

Sara Collard  
Assistant Commissioner  
Productivity Commission  
Level 8, 2MQ  
697 Collins Street  
Docklands VIC 3008

By email: [circular.economy@pc.gov.au](mailto:circular.economy@pc.gov.au)

Dear Ms Collard,

**Re: Submission, Opportunities in the circular economy**

Woolworths Group (Woolworths) welcomes the opportunity to provide a response to the Productivity Commission's call for submissions for its inquiry into opportunities in the circular economy.

We are the nation's largest retailer and private sector employer, with more than 200,000 team members across Australia and New Zealand. In Australia, we have more than 1,100 Supermarkets and Metros, around 180 BIG W stores and almost 30 Distribution Centres (DCs) and Customer Fulfilment Centres.

The insight in this submission is informed by our experience as a retailer of upwards of 30,000 unique products in our supermarkets alone, and as a brand owner of about 5,000 products across our range. Our sustainability agenda is a key value driver and in the last year our actions delivered over \$580 million in estimated net societal benefit through investments in health, hunger relief, decarbonisation and circularity.<sup>1</sup>

In August, we released our [2024 Sustainability Report](#) in which we detail our goals, progress and achievements. With regard to efforts to build a circular economy, some highlights from the 2024 financial year (FY24) are:

- >16,000 tonnes virgin plastic packaging removed from circulation since 2018 (>2,500 tonnes on FY23).
- 100% own brand supermarket packaging displays the Australasian Recycling Label (ARL).
- Packaging for our own brand products is 51% recycled content, ahead of Australia's 2025 National Package Targets. We have achieved 85% recyclability in our own brand packaging.
- Soft Plastics Recycling trial launched by Soft Plastics Taskforce, including five

---

<sup>1</sup> For more detail, see: 2024 Sustainability Report, Woolworths Group, pages 10-11. Available at: <https://www.woolworthsgroup.com.au/content/dam/wwg/investors/reports/f24/f24/Woolworths%20Group%202024%20Sustainability%20Report.pdf>

- Woolworths stores. Further expansion will be reliant on infrastructure and capacity.
- Donated >36m equivalent meals to our food rescue partners (up from 34m in FY23).
- Diverted 80% food waste from landfill across the Group.
- >56,000 tonnes of produce sold via our Odd Bunch program.

In FY25, one of our key strategic areas is to continue work to extend our products' lifecycle, maximising its value through an integrated approach to circularity.

## EXECUTIVE SUMMARY AND RECOMMENDATIONS

This submission responds to the four information requests through case studies of our work in the areas of:

- reusable products;
- food waste; and
- soft plastics.

For each case study, we discuss the successes achieved and offer insights to opportunities to progress, hurdles and barriers to, and Governments' role in, the circular economy. We also offer some specific recommendations for action.

Several challenges to implementing circularity in Australia have been identified in this submission. This includes a lack of suitable infrastructure investment, and immature end markets. The scale of our national geography means that materials must either cover long distances, or be supported with infrastructure in multiple locations. And there is a need for public policies to reflect the practical needs of the industries striving to make circularity a reality, such as with export bans, addressing freerider effects, and to reflect the small size of the domestic market and the need for cross border harmonisation and coordination.

Our recommendations are summarised in the table below, with detailed feedback on pages 3-15.

Reform topic	Position or recommendation	Detail
Enabling change	Facilitate the transition to a circular economy with targeted financial support, by fostering industry collaboration, and introducing phased mandates for reusable equipment gradually.	Pages 4-5
Household waste	Australian state and territory governments should work towards a nationally harmonised standard for household waste and recycling services.	Pages 5-6
Start-up support	Governments can support new platforms designed to enable circularity by promoting them to relevant industries to build their profile and scale.	Pages 6-8

