

Business & Economic Development Committee Agenda & Reports

21 May 2019

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

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City of
Norwood
Payneham
& St Peters

17 May 2019

To all Members of the Business & Economic Development Committee

Committee Members

- Mayor Robert Bria (Presiding Member)
- Cr Carlo Dottore
- Cr Scott Sims
- Cr Garry Knoblauch
- Cr John Callisto
- Mr John Samartzis
- Professor Richard Blandy
- Mr Geoff Hayter
- Ms Trish Hansen
- Ms Skana Gallery

Staff

- Mario Barone (Chief Executive Officer)
- Keke Michalos (Manager, Economic Development & Strategic Projects)
- Stacey Evreniadis (Economic Development Co-ordinator)
- Jennifer Attick (Economic Development Officer)

NOTICE OF MEETING

I wish to advise that pursuant to Sections 87 and 88 of the *Local Government Act 1999*, the next Ordinary Meeting of the Business & Economic Development Committee, will be held in the Mayors Parlour, Norwood Town Hall, 175 The Parade, Norwood, on:

Tuesday 21 May 2019, commencing at 6.15pm

Please advise Keke Michalos on 83664509 or email kmichalos@npsp.sa.gov.au, if you are unable to attend this meeting or will be late.

A light meal will be available at the meeting.

Yours faithfully



Mario Barone
CHIEF EXECUTIVE OFFICER

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3.1 CIRCULAR ECONOMY

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FILE REFERENCE: S/01766
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PURPOSE OF REPORT

The purpose of this report is to present the results into the concept of a Circular Economy investigations to the Business & Economic Development Committee for its consideration.

BACKGROUND

At its meeting held on 19 March 2019, the Business & Economic Development Committee resolved the following as part of its considerations of the Business & Economic Development Strategy:

2. *That Staff investigate the Circular Economy concept and prepare a report for the Committee's consideration.*

Staff have since investigated the concept, the results of which are presented in this report.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The relevant sections of the Council's Strategic Plan, *CityPlan 2030* are outlined below:

Economic Prosperity

Objective 5 - A local economy supporting and supported by its community.

Environmental Sustainability

Objective 1 - Sustainable and efficient management of water, waste, energy and other resources.

Other relevant Strategies and Policies include:

- South Australian Government, Green Industries SA - Creating Value – The Potential Benefits of a Circular Economy in South Australia
- Australian Government, Department of the Environment and Energy - National Waste Policy 2018 – Less Waste, More Resources

DISCUSSION

The Circular Economy is a self-sustaining system driven by renewable energy and an imperative to keep material resources in use, or 'circulating', for as long as possible. A Circular Economy is an alternative to the traditional 'linear' economy, which is based on the 'make, use and dispose' model, where goods produced have a limited life expectancy to achieve the primary objective of economic growth.

In South Australia, Green Industries SA, formerly Zero Waste SA, is the peak body that assists in the development of the "green economy" in response to the demand for "clean and green", by developing and driving green policy and strategy in South Australia. In 2017, a report, '*Creating Value – The Potential Benefits of a Circular Economy in South Australia*', was commissioned for Green Industries SA, and was the first study that attempted to understand what a more Circular Economy could mean for South Australia and the opportunities that it might create.

The report defined the Circular Economy as being, "*where economic growth is decoupled from consumption of finite resources. A Circular Economy is restorative by design, keeping products, components and materials at their highest utility and value.*" The report attempted to demonstrate that by moving towards a more Circular Economy, South Australia could continue to enjoy high standards of living while preserving its environment for future generations.

The assumptions adopted to assess potential impacts of the scenarios were benchmarked against other similar international studies and tailored with Green Industries SA's guidance to reflect South Australia's particular circumstances. An international panel of Circular Economy experts reviewed key assumptions, modelling techniques and results.

The following four (4) scenarios were modelled:

- Business As Usual – based on existing trends and implementation of current policy on renewable energy (State Strategic Plan).
- Efficient and Renewable Energy – South Australia implements its ambitious Climate Change Strategy 2015 – 2050.
- Material Efficiency – products, components and materials are kept at their highest utility/value at all times.
- Circular Economy – the strategies from Material Efficiency and Efficient and Renewable Energy scenarios are combined to achieve a Circular Economy.

The results indicated that a more Circular Economy could increase the number of full time equivalent jobs in South Australia in 2030 by 25,700 compared with “business as usual” for the same sized economy. It also indicated that a more Circular Economy would reduce South Australia's greenhouse gas emissions by 27%, or 7.7 million tonnes of CO₂ by 2030. This represents taking more than 1.5 million large 4WD vehicles off the road.

The results showed that whilst most of these reductions would be achieved through efficient and renewable measures, almost a quarter of the improvements could be achieved by using materials differently. These figures included the “embodied” emissions contained in the goods and services imported into South Australia. This model focussed on reducing emissions without passing them onto other Australian states or overseas.

