was their response to Marks and Spencer and the use of the money?

[62] **Mr Gordon:** I will start with the Marks and Spencer case. What works for one retailer will not necessarily work for another. Marks and Spencer’s customers may be more open to the idea of paying for a bag some of the money going to a good cause. That will not be the case for all retailers. What we like about the voluntary approach is that it enables a retailer to adopt an approach that works for its customers. That is why it has been effective for Marks and Spencer, but I am not sure that it would be so effective for some of the others.

[63] **Jenny Randerson:** Lidl, which has a very different demographic among its customers, has always charged for carrier bags, to my knowledge. Do you have any evidence about that?

[64] **Mr Gordon:** That is a good point. The crucial point is that it has always charged, so it finds itself in a slightly different place. A Lidl customer expects to have to pay for a bag, but a customer of another supermarket competing directly with Lidl—which Marks and Spencer does not as it fights for a different customer base—might be shopping there, if there is not currently a charge, because they prefer the idea of not being charged extra at the till.

[65] **Mr Morys:** Tesco has a very good relationship with its customers. We talk to them a lot and we run lots of surveys and focus groups, and we also have good data from our

Clubcard as to how people react. We are happy with the rate of progress, because we are still making progress. We have had an approximately 55 per cent reduction in the use of single-use carrier bags since 2006, and we are still getting better. Our target is to reach 70 per cent by the end of this year. So, we think that we are making good progress, we are taking customers with us, and we are winning hearts and minds by persuading people about the wider environmental case. In a detailed survey about a year ago, we asked customers whether they would be prepared to pay for carrier bags. The tiniest majority possible—51 per cent—said that they would be prepared to pay a penny, and the percentage went down when we asked about higher amounts, so only 1 per cent of our customers said that they thought that it would be a good idea to charge 10 pence for a carrier bag. That was not enough of a groundswell of support to introduce a charge, and, in fact, it would cost us more than a penny a bag to introduce a charge of a penny for a bag, so it is difficult. However, we are happy with our rate of progress. We wish it were faster—we would love to be up there at 95 per cent—but it is part of a wider battle that we are fighting.

[66] **Mr Donovan:** We also take our environmental strategy and policies to a number of the customer insight panels that we have, and around 75 or 76 per cent of our customers endorse what we have been trying to do with single-use carrier bags over the years for which our policy has been in place. Customers like our charity bags, responding well to the fact that the proceeds of sale are given to charity, and they have also responded very well to our policy of reducing the usage of single-use carrier bags.

[67] **Brian Gibbons:** They like the branding of the charity carrier bags, do they?

[68] **Mr Donovan:** Yes. They tell us that it is right that we link in with charities. They like that. We have had positive feedback about our permanent bags, which are more robust than the reusable ones.

[69] **Brian Gibbons:** How difficult do you think the use of the term ‘net proceeds’ will be, because the net proceeds are what will be distributed? Are there any problematic definitional issues in relation to the use of the phrase ‘single-use carrier bags’?

[70] **Mr Donovan:** We would welcome some clarity on the phrase ‘net proceeds’, and, if that is not included in the proposed Measure itself, perhaps it could be put in guidance—just to help us to understand what it means. We would give 100 per cent of the proceeds to charity, but we would want an opportunity to recoup the costs of the administrative burden of this scheme within that. So, some definition of that would be helpful. It is vital that we define a ‘single-use carrier bag’, as we do not think that that has ever been done.

[71] **Brian Gibbons:** I can see why it would matter theoretically—and perhaps legally for the lawyers, to keep them in the lifestyle to which they have become accustomed—but is it likely to be problematic in practical terms, for you front-line people who will be operating this system?

[72] **Mr Donovan:** The phrase ‘single use’ in the proposed Measure and regulations means paper as well as plastic bags in Wales. Does it mean a bag with handles? Does it define the size, dimensions and weight of the bag? It has not been adequately defined in the Environment Act 2005, which was the precursor to this proposed Measure. It would be helpful if we could understand the definition so that we understand where we are coming from, both in the proposed Measure and the regulations that have yet to come. Another reason we would want to see the regulations and the proposed Measure being linked up a bit more is because it would be useful to understand what is meant by a ‘single-use carrier bag’. We do not know what it means, and neither do consumers.

[73] **Mr Morys:** I agree. There will always be definitional issues. If you go into Marks

and Spencer, for example, they will charge you for some bags, but not for a small carrier bag. So, if you buy a couple of sandwiches, you can get a free carrier bag. Is that fair or not? We need a definition. We want to do the right thing for our customers and for the environment, and it would be awful if somebody came along 18 months later and said that our bags are single-use, when we had thought that we were doing the right thing. Our most popular bag, the bag for life, is a thicker plastic bag, and that is very good for the environment if people reuse it a number of times. Tesco is so big that the net proceeds from us could be a seven-figure sum in Wales. We might all think that we have done the right thing, and that we were achieving the objective and raising useful money, but it would be awful if someone were to come along later and say that we were not paying the right amount of money. We need absolute clarity that we are all doing the same thing, so that there is no backbiting or disagreement.

1.40 p.m.

[74] **Mr Gordon:** That process is happening through the drafting of the regulations. The policy official who is working on it has not written that to date, but we will see it when it goes out to consultation. To date, some level of detail has been written on the definition of a carrier bag, but we still need to work on that. However, it will be included in the regulations. To echo what Simon said, that needs to be clear and for the long term, because the last thing we want is for retailers to think that they are doing the right thing only to have to change tack a couple of years down the line.

[75] **Bethan Jenkins:** Do you think that 2011 is a realistic date for the introduction of the voluntary scheme? Will you be able to implement it by that time?

[76] **Mr Donovan:** Are you talking about passing the legislation or implementing what the legislation requires?

[77] **Bethan Jenkins:** The introduction of a voluntary agreement without the compulsory element from the proposed Measure kicking in.

[78] **Mr Donovan:** Thanks for that clarity. It is a short timescale, I guess, and it depends on what the regulations demand of us. We do not track the sale of carrier bags at the moment, but we would need to under this, which potentially means changes to our IT systems. We can implement changes pretty rapidly. We can implement an increase or decrease in VAT pretty quickly. It depends on the requirements for our systems. There is also an element of colleague behaviour, customer behaviour and education, namely to what extent our customers understand why we are charging, the background to that, and helping them through that journey. That is probably not an answer with the greatest clarity, but it depends on the demands of the regulations. It could be long term if major system changes are required, with testing, and so on, or it could be short term if the regulation requirement involves a simple administrative burden.

[79] **Mr Morys:** I have nothing to add to that.

[80] **Mr Gordon:** I have two things to add to that, namely the tight timescales and the need to communicate effectively with customers.

[81] **Bethan Jenkins:** My other question is: who you believe should judge the success of the voluntary approach, and at what point should it be reviewed? Should the proposed Measure make that provision? I know that Boots has some concerns about when it should be triggered, but who do you think should be responsible for that particular action?