Organic waste	Governments should prioritise funding for the development and expansion of organic waste processing infrastructure, specifically targeting regional availability, depackaging technology and FOGO program enhancement.  Local councils should be offered financial and planning support to hasten the implementation of FOGO services across the nation.	Pages 8-10
Food rescue	Governments invest in collaborative infrastructure for the food rescue sector, and promote data sharing and transparency across the sector to optimise resource allocation. End Food Waste Australia can be empowered to drive the changes with industry.	Pages 10-11
Emerging industries	To reduce the risk of market failure and accelerate the transition to a circular economy for soft plastics the Australian Government should streamline regulations for recycling and stimulate demand for recycling outputs.	Pages 11-13
Producer Responsibility Organisations	Government support is crucial to set up new Producer Responsibility Organisations and could include expedited regulatory pathways, financial assistance, and mandating participation to remove free riders.	Pages 13-15

## INTRODUCTION

Growing concerns about pollution have intensified the need for circular solutions that maximise a product's lifecycle value. While achieving circularity requires multi-stakeholder collaboration, businesses face mounting pressure to take a leading role. This includes supporting recycling infrastructure and helping suppliers and customers adopt circular practices. To effectively address these complex challenges, a systems-based approach to circularity is essential.

Woolworths Group's extensive value chain positions us to help build circularity across the economy, keeping materials in circulation whilst maintaining affordability and convenience. We aim to support products through to their end of life by partnering to innovate and finding ways to reduce waste and source more responsibly.

We will continue to evolve our approach to circularity focused on impact across our value chain, and closing the loop through design, technology and activation with our suppliers and customers. Of course, we cannot do this alone and the outcomes of the Productivity Commission's inquiry will be invaluable for guiding the Government towards efforts that enable and supplement the private sector's endeavours.

## REUSABLE PRODUCTS

ReUse Co, launched in FY24 as a team within the Woolworths Group, focuses on building a portfolio of reusable equipment to proactively unlock end-to-end benefits for us and our suppliers. ReUse Co aims to create commercial, productivity and sustainability value. Those aims exemplify an ambition for circularity that governments and industry should also strive for.

With regard to commercial value, ReUse Co aims to drive economic and business growth by reducing costs for suppliers. In terms of productivity, it will improve efficiency, quality and safety by supporting supply chain automation, with benefits in labour reduction. Finally, its efforts will deliver improved sustainability outcomes by reducing emissions, water usage and promoting circular solutions with recycled materials.

ReUse Co's primary focus is transitioning the movement of our products from single-use cardboard packaging to reusable equipment; in turn supporting the Australian manufacturing industry. A key achievement in this area is the WooliesX online tote, which was previously produced overseas using virgin materials. It is now manufactured in Australia from recycled materials.

### Case study: Reusable plastic crates, trolleys and baskets

Reusable plastic crates (RPCs) are one example of how we are applying circular thinking to our supply chain. RPCs are used to transport the majority of meat and approximately 40% of our fruit and vegetable volume in Australia.

Unlike single-use cardboard or polystyrene boxes, RPCs are designed to be used up to 140 times before being recycled. In FY24, our use of RPCs for fruit and veg meant we avoided the use of more than 55 million single use cardboard boxes and resulted in a reduction of 23,300 tonnes of CO2 and saving 234,000GL of water, compared to the same volume packed in single use cardboard.

We're planning to expand the use of RPCs in other categories, including poultry. Our partnership with Viscount Reuse, an Australian supply chain solutions business that specialises in reusable systems, is part of our long term commitment to building Australia's circularity capabilities.

Since 2021, we have also progressively replaced our metal shopping trolleys with plastic trolleys, using recycled HDPE, the majority from milk bottles. These trolleys are now available in over 25% of our Australian Supermarkets, extending to 30% by the end of 2024. In addition, in Australia we've extended the use of this 98% recycled plastic to our handheld baskets with plans to expand to more stores.

### Opportunities, barriers and Governments' role

Transitioning to a circular economy often involves transitional costs that can deter businesses, particularly SMEs. A prime example is the poultry industry's shift from cardboard cartons to RPCs. While RPCs generally achieve cost parity (or better) with cardboard after the initial transition, any

capital investment required to modify production lines can be a barrier for some suppliers. Addressing this financial hurdle is essential to unlocking the environmental and economic benefits of RPCs, which include reduced waste, lower resource consumption, and improved supply chain efficiency.

