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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE

Reference: Employment in the environment sector

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE

Thursday, 12 December 2002

Members: Mr Billson (*Chair*), Ms George (*Deputy Chair*), Mr Barresi, Mr Cobb, Mr Hunt, Mr Jenkins, Mr Kerr, Mr Lindsay, Ms Livermore and Mr McArthur.

Members in attendance: Mr Barresi, Mr Billson, Mr Cobb, Ms George, Mr Jenkins, Mr Kerr and Ms Livermore

Terms of reference for the inquiry:

To inquire into and report on:

- The current contribution of environmental goods and services to employment in Australia;
- The future potential growth, including barriers and opportunities for growth, of environmental goods and services and impact on employment;
- Current status and future requirements for an appropriately skilled workforce;
- Appropriate policy measure that could encourage the further development of the environmental goods and services sector; and
- Information and reporting systems that would support the uptake of environmental goods and services to enhance overall business performance and development of the sector.

WITNESSES

**SMEDLEY, Mr Denis Brian, Acting Manager, Energy Supply Team, Sustainable Energy Group,
Australian Greenhouse Office, Department of the Environment and Heritage 55**

**WEBB, Mr Richard, Director, Finance and Environment Industries Team, Environment
Australia, Department of the Environment and Heritage 55**

Committee met at 11.07 a.m.

SMEDLEY, Mr Denis Brian, Acting Manager, Energy Supply Team, Sustainable Energy Group, Australian Greenhouse Office, Department of the Environment and Heritage

WEBB, Mr Richard, Director, Finance and Environment Industries Team, Environment Australia, Department of the Environment and Heritage

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Environment and Heritage inquiry into employment in the environment sector. This hearing is the fourth for the inquiry, in addition to a number of private hearings we have held and a number of submissions we have received. Today the committee will receive evidence from the Department of the Environment and Heritage. Mr Webb and Mr Smedley, thank you for advising us that Mr Glyde has been detained elsewhere: he has been summoned from higher up the food chain—by the minister—to do some work on some topical issues. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind witnesses before they provide testimony that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Do you wish to make a brief statement in relation to your submission, or some introductory remarks?

Mr Webb—Thank you, Chair, for the opportunity to make an opening statement. I would like to highlight a few points. I should apologise on behalf of Phillip Glyde, who is the head of the Sustainable Industries and Atmosphere Division of the Department of the Environment and Heritage. As you indicated, he has been asked by the minister to undertake some urgent work.

In opening, I will highlight a few of the key points made in the department's submission. First of all, the submission points out that the government obviously has a significant role in relation to the environmental goods and services sector through policy settings and measures that encourage the establishment and the expansion of the sector. Environmental regulation is one of the major drivers of both public and private sector employment in this sector. Environmental education is another. The government has joined with business leaders from the environment industry sector to devise and now to implement an environment industry action agenda for the industry's growth. Our submission points to the fact that the Commonwealth government as well as the other levels of government are, in their own right, significant direct and indirect employers in this area. In some remote areas, the Parks Australia arm of our department would be one of the more significant local employers, particularly in creating opportunities for Indigenous Australians.

Turning to potential growth in the sector, some of the drivers we would nominate are new regulation; consumer and community pressure and changed lifestyle or consumption patterns; changing business attitudes and, particularly, supply chain requirements; and, finally, developments in technology.

The Australian Greenhouse Office has taken a number of steps to support commercialisation and industry development in the renewable energy sector and my colleague Denis Smedley has some expertise in that area. We see significant domestic opportunities for the broader environment industry sector flowing from changing business attitudes and the demand created

by increased community and financial market interest in corporate environmental performance. In addition to that, several studies have suggested, and we would agree, that there is considerable opportunity for growth in exports of Australian environmental goods and services, particularly in the Asian region.

In relation to work force skill issues—another of your terms of reference—the submission points to the creation of the Commonwealth natural resource management capacity building framework. This framework is intended initially to guide investment under the National Action Plan for Salinity and Water Quality and the Natural Heritage Trust, but with an intention of supporting broader natural resource management processes in the longer term. Its objectives include the provision of knowledge information and skills training for natural resource managers and users to enable effective planning and implementation.

In relation to policy measures that might help develop the sector, the department is currently working jointly with our colleagues in the Industry portfolio, and with business leaders, to implement the Environment Industry Action Agenda, which I mentioned. Our submission mentions a range of other relevant initiatives that the department is pursuing such as eco-efficiency agreements with industry associations, promotion of corporate environmental reporting, a Commonwealth environment purchasing guide and the pilot market based instruments program.

On information and reporting systems, I have already mentioned corporate reporting. Increased disclosure requirements under the national pollutant inventory may lead to greater demand for environmental goods and services. Within the Commonwealth, there is a recent requirement under the Environment Protection and Biodiversity Conservation Act for public reporting of environmental performance by government agencies. Again, environmental education will be important in promoting uptake of environmental goods and services down the track, and the submission mentions the existence of a national action plan for environmental education.