[82] **Mr Donovan:** The point of success would be to have secured a reduction in the use

of carrier bags, so that is what needs to be measured. As a retailer, corporately, it would be good to have a handle on how that is measured, rather than individual stores measuring it. So, that adds complexity. A far better way of approaching it would be for us to provide the Assembly Government with information on how many carrier bags we have used, how much we have generated, and what we have used before. The measure of success should not happen at a store level, which would add complexity, and would also be complex for smaller businesses.

[83] The amount of virgin plastic used in Wales would be another measure. A similar point was made when we were talking about Ireland. We would want to see different measures of success, rather than specifically a reduction in the number of carrier bags and paper bags. There should be a proposal about what we would measure as a package to ensure that the intentions of the regulations and the proposed Measure are being achieved.

[84] **Bethan Jenkins:** To clarify, you are saying that you should do it as a company, not as individual stores, and that you do not see an external body being responsible for reviewing the voluntary process. You see it as your responsibility to report to the Welsh Assembly Government.

[85] **Mr Donovan:** We believe so, yes. Again, it depends on the requirements of the regulations, but it makes sense for us to provide that information. We would have to comply with the legal requirements and so we would have to come to you, when requested, to say what we had done. That would be a sensible approach to this, rather than be inspected on what we have done.

[86] **Mr Morys:** If it is looking at whether all retailers are co-operating with a voluntary scheme, I see no problem with that being a review by independent, external people. As a company, we are confident that we will abide by it. We will report that, and we will be open and transparent. However, someone has to look at all retailers to see whether the scheme is working, because the risk for Tesco is that we will comply but others will not, and then something will be foisted upon us. An independent group of experts who do not have an interest in receiving the moneys would be the best group of people to look at it.

[87] **Bethan Jenkins:** Should that be written into the proposed Measure? There is already a difference between retailers, according to your answer. Do you think that something should be put in the proposed Measure to say that an independent body should assess this?

[88] **Mr Morys:** In a sense, that is a matter for the Assembly Government. Our view is that it would be useful to have clarity and certainty that that is who will make the judgment of whether it is successful.

[89] **Mr Gordon:** I share that view. It needs to be a part of the proposed Measure. The criteria for success should also be defined upfront, so that retailers know what is expected of them. Then, there should be an independent review, as Simon described.

[90] **Bethan Jenkins:** Finally, if regulations were to be introduced in future on the distribution of funds to environmental projects, who should be responsible for monitoring compliance with such regulations?

[91] **Mr Gordon:** There needs to be a light touch. You do not want to impose any kind of regulatory body that diverts a lot of the funds away from the environmental causes that we are hoping to help through the funds raised. It is a difficult question to answer, because I hope that the voluntary approach will be successful.

[92] **Mr Morys:** I agree with that. If we have to move to a statutory approach, it would

help us if the causes were specified rather than individual organisations.

[93] **Jenny Randerson:** We will move on to sections 9 to 11 of the proposed Measure, which relate to landfill. Peter Black has questions on this.

[94] **Peter Black:** Sections 9 to 11 give the Welsh Ministers the power to ban certain substances from landfill. In asking these questions, I assume that stores deal with their waste locally rather than nationally, because that is how the regulations are currently set out. What effect would the introduction of landfill bans on materials such as paper and plastic in Wales have on you as retailers?

[95] **Mr Morys:** I do not mind starting, because Tesco does not send any waste to landfill.

[96] **Mr Donovan:** I am not an expert on this, but I think that we take all our waste to a central recycling depot in Nottingham, which processes more than 22,500 tonnes each year. So, the waste from Boots stores in Wales does not go to landfill.

[97] **Peter Black:** So, all the waste from Boots stores is shipped off to Nottingham on a lorry.

[98] **Mr Donovan:** For recycling, yes.

[99] **Mr Gordon:** There is a complicated picture across retail. As you see, the largest retailers have very effective ways of managing their waste. At the British Retail Consortium, we have a climate change strategy called 'A Better Retailing Climate'. As a result, in 2009, retailers sent less than a third of their waste to landfill and recycled 68 per cent of their waste. That agreement was signed by a number of the large retailers, so you can see that there are some effective systems, and back haulage has been described briefly.

[100] It gets challenging when you start looking at smaller retailers that do not have a back haulage facility. With mixed waste and smaller volumes, they do not stand to make any money from separating it. In fact, it would be more awkward for them, especially when they do not have much space at the back of the store. It is easier to chuck it all into a black bin liner and send it to landfill or to a processing plant. It would cost them more to have to separate it out. In many cases, the collection infrastructure is such that the collections cost more, as well as the in-house processing costs. So, it costs more to dispose of waste responsibly. It is important to support smaller retailers by providing the infrastructure and support for them to be able to manage waste more effectively.

1.50 p.m.

[101] **Peter Black:** Putting Tesco and Boots to one side, if you are a small retailer, you will presumably have a commercial waste contract within your local authority area and will pay that commercial waste contractor to take your waste away. Is it not up to the commercial waste contractor to worry about what it does with it?

[102] **Mr Gordon:** It would be up to the waste contractor to worry about what it does with it, but it would then put demands on the retailer to segregate the waste before it deals with it, in the same way as we have seen with household waste.

[103] **Peter Black:** If you were pursuing a voluntary approach to this, you would hope that the retailers would be separating out waste anyway.

[104] **Mr Gordon:** Waste management is complicated, and the more I learn about it the more confused I am. The important thing is to establish cost-effective systems that capture the

majority of waste. So, if we had, for instance, the capacity in retail to develop systems that work very effectively for 90 per cent of waste, then to try to impose a cumbersome system to get the extra 10 per cent would be a disproportionate use of funds. There will always be some residual waste. A local store, for instance, will have some plastic and some paper and a lot of mixed waste, so is it feasible to gather that waste cost-effectively? I do not know whether I am jumping ahead of myself in talking about the policy levers, but it seems that the landfill tax escalator has been an effective policy.

[105] **Peter Black:** That is the other element to this, because the cost of separating the waste must be balanced against the escalating costs of landfill tax.

[106] **Mr Gordon:** The escalating cost of landfill tax has been effective in making it cost-effective to separate waste for those companies for which it was not previously cost-effective to do so. You gradually ramp it up and get it to be cost-effective to gather more and more of that waste. If you put a ban on landfill, you are coming at it from a slightly different angle and you will have to collect all of those materials and build from the bottom up how you are going to do that, regardless of cost. It is a question of what is the most effective lever. From our perspective, the best way to do it is to gradually increase the stuff that is cheapest to get the next step up on the ladder. There will be some residual waste, but that will be so costly to gather that it would be a case of throwing money at it, when it does not really have that much of an environmental benefit. Once we reach 90 per cent, we will have done really well.

[107] To go off on a slight tangent, household waste recycling is a good example. Collection systems are pretty much UK wide for plastic bottles, for example. There is then a debate about collecting more plastic: do we try to increase the proportion of plastic bottles that we collect—because we currently only collect four in 10, despite good infrastructure—or do we try to collect more plastic trays, films and so on? It would be far more cost-effective to communicate with consumers and increase the proportion of bottles that we collect. It is then much better on down the line because we have the infrastructure to manage those bottles. At the same time, we are working on how to develop the infrastructure for rigid plastics and films, but that will happen as the landfill tax escalator increases, as systems come on line and as the technology develops. So, the question is whether you try to get more of the stuff that you already have infrastructure for, or whether you try to widen the scope of what you collect. That is the principle in how we approach this.