The report also looked at energy use, which is a key environmental and economic issue facing South Australia. The modelling results indicated that a more Circular Economy could cut the energy use in South Australia by over 20%. This improvement would not be enough to compensate the overall increase from current demand, but would still reduce energy use substantially.

Despite the amount of waste generated per person in Australia declining by 10 per cent since 2006 and the recovery rate (including recycling and energy recovery from waste) increasing by 8% over the same period, Australia is producing more waste as a consequence of population growth.

Applying the Circular Economy principles to waste management in Australia requires changes to product design, use and reuse, recycling and disposal. It is estimated that if these changes were successfully implemented they could result in the creation of new jobs and benefit the economy overall. It is estimated that for every 10,000 tonnes of waste that is recycled, 9.2 jobs are created (compared with 2.8 jobs if the same amount of waste was sent to landfill). Therefore from an employment perspective the concept of a Circular Economy has many advantages.

In December 2018, Australia's Environment Ministers set a new unified direction for waste and recycling by agreeing to a National Waste Policy based on the principles of a Circular Economy. The 2018 National Waste Policy provides a framework for collective action by businesses, governments, communities and individuals until 2030. The priorities identified include waste avoidance, reuse and repair, supporting industry development, increasing demand for recycled materials through procurement and a national approach to waste policy and regulation.

Following the agreement to a National Waste Policy, the Australian Local Government Association suggested in its *Local Communities Matter* submission to the 2019-20 Federal Budget, that the Commonwealth Government should take the lead role in supporting innovation and addressing barriers and opportunities to develop industries that will support the Circular Economy. In addition, it suggested that the Government should coordinate implementation of a national accreditation system for products with recycled-content that can be used by the state and local governments, business and consumers as a credible method of making responsible purchase decisions.

Local Government in South Australia plays a significant role in waste management through the provision of waste and resource recovery services, seeking to increase recycling rates and taking action to reduce waste disposed to landfill, in addition to being the driver of educational and awareness programs in the community.

The City of Norwood Payneham & St Peters is one of seven (7) Constituent Councils of the Eastern Waste Management Authority, a regional subsidiary which was established pursuant to Section 43 of the *Local Government Act 1999*.

Recently, the Local Government Association of South Australia (LGASA) received funding from Green Industries SA to undertake a pilot project to trial sustainable and Circular Economy procurement targets within councils. The overarching objective of the project is to help develop local markets for recyclable materials by increasing market demand for recycled-content products and materials. The project will achieve this by assisting councils to increase purchasing of recycled-content products and materials.

The specific goals of the project are:

- to provide councils with an external “incentive” to purchase recycled-content products (i.e. meeting a target); and
- by working through the process of seeking to meet the target, to identify and record the barriers to purchasing recycled-content products and to develop and test a range of supporting tools and guiding documents to help councils overcome these barriers.

The intent is that by the end of the pilot project there will be a number of tools and guiding documents developed and refined through the learnings from the project, that can be rolled out across the local government sector (councils and potentially council subsidiaries) more broadly.

The LGASA has received Expressions of Interest from seven (7) councils who are willing to voluntarily adopt a sustainable procurement target for the 2019 – 2020 financial year. The Councils that have expressed their interest and are participating in this pilot project include, Adelaide Hills Council, City of Burnside, City of Charles Sturt, City of Prospect, City of Port Adelaide Enfield, City of Onkaparinga and Murray Bridge Council. The City of Norwood Payneham & St Peters is in the process of seeking approval, and if endorsed, will become the eighth council to be a part of the pilot project and a member of the Steering Group.

The City of Norwood Payneham & St Peters has already taken action and contributes to the Circular Economy by ensuring that companies that the Council contracts to sort and dispose of its waste, are in fact selling and recycling as much as possible. All food and garden organics placed in the green-lidded kerbside bin is composted by Jefferies. It is then made into mulch, potting mix, soil, compost and more. Composting ensures valuable nutrients that are found in food and organic matter are retained in the soil, help maintain soil quality, and fertilises other plants and food. This is achieving full Circular Economy principles.

The co-mingled recycling which is collected in the yellow-lidded bin is sorted by Northern Adelaide Waste Management Authority (NAWMA) who is committed to directing 100% of materials for recycling in Australia by 2020. Currently it directs 80% of materials to Australian (including SA-based) organisations. The materials that the Council recycles in Australia are described below:

- **Plastic** - Plastics are sorted into type, then baled and sent to Recycled Plastics Australia (Kilburn, SA) where they are washed, granulated and chipped. The plastic is then moulded into new plastic products including bollards, outdoor furniture and playground equipment.
- **Paper** - After being cleaned and sorted, the material is sent to Norske Skog (Albury, NSW) to be made into newspapers.
- **Glass** - The Northern Adelaide Waste Management Authority (NAWMA) recently received grant funding, which will allow for more glass to be recycled into glass bottles and small glass particles to be used for bedding sand in footpaths and roads.
- **Metals** - Metals are collected and separated (mostly by magnets), then baled and sent to the Sims Metal Management recycling facility (Gillman, SA) to be remanufactured into new metal products.