With that summary of some of the key points the submission makes, we would be very happy to assist with questions. I should indicate that my direct area of responsibility and expertise is industry sustainability, particularly to do with dealings with the finance and environment industry sectors, rather than with biodiversity or natural resource management. But if we can assist the committee in relation to those areas by seeking information, we certainly will.

CHAIR—Thank you, Mr Webb. Mr Smedley, is there anything you would like to add at this stage?

Mr Smedley—No, I have nothing to add to that; thank you.

CHAIR—Perhaps I could open the batting with a question about your closing remark, Mr Webb. We have taken a lot of evidence from the finance sector and those looking to embrace socially responsible investment concepts. One issue that often arises is in relation to the sieves or filters that are applied to select in or select out different kinds of activities, enterprises and investment options. We are hearing that that is very much a work in progress and that it is very survey driven by each of the parties seeking information on the basis of one-on-one interaction with someone they are collaborating with. Are you seeing any generic framework that would inform all participants in a consistent manner about these kinds of questions?

Mr Webb—That question really opens up quite a wide area of potential discussion. I think the kinds of sieves or filters to which you refer are applied by so-called ethical or socially responsible investment funds. Quite a wide range of those funds operate on what in some cases are more or less subjective criteria. There is a long history to ethical investment; you can trace it back many years. It has its origin perhaps with the churches in opposition to businesses associated with gambling, tobacco or liquor. In more recent times there has been huge growth in interest in investments and the performance of companies on the basis of environmental or social performance. We have seen the development of the concept of triple bottom line reporting by companies, perhaps as a response to those sorts of concerns.

A lot of the existing ethical or socially responsible investment funds do pursue a survey approach, where they approach companies that are potential targets for investment and seek to have them answer questions about their performance in order to satisfy various criteria. Different approaches might be to rule out companies that operate in a particular area or to rule out companies based on some aspect of their performance, but other funds operate on quite a different basis. Some of the funds established by the major banks and other funds managers in very recent times have chosen to pursue what they call a ‘best of sector’ approach so that, rather than rule out a particular sector of, say, the stock market, they try to make an assessment and invest in the companies in each sector that they believe are the best performers on the social or environmental criteria.

CHAIR—It is put to us that that can deliver a ‘least rotten’ outcome.

Mr Webb—That is one way of looking at it, and that is certainly a criticism made by the funds that would consider themselves to be ethical investors. To perhaps return to another aspect of your initial question, I think the issue driving some developments in this area is the growing demand from the many different funds and companies interested in performance in this area. What we could call survey fatigue is starting to creep in. There may be quite onerous requirements for companies—even large companies listed on the Stock Exchange—to respond to these requests for information. I think this will tend to drive the emergence of some kind of standard for reporting by companies. Within government we have been concerned to assist in the development of some sort of standard, or at least to make research that has been conducted publicly available to perhaps satisfy curiosity and reduce the number of demands made. We have supported a project by the Sustainable Investment Research Institute. We referred in our submission to the web site they operate. In the course of the next few months they expect to provide information on their web site about the top 300 listed Australian companies as a result of survey work they have undertaken.

CHAIR—Some of the conversations we have been having—and we have had some lively ones around this topic—have focused on the consumability of the information. If we accept that communication is the conveying of meaning—excuse me for a moment. Jennie, before you go, would you like to move that a subcommittee be formed for the purposes of continuing the hearing?

Ms GEORGE—Yes, I so move. I am sorry, I will be back shortly.

CHAIR—There being no objection, we will keep going. If we accept that communications is the transference of meaning, people are saying that a lot of this information is not currently in a form where there is a shared understanding of it. It is not clearly conveying the kind of

information that people are looking for and, if you have not got a busload of analysts to draw that out of people, then you are left wondering. I would be interested in your perceptions of even the finance sector starting to embrace sustainability as a risk issue and what kind of information lenders are looking for from regular folks, small enterprises, farm businesses and the like to ensure that the risk side of sustainability is reflected in their loan assessments.

Mr Webb—I think that is certainly beyond the investment demand, the second major driver of development in this area. I might comment first on the kind of reporting it is leading to and then I will come back to the types of risk. I think we are seeing a growing interest and a growing demand from the finance sector—by which I mean banks as lenders and large institutional investors, like superannuation funds, as purchasers of equity—in the environmental and the social performance of companies to whom they lend or in which they invest from that risk perspective. I think that you can class the forms of risk as being risk to intangibles in the sense of the reputation of a company—

CHAIR—Brand damage.