[108] **Brian Gibbons:** I know that it is going to be a wide area, but where do you think the threshold is between small and big companies? The bigger companies will potentially make money out of recycling, whereas smaller companies may not. Can you give some sort of steer as to where you think that threshold is with regard to annual turnover?

[109] **Mr Gordon:** That would be difficult for me to say.

[110] **Brian Gibbons:** It is central to your argument, is it not?

[111] **Mr Gordon:** Yes. I am not aware of the market share data; Simon may be more aware of that. However, certainly with regard to grocery companies, the large retailers cover the proportion of the market, with a very long tail of small retailers.

[112] **Brian Gibbons:** Perhaps it is unfair to ask, but might it be possible to give the committee a steer—

[113] **Mr Gordon:** At a later date? Yes.

[114] **Brian Gibbons:** Perhaps you could write to the committee to give us a steer on that.

[115] **Mr Gordon:** Yes. I am sure that we have those figures; I just do not have them in my mind.

[116] **Peter Black:** The last question that I have is again on landfill bans, and I am not really sure how you are going to answer this, because you ship all of your waste to England anyway. However, if we have these landfill bans, will there be any cross-border issues with, for example, retailers exporting waste to England? You do that anyway.

[117] **Mr Gordon:** That is a good question, and it is something that we need to be conscious of. I am not sure that there would be unintended or perverse consequences with people trying to avoid a landfill ban in Wales. There is a joint consultation at the moment with DEFRA on landfill bans, so the intentions in England are clearly exactly the same. Regardless of whether the two countries get there in the same way, both intend to get there. So, I am not sure that you will get people trying to circumvent the system by sending their waste off to England. I think that the challenge is that local authorities and businesses have cross-border relationships. You will need to look at that, because very often local authority relationships are written over a long time, over 25 years or so. Therefore, if this were to have an impact on those contracts, you would need to write something in to ensure a smooth transition.

[118] **Jenny Randerson:** That is very helpful.

[119] **Christine Chapman:** Bob, you mentioned the waste management infrastructure in Wales. I think that you said that you are quite positive about how good it is at the moment. However, do you feel that the infrastructure that we have here is capable of dealing with the increased levels of recycling that may come about as a result of these new regulations?

[120] **Mr Gordon:** I am quite positive about the waste management infrastructure. There is a really clear trend in household waste recycling rates. Ten years ago, the household recycling rate for England and Wales was 3 per cent; it is now 33 per cent. That means that there has been a massive increase in the waste management infrastructure, and we are getting plenty more investment. There is lots of supporting work being done by the waste resources action programme on feasibility studies with regard to collecting mixed plastics and so on. There is some good investment in Wales in anaerobic digestion facilities and materials recycling facilities, MRFs, capable of handling mixed plastics. So, there is lots of new capacity coming on stream. The waste hierarchy is 'reduce, reuse and recycle'. So, what we need to be careful of in building the infrastructure to manage waste today, is that it will also be appropriate for managing waste in 10 years' time. If we manage to reduce waste, will we then have overcapacity? It is a very difficult thing to predict and a very difficult thing to do, but when you build a site you build it with the intention of using it over a long period of time—25 years and more. So, we need to be careful to plan it correctly, but, to my mind, the infrastructure is growing as recycling rates increase.

[121] **Christine Chapman:** Thank you. Would anybody else like to comment on that?

[122] **Mr Morys:** I would just like to add that I think that reducing consumer waste is an area where Governments and retailers and others in the food chain could really work together to change things. It is an issue whose time has come. I know that my family and I are starting to feel guilty about waste now. I certainly did not waste anything when I was younger, because my parents did not have a lot of money. As we became more affluent, we stopped thinking about it, but now we are realising that there is a carbon impact and a cost impact as well as a moral imperative to do something about it. I saw a statistic recently along the lines that the average annual food waste of a family is £500. That is dreadful, so we need to do something about that.

[123] Last year, Tesco announced a policy that it has just introduced of ‘buy one, get one free later’ for perishable goods. We got a massive response to that; it really seemed to strike a chord with people because people will buy something and get one free and find that, sometimes, the one that they got free was more than they needed and so it went to waste. Customers loved that new policy.

[124] **Mr Gordon:** That is just one of many examples. The Love Food Hate Waste campaign is supported by the main retailers. Food waste is a really big issue for us, and it is great to see that, in Wales, all local authorities will have to collect food waste. That sends a really strong message, and it is great from a retailer perspective as well because there is a consistent message across Wales. So, it enables us to support the Welsh Assembly Government to achieve those ambitions through our communications with customers.

[125] **Christine Chapman:** We have already touched upon this, but do you believe that the landfill tax escalator is a sufficient stimulator of markets for alternatives to landfill or whether the introduction of landfill bans is required to stimulate these markets?

2.00 p.m.

[126] **Mr Gordon:** I think that the landfill tax escalator is a very good tool. Let us assume that there is a landfill ban on plastic, for example. We currently have the waste management infrastructure that can handle plastic bottles. We are developing the infrastructure to handle rigid plastics. In terms of films, when you get to the reprocessing facility—although, I do not want to get into too much detail, partly because I do not have too much detail—essentially, a plastic film going through the processor will clog it up. As it goes through the cleaning phase it gets stuck to the walls of the baths, if you like, and it clogs the system up. Therefore, we cannot collect plastic films at kerbside co-mingled with other waste. It cannot be separated; that is the problem. If you banned plastic from landfill, how would you collect those films? The first thing that springs to my mind is that you would collect them at the front of store. Now, the major grocery retailers are all collecting carrier bags, and, increasingly, films, at the front of store. Therefore, it is happening. That process is happening through responsible retailers and through projects with third-party bodies, such as WRAP. The point that I am making is that I think that we are going on the right trajectory at an appropriate speed. We have to wait for that infrastructure to be built up. To suddenly stick an oar in and say, ‘We now have to collect all plastics’, would certainly throw it, and we might see the development of some infrastructure that is inappropriate or overly costly for what it will achieve. Therefore, to my mind, the landfill tax escalator, alongside much of the other stuff that is happening, is sufficient.

[127] **Peter Black:** Landfill tax is predicated on weight, rather than on volume, is it not?

[128] **Mr Gordon:** Yes. It is going up to £8 per tonne until 2013.

[129] **Peter Black:** Plastic is fairly light stuff. You can get huge amounts of plastic compared to paper, for example, for the same weight. If this is based on weight, there is not really an incentive, is there not, not to put plastic into landfill because it can take up a huge volume, but not weigh a great deal?

