



*ENEFACTOR
EMBERS*

CTEW Corporation

*Australian Water
Services*

BP Australia Ltd

Offey International Ltd

Pollex Pty Ltd

SIRO

WT Pty Ltd

HD

*Bunnell Australia Pty
Ltd*

Pacific Power

RicewaterhouseCoopers

Tanwell Corporation

Sydney Water

Hiess Services Pty Ltd

RS

State Service NSW

***Submission to House of Representatives Standing Committee on Environment
and Heritage Inquiry on Employment in the Environment Industry Sector***

EBA would like to thank the Honorable Dr David Kemp, Minister for the Environment, and the House of Representatives Standing Committee on Environment and Heritage for instigating this important inquiry. Environment Business Australia welcomes the opportunity to make this submission and would be pleased to meet with the Committee to discuss any points in detail.

As a number of EBA policy papers and submissions include references that are relevant to this Inquiry, I have taken the liberty of including the details and dates of these papers and web site reference point rather than repeating the detail in this submission.

Whilst preparing this submission we received data from Canada stating that the environment industry in that country is now the fourth or fifth largest sector, employing more than the steel industry. EBA believes that Australia can make its environment and sustainability industry equally, indeed more, successful and that to do so we should emulate the Canadian model of significant government support for the industry in its developmental phase.

Yours sincerely

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Introduction

EBA is the peak organisation for the environment and sustainability industry. The association is active in the domestic and export markets and our core function is to drive the growth of the Australian environment industry.

EBA represents its members' interests across a broad spectrum, this includes developing advice on policy, marketing, investment attraction, profile raising, networking, conference and seminar organisation, and business matching. EBA is also active in stimulating public awareness about environmental issues and the solutions that are available to environmental problems.

Executive Summary

EBA believes that the Australian environment industry can be developed into a \$40 billion per annum sector of the economy by the end of the decade. This growth will require significantly greater access to overseas markets in the short to medium term because of the current limited scale and capacity of the Australian market to grow the industry. The additional benefits of enhancing the environment and benefiting society will, EBA believes have significant positive impacts on the economy.

Within Australia local government and the State and Territory governments hold great promise as both buyers and deliverers of environmental services based on the current international weight attached to sustainable development. The environment industry also holds great significance for regional and rural Australia as it provides new opportunities and scope to revitalise certain aspects of agriculture and land use and natural resource management. Renewable energy technologies will also be likely to permit development in areas previously thought to be inaccessible or economically unviable due to high costs of taking energy infrastructure to remote or inaccessible locations. EBA is in the process of preparing a policy paper on the integration of energy, greenhouse, land, water and waste strategies.

One of the most important areas where the Commonwealth Government can focus its activities is on harnessing its significant procurement and investment power through its departments and agencies which in turn would promote sustainability and establish the initial base market for the environment and sustainability industry. This is particularly important in the areas of water, sanitation, energy efficiency, renewable energy, sustainable agriculture, waste management, and long term sustainable production and consumption across all sectors.

In the short term, as identified at the World Summit on Sustainable Development, poverty alleviation in developing countries is a fundamental goal. As this is inextricably linked with security EBA recommends a scoping study of the potential impacts that Australia could have especially in the Asian region.

The recent capability study of the industry commissioned by Environment Australia has demonstrated that the industry currently has a turnover of some \$16.7 billion, approximately 2.6% of GDP, and employs approximately 146,200 in 5,640 businesses.

Tripling the turnover of the industry would therefore have the likely effect of at least tripling the level of employment. However, alongside 'direct' employment, would be the likely surge in employment of environmental and sustainability specialists in mainstream industry and the three levels of government. We have not attempted to quantify what that figure may be.

It is noticeable that there are strong international trends towards differentiating in favour of sustainable production and consumption. EBA believes that this will have a long term and positive impact on the demand for the environment industry's goods, services, technologies, infrastructure, systems creation, development and maintenance.

EBA also believes that this differentiation will increasingly become a trade driver and this is already being seen at the project level as Kyoto Protocol ratifying countries (and their companies) trade preferentially with other Kyoto countries. A greenhouse gas emissions inventory (similar to the National Pollutant Inventory), would help identify priority areas and facilitate carbon trading and investment.