To facilitate the transition to a circular economy in sectors like the poultry industry, we recommend the following:

- Targeted financial support: Provide grants or subsidies to assist businesses in overcoming the initial capital costs associated with adopting reusable alternatives like RPCs.
- Industry collaboration: Encourage knowledge sharing and best practice dissemination through industry-led initiatives and partnerships.
- Phased implementation: Introduce mandates for reusable equipment gradually, allowing businesses sufficient time to adapt and invest in necessary infrastructure.

**Recommendation:** Facilitate the transition to a circular economy with targeted financial support, by fostering industry collaboration, and introducing phased mandates for reusable equipment gradually.

### Case study: Meat trays

Our Packaging Preferred Materials List and Format Guidelines assist all suppliers in developing packaging plans that reduce problematic materials. We have worked to remove more than 1,000 tonnes of problematic plastic in different packaging projects, in addition to nearly 17,000 tonnes when we phased out lightweight plastic shopping bags in 2018. Also, BIG W has successfully eliminated 65 tonnes of rigid expanded polystyrene (EPS) from our own brand packaging. EPS is a problematic plastic commonly used in packaging for appliances, furniture and homewares, and it is not kerbside recyclable.

Another example is that we, and our supply chain partners, recently went to great lengths to remove PVC and Polystyrene trays (e.g. black polystyrene meat trays) from our own brand meat products and replaced them with clear PET plastic trays, with PET soft plastic film. We designed the trays to align with Australian Packaging Covenant Organisation (APCO) design standards for recyclability. They have been assessed through APCO's Packaging Recyclability Evaluation Portal (PREP) tool as recyclable, and labelled as such with the ARL, with instructions to consumers to leave the film attached.

This action means that, across a year's production, we will use 610 fewer tonnes of virgin plastic from meat trays through both removal of virgin plastic and inclusion of recycled content.

### Opportunities, barriers and Governments' role

Australia has a relatively small, mobile and well-connected society which means that national solutions and national communication strategies often deliver the best results. This is one of the

reasons that the ARL is an effective tool. Australian states and territory governments should work towards a nationally harmonised standard for household waste and recycling services.

For example, local councils around the nation have a wide variety of interpretations on what can or cannot go in the recycling or organic waste bins they provide to their communities. To help the community understand their waste management rules, most use generic terms for products, rather than referring to the material from which it is made. Use of generic descriptors, without reference to material composition, will render significant investments in recyclability of products and packaging, in accordance with APCO guidance, obsolete at a national level.

The ARL, managed by APCO, should be the primary system for communicating which objects can be put in kerbside mixed recycling service bins.

For products that do not carry an ARL, councils should offer more specific guidance on what can or cannot go into the yellow commingled recycling service bin. Otherwise, brands will be disincentivised from investing in new technologies to improve the recyclability of their products and packaging.

If councils continue to classify products like our recyclable meat trays as non-recyclable, it would have a national impact. This is because the APCO PREP tool for ARL requires a product to be recyclable for 80% of the national population for it to earn the 'recyclable' ARL. If a significant number of councils—especially in metropolitan areas—did this it would lead to all meat trays in Australia being reclassified as non-recyclable. The practical effects would be that recyclable material would instead go to landfill, and suppliers would likely cease investment in recyclable alternatives for their products.

**Recommendation:** Australian states and territory governments should work towards a nationally harmonised standard for household waste and recycling services.

## FOOD WASTE

Food waste costs both Australian and New Zealand economies over \$23 billion annually with approximately 7.3 million tonnes of food wasted in Australia alone. Yet, one in five Australians are living in food insecurity. As a food retailer, we can influence systemic change through our core operations, value chain networks, customer-facing platforms and strategic partnerships.

We aim to contribute to a more resilient and equitable food system – one that works to reduce hunger and food waste, and advances sustainability, accessibility and affordability.