[130] **Mr Gordon:** That is a good question. If we look at the situation with regard to paper, all of the local authorities currently collect paper. Those retailers that can backhaul are backhauling their paper and their card. If we implemented a landfill ban, what would we achieve? The infrastructure is already in place; therefore, we need to communicate with households, and to facilitate for businesses and households the cost-effective management of their waste. It is about developing the infrastructure and giving people the tools to get there.

[131] One of the things that may encourage the further development of the infrastructure is a landfill tax escalator. It is currently only until 2013, and then we will need to see what goes beyond that. It gives a long-term guidance to those businesses that might invest in infrastructure to say, 'Yes, you can build that plant because we are going to get more material'. Therefore, it incentivises that investment. The ban would do the same thing, but it would just do it with such a stark intervention that you might get some plants being rushed through. There is a whole planning process—

[132] **Peter Black:** The point that I am making is that that does not apply as much to plastic. Doorstep collection of plastic is slightly behind doorstep collection of paper, tins, glass and so forth, because local authorities do not have the same incentive in terms of waste.

[133] **Mr Gordon:** It is because the waste management infrastructure cannot handle those plastics.

[134] **Peter Black:** That too, yes, but that has not been developed because the incentive is not there.

[135] **Mr Gordon:** Yes. It was only until very recently that the waste management industry has thought that that is not economically viable. Many still think that it is not economically viable. A WRAP study undertaken around six months ago demonstrated that you can make money by separating out rigid plastics. With that long-term incentive from the landfill tax escalator, that will only become more the case.

[136] **Christine Chapman:** If introduced, how should any future landfill bans be policed?

[137] **Mr Gordon:** That is the big question. There is an example in Brent Council. It did not introduce a landfill ban. I am not sure whether it had the capacity to do that, but it did introduce mandatory recycling of dry recyclates. The council saw the recycling rates increase from around 20 per cent to around 35 per cent or 40 per cent. These figures are from the top of my head, so please take them that way. It was a very effective means of communicating with consumers about putting stuff in the recycling bins, but the council never prosecuted under the mandatory recycling rules, and, clearly, from the recycling rates, it is not capturing all the materials. So, some households in some cases are still not recycling, but the council has never prosecuted. How do you set something up that has the teeth to prosecute? What do you do then? Do you start going through households' bins? Do you start going through retailers' bins? It all becomes burdensome, when we are trying to introduce the carrot and not the stick. We then come back to the principle of taking everyone with us so that they understand how to manage their waste and why they should manage their waste responsibly and effectively.

[138] In relation to introducing that big stick, it is a question of how you want to do it, but, as you have heard— and this will be the impression that you will have received from what we have said—that is not the appropriate way to do it. The wider implications of doing it in that way are perhaps not always in the best interests of wider future behaviour regarding the environment.

[139] **Christine Chapman:** Finally, I want to ask some questions about the site waste management plans. Sections 12 to 14 of the proposed Measure, on site waste management plans, would provide Welsh Ministers with the power to make regulations about fees and charging schemes in relation to site waste management plans, and also restate the existing powers of Welsh Ministers under section 54 of the Clean Neighbourhoods and Environment Act 2005 to make regulations requiring the plans. To what extent do you believe that any future site waste management plan regime should take account of the varying nature of different construction projects, for example new builds and the refurbishment of existing

buildings?

[140] **Mr Gordon:** I am not up to speed on this area of waste management. The areas that I deal with relate to a much greater extent to retailer waste and household waste. So, I am no expert. To answer the question from my limited knowledge, I think the answer is that they are clearly different types of construction. There is much more waste from a refurbishment. There is also much more mixed waste, and so it is much more challenging to separate it out. So, yes, to my mind there should be different provisions.

[141] **Christine Chapman:** Do Marc or Simon have any comments?

[142] **Mr Morys:** No.

[143] **Mr Donovan:** No.

[144] **Christine Chapman:** Finally, to what extent do you believe it is necessary to introduce a fees and charging scheme to support the enforcement of site waste management plans?

[145] **Mr Gordon:** Again—*[Inaudible.]*

[146] **Brian Gibbons:** I am surprised that Boots and Tesco do not want to comment on this, because, clearly, they are ubiquitous providers of new stores all over Wales, and this would probably affect the practice of the retail sector with regard to the type of store and so forth. We could maybe ask for a note on that. I realise that you have come to speak about the plastic carrier bags rather than this issue, but a note might be useful.

[147] The question that I was going to ask was directed at Tesco. I think that Simon said in his response that Tesco carries out 100-per-cent recycling.

[148] **Mr Morys:** Yes.

[149] **Brian Gibbons:** As I understand, of the order of 80 per cent of retail sector waste is organic waste.

[150] **Mr Morys:** I cannot confirm that percentage.

[151] **Brian Gibbons:** It is pretty high, let us say. The Assembly Government believes that the next big thing is organic waste, and it is going down the route of an anaerobic digestion programme to tackle that. Is anaerobic digestion the route that Tesco has gone down for its organic waste?

[152] **Mr Morys:** Yes. I would guess that the majority of our waste in terms of weight comprises cardboard and plastic, all of which is recycled. So, there is a massive amount. The last year for which I have figures is 2008, when 316,000 tonnes of cardboard and plastic were recycled. We have a lot of stores and are a big company, so whenever you talk about numbers in Tesco, they are always big numbers. On food waste, there are a number of different treatment plants, but anaerobic digestion is used. It is a fairly new technology. We first introduced it in 2009, and it is one of the ways in which we are going.

2.10 p.m.

[153] **Jenny Randerson:** I want to ask you all one further question for clarification, if I may. Referring back to the evidence that you gave at the beginning of the session, do you believe that the mandatory approach to the charging of carrier bags and the money going to

specific environmental charities and so on should be a blanket approach that applies to all retailers, if it is introduced, or could it be applied only to some retailers? Is it your view that it would be preferable if it applied only to those retailers who were not co-operating with the voluntary approach satisfactorily? I do not suggest that that is a specific proposal here, but that seems to be the way in which your evidence leans.

[154] **Mr Morys:** I think that if we were in a situation in two years' time where some retailers were co-operating perfectly with what the Government wanted, and were doing their job, it would be awful if they got lumped in with the ones who were not co-operating, so an earned autonomy from a mandatory approach as regards good practice would be very valuable.

[155] **Mr Donovan:** We would agree with that.

[156] **Jenny Randerson:** Do you accept that, if the voluntary approach fails, there would be a need for a mandatory approach whether or not it affected everyone?

[157] **Mr Gordon:** I think that we need a clear definition upfront of what success is and then we need an independent review to determine whether it has failed or worked. That idea of only imposing those requirements on retailers who have not come forward with a voluntary agreement seems sensible.

[158] **Jenny Randerson:** Thank you for your evidence. Are there any other issues that you feel that you have not had the opportunity to raise? I see that there are not. There will be a draft transcript of today's proceedings, which the clerk will send to you for checking before it is finalised.

[159] In our agenda, there is a short break scheduled, but we are running over time. Would Members prefer us to move on? I see that you would. We will therefore move on to our second witness.

