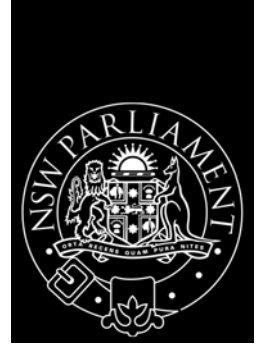


LEGISLATIVE ASSEMBLY



Public Bodies Review Committee

REPORT ON AN INQUIRY INTO ENVIRONMENTAL IMPACT REPORTING IN THE NSW PUBLIC SECTOR

Together with study tour report, transcript of evidence
and minutes of meetings

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Terms of reference

On 26 September 2007, the Committee resolved to carry out an inquiry with the following terms of reference:

The Public Bodies Review Committee is to inquire into and report on environmental reporting in the NSW public sector with regards to:

- a) the efficiency and effectiveness of current practices;
- b) the adequacy of the policy and legislative framework;
- c) important principles in environmental reporting;
- d) the appropriateness of and potential for improvements in the quality of environmental performance indicators;
- e) frequency and methods of reporting;
- f) achieving maximum efficiencies in the reporting process;
- g) significant developments in other jurisdictions.

Chair's foreword

Today most people are concerned about the environment and would expect government agencies to lead by example in the sustainable consumption of resources and the development of ecologically sustainable policies.

A comprehensive, relevant environmental reporting regime ensures that agencies are aware of their environmental footprint, review their performance in comparison with best practice benchmarks and have a reliable, meaningful information base from which to drive forward sustainable outcomes.

The community should be able to assess how agencies are impacting on the environment, and the annual report is where we would expect to find a meaningful account of their essential environmental performance.

The Committee has made a number of recommendations which will strengthen environmental impact reporting across the New South Wales government sector and ensure that the intent of the Government's Sustainability Policy is being realized.

This report also examines other jurisdictions including the private sector to understand what actions and reporting occurs respectively.

On behalf of the Committee, I would like to thank all those who provided submissions and evidence to the inquiry. The Committee is also grateful to those Victorian agencies which assisted it in the course of its study visit, thus providing access to expert advice and information from a comparable jurisdiction.

Finally I would like to take this opportunity to thank my fellow Committee Members for their participation in this inquiry and the Committee Secretariat, in particular Mr Ian Thackeray in his capacity as Acting Committee Manager, for their assistance in preparing this report.



Matthew Morris MP
Committee Chair

List of recommendations

- 1 That application of all elements of the Sustainability Policy be extended to all public sector agencies
- 2 That all public sector agencies report to Parliament, as part of their annual report, on their environmental performance under the Sustainability Policy.
- 3 That the Government establish a program to support the implementation of environmental management systems within public bodies (or similar systems that are integrated into business management systems) to measure and review performance.
- 4 That environmental performance of agencies be independently audited.
- 5 That the NSW Audit Office be empowered to audit environmental performance information contained in public sector annual reports.
- 6 That Government initiate an independent review of the effectiveness of the NSW Government Sustainability Policy after three years of its operation.
- 7 That this review include an assessment of the Policy against the principles in the Global Reporting Initiative.

List of acronyms

CH ₂	Council House 2
DECC	Department of Environment and Climate Change
EDO	Environmental Defenders Office
EIANZ	Environment Institute of Australia and New Zealand
EMS	environmental management systems
ESD	Ecologically Sustainable Development
GEMP	Government Energy Management Policy
GRI	Global Reporting Initiative
MEPS	Minimum Energy Performance Standards
NABERS	National Australian Built Environment System
TBL	Triple Bottom Line
WELS	Water Efficiency Labelling and Standards Scheme
WRAPP	Waste Reduction and Purchasing Policies

Executive summary

Environmental impact reporting is the public disclosure by an organisation of the environmental impact of its own operations.

The purpose of environmental impact reporting in the public sector is to bring about improvement in the environmental impact of government operations. The reporting process enables an evaluation of progress in achieving this objective and provides an incentive to change behaviour.

Prior to December 2008, there was no single policy for agency reporting on their environmental impact; rather, a number of separate policies operated in areas such as waste and recycling, energy usage and fleet operations.

Most of these policies were not applicable to all agencies.

A number of criticisms of the operation of these environmental impact reporting policies were made: in particular, the lack of a single, consistent framework for reporting; the failure to mandate reporting for all public sector agencies on an annual basis; and the lack of auditing or validation of the data reported.

Victoria was held up to the Committee as having the best approach to environmental reporting in Australia. An important feature in this jurisdiction is that reporting is mandatory for all agencies.

In December 2008, the New South Wales Government announced a new Sustainability Policy that consolidated and replaced these discrete policies. The new policy set a number of targets in a range of performance areas, including greenhouse gas emissions, water reduction, office building performance, fleet operations and waste recycling and purchasing. The targets are supported by a number of Action Strategies.

With the exception of the waste, recycling and purchasing element, the Policy is not mandatory for all agencies, in line with recommendations of a review of 'red tape' of government agencies. The Policy focuses on whole of government reporting with a major role for the Department of Environment and Climate Change in this centralised reporting arrangement.

While the Committee is of the view that the new Policy is a positive move forward, particularly as a means to providing a single framework for environmental impact reporting, it still retains features of the old policies that were, not unreasonably in the Committee's view, criticised by contributions to the inquiry.

The title 'Sustainability Policy' could be confusing in that this new policy is clearly an environmental reporting policy, not a Triple Bottom Line policy, as the term 'Sustainability Policy' would suggest.

A major international development in standardising approaches and principles to environmental impact reporting (and especially sustainability or Triple Bottom Line reporting) has been the Global Reporting Initiative (GRI). This initiative, the principles of which the NSW Government supports, has specific features for public sector organisations. Yet there is no indication of how the principles of the GRI have informed and developed the new policy.

The failure of the new policy to ensure a more comprehensive and regular reporting requirement, particularly through annual reporting legislation, continues to be an omission in the opinion of the Committee.

Executive summary

The lack of mechanisms for independent validation of data is likewise a failing in the new policy.

The Committee has made seven recommendations to address these issues (see page v)

Chapter One - Background to the Inquiry

- 1.1 The Committee resolved to carry out the Inquiry on 26 September 2007 and called for submissions on 28 September 2007.
- 1.2 The closing date for submissions was 12 November 2007.
- 1.3 The Committee received four submissions. A list of those making a submission can be found in Appendix 1.
- 1.4 As part of the Inquiry a delegation from the Committee made a study tour to Melbourne. A report on the study tour can be found in Appendix 5.
- 1.5 Public hearings were held on 29 April 2004. The list of witnesses is provided in Appendix 2 and the transcript of proceedings in Appendix 4.
- 1.6 This report has been prepared with information gathered by means of the above processes and supplemented by additional research.

Chapter Two - What is environmental impact reporting?

- 2.1 Environmental issues are a matter of concern for the community, which continues to demand environmental protection and improvement. In a 2006 survey, '93% of respondents stated that the environment was either very important or rather important to them personally, third only to family and friends'.¹
- 2.2 As a result, the community expects governments to take appropriate action to address environmental problems, with surveys also revealing:
...considerable support for regulatory measures to protect the environment and a view that all sectors, including individuals, need to do more to contribute to environmental protection.²
- 2.3 Service and financial sector organisations, that is those essentially based in offices, can have a significant impact on the environment as Westpac highlighted in its evidence to the Committee:
Ms HERD: ...So, most people when they think of environmental impacts in the corporate sector do not generally think of the financial services sector as having a particularly large footprint but, as with most companies in the services sector that do have a large physical presence, it is worth remembering that within Australia we have around 27,000 employees. We have more than 820 branches, and that does not include, say, contact centres or, particularly, data management centres. We also have approximately 8 million customers who use our physical facilities. So the sorts of environmental impacts that you tend to have as a result of that and just quoting some of our environmental performance figures from that particular report, is that for our last reporting year, for example, each Westpac employee used approximately 8,900 sheets of papers, they drove approximately 14 million kilometres, consumed approximately 1,800 kilolitres of fuel, that is, a mixture of LPG, unleaded petrol and diesel. They flew approximately 68 million kilometres, which is a whopping figure which we are continually struggling to get back down, and that is both international and domestic.³
- 2.4 State government agencies find themselves in a similar situation. For example, they account for some ten per cent of building energy use in New South Wales, while state and local government together account for about four per cent of drinking water use in Sydney.^{4 5}
- 2.5 The environmental performance of government agencies in carrying out their functions can, therefore, adversely impact upon the environment.⁶
- 2.6 An important tool in addressing the environmental impact of organisations is environmental impact reporting.
- 2.7 The National Heritage Trust in its Report, *A Framework for Public Environment Reporting*, defines environmental reporting as:

¹ Department of Environment and Conservation NSW, *2006 NSW State of the Environment*, p7

² *ibid*

³ Ms Herd, Evidence 29 April 2008, p1

⁴ NSW Government Sustainability Policy, p4

⁵ Sydney Water, Metropolitan Water Plan, *Water for Life*, p62

⁶ NSW Government Sustainability Policy, p2

Public disclosure of information about an organisation's environmental performance, including its impacts on the environment, its performance in managing those impacts and its contribution to ecologically sustainable development.⁷

- 2.8 Such reporting is not an end in itself, however. It has to have a purpose, a rationale.
- 2.9 The Victorian Public Accounts and Estimates Committee, in its major inquiry into Environmental Accounting and Reporting, pointed out that the role of environmental reporting was simply 'to assist with decision making at a number of levels'.⁸
- 2.10 In evidence to the Committee, the Environment Institute of Australia and New Zealand (EIANZ) articulated its view on the rationale for environmental reporting:
We believe that reporting is a vital part of the process of demonstrating leadership. Reporting though is a means to an end. It is an opportunity to close a loop; it does not in itself provide a full picture of what is happening. We believe that reporting shows what government is doing, how it is living up to the commitments it has made.⁹
- 2.11 The Auditor-General put this another way to the Committee, observing that, 'the reporting process influences behaviour'.¹⁰
- 2.12 The Environmental Defender's Office in its submission identified a number of benefits of environmental impact reporting:
...these [environmental impact] indicators need to be comprehensive and clear to enable the public to easily discern the environmental footprint of the particular public agency. Of course, these indicators also provide agencies with an opportunity to highlight the positive environmental impacts of their activities such as reductions in greenhouse gas emissions and energy efficiency programmes.¹¹
- 2.13 An integral component in reporting environmental performance is the measurement of that performance, as Westpac has learnt:
The old adage that 'what gets measured gets managed' is probably so crucial in this area. The fact that nobody was measuring paper consumption [at Westpac] before 1996 is something I still find staggering. It is a major cost for the organisation and no-one had any idea how much we were using.¹²
- 2.14 Ms Herd went on to describe for the Committee how such measuring can lead to significant environmental outcomes:
...since 1996 we have achieved a number of significant milestones. As I said, we have reduced our total greenhouse gas emissions since then by over 40 per cent. I mentioned before, the figures on paper consumption. When we first began, Westpac employees were consuming 12,000 sheets of paper per year and we have managed to get that down to 8,900, although it is still a whopping figure. None of it was recycled at all, or if it was it was done in an ad hoc fashion on the basis of an individual's personal passion in having a recycling bin put in place. We now have co-mingling across our entire operation. Not only do we recycle paper, we recycle all sorts of other substances as well.¹³

⁷ Natural Heritage Trust, *A Framework for Public Environment Reporting*, Environment Australia, March 2000, p4

⁸ Public Accounts and Estimates Committee of Victoria, Report No 31, *Interim Report on the Inquiry into Environmental Accounting and Reporting*, June 1999, pp 10-1

⁹ Mr Sherrard, Evidence, 29 April 2008, p9

¹⁰ NSW Auditor-General, Evidence, p35

¹¹ Submission No 1, Environmental Defender's Office, pp 5-6

¹² Ms Herd, Evidence, 29 April 2008, p5

¹³ Ms Herd, Evidence, 29 April 2008, p3

What is environmental impact reporting?

2.15 The NSW Government has acknowledged this for, according to the NSW Strategic Management Framework:

...measuring performance is a key element of all work undertaken by public sector agencies, and each agency should determine how best to measure and demonstrate its performance/achievements, and how these compare with industry standards, benchmarks or best practice.¹⁴

2.16 The Environment Institute of Australia and New Zealand asserted the strategic importance of measuring and reporting in its submission to the Inquiry:

Sustainability is a goal embraced by communities, business and governments. A number of tools and approaches have been developed to support this goal. Public disclosure of environmental, social and economic performance by organisations, and the associated requirements to set targets, commit to taking action, and establish management systems to measure and review performance, is one of the most important of these tools and approaches.¹⁵

2.17 Westpac explained to the Committee how it has developed an approach to environmental impact management that delineates between the direct impact of its operations and the broader, indirect impact of its business:

Since then we have actually found that in the past year or so we have separated that working group into two different working groups now. We have one which is the property sustainability group which focuses on the direct environmental outcomes, and that includes only members from property and sourcing, and the sorts of divisions of the bank that are responsible for our direct footprint. We have actually set up a separate one, a carbon and water forum, which is focussing specifically on the indirect impacts around our investment and risk management on carbon and water issues. And that sits within the Westpac Institutional Bank where the bulk of our influence and activities lie in that particular area.¹⁶

2.18 A number of contributions to the Inquiry argued that, as important as environmental reporting was, it should be considered only as part of Sustainability or Triple Bottom Line Reporting. For example, the Environmental Defender's Office, in its submission, asserted that, 'the appropriate method of environmental impact reporting is to incorporate triple bottom line reporting into the annual reporting requirements that currently exist for government departments and NSW statutory bodies'.¹⁷

2.19 In its Sustainability Policy (See next Chapter) the Government has made a commitment to lead by example in reducing the environmental impact of its activities.¹⁸

Comment

2.20 The activities of all organisations can adversely impact on the environment. This is true for government agencies as they go about providing the services expected by the community.

2.21 It is important for organisations to identify these environmental impacts. Only then can the necessary action be taken to address and ameliorate the problem.

¹⁴ NSW Government 2006/7 Strategic Management Framework, p26

¹⁵ Submission No 4, Environment Institute of Australia and New Zealand, pp1-2

¹⁶ Ms Herd, Evidence, 29 April 2008, p3

¹⁷ Submission No 1, Environmental Defender's Office, p6

¹⁸ NSW Government Sustainability Policy, p2

- 2.22 This is the role of environmental impact reporting.
- 2.23 The community expects the government to show leadership in this area.
- 2.24 The Westpac approach of separating its own, direct activities from broader, indirect environmental impacts of its activities is a model for a government approach.
- 2.25 The government has recognised this expectation by encouraging its agencies to identify the impacts of their own activities.
- 2.26 This notwithstanding, it was the aim of this inquiry to investigate how well the environmental impact reporting regime is working and identify any ways it might be improved.
- 2.27 In the following chapter the Committee looks in further detail at the current environmental impact reporting regime developed by the government for its agencies.

Chapter Three - Agency environmental impact reporting framework in NSW

- 3.1 Reporting by New South Wales public sector agencies on their environmental impacts occurs on three levels:
- individual agency basis
 - cross portfolio
 - whole of government
- 3.2 This reporting is regulated by both legislative and policy prescriptions, the latter, in the words of Westpac, being 'specific policy briefs on key dimensions of performance', for example, 'a paper procurement policy, a fleet procurement policy'.¹⁹

Agency reporting

- 3.3 The primary reporting framework for agencies is the Annual Reports legislation. This requires each agency to report to the Parliament through the organisation's annual report on its overall performance on a range of issues, including 'a summary review of their operations and discussion of their management and activities'.²⁰
- 3.4 The legislation mandates little specific environmental information; rather it provides the mechanism through which government policy obligations can be reported, as the Treasury representative explained to the Committee at its public hearing on 29 April 2008:
- There are actually very few things that agencies are required to disclose in environmental terms in their annual reports. There are just a handful of requirements and they are in with many other requirements including, for instance, occupational health and safety and insurance arrangements. They are just two of many requirements. We review all of the requirements for a handful of agencies' annual reports each year and those environmental requirements are reviewed as part of that, but as I say they are only two of many that we look at.²¹
- 3.5 Treasury stressed its view that annual reporting obligations on individual agencies need to be kept simple, and by implication, not overloaded with excessive reporting obligations:
- It [too much information] takes away from what in my view is the focus of annual reporting, which is about the performance of an agency in relation to its core objectives.²²

Cross-portfolio reporting

- 3.6 As well as individual reporting by agencies of environmental impacts in annual reports, the Government reports on 'key policy issues across portfolio areas at the state-wide level, indicating the performance of the public sector'.²³

¹⁹ Ms Herd, Evidence, 29 April 2008, p2

²⁰ Submission No 3, NSW Government, pp 4-5

²¹ Mr Smith, Evidence, 29 April 2008, p48

²² Mr Smith, Evidence, 29 April 2008, p51

²³ Submission No 3, NSW Government, p3

- 3.7 The Government submission cited the State of the Environment Report as an example of such reporting.²⁴ However, as this does not report specifically on the environmental impact of the operations of government agencies, it is not relevant to this Inquiry.

Whole-of-government reporting

- 3.8 Annual reports, consolidated from the reporting of individual agencies, are produced on a number of environmental policies, providing a whole-of-government snapshot. Examples of this are the Waste Reduction and Purchasing Policy and the Sustainability Policy (see below).
- 3.9 According to the NSW Government submission, although 'most reporting on environmental impacts in NSW government agency annual reports is done in the appendices', the annual reporting framework has been 'supplemented and improved', as agencies report annually on compliance with Government Energy Policy, Waste Reduction and Purchasing Policies and Cleaner Government Fleet Program.²⁵

Department of Environment and Climate Change

- 3.10 The Department of Environment and Climate Change (DECC) is responsible for broad environmental management in New South Wales and consequently has the 'main responsibility' for non-individual agency environmental reporting.²⁶
- 3.11 It is the key agency in consolidating and reporting aggregated environmental reporting by agencies. (This is discussed in further detail below).
- 3.12 The Department of Commerce also has a role in collating certain environmental reporting information for it.²⁷

Red Tape Review

- 3.13 The environmental impact reporting regime, particularly as it relates to individual agencies, has been affected by recent reviews of regulatory obligations on agencies.
- 3.14 In 2006 the Government announced action to reduce generally unnecessary red-tape and regulatory burdens, including an internal review of unnecessary red-tape imposed on NSW Government agencies. The review made a number of recommendations that affect environmental reporting.^{28 29}
- 3.15 These are further detailed below.

Environmental policies, targets, reporting requirements

- 3.16 The government submission to this Inquiry identified a number of then current but separate policies relevant to the environmental impact of agency operations, including:
- Government Energy Management Policy (GEMP)
 - Cleaner Government Fleet Program

²⁴ Submission No 3, NSW Government, p3

²⁵ Submission No 3, NSW Government pp 5, 12

²⁶ Mr Smith, Evidence, 29 April 2008, p48

²⁷ Submission No 3, NSW Government, p3

²⁸ Policy Statement: Initial Government Response to IPART's Investigation into the burden of regulation and improving regulatory efficiency, 9 November 2006, p1

²⁹ Submission No 3, NSW Government, p19

- Waste Reduction and Purchasing Policies (WRAPP)

Government Energy Management Policy

- 3.17 The NSW Government announced its Government Energy Management Policy in 1998, in response to the National Greenhouse Strategy, which committed all Australian governments to reduce emissions from their own operations. GEMP recognised that the commercial property sector exhibited the fastest growth in greenhouse gas emissions in Australia.³⁰
- 3.18 The aim of the policy was to reduce overall greenhouse gas emissions while at the same time delivering energy and cost savings to agencies. Improving the energy efficiency of government buildings was then a key measure in the strategy.
- 3.19 The Government's submission to the inquiry acknowledged shortcomings of the policy in not achieving its objectives. These shortcomings notwithstanding, GEMP had 'resulted in no growth in energy use over the period and provided a 21% reduction (in real dollars) in agencies' energy bills from 1995/96 to 2002/03.'³¹

Cleaner Government Fleet Program

- 3.20 Announced in November 2004, the policy aimed to reduce greenhouse gas emissions from vehicles by setting new efficiency targets for government fleets.
- 3.21 Overall the policy was expected to: encourage the use of smaller, cleaner and less polluting vehicles; reduce fuel consumption and greenhouse gas emissions; and save both purchase and running costs, estimated to be in the order of \$50 million in vehicle lease and fuel costs.³²
- 3.22 The main tool for achieving these objectives is the Fleet Improvement Plan. The program required all agencies to 'develop a Fleet Improvement Plan' by 1 July 2005 to meet the targets set by the policy.³³

Waste reduction and purchasing policies

- 3.23 Introduced in 1997, the Waste Reduction and Purchasing Policy required all agencies 'to reduce waste and to increase the purchase of materials with recycled content'.³⁴
- 3.24 WRAPP 'requires all state government agencies and state owned corporations to develop and implement a WRAPP plan to reduce waste in four areas – paper products, office equipment and components, vegetation material, and construction and demolition material'. Under the policy, agencies are to give priority to purchasing materials 'with recycled content where they are cost and performance competitive and reduce the amount of waste they generate'.³⁵
- 3.25 WRAPP plans provide information on strategies each agency will undertake to reduce waste and increase purchases of recycled content products. Strategies target key areas of activity such as:
- inclusion of WRAPP principles in corporate plans and operational policies and practices

³⁰ Premier's Memorandum 2004-4

³¹ Submission No 3, NSW Government, p15

³² Premiers Memorandum 2005-03

³³ StateFleet Bulletin, 17 November 2004

³⁴ NSW Waste Reduction and Purchasing Policies, Progress Report, p6

³⁵ Submission No 3, NSW Government, p14

- including contract specifications requiring the supply of recycled content products
- improving waste avoidance and recycling systems
- establishing data collection systems
- increasing the range and quantity of recycled content materials being purchased
- raising staff awareness about the WRAPP.³⁶

3.26 WRAPP data is utilised to assess progress against 'targets in the Waste Avoidance and Resources Recovery Strategy and the National Packaging Covenant'.³⁷

NSW Government Sustainability Policy³⁸

3.27 In addition to outlining these discrete policies the Government submission advised the Committee that, based on the recognition of the 'need to simplify and streamline environmental reporting from Government Agencies', a Sustainability Policy was being developed.³⁹

3.28 The Sustainability Policy was released in December 2008.

3.29 This new policy incorporated into a single policy document the Waste Reduction and Purchasing Policy and Clean Fleet policy along with a number of additional environmental objectives while superseding the Government Energy Management Policy.