We recognise our role in driving systemic change through our operations, value chain, customer platforms and partnerships. While our operations contribute 10% of food waste across our value chain, the greater impact lies within our supply chain (50%) and customers' homes (40%).

We're actively working to reduce waste across these areas, using a 'highest impact' approach. This includes partnering to prioritise getting edible surplus food to people in need and minimising

waste throughout our operations and supply chain. Our ambition is to redistribute all edible unsold food and divert all operational food waste from landfills by 2025, starting with our supermarkets.

We apply an end-to-end approach to how we responsibly manage food waste. We support our farmers upstream to reduce food waste to landfill through programs such as Refresh:Food, in our own operations through rescue and diversion, and downstream by educating and inspiring our customers.

In FY24, we achieved 80% food waste diversion from landfill across the Group, which was an 8% increase on the prior year.

### **Case study: Refresh:Food**

Woolworths Group together with Boston Consulting Group (BCG) co-founded, built and in November 2023 launched, Refresh:Food, an independent stand-alone profit-for-purpose organisation to reduce upstream food waste from farms.<sup>2</sup> The Refresh:Food digital marketplace connects growers with diverse buyers including retailers, processors and food-rescue organisations to reallocate surplus produce thereby reducing food waste upstream and enabling farmers to sell more of their crop that would otherwise be wasted.

For example, food rescue partner OzHarvest has used Refresh:Food to support expanded operations in the Northern Territory including weekly deliveries of fresh fruit and vegetables to 70 families across 12 remote Indigenous communities in Kakadu, four ranger stations and around 20 houses in Jabiru town, as well as the school and childcare centre.

In FY24 Refresh:Food had 69 active users on the platform, enabled >500t of produce to be diverted to charities through the Refresh:Food platform, and had more than 46 types of produce listed.

Refresh:Food will continue growing the platform by providing consistency of supply and a frictionless transaction experience aimed at increasing its active users so growers can sell more of their crop regardless of its specifications.

### **Opportunities, barriers and Governments' role**

Our experience setting up Refresh:Food highlights the potential for similar initiatives within Australia's agricultural sector. To prepare, we did extensive listening and learning sessions with farmers to understand what solution would work for them, and ensure our proposals would reduce friction in their operations. We encountered minimal barriers in establishing the platform itself, demonstrating the ease with which technology can be leveraged to facilitate circular economy solutions.

The primary challenge lies in scaling the platform to ensure sufficient demand matches the volume of available produce. This is an inherent aspect of business-to-business marketplaces, particularly in the early stages of development.

---

<sup>2</sup> Learn more at: <https://refreshfood.com.au/>

The opportunity for growth and impact is significant. Increasing the number of farmers on the platform is crucial to its success, and this is where the government can play a role by promoting platforms like Refresh:Food within their networks. This can significantly accelerate adoption and increased awareness would drive greater supply, attracting more buyers and establishing a robust circular economy ecosystem within the food supply chain.

**Recommendation:** Governments can support new platforms designed to enable circularity by promoting them to relevant industries to build their profile and scale.

### Case study: Composting capability

We continue to equip our in-store teams across all operations to make informed decisions about food waste reduction using our Food Waste Diversion Pyramid. This prioritises getting surplus food to people in need, then to farmers and wildlife, and finally to food waste recycling. In Australia, we have provided training, simplified signage, and an enhanced data dashboard to increase visibility of each store's impact.

With a \$7.7 million investment, we are making good progress towards securing a food waste recycling service for all stores. In FY24, we expanded these services to 76 Australian Supermarkets. This progress was supported by establishing new routes to service rural stores, partnering with Veolia to create new depackaging facilities in Dandenong, and forming six food recycling partnerships in collaboration with the industry. These initiatives have been particularly beneficial for our regional Australian stores. Our food waste diversion rate has increased to 80%, an 8% increase on FY23, with a growing proportion going to food relief partners, providing more than 36 million meals for those in need.