[160] Good afternoon, David. It is good to welcome David Rosser, the director of the Confederation of British Industry Wales. As I am sure you are aware, David, as someone who has given evidence to Assembly committees previously, Members have a number of questions on the proposed Measure and your organisation's views on it. We will move directly into questions. I will start by asking you to outline briefly for us your position on the proposed Measure.

[161] **Mr Rosser:** It is difficult to say with any clarity and certainty what our position is on the various provisions captured in this proposed Measure. We have no particular in-principle objections to any of them. Most of it relates to how they will end up being implemented in practice. It is difficult for organisations to comment, and I imagine that it must be difficult for the committee to scrutinise when regulations are published at a much later stage, after the proposed Measure has been debated. We would find it much more helpful if we had earlier sight of the proposed regulations with robust corresponding regulatory impact assessments so that we could give more informed comment to scrutiny committees such as this. I think that my general answer to the question would be 'it depends'.

[162] **Jenny Randerson:** Thank you very much. I will hand over to Brian, who will ask the next question.

[163] **Brian Gibbons:** To what extent do you think the Assembly Government has consulted with business and industry in relation to these proposals? Are you fairly happy with the engagement?

[164] **Mr Rosser:** Carrier bags are probably an easy point to pick up on. It got off to a pretty poor start. The consultation document was released with very little prior discussion and seemed to suggest that the decision to proceed with the compulsory charge for carrier bags had already been taken and that the Government was prepared to consult only on, maybe, different ways of implementing it. I think that that was something that you heard from your previous witnesses. There was also little engagement afterwards.

[165] The major response from the retail industry and other business organisations, such as the CBI, means that this has improved significantly and we now find ourselves in a relatively open discussion with Assembly Government officials and the Minister as to different ways in which the regulations could be implemented. However, we are only 12 months ahead of the likely date of implementation. So, we have now at least a useful dialogue going on with the Assembly Government, but we have had to push pretty hard and kick quite hard to get here. In future, in general, when the Assembly is legislating, we would like to see a much more open discussion with business about the Government's aims and objectives and how we might work with it to help to provide solutions, rather than waiting until the in-principle decision has been taken.

[166] **Brian Gibbons:** What would you say is the best way to do that? Would it be to knock on your door?

[167] **Mr Rosser:** Yes, although I say that hesitantly. The suggestion made earlier about a retail grouping in Wales in the case of the retail sector would clearly help that engagement. It would not surprise me to see rather more of the national retailers being active on the ground in Wales in the area of Government relations than has perhaps been the case in the past. The question of social partnership and business dialogue is one that the Government is currently thinking about, and we would certainly welcome a much more open discussion. It is about the timing of it; it needs to be done at a much earlier stage, because there are many areas where the business community would have some solutions to offer in order to assist the Government.

2.20 p.m.

[168] **Brian Gibbons:** Do you have the capacity to respond?

[169] **Mr Rosser:** That is why I was hesitant in my remarks. The CBI certainly does not have the capacity to get involved in detailed, sector-specific issues. The lack of presence in Wales of many of the main trade associations is a problem. There is a capacity issue; there is no doubt about that.

[170] **Brian Gibbons:** One of the points that you made quite strongly in your submission was about the regulatory impact assessment. Clearly, the resilience of those assessments is conditional on an engagement with the key stakeholders, and, if there are capacity issues, or whatever, it is inevitable that the assessments—

[171] **Mr Rosser:** Well, let us give it a go and give it our best shot. That is my answer to that. The CBI will certainly aim to work with the other business organisations that are on the ground here in Wales, and indeed with trade associations that are not. A large number of trade associations, over 100, are members of the CBI, so we have channels to get to them. At the moment, the problem with the assessments is not that the business community does not have the capacity to engage with the Assembly, but that it is not at all clear that the Assembly is taking the issue of RIAs seriously.

[172] **Brian Gibbons:** That is interesting.

[173] **Mr Rosser:** We will give it a go, and give it our best shot.

[174] **Brian Gibbons:** That is very positive.

[175] You mentioned policy divergence between England and other parts of the United Kingdom and its implications, particularly for recycling, diversion and so forth. Could you comment on the specifics, and on paragraph 25 of your submission? I do not know whether that could be classified as a warning, but it does seem to contain a suggestion that you feel that there is an unacceptable environmental or green premium emerging in Wales that the CBI is not happy with. Could you deal with the specifics and tell me whether I am reading paragraph 25 correctly?

[176] **Mr Rosser:** I will try to be more explicit in future. I am not sure that I would wish to regard it as a green premium at all. The point that I am making is that I do not know what the net or aggregate impact of all these proposed Measures will be, because, in virtually all of them, we have no sight of the regulations that will come down the track, even though some of these policies have been under discussion quite some time, for years. I have been told regularly over the last year or two that the regulatory impact assessments are not conducted at LCO stage as that would not be right, but, instead, at the proposed Measure stage. Now, as time and the process move on, we are to have two Measures, and I am now being told that the regulatory impact assessments will be done at the regulation stage. I am not quite sure how you would scrutinise that. One thing that I am absolutely clear on is that I cannot find anybody in the Assembly who is taking an overall look at the consequences of its legislative programme for key sectors. The waste department will be tackling this proposed Measure, a backbench Assembly Member is promoting another proposed Measure, and the Minister and the Government's housing team are promoting yet another one. These proposed Measures will fall on many of the same businesses.

[177] **Brian Gibbons:** Yes.

[178] **Mr Rosser:** I guess that this is a warning that if we are not careful, we could stumble into a situation in which we put such a cost burden on two or three key sectors that we will affect their activities. I cannot find anybody in the Assembly who is looking at this in the round.

[179] **Brian Gibbons:** That is what I was just trying to clarify. Is your concern about the legislation being fit for purpose or that the legislation will ultimately become a burden that affects business's competitiveness, or is it both?

[180] **Mr Rosser:** It is both. I am not sure if you can properly gauge it as being fit for purpose without an understanding of the costs and where they fall. As I said in my opening remarks to the Chair, we do not have any strong objections to any of the different components of this proposed Measure. We might have objections when we see the regulations and we understand their cost effects. Why would anyone be against the better management of waste in principle? Why would anyone be against diverting from landfill? Why would anyone be against lowering the use of single-use carrier bags? We would not be against those principles; we would support all of those.

[181] **Brian Gibbons:** It might hit the bottom line.

[182] **Mr Rosser:** I suspect that it will. The question is to what extent it will hit the bottom line and what effect it will have. I do not know. My concern is that the Assembly Government does not know either. Yet, we are merrily charging ahead with legislation.

[183] **Christine Chapman:** I would like to ask about the voluntary scheme. To what extent

has the Welsh Assembly Government consulted with you on the development of the voluntary agreement and this proposed Measure?

[184] **Mr Rosser:** We are now in discussion with the Assembly Government on the whole subject of how the carrier bag charging scheme will be implemented. One part of that will be how to disburse the moneys. Therefore, there is an on-going discussion.

[185] **Christine Chapman:** How will the retailers ensure that the raising and distribution of funds under the voluntary agreement or any future regulation will be open and transparent?