Australia's ability to compete fairly in this international marketplace will depend on our ability to access projects. At present Australia is excluded from the Clean Development Mechanism projects many of which will take place in Asia. Asia is where we see our biggest potential growth market for the next 15-20 years. The Australian environment industry may therefore lose out to other countries and our environment industry not reach its potential because of the current government decision to not ratify the Kyoto Protocol.

Of more widespread concern, is that the government's opposition to ratification of the Protocol focuses international attention on Australia. This must detract from the "clean and green" attribute of our global brand name and it is reasonable to expect that it will have a detrimental impact on the demand for the output from all Australian branded environmental businesses, not just those directly engaged in the provision of greenhouse gas mitigation technologies and services.

Background

In 2002 the Environment Industry Action Agenda was published. The previous year EBA completed a scoping study (the "Feasibility Study") of the industry which

investigated the impediments to growth and the opportunities to be seized. Both these studies are commended to the Committee.

ABS Statistics for 1996-97 show the industry at \$8.6 billion per annum, the Environment Australia Capability Study would therefore indicate that there has been significant growth in the past five years.

Internationally the marketplace for environmental goods and services has been cited as US \$750 billion (Globe Foundation of Canada). A PMSEIC report on global warming suggested a further \$750 billion market for goods and services to combat global warming. The market is in its infancy and many countries are positioning themselves to take advantage of its rapid growth (France, Germany, Netherlands, Canada are amongst the early movers).

Issues that will have positive effects on the industry's growth include:

- Increasing global drive towards sustainability
- Business uptake of triple bottom line and eco-efficiency
- Increasing awareness of the costs of externalities (pollution, ill-health, land degradation, etc.)
- Urgent need for alternative solutions to assist agriculture

EBA believes that the task ahead is threefold:

- Firstly, determining what Australia wants its future to be and then creating the framework to deliver that future
- Secondly, delivering the correct signals to the marketplace to allow market mechanisms to work effectively, while at the same time educating the community
- And thirdly, ensuring that Australian companies have every opportunity to take advantage of market growth mechanisms with government fast-tracking policy development to remove impediments to the sector's growth.

In addition to the Feasibility Study, the following papers can be accessed on EBA's website and provide additional data that is relevant to this Inquiry:

- Submission to Senate Water Inquiry, 17 May 2002
- ENVIRO 2002, CEO's opening speech at the Business of the Environment Conference
- COAG Energy Review, 20 May 2002
- Independent Review of the Australian Greenhouse Office, 10 May 2002
- Submission to DFAT in relation to the WTO and trade and environment integration
- Submission to PMSEIC Working Group on the Environment, 12 February 2002

Stimulating business development

To fulfil the environment industry's potential for growth and high employment the sector needs the support of government to overcome impediments, capitalise on opportunities, encourage investment, and provide a baseline market. Much work has been undertaken on identifying these and they are detailed in the Environment Industry Action Agenda and in EBA's Feasibility Study.

Environment Industry Action Agenda

Many recommendations for industry development have been put forward in the Action Agenda with input from Environment Business Australia and the other associations active in this area such as the Australian Water Association, Waste Management Association of Australia, Clean Air Society of Australia and New Zealand, Banksia Foundation, SA Environment Industry Cluster and the Business Council for Sustainable Energy.

Procurement and investment by government

All three levels of government have tremendous procurement and investment reach and EBA recommends to the Standing Committee on Environment and Heritage that an Inquiry be undertaken to measure the current sustainability of procurement and investment practices and to gauge how these could be improved with greater uptake of environment industry goods and services. EBA believes that a major revision in this area would provide outstanding opportunities for industry growth, employment, better health, improved value-adding, and will also encourage investment in the things we want as a nation (clean air, good agricultural practice, clean water, state of the art waste-resources treatment) as well as stronger long-term sustainability.

