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**HOUSE OF
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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, 20 March 2003

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 and Mr Jenkins

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

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Committee met at 11.04 a.m.**WAIN, Ms Fiona, Chief Executive Officer, Environment Business Australia**

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Environment and Heritage. This is the eighth hearing in our inquiry into employment in the environment sector. Today the committee will receive evidence from Environment Business Australia, and I welcome our witness from that organisation. 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 that the giving of false or misleading evidence is a serious matter and may be regarded as contempt of the parliament. Do you wish to make a brief statement in relation to your submission, or would you care to make some introductory remarks?

Ms Wain—I certainly do not want to go over the paper that I submitted, but I will make a few introductory remarks, just to highlight a few points. To talk about the environment industry is in some ways to use a bit of a misnomer, because the sector really encompasses health, quality of life and economic development, as well as reversing negative environmental externalities and enhancing the positive ones. Last year, Environment Australia undertook a capability study into the sector. Its findings were that the turnover for the sector was \$16.7 billion or around 2.6 per cent of GDP. That is a significant increase, when compared to the ABS figure of \$8.6 billion for 1996-97. The employment figures that came out of those statistics from Environment Australia were 146,200 people across 5,640 enterprises. I have the breakdown of those figures for states, companies and employment.

Following on from the action agenda, we are very much looking at growing this industry to at least a \$40 billion-a-year sector by the end of this decade. That would mean we would be roughly trebling direct employment in the sector to approximately 450,000. I say 'direct employment' quite advisedly because, with the move towards sustainability from several mainstream industry sectors, I think we can expect to see some considerable growth inside that area. Obviously, that will not be captured as environment industry related; nevertheless, it is part of putting Australia at the forefront of being much more competitive and dynamic in this area.

One very strong concern I have is that Australia is currently looking at industry overall and very much favouring current production status quo; we are not looking significantly at emerging markets. I think Europe in particular is establishing a very significant lead ahead of us, in that it is differentiating in favour of sustainable production and consumption at quite a rate. Last night, I pulled up the figure for environment industry turnover in the 15 member countries of the EU. It is 183 billion euros per annum, and employment in the sector across the 15 member countries is two million—we obviously have a fair way to go. I have just come back from two weeks with the European Parliament. While I think that they are ahead in a lot of market developments and in some legislation and enforcement of legislation, the innovation in Australia is every bit as strong, if not stronger. Where we are falling behind is in not having the impediments to innovation and its commercialisation removed—and we are not fast-tracking that innovation and its commercialisation sufficiently. Sadly, the government industry dialogue on climate change that is under way at the moment is really highlighting a lot of those areas, and the

traditional industries are reinforcing their position of protectionism, which is not to the benefit of the environment industry, obviously.

There is another study that has come out of Europe, although it is not a European study—it is 35 institutional investors, representing \$US4.5 trillion of funds under management. They are looking at the impacts of climate change on companies across all sectors. The coming cost of carbon and the liabilities or assets that will be seen on company balance sheets are huge concerns for investors, bankers, insurers and reinsurers, primarily.

Coming back to Australia, we have some fundamental growth areas that we are not developing strongly enough. The rug seems to have been pulled out from underneath renewable energy in a very big way. I have yet to understand the reasoning behind that. Regarding the impending MRET review, the figures that are being bandied around suggesting that a further 14,000 jobs could be created in rural and regional Australia from renewable energy are figures that have to be taken very seriously.

More broadly, when we look at developing countries in the region and the role that Australia can play to really fast-track their growth and their modernisation and help to make them more stable in a lot of ways, we see that water access is a big issue. That message is coming out of the Kyoto water conference at the moment. There are some very specific areas that we want to focus on: market development; company growth and technology transfer from Australia, including megacity infrastructure and development needs in the Asian region; the broad infrastructure needs of growing economies; waste management, including resource recovery, waste avoidance, emissions avoidance and emissions capture and reuse; land management and sustainable agriculture; and water technologies, including drinking water supply, sanitation, water management and irrigation.

In addition to renewable energy, I would also focus on cleaner fuels and the delivery mechanism for the transportation of fuels. While we have the fuels being developed, the infrastructure system to deliver them is not keeping pace. Energy efficiency strategies are going to be a very important interim measure. For Australian companies to be able to access a lot of these very significant projects, we have to be able to play in the clean development mechanism market—that is, be part of the Kyoto protocol. China and India have ratified the protocol. Those countries are a huge market and they are taking the Kyoto mechanisms very seriously in terms of attracting technology and finance flow into their countries.