3.30 This Sustainability Policy is now the core document for the reporting on the environmental impact of government agencies' own activities, being specifically focused on the activities of government agencies and is seen as an important step in meeting the Government's commitment to be carbon neutral by 2020.⁴⁰

3.31 The new policy sets targets and strategies for the Government to lead 'in sustainable water and energy use, reducing greenhouse gas emissions, waste and fleet management and sustainable purchasing'.⁴¹

3.32 'All elements of the Policy apply to all NSW Government budget dependent agencies'. The fleet, waste reduction and purchasing elements are also applicable to other NSW Government agencies, while the adoption of the policy's principles is strongly encouraged for local government and public trading enterprises.⁴²

3.33 As the current key policy dealing with environmental impacts of the Government's own activities, it is the focus of the Committee's attention in this report.

Sustainability policy targets⁴³

3.34 The policy identifies five targets areas.

³⁶ <http://www.wrapp.nsw.gov.au/whatis/comply.shtml#reqs>

³⁷ Submission No 3, NSW Government, p14

³⁸ The Policy is reproduced in Appendix 6

³⁹ Submission No 3, NSW Government, p22

⁴⁰ NSW Government Sustainability Policy, p1

⁴¹ *ibid*

⁴² *ibid*

⁴³ NSW Government Sustainability Policy, pp 2-3

Greenhouse gas emissions from building energy use

- 3.35 This is a state-wide target to return greenhouse gas emissions from building energy use to 2000 levels (1.5 millions tonnes) by 2019/20, with interim targets of 1.74 million tonnes by 2010/11, 1.67 million tonnes by 2013/14 and 1.59 million tonnes by 2016/17.
- 3.36 Agencies are to continue purchasing a minimum of 6% GreenPower (with the exception of area health services).

Water

- 3.37 This is a state-wide target to reduce total potable water consumption by 15% by 2010/11 (from 2005/06 levels).
- 3.38 Environmental performance of buildings
- 3.39 Government owned or tenanted office buildings over 1000m² are to
- obtain a National Australian Built Environment System (NABERS) rating by 31 December 2008,
 - achieve and maintain a NABERS rating of 4.5 stars for energy and water by 1 July 2011, where cost effective,
 - where new or refurbished, achieve and maintain 2011 targets from 18 months of the first occupancy, where cost effective.
- 3.40 Tenanted buildings are to include a Green Lease Schedule in all new or negotiated leases or when exercising a lease option, where practical.
- 3.41 The government has committed to set NABERS targets in government office buildings for waste and indoor environment by 30 June 2009.

Cleaner government fleet

- 3.42 Under the new Sustainability Policy, the government fleet is required to achieve a fleet average 'environmental performance score' of 12/20 by 2007/08. (The average environmental performance score rates vehicle greenhouse emissions and air quality impact). The fleet was also required to achieve a 20 per cent reduction in greenhouse gas emissions by the end of 2007/08, based on 2004/05 performance.

Waste, recycling and purchasing

- 3.43 As well as incorporating WRAPP objectives, which are mandatory for all agencies and State-Owned Corporations, the Sustainability Policy established new requirements for all budget dependent agencies as follows:
- for the 'purchase of products and appliances where relevant, available and fit for purpose, with:
 - a minimum 4-star rating under the Minimum Energy Performance Standards (MEPS) and/or
 - a minimum of 4-star rating under the Water Efficiency Labelling and Standards Scheme (WELS) or Smart Approved WaterMark products and services (for outdoor use)
 - a minimum of 85% of all copy paper purchased by NSW Government in 2014 to contain recycled content
 - all agencies, from the commencement of the 2008/9 financial year, to specify inclusion of at least one recycled content option as part of each publication quote sought.

Sustainability policy action strategies and reporting requirements⁴⁴

3.44 Five 'action strategies' have been developed as part of the policy, setting out the 'responsibility for coordination, coverage, benchmarks, implementation and reporting relating to these targets'. These action strategies are:

- office building strategy
- health facilities strategy
- educational facilities strategy
- fleet management strategy
- waste, recycling and purchasing strategy

3.45 The reporting requirements for agencies under the policy are summarised below. It should be noted at the outset that reporting obligations are aligned, not with the targets, but with these action strategies, as well as being 'streamlined' into three strands (waste recycling and purchasing; water and energy; and fleet).

Office building strategy

3.46 This strategy identifies as benchmarks the targets set out in the Environmental Performance Guide for Buildings.

3.47 Reporting under this strategy will be aggregated by DECC (utilising, where possible, data directly from utility contracts). Agencies are encouraged also to 'report in individual annual reports'.

3.48 The Red Tape Review recommended that:

...the reporting requirements relating to energy management are being amended to remove data reporting requirements for the 70 per cent of agencies operating predominantly from within office buildings, and instead require data to be provided by those agencies that administer joint tenancy arrangements.

In addition, small agencies will report on their waste management and energy performance every three years rather than annually. The Government will continue to monitor such requirements to ensure that they are appropriately targeted and do not create unnecessary compliance burdens particularly for small agencies.⁴⁵

Health facilities strategy

3.49 Reporting is through the NSW Health annual report and in accordance with the 'streamlined' requirements (see below under Reporting Summary).

School facilities strategy

3.50 Reporting is through the Department of Education and Training annual report and in accordance with the 'streamlined' requirements (see below).

Fleet management strategy

3.51 The Fleet Management Strategy identifies further actions including that 'agencies with fleets of 25 to 99 cars [are] required to have at least one petrol/hybrid fuel technology vehicle' while for agencies with 'fleets comprising 100 or more vehicles, one per cent of the fleet must be hybrid vehicles'. There are also requirements on the use of ethanol blends.

3.52 New targets are being developed for the 2008/9 period and beyond.

3.53 The Department of Commerce is responsible for the coordination of this policy.

⁴⁴ NSW Government Sustainability Policy

⁴⁵ Submission No 3, NSW Government, p19

3.54 While the policy covers all NSW government agencies, only agencies with the largest fleets – accounting for 95 per cent of the NSW Government fleet – are required to report on their fleet, in line with the recommendations of the Internal Government Red Tape Review.⁴⁶ According to these recommendations, ‘agencies should assume they are exempt, unless otherwise advised...’⁴⁷

Waste, recycling and purchasing (includes WRAPP)

3.55 Agencies and state owned corporations are required to report annually in their annual report and biennially to DECC, including a summary of the progress made against the requirements of the WRAPP in the following areas:

- reducing the generation of waste (waste avoidance and minimisation)
- resource recovery (waste reuse and recycling)
- the use of recycled material (purchase of recycled-content materials)⁴⁸

3.56 However, agencies with less than 200 hundred staff are only required to report every three years (in line with the Red Tape Review).

3.57 DECC is to produce aggregated reports for budget-dependent agencies on purchases of energy- and water-efficient products and appliances (sourced where possible directly from contracts) with assistance from the Department of Commerce.

Role of the Department of Environment and Climate Change

3.58 In addition to the centralised collation of office building data on water and energy use, DECC will coordinate ‘data gathering requirements of agencies through arrangements with the Department of Commerce, the State Property Authority and directly with electricity and water suppliers’.⁴⁹

3.59 Annual reporting by agencies will be required by 31 October each year through a web-based reporting tool, to be administered by DECC.

3.60 DECC will report annually to the Minister for Environment and Climate Change, through the Sustainability in Government CEOs Group on the overall performance of the Policy. This reporting will take the form of:

- an annual progress report summarising energy and water consumption, fleet improvement, use of biofuels and waste management from key end uses including health, education and office space and
- a detailed whole of Government sustainability report every three years summarising energy and water consumption, fleet improvements, biofuels and waste at an agency level.

‘Streamlined’ reporting summary⁵⁰

3.61 As noted above, the Sustainability Policy includes ‘streamlined’ reporting requirements for agencies under the headings ‘Waste and Purchasing’, ‘Energy and Water’ and ‘Fleet’. These requirements are summarised below:

⁴⁶ <http://www.environment.nsw.gov.au/government/fleet.htm>

⁴⁷ Submission No3, NSW Government, p19

⁴⁸ <http://www.wrapp.nsw.gov.au/whatis/comply.shtml#reqs>

⁴⁹ NSW Government Sustainability Policy, p9

⁵⁰ Compiled from NSW Sustainability Policy, December 2008

Agency Profile		Waste and Purchasing	Energy and Water	Fleet
Budget dependent	Less than 200 staff	Every 3 years in annual report <i>Note 1</i>	To DECC (unspecified period) <i>Note 2</i>	
	More than 200 staff	Annual report	To DECC Annually	
		Biennially to DECC		
	Primarily office based		Aggregated by DECC	
	Not office based		Annual report	
	Large fleet <i>Note 3</i>			Annually. Fleet Improvement Plan
Small fleet			None	
Non budget dependent or public trading enterprise		Annual Report		
		Biennially to DECC		
<i>Note 1: These agencies are only required to detail progress, not quantitative measures</i>				
<i>Note 2: If not reported as part of central report on office buildings</i>				
<i>Note 3: Applies to agencies with the largest fleets, accounting for 95% of the government fleet</i>				

Reporting requirements

3.62 The Policy states that the reporting requirements set out in the policy 'will apply for 2007/08 and beyond, and will expire after five years (2011/12) unless renewed, consistent with the recommendations of the Internal Government Red Tape Review'.⁵¹

Comment

3.63 The move to simplify and consolidate a number of disparate environmental impact policies into a single coherent policy has significant merit and is to be applauded.

3.64 Further discussion on this policy ensues in Chapter Seven.

3.65 In the next chapter the Committee looks at developments in environmental impact reporting in other jurisdictions.

⁵¹ NSW Sustainability Policy, December 2008, p9

Chapter Four - Significant Developments in other jurisdictions

- 4.1 The Committee asked the Environmental Defender's Office how New South Wales compared with other jurisdictions in environmental impact reporting and was advised that, 'I think we are a little bit behind other jurisdictions. I think there are opportunities where we could report better, certainly'.⁵²
- 4.2 This was a view supported by Mr Sherrard from the Environment Institute of Australia and New Zealand:
- ...It would appear anecdotally—I do not come here with a prepared analysis—that what happens in New South Wales is certainly behind what is happening at both the Commonwealth and Victorian levels, and quite possibly in some other Australian States and Territories as well.⁵³

Victoria

- 4.3 Victoria was recommended to the Committee as a contemporary model for reporting on environmental impacts.⁵⁴
- 4.4 The EIANZ argued strongly in its submission that the NSW Government should consider adopting the approach of the Victorian Government:
- The Institute commends the system established by the Victorian Government to the Committee. The Victorian Government introduced an Environmental Management Systems program to its core agencies that covers office-based activities. This reflects the Victorian Government's commitment for the public sector to lead on resource use efficiency, and to be transparent and accountable for their performance. The Victorian Government has also announced its intention to extend the program to a wider group of agencies.
- Further, in 2003 the Victorian Government appointed a Commissioner for Environmental Sustainability. The Commissioner is required, under the *Commissioner for Environmental Sustainability Act 2003*, inter alia to 'conduct annual strategic audits of, and prepare reports on, the implementation of environmental management systems by Agencies and public authorities'.
- This approach, to establish a program of introducing environmental management systems and for the oversight of the program by an independent Commissioner, appears to be one the NSW Government can and should seek to emulate.⁵⁵
- 4.5 This point was followed up with Mr Sherrard from EIANZ in hearings:
- What is Victoria doing that is so good? What can we learn from the Victorian example?*
- I think there are four elements to the Victorian system and together they make a very effective approach to environmental impact performance measurement and reporting. The first is that the central government has set targets for central government agencies. These targets cover what I think are 10 core agencies: health, education, treasury, environment, et cetera, those central government agencies. So there are whole-of-

⁵² Ms Walmsley, Evidence, 29 April 2008, p14

⁵³ Mr Sherrard, Evidence, 29 April 2008, p25

⁵⁴ For this reason a delegation from the Committee visited Victoria to discuss environmental impact reporting. See *Report on the Study Tour* in Appendix 5

⁵⁵ Submission No 4, EIANZ, pp2-3

government targets in relation to water, energy and the purchase of green power or renewable energy.

Is reporting mandatory for all of those?

Behind that whole-of-government commitment there is a program of the implementation of environmental management systems, which provides the framework for action. How do those government agencies then take those targets and introduce programs and initiatives which helped them to meet those targets, that is the second element of it. The third element is the reporting element per se and that is an advisory memorandum that goes out to all of those government agencies which requires them to report certain environmental performance against certain environmental performance indicators. That is being done consistently across all of them.

It provides a basis not only for the consistent reporting of performance but also for the relative reporting of performance. The fourth element, which I think is also a good initiative, is the establishment of an independent Commissioner for Environmental Sustainability, who has responsibility for doing an annual review of how the whole program is being undertaken, the results that are being delivered and, most importantly, identifying areas for improvement. Areas for improvement across the board, not necessarily on an agency by agency basis that you could do better here on water if you did something or other. It is not so much about initiatives but it is more about getting the whole system working and working well.⁵⁶

- 4.6 The Committee wanted to know if there were any 'barriers' to implementing a similar approach in New South Wales. EIANZ advised that, 'there are [no] barriers per se. It comes with a cost but what gets measured gets managed'.⁵⁷
- 4.7 At hearings the Committee sought the view of the Environmental Defender's Office on the Victorian model. Ms Walmsley argued the benefits of a 'sustainability office' to encourage government-wide environment reporting:
- ...In other jurisdictions, for example, Victoria, it has a sustainability office under the Premier's office. We also think that would be a very good idea, but whether that is beyond the scope of this inquiry. We would certainly support a sustainability office or something under the Premier's that was more custom-built. I think that would certainly help in whole-of-government environmental reporting...⁵⁸
- 4.8 On its study tour to Melbourne (see Appendix 5 for full report) the Committee heard for itself how environmental reporting of the impact of the Government's own activities was carried out. The main points are as follows:
- 4.9 The *Commissioner for Environmental Sustainability Act 2003* established the role of the Commissioner as an independent environmental guardian for Victoria. The Commissioner advocates, audits and reports on environmental sustainability. The Commissioner engages in the following activities:
- reporting on matters relating to the natural environment of Victoria
 - encouraging decision making that facilitates ecologically sustainable development
 - enhancing knowledge and understanding of ecologically sustainable development and the environment

⁵⁶ Mr Sherrard, Evidence, 29 April 2008, p21

⁵⁷ Ms Mitchell, Evidence, 29 April 2008, p21

⁵⁸ Ms Walmsley, Evidence, 29 April 2008, p18

Significant Developments in other jurisdictions

- encouraging sound environmental practices and procedures to be adopted by the Government of Victoria and local governments as a basis for ecologically sustainable development.⁵⁹
- 4.10 In 2006 the Victorian Government released *Our Environment, Our future*, which is an action plan of initiatives. One of those initiatives, Action 16, is the 'Government Leading by Example', in which the Government was to take a *lead* on sustainability in relation to its own operations.
- 4.11 A key element in Action 16 was that all Victorian government departments were to develop environmental management systems (EMS), to reduce the environmental impacts from office-based energy, water, transport fuel and paper consumption and waste disposal. Government departments are required to monitor and report against these criteria to reduce their environmental impacts.
- 4.12 The EMS policy is being expanded to all government agencies.⁶⁰

Commonwealth

- 4.13 The Environmental Defender's Office (EDO) also recommended that aspects of Triple Bottom Line (TBL) reporting introduced under Commonwealth legislation be introduced in New South Wales:
- One particular example... is the Commonwealth reporting scheme under Section 516A of the Environmental Protection and Biodiversity Conservation Act. The EDO notes that although there are some problems with the implementation of this scheme, it provides a good example of the type of TBL reporting scheme that needs to be introduced in NSW.⁶¹
- 4.14 The EDO submission also stressed the merit of the mandatory nature of the Commonwealth approach:
- The *Environment Protection and Biodiversity Conservation Act 1999*, which has introduced mandatory sustainability reporting for Commonwealth government agencies, requires a broad range of government instrumentalities to undertake annual sustainability reporting.⁶² These include departments, executive agencies and statutory agencies. The EDO submits that any NSW scheme should be equally as broad.⁶³
- 4.15 This point was further explored at hearings where Ms Walmsley told the Committee that the EDO has 'been doing a review of the Federal system and, while that is by no means perfect, it has put a lot of thought into its guidelines and criteria'. Under that system, 'there is a legislative requirement [on reporting] and there is guidance given out to departments'.⁶⁴
- 4.16 The Environment Institute of Australia and New Zealand was also positive regarding aspects of Commonwealth policy:
- I also commend to the Committee some of the work happening at the Commonwealth level. It tends to be a little more restricted in terms of its scope with a strong focus on energy use—both stationery energy and transport energy—and greenhouse emissions.

⁵⁹ <http://www.ces.vic.gov.au/ces/wcmn301.nsf/childdocs/-2159FBE93013A83ACA256F250028BECC?open> date accessed 6 December 07

⁶⁰ See Committee Study Tour Report, Appendix 5

⁶¹ Submission No 1, Environmental Defender's Office, p6

⁶² See *Environment Protection and Biodiversity Conservation Act 1999*, section 516A

⁶³ Submission No 1, Environmental Defender's Office, p4

⁶⁴ Ms Walmsley, Evidence, 29 April 2008 p14

Well over 100 Commonwealth Government agencies are reporting on that every year and have done for at least the last five years so there is quite a good data set there. I think probably the weakness in the Commonwealth approach is that the same discipline does not extend to water, waste and other important environmental issues.⁶⁵

- 4.17 Ms Mitchell from EIANZ in praising the Commonwealth approach raised the OSCAR reporting system:

The Commonwealth Government also has quite good data capturing and reporting processes that are electronically based. I think it is referred to as OSCAR. It is an electronic data collection and management system that might be of interest in re-creating one for New South Wales. It would be great if we could have parity between different States and Territories and the Federal Government.⁶⁶

- 4.18 The NSW Government in its submission provided information on OSCAR, advising the Committee that, 'OSCAR is a web-based data collection tool for recording of waste and greenhouse gas data for Government programme reporting. It is maintained by the Australian Greenhouse Office'.⁶⁷

- 4.19 The submission also observed that, 'several departments have noted that OSCAR is an efficient and effective method of reporting and data capture'.⁶⁸

Comment

- 4.20 The Committee was disappointed to learn that other jurisdictions seemed to be leading in these areas.
- 4.21 It should be noted, however, that these criticisms relate to the policy situation prior to the introduction of the Sustainability Policy late last year.

⁶⁵ Mr Sherrard, Evidence, 29 April 2008, p26

⁶⁶ Ms Mitchell, Evidence, 29 April 2008, p26

⁶⁷ Submission No 3, NSW Government, p17

⁶⁸ Submission No 3, NSW Government, p17

Chapter Five - Principles in Environmental Impact Reporting

Sustainability reporting

- 5.1 A number of contributions to the Inquiry argued that, while environmental performance reporting was an important, indeed essential activity, a key principle was the need to integrate it into a broader sustainability context.
- 5.2 In the words of the Environmental Defender's Office:
... an effective environmental impact reporting regime should be consistent with the principles of Ecologically Sustainable Development (ESD)... The concept is based on the notion of a 'triple bottom line', whereby environmental, economic and social considerations are integrated. The aim of ESD is to make it clear that environmental impacts are no longer seen as separate from economic and social considerations.⁶⁹

The Global Reporting Initiative

- 5.3 In this context, the Global Reporting Initiative was repeatedly suggested to the Committee as a model for sustainability reporting for a number of reasons including its broad international adoption and its development of guidelines specific to public sector organisations.
- 5.4 In its submission, the Environmental Defender's Office described the GRI as follows:
The Global Reporting Initiative's (GRI) vision is that reporting on economic, environmental, and social performance by all organisations becomes as routine and comparable as financial reporting.
The GRI sets out triple bottom line requirements through its Sustainability Reporting Guidelines. The guidelines require performance assessment and disclosure of economic, environmental and social policies, activities and impacts. More than 2400 organisations from 60 countries use these guidelines to produce their sustainability reports. Of particular relevance, the GRI has produced specific guidelines for public agencies.⁷⁰
- 5.5 The submission identified some of the GRI principles essential to public sector reporting:
These guidelines emphasise certain key reporting principles that should inform public sector reporting. These include transparency, auditability, completeness and accuracy. The EDO is of the view that these GRI guidelines should be used to inform a public sector reporting scheme in NSW.⁷¹
- 5.6 The NSW Government supports the Global Reporting Initiative, according to its submission to the Inquiry:
The NSW Government supports the use of the GRI reporting framework that enables organisations to communicate actions taken to improve the triple bottom line (economic, social, environmental performance), the outcomes of these actions and future strategies. The framework put forward by GRI applies a mix of core and additional indicators. In this way the 'footprint' or impact of the organisation upon the community can be measured and activities regarded as leading practice can be included in the

⁶⁹ Submission No 1, Environmental Defender's Office, pp 4-5

⁷⁰ *ibid*, pp 7-8

⁷¹ *ibid*

reporting methodology. There are 30 environmental indicators under the GRI, organised under 9 key Aspects.⁷²

5.7 The submission identified GRI's key principles as including:

- transparency as means of maximising accountability;
- inclusiveness and involving stakeholders in the development of reporting structures;
- audibility and external verification;
- accuracy;
- completeness in regards to scope of factors being reported on;
- relevance of factors being reported on;
- timeliness;
- neutrality – fair and factual presentation;
- comparability and benchmarking;
- context (how best to link organisational performance to macro level concerns); and
- clarity (includes both how understandable the information is and its usefulness).⁷³

5.8 While some stressed the role of the GRI in triple bottom line reporting, there was acknowledgement that it could be utilised for environmental impact reporting,

5.9 Ms Herd from Westpac observed that the GRI provided an 'agreed methodology for calculating... environmental performance', telling the Committee that Westpac was '...the first bank in Australia and one of the first banks in the world to produce a sustainability report, particularly using the Global Reporting Initiative framework. We were involved in the first year of piloting the GRI framework for banks'.⁷⁴

5.10 EIANZ agreed that the GRI provides consistency:

I think that the Global Reporting Initiative was introduced in large part to help to systematise the approach to environmental reporting globally. The Global Reporting Initiative [GRI] is an attempt to establish a set of environmental performance indicators that all sorts of organisations, doing all sorts of activities in all sorts of geographical settings, can adopt as a basis for consistent measurement of environmental performance.⁷⁵

5.11 Ms Mitchell from EIANZ highlighted the GRI's universal nature and benchmarking features:

The real strength of the Global Reporting Initiative is that it is an international process, it is stakeholder driven so it is very stakeholder led in the way in which its governance structure works. It provides protocols for how to prepare reports, materiality thresholds, how to gather boundaries of particular reporting criteria, and it does allow comparison across many different sectors and geographies. So that is the real strength of the GRI framework.⁷⁶

5.12 Ms Herd from Westpac also identified these features as strengths:

⁷² Submission No 3, NSW Government, p17

⁷³ *ibid*

⁷⁴ Ms Herd, Evidence, 29 April 2008 p3

⁷⁵ Mr Sherrard, Evidence, 29 April 2008 p23

⁷⁶ Ms Mitchell, Evidence, 29 April 2008, pp 23-4

It [the GRI] is an internationally consistent set of reporting guidelines. The benefits are that it provides quite specific details on how to go about collecting information on which you are looking to report. ...

