

1 November 2024

Ms Joanne Chong
Environment Commissioner
Productivity Commission
PO Box 1428
Canberra City ACT 2601

Dear Ms Chong,

Submission to the Inquiry on Opportunities in the Circular Economy

The Australian Local Government Association (ALGA) welcomes the opportunity to provide a submission to the Productivity Commission's consultation for the Inquiry on Opportunities in the Circular Economy (the Inquiry).

ALGA is the national voice of local government in Australia, representing 537 councils across the country. In structure, ALGA is a federation of state and territory local government associations. This submission should be read in conjunction with any separate submissions received from state and territory associations as well as individual councils.

Local governments are key national partners in resource management, in supporting and brokering their communities' social and economic development and in providing foundational infrastructure and services which enable regional economies to function. As one of local governments' major services, waste management and how associated operating and environmental costs can be reduced, are of keen relevance to the local government sector.

The resource constrained operating environment in which local governments serve their communities means that circular economy innovation is often a 'nice to have'. In waste, local governments must grapple with, and pay for, the safe management of an ever-expanding list and volume of materials entering waste and recycling streams, and circularity is often out of scope. Despite this, and as detailed in this submission, local governments have innovated and encouraged their communities to engage in more circular behaviours and resource use.

As an overarching position, ALGA advocates for waste avoidance, mandatory extended producer responsibility, and greater national and ongoing support for community education and awareness around resource use and waste. The onus for ensuring products and materials are suitable in a circular economy should be borne by producers and importers, and ultimately, the Commonwealth Government has policy responsibility in this respect. Furthermore, any changes to the status quo for waste and resource management will have significant flow on effects for local government operations, finance, and sustainability and this needs to be appropriately managed as circular economy is further developed.

The current state of circular economy

While local government initiatives with circular economy are often positioned in a waste context, circular economy presents more significant opportunities than just improving the efficiency of resource recovery. By encouraging systems that demand significantly fewer virgin resources and that create substantially less waste, the power of circular economy lies in the opportunities for economic and social development with environmental care at the centre.

Both the definition of circular economy to different sector and governments and its real-world applications are ambiguous. This ambiguity is both a challenge and an opportunity. In the absence of top-down implementation of circularity, local governments have innovated methods, models and processes to improve circularity in their communities. This positions them as ideal implementation advisers and partners which can provide valuable insight into how place-based, integrative circular economy initiatives can begin and scale. Further, they can advise on social and behavioural norms which will likely require greater attention in parallel with new policies and investment.

Mainstream uptake, and clearer understanding of what behaviours, initiatives and processes could be adopted by local governments, are not likely to occur without broader structures, incentives, supports and processes to work into and benefit from. This Inquiry, and how the findings are implemented by the Australian Government, will be a key part in setting out these structures, incentives, supports and processes.

This submission is structured according to the overarching questions asked in the Productivity Commission's (PC) 'call for submissions' briefing paper. Information presented in ALGA's submission is based on several inputs, which primarily include the policy positions of state and territory local government associations and a sample of case studies of local government circular economy initiatives (see Supplement A). Please note that case study information has been compiled from publicly available information, does not intend or purport to be representative of all local government circular efforts, and does not provide assessment of outcomes or progress.

ALGA would be pleased to continue to provide input to the PC for this Inquiry and may provide more granular insights as required and should data and information availability permit.

What is circularity and what can it achieve?

Many local governments have supported circular behaviours before explicit circular economy terminology gained currency. Examples of common initiatives include:

- 'Tip shops' which are operated adjacent to Council-run transfer stations and support residents to access goods and salvage them from the waste stream. The first 'tip shop' is reported to be 30 years old, located in Glenorchy, Tasmania.¹
- Kerbside large item collection services run by many councils commonly facilitate reuse and repair of goods by residents who voluntarily salvage the goods prior to collection.²

¹ ABC News 2016. [Australia's first tip shop turns 23.](#)

² ABC News 2018. [Kerbside collection and hard waste tips.](#)

- Offering lessons and machines for repairing clothing, hosting toy libraries and other publicly accessible collections which facilitate lower consumption.³
- Supporting the operation of Men’s Sheds and repair groups which facilitate community connection while repairing goods for reuse.⁴
- Operating recycling systems of growing scope and sophistication. For example, the introduction of Food Organics Garden Organics (FOGO) and other forms of organics diversion by local governments represents a significant step change in nutrient recycling and methane reduction.