I will make a little side comment there, because there is a common misapprehension that developing countries are not accepting targets under the Kyoto protocol. They have not been asked to and they will not be asked to do that until the end of 2005. The reason for that is that the UN have very clearly mandated that poverty alleviation—another growth area for Australian companies—is to be their target up until 2012. Nevertheless, countries like Indonesia, India and China have ratified the protocol. If we look at how those countries are modernising their economies, we see that retrofit of plants, energy efficiency, renewable energy, the health impacts of growing populations, the quality of life, and agricultural production on a sustainable basis are all areas where Australia has a great deal to offer. I would really like to make sure that we can get in there and be accessing those projects on behalf of our companies.

Another area where I see very strong potential growth is one that I know does not have a great deal of popularity at the moment with government. I refer to using government

procurement and investment funds—in other words, existing funds—to buy and invest in more sustainable processes or technologies or infrastructure or what have you. Looking slightly further and more laterally at that, I will give an example of how those funds can help to create baseline markets. Hybrid, lightweight, clean and fuel efficient cars are quite high per unit cost in Australia. I am quoting figures off the top of my head, but I will assume that the cost is \$42,000 to \$44,000 per car. If all three levels of government were to commit to buying the cleanest, most fuel efficient car for their fleet, that would create a market in Australia for those cars and would bring down the unit cost per car, which would make them more affordable for the taxpayer. In other words, it is not a taxpayer grab; it becomes a taxpayer donation in some respects and has the potential to reduce externalities with things like air pollution—again, reducing the drain on the public purse in certain areas.

There have been some very direct and indirect subsidies, or preferential contracts, given to other industry sectors over a number of decades. The environment/sustainability industry, as they now tend to call it, has not benefited from those subsidies, from that level of assistance. What we would like to be looking at is a playing field that is levelled out, where subsidies, indirect or direct, that have perverse outcomes in other sectors are not necessarily taken away from the sector but are re-allocated within the sector to drive sustainability. So we are not talking about ‘take from them, give to us’; we are talking about how you drive sustainability over the longer term and maintain stability in existing markets but at the same time fast-track what is emerging as one of the world’s fastest growing industries. I know you have lots of questions on things like certification, eco-labelling, education and data-gathering, so I will stop talking and you can fire questions at me.

CHAIR—The early comment you made about who is involved in this industry and who is not was almost a definitional one. Through EBA, how are you bringing more enterprises into the scope of your activity and explaining the link with businesses that do not see themselves in the sustainability business but actually are? How is that moving forward and how are you tackling the fragmentation that we have heard so much about?

Ms Wain—We are tackling the fragmentation in two ways. I will deal very quickly with the first way. We have created an alliance of other industry associations to work with us to fast-track sustainability. On the more detailed side, we are actively working with banks, insurance companies, reinsurance companies and major construction and development companies, looking partly at what their impact is on the environment but also at how they can save money and create new opportunities for themselves through things like energy efficiency. We are also addressing where this future market is going to and how they develop their next competitive edge, because the whole buying clean and green thing is gathering momentum. The Property Council certainly understood that in a huge way and have formed the Green Building Council of Australia, which is now linked up with the Green Building Council in the United States. So you are seeing a sector that was traditionally very ‘this is the way we do it’ moving towards something that really is embracing the environment industry because it sees it as a money-making tool. It is not altruism, I have to say. We are not dealing in altruism; we are dealing in the growth of an industry.

CHAIR—We have had it characterised to us that, as the environment business sector grows and concepts of sustainability become more mainstream, there is almost a transformation in existing businesses and employment from a traditional structure, a traditional outlook, to one that is more in keeping with what your association is on about. I wonder to what extent the

growth that you forecast is a conversion amongst existing players and existing employees to working on a more sustainable footing, as distinct from new employment, new jobs. It has been put to us that in some companies being more sustainable has reduced the number of people they have employed because they have less waste, less rework and are more thoughtful about the energy they consume and are more targeted in their own efforts. Some thoughts on that substitution versus new activity question?