It also provides a very useful yardstick in reporting against other companies. It allows you to benchmark performance. Whereas previously you could have had half a dozen banks all reporting the same indicator and gathering completely different things and all the data was incomparable, now you have a fair amount of assurance that you are both reporting the same thing from the same sources and the figures are comparative. You can then internally benchmark your performance against your competitors and continue to drive performance improvements on that basis. Those are some of the benefits...⁷⁷

5.13 The Environmental Defender's Office advised that the GRI's wide acceptance '...in over 50 or 60 countries now' was a plus. Being so 'widely embraced' was 'a good starting point' because that indicated a consensus.⁷⁸

5.14 A number of these principles were raised specifically as part of the Inquiry. They were:

- performance indicators
- material and relevant indicators
- verification of data
- accountability
- stakeholder engagement

Performance indicators

5.15 Performance indicators are a core tool in environmental impact reporting.

5.16 In the view of the EDO, 'environmental indicators are of particular importance as they measure the impact that the agencies activities, both direct and indirect, have on the environment'.⁷⁹

5.17 The EDO argued that developing similar indicators across agencies allows for more meaningful comparisons and thus good whole of government reporting.

...I think that would certainly help in whole-of-government environmental reporting because one of the things our submission states that whilst each department and agency should report more comprehensively, if they used similar indicators it should fit into a whole-of-government report.⁸⁰

5.18 The former Auditor-General expressed similar sentiments, arguing that indicators need to be consistent across agencies (horizontally) and across the whole-of-government (vertically):

I think they [indicators] need to be at a higher level than individual agencies. If individual agencies feel the need, either for internal or external reporting purposes, to have a greater range of indicators, they need to be consistent with and reconcilable with the overall statistics.⁸¹

5.19 Westpac gave examples of the types of indicators reported to the markets:

⁷⁷ Ms Herd, Evidence, pp 10-11

⁷⁸ Ms Walmsley, Evidence, 29 April 2008, p14

⁷⁹ Submission No 1, Environmental Defender's Office, p6

⁸⁰ Ms Walmsley, Evidence, 29 June 2008 p16

⁸¹ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, p35

If you are looking at the environmental dimension, it is total greenhouse gas emissions, total energy consumption, total water consumption, and there is usually a greenhouse gas efficiency measure for most industry sectors. Finance has not really quite agreed on one yet, so we tend to do both, we tend to do both CO₂ per employee and CO₂ per metre squared as our main efficiency measures.⁸²

5.20 In its submission the EDO referred to 'a comprehensive set of environmental performance indicators' in the 2005 Public Accounts Committee Report that included 'greenhouse gas emissions, energy use, travel, paper consumption, recycling, water use, land use'. The submission effectively endorsed this list of indicators as it mirrored the Commonwealth regime's environmental performance indicators, which the EDO supported.⁸³

5.21 The EIANZ warned that indicators can simply become a process rather than deliver a genuine outcome:

Where you have targets and where you have requirements for reporting, I would say that those targets and requirements are taken seriously by the agencies required to prepare and submit those reports. A lot of the focus, however, is on the preparation and submission of those reports and not necessarily closing the loop and making sure that that data and those impacts are managed and measured effectively. There are not a lot of government targets that are publicly stated around environment-related data so it therefore becomes an exercise in reporting and administration rather than an exercise in improving environmental outcomes.⁸⁴

5.22 Therefore, to be effective the indicators have to be meaningful. EIANZ argues that it is not whether agencies report per se but that the data is material:

...No-one wants government money to be spent on just an administrative process to report the last few areas of energy management. We want to ensure that any public money that is spent goes into something that is material at impact and focuses on the right areas that people are concerned about and want to hear more about.⁸⁵

5.23 The Department of Commerce advised the Committee that reporting on outcomes was important:

We do not have an active reporting requirement on how we comply with environmental incorporation into procurement practice... [I]t is more to do with how the actual procurement process achieves environmental outcomes, rather than compliance to the guidelines within the procurement process... It is better to report on the outcomes rather than the compliance to the process.⁸⁶

5.24 Mr Rodgers from DECC advised that indicators needed to be evaluated within an operational context:

There are also a series of issues that can be clouded by raw numbers. For instance, if you use a building more intensively, let us say that you use schools after hours, you will actually drive up the energy and water consumption, but you will get better use of the building. So, there are some indicators that can have contrary outcomes from better use.⁸⁷

5.25 Representatives from Commerce also raised this issue at hearings:

⁸² Ms Herd, Evidence, 29 June 2008, p6

⁸³ Submission No 1, Environmental Defender's Office, p6

⁸⁴ Ms Mitchell, Evidence, 29 June 2008, p20

⁸⁵ Ms Mitchell, Evidence 29 April 2008, p21

⁸⁶ Mr Banga, Evidence 29 April 2008, p43

⁸⁷ Mr Rogers, Evidence, 29 April 2008, p54

But if you look at the consumption of the McKell building, after we did that lighting upgrade it dropped and then since then it has slowly been increasing. Why? We have now got the Office of Fair Trading in the building. We have removed people from their tenancies and the Office of Fair Trading into the McKell building. If you look at the occupancy of the McKell building, it is about 30 per cent higher than it was about 10 years ago. So there are all these energy performance indicators that are much better indicators than just purely energy because you have got to look at occupancy, the time the building is occupied and there is all these other factors that come into it. Basically I do believe that the State Property Authority has been doing a good job. I have done a number of lighting upgrades for those offices and they are now doing air-conditioning upgrades. I believe that the government portfolio is doing things, and doing things in the right way to minimise energy consumption, but also to increase the office density that we have.⁸⁸

5.26 The Department of Environment and Climate Change warned that trend data can be threatened by the introduction of new indicators:

We are seeing a lot of concentration on those particular measures rather than some of the past ones. We have moved to identify sustainability reporting across a whole range of different areas. What we are seeing with climate change and CO2 measurement is that people are coming back to a core measurement rather than some of the others, but for historical trends we need to maintain some of the older measures so that we can actually tell where we are. If we just chop them off and move on, we sometimes can have a problem.⁸⁹

5.27 At hearings, Westpac's representative explained that, while Westpac reports on about 120 key performance indicators, '...it is important to maintain information in a single document to provide a snapshot of your performance', a reference to its Sustainability Report.

5.28 The failure to simplify leads to a process 'that is otherwise known in the reporting business as "carpet bombing"—producing a huge swathe of information—and the important information or issues for discussion gets completely lost.'⁹⁰

5.29 However, this should not preclude reporting in reasonable detail, according to Westpac. It also produces 'a separate electronic report, which is only about six pages long and which pulls out the key performance dimensions'.⁹¹

5.30 The Department of Environment and Climate Change discussed the dilemma between simplified and meaningful reporting data:

Changing levels of equipment can drive things. Hospitals are far more intensively used than they used to be. Computers and air conditioners improve the output, but they drive up the energy consumption. So, just a raw energy consumption figure is not going to tell you all of the things you need to know. So, we are a bit cautious about just using a single number. There is also a question of cost benefit: some things have short paybacks, some things have long paybacks. Are you better to do it when you refit a building rather than trying to do things part way? All of those sorts of things we try to get in in a policy sense about when we are going to make changes and how we put these things together. We also look to simplify and improve reporting but also to make the acquisition of material more simple so that if you can get recycled paper on the government contract, if you can get energy-efficient appliances on the government contract, then you can actually get the outcome you want, because it is easy to buy it. If

⁸⁸ Mr Craddock, Evidence, 29 April 2008, pp46-7

⁸⁹ Mr Rogers, Evidence, 29 April 2008, p54

⁹⁰ Ms Herd, Evidence, 29 April 2008, p4

⁹¹ *ibid*

you make it difficult to buy something or you do not have it available, then people simply do not come and get something which is there.⁹²

- 5.31 The importance of monitoring and evaluating were discussed in hearings with Westpac. Ms Herd said that, 'sometimes the best environmental outcome is not the most obvious one and you do need to look at the whole picture.' She illustrated this point with an example with regard to its fleet:

We do not use hybrids. We first looked at purchasing hybrids about five years ago and there was limited supply in Australia for the size of our fleet, which is about 750 cars, from memory. When we reviewed and re-released our fleet procurement policy this year we looked at the question of hybrids again, but when we actually did a full life cycle analysis we found that it was more environmentally beneficial for us to buy smaller, more fuel-efficient cars than to buy hybrids... The bulk of our fleet is made up of red VWs at the moment.⁹³

- 5.32 She summarised this issue, telling the Committee that, 'you set up a policy, a governance framework and procedures for regularly monitoring performance against key dimensions.'⁹⁴

- 5.33 Ms Herd identified the importance of establishing benchmark data, as explained:

[In 1996] we first started gathering information on our baseline emissions. That was a crucial step for us in establishing that baseline, which we continue to benchmark our performance against, and since 1996 we have achieved a number of significant milestones.⁹⁵

Material and relevant

- 5.34 The EIANZ stressed to the Committee that in environmental reporting it is important that the 'focus is on the issues that matter and reporting is not a mindless exercise in chasing all the rats and mice but, rather, focuses on all the big ticket issues and makes sure that those are accurately reported'. In other words, a 'key element' in the process is 'materiality within the reporting process'.⁹⁶

- 5.35 This point was returned to in hearings. Ms Mitchell explained:

One cautionary note would be to ensure that the indicators that you choose are material. Getting back to the point about rats and mice, you can spend a lot of administrative time and effort and government money chasing small amounts of data. No-one wants government money to be spent on just an administrative process to report the last few areas of energy management. We want to ensure that any public money that is spent goes into something that is material at impact and focuses on the right areas that people are concerned about and want to hear more about.⁹⁷

- 5.36 In this regard, the former Auditor-General told the Public Accounts Committee in 2005 (as part of the Inquiry into Sustainability Reporting in the NSW Public Sector) that the '80-20 principle' needs to be addressed:

There are 450 government agencies at least in New South Wales, most of which are very small and probably have very little impact at a State level on social, economic and

⁹² Mr Rogers, Evidence, 29 April 2008, pp 65-5

⁹³ Ms Herd, Evidence, 29 April 2008, pp 8,9

⁹⁴ Ms Herd, Evidence, 29 April 2008, p2

⁹⁵ *ibid*, p3

⁹⁶ Mr Sherrard, Evidence, 29 April 2008, p20

⁹⁷ Ms Mitchell, Evidence, 29 April 2008, p21

environmental outcomes. I think you could get most of the benefit by concentrating probably on the most significant 30, 40 or so agencies in the State.⁹⁸

5.37 Materiality was a weakness of the GRI identified by a number of witnesses:

One of the drawbacks is that it [the GRI] is huge. You are expected to report on a huge number of indicators. It is important that companies or organisations go through a process of determining the most important issues for them to report on for their consideration... You have to be able to apply an overlay of materiality.⁹⁹

5.38 The EIANZ agreed:

I think you touched on what are the weaknesses in the Global Reporting Initiative and I think it has come under fire in recent years for what has been termed churning out shopping list-style reports because it does have a lot of indicators in there and it can scare off first-time reporters...

People were getting reports that were very thick and overly complicated. Agencies and organisations were spending inordinate amounts of money reporting on things that stakeholders did not really care about, and were not really material to their business.¹⁰⁰

5.39 These shortcomings, however, are being addressed, according to both the EIANZ and the EDO:

The new generation of guidelines or this Generation 3, encourages organisations to engage with its stakeholders to determine what are the material issues for that organisation, and to really focus and challenge reporting to make sure those particular indicators are what gets measured and managed within that organisation.¹⁰¹

5.40 Ms Walmsley from the EDO acknowledged the need for some flexibility in determining indicators:

I think it is always going to be a slightly interactive process, so long as the GRI is flexible enough. You do need certainty for the people reporting, but you also need a little bit of flexibility to make sure that your reporting indicators are the right set of indicators that are tailored to the particular sector. I think they have done some good work, especially in their sector supplements, of kind of tailoring the reporting to different areas.¹⁰²

Verification

5.41 Ms Mitchell, President NSW Division EIANZ, citing possible errors in reporting, stressed the need for independent professional verification of environmental impact reporting:

The role that verification plays in the reporting process is very important. ... It is very typical to get upwards of a 20 to 25 per cent error rating, especially in your first few years of reporting because environmental-related data is not something that has the kind of discipline that accounting principles have, and financial data has been gathered over the last few centuries and has been improved in its reporting practice.

So it is very important, therefore, that you have somebody overlooking and overseeing that process, somebody who is competent and is certified to make sure that it is actually something that people can have faith in, and also that the reporting agencies can learn from the process as well.¹⁰³

⁹⁸ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, p36

⁹⁹ Ms Herd, Evidence, 29 April 2008, p11

¹⁰⁰ Ms Mitchell, Evidence, 29 April 2008, p24

¹⁰¹ *ibid*

¹⁰² Ms Walmsley, Evidence, 29 April 2008 p14

¹⁰³ Ms Mitchell, Evidence, 29 April 2008, pp 22-23

- 5.42 In 2005, Mr Horne from the NSW Audit Office raised this issue with the Public Accounts Committee, observing that:
- ... there is now an obligation to expand your reporting beyond the limited financial reports. The question is: How far and what reliability can one then place upon the figures that you publish?¹⁰⁴
- 5.43 Ms Herd told the Committee that this was one of the main lessons Westpac had learnt, declaring that ‘...you have to be accountable for your performance, and that means audit and verification... the role of audit and verification is crucial on a regular basis in understanding where you are and whether you are having any impact on driving outcomes.’¹⁰⁵
- 5.44 She also told the committee that, ‘you audit and verify your performance on a regular basis, and you report, report, report in terms of what you are actually doing.’¹⁰⁶
- 5.45 In its submission, the Environment Institute of Australia and New Zealand declared that environmental reporting should be:
- prepared by an accountable, competent (certified) professional; and
 - verified by an independent accountable, competent (certified) professional.¹⁰⁷
- 5.46 It returned to this theme at hearings, telling the Committee that one of ‘key elements’ of an environmental reporting regime was ‘a consistent and credible approach—that means competent practitioners are needed to both prepare and to verify data that is included in reports’.¹⁰⁸
- 5.47 Discussion ensued at hearings with EIANZ on the topic of auditing mechanisms:
- I think we would not be as specific as recommending that the Audit Office perform that function. What we think is important is that competent environmental practitioners are involved at two levels: one is the preparation of the report, so the oversight of the data management systems... So we think [competent] environmental practitioners need to be involved in the preparation. We also think that in terms of the verification of individual reports, that should be undertaken by competent—and that may be—certified environmental practitioners.¹⁰⁹
- 5.48 Ms Mitchell brought a relevant international reporting standard to the attention of the Committee:
- The other point I make is that there is an internationally recognised assurance standard for sustainability reporting and auditing. That is the AA1000. It is a United Kingdom standard that is used by quite a number of different organisations that do sustainability and environment public reports. So I would recommend that the Committee utilise that as its framework for sustainability verification.¹¹⁰
- 5.49 Ms Herd provided the Committee with some detailed information on the auditing process at Westpac, including AA1000:
- We engage Banarra Sustainability Assurance. They conduct a full assurance process based around our sustainability report on an annual basis, applying the AA1000

¹⁰⁴ Mr Horne, Evidence (to Public Accounts Committee), 8 April 2005, p32

¹⁰⁵ Ms Herd, Evidence, 29 April 2008, p5

¹⁰⁶ *ibid*, p2

¹⁰⁷ Submission No 4, EIANZ, p2

¹⁰⁸ Mr Sherrard, Evidence, 29 April 2008, p20

¹⁰⁹ *ibid*, p25

¹¹⁰ Ms Mitchell, Evidence, 29 April 2008, p25

Assurance Standard. That is about a three-month process; they come and go to some extent. This year because of the changing regulatory requirements around environmental reporting at the national level we also did an internal audit of what our compliance requirements would be and how well we were meeting them. Normally we would not do that every year; we would do a specific environmental audit, say, every three or four years just to review the environmental management systems and see how we are going in terms of collecting environmental data because a lot of it is quite problematic in terms of where you source it. Otherwise we do an annual assurance process.¹¹¹

- 5.50 The current Auditor-General confirmed the Audit Office's limited role in this area, advising that, 'while the New South Wales Audit Office reports on these non-financial indicators in its financial reports, traditionally it does not verify or do detailed audits to determine their accuracy'.¹¹²

Accountability

- 5.51 At Westpac the 'Chief Executive Officer of Westpac has responsibility for the group's environmental policies and performance'... and the implementation of Westpac's environmental policies 'is actually occurring on a group-wide basis'. That is Westpac Australia, Westpac New Zealand and Pacific Banking and other international operations.¹¹³

- 5.52 Thus, 'in terms of the governance framework', Westpac 'set up clear lines of accountability and ownership across the business...'¹¹⁴

- 5.53 EIANZ describe the value and importance of engaging senior management in environmental reporting, highlighting how transparency can ensure accountability:

...It is our view that public reporting goes a long way to engaging senior management. Once they feel that their performance is on the public record, and that they are accountable for that performance, they tend to take those issues more seriously. I think that is one very strong reason for public reporting. The other is really around the issue of transparency; demonstrating leadership by government in these areas that the community is very engaged on and has tended to be engaged on at reasonably high levels over the past 20 to 25 years, but certainly over the past year or two.¹¹⁵

Stakeholder engagement

- 5.54 For Westpac, stakeholder engagement is crucial in developing reporting frameworks:

There is no point in producing a report or thinking that you know what all your impacts are if nobody cares and nobody is interested. You have to tailor your performance management to the most crucial issues for the most significant stakeholders for your organisation, otherwise you will spend your entire life doing nothing but gathering information and trying to analyse it and report it, and it does not have any value or is not as valuable as it could be.¹¹⁶

¹¹¹ Ms Herd, Evidence, 29 April 2008, p5

¹¹² Mr Achterstraat, Evidence, 29 April 2008, p30

¹¹³ Ms Herd, Evidence, 29 April 2008, p2

¹¹⁴ *ibid*

¹¹⁵ Mr Sherrard, Evidence, 29 April 2008, p23

¹¹⁶ Ms Herd, Evidence, 29 April 2008, p4

- 5.55 This point was agreed with by EIANZ, which advised in its submission that environmental reporting should be 'prepared with input from, and be accessible to, external stakeholders'.¹¹⁷
- 5.56 Its representatives told the Committee at the public hearing that one of the key elements of environmental reporting is 'the engagement of stakeholders in the reporting process both internally within government organisations and also external stakeholders'.¹¹⁸
- 5.57 Similarly, Westpac explained to the Committee that it was necessary to get employees on side:
...you need to reward and incentivise employee behaviour around achieving environmental outcomes in the same way that you do every other business outcome. If you want people to use less paper you have to set targets for managers in terms of how they drive performance or behavioural change in the employees in their team'.¹¹⁹
- 5.58 Mr Sendt, former NSW Auditor-General, told the Public Accounts Committee that, 'consumers of government services should be taken into account in measuring the success of the services'. But he did caution that 'comparability with other jurisdictions' might be lost, if, for example, 'consumers of the services have a major input into the selection of the indicators'.¹²⁰

Comment

- 5.59 There is little doubt that the Global Reporting Initiative represents a practical, comprehensive and agreed mechanism through which to report, not only on environmental impacts, but on the sustainability of activities by organisations.
- 5.60 The New South Wales Government's commitment to this mechanism and its principles is sensible and supported.

¹¹⁷ Submission No 4, EIANZ, p2

¹¹⁸ Mr Sherrard, Evidence, 29 April 2008, p20

¹¹⁹ Ms Herd, Evidence, 29 April 2008, pp4-5

¹²⁰ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, p37

Chapter Six - Improving the current framework

- 6.1 The environmental impact reporting framework in place at the time the Committee commenced this inquiry was criticised by a number of participants.
- 6.2 As described in Chapter Three, that framework was replaced in December 2008 by a new framework, the NSW Government Sustainability Policy.
- 6.3 In this chapter the Committee considers the criticisms of the old policy.

Is there a need for an overarching framework?

- 6.4 In 2005, the former Auditor-General, Mr Sendt, described for the Public Accounts Committee his concerns with reporting of non-financial performance generally:

We have long argued for better performance reporting by government agencies, as well as at the whole-of-government level...

I have advised Parliament on many occasions that in my view better reporting of non-financial indicators is required in this State. More formally, we have twice reviewed the quality of information in agencies' annual reports and have found them wanting.¹²¹

- 6.5 The EIANZ told the Committee that the NSW environmental reporting regime was somewhat 'piecemeal'.¹²² In its submission it criticised this fragmented approach which focussed more on individual agencies:

[E]nvironmental reporting in the NSW public sector is currently based on a number of NSW Government commitments made on an issue-by-issue basis, such as on energy, waste, etc. Reporting of performance against these commitments is not coordinated across all public bodies, with some public bodies disclosing their performance under these Government commitments, while others report performance against a wider range of environmental performance indicators, and others do not systematically report environmental performance.¹²³

- 6.6 Lack of reporting consistency and compliance was a concern raised by the Environmental Defender's Office:

It is sometimes difficult to find the information that we are after and it does depend on different agencies and how they report...