Some in Government have suggested that this is seen as "picking winners" or as a "taxpayer grab". EBA believes that Australia does have to pick winners if it is to design the future we want. Government's investing in sustainable goods and services, for example lightweight, fuel efficient vehicles, will provide the basic market that allows for economies of scale which in turn brings down the unit cost to the consumer. At the same time the taxpayer benefits from more sustainable goods being taken up as the cost of externalities (such as air pollution) are brought down or eliminated.

Subsidies

The environment industry also looks to the Commonwealth Government to remove perverse subsidies that are a detriment to the environment. Environmental damage is increasingly being seen as an unfair trading subsidy (whether a direct subsidy or an indirect/accidental subsidy).

Drivers to growth

Environment industry growth is seen at different levels and for different reasons across the gamut of community, industry and government. Below is an indicative list of some of the key areas why we believe that the industry will grow exponentially:

Community

Transportation
Air quality
Architecture, urban design and planning
Housing – indoor air quality
Energy costs
Food quality
Water quality
Waste and recycling
Outdoor recreation
Quality of life
Legacy

Industry

Productivity
Competitiveness
Eco-efficiency
Compliance government regulations
Cost reductions
Shareholder, financier, investor perceptions
Insurance risks and insurability
Investment attraction and maintenance - funds such as superannuation
Licence to operate
Industry best practice, voluntary codes
Legal risk and management

Government

Voter appeal
International regulations and protocols
Country/locality best interest
Externalities recognised as economic drains
Insurance
Avoidance of 'brain drain'
Interlinkage economy, environment, health
Long term framework for nation's development

Skilled workforce

As the above list would suggest – sustainability and the environment industry move across the gamut of society, business and government function. It is the recommendation of EBA that there be an awareness raising and education campaign to reach the broad community and that there be a sustainability component to all aspects of Australia's curricula – schools, colleges, universities.

Environmental studies are attracting increasing numbers of students for those who want to pursue this area as a main area of study. However, the importance of sustainability and good environmental performance is such that we recommend it be given higher priority

in courses in areas such as accountancy, business studies, health and medicine, agriculture, engineering, law, business management, finance.

As the importance of sustainability grows for the future compliance, productivity and competitiveness of all sectors so will environment industry uptake increase. As this importance is expected to manifest itself within the next three to five years, there is little time to be lost in raising requirements of educational institutions.

Information and reporting systems

The most important of these relate to measuring and costing externalities – the area of the market which remains relatively undeveloped.

We note the success of the National Pollutant Inventory and the impact that this has had on corporate performance and would recommend a similar inventory on greenhouse gas emissions.

Recent concern about endocrine disrupters should also be high on the radar screen. EBA recommends a pilot study by Government to ascertain the key chemicals and their dispersion in the consumption chain.

Triple bottom line (TBL) reporting is being increasingly taken up by business although it is noticeable that the SME sector finds this an added constraint to business. Engaging the finance and the insurance sector will be key to making sure that that approach is widely adopted.

EBA has long advocated the need for a clearing house on technology, systems, goods, services, science, R&D, and investment funds. EBA and a number of partners will be pleased to work with Government to develop this. TBL reporting must turn companies to more sustainable performance if it is to be effective and companies must know where to turn for the appropriate technologies and systems, etc.

The success of the best-of-sector ethical screened funds, as inaugurated by Westpac in Australia, is seen as an increasingly strong driver for action at the corporate level. EBA congratulated the Government for the recent amendments to the Financial Services Act encouraging the reporting of screens to indicate company and fund behaviour.

Conclusion

EBA believes that Australia can give a significant boost to the economy by taking a long-term perspective and using sustainability as a 'pull-through' mechanism to extract the best policies, goods, services, infrastructure, systems and operational management to enhance natural resource and land use management, manufacturing, mining, oil and gas, forestry, water management, waste management, land contamination and rehabilitation management, transportation policy and strategy development, and energy and utilities

sector performance improvement.

We believe that this approach will increase Australian productivity and competitiveness, and attract investment across all sectors, while increasing employment levels in the environment industry. We therefore commend to the Standing Committee on Environment and Heritage that this potential growth sector be given all possible Government support.

Fiona Wain
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