

7 May 2002

Professor Peter Newman
Director, Sustainability Policy Unit
Policy Office
Department of the Premier and Cabinet
15th Floor, 197 St Georges Tce
PERTH WA 6000

Dear Professor Newman

RE: STATE SUSTAINABILITY STRATEGY

The Chamber of Commerce and Industry (CCI) welcomes the Government's State Sustainability Strategy initiative and looks forward to further opportunities to participate in its development.

CCI is a strong supporter of sustainable development. As you may be aware the CCI works closely with the Kwinana Industries Council which is facilitating the Kwinana Industries Synergies Project. We are members of the Western Australian Sustainable Industry Group, are actively involved in the National Greenhouse Challenge, and are completing a number of projects under an eco-efficiency agreement funded by Environment Australia. A summary of these projects is attached to this submission.

Sustainable development has been discussed in several of our recent publications including *In Support of Free Enterprise*, (April 2001), *Developing WA's Future*, (December 2001) (a joint publication between the CCI and Chamber of Minerals and Energy (CME)) and *Shareholders, Stakeholders, Ethics and Social Responsibility - A Discussion of Views of Business Accountability*, (January 2002) and it is these publications that we draw on in preparing this submission. Copies of these publications are attached to this submission.

Comments on the discussion paper are presented below.

Definitions

The Government's discussion paper uses the term "sustainability" and defines sustainability as "...the simultaneous achievement of environmental, economic and social goals". In his introduction Premier Gallop notes that sustainability is a significant goal for Western Australia. If sustainability is a goal in itself then to include environmental, economic and social goals within the definition reduces the clarity and meaning of the definition.

CCI suggests that the original term of "sustainable development" coined by the United Nation's World Commission on Environment and Development is better terminology than "sustainability". CCI also supports the UN's definition of sustainable development as more meaningful than the definition proposed in the discussion paper. There is likely to be substantial discussion between stakeholders over the intent of "simultaneous achievement of environmental, economic and social

goals” which has the potential to detract from development and implementation of the substance of the strategy, while the UN’s definition is widely accepted and supported around the world.

Sustainability principles

The discussion paper included four principles for sustainability. CCI notes that these principles are largely environmental principles and suggests that social and economic issues should not be ignored, particularly in the light of the proposed definition in the discussion paper. The full set of goals, objectives, and principles from which the principles in the discussion paper were drawn are presented in the *National Strategy for Ecologically Sustainable Development* (Commonwealth of Australia 1992) and we suggest that they be used in their entirety as recommended in the National Strategy.

Measures that create business environments more conducive to sustainable development

The State Sustainability Strategy (or State Sustainable Development Strategy as CCI suggests it is called) is proposed to include measures that create a business environment more conducive to sustainability and the discussion paper called for suggestions on how to facilitate the transition to a sustainable future.

CCI and CME stated in *Developing WA’s Future* that “Around the world, growth in prosperity is associated with cleaner and healthier natural environments, better opportunities for education, safer conditions at work, in the community and in the home, longer life expectancies and generally better well-being in almost all senses of the term.” This statement is supported by the discussion in both *Developing WA’s Future* and *In Support of Free Enterprise*.

CCI strongly believes that the most effective business environment conducive to a sustainable future is to ensure the operation of a free market economy. The market based approach is by far the most effective way of encouraging the sustainable use of resources as it allows resources to be directed to their most valuable uses through changing prices, encourages more responsible use of scarce resources and creates incentives to develop alternatives to these resources. In a free market economy, competition ensures that goods and services are delivered as efficiently as possible, and provides a perpetual spur for innovation and improvements in quality, quantity and efficiency.

Other measures to support business to make the transition to sustainable development are:

- **Creating research and development incentives.** Most modern economic theories recognise the importance of innovation, technology and new ideas in generating sustained economic growth. Innovation, technology and new ideas are also crucial to achieving our social and environmental goals and these goals would be best achieved through a vibrant research and development community.
- **Pursuing ongoing economic reform, including in the electricity sector.** Introduction of independent regulators, third party access and competition will ensure prices are at their lowest practicable level. This will create incentives to develop cost effective alternative sources of supply and free up operating funds for other uses.

