

AUSTRALIAN INDUSTRY GROUP

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Dr Neil Byron
Presiding Commissioner
ESD Inquiry
Productivity Commission
Locked Bag 2
Collins Street East
MELBOURNE VIC 8003

Dear Dr Byron

I refer to the Issues Paper *Implementation of Ecologically Sustainable Development by Commonwealth Departments and Agencies* which was released by the Productivity Commission in September. The Australian Industry Group offers the following comments on the Commission's inquiry into this matter.

The Australian Industry Group was formed on 1 July this year by the merger of MTIA and the Australian Chamber of Manufactures. The Australian Industry Group represents 11,500 companies in Australia which have a combined A\$100 billion in turnover and A\$25 billion in exports and which employ 1 million Australians.

The Australian Industry Group represents a vast range of industry sectors from manufacturing, through to services and construction. These sectors include:

printing and information technology food processing packaging automotive aviation
chemicals telecommunications

energy and other manufacturing and related service industries.

The Australian Industry Group has a strong focus on environmental issues and is committed to working with its members to promote sound environmental management

as part of sound business management. The organisation works closely with various Commonwealth Government agencies on a range of environmental issues.

One of the key areas of concern to the Australian Industry Group with respect to the implementation of ecologically sustainable development (ESD) is the range of Government Departments which have active ESD policies and the apparent lack of coordination between these entities and the lack of a clear set of priorities among the various programs and policies.

There is also a lack of coordination between the Commonwealth and other levels of Government. This is of particular concern as a large proportion of environmental regulation which directly impacts on business is implemented at the State and local Government levels.

The Australia and New Zealand Environment and Conservation Council (ANZECC) could be used far more effectively to ensure coordination and consistency in the application of the principles of ESD. Instead this body generates its own approach, as evidenced by its recent deliberations on a National Strategy for Cleaner Production, a process which appeared to take little account of other Intergovernmental processes and appeared to repeat many of the efforts of State-based environmental agencies.

The National Environment Protection Measures (NEPM) process is of grave concern to industry. Although the National Environment Protection Council is charged with the responsibility of implementing ESD in Australia, this is not happening. The first of the NEPMs, the National Pollutant Inventory, is imposing compliance costs on industry for little if any environmental benefit and is opening industry up to the potential for the mischievous misuse of the information collected and made available on the Internet.

Apart from delivering little in terms of environmental outcomes, the NPI is also incomplete, with broad acre agriculture and grazing activities exempt from the reporting process. The contextual information for the NPI which is currently under development will be critical in ensuring that sources of emissions other than industry are reported. Most State environmental agencies have at hand information that indicates major industry contributes only 20 per cent of contaminant loads to the environment. Focusing on industrial but ignoring non-industrial sources of emissions is misleading and provides an unbalanced view for little direct environmental benefit.

The Packaging NEPM which is currently under development is also of considerable concern. The concept of ESD encompasses environmental, economic and social components. The packaging NEPM does not reflect this approach placing undue emphasis on the social component of ESD at the expense of economic, and in our view, environmental considerations. If the NEPC is to achieve its legislated aim of implementing ESD, an overhaul of the NEPM process is required to ensure that the economic costs incurred are warranted in terms of sound environmental outcomes.

The Australian Industry Group is very concerned to note that the Commonwealth is considering ceasing the practice of Commonwealth Departments and Agencies reporting performance against ESD outcomes (Issues Paper; Box 4; pl3). This move is coming at a time when the environmental reporting requirements on industry are increasing. An example of this is the recent amendment to the *Company Law Reform Act 1998* requiring that directors' reports must include details of the entity's performance in relation to environmental regulation (Section 299(1) (f)). It is unacceptable that industry be required to carry the costs of increased environmental reporting while the Government is "streamlining" its annual reporting processes to exclude its implementation of ESD.

The Australian Industry Group welcomes the Productivity Commission's examination of this issue. There is no doubt that the principles of ESD are sound, however they must be implemented effectively to ensure the balance is maintained which will ensure that the goals of sustainability are met.

The NEPM process and the role of ANZECC are two areas in which serious improvements are required to ensure that all measures aimed at achieving ESD are consistent and are not imposing compliance costs on industry in return for dubious environmental returns.

The Australian Industry Group would be happy to discuss this matter further at your convenience.

Yours sincerely
Mark Fogarty
ASSOCIATE DIRECTOR

AUSTRALIAN INDUSTRY
GROUP