[186] **Mr Rosser:** This should be quite simple to achieve. As you have heard this afternoon, most of the big retailers already have well-established corporate social responsibility policies and have already donated large sums of money to causes that the retailers and their customers support. In my experience, many small retailers also contribute to local causes. I would expect reputation to be the biggest protector of the Assembly Government's aspirations, and if you require and ensure that retailers publish the amount raised and state where it has been disbursed, that ought to be sufficient. I would not expect their customers to be terribly impressed if it became apparent that a retailer had been trousering the money. I would not expect the Government to be impressed either. I would be very surprised if that was a significant result of the voluntary scheme.

[187] **Christine Chapman:** Finally, what are your views on the proposals in the proposed Measure to limit the distribution of funds under future regulations to projects with environmental purposes?

[188] **Mr Rosser:** Hopefully, we are all here discussing an issue that will rapidly not become an issue. If the levy succeeds, as the Government believes it will, there will be very little money to disburse shortly, because carrier bag usage will have been reduced. In my view, I do not see why we should mandate environmental causes. If a company like Boots has health charities that it supports or if a convenience store decides to support the local Scout troop, I do not see why that should be a problem. I think it should be left to the retailers and their customers to decide between them.

[189] **Jenny Randerson:** Do you have any other questions, Christine?

[190] **Christine Chapman:** No, thank you.

[191] **Jenny Randerson:** Okay. Jonathan Morgan has the next questions.

[192] **Jonathan Morgan:** If we assume that the voluntary arrangement is in place by next year, what is your view as to when that voluntary arrangement should be reviewed in order to see if it is working, and who should undertake that assessment? How would you judge the success of the voluntary arrangement?

[193] **Mr Rosser:** There probably ought to be a review period for the whole proposal to levy charges for single-use carrier bags in Wales. I guess that you would need to allow sufficient time for it to be implemented in order for consumers to take on board the changing circumstances and to react to them, and maybe allow time for any tapering off in the initial enthusiasm as was seen in Ireland. Therefore, I would have thought that you would need a period of about three years to review the whole policy and whether it has been a success or not, and I would not want to have differing review periods for different bits of the legislation—I would rather do it all in one go.

2.30 p.m.

[194] The criteria for the success of the levy in principle is how much money is raised and whether it declines over time. If it is not declining over time, then it has not been a success. It should decline over time, and quite substantially. As to whether the voluntary approach to where the moneys are distributed is a success, I would want to see that very few, if any, retailers were keeping the proceeds and putting them towards general corporate funds. If that happened to any significant extent, I would see that as a huge failure. I would be astonished if it happened that way. I would expect the money to be given to good causes. My answer to your question as to who should undertake the review would be probably the Minister.

[195] **Jonathan Morgan:** You heard the exchange earlier with Tesco, Boots and the British Retail Consortium. You will also have seen the statement made by Jane Davidson in the Chamber a few months ago about the nature of the arrangement, and the organisations that potentially currently benefit from charging for carrier bags, and what could happen in the future. We talked earlier about what could happen if we move from a voluntary arrangement to a mandatory arrangement under regulations coming out of this proposed Measure. The view from the three previous witnesses seemed to be: why penalise 100 per cent of retailers if only 10 per cent are failing to comply or are not following the spirit of the voluntary arrangement? I can see the sense in that. Does the CBI have a view on how the Government should use regulations under this proposed Measure on that front? Is there hope that the Government will not have to use regulations because the voluntary arrangement will work?

[196] **Mr Rosser:** As I said, I would be absolutely astonished if you found a significant diversion of funds away from good causes, and I would be very disappointed if the Assembly Government ever had to use or issue regulations under the power sought in this proposed Measure.

[197] **Jonathan Morgan:** What is your understanding of the Minister's statement? She said that, at the moment, some charitable organisations benefit from money being raised through carrier bag charges, and that she would not want to cut across the good work that is done in that respect. Do you take that to mean that she would apply regulations under this proposed Measure to those who are not fulfilling a voluntary arrangement in the future, or do you think that there is still scope for such regulations to apply across the board? What is your view on that?

[198] **Mr Rosser:** I really think that you need to put this question to the Minister, not to me. I have not seen her statement, and I will not second guess what she said or what she meant.

[199] **Jenny Randerson:** David, you talked about the voluntary arrangement not working, and one issue that came out of the evidence from the previous witnesses was the need for clarity on what 'not working' meant. Your interpretation seemed to be that 'not working' meant that some retailers were not passing on to charitable causes the money that they collected. However, another definition of 'not working' might be that some retailers were really not bothering to charge for the bags in the first place and were simply not entering into the spirit of the two pieces of legislation. Would that also be a reasonable interpretation of 'not working'?

[200] **Mr Rosser:** I think that we need to be clear as to what we are talking about and what we mean by 'voluntary'. My understanding of the Assembly Government's position is that charging for carrier bags will not be voluntary; it will be mandatory, and the Government will legislate for that. Its use of the term 'voluntary' applies only to where the net proceeds go. Therefore, if any retailer were not charging, they would be breaking the law. It is not a question of success or failure; it is how you police it and what you do about it. My comments about whether the voluntary scheme works or not are related solely to where the moneys are dispersed. I would have hoped very much that the Assembly Government would adopt a voluntary scheme regarding whether retailers would charge and how we could best reduce the

use of carrier bags, and then we could have that discussion, but that is not where we are.

[201] **Peter Black:** I want to look at landfill, sections 9 to 11. I am mindful of the comments in paragraph 25 of your contribution, so I am not sure how much I will get out of you on this. We need to have the regulations to get a comprehensive answer. Would you say that the introduction of landfill bans will achieve the Welsh Assembly Government's stated intention of increasing recycling rates?

[202] **Mr Rosser:** I do not know. One imagines that it would have a positive effect. Clearly, the recycling infrastructure capacity needs to be in place to deal with it. It is progressing. Whether it is sufficient to cope with a complete ban remains to be seen. It depends on what is banned and over what time period. I am sorry to say 'It depends' again, but we desperately need to see the regulations. It should lead to an increase in recycling rates, because there will be some capacity there and, as we have seen in the evidence from the retailers, increased recycling capacity is being put in place all the time. So, you should see an increase in recycling rates regardless of whether you have a landfill ban. Trying to disaggregate the effect of the ban will be quite difficult.

[203] **Peter Black:** Can you give us any initial assessment of the impact that the introduction of landfill bans on particular materials such as paper, plastic and wood would have on businesses in Wales?

[204] **Mr Rosser:** No, I do not think so. It depends on how such a ban is implemented and on the alternatives. This desperately needs modelling and analysis.

[205] **Peter Black:** Can you foresee any problems if a ban were introduced in Wales but not in England, for example? Do you think that we would export waste to England? Would that have an impact on businesses' bottom line in that respect?