We will work towards closing the gap on the remaining Australian Supermarkets without food waste recycling infrastructure by building and expanding relationships with waste partners and commence them servicing our stores.

### Opportunities, barriers and Governments' role

While we are making progress in reducing food waste to landfill and have worked hard to build capacity, we acknowledge that unforeseen events such as power outages, refrigeration breakdowns and natural disasters continue to impact our ability to divert food waste from landfill.

Challenges also remain due to limited infrastructure and capacity for recycling of food waste, particularly in regional areas. Whilst investments in new infrastructure are made, we will continue to work towards mitigating this impact through proactive mitigation strategies.

### Availability of infrastructure

Whilst some states may have significant organic waste processing and composting facilities, it is our experience that the location and type of the service is an essential condition for assessing the



true availability of that processing capacity.

In some regional locations we have pursued shared infrastructure. For example, at one of our remote area stores, we installed a "Food Digester." The capacity of the digester exceeds our needs so we have partnered with other local food-based businesses to ensure it is fully utilised and the benefits shared by the wider local business community. This kind of approach could be expanded in other regional and remote areas with financial support from governments, and local coordination by councils.

The main challenge we have faced is that an organics processor with the capacity to take commercial waste is not always available within a reasonable distance from a store. To ensure we divert as much organic waste from landfill as possible, the solution is often to transport material by road to an organic waste processor well beyond the store's Local Government Area (LGA).

When implementing a solution, our preference is to support local infrastructure wherever possible. For example, in some regions we have partnered with Goterra, which has a system that uses insects called Black Soldier Fly larvae to break down food waste onsite rapidly, at a large scale. However, in areas where third party organic recycling solutions are not available we consider onsite solutions like dehydrators or biodigesters, which create fertiliser and liquid food waste respectively.

We also note that the cost of out-of-area waste processing is very high. We have solved the organic waste processing challenge for most of our stores across NSW, ACT, SA, Tas, and Vic, but challenges continue for Qld, WA, and NT. However, not all businesses will have the scale to make out-of-area solutions practical.

In terms of the type of processing infrastructure, depackaging technology is available in Australia and, for supermarkets, it is essential that the organic waste processors have that capability. When available, it enables store staff to dispose of food waste like packaged long-life products and other out of date or damaged stock that is still in its first layer packaging. Examples of first layer packaging are tin cans for tomatoes, boxes and bags for cereal, plastic bags for bread and vacuum sealed trays for meat.

For large supermarkets, requiring staff to remove food from its packaging is a very time-intensive activity with associated effects on the cost of doing business. Without depackaging services the quantity and quality of organic waste that is separated at the store level is reduced.

Consideration could also be given to how depackaging technology at food organics garden organics (FOGO) sites could lift recovery rates for domestic organic waste.

### *Leveraging domestic systems for industrial outcomes*

Council FOGO services are a significant enabler of efforts to reduce the volume of our customers' food waste that goes to landfill. The existence of FOGO services also improve the commercial viability of local organics processing infrastructure. Accordingly, expanding government financial support for councils is important.

However, it cannot be assumed that all council FOGO systems are suitable for commercial organic waste requirements. The following illustrate the reasons that resident-focussed FOGO services will not be able to fully support the needs of businesses captured by the proposed organics mandate.

- **Frequency:** the once-per-week (or once-per-fortnight) collection cycle offered to residents does not meet the frequency requirements of businesses generating food waste. Businesses typically need a collection service at least two to three times per week to manage volume, and mitigate potential pest and odour issues.
- **Depackaging:** Council FOGO facilities do not usually have the capability to take packaged organics. Most food businesses produce packaged food waste so this capability gap significantly reduces the volume of food waste diverted from landfill.
- **Bin size:** Most councils collect food waste in a side loading truck which accommodates 120L and 240L bins. Due to the volume of organic waste generated by food businesses, they require a rear lift truck that can collect bins that are 660L and larger. This is particularly relevant in areas where a commercial collection service alternative is not available.
- **Processor capacity:** Some regions' FOGO processors are at or near capacity, or approaching licensing limitations, and therefore cannot accept new commercial customers.