Ms Wain—I would say that in 12 to 15 years time there will be no such thing as an environment industry, because it will have become so mainstream. So, while I am arguing for the growth of the industry, the growth of change, better risk assessment, risk management and profiteering—in a good sense—from new opportunities are certainly going to be the major driving force. The \$40 billion that I talked about for the industry's growth up to the end of the decade is very much targeted on this environment industry and how it can grow to reach that target. All of that is very clearly laid out in the action agenda.

CHAIR—Using the building example you spoke of, we have heard from environment degree graduates that they cannot find work, mainly because a traditional professional, maybe an architect, has taken their skills and then added a sustainability edge. Traditional competencies have been reoriented to pick up some of these concepts, leaving the pure environment graduate looking for work somewhere. Have you had that sense coming through your association? Is skills adjustment more what you are seeing than new skills being purchased by your members?

Ms Wain—We are in a global phase of people having to skill up in a specialisation area but having to be very broad-based at the same time. I think the days of being a purist in one area are pretty much disappearing. It is not something that I can say we have really picked up on to any great extent because we find that the people who are well qualified and dynamic are certainly finding jobs. What the statistics are of graduates from this sector as opposed to other sectors not finding their job of choice, I do not know. I really have no idea on that and I could not comment on it.

CHAIR—We are looking for more information on that, where you have a graduate who may be well versed in EMS concepts and who is displaced by the old TQM specialist who has added a new dimension to their work. It is interesting that there is that capability coming out of the education sector that does not seem to be being taken up a great deal.

Ms Wain—One of the things that needs to develop—and I have spoken to a few of the graduate schools about this—is much more awareness of issues of sustainability, risk, risk management and assessment, and company liability, and that awareness should be integrated into existing business courses. I think that over the next couple of years we will see a number take that up. RMIT certainly has a whole division focus to it. The Macquarie Graduate School of Management is very seriously looking at it, and so are Murdoch University and Curtin and, I think, the Melbourne business school as well. I have had a couple of conversations with Paul Rizzo about it. I am feeling an awareness that there is more of a need to really grab hold of what this environmental thing and this sustainability thing are about and get it spread right across courses and to drill down deep rather than—

CHAIR—And bolt it on. That is our sense, as well.

Ms GEORGE—There are a couple of points that I would like some clarification on. I support the notion that you put forward about procurement policy as a potential lever. That is an interesting proposition worth examining. In connection to the perverse subsidy argument, could you give me an example of where and how that would work, in your view?

Ms Wain—Let us use something like my pet topic at the moment, the aluminium sector. I cannot remember exactly what the figures are that go into the aluminium sector, and have done for the last 20 or 25 years, but the turnover for the sector in aluminium as opposed to alumina is about \$3.9 billion a year, I believe. Then there is another four-point-something billion dollars for alumina exports, which are then value-added in another country. What we need to start to do in Australia is to look at, from a very broad perspective, where we want to be 50 years down the road, and create a vision—not a nice, warm, fuzzy vision, but a really nussed-out, hard vision of what we want for the economy: things as broad as immigration, quality of life, R&D, innovation and its commercialisation, and workplace ethics. You could put a whole load of things into that grab basket.

We must work backwards from there and create the framework that will allow us to realise that vision. At the moment we are all trying to go forward one step at a time. Whether it is us in conflict with the Aluminium Council or green groups in confrontation with the Lavoisier Group, at the end of the day we all want to get to the same place. If we back-cast and use that framework to say there is X amount of money that is available to the economy on an annual basis, how do we best want to deploy that? What do we want to fast-track? What do we think has good short-term value for Australia, what has mid-term value and what has long-term value? How do we weave in the things that we need as they crop up? At the moment it is very difficult to get new technologies up in Australia—not only in the environment industry but in any sector. That should not necessarily be the case. Instead of protecting one sector come hell or high water, we should look at where Australia's future really lies; we are not going to lose aluminium extraction in Australia.

Ms GEORGE—Would you see the subsidy that currently goes into the provision of power for the aluminium industry as an example of a perverse subsidy?

Ms Wain—Very much so. While we have that, and the argument to remove MRET and the fast-tracking of renewable energy, we are protecting something that we may not keep anyway and we are throwing out with the bath water something that is going to be very valuable to us. That does not mean to say that the aluminium sector needs to suffer; there are ways and means of maintaining the economic benefits to certain sectors by weaving in new ways of doing it. That is the essence of what I am trying to get at.

