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From: [Redacted]
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To: wastecomments
Cc: CSR@lidl.ie
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To whom it may concern,

Please find attached the response from Lidl Ireland to the Department of Environment, Climate and Communications' public consultation, as published on the 2nd October 2020 – 'Deposit Return Scheme - Consultation on Potential Models for Ireland'.

For any queries, please don't hesitate to get in touch.

Many thanks,

[Redacted]

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Deposit Return Scheme (DRS) - Consultation on Potential Models for Ireland

Feedback Lidl Ireland

Due 12th November 2020

Introduction

This document has been prepared by Lidl Ireland in response to the Department of Environment, Climate and Communications' public consultation published on the 2nd October 2020 – 'Deposit Return Scheme - Consultation on Potential Models for Ireland'.

Lidl Ireland is one of the largest nationwide grocery retailers in Ireland, providing high quality products at market leading value through efficiency, local sourcing and a lean business model. Since first entering the Irish market in 2000, Lidl has established itself as a significant component within the retail industry with a strong network of more than 5,000 employees across 167 stores, 3 Regional Distribution Centres and its Dublin Head Office.

With 1.5 million customers passing through Lidl stores each week, Lidl have established deep local relationships with its stakeholders and have become a valued part of the communities it serves nationwide. Lidl continuously strives to have a positive impact on these communities, creating shared opportunity and value through its CSR initiatives including its charity partnership with Jigsaw – The National Centre for Youth Mental Health in which Lidl have fundraised more than €800,000 for to date, its Food Redistribution Programme, Autism Aware Evenings and its sponsorship of the Ladies Gaelic Football Association.

Lidl takes pride in working with the best local suppliers throughout Ireland to bring quality Irish produce to its stores while creating rural employment and export opportunities. In 2019, close to €570 million of Lidl's procurement spending in Ireland was stock/produce related with 20% of that being exported for sale in Lidl GB and Lidl stores across Europe. Lidl has a significant impact on Irish economy contributing €692 million to Ireland's GDP in 2019 alone.

The below sets out Lidl's initial thoughts regarding the potential models for deposit return schemes in Ireland. Lidl has compiled this response utilising its market experience and consumer insights, combined with insights from its international colleagues who have existing deposit return schemes in operation.

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1. The Report recommends a centralised, operational model for Ireland. Do you agree with this recommendation?

Yes, centralised ensures streamlining of:

Governance - *The service operator will have clear oversight of the industry and will be able to monitor targets, report regularly and ensure consistency and transparency. It will identify hotspots, monitor total purchases vs total returns.*

Scope:

- **Product types** – *Clearly defined PET / aluminium products specs for participation agreed by producers and waste collectors, can be more easily governed through a centralised model. This model avoids variances across product specs and inclusion criteria.*
- **Product labels** – *The centralised model will also help inform the on-pack information more easily. As in Europe, most countries operating a DRS system are using a unified symbol for inclusion on pack, making it easier for consumers in that country to participate. This symbol also acts as a barcode as mentioned in the report provided with the consultation. A unified symbol / barcode for Ireland will be easier to establish through a centralised model. Example of the German Pfand symbol below:*



Deposit – *Deposit fee controlled and monitored centrally. The centralised model will help inform if the deposit fee is suitable and if it needs to be reviewed.*

Return - *It will also enable all participating bottles to be returned and collected from all participating locations. As opposed to, only certain bottles to be returned to certain locations. The centralised model will enable national participation and inform the most convenient return points.*

Process flow – *Streamlined guidance for the overall process flow, roles and responsibilities. In particular, when addressing products being sold aligned to a certain specification but imported from countries outside of the system. Centralised models will support producer participation and avoid producers being involved in multiple (decentralised) models.*

Local support - *It also ensures smaller / local entities receive increased support, taking part in a centralised model.*

Consumer participation – *Centralised models result is clear overview of collection points and processes making the overall programme easier for consumers to engage with and participate in.*

Market Clearing – *Where the centralised service operator accounts for unequal collection versus deposits paid out to customers by a retailer with market clearing periodically.*

As a retailer with counterparts already operating DRS, the centralised model is the preferred and most efficient approach.

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If not, do you favour a:

2. decentralised / financial DRS; or,

Decentralised could result in increased variation, reduced streamlining and decreased process control. It could inevitably result in multiple parties completing the same task. Centralised models increase process efficiency and ease of reference for all parties involved.

3. hybrid.

Our recommendation would be to implement this programme centralised for the reasons outlined above.

4. Are there other models you believe could work in an Irish context?

N/A

5. What role should waste collectors play in the operation of a DRS?

A central role. They need to advise on their capacities for collection, cleaning and transport. Whether they can take lids, labels etc. Whether products can be accepted compressed and what level of contamination is viable. Their capacities and infrastructure will inform the entire process.