Mr Webb—Obviously brand and image of the company or its products can be quite badly damaged by some sort of environmental disaster or perhaps by poor labour practices. Those are examples that would readily spring to mind. The other form of risk which perhaps has not always been at the front of the mind and does not necessarily come to light terribly clearly in corporate accounts would be, say, the costs down the track of rehabilitation of a mine site or cleaning up of contaminated land, where the industry's processing site has retained chemicals on site over many years and will ultimately mean that somebody pays the bill, probably the company. There are those forms of very hard environment risk, but I think a substantial driver is changing community attitudes. We are also seeing a lot of supply chain demand, where companies actually seek guarantees from their suppliers about their environment or social performance, often, for example, requiring that their suppliers have an environmental management system. That is one side of the question.

I would like to briefly talk about the kinds of reporting. I think we have seen, just in the last two years, the emergence of what is now starting to be acknowledged as a global standard, the so-called global reporting initiative. I think you have heard about it in previous evidence. It was put together by a coalition of business, non-government organisations and the UN and is supported quite actively by a number of the very biggest global corporations. They have developed a guide for triple bottom line reporting.

Within Australia, we are seeing a number of the very biggest companies issuing triple bottom line reports, perhaps reporting more on the environment side than on the social side. At last count, there were some 100 Australian companies or major trading authorities that we know of that produced a public environment report. We have done some work to develop, and two to three weeks ago the Minister for the Environment and Heritage released, an Australian guide and indicators for environmental reporting consistent with the global reporting initiative which tries to provide some guidance for companies that might wish to report for the first time on their environmental performance. That is trying to Australianise those global reporting indicators.

CHAIR—We are hearing that those 'how to' kits are very much valued and that that is the kind of facilitation that people are looking for from the government. Could you reflect on some advice we have had, namely: 'There's a lot of work going on. Don't you guys get in the road or

push it in a particular direction at this stage, because it is very much work in progress, where support, encouragement and tools are the kinds of things that industry in particular seems to be looking for from government.' Does that accord with your broad impression of the mood?

Mr Webb—Very much so. It is an emerging area and there has been a lot of debate which has led to some attempts to develop standards. We very strongly hold the view that voluntary reporting in this area is the best approach. We do not have any interest in trying to impose any sort of regulatory reporting requirement. We think that could potentially be too onerous. We think all the signs are there that, for market reasons as well as community pressure, there will be a growing need for certainly large companies to report and that that will naturally lead to some kind of a standard. Going back to my earlier remarks, if a major company is approached with a survey questionnaire they will be able to say, 'Sorry, we report against the accepted standard; here's our report.'

CHAIR—Another impression that was put to us was that, consistent with what you are describing, there is effort at the larger end of the market—in fact, some history in, say, the mining industry where it is long established and quite a degree of capability has developed there over time—but the small to medium sized enterprises are not so vigorous in their efforts and progress in this area. We were encouraged to consider the Institute of Company Directors and other bodies running some education to build awareness and to provide some tools. Is that part of your agenda to move from the larger enterprises to those small and medium sized ones?

Mr Webb—It certainly is. This is probably turning the discussion a little bit in the direction of our activities to try to promote greater environmental sustainability performance by business or industry more generally. One approach we have taken with that is to try to engage with industry associations on an industry by industry basis where we can promote greater sustainability. We have developed a concept of eco-efficiency agreements where the government forms a partnership with the individual industry association. At last count, there were some 23 of those in existence covering quite a range of industries. Under those agreements, we work with the industry association to benchmark environmental performance in the industry and to look at issues within that industry which might lead to better performance. The focus is very much on the win-win outcomes where we have found better environmental performance through what we call cleaner production or eco-efficiency activities often leads to financial savings for the company. Examples of that would be production process changes that use less energy, water or raw materials in the manufacture or which perhaps promote recycling.

Mr BARRESI—I was interested in the study that was done in 1990 by Victoria University and also the Industry Action Agenda that came out of it. There is a target listed in the submission of \$40 billion that the industry will be worth in 2011. At the moment it is \$16.7 billion. Are there any plans in that action agenda to achieve that target or is it simply going to happen through natural growth? What specifically will help us to get to that stage?

Mr Webb—The \$40 billion target over a 10-year period that you mentioned is a very ambitious target. It was one adopted by the group of environment industry leaders who formed the group who developed the action agenda with the government. We certainly think that target is achievable, although it is an ambitious target. The action agenda itself sets out a range of initiatives which can drive growth in the industry. They are grouped in four broad themes. Valuing and pricing the environment, the first theme, is drawing out the true costs to the environment. This is quite likely to develop different market opportunities and market based

mechanisms, which will require environmental goods and services provided by the industry sector.

The second theme in the action agenda, building markets and competitiveness, is somewhat self-explanatory in its title, but requires a bit of an analysis of where the biggest market opportunities are. I mentioned earlier the issue of exports but there are some domestic market opportunities as well coming out of changed community attitudes or out of government regulation. The third theme of the action agenda is innovation. A large number of the environment industry sector businesses are in fact small businesses that have been spun off from other institutions where they have developed new technologies or new processes. The fourth theme to the recommendations of the action agenda is marketing the industry, which I suppose is a challenge for any industry section.

