

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

At Sydney on Wednesday 23 March 2005

The Committee met at 9.00 a.m.

PRESENT

Mr M. J. Brown (Chair)

Mr P. E. McLeay

Mr G. R. Torbay

Mr J. H. Turner

Mr S. J. R. Whan

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PETER WILLIAM GEOFFREY NEWMAN, Murdoch University, New South Wales Sustainability Commissioner and Chairman of Western Australian Government Sustainability Roundtable of 31 Russell Street, Fremantle, Western Australia, sworn and examined:

CHAIR: Thank you for appearing before the Committee today. I have been advised that you have been issued with our terms of reference and the Standing Orders that relate to the examination of witnesses. Is that correct?

Professor NEWMAN: Yes.

CHAIR: Did you receive a summons issued under my hand to attend this Committee meeting?

Professor NEWMAN: Yes, I did.

CHAIR: Could you explain your role as commissioner, where you work, what your staff is and what your budget is?

Professor NEWMAN: In the New South Wales position I have responsibility relating to the metropolitan strategy, that is essentially the key focus of the work, so it is relating to the Department of Infrastructure, Planning and Natural Resources, to Minister Craig Knowles, and it is mainly a metropolitan strategy but other coastal strategies, far north coast strategies and so on, as well. It is a planning oriented position. In Western Australia I worked for two and a half years directly with the Premier and the Department of Premier and Cabinet on developing the State Sustainability Strategy and after that was then appointed as the chair of the roundtable, which is to implement this, so my main experience today in reporting is relating to that whole of government approach that we developed in Western Australia, but I have interests now in what is happening here, in particular how that holistic approach is being applied to the planning of Sydney.

CHAIR: As commissioner, would you explain a little more about that title, what budget you administer and what staff you have? How is this going to fit together and how are taxpayers going to get value from this position?

Professor NEWMAN: The position is described as being independent. It does not come as a public service job, so it is like a consultant who works when required on particular matters that the Minister wants me to do. I do not have staff, apart from whoever is appointed to help me on a particular task that I am given.

Mr McLEAY: With your entry into the role in New South Wales have you found that there have been a lot of reports, tools or evidence already produced that could lead to what was achieved in Western Australia with sustainability reporting?

Professor NEWMAN: Yes, there is quite a lot, mainly that has been developed through the Premier's Department with Kendall Hodgman. The work that was done to essentially provide an outline framework for what sustainability is about and then to look at what agencies are doing in that context. That report is still an internal report within Premier's. We had a seminar in Premier's where I was one of the speakers and Kendall was able to present what that report was about. I found it really interesting to see that there was a lot going on and if it did fit within this framework to begin the process of understanding what sustainability means, but it is not within a broad strategy. That is what we did in Western Australia. It is something that I would strongly recommend that you do because isolated agencies will do really good stuff. There are always some people in every agency who have really got the bug of sustainability and they will be doing wonderful stuff. I have LandCom's sustainability report. That is as good as anything I have seen anywhere in the world, but that is really up to any agency to just fire away and do if they feel like it, which I think is not very strategic.

We had an election commitment to produce a State Sustainability Strategy in Western Australia, which came in 2001. No one knew what it meant, and I did not really know either but I was given the job of doing it, and it was quite an astonishing period of two and a half years working

together with agencies, with the public and particularly with the big companies in Western Australia, who are very keen to see a sustainability strategy. These companies came to the Premier, companies like BHP and Rio Tinto, which have major international markets. Their licence to operate in a State like Western Australia is dependent on a whole range of factors that are not just whether or not they can dig up resources quickly enough. They have to relate to environmental factors, of course, but they pretty much know how to do that. What they do not know how to do and what they need the framework for is how they relate to their communities in those regions, and particularly the whole range of social issues, indigenous people and so on. So they wanted a framework and they approached the Premier to see how that could be produced. That came at the same time as this commitment, and he said: Well, let's have a go at it.

Mr McLEAY: When you say it was a whole of government response, was it driven? Did it need a host agency to drive it like a sustainability department or minister?