In contemporary terms (Supplement A), local governments which have entered the circular economy space often, 1) increase the scope, ambition and investment in material recycling and reuse, and/or, 2) take a strategic approach to scaling up awareness and investment in the broader community and economy to implement circular behaviours and principles. Local governments employ a diversity of practical approaches for increasing circularity in their organisations and/or in the broader economy and community.

Local government motivations for engaging with circular economy

Through analysis of case studies, ALGA has developed insights into the contemporary motivations and opportunities that local governments associate with circular economy (Table 1). The breadth of these motivations demonstrates that circular economy is appealing for social, economic and environmental reasons.

Table 1: Rationale for engaging with circular economy in a sample of Australian local governments (as of 2024)

* Case studies can cite more than one motivation, as such, frequency n can outnumber case study n.

Theme	Rationale for undertaking circular economy initiative	Frequency of rationale cited in publicly available information (sample n = 15) *
Economic development	Job creation	8
	Business and economic benefits	9
	Product value adding	7
	Increase demand for recycled products	2
Improving operational and environmental performance of councils	Emission reduction	11
	Lower council operating costs	4
	Extended landfill life ⁵	3
Environmental protection and social resilience	Environment protection and regeneration	11

³ Mirage News 2023. [Sustainability is child’s play at Stonnington Toy Library.](#)

⁴ The Guardian 2019. [Tinker tailors the grassroots movement reclaiming the right to repair.](#)

⁵ Constructing new waste facilities and landfill sites is environmentally damaging, time consuming and expensive so councils aim to extend the life of each landfill site by lowering waste production via circular economy solutions.

	Greater resilience to external, uncontrollable forces ⁶	7
	Borne from sense of responsibility to future generations	4

Local government approaches to circular economy

Analysis of our sample of case studies has shown that approaches to circular economy can include, for example:

- Undertaking strategic assessment of the ways that local governments can best implement circular principles and practices. For example, City of Mitcham (SA) has identified structural and operational opportunities that would promote the transition to a circular economy model.
- Using the council as a driver of demand for circularity through introducing or increasing the use of recycled materials in its operations and procurement. For example, Lake Macquarie City Council (NSW) is trialling the use of recycled glass, tyres, fly ash, toner, plastic and concrete for use in road construction, and reusing thousands of pavers from a recent renovation to refurbish another council facility.
- Increasing awareness, capacity, and supports to local businesses to implement circular principles and operations. For example, the City of Adelaide (SA) has designed and developed the Circular Adelaide platform for businesses and events that promote circular practices and waste reduction.
- Using circular economy as an umbrella through which regional economies can be reshaped to reduce their environmental impact. For example, Bega Circular Valley initiative to which Bega Valley Shire Council (NSW) contributes, focuses on a range of initiatives to generate co-benefits across the regional economy, environment, and community. They seek to reduce waste generation and promote repurposing, reducing greenhouse gas emissions, improve nutrient/animal feed, water and soil quality, promote biodiversity and community and rural tourism.
- Focusing on specific materials which have a high potential rate of reuse, high impact, or produce high quantities of waste. Materials commonly targeted include:
 - Organic waste and nutrients (e.g. City of Logan [QLD], has a biosolids gasification facility, Bega Circular Valley [NSW], circularity in fisheries and aquaculture initiative)
 - Textiles (e.g. City of Adelaide [SA] promoting circular textile practices, Town of East Fremantle [WA] Circular Styling Strategy).
 - Materials which can be used in building and road construction, such as glass, tyres, ash, concrete, copper cables, timber, aluminium, and bricks (e.g. Manningham Council [VIC] demolition waste reduction targets, Shoalhaven City Council [NSW] glass recycling plant).

⁶ Refers to lowering dependence on the oft-volatile supply of virgin materials (particularly from overseas) and methods of waste disposal (e.g. exporting recyclable material). Circular economy offers greater self-sufficiency and regenerative systems which can lower reliance on exterior factors that are subject to volatility associated with price increases and supply shortages, for example.

Analysis has demonstrated that local governments use a diverse toolkit to progress their circular economy strategies and initiatives (Table 2). Supplement A also provides more comprehensive analysis of how initiatives in each case study contribute to narrowing, closing, and slowing loops, and regenerating nature.

Table 2: Examples of local government approaches to circular economy

* Case studies can cite more than one method/approach, as such, frequency n can outnumber case study n.