These examples illustrate the need for long-term financial support for councils to implement and, if required, expand their organic waste management systems.

**Recommendation:** Governments should prioritise funding for the development and expansion of organic waste processing infrastructure, specifically targeting regional availability, depackaging technology and FOGO program enhancement.

**Recommendation:** Local councils should be offered financial and planning support to hasten the implementation of FOGO services across the nation.

### Case study: Hunger relief

We, together with our food rescue partners, continue to address the growing demand for food relief across Australia and New Zealand. Working with our partners including OzHarvest, Foodbank and SecondBite in Australia, and KiwiHarvest and The Salvation Army in New Zealand, in FY24 we donated over 36 million meals of surplus food from our stores and DCs to thousands of local charitable organisations.

In addition to the surplus food we donate, financial support is critical to support our food rescue partners' ongoing running costs. This year saw a record investment with over \$18 million in financial support donated to our food rescue partners across Australia and New Zealand, including \$3 million thanks to our customer donations.

## Opportunities, barriers and Governments' role

Our experience addressing hunger in the community highlights a key opportunity to strengthen collaboration across the hunger relief sector. Currently, various organisations operate independently, leading to inefficiencies and duplication of effort in food collection and distribution.

Streamlining logistics and establishing a centralised platform for information sharing could significantly improve efficiency and reduce operating costs. This would enable greater investment in programs that directly address the root causes of hunger and improve overall impact.

However, achieving this requires overcoming barriers such as data privacy concerns, competitive tensions between organisations in respect to government grants and fundraising, and the need for standardised processes and technologies across the sector.

Targeted funding could incentivise collaboration. This could involve empowering End Food Waste Australia to facilitate data sharing and collaboration initiatives between food rescue organisations, food retailers, food manufacturers, and all levels of government.

**Recommendation:** Governments invest in collaborative infrastructure for the food rescue sector, and promote data sharing and transparency across the sector to optimise resource allocation. End Food Waste Australia can be empowered to drive the changes with industry.

## SOFT PLASTICS

In 2022, the Soft Plastics Taskforce (Taskforce) was formed, following the collapse of REDcycle, to allow Australia's major supermarket retailers to restore public access to post-consumer soft plastics recycling. Chaired by the Federal Department of Climate Change, Energy, the Environment and Water, the Taskforce has been working with current and new recycling providers to uplift capability and increase capacity to process the existing stockpile and future collections.

In 2023, Coles and Woolworths took control of the existing soft plastics stockpiles to store safely while identifying recycling solutions. By the end of FY24 we had consolidated the stockpile from 46 facilities to seven locations which are approved by state based Environmental Protection Authorities and local councils.

### Case study: processing infrastructure and offtake markets

The Taskforce recognises the need for a national soft plastics recycling solution, and is working to build on the lessons from numerous trials to support long-term, industry-based solutions.

We have focussed on working with several collection, processing and recycling companies to incubate and re-establish a soft plastics recycling industry. This has included financial support, guaranteed supply contracts and procurement of finished products.

Timing of a national rollout of in-store collection of post consumer soft plastic is dependent on the

success of state trials, recycling infrastructure and scalability to meet demand.

Two recyclers, CRDC and Close the Loop, commenced recycling soft plastics in early 2024. This enabled the launch of the Soft Plastics Recycling Trial in 12 stores in Melbourne, including two ALDI, five Coles and five Woolworths stores.

In May 2024, a sorting facility for collected plastics was established near Taree NSW. This facility is processing the highest grades of sorted soft plastics that can be made into food grade packaging, a first for Australia. The Taree facility, now running at full capacity, has allowed the Taskforce to commence a collection trial on NSW's mid north coast, utilising 25 Woolworths stores and 5 Aldi stores. There will be a further trial starting in November in Sydney's Western suburbs, involving 80 of our stores.