Mr BARRESI—That was developed two years ago?

Mr Webb—It was developed in a process from about the middle of 2000 through to the middle of last year and endorsed by the government in August last year.

Mr BARRESI—In that time frame, the 12 to 18 months it has taken, are there barriers or constraints that have emerged that we should know about that may prevent any one of those four strategies from being successful?

Mr Webb—I do not see any barriers having emerged since the action agenda was announced. I think the kinds of obstacles to growth of the industry are ones which face some other industries as well; but in the case of this particular industry, a division into very large and very small enterprises poses some obvious challenges. At the small end, the kinds of start-up companies to which I was referring face some obstacles common to start-ups in any industry in gaining access to capital.

At the very big end of the industry sector the industry is dominated by water, waste water and solid waste related enterprises. In many cases, those are government owned business enterprises. I am not meaning this as a criticism, but often the charter of these government owned enterprises does not include an expectation that they will be great innovators or that they will seek to commercialise and market elsewhere the kinds of inventions that they might come up with.

Mr BARRESI—You mentioned export as perhaps being one of the great drivers as well. In your estimation, has the government's—not failure; that would be a question some of my colleagues might ask—reluctance to sign the Kyoto agreement played a part in our ability to export environmental goods and services to our region? Have there been any adverse comments as a result of that?

Mr Webb—I am not expert in the renewable energy technologies area, which might relate more directly to that. Perhaps my colleague could comment in a moment. But it seems to me that the greatest opportunities for export by the environment industry sector relate to the kinds of goods and services that the industry provides at the big end of town—the waste management, recycling, water and waste water treatment end where the industry has the resources to be able to mount major overseas projects. Within our Asia-Pacific region, the opportunities for those sorts of projects in places like China, Indonesia, the Philippines and Thailand are really

unaffected by greenhouse related questions. I do not know if Mr Smedley wants to add anything on renewable energy exports.

Mr Smedley—All I would say at this stage is that it may be too early to have actually seen any change in patterns, bearing in mind that the renewable energy industry in Australia is still very immature and fledgling. Of those companies that are exporting—for example, there are some fairly good exports in the hot water system area—to my knowledge have not been affected yet. That is not to say it may not happen in the future when these things come into play, but certainly at this stage there has been no impact, and we have had some feedback that would support the government's position in terms of the longer term.

CHAIR—Is the China EPA relationship institutional or a regulatory template, as well as a capacity to support regulatory requirements? What is the scope of that? Does it embrace EA bringing forward some Australian examples of how certain pollution measures or water treatment standards could be met by available technology, perhaps sourced from our country?

Mr Webb—The memorandum of understanding with the Chinese State Environmental Protection Administration, which we referred to in the submission, has existed for a number of years now. It is actually a broad memorandum of understanding about environmental cooperation between the two national environment agencies, and under the agreement there has been cooperation in quite a number of different areas. We have seen that agreement as providing some opportunities to give the Australian environmental goods and services sector a bit of a leg-up into the Chinese market. I think in several of the economies in our region—China perhaps being the most obvious example but there are some other ones as well—a relationship on a government-to-government basis is often key to successful entry to a market and to doing business, getting regulatory approval and so on in particular market. The principal activity that we have undertaken is to send two delegations of environment industry business people.

CHAIR—It is a bit like a travelling trade show.

Mr Webb—A bit like a travelling trade show. The former minister, Senator Hill, led the first such mission in May 2000. We followed up with a second one in May last year. The businesses involved in the delegation reported satisfaction with the introductions that we were able to make and with the kinds of contacts they made. Perhaps understandably, because they tend to be a bit suspicious about who gets the information, they are not telling us exactly what contracts have been signed. But we are encouraged on the basis of the anecdotal evidence and the satisfaction that they have reported.

CHAIR—One of the issues that have come up is that in many areas environmental credibility is self-proclaimed. How did you select those participants? Did your experience point to a need for greater clarity in this area generally in the environment industry? If you can pay your \$30, you can go on a web site. A plumber can hang a shingle out the front and say, 'I can prepare environmental management plans. Just ask me!' Is that something that is related to your overseas experience? Is that an issue for us to address?

Mr Webb—In terms of the participants in the two delegations that we have undertaken, we were not forced to confront any issues about fly-by-night operators. We were dealing with established businesses, and perhaps that is understandable, because they were required to make the investment of paying for their participation in the mission. That would tend to exclude what

you might call the more dodgy players. In terms of our ability to vouch for products or services, I think you were leading towards the issue of environment technology verification. I think you heard evidence at a previous hearing from somebody who was suggesting that there may be some need for formal verification, particularly government verification, of the claims made about environmental technologies. This is certainly an area that we have been keeping an eye on. We are very aware of the fact that, in marketing into the Asia-Pacific region, North American companies are able to point to verification of their technologies. We do not see that as such a huge issue for Australian businesses. We are not aware of any examples where Australian companies have not been listened to or have failed to get a contract because they could not point to some sort of government stamp on their technology. Within Australia, the question of environmental technology claims is reasonably adequately catered for by existing provisions in the Trade Practices Act. It is illegal to make false claims about a product you are trying to sell, regardless of what it is.

