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Submission: To the Australian Productivity Commission

RE: Opportunities in the circular economy.

To whom it may concern,

Recovery TAS is pleased to provide this submission to the Productivity Commission regarding the circular economy in Australia. Tasmania has built its reputation on clean, green, and clever sustainable development models and is the natural home of re-use champions.

Importantly, the Tip Shop model created in Glenorchy in 1991-1992 by me and Rena Dare, occurred at the same time as Australia became a signatory to the United Nations Sustainable Development goals (SDG). This era was one of collaboration and commitment from all levels of government and business to deliver a sustainable future.

Recovery hopes that this important structural circular economic transition delivers better performance results for society, the economy and environment than over the past 20 years.

Recovery has development education and training tools and conducts CE Master Classes using our business to demonstrate principles and practice. We have not included this intellectual property in our submission however we are happy to share this information with the Commissioners.

Further we offer our CE Master Class series to the Commission and staff to improve professional understanding of triple bottom line business models, boundaries between circularity and linear models, expansion of CE principles and their application at an operation level and of course applying the triple bottom line linked to SDG.

Your Sincerely,

Bradford Mashman
Churchill Fellow - Circular economics
United Nations 2030 Agenda Leader
Managing Director, The Recovery Circular Economic Hub
Glenorchy Tipshop



We support the United Nations Sustainable Development Goals 2030

Preamble – Recovery TAS own and operate the Recovery Circular Hub, home of the Glenorchy Tip Shop – the first model of its kind in Australia that managed commercial, residential, and industrial materials from the waste stream – specialising in re-use and repair.

The model established in 1991 had two goals in mind:

- Reduce waste to landfill.
- Provide meaningful employment.

The Glenorchy Tip Shop has been trading for 34 years and has always been self-funded through sales activities delivering new wealth and income into the regional economy. The Hub is open 6 days per week, and provides a drop off service, a collection service and a salvaging service; and a second-hand sustainable consumer retail experience offering 37 department of sale from electricals, building materials and hardware to household goods, garden and sports across a hectare leased from Glenorchy City Council.

Recovery employees 13 / 20 people (employment has fluctuated due to inconsistent government waste policy), has a fully protected workforce (General Retail Trades Award), and a casual pool for peak periods. Our staff are resource recovery trained and are the employees of choice for other operators. Recovery trains the best of the best for the industry due to high company standards and a focus on legal compliance and contemporary practice.

Importantly, the viability of Recovery’s business model relies on access to the full suite of re-usables in the waste stream.

The costs associated with operating the Recovery Circular Hub continue to increase, particularly in the last 2 years.



Foundations.

Circular economic policy in Australia must be based upon the foundations of the United Nations Sustainable Development goals of 2015 and delivery of performance results across triple bottom line.

The seventeen goals provide are an already established, internationally recognised framework for sustainable modes of development encompassing employment practices, quality education, reduced inequalities, sustainable cities and communities, production and consumption, climate change impacts etc. The UN SDG framework provides a common international language.

The circular economy has been developed as an enabler of sustainable development to deliver the UN goals. Circular economic business models are based upon the triple bottom line – natural capital, social capital, and economic capital, and exist as stand-alone business models that are designed and managed to achieve high impact investment to solve 21st century challenges. In other words, each three, are given equal weight and importance in decision making and investment direction and wealth generation.

The work of the European Union in implementing its new corporate sustainability reporting directive requiring double materiality disclosure (business/organisations impact on society and environment, and the effect of business/organisational activities on society and environment) is an excellent template for establishing CE boundaries in Australian policy.

For example, the inclusion of goal 8 *decent work and economic growth* inside of the circular economic policy framework will ensure integration with Australian Fair Work Practices, namely and importantly national employment standards which protects permanent work forces and ensures their full access to entitlements and provisions i.e. sick leave, annual leave, carers, flexible working arrangement practices.



Requiring/preferencing decent work practices, i.e. permanent, paid work force also increases household wealth – a critical economic indicator in Australia in 2024. Further conformity and compliance to goal 8 decent work and goal 10 reduced inequalities, ensures wages rises.

Our circular economic business operates under the General Retail Trades Award which has delivered fourteen wages increases in 12 years – which in turn drives business efficiency and productivity.

When decent work integrates with quality education and reduced inequalities (social capital indicators), the work force becomes trained, accredited, and professionalised. Employees gain job mobility with contemporary transferable skills.

The European Union circular economic transition intent is to transition work forces away from non-sustainable industries (coal) to new wealth generating sectors in the economy.

Economic Principles

Australia has three important economic and scientific (relating to risk) principles omitted from the public and administrative policy, which must be applied as economic cost accounting measures to establish fairness and maintain intergenerational equity and protect the environment as the basis of all economic activity.

1: Polluter pays principle, 1972.

Organisation for Economic Co-operative Development (OECD)

Economic cost allocation mechanism – environmental law

The party responsible for producing the pollution, is responsible for paying for the damage done to the natural environment.

2: Producer pays principle – based on polluter pays principle

Economic cost allocation mechanism – environmental law.