Ms GEORGE—The other issue I need a bit of clarification on is the endocrine disrupters in the pilot study. Could you elaborate on that a little, please?

Ms Wain—Endocrine disrupters are a huge sleeper worldwide. They exist in most plastics and most detergents, and we do not know at the moment what their long-term impacts are or how they interact with other products. Although there has been a lot of research done by people like Theo Colburn in the United States, we do not even know the actual dosage that is required to start to effect change. Certainly, Theo Colburn would argue that infinitesimally small quantities can have significant impacts if they hit an embryo at the wrong stage of development. It is something that the USA EPA is doing a lot of work on. They have not come up with

anything conclusive from the 210 chemicals that I believe they are studying. They have put things like phenol right at the top of a 'we don't really want this product around' list. Those substances are in household products, industrial products and in commercial products. How do we find the ways to create the products that we need and that the consumer wants on a daily basis while making sure that every time the science says, 'No, that has been proven to be dangerous,' we are in a position to fast-track change? It is not a popular message for the chemical industry, I have to say. Then again, removing ozone-depleting substances was not popular either but did not bankrupt any of them or send any of them overseas.

Mr BARRESI—Ms Wain, you said that, by the end of the decade, the industry could develop into a \$40 billion per annum sector. It is a lot of money. You also said that, at the moment, significant buyers are the three levels of government. What percentage of the current industry is attributed to governments being the buyers?

Ms Wain—I know it is written into the action agenda. I cannot remember off the top of my head, but I think it is around 50 per cent. I would argue, though, that the figures, both in the EA capability study and under the ABS stance, do not take into full account everything that is vested in the three levels of government. A lot of environmental work is being done at state and local government levels that tends to be seen as 'just part of health', for example, and it does not get captured by the environment.

Mr BARRESI—For there to be a \$40 billion industry, it would be unsustainable for 50 per cent of that to be attributed to government purchase. Industry would have to be a bigger player in that.

Ms Wain—It would have to be a significantly bigger player, but I would argue that the markets are changing enough globally to drive that. For example, there are things inside Australia that could be changed: drinking water with far less chemical use, sewage treatment with far less chemical use and the recycling of things such as stormwater, grey water and effluent for irrigation purposes. It is quite amazing how far the tentacles reach from some of these new technologies and this infrastructure. Whether a purist would argue that it is environment industry, health industry or basic infrastructure, I do not know. That is why I tend to talk in terms of the sustainability vision for Australia and all the different parts that make that viable.

Mr BARRESI—We have heard in the past that the triple bottom line corporate measurement is a driver for corporate change in the sector. What is your view on that? You refer to the three tiers of government being the role models which industries would then follow, and changes in corporate accountability are now taking place.

Ms Wain—Yes. We were very concerned to read the other day the suggestion that environmental reporting should be taken out of annual reports. We see the triple bottom line approach as a very big driver. It is perhaps not as big a driver in Australia as it has been in places like Canada, France, Germany or the Netherlands, simply because we are not aggressive enough about the market. However, when we look at what are increasingly being seen as assets or liabilities on a company's books, at the concept of triple bottom line reporting, at how analysts are starting to look at companies and at the way that superannuation funds are starting to look at companies where they are investing their money—and there are any number of them around the world now; I think I cite the Westpac-Hesta fund in the submission—we see that

many trillions of dollars of funds under management now have a screen applied to them. The move from the negative screens of no tobacco, no arms and no alcohol are turning much more towards the positive screens of how we rate companies 'best of sector', one against the other, and the financial risk and the financial exposure from environment sustainability issues. I see the triple bottom line approach, or the eco-efficiency approach, becoming more and more important, and I would very strongly urge that environmental reporting not be removed.

CHAIR—Where did you hear that?

Ms Wain—There was a circular sent out last week with only about 10 days to respond to it.

CHAIR—From whom?

Ms Wain—It was a government—

CHAIR—ASIC is doing some work on it under company reporting.

Ms Wain—I do not think it was an ASIC one. I will dig it out of the office and I will send it to you.

CHAIR—Let us just say that was a perverse indicator compared to everything else going on around the standards.

Ms GEORGE—In terms of that triple bottom line reporting, you made reference to the perceived difficulties for small and medium sized businesses in adopting that framework. Have you got any positive suggestions about what might be done to assist small business in this regard?