Ms LIVERMORE—I have a question about the National Action Plan for Environmental Education. Was that raised before I arrived?

CHAIR—It was touched on generally but not explored, so go for it.

Ms LIVERMORE—It want to get a bit more information about the action steps in that plan. What level of education is it being targeted at? Are we talking about vocational education or tertiary education? Can you please go through that for me?

Mr Webb—I have to apologise, Ms Livermore. This is not my direct area of expertise, so you may find me a bit wanting if we pursue this very far. I will make a couple of brief comments. The National Action Plan for Environmental Education was developed by an advisory council to the government and the minister. It is a very broadly based council and I know that it is particularly concerned to see increased environmental education both at the school level and at the tertiary level. In the future, the expectation that there will be growing requirements for jobs in almost any sphere of life to take account of environmental factors means that equipping students at school with some basic level of environmental understanding is quite important. I will now turn to the tertiary level. The National Environmental Education Council has sought to engage with a number of the universities to try to promote the inclusion of environmental components in all degree courses, regardless of the particular discipline being pursued. I think that the council has found some receptive ears in a number of universities.

Ms LIVERMORE—Can you give me the name of the chair of the council or how we can get in contact with them?

Mr Webb—I am sorry; off the top of my head I cannot name the chair of the council but I certainly could get back to you, through the committee secretariat, with the name and contact details. I will include details of the secretariat within the department.

Ms LIVERMORE—Thank you.

Mr KERR—I want to bring up a couple of side issues from the principal direction that we have been going in. The submission mentions under-utilisation of Indigenous persons in park management in some areas. Does the department itself have an Indigenous recruitment program

and how many of the more senior persons within the department have any familiarity or direct association with these issues? How do you task your work in this area?

Mr Webb—Again, Mr Kerr, I should indicate that this is not my direct area of expertise or responsibility, but I can make a few comments which might assist you. Our submission points to the fact that within Parks Australia—the area of the department responsible to the statutory director of national parks—the level of Indigenous employment is quite high. Roughly one-quarter of the staff are Indigenous Australians. This is partly achieved through or encouraged by the fact that several of the Commonwealth national parks for which the director is responsible are managed on a joint basis between government and Indigenous communities in the relevant area, so the people employed as park rangers are often deliberately recruited locally as people with local knowledge.

CHAIR—In an interpretive sense?

Mr Webb—They are employed not just in an interpretive sense but to undertake the management functions of the parks.

Mr KERR—I want to get to those issues. Please take much of this on notice. I note your CV and I note that you have come along to address issues of direct and immediate relevance but these matters are related to employment opportunities in the sector. What, if any, recruitment program does the department have overall? Obviously some of the evidence you have provided goes to areas where you would expect there to be a degree of participation in park management by Indigenous persons. If there were not, you would be shocked and horrified.

Mr Webb—Yes.

Mr KERR—Within the department is there any explicit attempt to recruit people with Indigenous backgrounds and are there any in senior positions within the department?

Mr Webb—Off the top of my head, I could not name any in senior positions within the department. The department, in common with Australian Public Service agencies, pursues an equal employment opportunity policy and goes out of its way to indicate in the advertising of all positions that people from an Indigenous background are encouraged to apply. The principal non-parks related recruitment program, to the extent that we undertake any bulk recruitment exercises, would be for graduate recruits. Again, advertising for graduate recruits emphasises the fact that Indigenous Australians are encouraged to apply. Apart from that, I think it would be true to say that the bulk of recruitment to the department occurs on an individual, position by position basis as vacancies occur at different levels and with different expertise requirements. In those circumstances, naturally equal opportunity and antidiscrimination provisions apply as elsewhere.

Mr KERR—Please get back to me on this: has any thought been given to working with ATSIC and other organisations to develop a strategy for getting people focused, trained and ready for those employment opportunities? I suppose it is no great secret but, if you have a recruitment strategy that invites people who are not able to take the opportunities that are there, it does not really take us very far.

Mr Webb—The kinds of positions to which I am referring are probably fairly similar in most cases to positions in many other government agencies. Therefore, the development of any training based or experience based programs that would help to equip Indigenous people to compete better for those kinds of jobs should probably be undertaken on a government wide basis. Therefore, the question is probably more for somebody like the Public Service Commissioner.

Mr KERR—Perhaps so, but nonetheless could you get back to me on that?

Mr Webb—Certainly, if the department has had any contact with ATSIC—

Mr KERR—There are some obvious areas—for example, the heritage work that the department undertakes. Much of that has intersections with issues and questions relating to the heritage protection of sites that have both cultural and physical significance, including to Indigenous and non-Indigenous Australians.