What we found is that some departments were not actually aware that they were supposed to make some information public. Some were aware of it but had not designed the website. Others had a very good public register up and running but there were huge differences and I do not think there has been a comprehensive audit of that kind of performance. Some of the legislative requirements go back years, but yet the public register never actually has been established and the department says, 'Oh, well, we haven't had the money or the staff' or for different reasons. It is very hard to gauge because it is so variable.¹²⁴

- 6.7 In a similar vein, the lack of a standardised approach was an issue addressed by former Assistant Auditor-General Stephen Horne in 2005 when he told the PAC:

¹²¹ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, p28

¹²² Ms Mitchell, Evidence, 29 April 2008, p20

¹²³ Submission No 4, Environmental Institute of Australia and New Zealand, p2

¹²⁴ Ms Walmsely, Evidence, 29 April 2008, p16

One of the troubles we have in New South Wales, and in any jurisdiction, is lots of different standards. At the end of the day you go, 'Well, that's very interesting but how do I compare that to anything else and does it really mean anything?'¹²⁵

- 6.8 Mr Sendt explained to the PAC that KPIs were only really effective if developed within a broad framework:

I certainly believe there should be an overarching framework by government, together with a set of guidelines that will lead to some greater consistency in the way individual agencies report. I believe, generally, that agencies are closer to government service clients and have a better knowledge of what constitutes success and failure. But unless those results are compiled and produced in a format that can be compared and aggregated across the whole-of-government sector, I think the result will be very much a second rate product... I think that lack of overarching framework and lack of guidance means that probably agencies are currently putting in a lot more effort trying to come up with their own frameworks than they perhaps would if there were some central direction.¹²⁶

- 6.9 Mr Horne told the PAC that an Audit Office report on Annual Reports had observed that, '...the biggest question we raised about that was that the Annual Reports Act says that agencies need to provide some performance indicators, but after that agencies are left to their own best endeavours as to what they should be'.¹²⁷

- 6.10 According to Mr Horne, '...the best thing we can hope for with any reporting framework is to get standardisation'. In that context the GRI would be a useful tool because 'most organisations would be in a position to use the GRI framework and it would provide a standard approach'.¹²⁸

- 6.11 According to the EIANZ, the GRI provides a ready framework for environmental performance indicators:

The Global Reporting Initiative is an attempt to establish a set of environmental performance indicators that all sorts of organisations, doing all sorts of activities in all sorts of geographical settings, can adopt as a basis for consistent measurement of environmental performance.¹²⁹

- 6.12 According to Ms Herd from Westpac, the GRI is a useful framework, being ...an internationally consistent set of reporting guidelines. The benefits are that it provides quite specific details on how to go about collecting information on which you are looking to report...¹³⁰

- 6.13 The Audit Office supported this approach in 2005, Mr Horne told the PAC that the GRI has, for better or for worse, become a global standard that environmental and sustainability reporting seems to have moved along. I think the momentum behind it is probably now unstoppable in any case. It is a pretty awesome bunch of material. When you first look at it it appears quite daunting. But when you break it down it is fairly layered and the underlying principles are very safe. When we looked in New South Wales at what agencies were doing in their annual reports and found that it was a bit of a hotchpotch, we said, 'Okay, let's get a bit more standardisation.' So the guidelines that we put out were based chiefly on the GRI principles perhaps slightly tweaked to

¹²⁵ Mr Horne, Evidence (to Public Accounts Committee), 8 April 2005, p33

¹²⁶ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, pp 28,31

¹²⁷ Mr Horne, Evidence (to Public Accounts Committee), 8 April 2005, p30

¹²⁸ Mr Horne, Evidence (to Public Accounts Committee), 8 April 2005, p33

¹²⁹ Mr Sherrard, Evidence, 29 April 2008, p23

¹³⁰ Ms Herd, Evidence, 23 April 2008, pp10-11

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meet the annual reporting framework in New South Wales but basically fairly much the GRI core principles.¹³¹

6.14 Mr Sendt explained how a framework such as the GRI would better utilise the considerable data collected by agencies:

There is a lot of data in the public sector and in public sector agencies. Often, it is compiled for different reasons, on different bases, perhaps covering the same subject matter. Data is compiled for annual reports, for internal management, for budget papers, for the Council on the Cost and Quality of Government, for the Productivity Commission's review of government service provision, and for interstate ministerial committees. In fact, there are almost so many sets of data that one could take a Machiavellian view that there is so much data it loses its clarity, its relevance and its utility. That is why we have argued there should be a framework... The current view seems to be: We will just continue to develop statistics for our own ad hoc needs, whether for budgeting, for annual reports, or whatever.¹³²

Can verification be improved?

6.15 Mr Horne explained to the PAC in 2005 that the Audit Office had had concerns about the quality of indicators for some years, observing that:

...while we have not been able to audit indicators in annual reports because we did not have a mandate for them, there also were not too many indicators in annual reports to look at in any event. But we have twice reported to Parliament on looking at agency annual reports.¹³³

6.16 Mr Sendt at the same time explained his concern that at the Audit Office, 'we have no mandate to audit performance information' and that there was a lack enthusiasm on the part of the Government 'in auditing the accuracy of KPIs...'.¹³⁴

6.17 He went on to explain that the lack of a framework made it difficult to validate KPIs effectively:

I think if there were a very clear framework that guides the appropriateness or the decisions as to the appropriateness of KPIs that I was happy with personally, I would be quite relaxed about looking at just the veracity of the indicators. But in the absence of that framework, I think it is difficult to give an opinion and say, 'Yes, these indicators are accurate' because that conveys an impression to the general public that the agency is reporting properly; whereas the indicators might not be timely, they might cover only a portion of the entity's activities and they might not be reproducible. There might be a whole number of reasons why they did not paint the full picture.

6.18 Mr Smith from Treasury conceded that there is no auditing of annual report material:

In annual reports there are only two [environmental requirements] and they are not performance indicators; they are disclosures that are required. They are not audited.¹³⁵

6.19 The Environmental Defender's Office made a case for improved verification of environmental reporting in its submission:

In order to ensure that agencies comply with their environmental impact reporting obligations, the EDO submits that environmental auditing by an independent body, such as the NSW Audit Office, is needed under any NSW scheme.¹³⁶

¹³¹ Mr Horne, Evidence (to Public Accounts Committee), 8 April 2005, p33

¹³² Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, p34

¹³³ Mr Horne, Evidence (to Public Accounts Committee), 8 April 2005, p30

¹³⁴ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, pp 30,31

¹³⁵ Mr Smith, Evidence, 29 April 2008, p48

¹³⁶ Submission No1, Environmental Defender's Office, pp6-7

6.20 In this regard Mr Sendt made the following point to the PAC in 2005:

...In June or July 1998, after agreement by Cabinet, Treasury issued a working paper which proposed many changes to the Public Finance and Audit Act and the Annual Reports Act. One of the changes Treasury proposed was to give the Auditor-General the mandate to audit key performance indicators. Some six and a half or almost seven years on, the Government has not acted on that. Nor has it said it will not introduce it. In the meantime, the number of States where the Audit Office does have that mandate has increased. Western Australia had that mandate in the early to mid-1990s, but more recently the Auditors-General of Victoria and the Australian Capital Territory, and, I believe, possibly Tasmania, have been given the mandate to audit KPIs, either on a selective basis as determined by the Auditor-General¹³⁷ or across the whole of government.

Should all agencies be mandated to report?

6.21 The Environmental Defender's Office observed in its submission that 'there are various short-comings of voluntary approaches' to reporting. Voluntary approaches have a 'poor track record in most contexts', including 'the lack of regulatory threats and inadequate monitoring'. The submission argued, therefore, that, 'environmental impact reporting should be mandatory'.¹³⁸

6.22 The EDO told the Committee that 'New South Wales should at least strive to get up to that standard where there is a legislative requirement' for agencies to report.¹³⁹ It set out its position on more detail in its submission:

There are however a number of reporting requirements in NSW for government departments and statutory bodies, such as annual reporting required by the *Annual Reports (Departments) Act 1985*, the *Annual Reports (Statutory Bodies) Act 1984* and the *Public Finance and Audit Act 1983*, and State of the Environment reporting as required by the *Protection of the Environment Administration Act 1991*. These laws place no mandatory obligation on public agencies to report on the environmental aspects of their operations...

The 'public sector' should be defined broadly so as to include all government departments, government agencies, statutory bodies and other government-related entities. This is necessary to achieve accountability and transparency of governance.¹⁴⁰

6.23 The Environmental Institute of Australia and New Zealand also addressed this point:

I simply add that where reporting is undertaken the results seem to be fair to good but the real question is that there are many public bodies where we simply do not know how they are going because we do not have an across-the-board commitment to achieve particular targets, and that is not backed by a systematic or consistent approach to reporting on performance.¹⁴¹

6.24 EIANZ argued in its submission that environmental reporting should be 'widely adopted as a high priority for public sector bodies'¹⁴², a point it restated at hearings, telling the Committee that one of 'the key elements' in an environmental reporting regime is a 'clear statement of commitment for whole-of-government action which is backed by targets'.¹⁴³

¹³⁷ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, p30

¹³⁸ Submission No1, Environmental Defender's Office, pp 4-5

¹³⁹ Ms Walmsely, Evidence 29 April 2009 p14

¹⁴⁰ Submission No1, Environmental Defender's Office, pp 4-5

¹⁴¹ Mr Sherrard Evidence, 29 April 2009 p20

¹⁴² Submission No 4, EIANZ, p2

¹⁴³ Mr Sherrard, Evidence, 29 April 2008, p20

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6.25 Citing a number of jurisdictions in Australia and overseas, its submission advised that mandatory environmental impact reporting schemes exist in several other jurisdictions in Australia and abroad. These were:

- Western Australia's State Sustainability Framework
- Victoria's Centre for Public Agency Reporting
- South Australia's Office of Sustainability
- Canada's Commissioner for the Environment and Sustainable Development.¹⁴⁴

6.26 Rather than unnecessarily burdening agencies Treasury argued for an aggregated approach to reporting:

I am not sure how useful it is for each agency in its annual report to disclose a great deal on environmental matters. Reference was made before to the red tape review and the need to reduce some of the existing requirements. As DECC is doing comprehensive environmental reporting, I would be more inclined to beef that up. If I was a user of financial and annual reporting information, I would be more likely to go to the sector-wide report prepared by DECC than to look in individual agencies for that information.¹⁴⁵

6.27 The consequences of overloading agencies with reporting requirements are inefficiency, Mr Smith argued:

Like all reporting requirements a cost is associated with the benefit of reporting. It is always a balancing act to determine whether the cost of the information justifies the benefit of that information. We could report on 307 indicators for each agency. As a result of that their annual reports could run to 500 or more pages and it would be difficult to determine what an agency did. My preference is for a more streamlined annual report that focuses on the core issues on which a particular agency focuses, and then perhaps at a sector-wide level we could report in more detail on matters such as the environment. It is more meaningful to assess it that way at a State level.¹⁴⁶

6.28 The Department of Environment and Climate Change, responsible for whole-of-government reporting, supported this argument, telling the Committee that efficiency was a key factor in developing reporting policy:

We have also been looking to more efficient reporting methods. It is often easy to say we should report on this or we should report on that, but if they are not the core business of agencies and if they are not things that are readily to hand, then they are not necessarily things that organisations focus on or report well. They can lead to inaccuracy and a report has to have a purpose.¹⁴⁷

6.29 Ms Walmsley, EDO, recognised opposition from central agencies like Treasury to detailed agency-based reporting acknowledging that, 'there are concerns within departments and certainly within Treasury that that would put an extra burden on departments for reporting'. She outlined, however, the benefits of individual agency reporting:

There is a PR element for departments whereby they can say, 'We have done this,' like, observed trends whereby they have improved their energy efficiency and so forth. But it is also a strategic tool for management if they can identify trends in their reporting and that inform resource allocation within the department. So, there is a range of benefits,

¹⁴⁴ Submission No1, Environmental Defender's Office, p 6

¹⁴⁵ Mr Smith, Evidence 29 April 2008, p48

¹⁴⁶ Mr Smith, Evidence 29 April 2008 p51

¹⁴⁷ Mr Rogers, Evidence 29 April 2008 p54

but I think it would not just be a burden because a lot of people think reporting is an additional burden. That is why we are saying it should be built into existing annual reporting requirements.¹⁴⁸

6.30 As noted above, the EIANZ was critical of the fragmented approach to reporting that focussed on individual agencies. It told the Committee being on 'an agency by agency level... does not allow whole-of-government reporting against its material impacts such as energy, water, waste and greenhouse gas emissions as an entire entity'.¹⁴⁹

6.31 However, Mr Sherrard from EIANZ outlined the advantages of agency reporting with regard to the approach in Victoria:

They are required to report against a set of indicators, I think roughly one dozen, on their environmental performance. One can compare that performance with the dozen of the agencies themselves. They can be looked at and at least within that set of government agencies, you can identify who is in a relative sense performing well and who in a relative sense has improvements yet to be made.¹⁵⁰

6.32 The Committee returned again to the issue of the efficiency of increasing environmental reporting obligations on agencies with the representative from Treasury at the public hearing:

The environment is extremely important, as is the health of staff at individual agencies and equal employment opportunity at individual agencies. I wonder how useful it is for each agency to be disclosing a great deal of information about that, in particular, when many agencies are very small. Earlier we were talking about Westpac. Westpac, which is a huge organisation, can really make some good environmental savings and do some good environmental reporting. But many public sector agencies are extremely small and are office-based. Is it fair to an agency such as that to burden it with a great deal of environmental reporting?¹⁵¹

6.33 Mr Smith stressed in this context the advantages of reporting on a sector-wide basis:

I also take your point that adding up the small gains in each of the agencies can ultimately result in the savings that have been achieved by Westpac, but that is best demonstrated at a sector-wide level. I would prefer the reporting of that to be done sector-wide rather than by individual agencies. It is easier to see the scale at a sector level.¹⁵²

6.34 Treasury, therefore, argued for keeping annual reports small:

I am not against data collection and I do not think anyone in Treasury is a climate change sceptic. The issue gets back to what I said before. Many important issues can be put in an annual report. The environment is one of those important issues. But how big do you want an annual report to be? How much are you interested in the activities of an agency? I would prefer it if these things were reported at sector level.¹⁵³

6.35 Mr Horne would agree with this position, as he told the PAC:

One of the questions that goes with that is how well they present in summary information. One of the other tasks I do is adjudge on the annual reports awards, so I get to look at annual reports from all over the place. Many include sustainability

¹⁴⁸ Ms Walmsely, Evidence 29 April 2008 p14

¹⁴⁹ Ms Mitchell Evidence 29 April 2008 p 20

¹⁵⁰ Mr Sherrard, Evidence 29 April 2008, p23

¹⁵¹ Mr Smith, Evidence, 29 April 2008, pp51-2

¹⁵² Mr Smith, Evidence, 29 April 2008, p52

¹⁵³ Mr Smith, Evidence, 29 April 2008, p53

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reporting and are becoming so long that they are like the A-K phone book. I think there is a problem then about how to produce material in a pithy way and make it user-friendly, otherwise we just get a lot of data that does not help anybody, and we just keep adding in more and they keep getting bigger and bigger. I think if it is not in one report it starts to fragment what it is that it is saying.¹⁵⁴

- 6.36 It should be noted here that Westpac again provided an interesting perspective for this discussion.
- 6.37 Westpac advised the Committee that environmental impact reporting should be seen as a matter of leadership. Ms Herd told the Committee, 'you only achieve genuine outcomes through having robust policy and governance frameworks. If you do not treat it like a core business issue, it will not become one'.¹⁵⁵
- 6.38 Ms Herd explained to the Committee that Westpac 'reports on around 120 different key performance indicators, which are numerical or benchmarkable performance indicators'. It constantly struggles to make its report 'with supporting policies and frameworks' more concise and still has 'not managed to crack the less-than-70 pages golden benchmark'. However, Westpac's solution has been to produce 'a separate electronic report, which is only about six pages long and which pulls out the key performance dimensions'.¹⁵⁶
- 6.39 DECC explained that, in order to limit reporting burdens on agencies, the current approach in reporting is to aggregate at the supplier level rather than impose the task on the agency, for a number of reasons:

We are also looking to make data more efficient by trying to capture it further upstream. In the new power contracts, for instance, we are looking at being able to get reporting by agency from the power provider rather than asking individual agencies to put it together. We are looking at the consumption of, say, recycled paper or other things like that, getting it from a contractor who was supplying it rather than asking the agency to tally up every time someone has gone out and bought a ream of paper... It is cheap to collect because they take it straight off the billing systems and it relieves individual departments of the chore of trying to go back and back cast from their own purchasing records, which are often distributed across the State.¹⁵⁷

- 6.40 This point was supported by Mr Craddock, from the Government Architect's Office, because it improved verification:

The more the agencies use our government contracts, the more confidence I have in the data because I have confidence in the management reports that we receive. ...so I would like to see all agencies that I report to—and I encourage them—get onto government contracts because it reduces their costs and minimises their greenhouse emissions through the additional buying of green power. It makes the reporting a lot simpler because the management reports that I get from our suppliers are very comprehensive.¹⁵⁸

- 6.41 The former Auditor General discussed these issues in some detail with the PAC in 2005. He outlined the rationale for whole-of-government reporting:

You would still need some overarching reports. Agencies can report on their activities, but you would need reports that bring together activities on a whole-of-government

¹⁵⁴ Mr Horne, Evidence (to Public Accounts Committee), 8 April 2005, p35

¹⁵⁵ Ms Herd, Evidence, 29 April 2008, p4

¹⁵⁶ *ibid*, pp 4,5

¹⁵⁷ Mr Rogers, Evidence, 29 April 2008, pp 54-5

¹⁵⁸ Mr Craddock, Evidence, 29 April 2008, p47

level, because there are many areas of government activity in which many departments may be involved. That is why we have also argued there needs to be, at the whole-of-government level, reporting at a high level that sits alongside the total State sector financial reports. This has been done in some jurisdictions overseas. It is still very much at an introductory level, but I think it is providing some valuable lessons.¹⁵⁹

6.42 But he also stressed there is still a role for individual agencies reporting. He told the PAC, 'I think individual agencies will still need to be held responsible for their contribution to sustainability issues through their own annual reports, but you will need reporting on a whole-of-government basis for the reasons that I have just mentioned'.¹⁶⁰

6.43 This is a view supported by the EIANZ:

I think horses for courses is probably the final point I would like to make on that, which is that if government sets its own broad targets, for example, a green power percentage that should be purchased across government agencies, then, yes, you should be measuring each individual agency's progress against a whole of government target. But it is important to measure each agency against its own performance year on year.¹⁶¹

6.44 This in turn provides 'consistently structured annual reports from each of those agencies' with which to assess their performance over time.¹⁶²

Comment

6.45 There are essentially three criticisms of the old environmental impact reporting framework.

6.46 Firstly, there is no single framework to structure and manage the performance indicators and associated reporting.

6.47 Secondly, reporting does not encompass all public sector agencies and is not mandatory.

6.48 Thirdly, there is little or no verification of relevant data.

6.49 The lack of a single comprehensive policy framework is a concern. In jurisdictions such as Victoria a more comprehensive and focused approach has occurred.

6.50 The Committee supports such a single framework, particularly one based on the comprehensive and universally accepted Global Reporting Initiative.

6.51 The arguments for mandatory reporting for all agencies are more complex.

6.52 At one level it makes sense to relieve smaller agencies from the burden of complying with reporting requirements when their activities are relatively insignificant in the overall scheme. On the other hand, however, this removes the agencies from direct accountability for their performance.

6.53 Certainly, inefficiency in the reporting process is something to be avoided.

6.54 However, this issue is also about leadership, ownership and responsibility. All government agencies should be showing leadership in this area.

6.55 Agencies that are not directly responsible for their own environmental impact reporting are not likely to take ownership of the matter. They are unlikely to be

¹⁵⁹ Mr Sendt, Evidence (to Public Accounts Committee), 8 April 2005, p34

¹⁶⁰ *ibid*, p35

¹⁶¹ Ms Mitchell, Evidence, 29 April 2008, p23

¹⁶² Mr Sherrard, Evidence, 29 April 2008 p21]

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concerned about any problems in this area and hence the need to change their operations accordingly.

- 6.56 Each agency should, therefore, be held responsible for its environmental footprint and hence improving its performance. They should report annually in their annual reports.
- 6.57 It is not unreasonable, then, to expect all agencies to have appropriate environmental management systems integrated into their operations and business systems to manage and report on environmental impact.
- 6.58 This is not an argument for excessive or unnecessary reporting. Rather, agencies should report simply and briefly on key, essential trend data that is material and relevant to their environmental impact.
- 6.59 While the Committee feels it is essential that a whole-of-government and sector-wide approach to environmental impact performance and its reporting is essential, this should not diminish the responsibility of individual agencies for improving their own performance and reporting accordingly.
- 6.60 There is a community view that environmental performance is a core issue in our activities and reporting annually on a small number of key indicators about the impact of an agency's activities is not an unreasonable expectation.
- 6.61 The Committee endorses the key environmental indicators identified by the Public Accounts Committee in its 2005 report.
- 6.62 Of course, it is vital that the data on performance indicators is accurate yet there appears to be no comprehensive verification mechanisms in place.
- 6.63 The Committee supports the development of independent verification of environmental performance indicators. While it does not mandate such a role for the Audit Office, it should be empowered to carry out such audits.
- 6.64 In the final chapter the Committee considers whether the new Sustainability Policy addresses any of these criticisms.

Chapter Seven - Conclusion

- 7.1 The previous chapter outlined concerns raised about the New South Wales public sector environmental impact reporting framework prior to the introduction in December 2008 of the NSW Government Sustainability Policy [the Policy].
- 7.2 It should be noted that the timing of the Policy's release has meant that the Committee did not take direct evidence on it as part of this Inquiry. The following comments then reflect the Committee's own review of the Policy.
- 7.3 The Policy is essentially an environmental reporting policy, yet the title implies that, as a 'sustainability' policy, it is addressing the Triple Bottom Line. An inspection of the Policy shows that this is not the case.
- 7.4 Performance reporting in the Policy is based on the action strategies rather than the targets so it is not clear how reporting of the headline targets will occur. For example, while reporting obligations for building ratings are set out under the office building strategy, no specific mention is made of reporting on achieving the greenhouse gas reduction targets.
- 7.5 Some of the actions proposed are vague, for example, in education, 'to implement cost-effective actions by June 2011...'
- 7.6 This notwithstanding, the new Sustainability Policy has been a step in the right direction.
- 7.7 The move to a single policy, with targets, is a good thing, as is the development of benchmarks and timelines, although the benchmarks in the Policy appear more to be lower-level targets.
- 7.8 This is the first step towards an environmental reporting framework which provides a broader, simpler system through which agencies report on their environmental impact.
- 7.9 It is, however, fair to say that some of the criticisms of the old framework are still valid for this new policy.
- 7.10 While the Sustainability Policy represents a form of overarching framework there is no mention of the GRI, how it has informed this policy and how its principles have shaped the policy.
- 7.11 Reporting by individual agencies in annual reports is 'encouraged' but is not mandatory. Nor, with the exception of the WRAPP element of the Policy, does the reporting apply to all agencies. If WRAPP can be comprehensive and mandatory why not the other elements of the Policy?
- 7.12 The purpose of environmental impact reporting in the public sector is to bring about improvement in (that is a reduction of) the environmental impact of government operations. The reporting process enables an evaluation of progress in achieving this objective and hence an incentive to make change.
- 7.13 The central role for DECC in consolidated reporting in the Policy is supported.
- 7.14 There is no good reason why comprehensive, individual agency reporting cannot coexist with whole-of-government reporting. This is neither inefficient nor duplication, it is cooperation.

