

1 November 2024



Ms Danielle Wood
Chair
Australian Government Productivity Commission

Lodged on the Commission's website

Re: Inquiry into Opportunities in the circular economy

Dear Ms Wood

Thank you for the opportunity to submit to the Productivity Commission's (PC) inquiry into Australia's opportunities in the circular economy. This submission has been prepared with input and support of our member councils, but should be considered draft until it is formally endorsed by the NSROC Board.

Northern Sydney Regional Organisation of Councils (NSROC) is an association of eight local governments who have collaborated and communicated with united voice on key regional issues since 1986. Our member councils are Hornsby, Hunter's Hill, Ku-ring-gai, Lane Cove, Mosman, North Sydney, Ryde and Willoughby. Collectively, the NSROC member councils service an area of 639km² with a population of 633,978. We work together on policy and operational matters to drive efficiency and to enhance our region.

Councils operate in complex resource-constrained environments and are challenged by mounting infrastructure and services costs. Growing populations and greater housing density, more frequent extreme weather events, impacts of climate change, increasing cyber security needs and cost shifting by other levels of government - are some of the challenges. The needs and priorities of local communities often outpace councils' capacity to generate income. In this context, councils must consider carefully the implementation of new circular economy programs.

Implementation opportunities

The greatest opportunities to incentivise circular economy practices can be found at the national level. For example, in Germany the 2005 ban on untreated landfill waste is credited for kick-starting strong reuse and recycling industries.

Australian areas for policy reform include:

- Consumption reduction to avoid waste creation
- Designing out waste and excess packaging, before planning for use of recycled materials in new products
- Mandatory extended producer responsibilities, including minimum recycled content levels

- Incentives and stimuli for circular economy markets
- Aligning community education efforts between tiers of government to reduce consumption and waste production
- Focussing on reuse - particularly with clothing and textiles
- Improving consumers' 'right to repair' and their ability to do so
- Research and development in, and the establishment of, remanufacturing technologies to extend the life of materials and avoid the negative environmental impacts of extracting virgin materials
- Support the expansion of sorting and recycling infrastructure to facilitate a thriving re-manufacturing industry
- New national standards and specifications for use of recycled content in infrastructure works and construction, to reduce embodied carbon and resource consumption in the built environment.

Local, State and Australian circular economy efforts

Circular economy principles and ideas have been embraced by NSROC councils and have influenced council decision making and procurement for many years. NSROC councils' use waste processing contracts to influence greater materials recovery through joint procurement. In 2015 a ten year contract motivated development of the Mechanical Biological Treatment plant at Tarago.

NSROC councils' 2022 shared standing offer agreement for the supply of road surfacing, patching and associated works specifies asphalt grades with recycled crushed glass, crumbed rubber and recycled asphalt pavement. The new contract from 2025 is expected to include sustainability reporting to help councils monitor their progress towards Net Zero emissions and the use of crumbed rubber, crushed glass and re-use of road pavements.

Further on procurement, the 2024 *Circular Economy in Procurement*¹ paper by Local Government Procurement is recommended to the Commission.

NSROC councils' commitment to the circular economy is also demonstrated by long term investments in Community Recycling Centres (CRCs), run in partnership with the NSW Environmental Protection Authority (EPA). There are many other circular economy efforts and programs offered by councils in areas such as community composting, repair and reuse and sustainability education. Councils' tool libraries and street libraries help communities move into circular economy mindsets. It is likely that local government has done more on the ground with community to strengthen the circular economy, than other levels of government in Australia.

The variety of councils' circular economy innovations could inform the development of resources such as pattern books and best practice pathways for circular economy

¹ <https://lqp.org.au/wp-content/uploads/2024/05/Circular-Economy-White-Paper-May-2024.pdf>

advancement. Help is also needed measuring and benchmarking circular economy efforts and results, at all level of government.

NSW State Government contributes resources for local government circular economy activities, such for the CRC's, regional coordinators, and grants for innovation. Their 2019 Circular Economy Policy Statement² provided principles and focus areas, however these have not been embedded in most State Government decision making, policies, strategies and programs, as was the Statement's intention. This is partly because leading NSW circular economy policy has been left to the NSW EPA who it has been argued, are 'not the appropriate agency to lead a whole of government commitment to transition NSW to a circular economy including embedding circular economy principles across government operations, including service delivery, infrastructure, purchasing decisions and regulatory frameworks.'³

Meaningful circular economy interventions need to be undertaken by the Australian government, in harmony with state governments. Effective changes for a circular economy need to be part of all policy reforms, such as those for housing, the environment, transitions from fossil fuels and reducing harmful emissions.

The *Building a more circular Australia – The opportunity of transitioning to a circular economy* 2021 PWC paper advises: 'For a circular economy model to work, markets for second-hand products and materials must exist. A challenge today is that not all second-hand materials are price competitive. The price of virgin input materials may be too low and the markets for recycled materials may be too small'.

Also from that paper: 'By incentivising the types of economic activity that help nature's ecosystems rather than deplete them, national and supra-national legislation has the power to protect the environment and accelerate the transition to a circular economy.'

Carefully targeted market stimuli, including mandates on levels of recycled content in materials and products, can help advance circular economies. Special regard must be given to perverse outcomes, as small policy changes can flow to large impacts at councils' local levels. However, caution must be taken when using recycled plastics in novel applications, as long-term impacts on the environment through degradation and microplastics remain largely unknown.

Communications from governments to communities to progress circular economies, are fractured and unaligned. Greater investments in efforts to harmonise campaigns and messaging between tiers of government are needed.

² <https://www.epa.nsw.gov.au/-/media/epa/corporate-site/resources/recycling/19p1379-circular-economy-policy-final>

³ LGNSW Submission on draft NSW Circular Economy Policy Statement and Discussion Paper. Page 6, <https://lgnsw.org.au/common/Uploaded%20files/Submissions/FINAL-LGNSW-Submission-Circular-Economy-Policy-Statement->

Local government circular economy efforts in the waste and resource recovery area are at the end of production cycle. To be truly effective, the next steps to stimulate a circular economy need to be taken at a national level, including actions such as strong mandated: producer responsibilities, recycled content levels and changes to how we define 'waste'.

Conclusion

Although circular economy ideas have gained greater traction over the last five years in Australia, implementation is lagging. Economic transitions and transformations are challenging, and particularly so with communities confronted by costs of living and the housing crisis. Interventions for a circular economy need to benefit most individuals and families.

From councils' perspectives, it can seem like state, Australian government and other organisations working on a circular economy are mostly about theory rather than practice. This may lead to communities considering the circular economy as greenwashing, a danger that should not be underestimated by the Commission.

NSROC welcomes the Federal Government's further investigations into a circular economy, and looks forward to new and practical Australia-wide changes to improve materials productivity and efficiency in ways that benefit the economy and the environment.

Yours sincerely

Dr Meg Montgomery
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Northern Sydney Regional Organisation of Councils