Ms Wain—I have run a couple of small companies and anything that is new, anything that is different, is difficult because when you are a small company you are stretched for time, you are stretched for financial resources and your management is stretched above all else. I think there needs to be a program of incentives, such as tax based incentives, tax concessions or reinvestment concessions. I specifically like the concept of lease financing that will help companies to retrofit and become more energy efficient. You could suggest to an SME—and this is hypothetical—'You can be this much more energy efficient if you invest \$15,000 in new technology, and you'll save \$40,000 over three years,' and they will say, 'Yes, I agree with all of that. Would you come with me to my bank and talk to my bank about how I get \$15,000 to give to the new-technology guys for them to do the retrofit.' The banks are not sympathetic at the moment for the large part, because they do not understand, which gets into the whole education issue. But with a lease financing program—and it could even be a national lease financing program with a few big banks and government buying into it—the companies can track what they are repaying on a month by month basis against what they are saving. It is a win-win situation for everybody. I think it is that kind of lateral thinking that can develop a number of interesting programs for SMEs.

I would like to touch on the triple bottom line reporting. It is public that the ASX are revisiting their principles of corporate governance, and I think principle 10 is in its penultimate draft. At the moment, it contains reference to climate change and the responsibility of directors

to be aware of the exposure that the company has and, de facto, to take action to avoid negative exposure.

Mr BARRESI—I have one last question. It refers to the question that Ms George asked earlier about perverse subsidies for the aluminium industry and subsidies on electricity. If we do not have that subsidy on electricity—which acts as an incentive, say, for Alcoa setting up at Portland in Victoria—and if you remove the direct perverse subsidy and give a subsidy to Alcoa through other means—you said that there are multiple ways—that is not going to do anything to reduce Alcoa's use of electricity. They have a set amount of electricity that they must use, no matter what the subsidy may be, for the production of their products. So even giving some other subsidy to them does not reduce their use of an energy source that there may be some environmental concerns about. At the end of the day, it is still only an accounting methodology for them.

Ms Wain—I do quite accept the argument of the majority of the major aluminium companies that they have undertaken efficiency steps and efficiency gains and that there are not very many places left where they can go to create more efficiency. The questions are: are we going to look at unit costs of electricity per company or per sector, or are we going to look at electricity as a national cost; are we going to look at electricity in terms of the externalities that it produces; and are we going to look at electricity in terms of the new technology opportunities that it opens up? I would argue that we should be using those latter areas as our focus. Therefore, even if Alcoa et cetera keep on using the same level of electricity, we are generating a new industry that then has broader application across the entire economy and has export potential as well, which is why I am not strongly arguing for the removal of subsidies—although I personally do not fundamentally see why aluminium should get such a leg-up.

Mr BARRESI—It is good employment and good regional development. Tell that to the people of Portland!

CHAIR—Later today I am launching a wind energy regional and economic development report, which argues that, just as some traditional energy sectors claim, they are attacked over protectionism and embedded subsidies. It also recognises that MRET is very valuable and represents an economic development measure as much as an environment measure. When you are talking about incentives and level playing fields, are you talking more about skewing a new kind of protectionism? With MRET, we created and mandated a market. I know that every businessperson would love to have a market mandated for them. Is that the kind of thing you are looking at? Is that the appeal of the European model—that they have the best available technology almost mandating environmental solutions and imposing those on business? Is that a paradigm shift that you are arguing we should be contemplating?

Ms Wain—I am arguing very much for a level playing field that looks at the costs across the whole economy. Yes, MRET does assist the renewable energy sector. That is what it was designed to do. I think it needs to go a lot further. I am therefore in fundamental disagreement with the Parer review committee in suggesting that it be—

CHAIR—You are not on your own.

Ms Wain—I know. I believe that their argument—that, if we have a national emissions trading system, we do not need an MRET—is actually false. You can have a national emissions

trading program and look at it as an umbrella program. Underneath that you can hang any number of market mechanisms that make the whole system more efficient. MRET is very good at doing that. Plus, there is a lot of sunk investment—and not only from the renewable energy people—in MRET, which I think would be sadly wasted if MRET were to disappear.

CHAIR—You could argue that it has been overly successful because there has been more low-hanging fruit for renewable energy generation ready to be activated than I think the modelling suggested initially.