Conclusion

- 7.15 Unfortunately, the Policy makes no provision for independent verification of data.
- 7.16 The review of this Policy indicates that New South Wales is still behind other jurisdictions in environmental impact reporting and needs to take steps to catch up.
- 7.17 Accordingly, the Committee recommends as follows:

Recommendations

RECOMMENDATION ONE

That application of all elements of the Sustainability Policy be extended to all public sector agencies

RECOMMENDATION TWO

That all public sector agencies report to Parliament, as part of their annual report, on their environmental performance under the Sustainability Policy.

RECOMMENDATION THREE

That the Government establish a program to support the implementation of environmental management systems within public bodies (or similar systems that are integrated into business management systems) to measure and report performance.

RECOMMENDATION FOUR

That environmental performance of agencies be independently audited.

RECOMMENDATION FIVE

That the NSW Audit Office be empowered to audit environmental performance information contained in public sector annual reports.

RECOMMENDATION SIX

That Government initiate an independent review of the effectiveness of the NSW Government Sustainability Policy after three years of its operation.

RECOMMENDATION SEVEN

That this review include an assessment of the Policy against the principles in the Global Reporting Initiative

Appendix 1 – List of submissions

<i>Submission No</i>	<i>Organisation</i>
1	Environmental Defender's Office NSW
2	Ms Sarah Gunn
3	Department of Environment and Climate Change
4	Environment Institute of Australia and New Zealand

Appendix 2 – List of witnesses

Public Hearing, Tuesday 29 April 2008, Waratah Room, Parliament House

<i>Witness</i>	<i>Organisation:</i>
Ms Emma Herd, Director, Emissions & Environment	Westpac Banking Corporation
Ms Rachel Walmsley, Policy Director	Environmental Defender's Office NSW
Ms Anita Mitchell, President, NSW Division Mr Justin Sherrard, Vice President, Australia	Environment Institute of Australia and New Zealand
Mr Phil Thomas, Assistant Auditor-General (Performance Audit) Mr Sean Crumlin, Director, Performance Audit Ms Jane Tebbatt, Director, Performance Audit	Audit Office of NSW
Harry Banga, General Manager, Contracting Services, Office of NSW Procurement Michael Wright, General Manager, StateFleet, Office of NSW Procurement Roy Craddock, Energy Management Services, Govt. Architects Office, Office of Public Works and Services	Department of Commerce
Mr Martin Smith, Principal Policy Analyst (Accounting Policy)	Office of Financial Management, NSW Treasury
Mr Tim Rogers, Executive Director, Departmental Performance Management & Communication Dr Carolyn Davies, Director, Water & Energy Programs	Department of Environment and Climate Change

Appendix 3 - Minutes of meetings

Minutes of Proceedings of the Public Bodies Review Committee (No. 2)

4.30 pm Wednesday 26 September 2007
Room 1102, Parliament House

Members Present

Mr Morris MP (Chair), Mr Ashton MP, Mr Cansdell MP (Vice Chair), Mr Draper MP, Ms McMahon MP, Mr Merton MP

Also Present

Victoria Le Gallais, Glendora Magno, Samantha Ngui, Hilary Parker, Pru Sheaves

The meeting commenced at 4.50pm.

...

2. Inquiry program

Public Sector Environmental Reporting

The Chair spoke to the brief, previously distributed.

Resolved on the motion of Ms McMahon, seconded by Mr Merton, that the Public Bodies Review Committee inquire into and report on environmental reporting in the NSW Public Sector with regards to:

- a) the efficiency and effectiveness of current practices;
- b) the adequacy of the policy and legislative framework;
- c) important principles in environmental reporting;
- d) the appropriateness of and potential for improvements in the quality of environmental performance indicators;
- e) frequency and methods of reporting;
- f) achieving maximum efficiencies in the reporting process;
- g) significant developments in other jurisdictions.

...

Minutes of Proceedings of the Public Bodies Review Committee (No. 4)

5.00 pm Wednesday 5 December 2007
Room 1102, Parliament House

Members Present

Mr Morris MP (Chair), Mr Ashton MP, Mr Cansdell MP (Vice Chair), Ms McMahon MP, Mr Merton MP

Also Present

Nina Barrett, Jonathan Elliott, Samantha Ngui, Hilary Parker, Pru Sheaves

The meeting commenced at 5.10pm.

...

2. Inquiry program

Public Sector Environmental Reporting

The Committee noted correspondence received in relation to the inquiry from:

- School Communities Recycling All Paper Ltd (dated 10 October 2007)
- Department of the Environment and Water Resources (received 24 October 2007)
- NSW Treasury (dated 25 October 2007)
- The Auditor-General (dated 31 October 2007)

as well as submissions from:

- The Environmental Defender's Office
- Ms Sarah Gunn
- Whole of Government (revised submission distributed at meeting).

Possible hearing dates in 2008 were discussed.

...

Minutes of Proceedings of the Public Bodies Review Committee (No. 5)

4.00 pm Wednesday 2 April 2008

Room 1102, Parliament House

Members Present

Mr Morris MP (Chair), Mr Ashton MP, Mr Cansdell MP (Vice Chair), Mr Draper MP, Ms McMahon MP

Apologies

Mr Merton MP

Also Present

Nina Barrett, Jonathan Elliott, Samantha Ngui, Hilary Parker, Pru Sheaves

The meeting commenced at 4.05pm.

...

3. Public Sector Environmental Reporting Inquiry program

- a) The Chair drew Committee Members' attention to the arrangements for the public hearing to be held on Monday 29 April 2008.
- b) Resolved on the motion of Mr Cansdell, seconded Ms McMahon, that the Chair write to the proposed witnesses confirming their appearance before the Committee.

c) The Chair briefed the Committee on potential site visits in Melbourne.

Resolved on the motion of Ms McMahon, seconded Mr Ashton, that interested Members undertake site visits to the proposed Melbourne locations and that a memo be sent to the Speaker recommending the expenditure of funds for this purpose.

The Chair proposed that the visits take place immediately following the Inquiry hearing. The Secretariat undertook to circulate a calendar to Members.

...

Minutes of Proceedings of the Public Bodies Review Committee (No. 7)

10.00 am Tuesday 29 April 2008
Waratah Room, Parliament House

Members Present

Mr Morris MP (Chair), Mr Ashton MP, Mr Cansdell MP (Vice Chair), Mr Draper MP, Ms McMahon MP

Apologies

Mr Merton MP

Also Present

Nina Barrett, Hilary Parker, Pru Sheaves

The meeting commenced at 10.00am.

Inquiry into Environmental Impact Reporting in the NSW Public Sector

Ms Emma Herd, Director, Emissions and Environment, Westpac Banking Corporation, affirmed. Ms Herd made an opening statement and was then questioned by the Chair, followed by other members of the Committee. Questioning concluded, the witness withdrew.

Ms Rachel Walmsley, Policy Director, Environmental Defenders Office, affirmed. Ms Walmsley tabled the EDO submission to the inquiry and made an opening statement. She was then questioned by the Chair, followed by other members of the Committee. Questioning concluded, the witness withdrew.

Ms Anita Mitchell, President, NSW Division, Environment Institute of Australia and New Zealand, and Mr Justin Sherrard, Vice-President, Australia, Environment Institute of Australia and New Zealand, affirmed. Ms Mitchell tabled the Institute's submission to the inquiry. Mr Sherrard made an opening statement and he and Ms Mitchell were then questioned by the Chair, followed by other members of the Committee. Questioning concluded, the witnesses withdrew.

The Committee adjourned at 12.15pm. The hearing resumed at 1.00pm.

Mr Peter Achterstraat, Auditor-General, Audit Office of New South Wales; Mr Sean Crumlin, Director of Performance Audit, Audit Office of New South Wales; and Ms Jane Tebbatt, Director of Performance Audit, Audit Office of New South Wales, took the oath. Mr Philip Thomas, Assistant Auditor-General, Audit Office of New South Wales, affirmed. The Auditor-General made an opening statement and then he and his executive officers were questioned by members of the Committee. Questioning concluded, the witnesses withdrew.

Mr Michael Wright, General Manager, State Fleet, Department of Commerce; Mr Harry Banga, General Manager, NSW Procurement Contract Services, Department of Commerce; and Mr Roy Craddock, Team Leader, Energy Services Group, Government Architect's Office, Office of Public Works and Services, took the oath. The witnesses were questioned by the Chair, followed by other members of the Committee. Questioning concluded, the witnesses withdrew.

Mr Martin Smith, Principal Policy Analyst, Office of Financial Management, NSW Treasury, took the oath. Mr Smith was questioned by the Chair, followed by other members of the Committee. Questioning concluded, the witness withdrew.

Mr Timothy Rogers, Executive Director, Departmental Performance Management and Communication, Department of Environment and Climate Change, and Ms Carolyn Davies, Director, Water and Energy Programs, Department of Environment and Climate Change, affirmed. Mr Rogers tabled the whole-of-government submission and made an opening statement. Mr Rogers and Ms Davies were questioned by members of the Committee. Questioning concluded, the witnesses withdrew.

The Committee adjourned at 3.50pm.

Minutes of Proceedings of the Public Bodies Review Committee (No. 8)

4.00pm Wednesday 25 June 2008
Room 1102, Parliament House

Members Present

Mr Morris MP (Chair), Mr Ashton MP, Mr Cansdell MP (Vice Chair), Mr Draper MP, Ms McMahon MP, Mr Merton MP

Also Present

Jonathan Elliott, Mel Keenan, Hilary Parker

The meeting commenced at 4.25pm.

...

4. Environmental Reporting Inquiry program: Study visit to Melbourne

The Chair and other members of the delegation briefed the Committee on the study tour. Discussion ensued.

Resolved on the motion of Ms McMahon, seconded by Mr Cansdell, that the Committee write to Sydney Water and the Department of Environment and Climate Change requesting advice on the strategies they use to drive behavioural change and the effectiveness of those strategies.

Resolved on the motion of Mr Cansdell, seconded by Ms McMahon, that the report of the Melbourne study visit be an appendix to the final report of the Inquiry into Environmental Reporting.

...

Minutes of Proceedings of the Public Bodies Review Committee (No 9)

4:30pm Wednesday 24 September 2008
Room 1102, Parliament House

Members Present

Mr Morris MP (Chair), Mr Cansdell (Vice Chair), Mr Ashton MP, Mr Draper MP, Ms McMahon MP, Mr Merton MP

Also present

Jonathan Elliott, Victoria Maigre, Ian Thackeray, Alex Moore (Intern for Mr Ashton MP)

The meeting commenced at 4:39pm.

...

4. Environmental Reporting Inquiry

The Committee noted that work has commenced on the draft report.

...

Minutes of Proceedings of the Public Bodies Review Committee (No 12)

4:30pm Wednesday 11 March 2009
Room 1102, Parliament House

Members Present

Mr Morris MP (Chair), Mr Cansdell MP (Vice Chair), Mr Draper MP, Mr Lalich MP, Mr Merton

Apologies

Mr Ashton MP

Also present

Ian Thackeray, Indira Rosenthal

The meeting commenced at 4:45pm.

...

4. Inquiry into Environmental Impact Reporting

The Committee noted the progress on the draft report. Discussion ensued on issues relating to the Inquiry.

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Appendix 4 – Transcript of proceedings

The public hearing took place in the Waratah Room, Parliament House, on Tuesday 29 April 2008 commencing at 10.00 a.m.

The following Committee members attended: Mr Matthew Morris MP (Chair), Mr Alan Ashton MP, Mr Steve Cansdell MP, Mr Peter Draper MP, Ms Lylea McMahon MP

EMMA HERD, Director, Emissions and Environment, Westpac Banking Corporation of Westpac Place, 275 Kent Street, Sydney, affirmed and examined:

CHAIR: I declare the public hearing of the inquiry into the environmental impact reporting in the New South Wales public sector. I welcome everyone and thank Hansard and the Secretariat for their time in helping us with this inquiry. It is pleasing to start with Ms Emma Herd from Westpac. I thank you for appearing before the Committee today for its inquiry into environmental impact reporting in the New South Wales public sector. We are pleased to hear your evidence today. In what capacity do you appear before the Committee?

Ms HERD: I am Director of Emissions and Environment for Westpac Institutional Bank. I am appearing from the perspective of providing corporate experience in environmental reporting and understanding environmental impacts on our business.

CHAIR: Do you wish to make an opening statement?

Ms HERD: Yes, I thought it might be useful to provide a snapshot of what Westpac is doing and also to hand out some props to keep everyone occupied while I am reading my statement. Basically I have brought along a copy of our annual sustainability report and most recent report, which includes all of our environmental reporting. I thought what might be useful was just to talk a little bit about what we have been doing for the past 15 years or so in terms of managing our environmental impacts, and to also give you a snapshot of how we have gone about implementing policies, procedures, governance, frameworks, measurement and reporting, and what some of the lessons learnt have been from that experience.

So, most people when they think of environmental impacts in the corporate sector do not generally think of the financial services sector as having a particularly large footprint but, as with most companies in the services sector that do have a large physical presence, it is worth remembering that within Australia we have around 27,000 employees. We have more than 820 branches, and that does not include, say, contact centres or, particularly, data management centres. We also have approximately 8 million customers who use our physical facilities. So the sorts of environmental impacts that you tend to have as a result of that and just quoting some of our environmental performance figures from that particular report, is that for our last reporting year, for example, each Westpac employee used approximately 8,900 sheets of papers, they drove approximately 14 million kilometres, consumed approximately 1,800 kilolitres of fuel, that is, a mixture of LPG, unleaded petrol

and diesel. They flew approximately 68 million kilometres, which is a whopping figure which we are continually struggling to get back down, and that is both international and domestic.

On the other hand they also recycled approximately 3,000 tonnes of paper, and significantly recycled 4,500 personal computers through the workbenches organisation, which refurbishes and recycles them and sells them back on a discount to low income and other members of the community. So in total when you look at our net footprint we produced approximately 110,000 tonnes of greenhouse gas emissions last year. Since 1996 we have reduced our total greenhouse gas emissions by 40% over 12 years, and predominantly all of that has been through energy efficiency—the big untold story of the Australian environmental impact scene, I think. So that is just our direct footprint.

Obviously, as a bank, another major impact in terms of our environmental performance is our indirect footprint which is what we refer to as our investment and lending activities, our ability to influence the entire economy through risk management, financial markets and who we lend to, how much we lend and how we actually price their performance on these sorts of dimensions. But for the purposes of today and based on my understanding of what you are focussing on, I will stick predominantly to the direct footprint, but feel free to ask me if you want to ask about any of our other policies in that area.

Basically when we talk about environmental performance we think of it in terms of one dimension of our overall sustainability performance or, as financial markets prefer to call it, the ESG performance, which is environment, social and governance. An ESG is an entire discipline of investment management now, which is growing at a rapid pace. So I will interchangeably sometimes use sustainability, ESG or environmental performance but effectively I will try to just talk about environmental against the wider backdrop. In terms of what it has done around environmental performance, obviously Westpac has been very committed to managing our impact for a number of years, and it made that impact pretty early on for its sector globally, and it also somewhat unusually right from the start made a commitment which was strongly endorsed by the top levels of Westpac in terms of the chief executive officer and significantly in terms of the whole board.

Westpac also made a very early determination that in terms of managing its environmental impacts it would do it the same as it managed any other area of business performance. It would not actually sit within community involvement, it would not sit as a sort of feel-good factor of random marketing, it would actually be managed in the same way that you would manage something like customer satisfaction, for example. The way you do that is you set up a policy, a governance framework and procedures for regularly monitoring performance against key dimensions. You actually understand what you are talking about when you go out to pursue a leadership position in the particular dimension. You audit and verify your performance on a regular basis, and you report, report, report in terms of what you are actually doing. I am just going to go through very quickly what Westpac has done in those particular areas around managing environmental performance.

In terms of policy, Westpac first launched formally its first environmental policy in 1992 after the Rio Summit. We reviewed that and re-released it in 2000-01. We are planning on reviewing it and re-releasing it again this year in light of the rapid developments in the regulatory environment, to say the least. Basically our environmental policy, which is available in full on our website, covers both our direct and indirect footprint, but, as I said, I will only focus on direct. It basically sets out our policy position on a number of key environmental issues. It also forms the specific policy component of what we refer to as our

broader sustainability operating principles, called "Our principles for doing business" and that covers all of our ESG dimensions.

The environmental policy deals predominantly with our direct footprint. It is the business principles which cover our policy position on issues such as climate change, our water scarcity, biodiversity, as well as all the other issues around social and governance performance. We also publish specific policy briefs on key dimensions of performance, say, for example, we have a paper procurement policy, a fleet procurement policy, an environmental risk policy for our investment lending activities and environment is also integrated into our sustainable supply chain management framework. So even though the environmental policy sits over here, it is also present in a number of different dimensions on specific areas of performance where relevant.

In terms of the governance framework that we established way back in 1999-2000, I think, we were very keen, as I said, right from the start to set up clear lines of accountability and ownership across the business for performance against this particular dimension. We set up a broad corporate responsibility and sustainability committee in 2000, of which membership includes both the Chief Executive Officer and the Chairman of Westpac and they meet on a quarterly basis alongside other board committees such as audit, remuneration and risk management. It has the same level of gravitas as the other committees. And it also receives quarterly data on our performance against all of our ESG dimensions, and on the environment side that includes quarterly performance data on energy consumption, paper consumption and fuel consumption effectively, or travel statistics in general.

Overall the chief executive officer of Westpac has responsibility for the group's environmental policies and performance—when I say group I mean Westpac Australia, Westpac New Zealand and Pacific Banking and our international operations. Within the head office in Westpac we have an environmental coordinator who manages the environmental policy development and ensures that the implementation of Westpac's policies is actually occurring on a group-wide basis. Otherwise I will be talking specifically about Australia, but those are the group-wide policies that we actually have that are applied globally. In the early years of setting up environmental management framework we did actually establish an internal environment advisory group, which was responsible for establishing measurement frameworks and driving performance outcomes on direct environmental footprint.

Since then we have actually found that in the past year or so we have separated that working group into two different working groups now. We have one which is the property sustainability group which focuses on the direct environmental outcomes, and that includes only members from property and sourcing, and the sorts of divisions of the bank that are responsible for our direct footprint. We have actually set up a separate one, a carbon and water forum, which is focussing specifically on the indirect impacts around our investment and risk management on carbon and water issues. And that sits within the Westpac Institutional Bank where the bulk of our influence and activities lie in that particular area.

In terms of actually setting up frameworks to understand and manage what our environmental impacts were, Westpac was the first bank to join the Australian Greenhouse Challenge in 1996. We use that process, and particularly the process of signing a cooperative agreement with the AGO to establish our baseline emissions and our baseline environmental performance, which was crucial for us at that stage because there were not

really too many banks reporting. There was not really a great deal of understanding around what the environmental impacts of banks or services companies, or services organisations, in general, should be. So that was really useful for us in having an agreed methodology for calculating our environmental performance, finding out where to source the information and, in particular, in the early days of calculating greenhouse gas emissions for the private sector that was not an energy intense sector. It was really useful for providing greenhouse coefficients and those sorts of technical methodologies for calculating emissions. We still use it as our foundation for calculating our environmental performance, and particularly our greenhouse gas emissions. It is handy that the Government is using that as the basis of the new national greenhouse energy reporting framework for that reason.

Since then, when we began our external or extra financial reporting, through our sustainability reporting, we also started applying frameworks, such as the global reporting initiatives, and in particular, the financial services sector supplement which Westpac was involved in developing, along with five other global banks in terms of the first version in 2000-01. In terms of governance, Westpac set up an environmental management system in EMS in 2000-01, which is based on ISO 14,001 but we are not officially certified to it. It was reviewed again in 2006, and we asked the question again, "Do we need to be certified to ISO 14,001?" Our auditors said "No, not really because we are a bank." "If you were a mine, perhaps it might be more relevant." A lot of banks choose to go for certification but in terms of the value that it provided to our organisation and the actual outcomes that it would achieve, the independent consensus was that it was not necessarily a valuable investment of Westpac's time and money. It is very useful for setting up a framework for managing your environmental performance and for putting in place structures around quarterly reporting and management systems. It is obviously something that we keep very much alive and we continue to evolve it and apply it.

We joined the Greenhouse Challenge in 1996 and that is when we first began reporting. That is when we first started gathering information on our baseline emissions. That was a crucial step for us in establishing that baseline, which we continue to benchmark our performance against, and since 1996 we have achieved a number of significant milestones. As I said, we have reduced our total greenhouse gas emissions since then by over 40 per cent. I mentioned before, the figures on paper consumption. When we first began, Westpac employees were consuming 12,000 sheets of paper per year and we have managed to get that down to 8,900, although it is still a whopping figure. None of it was recycled at all, or if it was it was done in an ad hoc fashion on the basis of an individual's personal passion in having a recycling bin put in place. We now have co-mingling across our entire operation. Not only do we recycle paper, we recycle all sorts of other substances as well.

We were the first bank in Australia and one of the first banks in the world to produce a sustainability report, particularly using the Global Reporting Initiative [GRI] framework. We were involved in the first year of piloting the GRI framework for banks. We are piloting the revised finance sector supplement this year. We also did that last year. We are involved in reviewing and developing that. We were also founding participants in a number of other significant industry initiatives such as the Equator Principles, which are risk guidelines for project finance, the United Nations principles for responsible investment, and a number of initiatives on the investment lending side.

Today we report on around 120 different key performance indicators [KPI], which are numerical or benchmarkable performance indicators. We apply the GRI, as I said, we apply

the finance sector supplement and we also report on the principles of the global compact to help us determine what some of our material issues are, rather than performance based data. We use the Greenhouse Challenge as our foundation for environmental reporting in Australia. We also report on a number of KPIs we developed in consultation with Australian stakeholders around issues that are relevant only to Australia, so they would not be in the international frameworks. The issues would include, say, affordability and accessibility of financial services—water emerged in the Australian sessions way before it did in the international ones—and issues around fees and charges.