The Council also has a programme that collects and recycles other waste materials such as oil, printer cartridges, batteries and mobile phone. These products are recycled through national programs. Whilst recycling is a significant component of the Circular Economy, it is only one half of the circle. Some of the other initiatives that the Council has adopted and is implementing to try and begin to close the loop include:

- The Parade Reusable Cup initiative;
- Precinct branded reusable shopping bags; and
- reducing carbon emissions through purchasing decomposable bags from an Adelaide based business, previously purchased from Europe.

Sustainable procurement practices and increasing purchasing of goods and infrastructure containing recycled materials, is one way in which the Council can support a transition towards a Circular Economy. Traditionally, economic cost has been the key consideration in procurement, but this is evolving towards a triple and sometime quadruple bottom line approach as procurement practices increase in sophistication. However, a transition to a Circular Economy cannot just rely on the influence of the various tiers of Government. A successful implementation of a Circular Economy is reliant on the adoption from all parties including the businesses and consumers/customers.

Practical benefits of adopting a sustainable procurement approach include:

- meeting community expectations regarding sustainability;
- avoidance of supply chain management issues relating to unsustainable practices;
- cost savings through procurement of more efficient goods and services; and
- showing leadership in the adoption and delivery of innovation solutions.

Implementing Circular Economy initiatives effectively and consistently can be good for business, good for society and good for the environment. Research recently conducted by Cranfield University and Arizona State University, in the United States, found that retailers that participate in the Circular Economy through instituting programs that make it easier for customers to sell, donate or recycle items can experience significant and sustainable increases in customer loyalty. Indeed, over two-thirds of consumers would resell a product (specifically apparel and electronic goods) if their retailer provided a service to do so. This demonstrates that a key priority for consumers is convenience, if it is easy it will be done. It also demonstrates that consumers want to maintain a relationship for months or even years after they have made their original purchase, thereby creating opportunities to generate additional income and sales. Circular Economy principles can deliver meaningful benefits valued by shoppers and greater revenues which are valued by businesses.

However, introducing a Circular Economy is not an easy process. Businesses in the European Union have identified the following four (4) areas as key barriers to the success of a Circular Economy.

- initial cost of the transformation, together with the lack of supportive taxation systems that encourages the transformation;
- perceived lack of consumer demand;
- lack of supporting secondary raw material market; and
- lack of harmonisation in the implementation of the policy framework.

Whilst some leading companies are already seizing the business opportunities presented by getting the maximum value from products and materials, overcoming many of these barriers will be both difficult and require significant time. It also demonstrates that unless there is a significant cultural change from all levels of government, businesses and consumers, the full benefits of a Circular Economy will never be achieved.

Opportunities that could be explored by businesses within the City of Norwood Payneham & St Peters include:

- Sharing (or collaborative consumption) – Renting or sharing products between members of the public or businesses (peer-to-peer or privately owned products) which maximises the utilisation of products and can help reduce structural waste such as cars being parked for lengthy amounts of time and office spaces not being used.
- Hire and Leasing – Hire or leasing of products as an alternative to purchasing can keep products running longer, especially through maintenance, repair and design for durability.
- Incentivised Return – Offering a financial return or other incentive for the return of ‘used’ products. Products can then be refurbished and re-sold.
- Asset Management – Maximising product lifetime and minimising new purchase through tracking an organisation’s assets, planning what can be re-used, repaired or redeployed at a different site.

CONCLUSION

As outlined in this report, through the implementation of innovative and sustainable business models, the Circular Economy model represents a great opportunity for businesses. The transition to a Circular Economy encourages economic growth, generation of jobs and cost reduction for businesses. It leads to an environmentally sustainable economic system in which the life of the resources and goods is extended as long as possible and waste generation is brought to a minimum. The difficulty is convincing businesses to transfer to a new business model based on recycled goods.

Whilst in theory the overall concept delivers significant environmental benefits, the risk that comes with a Circular Economy is that the more efficient use of materials can make products cheaper and therefore more appealing. While the technical changes succeed in reducing the per-unit impact, overall the environmental benefits are outweighed by the economic growth. Research recently published highlighted that the Circular Economy activities can actually increase overall production, which partially and in some cases fully, offsets their benefits.

RECOMMENDATION

1. That the report be received and noted.
2. That the Committee recommends that the principles of a Circular Economy be incorporated in the draft 2019-2024 Business & Economic Development Strategy.

4. **OTHER BUSINESS**
(Of an urgent nature only)

5. **CLOSURE**