Ms Wain—Yes and no. It has certainly been successful, but with the growth of the overall energy market it has not in fact achieved the two per cent target it set out to achieve. If we are going to be aggressively competitive in the world market with renewable energy—which I would strongly argue we should be because we have so much of it and we are so damn good at it—why not take advantage of that? I suppose there is an allusion that this is a subsidy and that other sectors have benefited from subsidies. I would argue that it may well be seen as a subsidy but, in comparison with other sectors' subsidies, it is infinitesimally small and has not run for long enough yet.

CHAIR—You were talking about a comparative analysis between Australia and Europe and your sense that there are impediments to innovation in Australia. Are you looking at things like that in Europe, where there is almost an introduction or entree card given to various technologies that are deemed to be sufficiently virtuous that everybody must have one? Is that the kind of innovation support you mean? Could you flesh out that idea a bit and give us sense of what you imagine would be more helpful?

Ms Wain—I have been in Australia for seven years now. One of the things that really hit me when I first came here was how very conservative the whole tendering and procurement process is. In Europe or North America if a good technology comes to the marketplace—if it is there in trial phase, if you will—it is very easy to grab the attention of investors and government procurement officials. Trying to get through a state or a local government tender here, even now, is a horrific process for a new technology because the whole tender is written around an existing technology or existing process. It is very process focused, as opposed to outcome focused.

That is where certainly the Americans, the Canadians and a number of the Europeans have really got it over us. They will say, 'Yep, there's a risk, because every new technology carries a risk with it. But what are the potential benefits? How many local councils or local authorities do we have? They all need water treatment; they all need sanitation; they all need waste treatment. Let's get some of these up and give them a guernsey.'

We have just gone through, for example, the Eastern Creek waste tender in New South Wales. I am very pleased that Global Renewables has won that tender because it has a dynamic, new, innovative and very exciting technology that is going to turn waste treatment on its head. But, boy! First of all, there was no other state that was prepared to take a punt on it.

CHAIR—Do we need to learn how to value these things better? Even in your association, anyone can rock up and claim environmental virtue, and that seems to be the case across a range of registers, directories and portals. Are a new language and new metrics required to start describing these things that we understand to be virtuous but which are very hard at times to

document? Innovation and ‘we’d like a tenderer with a sparkle in their eyes’ is a little bit hard to nail down sometimes.

Ms Wain—It is, and that is why we have been very strongly pushing the concept of environmental technology verification. It runs in Canada and in the United States. With the advent of Internet marketing, it has become even more important because it is very easy for any Tom, Dick or Harry to say, ‘I’ve got the new beaut technology. Trust me: it’s fantastic.’ There are snake oil salesmen around. There are snake oil salesmen in my industry just as much as in anybody else’s industry.

CHAIR—Probably ours included? Hard to imagine, really, isn’t it?

Ms Wain—They are everywhere. But, if you have a system that really peer-reviews the technology and gives that tick of approval, that can solve that. It is slightly different from eco-labelling, which is more for the consumer product. This is actually about how you rate a sewerage treatment plant or a waste management plant. It can be done.

CHAIR—So you are attracted to some of those existing models that are in place overseas?

Ms Wain—Yes. It would allow us to get mutual recognition as well. If the USA EPA has given it a tick, then in all likelihood it is pretty good.

CHAIR—On the question of value and having sustainability recognised and properly appreciated in the marketplace, we have had evidence presented to us that on a sunny day a consumer will rate environmental performance up in the top five issues they look at when they are making a purchase but when it actually comes to the till it barely registers on the radar screen. About the consumer labelling—for example, our Nordic swan, where everyone thinks that if you have the swan it has to be good because the swan is on it—is that an area your industry association discusses? Do you discuss how best to engage consumer selection that supports the objectives of your members?

Ms Wain—Very much so, which is why we work very closely with the eco-labelling association. That statement might have been true four or five years ago, but I do not think it is true anymore. If you follow people around supermarkets and look at, say, Tesco or Waitrose in the UK and the growth in organic food, you see that people do not want to consume biocides or hormones. Given the choice and the knowledge to help them to make that choice, they probably would not consume them. At the moment though, it is very difficult to find out, without going to an organic butcher or an organic greengrocer. Supermarket shelves really do not tell you an awful lot. They are starting to move in that direction, though.