Those who generate pollution and waste should bear the cost of containment, avoidance, or abatement. *Polluter pays ensures positive economic growth with out the loss of restoration programs.*

Theory – if the community effectively owns the environment, then the community therefore forces users to pay for damage done or the *community can be compensated for the loss.*

If the community pays the polluter [cost of restoration], the implicit message is that the polluter owns the environment and can use and pollute with impunity.

3: The precautionary principle 1992

United Nations Conference on Environment and Development, Rio Declaration principle 15:

To protect the environment, the precautionary principle shall be widely applied... where there are threats of a serious or irreversible damage, lack of full scientific certainty shall not be a reason for postponing cost-effective measures to prevent environmental degradation.

Banning the production and import/sale of short life plastics products/production is a good example, the UN currently estimates the cost of removing plastics from the oceans at \$600 billion compounding monthly.

Intergenerational equity is also highlighted in the current scenario - who bears the burden of restoration, the cost of future opportunities losses to people or industry I.e. fisheries or tourism, and for how long given some plastics can remain for more than six hundred years in the environment?

Horrifyingly, early this year, Italian Doctors discovered plastics in the human cardiovascular system are causing heart attacks. This raises new questions regarding the responsibilities of corporates, government, and people and other species.

European circular economic policy clearly distinguishes the relationship between environment and risks to human health due to deliberate unsustainable activities.

Unintended post second world war policy outcome yes – so let us correct it while we still can.



No Sense of Urgency & or Responsibility

What is evident in the northern hemisphere is a sense of urgency for economic transitions to a more sustainable mode. This sense is shared citizens and government representatives alike stemming from the Paris climate change agreement.

Adherence and enactment of the UN SDG goals is at an organisation and operational level. It is included in positions descriptions across a broad range of sectors including teachers and school principals. Company performance relating to social & environmental targets is advertised at the entrance to major factories such as car manufacturer Aldi.

This sense of urgency exists because risks have been identified, accepted, management strategies and plans consulted, discussed, enacted, laws made, and processes are in place for elimination and substitution. Importantly policy acknowledges raw materials are in decline, and reliance on far-away supply chains create significant economic and environmental impacts in country i.e. the covid story in Australia.

The circular economic boundary in Australia must be established – business that manage secondary products and materials in circular for return to the marketplace. Primary resource extraction is a linear economic activity and is automatically excluded from the boundary.

Circular Economic Principles

The policy must include internationally understood, agreed, and legislated CE principles; and all principles must be applied for the system to be integrated. Apply only one part and the system will not work.

Systems theory can be very straight forward organisation at one level, leads to organisation at a higher level; and in systems actions/patterns repeat until they become normalised.



For example, the plastic CE system engages constraint – I.e design limits determined by earths system limits. Therefore, all plastics products must be PET. Such products can then be reprocessed for pellet re-use in any Australian state, significantly reducing risk and recycling cost.

The Ellen Macarthur Foundation promotes three principles– rethink, redesign and restore. However, the British Standard for circular economics (BSI 8001) presents six with extended guidance:

Stewardship

Transparency

Innovation

Systems thinking

Value optimisation

Collaboration.

It is the complete application of the above principles that create a circular economic system. However corporate culture must change and be accountable – especially around transparency and stewardship and potential for harm to all species.

Re-Use Must take precedence.

In order of precedence re-use must be placed as a higher order activity in policy. Whilst the metal scrap market for example is efficient, recycling removes the highest economic value products from the re-use sector and precludes the potential of longer life, not to mention preserving social history of items.

Our experience as a re-use operator inside of a waste management facility is recycling and waste management continues to take order of precedence over higher economic value re-use materials that underpin financial viability.



Another example is solid red bricks, when crushed, they have a lower economic value. The highest economic value is in re-use. Further the natural capital budgets embedded in products and materials is preserved through re-use and destroyed or even added too through recycling.

Reuse is also internationally recognised as a key disaster response mechanism.

N.B many American states now buildings constructed before 1960 cannot be demolished, only refurbished or deconstructed.

Contextually an obsession with recycling is an obsession with destruction – or in philosophical terms nihilism. **The circular economy must be underpinned by a philosophy of the survival and wonder of life and life sustaining systems.**

An important distinction.

Charities seek donations. CE business models provide access to opportunities for people, government, and business to participate and invest in the circular economy.

High levels of consumption? Or a market flooded with inferior quality products.

Recovery has operated a re-use electrical tag and test retail arm for over 20 years. During that period product stewardship for eWaste has collapsed five times in Tasmania. Causing economic loss to business invested and suspicion of any such program from the public and private sector.

In the last two years a flood of cheap low-quality products and parts, in higher volumes are entering the waste stream. The products are in high quantity, and of such low quality and



retail sale value that to attempt to return such to the market it will compromise the Tip Shop business case – it is too high an economic risk.

The products design is to break down and not to be repairable nor contain recyclable plastics or metals that are easy to extract.

Simply, we could make one television from two in 2010 - now product design precludes re-use, repair, replacement, or modification.