Mr Webb—I am certainly aware that there are some Indigenous Australians working within the heritage part of the department. I will certainly inquire and get back to you about whether there are any employment related contacts between the department and ATSIC, either in that area or in relation to Parks Australia.

Mr KERR—You mentioned in the submission that a large component of Australia's land surface is under the management of Indigenous persons—I think 17 per cent was the figure; I do not have the page in front of me. Plainly, one of the economic opportunities that may be open in those places is to build around the possibility of cultural and recreational use of the land. When we move towards trying to empower Aboriginal communities to take greater advantage of those kinds of economic opportunities, the difficulties are that, firstly, there is limited access to capital and, secondly, the expertise, the training and the linkages with the other sectors that are necessary to make a success of these things are sometimes not put in place. Does the department take any active role in trying to improve the environmental management of those large areas of the Australian land surface, plus building some of that expertise? If so, how does it do it? Does it do it itself or through ATSIC? What kinds of strategies are in place?

Mr Webb—I think you are getting into an area where my colleagues from Parks Australia would probably be better equipped to answer. I think that part of your question really relates to what you could call an extension of ecotourism into cultural or heritage based tourism enterprises. The development of an industry sector in the areas you are referring to would probably be a matter for cooperation between the tourism department and ATSIC. But I am certainly quite happy to inquire at Parks Australia about whether they have been involved in specific initiatives in that area.

Mr KERR—It might be useful. We do focus on employment opportunities, and the sector of the community that is usually most left out is Indigenous Australia. Obviously, Parks would not be directly responsible, because these are not parks; they are private native title areas. But integrating whatever is being done to create a sound environmental framework with a sound cultural and economic framework is obviously going to be the key to growth, if this is to grow. So some kind of strategic leadership on your department's part may perhaps be useful if no-one else is providing it, but I would like to know what is now being done.

Mr Webb—I think I will have to take that question on notice and make some inquiries.

Mr Smedley—Perhaps I could just add something from the renewable energy side of things. You are aware, of course, of some of the programs we have that directly assist Indigenous communities through the Renewable Remote Power Generation Program, which I always have trouble with pronouncing. For example, that is funding, through ATSIC, the development of renewable energy installations at a number of Indigenous communities around Australia, so some work is certainly going through there. The Bushlight program involves the Centre for Appropriate Technology in Alice Springs, which is all about empowering Indigenous people to better look after themselves. So there is certainly some funding and assistance going in through that area.

CHAIR—Your submission about the national capability statement draws on appropriate regulation as a potential constraint to development of the Australian environment industry. Can you tease that out a bit? Is that the counterweight to the market based concepts you have been pursuing, in that prescribing something very specifically might just have people meeting that prescription and not pursuing improved performance over time? Is that the kind of idea that that was trying to pick up?

Mr Webb—I think the national capability statement's survey of potential obstacles to growth was largely a literature based survey conducted by Victoria University. The understanding I have about inappropriate regulation, which they saw as a potential barrier to growth, was regulation that perhaps prescribes solutions to problems or that fixes the technology to be used when dealing with a particular environmental issue, rather than trying to approach regulation on the basis of the outcome that is desired and the path to achieving that outcome.

CHAIR—So it is a bit static?

Mr Webb—It would tend to encourage a lack of development of technology and so on.

CHAIR—Is the eco-efficiency approach at an industry level—looking to celebrate and then share best performance amongst industries within that industry group—inspired by the BAT arrangement in Europe? Does the eco-efficiency framework provide for that best available technology idea, where there is an effort to proactively share knowledge and enhance performance amongst people and say, 'Try this,' or 'This might work for you?'

Mr Webb—To my knowledge, the eco-efficiency framework in Australia and the best available technology regulatory approach pursued by the EU are things which have grown up quite separately on opposite sides of the world. We are certainly aware of the best available technology approach they are pursuing in Europe. Indeed, it is an interesting and innovative approach to regulation, where you do not require corporate performance to be anything more than the best that would be possible, based on known or available technologies. With eco-efficiency agreements with industry associations here, we have tended to try to deal with an industry sector on the basis of a limited number of specific ideas for action, assisting the industry itself to benchmark its performance and to give individual businesses the opportunity to see whether they can make improvements in their performance that would benefit the environment as well as their bottom line. So we are not really prescriptive about technologies or approaches for the particular industry, but we prefer to see the industry develop its own ideas.

CHAIR—We have heard evidence that the business case for the adoption of improved practice in this area is compelling in its own right and that focusing on that seems to bring about a far quicker embrace than other methods. Is that your experience? Are you seeing that? Deming and his quality concepts have morphed into an environmental sustainability idea—get rid of the waste, get rid of the overuse of energy, consumables and all that. It seems to be that they are saying, ‘Well, this is just regular business. We don’t need to do anything else.’ Are you running into that attitude a bit?