Theme	Approaches to circular economy	Frequency of rationale cited in publicly available information (sample n = 15)*
Council operations	New methods of waste recovery/reuse	13
	New waste/resource collection trials and pilots	6
	New facilities/infrastructure	3
	Using council operations and procurement	2
Policy	Policy (e.g. bans on products/materials which cannot readily be managed locally)	2
	Collecting new data	2
	Encouraging change in product design	2
Community and business enablement	Community education	5
	Tools such as online platforms	3

What progress is being made in Australia?

Metrics for measuring success of circular economy

Of the local government case studies which specified metrics for their circular economy initiatives, most focused on emissions reduction with waste diverted from landfill following closely (Table 3).

Table 3: Current metrics and ways of measuring progress

* Not all case studies identified metrics associated with their initiatives, while some cited more than one. As such, frequency n does not match case study n.

Metrics associated with circular economy	Frequency of metric cited in publicly available information (sample n = 15)*
Emissions reduced	5
Waste diverted from landfill	4
Revenue in local economy	1
Energy saved	1
Landfill life extended	1

While emissions reduction relates closely to one of the top motivations for undertaking circular initiatives (Table 1), there is an opportunity to develop more comprehensive metrics to reflect other motivations associated with social and economic development, job creation, environmental protection and operational and cost efficiency gains for councils. The metrics which are appropriate for measuring such objectives could differ based on context, however, there is likely also scope to consider universal metrics which can reflect overarching progress. It is also recommended that care be taken to develop metrics which can reflect the responsibilities (shared or wholly owned) of different parties to ensure that appropriate attribution of roles for progress is measured over time.

Four of the 16 case studies analysed include life cycle analysis (LCA) to track their progress, however a further three specified that data was available which could facilitate LCAs. While some local governments demonstrate enthusiasm to track progress and outcomes, there is a role for state, territory or Commonwealth governments to coordinate and operate robust systems for data collection and undertaking LCAs for priority waste streams relevant to circular economy.

What is needed to enable further progress?

Taking a many-circular-economies approach

Opportunities for local governments to engage with - and derive benefits for their communities from - circular economy, will be different depending on, for example, their geographic context and access to markets, volume of waste, size and composition of regional economy, their communities' visions for the future, and their own financial and operating capacity. As such, a one-size-fits-all approach to encouraging a circular economy will likely limit its relevance to a range of communities and local governments.

ALGA suggests that the PC develop a typology of different circular economies which might be feasible in different places. This should be accompanied by guidance on regulatory and funding arrangements for local governments and communities to engage with different circular economy modes or models. Metrics should be identified and developed to correspond to the different models of circular economy being progressed to ensure that progress is appropriately defined and measured.

Examples of circular economy modes/models could include:

- Highly localised and/or off grid systems of repair, reuse and repurposing for rural and remote communities which have faced challenges in the conventional waste system due to the tyranny of distance to recycling markets.
- Developing circular supply chains for materials which are used and discarded in high enough quantities that they could support national (or international) circular markets. These would likely be engaged with by urban and larger regional local governments, should they be able to derive income from engaging with such a supply chain.
- Identifying where circular economies can be developed which may not produce profit or traditional economic benefit but provide significant environmental and social benefits and should be supported nationally.

Defining a mix of relevant circular economy models/modes enables the Commonwealth to identify the functions which require national coordination to scale. Functions likely apply to individual models as well as there being functions which enable several or all models. For example, the absence of end markets for products or materials and regulatory barriers to innovation will likely be fundamental issues to be addressed nationally for several market-based circular economy initiatives. Community and business education, and additional price signals, will likely be required to create genuine shifts in demand toward products produced through circular processes. The Commonwealth could support development of circular economy precincts to encourage place-based initiatives.⁷

Lastly, the Commonwealth should offer different financing options to support local governments to facilitate different circular economy models based on their needs and opportunities. The Town of Bassendean (WA), for example, suggests offering interest-free loans to fast-track circular economy infrastructure.⁸ However, we note that the appetite among local governments to invest their own resources in such initiatives is uneven and likely limited on a sector-wide basis. We also note that taking on additional loans can place a financial burden on councils that are already financially constrained. In the context of ever-growing demand for services and policy leadership contrasted with waning share of national taxation revenue,⁹ the Commonwealth would need to carefully design and consult with the sector on the appropriateness of different funding models to encourage circularity.