We also have a CEO community consultative council that meets on an annual basis and is chaired by the Westpac CEO. It goes through a process of identifying a number of material issues that are of relevance to our sector and that we also report on in our sustainability report. That forms the discussion element of the report: What are we doing about these sorts of issues? Where do we see them going? It is less about our performance and more about our role as a major corporate in Australia and the influence we are able to exercise on those sorts of issues, such as climate change.

What are some of the actual issues that we have learnt? We have learnt it is important to maintain information in a single document to provide a comprehensive snapshot of your performance, but it is also necessary to translate that performance to different audiences on occasion. I am talking in particular about financial markets. We very strongly believe that extra financial performance, as we call it for the financial markets, is a crucial lead indicator of bottom line financial performance. We produce our annual sustainability report at the same time as our annual financial report. You will notice the sustainability report is called "Tomorrow". The full financial report is called "Yesterday" and the concise annual report is called "Today".

Essentially we very strongly believe the full financial report is Westpac's lag performance—that is what we accomplished in the last year—the concise report is where we are right now; and the sustainability report provides an indication of where we are going. It also provides, if you are looking at it from a financial markets perspective, an indication of how we are likely to perform financially in 12 months to two years to five years in terms of how well we are managing issues that are likely to impact our performance over the next few years. We also produce a separate electronic report, which is only about six pages long and which pulls out the key performance dimensions. That is specifically for financial markets and we email that out, along with our half-year and full-year financial results only to financial analysts. That interprets sustainability for market analysts and puts it into their speak so that they can also translate it into their models.

The second lesson we learnt is that stakeholder engagement is crucial. There is no point in producing a report or thinking that you know what all your impacts are if nobody cares and nobody is interested. You have to tailor your performance management to the most crucial issues for the most significant stakeholders for your organisation, otherwise you will spend your entire life doing nothing but gathering information and trying to analyse it and report it, and it does not have any value or is not as valuable as it could be. That is otherwise known in the reporting business as "carpet bombing"—producing a huge swathe of information—and the important information or issues discussion gets completely lost.

Thirdly, you only achieve genuine outcomes through having robust policy and governance frameworks. If you do not treat it like a core business issue, it will not become one. Fourthly, you need to reward and incentivise employee behaviour around achieving

environmental outcomes in the same way that you do every other business outcome. If you want people to use less paper you have to set targets for managers in terms of how they drive performance or behavioural change in the employees in their team. You have to continue to keep evolving. What was cutting edge 18 months ago is old hat now, so you have to keep learning from your experiences and continue to improve, refine and evolve in terms of what your employees will accept and support and what they want. The old adage that "what gets measured gets managed" is probably so crucial in this area. The fact that nobody was measuring paper consumption before 1996 is something I still find staggering. It is a major cost for the organisation and no-one had any idea how much we were using. You can imagine that for a bank—if anyone has ever received a public disclosure statement, which is usually between 40 and 120 pages long, you would know it is a significant amount.

Lastly, I think you have to be accountable for your performance, and that means audit and verification. This is a new area; most organisations are still trying to understand what their impacts are and their ability to influence some of those outputs. How do you go about achieving genuine improvements in terms of environmental performance? So the role of audit and verification is crucial on a regular basis in understanding where you are and whether you are having any impact on driving outcomes. That is pretty much it, so I am happy to answer any questions the Committee might have.

CHAIR: Thanks so much for that; it was good. I might just pick up on the last point about the audit process. Who does Westpac's auditing? Is it internal or do you engage external consultants?

Ms HERD: We engage Banarra Sustainability Assurance. They conduct a full assurance process based around our sustainability report on an annual basis, applying the AA1000 Assurance Standard. That is about a three-month process; they come and go to some extent. This year because of the changing regulatory requirements around environmental reporting at the national level we also did an internal audit of what our compliance requirements would be and how well we were meeting them. Normally we would not do that every year; we would do a specific environmental audit, say, every three or four years just to review the environmental management standards [EMS] and see how we are going in terms of collecting environmental data because a lot of it is quite problematic in terms of where you source it. Otherwise we do an annual assurance process.

CHAIR: Interestingly, I was going to ask you about the frequency of this report, which looks quite good. I had a quick flick through it this morning. Is that the primary tool to get your message to staff and shareholders and interested parties?

Ms HERD: Yes, I would say that and the website. All the detail in terms of supporting policies and frameworks is on our website. We constantly struggle to make this report more concise, but we want to maintain the right balance between data and discussion. A lot of people tell us that they find the discussion aspect of what we think about certain issues most valuable. We struggle to make it shorter every year and still have not managed to crack the less-than-70 pages golden benchmark.

CHAIR: If I were a staff member would that be my primary resource to look at what the organisation is doing environmentally?

Ms HERD: We tend to integrate the messages and the performance outcomes from the report continuously in internal employee communications and we always reference back to the report. For example, we might say, "We have just hit our recycling target, as you can see from the figures that have just been published in the report." So they are referenced back to the report and we do that all year basically.

Mr ALAN ASHTON: Is this made available within your banking branches to ordinary customers who are sitting there waiting to get their loan approved or knocked back? Do you hand them out? If not, I think you should.

Ms HERD: A few years ago we did experiment with distributing it through all our branches. We published around 60,000 copies of a newspaper version and put them out through our branches. Twelve months later we had about 55,000 still sitting in the warehouse. We employed a different tack. We break it down into chunks of information and incorporate it into all sorts of different documents. We also have screens in a lot of our branches which do the live visuals. Far be it from me to say, "When you're standing in the queue", but you see some of the stories and live interviews and that allows us to keep it more up to date for customers as well.

Mr STEVE CANSDELL: In your presentation you talked about incentives for better environmental outcomes for your employees; for example, with the 12,000 sheets of paper coming down to 8,900. Is it a feelgood incentive? How do you encourage participation in that?

Ms HERD: It is a mixture of both. We often find, particularly with the environment, that a surprisingly large number of people for all their "I'm a hard-core cynical banker" exterior actually have a very strong personal interest in environmental outcomes. In specific areas we are targeting for a particular year we will build performance incentives into their performance management framework. We also do reward and recognition; we have annual CEO environmental awards that are specifically focused on recognising business initiatives. It is not just how many trees you have planted in your neighbourhood, it is what you have done to improve the operational efficiency of the services and products we deliver. We promote the bejesus out of people who actually develop really innovative ideas externally in the media as well, so it is a good career development opportunity for them. Also, like I said, in particular areas of performance that we are targeting we do build it into their performance scorecard.

A lot of the main jobs in group property, for example, have it as part of their job. One of the four dimensions of performance of the head of group property risk is sustainability performance. She has about 25 managers and each of them have particular environmental dimensions. It is part of their actual job to reduce our energy consumption, for example. The head of supply chain has, as part of his job, to integrate sustainability policies. Rather than actually pulling it out and making it something separate, we are very much going through a process of continuously pushing it down, so it is not even exceptional, it is not something different that you are doing, it is actually just, "If you take this job, this is also what you have to manage". It is not always relevant to every single area in the business and I would not go so far as to say we have got to every area of the business, but that is definitely what we are looking to achieve over the long term.

Ms LYLEA McMAHON: One of the things you mentioned was that you provide a different form of reporting to the market analysts. Can you give me an example of some of the key performance indicators [KPI] that you do report on for that group?

Ms HERD: Okay. For the financial analysts it is the same basically, but we package it up in a much more concise fashion. It is all at the group level, rather than you will notice here we break it down between Australia, New Zealand and the Pacific to make it more relevant to the local stakeholders. For the financial markets we put it at the group level, so for all of Westpac this is how many employees we have, et cetera. We break it up into the ESG dimensions because we know that that is the most attractive model that investment analysts are applying and that they are actually building it into their existing models of financial analysis around those dimensions and there are a number of agreed KPI.

For example, if you look at the social side of it, it is all around human capital management issues, so it is around the diversity of your workforce, women in management, how successfully are you tapping into different sorts of skilled labour pools; it is around employee turnover and it is around remuneration issues. If you are looking at the environmental dimension, it is total greenhouse gas emissions, total energy consumption, total water consumption, and there is usually a greenhouse gas efficiency measure for most industry sectors. Finance has not really quite agreed on one yet, so we tend to do both, we tend to do both CO₂ per employee and CO₂ per metre squared as our main efficiency measures.

Under governance it can be a number of things. Usually we look to publish our results against independent governance benchmarking surveys. Governance Metrics International is the one that most corporates are using now, so we publish our assessment against that, and then also whether we have been subject to any fines or legal action or those sorts of issues. That is a pretty quick overview of the main KPIs that we provide at the group level and then we also pull out the objectives that we set out in the report and we just do a series of tables reporting on our performance against each of those objectives for the year, or to date if it is half-year.

Mr ALAN ASHTON: Banking can be a ruthless sort of business. In relation to key performance indicators, do you have people who take a great interest in what ANZ, NAB and the Commonwealth Bank might be doing in this area, or do you think Westpac is leading the field, or do you sort of think, "Well, we had better do this because everyone else is doing it", or is there some worldwide trend? I am presuming in America it is not a big deal, but I might be wrong.

Ms HERD: I would say that the core group of banks that began or really pushed the whole agenda for sustainability more broadly and environment specifically were German, Swiss, one Australian—us, one South African bank, and then three or four UK banks. Since then, you can look at an initiative called the United Nations Environment Program Finance Initiative, which is a good benchmark for finance industry participation. That started with eight members, including ourselves, and there are now about 200-250 financial institutions globally who are members of it.

Mr ALAN ASHTON: So Westpac was one of the eight, and now it is 250?

Ms HERD: Yes, and in the early years when we were trying to convince everyone of the benefits of sustainability and I think there was a fair amount of cynicism in the external environment in Australia, it was very much considered a reputational program in terms of improving the bank's reputation. I mean it is not coincidence that when we began a lot of these initiatives was just after the cash for comment affair, not long after the Westpac letters affair where we sailed very close to the wind in terms of our financial performance, so there was a recognition within the bank that we needed to be doing what we were doing very differently rather than just communicating it differently. That sort of started a lot of it, but since then there has been a lot of push to get recognition for the fact that we are not doing it any more because we think it is a good thing to do or because we think it will improve our reputation, we actually genuinely have seen that it does contribute to financial bottom-line outcomes and it does provide a source of innovation and drives different sorts of behaviour in your employees, which is what you want in a fiercely competitive environment. We are actually quite gratified to see that three of the four majors are actively and aggressively competing on sustainability dimensions.

Mr ALAN ASHTON: Can you name the one that is not, or give an indication?

CHAIR: Which bank?

Mr ALAN ASHTON: I will take that as a clue.

Ms HERD: The credit unions in Australia have also been extremely active, I might add, and have done a lot of really innovative product development on the retail side in particular, capitalising on the State-based environmental schemes which exist, which promote household energy efficiency, for example. It is much more difficult for the big banks to do the same thing on the retail side because obviously we operate nationally and we do not want different certification and accreditation schemes operating in every single State—if you are looking at something like a home loan which incentivises solar hot water systems and every State has a different rebate scheme, for example—so we have tended to focus on the big end and the credit unions have been extremely successful in developing products which focus on particularly household environmental performance.

Mr PETER DRAPER: You said the report is one of the main tools along with the website. When you refer to the website, is it a standalone website or if I go to *westpac.com* do I stumble across it? Are you measuring and monitoring how many people are actually going in and using it?

Ms HERD: Yes, if you go into *westpac.com.au* there is an "About us" tag and, if you go there, it is all there.

Mr PETER DRAPER: Can you identify who actually goes into your section, or how many?

Ms HERD: We cannot identify who; we can identify how many. It does go in peaks and flows. We find that at the time of the report release and particularly in the three months around it we do get substantial amounts of downloads, more than any other page on the website in a condensed period of time, except for the release of the financial results. The fact that it is on a par with the release of the financial results I think is pretty amazing—it is something we only discovered mid last year actually. We have also just reorganised our

entire website, so our previous download statistics are not comparable with last year's because we have different pages now, but yes, we are definitely tracking how many people are reading it.

Mr PETER DRAPER: I am interested in your fleet policy. They are amazing statistics: they travel a long distance and spend a lot of time. Does the monitoring process actually drive your future direction for policy? When you have a very high usage rate and through management you reduce it, you are going to get to a minimum standard, are you not, and if you want to get continual improvements you have to have a change of the mix of fleet or be doing something different with your fuels?

Ms HERD: Yes.

Mr PETER DRAPER: Is this what is driving your future policy?

Ms HERD: That is precisely what we did. Over the last few years we actually progressively converted most of our fleet to LPG gas. We sort of stabilised in terms of the emission reductions from the fuel conversion. There are a certain amount of cars that we cannot change because of the availability of LPG, particularly in rural and regional areas.

Mr PETER DRAPER: Do you use hybrids?

Ms HERD: We do not use hybrids. We first looked at purchasing hybrids about five years ago and there was limited supply in Australia for the size of our fleet, which is about 750 cars, from memory. When we reviewed and re-released our fleet procurement policy this year we looked at the question of hybrids again, but when we actually did a full life cycle analysis we found that it was more environmentally beneficial for us to buy smaller, more fuel-efficient cars than to buy hybrids.

Mr PETER DRAPER: Do you use local cars or imported cars, or a mixture?

Ms HERD: A mixture, definitely a mixture. The bulk of our fleet is made up of red VWs at the moment.

Mr ALAN ASHTON: That is all the little Beetles.

Ms HERD: Yes. The little red Beetle proved to be much more environmentally friendly than the Prius actually, which is something I was personally surprised at, to be honest, but otherwise in regional areas we have the same sorts of issues about having to meet certain car specs.

Mr ALAN ASHTON: You are not using a red V8 Commodore—just to have a shot at the Chairman.

Ms HERD: We cannot get the rural bankers into a red VW, to be honest. The other issue we have found is that sometimes the best environmental outcome is not the most obvious one and you do need to look at the whole picture. Obviously as a banker I am going to say this, but you do need to take an aligned perspective. A few years ago when we first looked at the Prius we were thinking that would be the best environmental outcome, but it was hugely expensive and there was just unavailability of supply at the time because there

was such a massive amount of demand, so when you look at all of the different dimensions of performance in terms of the total life cycle analysis of the cars, availability of supply, cost considerations for your shareholders, you have to make a decision based on all of the outcomes, not just on one dimension or the other, in the same way that we have been biased towards financial over environmental for the last—well, since the industrial revolution, you could argue.

Mr ALAN ASHTON: You were 17 when you started.

Ms HERD: Yes, and you do not want to switch back the other way now and go environmental instead of financial.

Mr STEVE CANSDELL: While initially there was a high cost I am sure to implement environmental policy, do you find that that cost has come down with the savings and it is parallel at this stage, or still do you have a high cost in implementing your policies?

Ms HERD: I would say probably in the early years it was zero cost because it was all energy efficiency. There might have been some initial outlay for things like more targeted metering on electricity, but you can do something as simple as take out half your fluorescent bulbs, for example, and reduce your energy consumption by a huge amount; you switch to more energy-efficient tubes and you save another whopping amount of energy; you put in place timers in all your meeting rooms so that when people are not in there the lights go off, and you have barely even scratched the surface and you have achieved another huge swathe of energy-efficiency gains. So I would say actually that all or most of the initial activities were low-cost.

We started outlaying more money in terms of when we looked to build our new corporate headquarters and we were deliberately seeking to go for 4 stars or 4½ stars rating on that building, which was the biggest building in Australia at the time to achieve that. We looked at all different dimensions of environmental performance. To be honest, I have never sat through so many meetings discussing in tedious detail the recycled content of the PVC covering on the cables between the walls. Everything that we could think of we tried to do. But because of the size of the building there were some things that were out of our remit.

Mr ALAN ASHTON: Where is the building?

Ms HERD: It is on Kent Street, just near the docks. The other thing we did is establish a trust and we own the building for the first 15 years of its life, so even just 15 years allowed us to invest in a whole series of more environmentally beneficial outcomes because we had a longer payback period factored in, whereas most investment decisions—two, three years at the most, unless you are talking about building a coal-fired power station and then you are look at 30 to 40 years. So it is at opposite ends of the spectrum. Once you actually start making investment decisions based even on the medium-term outlook you actually get a completely different perspective on what is viable and what is not financially.

Mr STEVE CANSDELL: This is probably just out of the range of the inquiry, but you did touch on it earlier. How do you and how can you manage your indirect environmental footprint?

Ms HERD: There is a lot focus on this at the moment. There are probably a few dimensions. One is in terms of providing products and services which actively incentivise better environmental behaviour. To give you a real example, within every Westpac home loan that you take out you receive a package of discounts and incentives on household energy-efficiency and environmentally friendly products and services, such as you get a discount on a solar hot water tank, you can access much cheaper insulation—those sorts of really practical initiatives—and the way we look at it is that banks are usually the intermediaries between every form of economic activity. It is at the point where you are borrowing money that you are actually making a decision about what you intend to do, so it is at the point where you are borrowing money where you are actually able to say: Have you thought about doing this? Or you are actually able to say: If you do that, we are going to price you higher on the risk side because we think you are taking a very short-term perspective.

Just to backtrack, it is in terms of developing products and services that actively provide and promote different sorts of behaviour. It is in terms of putting in place risk management frameworks which ask the people that you are lending to what they are doing to manage their performance in this area, and then price them as well if they are under-managing their performance in this area through things like the accredit principles. It is also about actively seeking to invest in cleaner greener activities, and engaging with clients that are in carbon-constrained activities or sectors of the economy at the moment to try to determine more environmentally friendly paths forward. It is also about using financial market instruments—which is where I began talking about emissions trading—to provide incentives for different types of economic activity through a whole range of impacts in relation to emissions trading.

Mr STEVE CANSDELL: What influence would you have if industry came to you with a low-risk, high-return investment that involved huge smoke stacks polluting the environment? How would you manage that?

Ms HERD: Typically, if it involved massive smoke stacks, it is likely that it would be a project finance investment. Under the equator principles, a voluntary set of guidelines that initially nine banks signed—85 per cent of the world's project finance is constrained to these voluntary guidelines—unless you meet those minimum requirements, which are higher than the regulatory environment in every country in the world, the banks will not lend to you. The threshold was originally \$US50 million, which is a bit pointless for us because we have already reached that threshold. We just applied it to everything.

In the early couple of years we had some interesting conversations with certain customers. In relation to project finance, most of it is syndicated and the chances of you receiving any project finance from a syndication that does not include at least half a dozen equator principles these days is infinitesimal. Those sorts of voluntary initiatives can have substantial outcomes in actively supporting the business case for companies on the receiving end of the finance to invest additional capital outlay to improve their own environmental outcomes.

Mr ALAN ASHTON: That became a bit of an issue with the Gunns pulp mill in Tasmania. It got the go ahead, everything looked good, and it then had to ask the banks for some money. Some of the banks started to worry about their reputation and did not want to lend any money for something that might not be environmentally friendly.

CHAIR: You referred on a few occasions to the global reporting issue. Can you give us an idea of the benefits and drawbacks of that?

Ms HERD: It is an internationally consistent set of reporting guidelines. The benefits are that it provides quite specific details on how to go about collecting information on which you are looking to report. A lot of companies that are reporting against the Global Reporting Initiative [GRI] traditionally have not been gathering information for these indicators or, if they have, it has been buried away in different sorts of systems and processes for different reporting outlets. The guidelines state, "This is what you are reporting. Why? Stakeholders want to read this. Look to these sorts of reporting channels." If we were in Australia it would state, "Use Anzac codes." If we are looking at lending with a high environmental benefit it would state, "Look at your Anzac code"—which is how you break up all your finance in industry codes—"and identify which industry sectors are more likely to have higher environmental outcomes based on that." You can then run a model that pulls out the data for you.

It provides really useful tips like that. It also provides a very useful yardstick in reporting against other companies. It allows you to benchmark performance. Whereas previously you could have had half a dozen banks all reporting the same indicator and gathering completely different things and all the data was incomparable, now you have a fair amount of assurance that you are both reporting the same thing from the same sources and the figures are comparative. You can then internally benchmark your performance against your competitors and continue to drive performance improvements on that basis. Those are some of the benefits.

One of the drawbacks is that it is huge. You are expected to report on a huge number of indicators. It is important that companies or organisations go through a process of determining the most important issues for them to report on for their consideration. The Global Reporting Initiative would include every issue of relevance but it might be relevant, for example, for the Northern Hemisphere, as is often the case, or it might be an issue that is particularly important for Latin America. In the banking industry the question of remittance is more important for many developing countries than it is, say, for Australia and New Zealand. You have to be able to apply an overlay of materiality.

What are the most important issues for your sector and for the people about whom you are reporting? You have to base it also on your own regulatory requirements, so I guess that its size is off-putting. Referring to where they are going with the new G3 guidelines and the rating system involving A+ and B+, I think it would be fair to say that there is a fair amount of pushback from people who are reporting who think it is overly complicated and does not provide as much value as it is obviously intended to, and that it does not really solve the conundrum of comprehensiveness verses materiality. How do you report on every issue that is relevant, while at the same time reporting on the most important ones?

CHAIR: On behalf of the Committee I thank you for your time and input.

(The witness withdrew)

RACHEL LOUISE WALMSLEY, Policy Director, Environmental Defenders Office, Level 1/89, York Street, affirmed and examined:

CHAIR: In what capacity are you appearing before the Committee today?

Ms WALMSLEY: I am a lawyer with the Environmental Defenders Office [EDO]. I am the policy director so I head up the policy and law reform section. We obviously made a submission to this inquiry last year.

CHAIR: The Committee received a submission from your organisation. Do you want that submission to form part of your evidence today?

Ms WALMSLEY: Yes, that is fine.

CHAIR: Would you like to make an opening statement?

Ms WALMSLEY: I have a short statement. The EDO welcomes the opportunity to address the review committee on this important issue. For those of you who are not familiar with the EDO, it is a community legal centre that specialises in public interest environmental law. I would like briefly to reiterate our key recommendations. Firstly, the EDO supports mandatory environmental impact reporting in New South Wales as an element of triple bottom-line reporting. We believe that the public sector should be broadly defined to include all government departments, statutory bodies, agencies and other government entities.

The principles of ecologically sustainable development need to inform the creation of a mandatory reporting regime. An environmental impact reporting scheme should be mandatory as voluntary schemes are inadequate due to the lack of regulatory safeguards and insufficient review mechanisms. Environmental performance indicators need to encompass all the potential environmental impacts of a public agency's activities. With the significant threat posed by climate change, greenhouse impacts, both direct and indirect, need to be reported. The EDO supports annual reporting and triple bottom-line reporting should be included in annual reports currently required under existing legislation. This is administratively efficient for government departments and it is convenient for the community.