Mr Webb—I think we do. I would have to say that the biggest motivator for business, obviously enough, will always be the financial bottom line. We have seen a little bit of a debate emerging lately about whether pursuit of the so-called triple bottom line is a good idea and whether we should be concentrating more on offering proof that environmental performance is essential to the financial bottom line, the single bottom line approach. The most powerful argument for changed consumption patterns and changed production methods is obviously one which will save a particular business money. If, at the same time, it saves the environment, then they and we will be happy. I think there is perhaps a slightly greyer area when it comes to environmental performance and the intangibles of company reputation or brand reputation. This is probably something that relates much more to big companies than to small companies. In that case, the impact on the bottom line might not be an immediate saving. It might be the avoidance of market share risk and consumer reaction to a particular environmental incident.

CHAIR—It was put to us that something as simple as E1, E2, E3 and E4 as a company reporting statement would be helpful, in that anybody could look at that and form a view without necessarily knowing concepts of ecological footprint for activity, whether it is a best of sector concept or whether there is a BAT overlay or a global reporting framework that provides for that ultimate conclusion. Do you see value in that?

Mr Webb—You are talking, I take it, about a rating system, where performance is rated?

CHAIR—Yes. The debt rating for borrowing—A plus, BB and all that kind of thing—was the parallel that was drawn and translated into the sustainability area.

Mr Webb—I think as we see further development in the financial markets in evaluating financial risk and environmental performance and as there is greater and greater overlap between the financial market’s interest and socially responsible investors’ interest we will see an emergence of more and more ratings schemes or indices and there will be a whole market that will develop in those. I do not see that government can necessarily assist by creating some substantial and costly scheme to introduce that kind of rating at the moment. The corporate environmental reporting indicators which Dr Kemp released for public comment several weeks ago are an attempt to provide a common basis for reporting and a basis which would be comparable between companies, and to do that on a fairly simple basis where potentially even medium or smaller enterprises could report on, say, energy or water consumption just using bills they receive from their utilities.

CHAIR—So if we were to see a rating system appear you would—excuse the pun—imagine more of an organic development of such a thing, rather than government leading the development of a framework of that kind?

Mr Webb—I think a pitfall for trying to lead development too much from government is that it would involve us necessarily in quite a number of subjective judgments about performance. If we were to look at this at the ethical investment end of the spectrum, I mentioned early in proceedings today that a great deal of the judgments that are made are quite subjective. At the other end of the spectrum we could look, for example, at some key indicators about energy or water use or emissions, and that may not necessarily be a very adequate picture of the overall environmental performance by a particular company or industry. So I think by leaving it to the market and the market's interest in evaluating environmental risk and risk to reputation we will see the emergence of useful tools.

CHAIR—We heard from Standards Australia on their work with ISO14000 and those kinds of things and the global reporting initiative. They put to us some research—I am not sure where it came from—which concluded that about five per cent of the purchase decision by consumers is affected directly by concepts of sustainability in the environmental impact. That is quite at odds with the expressed views of most Australians, who say, 'Oh, yes, this is important,' but when it comes to handing the bucks over at the till or getting the EFTPOS machine going it does not feature as highly. I was wondering whether the Nordic swan idea, where in the Nordic states there was just one symbol on products that were thought to be environmentally responsible and sustainable, was a way of informing consumers that they were making a purchasing choice that had sustainability objectives underpinning the enterprise or the development of that product. Is that kind of simple consumer information helpful? Would a green koala on sustainably produced products in Australia bring about some kind of change in market behaviour at a consumer level as distinct from the supply chain area that you have focused on?

Mr Webb—Again I should say that this is not my area of very direct responsibility or expertise.

CHAIR—I would probably say that too if I were in your shoes!

Mr Webb—But I could make a few remarks which might be helpful. Certainly, we are very aware of several overseas schemes for the labelling of consumer goods. The Nordic swan is one, and such schemes operate in several other countries. There was an experiment in Australia some years ago—I think in the early nineties—in which the department was a key participant. The experience from that suggested to us that, while the public will indicate in response to surveys that their decisions are affected by the environmental performance of different goods, when it comes to the crunch—as you said, at the till—people seem to be prepared to select a product with claimed better environmental performance if the price is more or less equal but are not keen to pay a premium. I think that is an understandable response by people. At the moment there is a non-government initiative being undertaken in Australia by the Australian Environmental Labelling Association to put forward a labelling scheme whereby they would undertake some research and testing of the claims being made about products, for which companies would pay, and in return companies would be entitled to put a label of endorsement on the product. At this stage, the department is watching the development of that scheme and neither endorses nor condemns the initiative.

Ms GEORGE—Is there any work being done in the department on the issue of renewable energies? The suggestion being made is that the efforts in that direction are not leading to

employment displacement. Is there any kind of planning being done on the employment impacts in a 10- or 20-year time frame?

Mr Smedley—Are you asking whether there is any direct planning being done as opposed to accepting the result of increasing the use of renewable energy and the development of the industry?