Certainly, the whole energy-star rating program is being taken up by consumers in a huge way, because that puts money in their back pocket. This is one of the things we really need to get across more—that the environment is not some nice, warm, green, fuzzy thing out there that you need to look after because you want to go and visit it on a Sunday afternoon; it is our health and our quality of life, and it is where our money goes to, not only in direct product purchases but in taxation. I would love to see a study on the amount of money that goes to cover negative externalities—that could be your next inquiry.

A study came out of Toronto a couple of months ago. It looked at a catchment of about 11 million or 12 million people, if I remember correctly. The cost of air pollution there was over \$1 billion. To arrive at that cost, they cited hospital admissions, absenteeism and one other main criterion that I do not recall. What they did not cite was the general lowering of productivity you get when people are performing below par. Those individuals do not want to be performing below par, and their employers do not want them to be performing below par, and it is not good for the economy to have them performing below par, so why do we have all this air pollution?

CHAIR—But to some extent the data and the evidence put to us indicate that business-to-business is probably the most direct way home. To some extent, that resonates with your government procurement proposition. Tesco, for instance, requires its suppliers to be virtuous in sustainability terms, and then that is all it provides the consumers. In that respect, it is a far quicker way of having the good oil taken up. Is that a balance you think your association and the government has got right—the effort on a change in business-to-business attitudes versus the long road to address individual consumers?

Ms Wain—I will answer that by telling you about the concern I hear from a lot of mainstream industry, which is that, if the short-term costs of improving performance are passed into the supply chain, that has to go down to the end consumer. I could not agree with that more.

CHAIR—Those darn externalities; they become internalities—they are terrible, aren't they?

Ms Wain—They are, but why is it that the oil companies in this country, for example, are nervous about passing the true costs on? Why are we nervous about passing on the true cost of water? It does not make sense. It makes sense because of three-year political cycles and elections, but—

CHAIR—And consumer reaction.

Ms Wain—There is going to be consumer reaction in several different ways in the short term. But that is the fundamental importance of government being able to bring the future home so that it matters here now. It takes bravery and it is a bit tough in the six months running up to an election but, with a broad enough education campaign, people are sophisticated enough nowadays to understand that we cannot continue along the path that we have carved out. People see dust storms blowing our topsoil here, there and everywhere, they see that droughts and bushfires are on the increase and they know that something is wrong. But they are not being given the chance to address that; they are not feeling empowered enough to be a driving force. That is the glue that government can really bring to this whole thing—education that, without being preachy, educates. I probably prefer to use the word 'empowerment', rather than 'education'.

CHAIR—Where does the challenge of raising awareness about the environment sit on your organisation's agenda?

Ms Wain—It is something we get involved in more through specific issues than through saying, 'We need an education campaign.' For example, the reason we have been so heavily involved in issues surrounding climate change—and the reason we are getting very involved in issues to do with drought, irrigation and value-adding at the farm level—is that we have to be able to talk about things that people can grasp. 'Sustainability' is a word that nobody

understands. Frankly, I do not think the word ‘environment’ is one that people understand. But they do understand the word ‘water’, and they do understand what it means to have insufficient soil to grow crops in, and they do understand being unable to breathe the air around them.

CHAIR—So you are thinking more at the how-to level. For example, water conservation means ‘Save three buckets each day, please’—or, if small business want to improve their environmental reporting, you give them a toolbox of examples of how others have done it?

Ms Wain—We want to say, ‘Here are the solutions.’ Although we have had doom and gloom from environmental groups from the year dot, they have not done an awful lot to change consumer awareness or consumer actions. Whether you look at people as consumers or taxpayers or voters, if we can go out to them with a suite of activities that say, ‘We need to do this for this reason, and here is how we do it, and here is your role in it,’ they will buy into that. But it cannot be a deluge—it has to be a drip, drip, drip approach that keeps on going. We are looking at a five-, eight- or 10-year campaign to achieve that, not a six-month blitz.

Ms GEORGE—Not fridge magnets?

CHAIR—Yes, we need a fridge magnet!

Ms Wain—I am not making any comments about fridge magnets!

CHAIR—In fact, we need a series of fridge magnets! What a cunning idea, Ms George. Thank you very much for your evidence today, Ms Wain.

Ms Wain—Thank you very much for the opportunity of speaking with you today.

Resolved (on motion by **Ms George**, seconded by **Mr Jenkins**):

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

Committee adjourned at 11.58 a.m.