- **Maintain a labour market policy** that allows employers to make the most of their human resources by removing disincentives to employment, encouraging businesses and employees to find new and more productive ways of working, and facilitating training and retraining so that people can adapt to changing technologies and new ways to working. It would allow changes in the structure of industries, individually and in sectors, in order to capitalise on opportunities created by new markets, new processes and new technology.
- **Foster access** to new ideas and technologies emerging overseas.
- **Focus on outcomes** not processes, outcomes that contribute to ultimate goal of sustainably improving citizen's quality of life.

Help education and training sectors develop for a sustainable economy

This is a vital role for government at all levels of formal education. Appropriate education will ensure that Western Australia can participate in the knowledge economy, foster innovation and maintain its competitiveness.

Education of the community at large is also important and government has a role here too. The World Business Council for Sustainable Development (WBCSD) identified an informed community as one of the prerequisites for maximising business contribution to sustainable development. WBCSD noted that an informed, responsible and knowledgeable consumer can help achieve sustainability through the market via a triple-win: by improving quality of life for consumers, by reducing environmental and social impacts, and by increasing the market share of sustainable development minded companies. Education of consumers will also start to address the issue of ecological footprint, an informed consumer will source products with low environmental impacts resulting in reduced ecological footprints.

Business Accountability in Sustainable Development

In January 2002 CCI released the paper *Shareholders, Stakeholders, Ethics and Social Responsibility - A Discussion of Views of Business Accountability*. This paper discusses the extent to which individual corporations can be expected to embrace Corporate Social Responsibility and thus in part, Sustainable Development. The role and relevance of shareholders and stakeholders of a company is examined and how the various aims of each group (e.g. maximizing shareholder value, environmental protection, educational excellence, community health, employment of the disabled, care for the aged, equal opportunity or sporting success) can be accounted for (or not) under the shareholder-oriented and stakeholder-oriented models. The paper also looks at the key issue of accountability of company managers within the two models and likens company managers in the stakeholder-oriented model to the government's role as taxpayer, redistributor and regulator but without the accountability of the ballot box. While the paper discusses how it can be profitable to be seen as socially and environmentally responsible, and costly to be seen as irresponsible the paper cautions that there are dangers in deviating from the shareholder-oriented model.

The paper states that Corporate Social Responsibility (CSR) is flawed in its prescription as well as its diagnosis. It concludes that “across economic systems and political boundaries, CSR would strengthen existing tendencies to regulate transactions, and to limit competition, in ways that would further restrict the opportunities and freedom of choice of people and enterprises. These various effects, both within firms and beyond them, would undermine the market economy and reduce welfare.”

Good managements and responsible boards have always stressed ethical behaviour on the part of employees and agents, and more general business virtues such as courtesy, honesty, value for money and reliability, knowing these to be a considerable source of long-term competitive advantage. CCI endorses these virtues but strongly believes that a company’s first allegiance is to its shareholders and while this may limit the extent to which some companies can sensibly participate in some aspects of corporate social responsibility, it will result in a better outcome overall for the whole community.

An understanding of these issues is important in assessing the extent to which individual businesses can work in partnership with Government and the community to pursue the objectives outlined in the State Sustainability Strategy. Individual companies will necessarily vary in their pursuit of these objectives.

CCI’s involvement in sustainable development

CCI is listed as a partner with which the Government has committed to work during development and implementation of the sustainable development strategy and CCI welcomes the opportunity to contribute. As mentioned in the introductory paragraph CCI is also involved in an Eco Efficiency project with Environment Australia and the Kwinana Industries Synergies Project. We are a member of the WA Sustainable Industries Group and are actively involved in the National Greenhouse Challenge. Summaries of our involvement are attached.