For a centralised model the waste provider should define a set schedule for collecting material with clearly defined and agreed collection points. Key areas for clarity will include:

Segregation - *The segregation required for collection (e.g. PET and HDPE)*

The location of the collection - *The location will be particularly important for larger retailers and supermarket chains i.e. collected at store or bulked at warehouse. This information will be crucial for capacity planning both at stores and / or warehouses.*

Collection criteria for stores and warehouses - *If collected at stores, regular collections would be required, especially if the collection criteria is for 'loose' materials as capacity might not allow for large 'loose' volumes. Similarly, if collected at warehouses, the collection criteria (baled/compacted/loose) will have a big influence on logistics departments of larger retailers in terms of scheduling back hauling, capacity at warehouses and storage requirements. Should 'loose' back hauling to warehouses be the preferred method for waste collectors, retailers would benefit from the waste collectors providing open top skips to accumulate the material for collection.*

Use of waste – *We would encourage the possibility of a closed loop whereby products will be generated for retailers from the material collected.*

Waste owner – *Clarity will be required around the handover of waste and the fees implicated thereafter. The central service operator would need to confirm if the waste will be sold to waste collectors or if there will be a handling fee reimbursement to retailers relative to the quantities collected. As per Scotland for example, a handling fee is issued to cover the costs associated with taking part in the scheme (costs such as the cost to purchase the deposit return machine, maintenance, operational implications and storage of materials).*

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Given that other Lidl countries are already operating DRS models, we have observed how colleagues in other countries can support the system operator and would be happy to share some of their experiences in more detail. For example, countries like Finland or Lithuania provide a service to the system operator whereby they get reimbursed for baling the material, taking it back to the warehouse, handling etc.

6. The DRS study proposes a deposit per container of €0.20. Do you think this is appropriate? If not should it be higher or lower or should different deposit rates apply depending on container size?

If choosing a centralised approach, the appropriateness of the 20c deposit will be a lot easier to monitor and review in an Irish context, as the service provider will have a clear overview into the rates of production, sales, returns, and in what locations. It aligns to current deposits across Europe and is an encouraging consumer incentive. However, one consideration to mention would be the implications of this flat rate to consumer behaviours. 20c across all container types might lead customers to purchases of larger items (due to sale price impacts). Our research suggests that price is highly regarded by our Irish consumers. This could direct consumers to the purchase of larger items and in turn impact smaller item sales and encourage increase product waste. It may also not be as educational for consumers, as they will be led to believe all products are of similar recyclability value and impact. Tiered pricing could encourage learning and may indirectly increase education around reducing SUPs. A centralised approach would support the monitoring of these potential impacts.

Two trial considerations might be:

- a) To trial amounts of 10c, 15c and 20c across 3 different locations of similar socio-economic status, population size and demographic, to identify if Irish consumers engage differently with different amounts. Given the economic implications of Covid-19, price sensitivity is an increasing area of concern.*
- b) Introducing a rates system relative to size, environmental impact and recyclability. For example, 3 litre bottles receive the highest rate of a 20c deposit to encourage less smaller single use purchases (individual bottles) and for its high recyclability value. 1 litre PET bottles to be 15c, cans and 500ml PET bottles 10c. As above, this approach would only be feasible in a centralised model for consistency and to ensure centralised approaches.*

7. Consumers need to know about a DRS long before it becomes operational – do you have any suggestions as to how best the introduction of a DRS can be communicated to the public?

Stakeholders – Assuming the model is agreed and all participating parties (manufacturers, producers, suppliers, retailers, waste collectors, processors) have been identified, included and are prepared to launch, it will be critical to engage key stakeholders ahead of launching. This engagement should include, community networks, schools, universities etc.

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National media campaign - Once the details of the scheme are agreed, a government led national media campaign would be recommended for national reach and a unified message.

Door drop – As a follow on from a media campaign, a door drop leaflet could be issued to households across the country. A single page graphic explaining what it is, how it will be introduced and how to participate. This would need to be supported with a dedicated website (hosted by the service operator possibly), which would display all participating locations nationwide.

Retailer led campaign – Consolidated communications and display artwork will encourage consumer familiarity and understanding. A potential, unified template with opportunity for local branding will encourage consumer uptake and participation.

Communication to the public – Trials. Having spoken to our international counter parts, they have informed us of how they supported launch communications in their countries by delivering DRS implementation trials across select stores in collaboration with the service operator. This has supported public communications, awareness and engagement. This also supports testing the new processes and familiarizes individuals with the machine. To date some Lidl countries have used incentives instead of a deposit during their trials i.e. the customer doesn't pay a deposit when they buy the bottle but receives an incentive of 10 cent (directly or to charity) if they bring back the bottle, similar to the Monaghan trial here in Ireland. We would be happy to facilitate the same type of formal trials here in Ireland in collaboration with the service operator to test the DRS processes, management and uptake. We could bring the experience of our international counter parts as well as their best practice approaches. Through a formal collaboration we could agree a preferred approach to a trial.

