Submission on the *Productivity Commission Inquiry - Opportunities in the circular economy*

November 2024

About WALGA

The Western Australian Local Government Association (WALGA) is an independent, member-based, not for profit organisation representing and supporting the WA Local Government sector. Our membership includes all 139 Local Governments in the State.

WALGA uses its influence, support and expertise to deliver better outcomes for WA Local Governments and their communities.

We advocate to all levels of Government on behalf of our Members, and provide expert advice, services and support to Local Governments.

WALGA's vision is for agile and inclusive Local Governments enhancing community wellbeing and enabling economic prosperity.

Acknowledgement of Country

WALGA acknowledges the continuing connection of Aboriginal people to Country, culture and community. We embrace the vast Aboriginal cultural diversity throughout Western Australia, including Boorloo (Perth), on the land of the Whadjuk Nyoongar People, where WALGA is located and we acknowledge and pay respect to Elders past and present.

Introduction

WALGA welcomes the opportunity to comment on the Productivity Commission's *Opportunities in the circular economy: Call for submissions*. WALGA considers this work builds on the Productivity Commission's earlier Inquiry into the Right to Repair. WALGA has a range of Advocacy Positions (Appendix 1) which are relevant to the Inquiry.

The Productivity Commission, on behalf of the Australian Government, is undertaking an Inquiry into Australia's opportunities in the circular economy to improve materials productivity and efficiency to benefit the economy and the environment. The Commission is seeking feedback on four key areas:

- Circular economy success stories and measures of success
- Priority opportunities to progress the circular economy
- Hurdles and barriers to a circular economy
- Government's role in a circular economy.

While circular economy principles are agreed on, and the term is widely used within the context of the waste management industry, an effective transition towards circularity requires key principles to be adopted across all levels of government and industry sectors. Moving to a circular economy cannot be achieved by effective waste management alone, instead it will require a fundamental shift in how the economy operates and offers the opportunity to maximise use of resources.

This Submission identifies WA circular economy success stories, key circular economy opportunities and barriers for Local Government in Western Australia and roles for Government.

Success stories and measures of success

Western Australian Local Governments have embraced the concept of a circular economy and are making inroads into establishing circular approaches, mainly through waste management activities focusing on the increased repair, reuse and recovery of materials.

Currently, the closest means for Western Australia to measure circularity relies on waste management data, particularly recovered material tonnages. There is limited opportunity to measure how material is remaining in the system at its highest value outside these metrics.

There are also inconsistent levels of measurement across industry sectors, with detailed data available for construction and demolition and municipal waste, but limited waste composition data for the commercial and industrial sector. Data that is available lacks the necessary granularity to assist in developing waste avoidance and resource recovery solutions.

Case study: Eastern Metropolitan Regional Council

The Eastern Metropolitan Regional Council (EMRC) provides services in waste management and education, resource recovery and sustainability initiatives to three member Councils in Perth's eastern region. In 2022, EMRC commissioned a Regional Circular Economy Horizon Scan, to gain insight into opportunities to plan and promote circularity in Perth's eastern region and wider WA.

The Horizon Scan highlights Western Australia's traditional reliance on material export and commodity prices and recommends supporting existing recycling reuse and remanufacturing infrastructure while identifying and promoting innovative solutions to shift toward a more circular model, as shown in Figure 1.

