



Inquiry into Opportunities in the Circular Economy
Productivity Commission
4 National Circuit
BARTON ACT 2600

By email: circular.economy@pc.gov.au

To whom it may concern

Thank you for the opportunity to provide feedback to the inquiry into *Opportunities in the circular economy*. The NSW Small Business Commissioner (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The Commission is aware this inquiry is currently at its early stages and the Productivity Commission is seeking relevant feedback to help determine how Australia might effectively achieve greater materials productivity and efficiency. While most small businesses support sustainability objectives and act responsibly with regards to the waste they produce, the Commission observes the potential for overly interventionist and poorly designed policy responses to stifle innovation, contribute unnecessary regulatory burden and make it harder for smaller firms to compete. For example, introducing onerous regulatory requirements such as mandatory reporting or recycled content verification can inhibit small business growth whereas larger firms can more easily absorb impacts due to their economies of scale. Regulation that is overly complex, costly and disconnected from the operational realities of businesses may result in industry backlash or an increased risk of non-compliance.

The Commission supports approaches where circular economy initiatives are underpinned by the value of resource recovery and net benefits to Australian society, rather than as a substitute for addressing longer term waste management needs such as with regards to landfill capacity.

Small business uptake of circular economy activities

In October 2024, the Commission conducted a survey to gather data on small business attitudes and activities related to the circular economy. The Circular Economy Survey found 34 per cent of small business respondents had adopted circular economy activities with a further 6 per cent in the process of doing so. Among businesses which had adopted circular economy activities 66 per cent use materials multiple times, 47 per cent extend useful product life, 38 per cent reduce the demand for materials and 29 per cent use non-toxic materials and regenerating ecosystems.

The motivation for the uptake of circular economy activities varied, with businesses reporting ethical or environmental commitments, cost efficiency and alignment with customer expectations as the primary reasons. While some businesses followed government regulations, others were driven by industry trends. Several businesses noted long-standing values of sustainability while others emphasised the need for industry-led innovation in areas such as recycling.

The reasons small businesses opted not to adopt circular economy activities vary, with many citing a lack of awareness or understanding of broader circular economy objectives. Some respondents expressed concerns with prohibitive upfront and operational costs, insufficient infrastructure and support, lack of time or resources or lack of relevance to their business model. Respondents not currently

engaging in circular economy activities noted they had prioritised business survival during challenging economic conditions over adopting new practices which could require significant upfront investment. Several businesses expressed frustration with inadequate government support, while several mentioned difficulties in accessing relevant information or training.

Almost one quarter (23 per cent) of business respondents felt current NSW Government regulatory and policy settings for circular economy activities are either far too onerous or somewhat too onerous, with most respondents (58 per cent) unaware of current regulatory and policy settings or of the belief these do not apply to their business due to their small scale or bespoke activities.

More detailed survey results can be found at [Attachment A](#).

Designing circular economy approaches which meet small business needs

While small businesses may in principle support Australia's transition to a more circular economy, they would be substantially impacted by high compliance activities such as packaging bans and complex resource recovery arrangements such as container deposit schemes, the latter of which is costly for both users and producers. In October 2024, the Commission published the report: [Rightsizing Regulation: reviewing small business experiences with regulatory processes](#). As part of this review, the Commission conducted extensive stakeholder consultation which indicated that small businesses are concerned about the increasing burden of regulation, particularly regulation not designed with their needs in mind, or which is increasing in scope or compliance burden. Small business stakeholders highlighted several areas where regulatory changes have imposed significant financial and operational burdens. This included changes in environmental requirements, which under the threat of substantial financial penalties, they found complex and difficult to comply.

A key recommendation from the report is to consider whether alternative approaches are warranted for small businesses when designing new regulation. This approach would require explicit justification for why a requirement should apply to smaller businesses. In the context of circular economy objectives, consideration should be given to smaller entities' contribution to the waste stream and whether the costs of their compliance with associated regulatory frameworks are warranted by the associated benefits of their inclusion.

Prescriptive and overly interventionist approaches have the potential to stifle innovation and make it more difficult for entrepreneurs to determine the most efficient ways to achieve circular economy objectives. Industry-led initiatives, with a potential role for government in educating industry on circular economy opportunities, are generally more flexible, adaptable and outcomes-focused. Rapid changes in technology and business models mean that regulation can quickly become outdated and no longer fit for purpose whereas approaches that embrace market incentives (including the value of recovered materials) and good business practice are more likely to endure.

For example, in December 2023, the ACCC released the [Principles for trustworthy environmental claims](#), which sets out 8 principles for businesses to follow when making environmental claims. This approach offered useful information and guidance on how environmental claims may be impacted by existing obligations under the Australian Consumer Law, leaning into good business practice rather than implementing complex requirements or convoluted schemes.

The Commission encourages consideration of the potential costs and unintended consequences produced by the introduction of circular economy regulations, particularly for small businesses with unique needs.

Thank you for the opportunity to make a submission. If you require further information, please contact my Executive Officer Megan Bennett, at either megan.bennett@smallbusiness@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Chris Lamont
Commissioner
NSW Small Business Commission

Date: 01/11/24

Appendix A – NSW Small Business Commission Circular Economy survey results¹

Q1 - Has your business adopted circular economy activities?		
Response	#	%
Yes	130	34%
No	227	60%
No, but we are in the process of adopting them	23	6%
Total	380	

Q2 - Do you feel current NSW State Government regulatory and policy settings regarding circular economy activities are:		
Response	#	%
Far too onerous + Somewhat too onerous	87	23%
Just right	39	10%
Far too relaxed + Somewhat too relaxed	32	8%
Not applicable and/or I am unaware of current NSW State Government regulatory and policy settings for circular economy activities	222	58%
Total	380	

If respondent answers “Yes” to Q1 answer Q3, Q4 and Q5

If respondent answers “No” to Q1 answer Q6 only

If respondent answers “No, but we are in the process of adopting them” answer Q5 only

Q3 - Please indicate what kind of circular economy activities your business has adopted (please select all that apply):		
Response	#	%
Reducing the demand for materials	49	38%
Using materials multiple times	86	66%
Extending useful product life	61	47%
Using non-toxic materials and regenerating ecosystems	38	29%
None of the above	11	8%
Other (please specify):	36	28%
Total	130	

¹Fieldwork conducted between 1 October and 22 October. The survey is conducted through an online survey platform. Selected businesses are invited to participate, with the sample randomly drawn.

Q4 - Please indicate the impact of circular economy activities on your business's economic, environmental and social outcomes:

Response	Very positive + Positive		Neutral		Very negative + Negative		Total	
	#	%	#	%	#	%	#	%
Economic outcomes (including cost savings, revenue generation, etc.)	56	45.9%	48	39.3%	18	14.8%	122	100%
Environmental outcomes (including carbon footprint, waste management, sustainable supply chains, conservation, etc.)	67	54.5%	47	38.2%	9	7.3%	123	100%
Social outcomes (labour practices, human rights, product responsibility, etc.)	42	36.2%	62	53.4%	12	10.3%	116	100%