



INSTITUTE OF
PUBLIC
ACCOUNTANTS®

Submission to the
Productivity Commission:
Opportunities in the circular economy

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Commissioners
Productivity Commission

via PC website

Dear Commissioners

Opportunities in the circular economy

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission to the inquiry on the circular economy.

IPA is one of the three professional accounting bodies in Australia, having been established in 1923, and represents over 50,000 accountants, business advisers, academics, and students throughout Australia and internationally. Three-quarters of the IPA's members work in or are advisers to small business and Small to Medium Enterprises (SMEs).

We note that Australia is lagging other countries in progressing to a circular economy, including materials productivity, and that various lessons can be drawn which may enable us to either 'catch up' or catapult ahead.

For instance, it has probably been noted by many stakeholders that the Netherlands has a favourable regulatory framework that promotes circular economy principles and practices. However, to follow the Netherlands would involve a bolder approach which mandates recycling and overall waste reduction and waste management, across many sectors of the economy.

Another policy approach is Extended Producer Responsibility which has been implemented in EU countries including Germany and Sweden. This involves product design being focused on recycling and reuse, and again, applies a bolder approach which holds companies accountable for the design of their products during their lifecycle. There are many variations, however, making businesses responsible (could be financial or operational responsibility) for the end-of-life of products, is a core feature. This would mean a more direct approach from government to mandate or at least strongly promote these types of programs and business models. This type of fundamental shift to adopting circular business models such as product-as-a-service, is needed on a large scale, if Australia is to 'catch up' to countries like the Netherlands and others in the EU.

Innovation policy should be renewed and reinvigorated through grants, subsidies and concessions to incentivize innovation to boost materials productivity and the shift to circular business models. The IPA Deakin University SME Research Centre has released a white paper on R&D incentives and how these can be more effectively used to promote innovation. A link to the white paper can be found [here](#).

Australia has struggled with collaborative partnerships to promote innovation, unlike countries such as Denmark, US, Singapore, Korea, Japan and Israel. Increasing the number of collaborations, including with government, would assist with promoting the circular

economy. Our white paper on innovation policy contains recommendations on collaboration vouchers and incentives.

Part of the collaborative approach is community engagement in various programs such as waste management and recycling. Canada has programs which could provide useful examples.

Prioritising education programs and awareness are always key to any successful implementation. Looking to countries such as Sweden, Denmark and Japan in terms of how education and awareness are focused may be of assistance.

In addition to collaboration, incentives, education and awareness, the other essential element for an effective policy framework is technology. The use of data driven technologies such as telematics which uses electronic devices to collect and transmit real time data can be used to improve efficiencies in a number of ways. The UK has established data systems which can effectively track materials flow and recycling rates. Utilising these types of data driven systems can lead to an improved understanding of materials use, drive efficiencies and hence improve materials productivity.

IPA has established a collaboration between the IPA Deakin University SME Research Centre and the Universidad Nacional de Rafaela (UNRaf) in Argentina, which has a dedicated circularity centre. A proposal has been put forward for our collaboration which includes the following specific objectives:

- Development of a Circular Economy diagnostic methodology for industry.
- Systematization of the methodology, development of data collection tools and information processing.
- Execution and validation of the methodology through pilot tests.
- Develop publishable material as a background record.

We would be pleased to share more information on our collaboration.

We are aware that the Productivity Commission has visited the Bega Valley and consulted with the National Circularity Centre. We have also had the benefit of visiting the Bega Valley (in January 2024) and have been liaising with the National Circularity Centre since early 2024.

We refer to comments made by a Bega Valley business owner with practical experience which may inform an appropriate policy framework to promote a circular economy. These specific programs and incentives include the following:

- Increasing the efficiency of Development Application (DA) approvals by introducing Category Approval Frameworks for initiatives such as Micro Grids. These frameworks would outline all required documentation and all areas that must be considered for the DA process. Compliant applications could be granted a response within a timely basis, say six months. Given the standardised format, approvals can be processed by either a State or Federal agency.
- Create a national pilot for developing circular economies centred on the National Circulatory Centre in Bega NSW. The Bega Valley is ideal for such a project given the

Valley's relative isolation and limited road access. The pilot could be created via a Special Activation Precinct designed for the development of a circular economy. The Precinct could mandate measuring the outcomes of all circular activities, identify the life of all economic assets and measure the usage of all single-use materials. The National Circularity Centre could then use this data to develop policies for all levels of government and act as a national advisory body, in collaboration with private, public and academic stakeholders.

- Increase the economic life of low emission vehicles by amending legislation to require all motor vehicle distributors to provide parts and service support for 10 to 15 years.
- Develop a set of criteria that estimates the economic life of the built environment. All DAs could be required to include this estimate, and also to identify the design parameters that can increase the economic life of a building. Once this criteria is understood, an appropriately constructed panel can advise all levels of government on how this information can be used to increase the economic life of the built environment.

Should you require additional information or have queries, please contact Vicki Stylianou.

Yours sincerely

[signed]

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