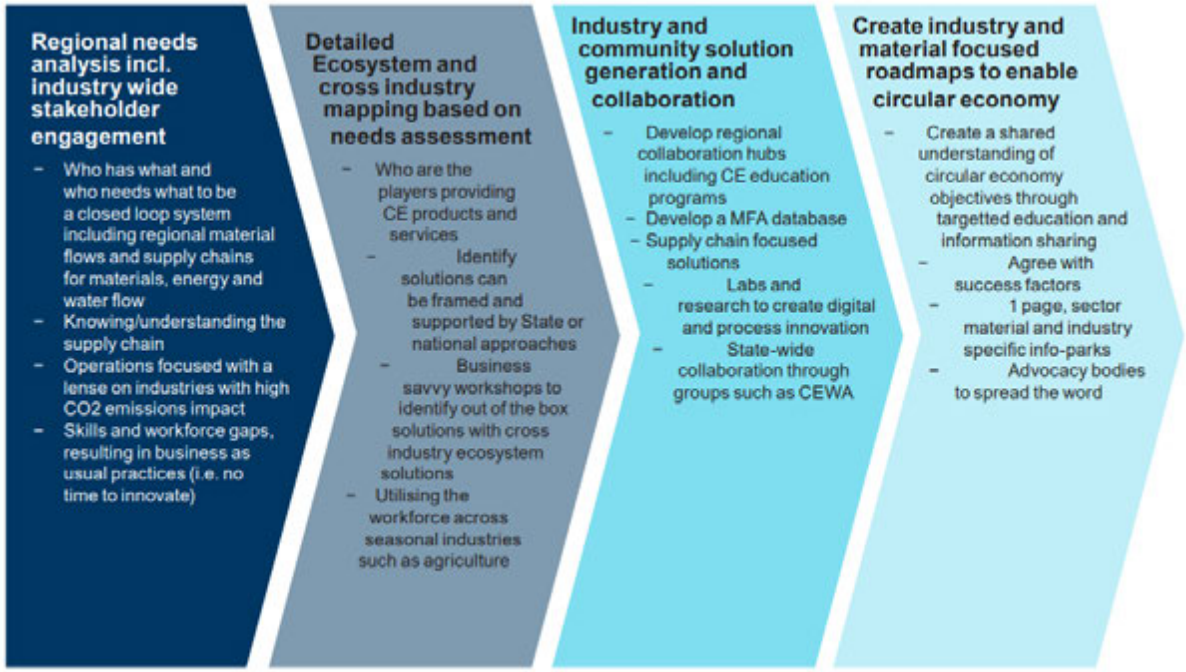

Figure 1: A four-stage circular economy enabling strategy. *EMRC, 2022*

Priority opportunities

The call for submissions highlights five industries as having the most potential to advance the circular economy: mining, construction, manufacturing, agriculture and waste management. However, the opportunity to embed circularity across all sectors can be significantly advanced through targeting procurement approaches.

Changes to procurement policies are a potentially significant lever to move to more circular approaches. Examining whether a capital purchase is required to achieve an outcome or an alternative business model that meet the same need would be acceptable, this could include borrowing, leasing or refurbishment. Another option is calibrating procurement to preference products which have simple and transparent recycling pathways or reuse potential.

Setting procurement targets for recycled content in products, and the use of recovered materials in infrastructure projects at all levels of government, will assist in increasing confidence in using recycled materials and supporting emerging markets.

Quality assurance and market development for recovered materials

WALGA's Recovered Material Framework advocacy position highlights the need for the State Government to take a leadership role in facilitating the use of recovered material by providing a regulatory framework to ensure end users have high confidence in the quality and safety of products. This would include a requirement for validation and certification of products to ensure they are fit for purpose, with outcomes-based specifications which take into consideration the receiving environment and minimise risk to human and environmental health. This is an essential step for materials to cease being considered a waste and become a product.

Sharing economy

The sharing economy is a new economic approach which facilitates a more circular approach based on people sharing possessions and services, for free or for a fee, using online platforms and local resource hubs. Regulation has struggled to keep pace with the sharing economy and there are potentially negative outcomes associated with this.

From a waste management perspective, the sharing economy offers options for people to share or exchange good quality second hand products rather than buying new. Local Governments have seen high take up rates and community satisfaction from being able to borrow or swap items including tools, toys, books and clothes. This approach requires ongoing support, both to establish and maintain these services which are often reliant on volunteers (for example Repair Cafés).

Design for circularity

The design stage of a product determines whether, and to what extent, that product can be reused, repaired or recycled. One example is the work that is currently underway regarding Packaging Regulatory Reform. This work has been initiated at a national level and will potentially lead to the implementation of mandatory design standards for packaging. However, certainty is required to ensure all products entering the market are designed to maintain the highest value as long as possible.

As outlined in WALGA's Product Stewardship Policy Statement, Local Government considers a framework approach should be taken to ensure all products manufactured, distributed and sold are part of an effective product stewardship scheme.

Building on this principle, accessibility of affordable repair options is necessary to support consumers' ability to extend product life and value. As outlined in a previous submission on the Productivity Commission's Right to Repair inquiry, a positive obligation on manufacturers to provide greater access to repair supplies similar to that in existence in Europe would be beneficial to Australian consumers. Under European directives, household appliances are required to have spare parts available to professional repairers for up to ten years as well as repair and maintenance information. This could potentially influence a consumer's decision when purchasing a particular product. Generally, repairing items in Australia can be more expensive than purchasing new items, particularly for those living in regional areas. There is need for ongoing funding for repair shop operations to make them more mainstream and accessible, with regular operating times.

Repair cafés or pop-ups can subsist in regional areas with appropriate support for volunteers and part-time professional repairers. This diversifies the marketplace and can provide greater skills for other service Industries In those areas.

To facilitate widespread repair operations, training that allows the economic repair of items as required without introducing excessive risk of negating the item's insurance will be required. Repairs should be carried out by qualified persons, but at a standard of qualification that compromises between the costs of repairs and levels of indemnity sought by insurance agents or companies. For that reason, further investment in suitable training opportunities should be supported, particularly in remote areas. This training should also offer flexibility so that qualified workers can undertake training that allows them to repair items outside normal working hours.

