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From: [REDACTED]
Sent: Tuesday 4 May 2021 18:07
To: wastecomments
Subject: 202104 NFRN Response to DRS Consultation 2
Attachments: 202104 NFRN Response to DRS Consultation 2.docx

Categories: Consultation Submission

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Dear Sir,

Please find attached the NFRN's submission to your consultation on the legislative framework for DRS.

Kind regards

[REDACTED]

NFRN

Deposit Return Scheme: Consultation on Legislative Framework and Scope of the Scheme

Submission by the National Federation of Retail Newsagents

Introduction

1. The NFRN is grateful to Minister Ryan for the opportunity to comment on legislative framework for the introduction of a deposit return scheme in Ireland.
2. The NFRN supports and represents independent news and convenience stores across Ireland and the UK, providing services and support to our members and their businesses, as well as engaging with government about the issues that affect our members businesses. The decision was taken by our members to support the introduction of deposit return schemes, some 4 years ago, since when we have taken a leading role in the development of the Scottish scheme (we were the first retail trade association in the UK to support DRS) and in the early stages of the development of a scheme for the rest of the UK

Time Scale

3. While we welcome the government's ambition and design to implement a scheme as soon as possible, the NFRN is concerned that implanting a scheme by the third quarter of 2022 may be a little too ambitious. It will take time to design, agree and implement workable scheme, with the variety of stakeholders and agreements and contracts to be made. The fact that the Scottish Government, having delayed the implantation of DRS once is now holding a "Gateway Review" that will in all probability delay the launch again, could be seen as acknowledging the difficult path to introducing DRS.
4. The NFRN hopes that the government will show appropriate flexibility as to this date as the complexities of creating the scheme are addressed by industry stakeholders.

Scheme Administrator

5. While the Scheme Operator should be appointed by the government, the NFRN disagrees that it should be "owned, led, funded by [the] beverage producers". The scheme should also be operated on a not for profit basis with the unclaimed deposits and proceeds of the sale of high-quality recycled material being used to fund the scheme.
6. While the producers have the responsibility under the Extended Producer Responsibility regime, the scheme can only work if retailers are fully on board. If

the operating company is owned and controlled exclusively by one side, this buy in is going to be far more difficult to achieve as the interests of producers and retailers are on some issues in direct opposition.

7. For example, retailers will receive a handling fee for every container that take back and return for recycling. This is to recompense them for the work involved. It is however in the interests of the producer, who underwrite the scheme, that this work be valued as low as possible and for the retailers, that they handling fee be set as high as possible. Negotiation, which would not be easy at the best of times, becomes a lot more difficult against a background where one side can just impose it's will on the other. Our members have learnt the dangers of such arrangements through years of dealing with news wholesalers (In Scotland the solution has been for the handling fee to be set by external, independent consultants).
8. It is surely also to the long-term benefit of the scheme to have both sides fully engaged in its development, operation, and success?
9. The consultation paper also refers to wanting proposals for small and medium size enterprises to be represented on the board of the scheme operating company. While the NFRN welcomes wide representation and participation, we are not convinced that the board is the correct place for stakeholders to meet. The NFRN agrees with a view that industry stakeholders from retail and producers should be part of a consultative but the board of directors should be made up of people appointed for the ability to run a business involved in the collection, processing and recycling of waste materials and who therefore would make decisions in the best interest of the scheme, rather than of one section of the stakeholders.

Retailer Obligations

10. Without the involvement of retailers, the DRS will not work and the NFRN accepts that retailers will be obliged to act as return points for the scheme, even for containers for products they do not sell.
11. In return, retailers need a scheme that is robust, that collects the returns regularly and reliably as newsagents and convenience stores generally lack places where they can securely store the returns if there is an extended period between collections or if there is no "collect on demand" service, provides the necessary bags or grates for returns and pays the refunded deposit and handling fee promptly.
12. There also needs to be an exemption process for those retailers who are not able to act as a return point. Smaller shops and kiosk may not have the space to securely store returned containers, while stores that prepare food on the premises may have

concerns about food hygiene in their available space. In this case, making changes to the store layout may be possible but just not economic. In both cases, stores should be able to apply for an exemption from acting as a return point.