[206] **Mr Rosser:** I expect that you would see waste exported from Wales to England. If you were able to landfill in England but not in Wales, and there were no alternative, acceptable or cost-effective disposal or recycling facilities available in Wales, you would see such things. At the moment, I know of members who export hazardous waste from Wales to England because there is not the disposal provision here in Wales. So, yes, of course you will see some of that. Will it have an impact on the bottom line? It is hard to see how the alternative provision, if it becomes available, will be cheaper than landfilling costs. If it were significantly cheaper, you would expect somebody to be developing it now as a business proposition. So, there will be an impact on the bottom line of businesses. The extent of that will be very difficult to calculate until we see the detail of the regulations.

[207] **Peter Black:** I understand that point entirely. Reference has been made to the current waste management infrastructure and the capacity to deal with the recyclates as they increase in Wales. Do you think that the current infrastructure available to businesses is capable of dealing with the increasing levels of recyclates that may arise as a result of the regulatory powers contained in this proposed Measure?

[208] **Mr Rosser:** We have certainly had representations from organisations in the construction industry who feel that the current infrastructure is not sufficient to cope with a complete landfill ban on certain products. I think that you heard a more positive response from the food retail industry today, namely that infrastructure is developing, which is good news. I hope that the waste division of the Assembly Government is doing some really detailed work on this. As an analogy, we all want to move transport from road to rail, but you do not do that by closing the roads: you do it by improving rail services. Closing the roads before you have improved the rail service is a recipe for anarchy. We do not want to go down that route.

2.40 p.m.

[209] **Peter Black:** Do you have any views on how any future landfill bans should be policed?

[210] **Mr Rosser:** I guess that it has to be either at the point of landfill or at the point of collection. I am not sure whether I am best placed to answer that for you, I am afraid.

[211] **Brian Gibbons:** Do you think that the infrastructure of the business sector is sufficiently agile to respond to the challenge? The BRC submission mentioned fiscal incentives for the sector to encourage it to step up to the plate. Does the CBI share that view? What sort of fiscal incentives might work if a straightforward market mechanism was not strong enough?

[212] **Mr Rosser:** The landfill tax escalator is a fiscal incentive that is working well at the moment and is altering the balance between the cost of landfill and the cost of recycling. More and more businesses are seeing dealing with recyclates and the disposal of waste as an opportunity to create a business or sustain an existing business. There is barely a large energy-intensive company operating in Wales at the moment that does not have reducing its reliance and exposure on market energy as a key ambition. For many, that involves some form of energy-from-waste project. There is a reasonable degree of agility within business, which would be helped by consistent Government policy. These are long-term projects, so you need to understand what Government policy will be over a significant period and that it will not be changed, so that you know that you can invest. Whether the planning system is agile enough to deal with improving our infrastructure is a completely different issue, to be frank, and I turn to you as legislators and to your colleagues in local government to deal with that. [*Laughter.*] It is a serious point, however, because it gets in the way of those market mechanisms.

[213] **Brian Gibbons:** I am sure that you are right that planning issues are more difficult, in many respects, from what you say, than the straightforward market—

[214] **Mr Rosser:** Particularly with waste and anything else that is contentious, the uncertainty around time and cost within the planning process will increase the hurdle rate for businesses before they even start to invest.

[215] **Bethan Jenkins:** What effect will the introduction of site waste management plans have on business in Wales, particularly in the construction and demolition sector? Will the sector be able to cope with the additional regulatory burden?

[216] **Mr Rosser:** We support site waste management plans. They are good tools for encouraging construction companies to plan to minimise waste. Most of the larger companies that we have spoken to already are implementing them and are comfortable with site waste management plans as they understand them. The difficulty is with that level of understanding going forward. Different options are proposed in the explanatory memorandum, but I am not at all clear about them, as they seem to be quite different and I could not quite work out what it all means. We have some real concerns that the costs that will be incurred will be passed on to companies as an application fee for drawing up a site management plan. As I tried to set out in my memorandum to you, they look simplistic and, if the cost of submitting a site waste management plan is somewhere between £50 and £200, it will not be a big issue for companies. It has not attempted to calculate the cost to companies of preparing them. That is for a different regulation or a different proposed Measure and is not helpful. If the intention is that that low level of cost represents the full cost that is passed on to companies, it is hard to see how £100,000 a year of steady-state running costs for these plans enables local

government, or whoever else, to deal with 2,200 salaries for management planners. However, I am not sure what dealing with them means, other than opening them up and putting them in a drawer. I am in the difficult position of saying that we support site waste management plans—and companies are already using them although we would like to see more of them doing so—but I am left with many concerns, having read the explanatory memorandum and the regulatory impact assessment.

[217] **Bethan Jenkins:** From your previous answers, I guess that you probably cannot answer this question, but to what extent do you believe that any future site waste management plans should take into account the varying nature of construction projects, such as new builds or the refurbishment of existing buildings?

[218] **Mr Rosser:** Common sense suggests that future plans should take that into account. The content of site waste management plans, outlining how companies are to deal with waste, will be different in each case. One can plan new builds to minimise waste, for example by using virgin materials that might be easier to recycle. It is different for refurbishments, as contaminated waste may need to be cleaned from the site, and that is much harder to deal with. However, is this about charging for submitting a plan or charging for the costs of monitoring it? Why would that be different? One might expect different levels of waste recycling from a new build than a refurbishment project, but why would there be a greater charge for monitoring that plan? Are companies somehow being penalised for not recycling as much waste? Is that the inference behind the question? If so, that is a different issue altogether and is not what I thought site waste management was meant to be about.

[219] **Bethan Jenkins:** What compliance and enforcement mechanisms should be in place, and are you satisfied that the introduction of fees and charging schemes is necessary to fund them?

[220] **Mr Rosser:** I hope that the Welsh Assembly Government sits down at a very early stage with the construction industry when it considers the regulations that are to be brought forward. Construction companies would be far better placed to suggest enforcement mechanisms that will give the assurance that the Government wants without those mechanisms becoming a burden to the activities of those companies on the ground. I am not sure that I have the competence to give you a decent answer to your question, but I certainly hope that the Government engages fully with the industry as it develops these regulations.

[221] **Bethan Jenkins:** Is there sufficient expertise in Wales to carry out the implementation of these site waste management plans in future?

[222] **Mr Rosser:** Within companies or enforcement authorities, do you mean?

[223] **Bethan Jenkins:** Both.

[224] **Mr Rosser:** I suspect that the smaller the company, the greater the challenge will be. A business of a decent size on a site of 60 houses can afford to devote some of that area to a recycling centre, ensuring that there are six different skips for six different waste materials. A relatively small project on a small, constrained site would have only one skip outside so, practically speaking, it is much harder to carry out the plan, irrespective of whether the expertise is there. There are probably far greater capacity and expertise issues here for small and medium-sized construction companies than for larger construction companies, which, by and large, are already doing this.

[225] **Bethan Jenkins:** If there is a lack of expertise within smaller companies, is there a worry that they may be the ones affected by any fees or new regulations—more so than larger companies? Can you tell at this stage?

2.50 p.m.