8. What enforcement measures should be considered in parallel with the introduction of a DRS?

National barcode / symbol - Producers participating to include a unified scannable symbol on pack viable for all collection points.

Product consensus - Waste collectors to agree if lids and labels can be included ahead of launch. Clarifying this ahead of launch will support the introduction of DRS. In other EU countries, such as Germany, all RVM machines take bottles with lids and labels making it significantly easier for customers to take part.

Unified collection processes – Collection points should be present across all retailers, shops, petrol stations and based on their footfall, retailers of different sizes will need adequate units/machinery to facilitate their collections. Larger stores and retailers will need sizable equipment to sustain and collect high quantities based on their level of footfall. For example, collection points fitted with compactors will enable larger retailers to take increased quantities and provide a controlled collection size for waste collectors. However, for smaller retailers a vending machine solution could reinforce streamlining, increase efficiency and further support smaller retailer engagement. Introducing DRS across all retailers will encourage consumer participation, streamline the process,

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support reporting and reduce contamination. This clarity will be required as early as possible to allow for planning.

***Unified deposit return process** – Once the deposit figure is agreed. Enforcement measures will be required to ensure the deposit amount to applied correctly. In other words, an agreed deposit return method is required, i.e. receipt, voucher, cash in hand. Our counterparts have recommended a receipt to utilise as a voucher in the store with the option to also claim the cash rebate (the cash rebate has been reported as extremely successful across Europe in tackling homelessness).*

***Agreed collection methods** – waste providers will need to clarify ahead of introduction the types of products they can take, in what form and how often.*

From a retailer perspective, we would be keen to receive clear guidance and measures around all of the above, in particular, product spec, national barcode, collection method (compactor / vending / manual), deposit return process and back hauling requirements to waste collectors.

There are multiple enforcement measures which will need to be reviewed in detail once the model approach is agreed. Retailers will play a central role in the delivery on this project as they will be the central consumer facing feature. We would be happy to support any in depth reviews or implementation trials utilising our existing reach, access to equipment and international counterparts.

9. How should cross-border issues be treated to ensure producers are not at a competitive disadvantage relative to producers in Northern Ireland?

Cross border trade could be approached via four routes:

- 1. Producers selling to Ireland introduce the unified barcode / symbol on pack but do not participate in the operation model. Irish retailers add the deposit to the sale price and liaise directly with the service operator to ensure the products are registered. This ensures no competitive advantage and also reduces any consumer confusion; however, it would negatively impact handling fees as producers wouldn't not be paying a fee to put to market. This option could only be considered via a centralised model however, in reality may not be viable.*
- 2. Producers selling to Ireland participate via the service operator. Producers may be reluctant to participate depending on their size and scale of production.*
- 3. Producers selling to Ireland do not participate at all.*
- 4. European approach - In Europe, producers that import bottles into a country with DRS have to participate in the scheme. For example, with labelling or taking part in the clearing process (retailers reimbursed the payed out deposit from the producer/competitor). When it comes to a model like this the issue could be, that bottles without a deposit are purchased in a country without DRS and then returned at a store operating DRS. The machine will not know if a deposit was payed when purchasing this bottle and will pay out the deposit to the customer. This could lead to so called "deposit tourism" and (based on the model) could result in a big*

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loss to stores operating DRS. If this route was selected the service operator would need to be able to facilitate compensation for locations impacted.

We would recommend the use of trials or a research analysis to investigate this across existing centralised models. Given our access to existing DRS operations across Europe, we could gather some insights to support this piece of work.

10. Further questions/clarifications requested:

***Store formats and timings** – The type of collection points will need to be clarified early in the process to allow for planning. For built sites, where capacity might not currently allow, external collection points could be considered should the implementation be quickly desired. For internal collections points, these would require significant design changes to manage volumes, maintenance and storage. Depending on the type of deposit return machine required (compactor or loose collection) we can see from review of DRS schemes in Germany and Sweden, the front end of the system is typically small and all associated equipment sits behind the machine. This associated equipment can be quite large in size and would need consideration in planning.*

RVM Machines –

- There is reference in the consultation doc that the CSO will ‘provide RVM machines’ – this will need to be clarified ahead of time if RVM is funded or needs to be forecasted across all locations. Similarly, the type of RVM selected, for planning purposes.*
- It is essential that retailers have autonomy in the machine selected and installed in their own stores according to store type, footfall etc. as long as it meets the criteria set out by government and the CSO.*
- How often will the machine be updated? If not updated, it can lead to errors on the machines as well as less autonomy when it comes to reporting, improvements, new innovations, advertisement or customized solutions e.g. using apps*

***Service contractor** – it is important that retailers have flexibility in the service contractors available to service the machines on an ongoing basis.*

***Recording clarity** – how will units sold and returned be recorded, monitored and tracked?*

***Next steps** – how do the government plan to engage retailers?*

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