13. As has been noted above, retailers should receive a handling for each in scope container returned to the scheme operator through the agreed back haul process. This is in addition to the repayment of the deposit refunded to the customer. The handling fee should be set at such a level that the operation of a return point is at the very least cost neutral for retailers. In the case of retailers operating RVMs, the handling fee should reflect the capital cost of the machine and the income that a retailer would reasonably expect from the space taken by the RVM if it was used as ordinary selling space. It might therefore be necessary to have differentiated handling fees, with RVM retailers receiving a higher fee, which would also reflect the cost savings at the return centre where returned containers would not have to be counted or checked as the RVM would have already provided this information electronically.
14. The consultation paper works on the assumption that retailers will operate reverse vending machines (RVM's), with "alternative collection methods", presumably manual take back, only being used "where necessary". The NFRN believes that this underplays the importance that manual takeback, where a member of staff handles the return, paying the customer the deposit and placing the returned item into a collection bag or bin, will play in the scheme. RVM's will constitute a considerable capital outlay for any store wanting to install one and, even with a differential handling fee for manual versus RVM, they will not be economically viable in many stores. There will also be many retailers who may want an RVM but have no space in their store to put a large machine. It is important that the government and the scheme operator ensure that the logistics of the scheme work for retailers whether they operate a RVM or use manual takeback.
15. The draft regulatory framework also contained two other points of concern under retail obligations.
16. Firstly, the requirement to collect the deposit in the manner agreed by the scheme operator. As the deposit will be charged by wholesalers and the retailer is just passing on that cost, this seems rather a redundant requirement. What does need to be made clear is whether shelf edge price labelling, and other promotional materials, can quote a price including deposit or a price plus deposit.
17. The second concern is around the obligation to "ensure the collection of scheme materials ... from their premises". While retailers must make the returned material

available for scheduled or requested collections (the NFRN believes that ideally both should be available to retailers, particularly those with little or no secure storage space in their premises), it is surely the responsibility of the scheme operator to ensure that a robust, reliable back haulage system is in place. Retailers should not be held responsible if the scheme operator or any company contracted to operate the collection system in any geographic area does not meet the terms of their contract.

The Deposit

18. The NFRN welcomes the proposal that unredeemed deposits should remain in the scheme. As a not for profit scheme, this is the right thing to do and will help to ensure that the scheme is financially sustainable over the long term.
19. We do not support the proposal for variable deposits, believing that it brings with it an unwelcome layer of complexity, particularly for retailers who operate manual takeback in their stores.
20. In the consultation paper the fear that a flat rate deposit would somehow encourage “over consumption”. The NFRN cannot see why having the same rate of returnable deposit on a larger bottle of drink would drive customers to spend the extra on purchasing the extra amount. Furthermore, the consultation paper indicates a concern that greater purchase of large containers would lead to less recyclable material. This ignores the fact that as the targets for recycling are a percentage of what is put on the market, larger bottles may provide less plastic in recycling but they also put less plastic into the market in the first place. Also, generally it is the smaller bottles, not the two or three litre containers that litter our communities.
21. It will be important that the containers are marked not only with a barcode that applies only to DRS applicable stock but that other markings indicate both the eligibility of the container but also the deposit rate. This is important because, while RVMs and epos till can read the barcode, staff taking returns manually will require human friendly indication of a container’s inclusion within the scheme.
22. One issue that has not been addressed is whether the deposit is subject to VAT. The NFRN hopes that VAT will not be applied, thereby avoiding an unwelcome and unnecessary complication to the scheme.

Materials

23. The NFRN believes that the scheme should include glass from the outset. Glass is one area where consumers may have experience, or at least heard tales of, previous deposit return scheme and to exclude glass would make the DRS only a partial,

incomplete solution to our need to increase recycling rates. It will also be difficult and expensive to add into the system at a later date, as capital equipment, such as RVM's, would have been purchased without the glass handling facilities and replacing the existing machines or adding additional glass handling machines would be costly.

Conclusions

24. The NFRN stands fully behind the government's desire to speedily implement a deposit return scheme but, though our work on other schemes, we are very mindful of the challenges that lay ahead in producing an effective and robust scheme that works for retailers and producers, both large and small, and that gains the support of the wider public across Ireland.

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