Ms GEORGE—No, there are arguments about the kinds of employment impacts of options such as investing money into, say, making the coal industry more environmentally friendly as against putting money into a wind turbine. Is there any monitoring or statistical evidence which shows that displacement will not occur and that new jobs will be created—and, if so, how many?

Mr Smedley—I am not that familiar, I must confess, with the fossil fuel industry—my area of expertise is more the renewable energy side of things—but I think it is fair to say that, even given the supposed two per cent increase, employment in the fossil fuel industry will not be much different, even in the longer term. Certainly, though, there is a fairly clear indication in the evidence supplied to you that the renewable energy sector has a higher per megawatt employment ratio than the fossil fuel industry. My opinion would be that the coal industry will not suffer any job losses as a result of renewables, but certainly there will be a supplementary addition to the work force coming from the development of the renewable energy industry.

Ms GEORGE—Can it be quantified?

Mr Smedley—At this stage, I think not. I think you were given a copy of a study put together by ACRE on employment in the renewable energy sector. That drew a comparison with employment at a fairly new coal-fired power station and at a gas-peaking power station and indicated the comparison. Bear in mind, though, that the renewable energy projects referred to are still not necessarily finished or at a mature stage of operation, so it is still very early days to draw those comparisons.

Mr JENKINS—Earlier you referred to some local government opportunities in the environment sector, and I note that there are a couple of small chapters in this submission about that. I particularly want to raise one of the problems that we have observed in previous inquiries as we have travelled around Australia. Local government is of course a great vehicle to enable us to get local action, but local government is not the same wherever you go, and in many of the areas in greatest need of environmental repair or other such works there are small local government authorities that have difficulty in finding the capacity to be involved. Has the department sat down with local government umbrella organisations to try to work out innovative ways of how we might assist those types of local government authorities? We acknowledge that slowly but surely larger local government authorities are taking up the cudgels and are involved in a whole range of works not only in the traditional urban waste disposal and other things but, as the submission suggests, in biodiversity protection. But in some of the areas of greatest challenge that confront people, such as salinity, often the capacity is not there.

Mr Webb—I can offer a few insights into that area, although, again, it is not an area in which I have great expertise. Flowing from the so-called Local Agenda 21, which emerged from the Rio Earth Summit some 10 years ago, the Department of the Environment and Heritage has had

a program of environmental cooperation with local government. In a concrete sense, perhaps the most visible form of that at the moment is funding of what we call 'environmental resource officers' in the relevant state-local government associations in each state. Each of those officers has a responsibility to act as a facilitator and a coordinator of action within the state, as the disseminator of information and particularly as a bridge between the national and local levels of government. I am aware also that, at local governments' own initiative, there is a so-called local government environment government network called Environs based in Melbourne to which local governments around the country can subscribe. It is unrelated to their membership of the Australian Local Government Association but, where any sized local government authority wants to buy in, Environs acts as a facilitator, a provider of information and an arranger of some cooperative activities between multiple local governments.

Mr JENKINS—I do not know whether either of you can comment on the Cities for Climate Protection program. I hope that I am not overly characterising it as a program that again has been easier for the larger municipalities to pick up, but it seems to be a program that is making inroads, given that it involves something like 160 or more municipalities and covers 62 per cent plus of the population. That is an example of where we are getting local action, and it arises, as I understand it, out of a global movement. Again, is the uptake by smaller authorities similar to the uptake by larger authorities across the board?

Mr Smedley—I can speak about Cities for Climate Protection, based not on my current employment but on my previous employment in the state government of Western Australia. Certainly it is largely voluntary and it does come at some cost to the local authority. It is probably fair to say that the smaller local government authorities, perhaps particularly the ones in regional areas, might not have the same ability to become involved in the program. Certainly the uptake has been largely fostered by community attitudes, and therefore most local governments seem to feel the need to become involved at some stage anyway. It is certainly accessible to local governments if they choose to do so, but, of course, that would be a decision of the particular local government.

Mr JENKINS—I would like to take this opportunity to place on the table the political question about the Cities for Climate Protection program in that there is some doubt about the ongoing funding. Now I have got that off my chest, if there is an answer I would appreciate it but if not then there it is out in the ether. I understand that many municipalities are concerned about the program's ongoing funding, through ICLEI, finishing in June of next year. There are a great number of queries about how they will go forward in the absence of a commitment to funding.

Mr Webb—We would have to take that as an observation, perhaps, rather than a question that we could answer. It is something that might be more appropriately addressed to ministers.

CHAIR—We should warm to Harry for the fact that he is feeling better for getting that off his chest. Mr Webb and Mr Smedley, thank you for making yourselves available today. You will be getting back to us on an issue—I hope you remember what it was, but we will get back to you on that.

Mr Webb—We will examine the transcript closely.

CHAIR—Thank you.

Resolved (on motion by **Ms George**):

That this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 12.21 p.m.