Waste policy

The Commonwealth Department of Climate Change, Energy, Environment and Water (DCCEEW) is currently developing a Circular Economy Framework which is welcomed. In this context, this Inquiry, which sets out to ground the next steps of policy work and investment in circular economy through grounding in the ‘current state,’ is also welcomed and needed. Local governments should continue to be engaged as key delivery partners providing local solutions to national priorities.

In addition to circular economy-specific policy, we note that the Commonwealth (in consultation with state and territory governments and ALGA) is also undertaking the following:

- Updating the National Waste Policy and associated Action Plan (while the attribution of implementation responsibility has improved in this version, the goals and metrics for measuring success do not always accurately represent the ultimate community outcome being sought, nor are all metrics practicable in the real world with available data and methods),
- Devising options for Packaging Regulatory Reform (a promising development which we hope to see extended to priority problematic products such as lithium-ion batteries, electronic waste, tyres, and mattresses, among others),

⁷ South Burnett Regional Council. [Motion 16, ALGA National General Assembly 2024.](#)

⁸ Town of Bassendean. [Motion 155\(b\), ALGA National General Assembly 2024.](#)

⁹ ALGA 2024. [Submission to Inquiry on Local Government Sustainability.](#)

- Developing a pathway for introducing soft plastics in kerbside (ALGA remains concerned about the absence of end markets, immature producer responsibility regulation, and lack of funding agreement for implementation, creating a significant risk of leaving local governments to grapple with environmental and economic consequences in an immature system),
- Developing a National Kerbside Collections Roadmap to improve national harmonisation of recycling in the community.

In the context of this crowded waste policy space, we suggest the Commonwealth develop a more strategic and robust approach to prioritising waste and product streams and which interventions are more appropriate for achieving a circular economy. For example, by developing a ‘soft plastics recycling pathway’ ahead of product stewardship regulations, the Commonwealth is encouraging industry to invest in recycling before setting out expectations for designing out soft plastic in their products. This demonstrates that interventions at different parts of the linear or circular economy ‘hierarchies’ can undermine the viability of higher order, more effective solutions. A higher-level strategic framework, underpinned by a rigorous methodology and criteria for identifying the appropriate policy or market intervention, is required if circular economy is to avoid being co-opted and result in perverse outcomes. Such a framework would also enhance accountability for policy decisions associated with waste and support more consistent decision making about funding required for delivery partners like local governments.

Emissions reduction

Local governments engage with circular economy often from the desire to reduce landfill emissions as one of their key priorities. On a local government sector basis, the Commonwealth should provide funding support to local governments to reduce their emissions, particularly those regional, rural and remote councils with severely limited resources and whose landfills account for a significant proportion of their emissions inventory.

Several net zero sector plans in development have also identified areas in which improving resource reuse, recycling and repair can reduce emissions. Local governments have existing systems which can deliver on national emissions reduction priorities if supported to do so.

In the built environment for example, by salvaging construction waste (particularly commercial and industrial) at scale and incentivising its use in new buildings, embodied carbon can be reduced. The PC could consider which LGAs (or regions) produce adequate construction waste to be repurposed at scale, model the financial viability of reusing material (including the transport distance at which the cost outweighs the saving), and how the Commonwealth can fund local governments to deliver resource recovery in the effort to reduce national emissions and waste production.

In the waste industry, food and organics diversion is one area in which there are significant emissions reduction benefits to be reaped while supporting agriculture and soil nutrients. ALGA advocates for nationally consistent organic processing standards, support and research into alternative processing methods, and end market development for organics products, to enable

an array of organics diversion approaches to be adopted in different contexts and scale up their impact.

As discussed earlier in this paper, the mainstream uptake and engagement of local governments (and their encouragement of their communities) in circular economy is unlikely to occur without the structures, incentives, supports and processes established by Commonwealth, state and territory governments.

Local governments serve the interests of their communities and are pleased to provide input on how circular economy might support emissions reduction, waste reduction, and broader economic and social development. ALGA, in collaboration with state and territory local government associations which represent local governments across the country, would be pleased to seek feedback on concepts and proposals for what structures, incentives, supports and processes might look like.

Thank you for your continued engagement with ALGA. Please contact ALGA's CEO Amy Crawford at amy.crawford@alga.asn.au, and Eleanor Robson, Director Policy - Environment & Climate, at eleanor.robson@alga.asn.au, if you require further information.

Yours sincerely,



Amy Crawford

Chief Executive Officer

Australian Local Government Association