It is useful to consider these summaries as they underline that while some of the work is very significant in terms of direct outcome (especially the Kwinana Industries Synergies Project) many other of our involvements are largely based on information transfer to members. These summaries illustrate both the extent of and limits to CCI’s contribution to any partnership for sustainable development with Government.

Conclusion

In summary CCI strongly believes that free market economies result in prosperous countries and prosperous countries have better social and environmental records. They have industries that are more innovative, more adaptable to new technologies and more able to encompass environmental and social issues both at home and internationally. They have a work force that is better educated and more adaptable to changing employment opportunities. Maintaining a free market economy is crucial to ensuring that Australian industries are better placed to make increasing contributions to sustainable development.

Our paper on corporate social responsibility as discussed above also provides some insight into the extent to which individual businesses can work in partnership with Government and the community in pursuit of the objectives of your strategy, and these limitations must be recognised.

CCI is however a strong supporter of sustainable development and looks forward to participating in the development of the State Sustainability Strategy. We would be pleased to elaborate on the various sustainable development initiatives that CCI is currently involved in. In particular we would note the very significant Kwinana Industries Synergies Project that we believe will provide valuable information and experience that other initiatives may be able to draw upon.

If you have any queries please contact Mary Askey, Environmental Policy Officer on 9365 7514.

Yours sincerely,

LYNDON G ROWE
Chief Executive

Attachments:

1. Sustainable development programs and initiatives with which the CCI is involved.
2. *Developing WA's Future, December 2001*. The Chamber of Minerals and Energy and Chamber of Commerce and Industry.
3. *In Support of Free Enterprise, April 2001*. Chamber of Commerce and Industry
4. *Shareholders, Stakeholders, Ethics and Social Responsibility – A Discussion of Views of Business Accountability, January 2002*. Chamber of Commerce and Industry

ATTACHMENT 1: SUSTAINABLE DEVELOPMENT PROGRAMS AND INITIATIVES WITH WHICH THE CCI IS INVOLVED

Kwinana Industries Council – Kwinana Industries Synergies Project

CCI provides executive support to the Kwinana Industries Council (KIC) which manages common safety, environment and community issues on behalf of Kwinana Industries.

The Kwinana Industries Council believes that industry makes significant contributions to sustainable development through:

- Efficiently processing resources to provide a range of goods and services essential to our society;
- Achieving a low and decreasing level of environmental impact;
- Providing jobs and income for the community; and
- Engaging in a range of community projects that benefit local communities, the State and Australia.

Some of the major contributions are:

Economic activity

- § Sales \$4.34 billion
- § Over 3600 jobs, 70% in CRKLA, the Cockburn Rockingham Kwinana Local Authorities region
- § Wages and salaries \$207 million
- § Multiplier flow-on effects to wider economy
 - ı output worth \$8.7 billion
 - ı employee earnings \$600 million
 - ı 22,000 jobs

Environmental performance

- § 90% reduction in SO₂ sulphur dioxide since 1980s – no exceedences of criteria set in Environmental Protection Policy.
- § Over 90% reduction in nutrients to Cockburn Sound. An independent consultant's report indicates the health of Cockburn Sound is now very good.
- § Planned elimination of process water discharges to Cockburn Sound, linked to replacing scheme water with treated wastewater
- § Participation in Greenhouse Challenge program focussed on reducing emissions per tonne of product

Social effects

- § Employment, with high level of employee benefits
- § Commitment to continuous improvement in worker health and safety
- § Education Partnership increased Yr 11,12 retention rate from 68% to 84% over 8 years
- § 800 apprenticeships and traineeships
- § High level of risk management and integrated emergency response to minimise risk to workforce and the public
- § Communication program including Communities and Industries Forum, which allows direct feedback between community and industry
- § Direct and indirect resourcing of community programs, more than half committed in local area

The recent Kwinana Industrial Area Economic Impact Study, released in April 2002, identified, amongst other things, linkages between 25 industries through 100 industry products and wastes. This was a substantial increase from the 1990 study which identified some 27 linkages between 13 companies.

