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ESD Inquiry
Productivity Commission
1,13 2 Collins Street East
MELBOURNE VIC 8003

Attention: Vicki Thompson

**Re: Implementation of Ecological Sustainable Development by
Commonwealth departments and Agencies Draft Report**

The Business Council of Australia (BCA) welcomes the opportunity to comment on the draft report of the inquiry by the Productivity Commission (the Commission) into the Implementation of Ecological Sustainable Development by Commonwealth departments and Agencies.

Understanding of Ecologically Sustainable Development

"An important finding of this inquiry is there is a lack of clarity regarding what (E)SD means for government policy. (E)SD is often equated with the environment - reflected in the view of some agencies that they had not undertaken any (E)SD related activities as their core business was not related to environment issues. In these cases, there is some ambiguity about how, and how much, (E)SD principles and strategy apply to them " (p. xx),

The BCA agrees with the Commission's finding that there is a lack of clarity surrounding the concept of ecologically sustainable development - many in government, business and the community equate it directly with environment issues. Industry has long held the view that it is the inclusion of the term 'ecological' which provides undue weight and bias towards the environment, and that this has worked against effective and efficient analysis and implementation of the National Strategy.

While this finding is an important outcome of the Commission's inquiry, it does not appear to be addressed explicitly in the Commission's draft recommendations, although it may be tacitly addressed through the proposed options canvassed for further implementation (see below), The BCA holds the view that if sustainable development is to be advanced in Australia, then it is imperative that Government, NGOs, industry,

and the broader community develop a common and conceptual understanding of what it means in principle and practice.

Accordingly, the HCA considers there is much to be gained from Draft Recommendation 6.1

An explicit statement of ESD principles should be included in the guidelines of existing policy development and evaluation mechanisms - for example, regulation impact statement guidelines,

However, we have serious reservations about the wording previously adopted for some principles as this has added to the confusion surrounding the meaning of SD and difficulties with its implementation and acceptance. The BCA would be very concerned if, in light of the Commission's finding, previous confusing terminology is adopted. In this context, the standard international terminology and principles encourage and facilitate the integration of the three pillars of sustainable development - economic growth, environmental protection, and social justice. Environment is not treated as a separate priority and 'balanced-off" against the economic and social dimensions - this has much to offer.

Industry has made substantial moves in recent years to gain an understanding of SD, and to develop and adopt mechanisms to further its implementation at the company level. The work of the World Business Council for Sustainable Development (a coalition of over 125 international companies) on eco-efficiency provides a practical strategy for conceptualising and translating SD principles to practice. Associated systems and tools which leading companies have adopted and are advancing, including environment management systems, corporate and 'triple bottom line' reporting, and engagement of stakeholders, have provided valuable learning and experience. An important outcome of this for industry has been an understanding that the path to sustainability is one of progressive improvement and learning from past experience.

Consultation

The BCA agrees with the Commission's Finding 7.1

Good practice principles facilitating effective coordination and stakeholder input should be followed routinely as part of the decision making processes for policy programs and regulation likely to have significant ESD impacts. These include.:

- *comprehensive identification of stakeholders*
- *opportunity for input*
- *opportunity for negotiation*
- *access to information; and*
- *institutional processes.*

We are of the strong view that effective co-ordination and consultation are critical to successful policy development and implementation. In this regard, we have found

many of the policy making processes, including development of National Environment Protection Measure, domestic Greenhouse, and the Environment Protection and Biodiversity Conservation Bill to be highly variable and quite often wanting. The current support of the Australian Government for international initiatives on sustainable consumption without any consultation with business, provides a case in point of the lack of consultation and poor co-ordination across departments. It is of considerable concern to industry that in instances where consultation is undertaken, it is often done to inform, rather than to seek input. Where input is sought, in all but very a very limited number of specific circumstances¹ no feedback has been provided on the response or the Government or department to the input provided.

The BCA notes that the recommendations to improve intergovernmental and both inter and intra-departmental coordination may prove to be of some worth. It is, however, disappointing that the Commission has not made recommendations for improving the effectiveness of stakeholder consultation and input. Transparency, openness and inclusiveness are essential to achieving sustainability and many companies and industry sectors have realised the benefits this approach brings: public environment reports and community advisory panels are reshaping the way companies integrate the social dimension of sustainable development in their operations - the processes associated with these are far in advance or those still practiced by many government departments.

Accordingly, the BCA is of the view that all departments should develop and adopt a 'consultation protocol' to maximise stakeholder involvement in the policy development process. The Commission has touched on many of the necessary elements such a protocol would need in the text of the report. In addition, realistic timeframes for comment, and feedback on comment provided should be essential elements of any protocol.

Future directions

Moreover the BCA would support reestablishment of a consultative group, similar in representation and function to the ICESD. While the industry is aware of the concerns expressed regarding the effectiveness and worth of the ICESD, it provided a valuable mechanism for information sharing and exchanging of views on *key* programmes in the context of SD. With commitment, we believe ICESD could have been made more effective. The inclusive nature of ICESD and its broad coverage was particularly useful to industry. We note that since the demise of ICESD, there appears to have been a decline in the quality of consultation on almost all programmes and policies, with, the exception of international greenhouse policy and Basel.