Professor NEWMAN: Yes, it is a good question that we are still grappling with, but it was fortunate that it came from the Premier and was set up within the Department of Premier and Cabinet within the policy office there.

Mr McLEAY: Do you think that is ideal?

Professor NEWMAN: It was ideal for us because it gave a very central message. The Premier was able to direct things and his ministers were asked to participate in this. Some had to be told; others were very willing to do it, as is always the way.

Mr McLEAY: Do you mean the ministers or the agencies?

Professor NEWMAN: The ministers, and the same response in agencies. Some agencies - our water corporation, for example - were way ahead, had been doing it for years and were very committed and showed us what to do. Others had no idea and had to be dragged into it. Now every agency has to do a Sustainability Action Plan each year, which translates what our strategy suggests. This is the strategy, which is our whole of government work, and the sustainability action plans have to be completed. The name of the sustainability strategy is Hope for the Future, Western Australian State Sustainability Strategy. It came out in September 2003. It is a fairly substantial document and it covers 42 areas of government.

Mr McLEAY: One report?

Professor NEWMAN: One report.

Mr TURNER: A whole of government strategy?

Professor NEWMAN: All areas of government, yes, it covered the whole of government.

CHAIR: What did you define as sustainability? What did they report on? What does sustainability mean? We have been grappling with that approach as well. As you mentioned, you spoke to the Canadian Commissioner on Sustainability. They have a quite a restrictive definition of sustainability, leaving many ideas of social issues outside of that definition.

Professor NEWMAN: Yes. Can I give you a handout which contains the definition? The definition is on the bottom left-hand corner there - it took us two years to come to a conclusion on that, which is quite remarkable, but there was a lot of debate - meeting the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity. We found it very important to include the social side of it. It was the key turning issue that needed to be brought into the fold and, surprisingly enough, the economic one as well. There are very clear ways now of doing environmental assessments and environmental reporting, but the economic assessment of projects as well as social assessment of projects and policies were not done. So getting that kind of integration was a key to the whole exercise. The integration - it is a motherhood kind of statement. It looks so obvious, why don't we do that, but the reality is long-term

future generation's thinking and the integration is in fact quite difficult.

CHAIR: In this report or strategy, how did the different agencies report? Did they all report on the same measurements and the same headings--

Professor NEWMAN: Yes.

CHAIR: --or are they allowed to vary that?

Professor NEWMAN: No. We have a standard template, which has been developed with a resource guide, which is several hundred pages, and for people doing their first Sustainability Action Plan in an agency it takes you through step by step as to how to do it, but there are a lot of opportunities for people then to see what it means for them and to be quite innovative. All our action plans are now on the web site of the sustainability unit. We were in the policy unit. We have a Sustainability Policy Unit. We are now moving from that central policy unit into a separate Office which is the same model as in South Australia and the ACT, an Office of Sustainability which is centrally placed but is for implementation rather than policy development. We feel as though we have moved to that stage. So each agency has to fulfil the set of criteria and fill in the framework and then that is made publicly available immediately.

Mr McLEAY: Obviously, your agencies have to produce an annual financial report.

Professor NEWMAN: Yes.

Mr McLEAY: Do they include their sustainability framework within their annual reports or is it something that is compiled and released as a Government document?

Professor NEWMAN: It is not even compiled yet. Each one is just provided separately on the web site.

CHAIR: Via that template?

Professor NEWMAN: Yes, via that template. There is no way in which they are all brought together as some kind of exercise. That will happen. When we revise the State's Sustainability Strategy, we will incorporate some in there, but we are committed, and one of the key recommendations is to produce a State of Sustainability Report and that will bring together the work of all the agencies, but it will do more than that, and this I think is an innovation that I have not seen elsewhere. We also want to report on what is happening in the broader community, so we are getting industry, professional bodies, like the Chamber of Minerals and Energy and the Chamber of Commerce and Industry, to report on what their member industries are doing, both statistically and in stories. That is one of the key things that Kendall has done in her work here, not just to do a framework that shows numbers, but to also show indicative stories of the way in which organisations are changing and helping define sustainability.