[226] **Mr Rosser:** The implications of the calculations in the regulatory impact assessment seem to be that there would be a core fee across all projects, because it calculated the running cost, divided it by 2,200 and suggested that that would be the fee. It is very rarely that I see Government coming up with something that simple; if it did come up with that, there is clearly a disproportionate burden on small businesses. If it does not do that, and does something that is more scaled, the burden will hit all companies, and bigger companies will face bigger fees, which becomes an issue.

[227] To return to the issue that I raised in paragraph 25, I had a meeting this week with the Assembly Member proposing the fire sprinkler Measure. The problem is not necessarily with the cost impact of any of these by themselves; the problem is the aggregate impact on the industry. Housebuilding is quite a simple economic model; all housebuilders are effectively given the price at which they can sell houses on the market. The vast majority of the market is second-hand homes—you can get a certain price for a three-bedroomed house in Caerphilly, and there is very little premium for new build nowadays. So, they are all price takers. They then deduct the costs of building, which is not just the bricks and the labour but also the section 106 agreements, affordable housing agreements and anything else that comes along, and what is left is what you can afford to pay for the land and the margin for the housebuilder. The more that you increase the cost in the middle without being able to increase the price if the market is not moving, the lower the value of the land becomes. You will soon get to a stage where landowners will not release the land, because they are not getting much money for it. The more you layer in cost to the middle bit, the less activity you will get.

[228] It is remarkably simple. Housebuilders who have just completed phase one of a site will not take up the option of phase two, because regulations have changed, pushed up the cost and the value that they can give to the landowner is such that he does not want to sell phase two. This will be less of a problem in places with high house prices, so Cardiff will be okay; we will still see housebuilding there. However, the more you go into parts of Wales with lower house prices, these costs do not change, because whether they lay a brick in Ceredigion or Cardiff, the costs of the proposed legislation from this place will not change that much. So, you have very close to zero or negative land value, which will make it harder to develop houses the further away you get from the big centres, such as Cardiff, with high house prices. Somehow, we need to understand and capture all of that, and I do not quite see where it is being done within the Assembly.

[229] **Jenny Randerson:** You have referred on two or three occasions to your concerns about the regulatory impact assessment, and you also refer to that in paragraph 15 of your written evidence. However, there are various aspects to this proposed Measure. What parts of the RIA are you concerned about? Do you feel that the level of detail is not adequate, or that the figures given are inaccurate? In other words, in what ways is it inadequate?

[230] **Mr Rosser:** It is inadequate in a number of ways. For example, the carrier bag regulatory impact assessment only deals with the regulatory impact of mandating or not mandating the distribution of the funds; it does not deal with the regulatory impact and the cost of introducing the carrier bag charge in the first place. So, it is a very narrow part of the picture. I guess that we will get the rest of the picture at some stage—maybe at regulation stage. So, first of all, we are not getting a complete picture of the costs of introducing this new policy—we are getting different measures because we are getting different powers in different places.

[231] Then there is the question of whether it is accurate. I cannot tell you that it is inaccurate, but I look at the cost to local authorities and see that it is 5 per cent of a full-time

equivalent person to monitor this. If you multiply the 22 local authorities with 5 per cent, it takes one and a bit people to monitor where retailers are distributing their funds across the whole of Wales, and elsewhere in the memorandum it says that there are 8,500 retailers. I am not quite sure how much monitoring will go on. The same issue crops up with the site waste management plans. If you calculate the cost to enforcement authorities, divide it by the expected number of plans, apparently two and a bit people across the whole of Wales will receive, appraise and monitor 2,200 site waste management plans across Wales. I am not quite sure what appraisal and monitoring will get done. It may be accurate, but it raises concerns; I do not know, I cannot tell from the RIA what will be done for that. At the same time, it does not attempt to calculate the cost to construction companies of preparing them and submitting them. It is a partial calculation of the costs and I have question marks—I can put it no stronger than that—about the accuracy of the parts that we have. I am sorry, I am a bit of a nerd on regulatory impact assessments.

[232] It strikes me that it is hard to have sensible scrutiny and debate with the Government on policies and their worth without an understanding of their cost consequences and where those costs fall. We can have debates and disagreements about policy—in this case, not many—but we should not be having debates and disagreements about the consequences. That should be clear and agreed between us. It is good legislative process.

[233] **Brian Gibbons:** This is an issue that has come up with this particular piece of legislation and it may be something that we have to take on board, because this is such a complex piece of legislation and interfaces with the Climate Change Act and two or three other pieces of legislation. Some of the costs of the proposed Measure are not included in the regulatory impact assessment, because they come under the Climate Change Act or something else. If I am following your argument correctly, business does not just want to know what the cost of each individual piece of legislation is, but also the cumulative effect of all the other little bits that gather about it.

[234] **Mr Rosser:** Business wants to know and we will find out eventually. I just thought that the Government would want to know.

[235] **Brian Gibbons:** We want to implement things and I agree with you, so things are brought forward—

[236] **Mr Rosser:** However, you do not want to implement things at any cost.

[237] **Brian Gibbons:** No, that is the point, is it not? However, when we look at the regulatory impact assessment of the proposed Measure, we see that some of the bits that are not in it are the costs that flow from the Climate Change Act. The cost does not exist in isolation, but as part of the cumulative effect of some of the other costs that flow out of the Climate Change Act. I do not think that the regulatory impact assessment captures the total, cumulative effect. Our house style, in how we present regulatory impact assessments, is not to include the cumulative effect, but there may be a case for an overall regulatory impact assessment that does not just say that one piece of legislation costs x, but acknowledges that it is actually part of a wider process in which there is a cost elsewhere, so you can only judge x if you bear in mind ancillary cost y. I do not think that we always do that.

3.00 p.m.

[238] **Mr Rosser:** I am very pleased to hear you say that. I understand that, because of the peculiar and messy devolution settlement that we have, the Assembly has to acquire powers in different pieces of legislation in order to implement a policy. Actually, we should be looking in the RIA at the costs of the overall policy. The overall policy is to require carrier bags to be charged for, and we should be doing one regulatory impact assessment that

calculates all the costs of that policy and where they fall, so that we can decide whether it is a good policy or not, or whether its benefits justify the costs. It is irrelevant to business that you have to go through three different Measures or LCOs to assemble the powers to deliver the policy. What matters to business is that the policy is delivered, and thereafter implemented. I think that you would have better evidence from people like me if regulations were made clear at the Measure stage. We would generally have better law-making in Wales if that was clear.

[239] **Jenny Randerson:** Thank you. If Members have no other questions, it simply remains for me to ask you, David, whether you have anything else to raise with us.

[240] **Mr Rosser:** No. I am grateful to have had the opportunity to come here today.

[241] **Jenny Randerson:** Thank you for your evidence. As usual, a draft transcript of today's proceedings will be sent to you by the clerk for you to check for accuracy.

[242] I remind Members that we have a paper to note, namely the minutes of the last meeting. I draw your attention to the fact that the next meeting is on Wednesday 21 April. It is hoped that we will take evidence from the Federation of Master Builders, WRAP and the Welsh Local Government Association.

[243] Thank you everyone.

*Daeth y cyfarfod i ben am 3.02 p.m.
The meeting ended at 3.02 p.m.*