

13 May 2025

The Productivity Commission

4 National Circuit

Barton ACT 2600

via email: circular.economy@pc.gov.au

Dear Commissioners,

Submission to The Productivity Commission's Interim Report on opportunities in the circular economy

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to provide feedback to the Productivity Commission's Interim Report on opportunities in the circular economy. It is critical to ensure recommendations encourage and assist small business to participate in and transition to a circular economy.

Small businesses make up almost 98 per cent of Australian businesses, contributing 33 per cent towards Australia's GDP, and employ 42 per cent of the private workforce.¹ Small businesses are crucial to Australia's transition to a circular economy, particularly in key sectors like accommodation and food service, construction, and agriculture, where they play a major role.²

Australia's transition to a circular economy has been slow compared to comparable nations. Additionally, small businesses face challenges to adopting circular economy practices compared to larger corporations. This is largely due to their capacity to achieve economies of scale because of more limited financial resources, lower capacity and capability to navigate complex regulations, and a generally lower propensity to implement or adopt new technology.³

A Queensland qualitative study investigating factors influencing the adoption of circular economy practices among small and medium-sized enterprises (SMEs) indicated that a lack of financial resources to invest in the necessary innovations and technologies to adapt their standard operating procedures for the circular economy was a major barrier.⁴ This may be exacerbated by regulatory complexity and inconsistency across federal, state and local governments which may deter SMEs from taking action, as they often lack the administrative capacity and expertise to navigate these regulations.

To overcome these barriers, the Australian Government can provide targeted support through evaluating the effectiveness of existing financial incentives, working with all tiers of government to streamline and harmonise regulations, and cooperating with industry to develop capacity-

¹ Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *Small business matters*, Australian Government, June 2023, p1

² ASBFEO, *Small business matters*, Australian Government, June 2023, p 7

³ The Productivity Commission, *Australia's circular economy: unlocking the opportunities Interim Report*, Australian Government, March 2025, p 4.

⁴ SA Basit, B Gharlegghi, K Batool, SS Hassan, *Review of enablers and barriers of sustainable business practices in SMEs*, Journal of Economy and Technology, March 2024.



building programs to enable small businesses to transition and participate in the circular economy.

Recommendation 1: The Australian Government should work with state, territory and local governments to harmonise existing circular economy definitions and compliance processes with the National Circular Economy Framework.

Australian small and family businesses play a critical role in Australia's transition to a circular economy, where materials are reused, remanufactured, and regenerated to reduce waste and environmental impact.

However, regulatory complexity and inconsistency across different tiers of government can create barriers for small businesses to implement the changes necessary to transition to a circular economy.⁵ This complexity often results in confusion, higher compliance costs, and reduced confidence in investing in circular economy-related initiatives. For example, the absence of uniform definitions for terms like 'waste,' 'recyclable,' and 'reusable' across jurisdictions creates uncertainty and complicates the classification of materials and products, affecting the ability of SMEs to implement circular economy practices effectively.⁶

Federal, state and local frameworks should have consistent definitions and compliance processes to allow businesses to operate under a 'One License, Multiple States' model, instead of duplicating approvals in each jurisdiction. This would reduce administrative complexity and allow small businesses to implement new, more efficient practices and help drive the transition to a circular economy.

Recommendation 2: The Australian Government should unify the National Circular Economy Framework with other relevant government policy relating to environmental, social and governance considerations.

The Australian Government should consider the most appropriate method for unifying the National Circular Economy Framework with relevant government policies such as the Net Zero Action Plan, sustainability reporting, and other environmental, social, and governance (ESG) considerations.

Across all levels of government, industry and businesses are considering the costs and benefits of implementing ESG practices. These practices may be required to meet mandatory government requirements such as sustainability reporting, modern slavery and sustainable procurement policies. ESG practices may also be adopted to increase participation in supply chains or to meet consumer preferences or community expectations. While large enterprises often have the administrative capability or financial resources to acquire advice, small businesses face significant barriers in understanding the regulatory environment and acquiring the expertise to respond to changing expectations of customers and government.

As new policy initiatives related to ESG considerations are implemented, information is increasingly fragmented across government entities. For example, the Department of Climate Change, Energy, the Environment and Water is responsible for Australia's Circular Economy

⁵ A Chakraborty, A Barton, A O'Loughlin, HS Kandra, *Exploratory Survey of Australian SMEs: an Investigation into the Barriers and Opportunities Associated with Circular Economy*, Circular Economy and Sustainability, Volume 3, 2023, p 1275-1297.

⁶ The Productivity Commission, *Australia's circular economy: unlocking the opportunities Interim Report*, Australian Government, March 2025, p 8-11.