Statistics and stories are both necessary, I think, for any reporting because numbers get washed out, you cannot see the overall changes happening very quickly, so you need to be able to tell some stories that help bring it to life. We are also going to involve community groups and NGOs in collecting their statistics and stories relevant to sustainability. That is a big exercise and one that we are not quite sure how it will work, but we have a framework now and we have had a consultant's report done on how to do this, and I can leave a copy of that report as well.

CHAIR: With the current system you have at the moment in Western Australia where you have the individual agencies reporting via the template and you will move later to a more consolidated report, how are those reports now being audited and verified and how do you think the proposed auditing and verification of the consolidated report will work?

Professor NEWMAN: They are not at this stage but they will be.

CHAIR: Who by?

Professor NEWMAN: The Office of Sustainability will audit them. We are hoping that our Auditor-General will take a role in this as well. They have shown interest. They were very inspired by the visit of Johannes Gélinas from Canada. There are people there getting organised to see what would be the Auditor-General's role in this matter, but of course you do not tell them what to do. They may choose, or they may not, to have an overall role in that, but we will be auditing it and getting comments back to agencies over this coming year.

CHAIR: In New South Wales, have you had any meetings with our Auditor-General on any of these aspects?

Professor NEWMAN: No, I have not formally met with them. There was a seminar put on by the Institute of Public Administration Australia here on sustainability. A number of people from the Auditor-General's office came to that.

CHAIR: Because our Auditor-General has indicated a number of times that he would like to audit more than accepted financials of agencies, so I think you would have a keen ear from the Auditor-General to get some--

Professor NEWMAN: Yes, and you have a quality of Government group here as well, which is something I had not heard of before, but that would lend itself very readily to this kind of work because as soon as you get to talk about quality you very quickly go into sustainability. The interesting thing is to see that the new expression being used to explain sustainability, by the Minerals Council of Australia and a number of other groups, is "enduring value", with emphasis on the word "value". Adding value and full costing and so on is incorporated into that, but enduring value I think is a good way to think of it.

CHAIR: With your step by step approach in Western Australia, would you expect New South Wales to have a similar communication process across agencies into Parliament as over there, or can you think of a better way of cross communication between agencies into Parliament?

Professor NEWMAN: "Expect" is a hard word. I would hope, because I think that our experience and the experience in the other States is that the hardest thing of all in Government is to get agencies to work together, even Ministers to work together, but the processes of sustainability works away at that in a new way. It is a bit of magic that begins to happen when you bring people together, surprising things happen, and I would strongly recommend it because we found that it definitely works. It is not spectacular; the press never get interested in it, so you do not even get good press releases coming out. It is just something that you should do, and when you do it you find things happen that surprise you. It is definitely something worth doing.

The processes of setting up a strategy are not that difficult. You do not need a lot of resources to do it because all of those agencies have enormous interest in it, and if it was set up you would find people immediately putting up their hands from every agency, saying, "Yes, I want to be part of this. I want to help with this." If you said it was going to happen, you would have 200 people at a meeting very quickly with great interest, because there is a lot of people very worried about the long-term future and what to do, and that is the energy you would tap.

Mr WHAN: You might have partly answered this then when you were talking about enthusiasm of people for doing this, but with your approach in Western Australia to reporting are you finding the departments are just reporting on what they do already or are they driving some change through the way they operate?

Professor NEWMAN: We tried to show in the report that it was already happening, that change was induced by this process. One quick example: As it became clear that Ministers were saying, "I want something on sustainability", each agency was setting up their sustainability committee. In our Housing of Works portfolio they set one up. They had a new public housing estate that they were about to go ahead with. They said, "Let's do a sustainability makeover of this and see

what extra it costs." They brought in consultants and they brought in people from each of the agencies, energy, water, all these people into a group and they sat down and reworked the development and came up with a new design, a new proposal, which gave far better outcomes in terms of the public open space, the design, the links to the local community, to water and energy conservation, and it was \$1500 a block cheaper. So across the board it was a better outcome. They had no idea that that could happen. They thought they were doing everything right, but it was just an old formula.