## **Opportunities, barriers and Governments' role**

### *Competition law*

Many sustainability issues require broad industry collaboration, across different levels in the supply chain, in order to create solutions for issues which are often inherently industry-wide, nation-wide or even international concerns. This example of the Soft Plastics Taskforce shows how collaboration authorised by the Australian Competition and Consumer Commission (ACCC) can deliver meaningful progress for a national and cross-industry issue.

However, the administrative requirements (and cost, time and resources required to meet them) for authorisation of business collaboration in this field are significant.

The ACCC is developing a guide for business on how to navigate sustainability collaborations and Australian competition law and it will be an important reference for the Productivity Commission inquiry.

### *Infrastructure and markets*

The journey, so far, has not been linear with recyclers challenged to receive necessary government approvals, capital investment and securing offtake partners to establish sustainable business models.

As noted, we have used our own procurement practices to help create an end market for recycled post consumer soft plastic. We are using products like Saveboard<sup>3</sup> in our store fitouts, Resin8<sup>4</sup> in store construction, and procure recycled content packaging where available. However, the most significant action to accelerate a circular economy for soft plastics is for government and other corporate procurement programs to increase the consumption of products made from post consumer soft plastic.

---

<sup>3</sup> See: <https://www.saveboard.com.au/case-studies>

<sup>4</sup> See: <https://crdc.global/australias-first-resin8-facility-officially-opens-in-melbourne/>

If governments were to build on financial support through programs like the Recycling Modernisation Fund, and also commit the use of recycled content material in its own projects, a national rollout of soft plastics collection, processing and recycling could commence much more quickly, and rates of recycling would rise significantly.

Initiatives that would significantly affect the speed of action include:

- Immediately trial the use of recycled plastic content in relevant government construction projects (e.g. paths, roads, walls). This would give several Australian entities that turn soft plastic into concrete aggregate and road base material the opportunity to expand their operations and therefore allow for more material to be collected and recycled.
- Fast track licences for the export of processed, remanufactured soft plastic to enable it to be sent to offshore manufacturers who are able to turn it into food grade feedstock for recycled content packaging film. This would also support forthcoming Commonwealth regulations that are likely to mandate minimum levels of recycled content in packaging.
- Simplify regulatory processes, usually managed by state EPAs, to enable processing and recycling facilities to increase production capacity to meet the expected growth in demand for their services.

If these measures are taken, we believe there is capacity to increase processing by at least 30,000 - 50,000 tonnes per annum. If that occurs, it would be enough to resume nationwide instore and kerbside collection, and recycling of, post consumer soft plastics, and accelerate solutions for soft plastics used in the agricultural sector.

**Recommendation:** To reduce the risk of market failure and accelerate the transition to a circular economy for soft plastics the Australian Government should streamline regulations for recycling and stimulate demand for recycling outputs.

### Case study: Producer Responsibility Organisations

The Soft Plastics Taskforce and the Australian Food and Grocery Council (AFGC) joined forces to spearhead the formation of a national soft plastics product stewardship scheme for all Australians. This scheme will be crucial to reducing the environmental impacts of soft plastic waste and drive sustainably focused economic opportunities, by creating a circular solution via product design, material recovery, recycling and end markets.

Planet Ark was appointed by the Soft Plastics Taskforce and the AFGC to support the formation of a Scheme. In August 2024, Soft Plastics Stewardship Australia (SPSA) was launched as a new Producer Responsibility Organisations (PRO). It has noted that, "to fix the recycling problem, three actions are essential:

- Introduce easier ways for the community to recycle their soft plastic packaging.
- Increase recycling infrastructure.

- Increase demand for recycled products.”<sup>5</sup>

The SPSA is an independent not-for-profit product stewardship scheme created to address and fund those actions. It plans to use levies raised from brand owners and retailers to fund areas of market failure across the supply chain. The scheme also proposes incentives for brand owners to redesign their packaging to make it more recyclable and include recycled content.