Framework and sustainable procurement, while the Attorney-General's Department oversees Modern Slavery, and the Australian Securities and Investment Commission manages sustainable reporting obligations.

To assist small businesses, the Australian Government should review and unify the regulatory and policy information related to ESG into a 'One Action, Multiple Gains' framework. This framework should encompass circular economy practices, net zero initiatives, sustainable procurement practices and sustainability reporting. By unifying and collating the regulatory and policy practices that relate to ESG considerations, small businesses will be better equipped to implement circular economy practices and support Australia's transition to a sustainable economy.⁷ For instance, small businesses that implement circular practices can reduce dependency on virgin materials and fostering local, closed-loop systems.

Recommendation 3: The Australian government should consider financial incentives for small businesses to adopt sustainable practices.

In our 2024 submission to Department of Infrastructure, Transport, Regional Development, Communications and the Arts on the Transport and Infrastructure Net Zero Consultation Roadmap, stakeholders expressed concerns about the financial costs and risks of adopting net zero business strategies.⁸ These costs and risks could create competitive barriers for small businesses, unlike larger businesses with economies of scale or vertical integration. Government incentives can mitigate the risk of short-term technological disparities from becoming entrenched market power issues.

The Australian government should consider appropriate financial incentives to support small businesses in adopting circular economy models in addition to tools and resources. Recognising that small businesses often operate under tight margins and lack the economies of scale that larger firms enjoy, the government should explore mechanisms that enable small businesses to access funding and other financial incentives to encourage and support adoption of circular economy practices. This support will help mitigate the high upfront costs associated with redesigning products, investing in new technologies, and establishing reverse logistics systems.

Recommendation 4: The Australian Government should develop and promote tools and resources for small businesses relating to the circular economy and sustainable practices.

The Australian Government should develop tools and resources specifically tailored for small businesses to support their adoption of circular economy and sustainable practices.

While large corporations often have dedicated sustainability teams, small businesses typically lack access to expertise, training, or clear guidance on circular practices such as resource recovery, product redesign, or waste minimisation.⁹ Guidance material provided by government is often aimed at large businesses with greater resources, staff and technical capacity, making it confusing and less relevant for small businesses. This leaves small businesses unable to recognize and seize opportunities to reduce costs, open new markets, or improve resilience through circular models.

⁷ Circular Economy Ministerial Advisory Group (CEMAG), *The circular advantage Final Report*, Australian Government, December 2024, p 61.

⁸ ASBFEO, *Submission to Department of Infrastructure, Transport, Regional Development, Communications and the Arts*, Australian Government, 2024, p 3.

⁹ Caldera et al, *Evaluating the enablers and barriers for successful implementation of sustainable business practice in 'lean' SMEs*, Journal of Cleaner Production, 2019, p 575-590.



Additionally, even when small business owners are interested in sustainability, they often lack the technical know-how to redesign business models, reconfigure supply chains, or comply with evolving environmental standards. In 2024, a study of 352 SMEs in Australia was undertaken to understand the enablers and barriers to circular economy adoption for small and medium enterprises in Australia. The study found that the major impediment to adopting circular economy practices is the lack of clearly defined business processes.¹⁰ This barrier is compounded by limited access to sector-specific case studies, toolkits, or advisory support tailored to smaller businesses. Without clear examples and accessible education, small businesses may perceive circular economy adoption as too complex, risky, or irrelevant to their immediate business goals.

Governments should collaborate with industry bodies to centralise and implement awareness campaigns, resources and training programs, shared on business.gov.au, to support small businesses in transitioning to a circular economy. This includes:

- developing comprehensive toolkits
- offering sector-specific case studies
- conducting training workshops
- providing advisory support.

By enhancing online resources, continually updating information, and promoting initiatives through effective channels (including the ASBFEO), government can help small businesses can gain the knowledge and confidence needed to adopt sustainable practices. These efforts will help small businesses navigate the complexities of circular economy models, reduce costs, and open new markets.

Currently, the government and various industry bodies provide numerous resources, guides, and toolkits through multiple channels. This overwhelming amount of information makes it difficult for time-poor, resource-constrained small business owners to know where to start.¹¹ To truly support small and family businesses, a free, easily accessible, and user-friendly central resource hub is needed, combining trusted, actionable information into one convenient platform.

If you require any further information, please do not hesitate to contact the Policy & Advocacy team at the ASBFEO, via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

¹⁰ A Chakraborty, FL Lizarelli, A O'Loughlin, A Barton, HS Kandra, *Empirical evidence on circular economy adoption in Australian small and medium enterprises*, Journal of Cleaner Production, August 2024, vol 467.

¹¹ ASBFEO, *Energising enterprise: 14 steps to boost Australia's small and family businesses*, Australian Government, August 2024, p 16.