Improving monitoring and performance measurement

The BCA notes Draft Recommendation 7.4

Data collection relating in ESD issues should be rationalised to avoid duplication of effort and coverage, The ABS should be given the major responsibility for developing, in consultation with stakeholders, standard classifications and consistent measurement protocols for the collection of state of the environment data and other sustainability indicators. The current work of the ABS in this area should be given a high priority.

There are, as a result of the historic development of environmental issues, a plethora of microreporting requirements and initiatives (e.g. National Pollutant Inventory, licence condition, voluntary reporting, corporations law) which companies undertake. Any classifications, measurement protocols and data collection approaches should draw on existing reporting processes without imposing additional data collection and reporting on industry. The BCA is aware a framework linking the micro and macro reporting will ultimately need to be developed, and that this will increase consistency between reporting approaches. However, we do not consider it would cost-effective to impose whole-scale standardised approaches to reporting at this stage. Accordingly, the BCA supports the inclusion of consultation with stakeholders - where industry is included as a stakeholder - in the development of any initiatives in this area.

Furthermore, while the Commission's reasons for recommending the ABS be the lead or coordinating agency on this initiative may be valid, we note that other Commonwealth and State departments are working on similar projects and data sets, and there is a need for a consistent and co-ordinated approach between these. It may be more appropriate for the Commonwealth and States to undertake an assessment of current reporting arrangements and initiatives, and to agree on a coordinated approach and lead agency for development of reporting, as has been suggested elsewhere in the report.

The BCA remains cautious with regard to environmental accounts, largely because this field is in its infancy and concerns persist as a result of the inaccuracies and inconsistency of past environmental expenditure data. This may always prove to be a difficult area to address as companies which integrate environment issues as part of business functions then have difficulty separating environmental expenditure from other business expenditure.

Further Implementation

The Commission has proposed three potential options for furthering implementation of Sustainable Development, a Voluntary Code of Conduct; an Independent Commission; and a Duty of Care. With regard to all three, earlier comments about the need to foster a common and conceptual understanding of Sustainable Development are particularly relevant. Whether it be a voluntary code, independent commission, duty of care, or combination of these, to work, meaningful national objectives will need to be developed and understood if they are to guide departmental strategies and programmes.

In this context, thinking, and indeed international work, on Sustainable Development has advanced and matured considerably since the National Strategy was negotiated and

agreed in 1992. Through work of a range of international institutions, understanding and translation into practice of SD concepts have advanced to the point that it provides reasonable argument for revision of the National Strategy. Such a revision would provide Australia with the opportunity to accelerate adoption of Sustainable Development beyond the incremental gains currently being achieved.

Voluntary Code of Conduct

The BCA notes the merits of voluntary codes of conduct, as outlined in the report, and that many sectors already have voluntary codes in place (minerals, petroleum, seafood industry). We cannot see substantial problems with a voluntary Code pertaining to Government where equal weighting is given to the economic, social and environmental dimensions of sustainable development. Too, great an *emphasis* on the environment aspect will be likely to result in the same problems experienced to date and well documented in the Commission's report. However, it is likely that a Code, which provides equally for the three elements of SD may create confusion with regard to a department's proper mandate and potentially lead to overlap and duplication between departments. Unfortunately, existing coordination between Government departments is probably not adequate to cope with the dimension a voluntary code of this nature would require.

Duty of Care

The BCA has similar concerns regarding the proposed Duty of Care. Sustainable Development is a goal - it is difficult to imagine how a duty, as proposed, can be established to integrate the three dimensions without giving undue emphasis to or prioritising one element over the others. "The concept of a duty would appear to inherently favour the environment dimension of SD, again to the detriment of effective implementation of measures to achieve the goal of sustainable development. As identified, there are additional concerns that such a duty would be so broad as to be almost meaningless, and any attempt to regulate for enforcement and compliance, particularly in the translation into departmental programmes would be fraught with difficulties.

Independent Commission

Regarding the proposition of establishing an independent commission the BCA is not generally in favour of creating new institutions to perform functions which could be undertaken easily by existing institutions. However, we acknowledge that if SD is to be treated seriously and the goal of integrating economic, environment and social objectives maximised throughout government/s, then, consideration must be given to moving beyond the existing approach to departmental structures.

The BCA welcomes the opportunity to provide comment on the draft report. Should you have any queries relating to these comments please contact Ms Karen Grady of this office on (03) 96104205.

Yours sincerely

David Buckingham
EXECUTIVE DIRECTOR

1 These include feedback by the lead jurisdiction on comments provided on the draft handbooks being developed for the National Pollutant Inventory, and the operation of the Basel industry network, which frequently provided verbal feedback and comment on industry and NGO positions.