Mr McLEAY: To take you back, with Hill you were looking at different types of reporting of sustainability. Have you seen any global indicators that are easier for agencies to produce or did you create your own? Further to that, would you like to comment on the global reporting initiative? For example, we have integral energy uses, GRI, and then use of a firm URS, we audit those sustainability indicators. So would you like to comment on that?

Professor NEWMAN: We produced a set of indicators in the first draft of this where we just picked various indicators out of the blue relating to each of the strategies and said, "That sounds all right, that sounds all right", and then realised that was not terribly well done and took that out. So this does not have indicators in it. It has just broad goals and does not set any of those, but there is a section in here on indicators saying we need to develop them. So that was the first task of our Round Table and we did produce a report by URS, a framework for reporting indicators of sustainability, which is on our web site and I will leave a copy of that.

It produced two kinds of indicators, one relating to outcomes and one to processes, and the process of thinking about how to produce those indicators was very instructive for us, very hard, and in the end it came out of our definition and out of the structure of this report in terms of the processes. So we then produced 10 framework indicators, 10 headline outcome indicators and the headline process indicators. It says it in here. That is on the top of the fourth page, and it is very hard to read. So they emphasise the integration processes, the economic aspects of environment, the environmental aspects of the economy, the social aspects of the environment and so on, trying to get into the thinking about that integration process and defining some indicators from that.

Mr WHAN: How are you going to measure those?

Professor NEWMAN: Well, that is the job this year. They have some specific examples, so about 100 indicators in the end that would be measured, and we will be doing that this year.

CHAIR: You can see the difficulty in measuring them and why Canada has preferred not to include social aspects in what they define as sustainability because it is very difficult to measure and that is what this Committee is grappling with more than anything I think: How do we measure?

Professor NEWMAN: Well, I think there are things you can measure. Johannes Gelinis felt that we had gone further down that track than they had. Sustainability in Canada arose from the economic environmental interaction and has stayed essentially there and is just trying to deal with the social, but not in a significant way and not legislated that way. Ours has been there from the start as a key motivation. For example, indigenous employment is an indicator now on every new resource project, so every company has to report on that and say how they are going to achieve indigenous employment targets as part of their resource programs. It is a purely social one, but it has enormous economic and environmental consequences in local areas.

Mr WHAN: In terms of global indicators, the Australia Institute and many around the world are looking at the genuine progress indicator to replace GDP and things like that as a very broad measure of how a whole State, for instance, is going. Is that something that has come into your consideration at all along the way?

Professor NEWMAN: We did produce an overall index with the help of the University of Western Australia, which had a two year project working on this. They produced what is called an index of sustainable functionality and it does come up with one indicator in the end, which is a composite and is very carefully argued through and worked. There are four separate functionalities

and they define sustainability more about how those functions need to be improving, not degrading, and how they can be worked together, and they have gathered data on that and produced numbers which indicate that it is pretty stable. That has been reported in the academic literature and been used on various projects around the world. The Centre for Water Resources, Jorg Imberger, does this and he works in a number of places around the world and has been using this, so it is a technique that we decided to have as part of the discussion. I think we ended up with 42 because we wanted to have the answer to the universe and 42 areas of government were what we decided on, and they come up with a similar kind of thing, but so what? Indicators for me have to help us back into the policy process and, as much as anything, the indicators are there to check on how we are going, but policies are driven as much by stories as they are by statistics and good stories help. When something is happening that is different, exciting, generates hope, then you can see it feeding back into the policy process very quickly and things begin to change in a way that accountants are always amazed by.

Mr WHAN: You mentioned before that you do not get a lot of media coverage for this sort of thing and in terms of being a political imperative for governments to continue with over a long period of time we have straight economic indicators which are always the ones which are quoted, the GDPs and things, and of course a storm or a disaster boosts GDP in an area because you are building new things, but are broad measures like that some way of actually getting it into the psyche so that it becomes part of the routine of reporting from government? The papers will say this Government is doing well because it has progressed in this area whereas the newspaper probably would not go around and report a whole lot of good news stories.

