

## Adding up the cost of bags

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Tuesday, January 25, 2005

Getting consumers to cut down on grocery bags is a noble goal, but is charging them 17 cents apiece the best way to achieve it?

Today, the San Francisco Commission on the Environment is expected to adopt a resolution urging the Board of Supervisors to pass an ordinance requiring supermarkets in the city to charge 17 cents for every plastic or paper bag "to reduce the proliferation of unnecessary bags and provide funds to mitigate the negative impacts caused by them."

A fee of 17 cents seems like a lot considering the deposit on standard beverage bottles and cans in California is only 4 cents, and that is refundable to anyone who brings in an empty.

Under the grocery bag proposal, there would be no refunds for shoppers who return bags and thus no motivation for people to paw through trash bins plucking bags out of the waste stream.

"There is no incentive on the back end," says Margaret Walls, a resident scholar and economist at Resources for the Future, a nonprofit think tank in Washington.

Supermarkets could keep up to half of the bag fees they generate to set up city-approved programs such as providing reusable bags to low-income shoppers who use food stamps or setting up in-store bag-recycling centers.

The rest of the fees would go to the city treasurer.

The San Francisco Department of the Environment came up with the figure of 17 cents by dividing its estimate of what it costs the city and its garbage-collection company each year to deal with used grocery bags (\$8.5 million) by the estimated number of plastic and paper bags distributed in San Francisco supermarkets each year (50 million).

The department estimated that it costs the city 7.2 cents per bag to collect and dispose of them and 5.2 cents to clean littered bags off the streets.

It turns out a lot of San Francisco residents are putting plastic grocery bags in their curbside recycling and composting bins, where they don't belong.

This contamination of the recycling and compost streams costs Norcal Waste Systems, the privately owned company that has the garbage-collection contract in San Francisco, 2.2 cents per bag.

Landfill costs amount to 2.4 cents per bag.

Mayor Gavin Newsom has asked the Environment Department to hire an outside consultant to independently estimate the costs associated with grocery bags.

Bevin Ashenmiller, a visiting assistant professor of economics at Claremont McKenna College who has studied beverage container recycling, warns that it's hard to get reliable estimates on the cost of waste.

Ashenmiller explains that the proposed bag fee is based solely on the estimated environmental costs associated with grocery bags.

It's what's known as a "Pigouvian tax," named after the economist A.C. Pigou, she says.

A Pigouvian tax is supposed to be levied on a polluter's output in an amount just equal to the marginal environmental damage caused by the pollution.

The Environment Department has done no research to determine whether 17 cents is enough, too much or not enough to change the average San Franciscan's bag behavior.

It does note that six nations -- Australia, Bangladesh, Italy, South Africa, Taiwan and Ireland -- levy taxes or have enacted bans on plastic shopping bags. It says that in Ireland, plastic bag usage dropped 90 percent in the first year after that nation imposed a fee of 15 cents per bag. Newsom, among others, has expressed concerns that the bag fee could be regressive, hitting lower-income consumers hardest.

But Ashenmiller says, "It's not particularly regressive. I suspect that people who are very low income will bring in their own bags" and that higher-income consumers will simply pay for a bag each time they shop.

That is what worries some people the most.

"Most people will just pay the fee. The same amount is still being stuck in their recycling bins," says Walls.

"This is somebody saying, 'We need X dollars to cover our costs,' but they're not taking the item out of the waste stream," she adds.

For the program to work, she says, there should be a deposit and a refund, like there is for beverage containers.

Christine Rosen, who teaches business history and environmental history at the Haas School of Business at UC Berkeley, agrees.

"I think you need a reward as well as a penalty," she says. For example, stores could charge shoppers 17 cents to buy a bag or give them a 10-cent credit if they use their own.

Jared Blumenfeld, director of the San Francisco Environment Department, says some grocery stores already provide recycling bins for used plastic bags and give shoppers a credit if they tote their own bags.

"At the moment, the incentive hasn't moved the market," he says.

That could be because the credit isn't big enough or well advertised.

Safeway, for example, gives shoppers who bring their own bags 1 cent for plastic and 3 cents for paper.

But the discount "is not promoted, to my knowledge," says Safeway spokeswoman Jennifer Webber.

So far the city Environment Department has not considered any other ways to cut down on bag usage other than charging for them, says Mark Westlund, a spokesman for the department.

Most grocers oppose the idea.

"All are very disturbed that supermarkets are the target when others that deal in plastic bags or paper bags are not subject to the tax," says Paul Smith, a vice president with the California Grocers Association.

"This is about money. The city of San Francisco needs revenue to fund its environmental services. It's looking to our customer base to raise that money," he says.

He says bags are included in the cost of groceries and cost supermarkets less than 1 cent each for plastic and several pennies for paper.

"Do we need to do a better job (of promoting conservation)? Absolutely. But 17 cents per bag is not appropriate," Smith says.

Grocers fear they will take the brunt of consumer outrage over not only the fee, but also the slowdown at checkout that may occur if cashiers can't finish a transaction until they know how many bags are used.

Lest you think this is an only-in-San Francisco initiative, be aware that Californians Against Waste, an environmental group, is working with state legislators on a bill to require supermarkets statewide to charge 15 cents on plastic (but not paper) bags starting next year.

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#### The cost of bags

San Francisco supermarkets hand out 50 million bags a year, 90 percent plastic and 10 percent paper. Here is an estimate of what disposing of bags costs the city.

- Recycling and compost contamination. Removal of bags from the recycling and composting streams, clearing machinery jams, and contamination of recycled and composted materials results in \$1.09 million in added costs or lost sales. Cost per bag: 2.2 cents.
- Collection and disposal. Collecting and disposing of bags costs \$3.6 million annually. Cost per bag: 7.2 cents.
- Street cleaning. Removing bags from city streets costs \$2.6 million a year. Cost per bag: 5.2 cents.
- Future landfill liability. Potential remediation and processing costs of bags in city landfills is \$1.2 million annually. Cost per bag: 2.4 cents.
- Total cost per bag: 17 cents.

Source: San Francisco Environment Department

<http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2005/01/25/BUGCJAVPA11.DTL>