Regionally focused systems

Western Australia's geography presents significant challenges in aggregating and transporting materials for reuse and recycling, limiting options for materials to be used at their highest value. Local Government feedback supports the creation of Government-resourced precincts within regions to facilitate waste being received and processed locally to maximise benefit to local communities, or a series of small individual processing facilities in key areas. This will also reduce significant transport costs currently experienced by regional local governments.

WALGA has recommended that as part of the WA State Waste Strategy implementation, regional infrastructure plans be developed that focus on developing infrastructure solutions to manage waste close to source in order to create and develop local industry and employment opportunities.

Hurdles and barriers to a circular economy

While Local Governments have initiated local level circular activities in reuse, repair and recovery, the sector is limited in what it can achieve in the circular economy transition without strategic support and investment from the Australian and State Governments.

Local Government feedback demonstrates that education alone is not effective in facilitating waste avoidance, and specific programs and incentives should be considered to shift consumer behaviours. With increasing pressures on cost of living, supporting the community to reduce waste and easily access more circular options without additional cost is essential. Consumer behaviour driven by price signals increasingly sees low-cost, low-quality products entering the market which are in many cases cheaper to replace than repair, particularly in regional areas with limited service options. A mandated product stewardship framework which ensures all products manufactured, distributed and sold are more easily reused, repaired, recovered or recycled is required to support the shift in consumer behaviour.

The *Recycling and Waste Reduction Act 2020* is national legislation with the option of mandatory, co-regulatory or voluntary product stewardship. WALGA considers that the Australian Government should progress mandatory product stewardship schemes for products that have a national reach. This legislation should be used to ensure consistent regulation across Australia. This approach will also gain economies of scale in relation to implementation and communication and reduce duplication of effort.

From a commercial standpoint, the higher cost and in regional areas, lower availability, of recycled material can be a barrier in replacing virgin materials in Local and State Government projects. This is further intensified by the actual or perceived risk of using recycled materials, if strict product quality specifications are not in place to ensure end users can have confidence in the product.

Western Australia's traditional reliance on material extraction, import and export is also a barrier to circular practices. The capital investment to establish and maintain facilities to produce usable material from waste to a high specification is seen as less economically viable than using readily available virgin material. Support and incentives for reprocessing facilities and the use of

recovered material is therefore necessary to drive infrastructure and market development across the State.

Opportunities to overcome this barrier include creating a knowledge base for priority waste streams which have high processing potential and market value, identifying government led incentives that will assist industry investment in waste re-processing, and developing business cases and investment prospectus for processing waste streams.

This support will be vital in establishing large scale re-processing facilities to deliver sustainable, large volume supply to provide long-term environmental and economic benefits.

With large mining operations prevalent in WA, along with a growing population, there is a correlation between production and waste volumes. It is important to develop new measures that consider waste generated and recovered as a percentage of growth both of the population and the economy. This will assist in measuring progress in the circular economy space outside the existing waste metrics.

Government's role in the circular economy

To effectively transition toward a circular economy, Government must take a leading role in embedding circular practices across a range of industries.

Australian Government

Developing a National Circular Economy Framework which includes:

- Establishing and maintaining a regulated, mandatory product stewardship scheme framework for all products entering the market.
- Setting material design standards to ensure products can be reused, repaired and recycled.
- Including reuse and repair targets and data in the National Waste Policy and reporting on these metrics.
- Establishing circular procurement practices at a national level, including recycled content targets.
- Support and incentives for recovered materials infrastructure and market development.
- Develop new measures for waste and recovery as a percentage of growth both of the population and the economy.
- Ensure there are insurance recognitions for repairs that protect the repairer and user of the repaired item.

State Government

Develop a circular economy framework for WA which includes:

- Undertake a study, such as completed by Green Industries South Australia, to map out what a circular economy in WA would include.
- Establishing a regulatory framework to ensure end users have high confidence in the quality and safety of products derived from recovered materials.
- Creating a knowledge base for priority waste streams which have high processing potential and market value.
- Providing incentives for producers and processors to adopt circular practices.
- Investing in market development for recovered materials.
- Demonstrating business cases for industry to utilise waste streams to create products that have market value.
- Removing legislative barriers to enable more circular approaches to procurement (such as leasing, hiring etc).
- Funding reuse and repair and sharing economy programs for Local Government.

- Establishing circular procurement practices for the WA public sector.
- Establishing a state-wide platform for businesses to list and collect inventory that could be used or repurposed.
- Providing sufficient training and qualification levels that allow local repair of items that meet manufacturing and consumer quality control.