Professor NEWMAN: That was one of the driving forces behind setting up this index of sustainable functionality. They felt that it is the kind of thing that ought to be reported on regularly and is the worm turning or not would be a good question. That drives a lot of the indicator work. Why can't we report like the economists do? That is certainly worth doing. I still think the stories are far more significant in terms of the policy process, that Cabinet decisions are not just made on those bottom line figures, they are made on political grounds. Why political grounds? Because that is where people are. It is not dirty to say it is political. You make these trade-offs because you are trying to create a better world and that is often a qualitative dimension.

Mr WHAN: In regards to how, at the end of the day, these are going to be reported, do you think agencies should issue reports separately on sustainability or should they be integrated into annual reports?

Professor NEWMAN: I think the first step is to report separately so that they can begin to understand what it means.

Mr McLEAY: Like the LandCom report?

Professor NEWMAN: Yes, like that. All the companies are doing that now, Rio Tinto, BHP and Thiess - sustainability reports - and they incorporate their financial reports in there, but that is not what goes to their auditors and their shareholders. Their shareholders could get a copy maybe, and I think that the GRI process is trying to change that and to say this has got to be mainstreamed. I do not think it is mainstreamed anywhere yet, but that is what is going to happen. I do not think there is any turning back from this process. Accountability is a much bigger word now than adding up the money and I see no trend to going back to just saying we have to look after the money. It will happen and those reports will find new ways of bringing those other factors in and shareholders and auditors will, in the end, be reporting as much on that as anything, otherwise their children will disown them.

Mr TURNER: You mentioned GRI. Do you foresee that there will be a global set of indicators or that it will have to be adaptive across various fields?

Professor NEWMAN: I think the context is set at a national level and then at a State level and each region, we think, will have indicators that are very important for them. The indicators in our Pilbara area will be very different to the rest of the State where, for example, the indigenous employment one is critical. In the metropolitan area it is not so important. The emphasis given to those particular indicators will be different and that is where the policy process and the stories are

very important, to give that qualitative dimension, to help with priorities, but the first step of having a framework with all of these possible indicators that you need to try to get will help drive that and then you discuss and relate to the particular ones that are seen to be important for that region or for that agency.

Mr TURNER: In your spidergram, which looks very similar to the concept that Quest uses-

Professor NEWMAN: I have never heard that.

Mr TURNER: It has been developed in Canada.

Professor NEWMAN: Okay. I thought it was original.

Mr TURNER: I am not suggesting plagiarism or anything like that, they call it a target I think. It is probably explained somewhere here, but who determined "best", "good", "okay" and "poor"?

Professor NEWMAN: Me. You can do these things when you are a sustainability commissioner. The letter that goes with it to Jennifer Westcott explained the overall context and has each of these areas. Natural resources is the first one and under that there is water, land, energy/greenhouse, materials and waste. I looked at each of them in a qualitative way. For example, the 100 percent recycling of sewerage that is going to occur in these new land release areas is world best practice, this is fantastic. As I went through them with the new BASIX stuff, the work that is being done on minimising waste, I thought that the work they were doing on managing natural resources in that area was as close to best practice as I had seen. I could not fault it, but I did not have numbers on it because it is still to happen. It is quite inspiring to see what happened there, and I went through each of them like that. Environmental protection was also very good with the new work on biodiversity, the work on water quality where some of the creeks will definitely be improved as the urbanisation in the area changes from agricultural intensive problems. Quality places, housing diversity, jobs, access, quality and equity in services and governance. The problem ones were in access and jobs, and they were not poor but they were not world best practice.

Mr TURNER: When you made the assessment, did you use your indicators as the assessment or personal judgment?

Professor NEWMAN: It is purely personal judgment at that point. It is the kind of thing that could now be significantly enhanced by getting actual numbers on it. That is the sort of thing you need staff for.

(The witness withdrew)

(The Committee adjourned at 9.45 a.m.)