The Kwinana Industries Synergies Project was initiated to build on these linkages and improve the economic and environmental outcomes for industry by identifying, within the Kwinana Industrial Area:

- Byproducts and residues that can be converted into value added products;
- Opportunities to reduce the generation of waste;
- Opportunities to reduce nett greenhouse gases through improved energy efficiencies or investments in development of sinks; and,
- Opportunities to reduce the use of fresh water, reuse treated waste water; and reduce process water discharges into Cockburn Sound

Several pilot projects are currently being evaluated which could further exploit synergies that have been identified through the project.

Eco-Efficiency Agreement With Environment Australia

The Chamber of Commerce and Industry of Western Australia signed a three year Eco-Efficiency Agreement with Environment Australia on 20 September 2001.

CCI is undertaking the following projects within this agreement:

- Promoting eco-efficiency within WA industry through CCI newsletters, the CCI web site, and involvement with the Centre of Excellence in Cleaner Production at Curtin University of Technology and the associated Sustainable Industries Group [see below].
- Developing and conducting a survey to benchmark and track the eco-efficiency of members, collect information to guide the environmental policies of both Government and industry and be a source of education and information on resource consumption and environmental indicators for member companies. Written surveys have been sent out to CCI members in the food and metals industries and results analysed as part of the eco-efficiency promotional program. A more general industry survey is under development.
- Developing an environmental management handbook that will provide information on WA regulatory compliance, case studies and other issues to industry. The handbook, still under development, will be a framework document, consisting of essential text and links to web pages and bookmarks containing the most up to date case studies, legislation and information.
- Development of an eco-efficiency program in the food and metals sectors in WA. Information, contacts and the case studies will be provided through a web site and printed material. Businesses have volunteered for further work in audit of performance before and after the project, identification of opportunities, case studies of improvements, and worksheets for a range of unit processes.
- Undertake a project to measure resource usage and waste production within the Kwinana Industrial Area. This joint project between CCI and KIC has been completed with the assistance of a range of State Government Departments. The outcomes are detailed in the report: *Kwinana Industrial Area Economic Impact Study – an example of industry interaction (April 2002)*. The report showed substantial interactions exist between Kwinana industries with potential for many more - see Kwinana Industries Synergies Project described above.
- Participation in the Eco-efficiency Steering Group convened by the Australian Chamber of Commerce and Industry.

Western Australian Sustainable Industry Group

CCI is a signatory of the WA Cleaner Production Statement, developed by the WA Sustainable Industry Group (WASIG) and endorsed by Government. WASIG is a multi-stakeholder network of over 225 businesses, public sector, engineering, environment and education professionals united by a commitment to a clean and competitive Western Australia, in particular through the greater application of cleaner production and eco-efficiency. WASIG works by providing a “learning-by-sharing” platform on the business case and agenda for sustainable development in general, and cleaner production and eco-efficiency in particular. WASIG is administered by the Centre of Excellence in Cleaner Production [CECP] at Curtin University of Technology.

CCI supports WASIG through promotion of its aims and activities and distribution of information to CCI members. CCI sponsored the first WA Cleaner Production Roundtable in May 2001, a workshop initiated by WASIG.

There are obvious synergies between this activity and those under the Commonwealth Eco-Efficiency Agreement. For this reason, many of the activities under the Agreement have been subcontracted to CECP, and the outcomes will become part of the information available to all industry.

Greenhouse Challenge

CCI has signed a Facilitative Agreement under the Greenhouse Challenge program and actively participates in national and state discussions that surround the greenhouse issue in Australia.

CCI has participated in the State Greenhouse Council since its establishment, and has its own internal Greenhouse Reference Group. CCI regularly provides information on greenhouse to its members through internal newsletters, and it's Councils and Committees. CCI supports the WA Energy Efficiency Awards, voluntary greenhouse emissions reduction programs such as Greenhouse Challenge and multi-faceted approaches such as eco-efficiency and cleaner production.