The New South Wales Audit Office is the independent body to use to ensure that public agencies are meeting their reporting obligations, and to verify information provided. Finally, we believe that the triple bottom-line reporting regime for the public sector in New South Wales should be consistent with international guidelines, for example, the key principles found in the Global Reporting Initiative.

CHAIR: I noticed in your submission that you are very strong on triple bottom-line reporting?

Ms WALMSLEY: Yes.

CHAIR: In my experience there are some mixed views about that across the board. Could you give us your understanding of why it is the appropriate standard, and why you are so strong on that issue?

Ms WALMSLEY: Certainly. I think triple bottom-line reporting, having the three pillars, stems from ecologically sustainable development principles. For comprehensive reporting you really need to integrate and tell the whole story. To give a practical example, the EDO in its law reform policy work reads the annual reports of departments. We find that very useful in trying to pick up trends and areas in need of law reform and so forth. At the moment they are highly variable between departments. For instance, the Department of Planning put out an annual report on its part 3A projects. That report contained a table that stated, "Part 3A project. How many jobs were created by the development and how much money did the development bring in?"

There were only two columns; there was no column about the environmental impact or the community consultation. In that respect it told only two-thirds of the story. One of the important things about triple bottom-line reporting is that you are getting the three pillars and they are all interrelated. The private sector is increasingly aware of the fact that it cannot fail to report on the environment any longer. If it is to be genuine about sustainability it has to report on all three pillars. As I said, from an efficiency point of view there are already requirements for annual financial reporting and annual reports. We should just build the third factor into those. We are not creating a whole new additional burden; we are just strengthening the reporting that is currently happening.

CHAIR: Do you think that is an historical issue, particularly in the private sector, which, generally speaking, might not be as committed to environmental outcomes and environmental reporting as it was many years back? It is bit different today because of the climate we are in and the nature of public debate concerning environmental impacts.

Ms WALMSLEY: Certainly. Historically, the financial bottom line has always been the driver for the private sector and also largely for the public sector. But I think community expectations are that it is not sufficient to report only on the financial bottom line; you also have to report on social and environmental impacts.

Mr STEVE CANSDELL: You referred earlier to making environmental impact reporting mandatory rather than voluntary. How would that be audited and who would police it? What fines or penalties would be imposed for non-reporting?

Ms WALMSLEY: We would prefer a mandatory system because, in our experience, while you get some good reporters in voluntary schemes they are variable in outcomes. The recent reporting of the National Packaging Covenant is a good example of that. It was established that some of the data was from New Zealand and it was questionable reporting. We do not have the safeguards there, which is why we are saying it should be mandatory. In our submission we say that the New South Wales Audit Office should play a role in auditing it. At this stage we do not have specific dollar sign recommendations for penalties.

We have been undertaking a review of reporting at the Federal level. Under section 516A of the Environment Protection and Biodiversity Conservation Act they have their sustainability reporting requirements for the public sector, which is good because we support mandatory legislative provisions that state, "You will report." In reviewing that we have found that different departments have very different levels of compliance, but there has been no follow-up. There has been no monitoring and auditing of how that has been happening at a Federal level. Even though they have the provision there, which is great, and

they have some excellent guidelines and criteria, there is not the follow through to check that departments are doing it correctly.

Some departments are doing quite well—obviously, the environment and heritage department because it has to. Other departments have kind of either ticked a box saying, yes, that was environmental and, yes, that was economic, and others have just said things like, "Please refer to last year's data." That is not really informing the community. It does not allow to identify trends and change. So we think that follow-up needs to be mandatory, but then there does need to be monitoring and auditing by an independent body to make sure that the quality of the reporting is useful so that you can have the benefits from it.

Ms LYLEA McMAHON: For that information to be meaningful it is often useful to compare it to other things. Obviously you need to have some consistency in the measures that are used and there are a number of different models or recommendations in what the measures or what the KPIs should be. Do you have a recommendation or a view on what would be best practice?

Ms WALMSLEY: As we have said, there are good examples for indicators. For example, with the global reporting initiative, the public sector supplement has really good bits we think about reporting on community consultation and how a department chose what stakeholders it spoke to—for example, a good level of detail like that. The Federal EPBC reporting requirements has really got good criteria about reporting on change from last year, how has this improved within the department, and also on green procurement. So, you are right in that there are an awful lot of potential criteria. I think the best mechanism would be to have your mandatory legislative requirement and then have the criteria, the reporting indicators, in a regulation, not in the Act, so that you can add to them more easily without having to go back to Parliament and add new indicators. So that you have the flexibility to add additional indicators. If they are in a regulation or a secondary document, they would be easier to add. In terms of a department's ecological footprint, we are learning new things all the time about measuring externalities and so forth. So, it would be really useful to have a flexible enough mechanism that had clear core mandatory values but whereby you could also add new indicators in the future if it came to light that that would be a useful thing to report on as well.

Mr PETER DRAPER: Can you give the Committee an idea of what you think is good about the global reporting initiative, where there could be improvements and what sort of improvements would make it a better system?

Ms WALMSLEY: I think what is good about it is that it is internationally recognised in over 50 or 60 countries now. So, it has been fairly widely embraced. So it is a good starting point and there seems to be consensus. In terms of possible flaws, even if you read some of the literature put out by the GRI Secretariat, they say, "This is a work in progress. We are continually improving this and we recognise there will be additional things to add and there are ways we can improve." So I think, as you have already picked up, it is extremely difficult to get a set of indicators that covers all departments and all activities. I think it is always going to be a slightly interactive process, so long as the GRI is flexible enough. You do need certainty for the people reporting, but you also need a little bit of flexibility to make sure that your reporting indicators are the right set of indicators that are tailored to the particular sector. I think they have done some good work, especially in their sector supplements, of kind of tailoring the reporting to different areas.

CHAIR: How well do you think the State agencies are doing in environmental reporting?

Ms WALMSLEY: New South Wales?

CHAIR: Yes.

Ms WALMSLEY: I think we are a little bit behind other jurisdictions. I think there are opportunities where we could report better, certainly. As I said, we have been doing a review of the Federal system and while that is by no means perfect, it has put a lot of thought into its guidelines and criteria. I think definitely New South Wales should at least strive to get up to that standard where there is a legislative requirement and there is guidance given out to departments. I know there are concerns within departments and certainly within Treasury that that would put an extra burden on departments for reporting, but there are also, in our view, the benefits of better reporting. There is a PR element for departments whereby they can say, "We have done this," like, observed trends whereby they have improved their energy efficiency and so forth. But it is also a strategic tool for management if they can identify trends in their reporting and that inform resource allocation within the department. So, there is a range of benefits, but I think it would not just be a burden because a lot of people think reporting is an additional burden. That is why we are saying it should be built into existing annual reporting requirements.

Mr STEVE CANSDELL: We just heard from the Westpac representatives and they were talking about their programs being very cost effective. If anything, they are ahead financially because of the environmental projects they have put in place saving on power, paper, fuel, cars and the lot, you name it. Maybe those guidelines and programs need to be put through State Parliament so that those cost savings balance out any cost for reporting and initiating some programs?

Ms WALMSLEY: Yes. I think it is really interesting that some of the early movers in the private sector are really leading the way on this and have found that they are making savings once they identify issues. They do an audit and identify ways that they could improve, for example, their energy efficiency. I think it does add up because you do save the money in the end. I think that is a pretty strong counterargument against concerns that the reporting burden will be extra.

Mr STEVE CANSDELL: If it is only superficial reporting, you will not have any gains whatsoever. So serious programs have to be put in place on which to report.

Ms WALMSLEY: Yes.

Mr ALAN ASHTON: When the Environmental Defender's Office, as part of the Legal Community Centre, rings up someone, sends an email or knocks on the door of various government departments, or private companies for that matter, is it viewed as something like, "We don't want to talk to them" or "They're a pain in the neck" or do you get free access? Are they happy to talk to you or are they a bit guarded?

Ms WALMSLEY: With government departments?

Mr ALAN ASHTON: Yes.

Ms WALMSLEY: We have quite a good relationship with a number of government departments. For instance, with DECC we will sit on review committees and we will work on legislation with them, but at the same time we have occasionally run a court case against them as well. So it is kind of a sophisticated relationship there. We have a few court cases in train against the Department of Planning, but in the policy team that I head up we also work with them on planning reforms and so forth. The EDO is kind of an honest broker. We are not an environment group. We give legal advice on environmental and planning law and have done for 20 years. So we have kind of got a reputation of playing with a straight bat. We say, "This is our view. These are the pros and these are the cons in this particular policy." So, we are not like an environmental lobby group but, obviously, because we are called the Environmental Defender's Office it does sound like we are.

Mr ALAN ASHTON: Yes, it just seems that the title could confuse people as though you are the sort of environmental police, if you like?

Ms WALMSLEY: Yes.

Mr ALAN ASHTON: But you are not technically a government agency so, therefore, people might say, "We don't have to talk to them. We're a bit worried about what they might find out."

Ms WALMSLEY: No. It is interesting, I think, once people understand what we do. For instance, we do a lot of regional workshops where a lot of farmers and irrigators come along. Originally they think, "Oh, who are you? Greenies from the city." But once we say, "Actually we provide legal advice" we have had partnerships with a whole range of different people, councils and government departments—a wide range.

Mr PETER DRAPER: You mentioned that you got along well with some government departments. Which ones do you not get along with?

Ms WALMSLEY: We are having a slight disagreement with the Department of Planning with some of its recent planning reforms. Our perspective is very much focused on strong community consultation and a thorough environmental impact assessment. Some of the more recent reforms are kind of streamlining a lot of the planning processes. So, we are having a robust debate there. Different philosophies I think.

Mr ALAN ASHTON: Full and frank discussions, all those sorts of terms?

Ms WALMSLEY: Absolutely.

CHAIR: You are recommending that the Audit Office play an audit role in environmental reporting data. Do you think it is the most appropriate body to do that, given that historically it is all about purely financial data rather than broadening out to environmental issues and impacts?

Ms WALMSLEY: I think it is an established office, so in terms of minimising the cost of imposing additional reporting, that is a benefit. In other jurisdictions, for example, Victoria, it has a sustainability office under the Premier's office. We also think that would be a very good idea, but whether that is beyond the scope of this inquiry. We would certainly support a

sustainability office or something under the Premier's that was more custom-built. I think that would certainly help in whole-of-government environmental reporting because one of the things our submission states that whilst each department and agency should report more comprehensively, if they used similar indicators it should fit into a whole-of-government report. I know we have state-of-the-environment reporting but, again, that is just one element. If we had a whole-of-government sustainability reporting, I think that would be really useful and would also enable the Government to observe trends and say where it has made improvements and so forth. We have the Audit Office, but we certainly would support a sustainability office that was more tailor-made to not just financial expertise.

CHAIR: Based on your work with your office, are you seeing any trends in performance monitoring across government agencies in relation to the manipulation or adaptation of performance measures as they go through the calendar or financial year where their performance targets get too hard to meet and targets get changed?

Ms WALMSLEY: It is sometimes difficult to find the information that we are after and it does depend on different agencies and how they report. For instance, one of the other projects we are working on at the moment, on our website we have developed a compliance portal whereby the community can find out on any piece of land or in relation to anything, if there is a licence, if there is an approval. Everything that is required by legislation environmental law, how do I find out about that. It is a kind of one-stop shop. To do that we had to go to every department and see what the legislative requirement was for them publishing their licences and approvals and say if there was a requirement for a public register, where that register was. This portal just has the links to that. So the community can find out if they are concerned about an issue.

What we found is that some departments were not actually aware that they were supposed to make some information public. Some were aware of it but had not designed the website. Others had a very good public register up and running but there were huge differences and I do not think there has been a comprehensive audit of that kind of performance. Some of the legislative requirements go back years, but yet the public register never actually has been established and the department says, "Oh, well, we haven't had the money or the staff" or for different reasons. It is very hard to gauge because it is so variable.

CHAIR: So in a roundabout way you are suggesting that some sort of standardisation would be useful across the board but, obviously, given the activities of some agencies, they would need more specific reporting requirements?

Ms WALMSLEY: Yes. There could be core requirements for all agencies but then, obviously, for some departments they would have to have a few additional ones due to specific activities.

CHAIR: I noticed you were present for some of the evidence by the Westpac representatives?

Ms WALMSLEY: Yes.

CHAIR: What were your thoughts while you were listening to their evidence, given what you do and your experience?

Ms WALMSLEY: I was really interested to hear that. I think some of the banks have started to lead the way a bit with the equator principles. So, yes, they were very interesting. Obviously they are putting quite a bit of effort into working out whether a Prius is better than a VW. I think some of the early movers in the private sector are doing some really great things. I think the public sector should also be innovative. I know at the local council level, the fleet of certain councils is Priuses whereas other councils just do not have those resources. In the public sector and the private sector, you get leaders and you get laggards. I think there is certainly a lot to learn from the private sector. What Westpac was doing sounded quite good. I am not sure about the Gunns investment comment though.

Mr ALAN ASHTON: That is right. That is why mentioned it.

CHAIR: A couple of years back my local council ran a story when Prius vehicles were released. The general manager took the initiative to get hold of one and that was his vehicle. That got lots of media coverage. They only ever had the one. Three or four years down the track, that original Prius is gone and they are still driving heavy fuel-consuming vehicles. Nothing has changed, in effect, but they went out there and sold a very positive story about how they were going to renew their fleets and do all the right things.

Ms WALMSLEY: That relates back to my point about the department doing something for public relations as a one-off. If they are doing good things that get reported on, you can observe a trend, and that has far more credibility than a one-off Prius photo shoot.

Mr ALAN ASHTON: You appreciate that recently the Premier issued some sort of edict that government vehicles need to up the amount of ethanol in the fuel they are using. I am also just following up Matt's point. One of the local councils in my electorate has a mayor that is driving around in what is almost a V12 Calais, the council previously having had a fairly small vehicle. I know from my experience, going way back, that the Bankstown City Council, which is totally in my electorate, used to have a big Mercedes back in the 1960s when I was a kid. Although it was great, they took everybody around in it and when they traded it in they made a fortune, for a while they said, "Let's do the right thing and we will get all the officers little Mini Minors", and the like, and the mayor would have been a Mini Minor as well. It just was not feasible because you could not get enough council officers or aldermen at the time to tour around the city in those little vehicles. They could not put theodolites and things that the engineers needed and stuff like that in the cars.

I know it is a very small issue, but there comes a point when you have to consider what vehicles should be used. Councils have a lot of cars, so it would be an issue because the footprint on the environment would be quite great if you are still using big vehicles. But we have to be reasonable. I guess for Steve or Peter, who represent country electorates, it is not always possible to have a little Prius when you have to cover big kilometres and you need big strong vehicles.

Mr STEVE CANSDELL: You need them for some off-road or rough areas.

Mr ALAN ASHTON: Yes, that is what I mean. I am not trying to digress. I am just trying to give you a perspective as an MP.

Ms WALMSLEY: That is perfectly understandable, and there are other things that perhaps you can do in a lot of areas.

Mr ALAN ASHTON: Of course. That is the point I am making.

Ms WALMSLEY: Yes.

Mr ALAN ASHTON: You strike a balance where it can be struck, but in other areas you have to recognise that it is not totally feasible.

Ms WALMSLEY: Yes.

CHAIR: There are lots of mixed views and different understandings about ecologically sustainable development [ESD]. Can you give us your perspective on the principles of that and what it means?

Ms WALMSLEY: The principles include the precautionary principle, the valuation principle, the conserving biodiversity principle, and the intergenerational equity and integration principle. They are the accepted international principles of what it means. People talk about ESD as one concept but if you break it down into those elements, the different countries and different sectors do more on each particular thing. At the moment there is a lot more focus on valuation and polluter pays with biobanking schemes and the emissions trading scheme coming out, and talking about valuing ecosystem services. It is a bit of a trend, judging by that, at the moment.

There has always been the argument that intergenerational equity is very difficult to sell to politicians who have a very short electoral cycle when you are talking about long-term policies that need to be put in place. The integration principle relates to the reporting and you need to integrate your considerations across the three pillars. I think that is something that is very relevant to this inquiry. You can no longer consider finance in isolation or consider the environment in isolation because it is all linked.

There are certainly challenges in implementing ESD. While the principles are fairly internationally recognised now, there are challenges in implementing it. One thing that the Commonwealth has done under section 516A is set out criteria about what is ESD, what it means to implement it, and what departments should think about when they are trying to report on whether they have implemented it. They have done some work in breaking it down and seeing how you report on how you are implementing ESD. I think that provides a pretty good model for New South Wales. I am sorry; I am losing my voice.

Mr ALAN ASHTON: That is all right. We usually just shout down the Opposition here!

CHAIR: If there are no final questions, thank you very much for attending.

Mr ALAN ASHTON: That was good. It was helpful.

(The witness withdrew)

ANITA MITCHELL, President, New South Wales Division, Environment Institute of Australia and New Zealand, and Head of Sustainability, Bovis Lend Lease, 30 The Bond, 30 Hickson Road, Millers Point, 2000, and

JUSTIN SHERRARD, Vice-President, Australia, Environment Institute of Australia and New Zealand, c/-, Cambiar Pty Ltd, 4 Eltham Street, Gladesville, 2111, affirmed and examined:

CHAIR: I thank you both for appearing before the Public Bodies Review Committee and for participating in our inquiry on environmental impact reporting in the New South Wales public sector. We are very pleased you have been able to give us some of your time and we look forward to hearing your evidence. In what capacity are you appearing before the Committee?

Ms MITCHELL: My role as President of the Environment Institute of Australia and New Zealand is voluntary. I am an environmental scientist and professional sustainability manager with 14 years experience in environmental management and nine years experience in sustainability management. I appear before the Committee in the capacity of President of the New South Wales Division of the Environment Institute of Australia and New Zealand, which is the professional association for environmental practitioners.

Mr SHERRARD: I appear before the Committee as the Vice-President, Australia, of the Environment Institute of Australia and New Zealand, which is a voluntary role. In my professional capacity I am director of the consultancy, Cambiar, and I am a professional environmental practitioner with almost 20 years experience. I appear before the Committee as the Vice-President of the Environment Institute of Australia and New Zealand.

CHAIR: We have received a submission from your organisation. Are you happy for that submission to form part of your evidence today?

Ms MITCHELL: Yes.

CHAIR: Would you like to make an opening statement?

Mr SHERRARD: Yes. I will make an opening statement on our behalf. Community engagement on environmental issues is at new highs, and we believe this creates both an opportunity and possibly a threat for government. I think it is a great opportunity because it allows government to push ahead with reforms and to have those backed with community support. It may though be a threat in that community expectations of government actions tend to increase when awareness and concerns are at high levels. The community rightly expects the Government to lead by example, and we believe an important area where government can lead by example is in its own actions, demonstrating that it takes the environmental impacts of its own operations seriously, it understands those impacts and it is taking steps to reduce those impacts.

We believe that reporting is a vital part of the process of demonstrating leadership. Reporting though is a means to an end. It is an opportunity to close a loop; it does not in itself provide a full picture of what is happening. We believe that reporting shows what government is doing, how it is living up to the commitments it has made. Public statements about performance, including targets and other sorts of commitments, and the process of

reporting on performance against those commitments can engage senior management within government. The programs and initiatives that are needed to meet targets and the measurement systems that underpin reporting can engage staff at all levels within organisations. Finally, we believe that getting reporting right requires a focus on what is important and what really matters, and that should ideally be linked back to the community's concerns.

If government is going to report, it is important, we believe, to get that right. We are conscious of new requirements brought in by the Commonwealth Government under the national greenhouse and energy reporting scheme that will require most public agencies within New South Wales to report on their energy and greenhouse use. So here is a great opportunity, while that new requirement is being brought in, to make sure that environmental reporting across the board is done, is done systematically and is done in an appropriate way. The key elements of that are, firstly, a clear statement of commitment for whole-of-government action which is backed by targets; the engagement of stakeholders in the reporting process both internally within government organisations and also external stakeholders; a consistent and credible approach—that means competent practitioners are needed to both prepare and to verify data that is included in reports; and, finally, a view to the materiality within the reporting process. It is important that the focus is on the issues that matter and reporting is not a mindless exercise in chasing all the rats and mice but, rather, focuses on all the big ticket issues and makes sure that those are accurately reported.

CHAIR: What sort of work has the institute been doing in terms of New South Wales agencies? Have you had much contact with government at the New South Wales level in terms of what we report, how we report it and the sort of directions we are heading in?

Ms MITCHELL: I have held previous roles with State-owned corporations, including Integral Energy, Sydney Water, and WSN Environmental Solutions. In all of those organisations I have been involved in the public reporting of environment-related data so I am fairly familiar with the data capturing and reporting requirements under a number of different government entities like the Government Energy Management Program, Sydney Water's public targets and requirements under its operating licence. WSN Environmental Solutions had a requirement to report and measure environment-related targets under its governing legislation. So I am fairly familiar with the way in which government is requiring information. The point we made in our submission, however, is that it appears to be a bit of a piecemeal approach on an agency by agency level and it does not allow whole-of-government reporting against its material impacts such as energy, water, waste and greenhouse gas emissions as an entire entity.

CHAIR: How well are we performing, generally speaking?

Ms MITCHELL: Where you have targets and where you have requirements for reporting, I would say that those targets and requirements are taken seriously by the agencies required to prepare and submit those reports. A lot of the focus, however, is on the preparation and submission of those reports and not necessarily closing the loop and making sure that that data and those impacts are managed and measured effectively. There are not a lot of government targets that are publicly stated around environment-related data so it therefore becomes an exercise in reporting and administration rather than an exercise in improving environmental outcomes.

Mr SHERRARD: I simply add that where reporting is undertaken the results seem to be fair to good but the real question is that there are many public bodies where we simply do not know how they are going because we do not have an across-the-board commitment to achieve particular targets, and that is not backed by a systematic or consistent approach to reporting on performance. So probably the answer to your question is that we do not really know.

Mr ALAN ASHTON: You make quite a case here, more in passing but it is quite clear, about the Victorian Government and what it is achieving. What about New Zealand? Because you are the institute of Australia and New Zealand can you comment about where they might be sitting in this, maybe not on their Federal government—I am not fully aware, they do not have States like we do but local council areas or just generally or businesses?

Mr SHERRARD: Under the Resource Management Act which was brought in about 15 years ago they established a system of regional governments, and I think that that Resource Management Act requires a certain amount of reporting on environmental performance, impact performance by those at that level. But I am afraid I am unable to assist the Committee with the detail of the approach that is being undertaken in New Zealand. I am happy to hook it for six and leave it out there.