Import controls must be enacted to arrest the flood of low quality, non-repairable products into Australia. Many electrical products hitting our shores have been banned in the EU and USA because of the lack of quality assurance and design standards.

If there is no regulation controlling the quality of imports – this scenario will only increase, **and Australia will become the dumping ground for designed obsolescence.**

Importantly, it's not just Ewaste that is being designed for single use – in our products and materials experience encompassing 34 years of product trends, we have evidenced single use products are now prevalent as house-hold goods such as plastic containers and toys, paint brushes, hand tools, hardware items, clothing, gardening equipment, sports – even furniture.

Australia is a high consumption economy caused by products designed for single or short life use exploiting low-income people and exacerbating the current cost-of-living crisis.

Removal of products from the second-hand market.

Sales deals, \$100.00 is discounted on a new electrical product purchase if the old one is returned to store, removes such products potential from the second-hand market ensuring consistent new sales for the retailer.

Recovery has attempted to work with major retailers to collect for example working stoves that could be re-used and sold on to a low-income earner – however large retailers do not want second hand white good sales as competition in the marketplace. The buyback and collection schemes are the fast road to end of product life through recycling.



The ability to repair existing models is removed when there is no opportunity to access or sell parts.

The questions are.

- What is a reasonable consumer expectation in Australia when it comes to purchasing goods?
- What length of time constitutes acceptable durability for a consumer?
- Do Australians have the right to repair?
- How are consumers protected from exploitation in Australia?
- Why can companies lie and deceive regarding product life cycles under the Trade Practices Act?

Re-use is a higher order economic activity with broad social benefit of access to affordable goods that change quality of life.

Closed loops, or a continuous pattern of benefit flow

The notion of closing loops limits the potential of the circular economy. Closed loops allow for short product life, encourages designed obsolescence, and can be classed as product churn cycle.

Whereas patterns and proximity of business to business deliver both direct and indirect benefit flows to all participants in the supply chain, the structure of the pattern creates system resilience and limits exposure to risk. Patterns facilitate stewardship across and entire custody chain, transparency, collaboration, value optimisation and systems thinking.



Economic Incentives

Recovery is a Pty Ltd company; applying the GST to all goods sold and must pay company tax regardless of our public benefit business activities.

Some organisations in our sector, do not apply the GST, or are exempt from company tax.

Recovery is financially responsible for generating sufficient income to cover operating costs incurred including insurance, rent, electricity.

Further, as a triple bottom line, UN SDG aligned business Recovery does not rely on job placements and wage subsidies to underpin the economics of the business model.

The longer we retain our staff, the more valuable they become to the business. The business model requires a high degree of knowledge and professional skill.

Recovery is unable to access any ongoing economic incentive for its business model at a local, state or commonwealth level.

In contrast the waste sector itself has all costs met through market mechanisms and investment from the public purse. This creates a barrier to CE as waste management is currently designed to delivery profits and dividends to shareholders. This paradigm ensures waste production grows (that is where the money is) increasing carbon emissions. This compounds the cost impost of the waste sector on the Australian economy and consequent sovereign risk as climate induced disasters increase in Australia and worldwide.

Recovery suggests economic incentives such as:

- A lower/no company tax rate applied to triple bottom-line businesses circular economic businesses inside of waste management centres.
- The GST is removed from all second-hand good purchases.
- The GST on second hand purchases be included in tax returns and rebated back to the customers/clients as a reward for their investment in a critical economic transition.



- Old retail stock is written off from company balance sheets, if delivered to a second-hand outlet for resale
- Insurance affected stock must be auctioned or deposited at a resource recovery facility for return to market.
- Government investment in training designed for the re-use sector.
- A portion of State waste levies be returned to the re-use sector in the form of payment for their services
- Resource recovery activities will not receive funding if the business models are based on volunteer, slave, or free labour of any kind. This will ensure the market is not distorted by government static economic policy and a race to bottom in terms of product and service prices – **business cannot compete with free services.**
- Resource recovery operations formally recognised for their public good benefit and paid accordingly for their services, thereby establishing on a level playing field.
- Re-allocate funds and budgets to progress a circular economic package.

Education and Training and Professional Development

Recovery is a high investor in social capital. The Hub's designed for social inclusion, families, and educates customers through stock line displays and a commissioned found object art trail that is embedded infrastructure.

Recovery conducts Circular Economic Master Classes at the Recovery Circular Hub for UTAS school of business students, and this year commenced Master Classes with Monash.

Recovery also runs master classes for years eleven & twelve commerce and business students in collaboration with UTAS; and educates local area Tasmanian primary school students in sustainable triple bottom-line business, waste, and circular economics.



The national school curriculum must include circular economics and the UN SDGS to be relevant in the 21st century and to deliver quality education leading to prospects of decent work and sustainable cities and communities.

There is no doubt the professions of the future will be in sustainability – whether that is policy, law, accounting, auditing, and reporting, design, and manufacture etc.

Funding must be available to enhance and accredit circular economics in Australia as a high priority and to ensure authentic actors lead the transition.

Commonwealth government investment for universities to develop course work.