Local Government

Supporting circular initiatives through:

- Establishing circular procurement practices for Local Government activities, including use of recovered materials and investigation of alternative models including lease arrangements.
- Implementing and maintaining reuse and repair and sharing economy programs.
- Community education and engagement to support effective recovery of high value materials through Local Government collections.
- Facilitation of resource recovery centres that allow residents to drop off a range of different materials.
- Having sufficient flexibility in local land use planning frameworks to encourage the establishment of local businesses and industry focusing on circular economy.
- Aligning Local Government activities with State and Australian Government circular economy frameworks.

Conclusion

Transition to a circular economy has the potential to reduce cost of living pressures, maximise use of resources and reduce a range of environmental impacts associated with the manufacture, distribution and post consumption management of products. For these benefits to be realised, action is needed from all levels of Government to change legislation and policies where required, put in place relevant incentives and lead by example.

Appendix 1: WALGA Advocacy Positions

7.1 Waste Management Legislation

Local Government supports waste management legislation that references the principles of Sustainability and the Waste Hierarchy. To be effective, waste management legislation should include the following primary objectives:

1. Protection of human health and the natural environment;

2. Minimise resource consumption;

3. Minimise waste; and

4. Effect the transition to a waste free society.

7.8 Waste Management Education

1. Waste education is an essential part of waste management that empowers the community to engage in waste avoidance, reuse and recovery, and to use services correctly.

2. Effective waste education requires:

a. Consistent communications by all stakeholders to ensure messages are clear and the community has confidence in the information provided.

b. A strategic and long-term investment from the State Government, with funding mechanisms in place to support and enable collaboration between Local Governments and Regional Councils.

c. Recognition of waste education in the definition of 'waste service' in the Waste Avoidance and Resource Recovery Act 2007, in order to allow a charge for waste education as part of the waste service charge.

d. Identification of priority problematic materials within the waste stream and ongoing advocacy for evidence based alternative approaches.

7.10 Household Hazardous Waste (HHW)

1. Household Hazardous Waste (HHW) is a small but significant component of the waste stream which requires specialised management strategies to protect human health, property and the environment.

2. This requires:

a. Effective Product Stewardship for all HHW; and

b. The maintenance and expansion of the HHW Program, funded by the State Government and Product Stewardship Schemes, to provide for the management of HHW collected from the community by Local Government.

7.12 Landfill Ban

Landfill bans are only supported in the presence of effective product stewardship schemes, or other funding mechanisms, for products which would be subject to the ban.

7.13 Recovered Materials Framework

The use of recovered materials, across a range of applications, is essential in reducing the use of basic raw materials, meeting State Waste Strategy Targets and increasing diversion of waste from landfill. To ensure end users have high confidence in the quality and safety of products derived from recovered materials, consistent, outcomes-based standards and investment certainty are required.

The State Government, in consultation with Local Government and the waste management industry, should take a leadership role in facilitating the use of recovered material by:

1. Developing a regulatory framework which:

a. Outlines clear, outcomes-based specifications for individual products which take into consideration the receiving environment and allow for site-specific assessment.

b. Minimises risk to human health and the environment from the use of recovered material.

c. Establishes robust systems to provide quality assurance and ongoing surveillance throughout the supply chain.

2. Providing guidance and support mechanisms for the successful implementation of the framework.

3. Supporting the development of, and access to, sustainable end markets and long-term offtake agreements through initiatives such as active engagement with potential end users and the inclusion of recovered material content targets in Government procurement and large infrastructure projects.

7.15 Product Stewardship

1. Industry should take responsibility (physical and/or financial) for the waste that it generates through the entire life cycle of the products it produces through the implementation of effective product stewardship. Without effective Product Stewardship, there will be increasing costs for the community, resource recovery targets will be difficult to reach and a transition to a circular economy is unlikely.

2. Effective Product Stewardship is characterised by:

a. Producers and importers taking responsibility for post consumption product impacts.

b. Schemes covering the entire cost of product recycling or recovery, including transport.

c. Leveraging existing Schemes and collection locations.

d. Being easy and convenient for the community to access.

e. Having equitable national coverage and access for all, including regional and remote locations.

f. Being evidence based. g. Consistent regulation and implementation across Australia using national Product Stewardship legislation.

h. Timely action and industry cooperation during Scheme development and implementation.

i. Being demand based and aiming to recover the maximum amount of material, rather than being limited by targets.

j. No additional cost to consumers when the product is disposed of post consumption.

3. Local Government calls on the Commonwealth Government to implement effective Product Stewardship schemes for all products that drive environmentally and socially sustainable outcomes through the design, manufacture and distribution of products that can be more easily reused, repaired, recovered or recycled.

4. If national action is not progressed within a reasonable timeframe, or in a way that meets the needs of the Western Australian community, then Local Government supports a State based approach to Product Stewardship.