By facilitating more mechanical recycling and a new advanced plastics recycling industry in Australia, the SPSA looks to kickstart a circular, high value market for soft plastics – and ultimately, less landfill.<sup>6</sup>

The SPSA aims to improve:

- Environmental outcomes including reduced reliance on virgin plastic, reduced emissions and reduced landfill.
- The soft plastic recycling rate in support of industry and/or government targets.
- The availability of post-consumer recycled content, including for food and pharma-grade packaging, to improve circularity in the supply chain.
- The development of an advanced plastics recycling industry in Australia by incentivising both the supply of feedstock and industry demand.<sup>7</sup>

### **Opportunities, barriers and Governments’ role**

New Producer Responsibility Organisations (PROs) often face significant hurdles, particularly when addressing complex legacy issues like existing waste streams.

The first is high start-up costs. Establishing a PRO requires significant upfront investment in setting up the infrastructure for collection, sorting, and processing waste, developing IT systems for tracking and reporting, and establishing governance structures involves substantial initial investment. This can be alleviated by collaborating with government agencies to share initial investment costs and leverage existing infrastructure.

The free rider problem is widely acknowledged as a barrier to successful PROs. This is because companies that benefit from the PRO without contributing to its costs can discourage participation and undermine its effectiveness.

One example of this challenge is *Seamless*, a PRO established in 2023 to promote textile recycling and a circular economy within the fashion industry. Despite securing substantial initial funding from major brands like BIG W and other founders, and ongoing financial support from BIG W and some national brands that have joined Seamless as members, it faces an uphill battle.

The reluctance of several dominant clothing manufacturers, brand owners and importers to

---

<sup>5</sup> Soft Plastics Stewardship Australia. Available at: <https://spsa.au>. Accessed 9 October 2024.

<sup>6</sup> Soft Plastics Stewardship Australia. Available at: <https://spsa.au>. Accessed 9 October 2024.

<sup>7</sup> Soft Plastics Stewardship Australia, *Aims*. Available at: <https://spsa.au/aims>. Accessed 9 October 2024.

participate is a critical threat to viable circular solutions because they may be adopting a "free rider" strategy. In a sector like discount clothing retailers, characterised by low price and high-volume sales, the importance of creating a level playing field is critical. The levies associated with PRO membership put participating businesses at a significant cost disadvantage. This makes it commercially unsustainable for them to remain in the scheme while others operate outside it.

Potential solutions include making participation mandatory by leveraging the rule-making powers of the *Recycling and Waste Reduction Act 2020* (Cth), structuring fees so that members of the PRO receive discounts or preferential services, and public awareness campaigns to highlight the benefits of joining the PRO and the negative consequences of free-riding.

Balancing revenue from member fees with operational costs, especially during the initial stages when membership may be low, can be a significant challenge. This poses financial risks to both the PRO and its Directors. To overcome this, PROs can seek diversified revenue streams beyond membership fees, find innovative ways to make operations efficient, and build financial reserves during periods of surplus to cushion against unforeseen expenses or fluctuations in revenue.

Finally, collaboration between competitors can raise antitrust concerns, requiring careful legal consideration and mitigation strategies. The focus must remain on sustainability, emphasising the environmental benefits of the PRO, demonstrating that collaboration is essential to achieve shared sustainability goals.

To address these challenges and accelerate the development of effective PROs, government support is crucial, especially in cases with significant public and environmental benefits like soft plastics.

Governments can support PROs by expediting regulatory pathways. Streamlining the process for mandating product stewardship regulation can ensure swift action in urgent cases. Financial assistance is another key avenue for support, such as providing grants and loans can help PROs overcome initial financial barriers and achieve sustainability.

**Recommendation:** Government support is crucial to set up new Producer Responsibility Organisations and could include expedited regulatory pathways, financial assistance, and mandating participation to remove free riders.

## CONCLUSION

Thank you for the opportunity to provide this submission for consideration. Please contact Jonathan Russell, Manager, Government Relations and Industry Affairs - Sustainability if you have any questions about our submission. We welcome ongoing engagement throughout the reform process.