Mr PETER DRAPER: What is Victoria doing that is so good? What can we learn from the Victorian example?

Mr SHERRARD: I think there are four elements to the Victorian system and together they make a very effective approach to environmental impact performance measurement and reporting. The first is that the central government has set targets for central government agencies. These targets cover what I think are 10 core agencies: health, education, treasury, environment, et cetera, those central government agencies. So there are whole-of-government targets in relation to water, energy and the purchase of green power or renewable energy.

Mr PETER DRAPER: Is reporting mandatory for all of those?

Mr SHERRARD: Behind that whole-of-government commitment there is a program of the implementation of environmental management systems, which provides the framework for action. How do those government agencies then take those targets and introduce programs and initiatives which helped them to meet those targets, that is the second element of it. The third element is the reporting element per se and that is an advisory memorandum that goes out to all of those government agencies which requires them to report certain environmental performance reporting against certain environmental performance indicators. That being done consistently across all of them.

It provides a basis not only for the consistent reporting of performance but also for the relative reporting of performance. The fourth element, which I think is also a good initiative, is the establishment of an independent Commissioner for Environmental Sustainability, who has responsibility for doing an annual review of how the whole program is being undertaken, the results that are being delivered and, most importantly, identifying areas for improvement. Areas for improvement across the board, not necessarily on an agency by agency basis that you could do better here on water if you did something or other. It is not so much about initiatives but it is more about getting the whole system working and working well.

Mr PETER DRAPER: Is it delivering identifiable benefits? Can you quantify that having the structures on the ground is giving the results?

Mr SHERRARD: You can certainly quantify the results because there are now four or five years worth of consistently structured annual reports from each of those agencies which report on their performance. The trends are generally good but they are not wholly good. There are some areas in which government agencies have been struggling to make headway but I think what is important is that you know exactly where you stand. In Victoria each of the government agencies knows and there is an opportunity that the Commissioner for Environmental Sustainability takes up to print all the performance data together and to compare across agencies.

Mr PETER DRAPER: With your experience with government departments, can you see barriers existing that would prevent a system like that from being introduced in this State?

Ms MITCHELL: I do not think there are so much as barriers. One cautionary note would be to ensure that the indicators that you choose are material. Getting back to the point about rats and mice, you can spend a lot of administrative time and effort and government money chasing small amounts of data. No-one wants government money to be spent on just an administrative process to report the last few areas of energy management. We want to ensure that any public money that is spent goes into something that is material at impact and focuses on the right areas that people are concerned about and want to hear more about.

That is probably the cautionary tale: I do not think there are barriers per se. It comes with a cost but what gets measured gets managed. We all know that in particular energy costs, water costs and waste costs do not just have community concern impacts. They are increasing. Waste management fees have gone up, energy has gone up significantly in the past few years and water has gone up significantly. If you do not have transparency in what you are spending in those areas it is very difficult to manage them so it can drive, and has driven, efficiency gains in the organisations I have worked for previously.

Mr STEVE CANSDELL: How do you verify the reporting authenticity? Do you rate that? If so, do you rate each department and do you or should you make their performance public?

Ms MITCHELL: There are probably two questions there. I might handle the verification. Do you want to handle the public?

Mr SHERRARD: Sure.

Ms MITCHELL: The role that verification plays in the reporting process is very important. In the organisations that I have worked for previously, namely Integral Energy and WSN Environmental Solutions—both State-owned corporations—I was involved in the preparation of their inaugural reports, so that was both setting up what indicators should be measured against, and actually setting up the data collection and management systems to make sure that we were reporting that data accurately. It is very typical to get upwards of a 20 to 25 per cent error rating, especially in your first few years of reporting because

environmental-related data is not something that has the kind of discipline that accounting principles have, and financial data has been gathered over the last few centuries and has been improved in its reporting practice.

We still get it wrong for financial statements so it is very difficult with a new area, such as environmental reporting, unless there is somebody who is slightly independent from the process reviewing that data and making sure that it is actually material, it is complete and it is accurate. You can never have the kind of certification internally that is required to meet some sort of public scrutiny and to make sure that that reporting is actually credible. I think it is an essential part of the practise. It will improve confidence that management have in the data and also how much the public has faith in the data that is actually being reported. I might hand over to my colleague.

Mr STEVE CANSDALL: An earlier witness said that the use of paper per employee was reduced from 12,000 to 8,900. Electricity and fuel savings were also mentioned. That is almost an accounting result with those figures. What other indicators are there on which you cannot put your finger?

Ms MITCHELL: I am sorry, I don't think I understand your question.

Mr STEVE CANSDALL: You said it is hard compared with accounting that has been going on for many years and one can work out a 25 per cent sort of—

Ms MITCHELL: error rating in the first few years.

Mr STEVE CANSDALL: Whereas if you look at the solid issues such as paper, power and fuel that can be indicated. What is the 25 per cent error rating?

Ms MITCHELL: A 25 per cent error rating can occur in all sorts of different levels of data. Energy, for example, may not be all that clear as to where your materiality thresholds and your boundaries are so it is very easy to get, say, electricity bills on your own internal operations but it may be very difficult to get accurate fuel usage data. So it depends on what you are reporting and how difficult it is to gather that data and it really does depend on what the error rating is. So the error rating can also be very much about manual transcription, this is also an issue. Quite often they are just “carrying the one” style errors when people are doing manual transcription of data because we do not have the same sorts of systems that we have for environment-related data as we traditionally have for financial-related data. So a lot of it can be just human error rating when data is being inputted into the various tables and spreadsheets.

So it is very important, therefore, that you have somebody overlooking and overseeing that process, somebody who is competent and is certified to make sure that it is actually something that people can have faith in, and also that the reporting agencies can learn from the process as well. There is no use, garbage in, garbage out, it is often termed with environment-related data. You have got to make sure that what you are putting in something in which you can have a lot of faith. I will hand over to my colleague in relation to the public reporting of the data.

Mr SHERRARD: In terms of the value of the public reporting as opposed to reporting but maintaining these as internal results, there are a couple of challenges in improving

environmental performance. One of the big ones is engaging senior management within an organisation and engendering a sense of accountability for environmental performance within those senior managers. It is our view that public reporting goes a long way to engaging senior management. Once they feel that their performance is on the public record, and that they are accountable for that performance, they tend to take those issues more seriously. I think that is one very strong reason for public reporting. The other is really around the issue of transparency; demonstrating leadership by government in these areas that the community is very engaged on and has tended to be engaged on at reasonably high levels over the past 20 to 25 years, but certainly over the past year or two.

On issues around climate change, water for example, the community is genuinely interested and concerned about what the future holds and is looking for leadership. I think that the process of actually putting on the public record what the Government is doing is an important part of the Government's engagement with the community. So they are two reasons why I think public reporting is important. I sense there might have been another aspect to the question?

Mr STEVE CANSDELL: How do you rate departments or businesses on their performance? Are they rated on last year, the year before, the past 10 years or on new criteria to say whether they are performing good, fair or medium?

Mr SHERRARD: Establishing benchmarks for performance can be a tricky process and as soon as you start doing it, winners and losers emerge and the losers squirm and start to explain why you are not comparing apples with apples. I think that the Global Reporting Initiative was introduced in large part to help to systematise the approach to environmental reporting globally. The Global Reporting Initiative [GRI] is an attempt to establish a set of environmental performance indicators that all sorts of organisations, doing all sorts of activities in all sorts of geographical settings, can adopt as a basis for consistent measurement of environmental performance.

I will reflect very briefly on what happens in Victoria under this advice—I am sorry I do not have the name of the instrument that is given to each government department to instruct them on how to report on their environmental performance. They are required to report against a set of indicators, I think roughly one dozen, on their environmental performance. One can compare that performance with the dozen of the agencies themselves. They can be looked at and at least within that set of government agencies, you can identify who is in a relative sense performing well and who in a relative sense has improvements yet to be made.

Ms MITCHELL: I think horses for courses, is probably the final point I would like to make on that which is that if government sets its own broad targets, for example, a green power percentage that should be purchased across government agencies, then, yes, you should be measuring each individual agency's progress against a whole of government target. But it is important to measure each agency against its own performance year on year.

Mr PETER DRAPER: You touched on the Global Reporting Initiative. What are the real positives and where are their weaknesses?

Ms MITCHELL: I have worked with the GRI on six reports thus far. The real strength of the Global Reporting Initiative is that it is an international process, it is stakeholder driven so it is very stakeholder led in the way in which its governance structure works. It provides protocols for how to prepare reports, materiality thresholds, how to gather boundaries of particular reporting criteria, and it does allow comparison across many different sectors and geographies. So that is the real strength of the GRI framework. I think you touched on what are the weaknesses in the Global Reporting Initiative and I think it has come under fire in recent years for what has been terms churning out shopping list-style reports because it does have a lot of indicators in there and it can scare off first-time reporters.

Mr PETER DRAPER: I was going to say, is it overly complex?

Ms MITCHELL: I am not sure if you are familiar with Generation 3 of the guidelines, or G3 as it is more commonly known? That has addressed that particular weakness, through again its stakeholder driven dialogue. People were getting reports that were very thick and overly complicated. Agencies and organisations were spending inordinate amounts of money reporting on things that stakeholders did not really care about, and were not really material to their business. The new generation of guidelines or this Generation 3, encourages organisations to engage with its stakeholders to determine what are the material issues for that organisation, and to really focus and challenge reporting to making sure those particular indicators of what gets measured and managed within that organisation.

The key issues for government agencies are things like energy, water, waste and greenhouse gas emissions. When you are, as you are, trying to look at establishing targets across a broad range of government sectors, it is very important to engage with your stakeholders to determine what your material impacts are, and to then report on those. And that is what G3 of the guidelines encourages organisations to do.

CHAIR: Does the institute audit or critique environmental reports or data?

Mr SHERRARD: No, not per se. We have tended to focus our efforts as a professional body mainly on standards in professional practice rather than the measurement or assessment of other bodies or organisations' own environmental performance.

Ms MITCHELL: Individual practitioners who may belong to the Environment Institute of Australia and New Zealand may actually verify environment and non-financial reports. However, we as an institute are very focused—we are like the Institute of Engineers—on a professional practice and making sure that people are ethical and competent rather than verifying particular reports.

Mr ALAN ASHTON: How many members do you have?

Mr SHERRARD: Roughly 1,900.

Mr ALAN ASHTON: It is a good number.

Mr SHERRARD: By our estimate it is somewhere between 10 and 20 per cent of all environmental practitioners in Australia and New Zealand.

Mr ALAN ASHTON: Ten or 20 per cent may not seem big but it is nearly 2,000 people?

Mr SHERRARD: Environmental practice is something that has broadened enormously over the past decade or so. Certainly at the time the institute started it was more narrowly defined, and so there is a whole lot of people that do not really fit into the sort of membership categories that our founding fathers established barely 20 years ago. But I will make a further observation that it is growing very strongly, and membership is growing very strongly at the moment, in the order of 10 per cent per year or upwards of that.

CHAIR: Your submission refers to the preparation of performance reporting should have some input prepared by an accountable, competent, certified professional. A suggestion has been made that the New South Wales Audit Office would be an appropriate organisation, not necessarily for the preparation role, but certainly the auditing role. Is that consistent with your knowledge of other jurisdictions? Do you recommend that New South Wales uses the Audit Office?

Mr SHERRARD: I think we would not be as specific as recommending that the Audit Office perform that function. What we think is important is that competent environmental practitioners are involved at two levels: one is the preparation of the report, so the oversight of the data management systems. I need to refer to this 25 per cent error rate. It is our view that you need to have somebody who can do a pretty good sense check on this stuff and identify some of those errors straight out. So we think environmental practitioners need to be involved in the preparation. We also think that in terms of the verification of individual reports, that should be undertaken by competent—and that may be—certified environmental practitioners. The institute runs a certification scheme for environmental practitioners. So in those areas we think that it is important to have a competent environmental practitioner involved. In terms of an overall review of how each public body is actually reporting and performing, possibly the Audit Office is a good body to do that. We do not have a strong view on that.

Ms MITCHELL: The other point I make is that there is an internationally recognised assurance standard for sustainability reporting and auditing. That is the AA1000. It is a United Kingdom standard that is used by quite a number of different organisations that do sustainability and environment public reports. So I would recommend that the Committee utilise that as its framework for sustainability verification.

CHAIR: Your submission is also quite strong on public disclosure. In your experience, whilst generally speaking there is much more alertness to environmental issues, how critical is the role of public disclosure in your view in the longer term do you think? Do you have a view that there is enough interest to make it provide some incentive to organisations and agencies to commit, to spend money, time and energy? Do you think that the level of public interest will tailor off as people get tired of hearing about environmental issues and impacts?

Mr SHERRARD: I do not think the level of public interest in the environment is about to taper off any time soon. If you track polling of community concerns over at least the last 20 years you will see that environment has consistently rated as an issue the public feels very strongly about. The New South Wales Environmental Protection Authority, as it was then, and now the Department of Environment and Climate Change undertakes a three-yearly review of public concern for the environment in New South Wales. That includes

some questions about where the public rates the environment relative to other public issues such as health and education. I cannot give you the results of that but there are now about four or five reports on that—it is done every three years—so there is a 12 to 15-year data set on how the public views the environment, how it feels about the environment and which particular elements it is most concerned about. I think that would show a very consistent trend of concern about the environment by the public in New South Wales.

I mentioned before in relation to the Deputy Chair's question about public disclosure that I think there are two reasons for public disclosure. I will not elaborate on those. The first is to make senior management accountable and the second is to engage the public itself. I might proffer a third, which is to keep up with what is happening in other jurisdictions. It would appear anecdotally—I do not come here with a prepared analysis—that what happens in New South Wales is certainly behind what is happening at both the Commonwealth and Victorian levels, and quite possibly in some other Australian States and Territories as well.

CHAIR: For your interest, we are meeting representatives from Victoria later this week to talk in some detail about how their system is structured and how well it works and see what we can learn from our colleagues down south.

Mr SHERRARD: Very interesting.

CHAIR: I think that across the board there is a healthy understanding that Victoria is leading the way in environmental management and reporting, data collection and a whole range of activities. That is good; there is no point in New South Wales reinventing the wheel. We will see what we can get from them.

Mr SHERRARD: I also commend to the Committee some of the work happening at the Commonwealth level. It tends to be a little more restricted in terms of its scope with a strong focus on energy use—both stationary energy and transport energy—and greenhouse emissions. Well over 100 Commonwealth Government agencies are reporting on that every year and have done for at least the last five years so there is quite a good data set there. I think probably the weakness in the Commonwealth approach is that the same discipline does not extend to water, waste and other important environmental issues.

Ms MITCHELL: The Commonwealth Government also has quite good data capturing and reporting processes that are electronically based. I think it is referred to as OSCAR. It is an electronic data collection and management system that might be of interest in re-creating one for New South Wales. It would be great if we could have parity between different States and Territories and the Federal Government.

Mr ALAN ASHTON: You would need a Council of Australian Governments sort of agreement and then you could get all the States and Territories on board with the same reporting regime.

Mr SHERRARD: Our point is there is a good system there.

Mr ALAN ASHTON: I accept that 100 per cent. I am just making the point that if they have a good system and you think the Victorian one is good they could be adopted through the COAG meetings, if not forced on us!

Mr STEVE CANSDELL: Just changing the subject, does your organisation endorse private companies that have good environmental initiatives, programs and outcomes in the same way that other organisations endorse, say, "Made in Australia", or "100 per cent Australian"? Do you follow what I mean? Does your organisation give credence to some organisation that can use it commercially to endorse their products and the direction their company is taking?

Mr SHERRARD: No, we do not. Our focus is mainly on professional practice. We have a set of merit awards each year that are given to individuals for professional practice, but we are not in the business of providing endorsement—or explicit criticism—to companies or public bodies of environmental performance by those organisations.

Mr STEVE CANSDELL: When you said you had awards for individuals I wondered why there could not be awards for companies that have major initiatives and programs that produce massive savings in energy, whether it be water power, fuel or whatever.

Mr SHERRARD: What was initially called the Sustainable Energy Development Authority under the New South Wales Government established a set of annual awards, which the Government has maintained through the department. These are called the Green Globe Awards and they recognise outstanding performance by companies and organisations within New South Wales in relation to energy use and performance and also water. As far as our organisation is concerned, we would probably be reluctant to get into a space in which there are probably enough awards out there relative to the amount of focus that corporate Australia puts on the environment.

Ms MITCHELL: There are also the Banksia Awards and the Association of Certified Chartered Accountants [ACCA] awards specifically for sustainability reporting. We do not even have corporate membership. Our focus is very much on the individual practitioner and their professional development and competency.

Mr PETER DRAPER: How do you get to join? Do you have to meet certain criteria or certain standards or do you just have to be working in the industry?

Ms MITCHELL: Yes, you have to have relevant qualification or experience. There are various levels of membership, starting with student membership and associate level. For student membership you have to be studying in the area. Associate membership is for those who have graduated but do not have enough experience. After you have gained two years' experience you can become a full member. After five years and having gone through a peer assessment panel and application process you can go through a certification process. That is the certified level of membership. After 10 years and extremely meritorious service you can go to fellowship.

Mr PETER DRAPER: If you have the qualifications and happen to be working for a company that has an appalling record do you get kicked out or counselled?

Ms MITCHELL: It would have to be attributable to that particular individual. We do have processes to rectify that if a particular individual has broken a code of ethics and conduct. We have a process to, in your term –

Mr PETER DRAPER: Would you be able to provide that code of ethics or conduct?

Ms MITCHELL: Yes, we would be pleased to. We have processes and also in the certification there is a process for, as you term it, kicking people out.

Mr PETER DRAPER: It was a crude way of putting it.

Ms MITCHELL: That is essentially what it is.

Mr ALAN ASHTON: Someone who might be the vice-president of the New South Wales branch who stokes the fire in a backyard barbecue or burns their rubbish could be in trouble if they were caught, unless they were having a barbecue with all your colleagues!

Mr SHERRARD: That would never happen!

Mr STEVE CANSDELL: You have roughly 1,900 members out of possibly 10,000. Why have you not recruited others and why have they not come on board? Are there other organisations that those people are involved in or are they just doing their own thing and moving on with their lives without getting involved?

Mr SHERRARD: There is a combination of factors. One is that our members have all manner of professional backgrounds. Mine happens to be in environmental science but others might be in engineering, flora and fauna or ecology, people have legal or accountancy backgrounds and there are people in agricultural science who are our members. Some of their colleagues may belong to, for example, the Institution of Engineers, or the National Environmental Law Association. They may belong to a farmers' body. They may not necessarily identify as environmental practitioners or they may feel that their professional development needs are being met by an independent body.

Mr ALAN ASHTON: And they are all individuals. There would not be too many big companies with 30 people on staff, would there? There might be one or two individuals who run their own practice.

Mr SHERRARD: There are people like me who run a small practice focused on the environment and there are people like Anita who work in very large organisations. She is one of a modest-size team of environmental practitioners that work there. There are many people in government agencies, not just in departments of environment and climate change but also in others focusing on primary industries, agriculture and natural resource management, who may qualify to be members. I guess there are always a number of reasons why people do not see benefit. I would like to think the rate of growth of our membership is well above the rate of growth of the ranks of environmental practitioners, so I think we are slowly capturing most of them.

Ms MITCHELL: Remembering that we are a developing discipline. The environment profession is a relatively new one. I was lucky enough to be one of the first people to go through an environmental science course. It was the only one offered in Sydney at the time, some 14 years ago. There is now a plethora of those sorts of courses in the market so we are hopeful we will grow and develop similar to the engineering and architecture professions and learn from some of the experiences they have had in relation to professional competence and practice.

Mr ALAN ASHTON: It should have a peak body; there is no doubt about that.

Mr SHERRARD: I would make a final observation that some of these professions have the benefit of statutory requirements for certified professionals from their ranks—accountants and auditors, for example—to sign off on documents, as well as engineers and town planners. As a young profession we do not benefit from that sort of statutory requirement. I believe it is just a matter of time before that comes in. People are looking for that credibility. When that happens I think we will see a flood of membership applications.

Mr ALAN ASHTON: It is a bit outside our Committee's ambit but I think that if I was in your field it would be an advantage to be a member of your association, because you can always say "member of the association" and it gives you credibility and you have some responsibility to uphold the standards you guys set. Just as a general comment, the numbers will grow. As you said, you started off 14 years ago and no-one was in it. There are dental associations for dentists. In a sense this is a professional body.

CHAIR: You have a category of certified membership.

Mr SHERRARD: We run a certification program alongside membership. I need to be corrected on this but I do not think you have to be a member of the institute to be certified.

Ms MITCHELL: No, it is a trade practices issue. We cannot make people become members to then become certified. Technically it has its own independent board. It was an initiative of the Environment Institute of Australia and New Zealand.

CHAIR: So those who are certified could potentially play an audit role for an organisation in terms of its reporting and how well it has structured its performance measures and targets and so on?

Mr SHERRARD: Those who are certified are able to say that they have won the support and recognition of their colleagues in terms of their professional standing. Our members and other environmental practitioners who are not our members may also be able to provide the same service. It is a matter of who is looking for that service and how they measure credibility. We believe that the certification program and people who are certified environmental practitioners offer more credibility because they are accountable to their peers and because they have won the respect and the acknowledgment of their peers to reach that level. We have about 250 certified practitioners across Australia and New Zealand, which is about 15 per cent of our overall membership. I doubt there are many people who are certified environmental practitioners who are not members of the institute but again I would have to check on that.

CHAIR: Generally speaking, is the level of expertise available to government and non-government on environmental reporting adequate? Are there enough resources and expertise out there for others to utilise?

Ms MITCHELL: It is an emerging discipline. I would not say that there is a huge amount of people sitting out there waiting for government to tap them on the shoulder; however, it is a growing discipline and the number of people involved in environmental reporting in both government and non-government organisations would be on the increase. I

do not think a barrier to implementation would be professional and competent practice. I think, to pick up on Justin's point, the certification process would show that you have signed up to a code of ethics and conduct, that you have been through a panel of peers, but you would also still need to provide demonstration of your competency in the particular field of environment reporting bearing in mind some of our certified members may be experts in the life cycle of a damselfly, rather than experts in environmental reporting, so bearing in mind that it is a broad category of discipline, that is just a caution.

(The witnesses withdrew)

(Luncheon adjournment)

PETER CHARLES ACHTERSTRAAT, Auditor-General of New South Wales, Audit Office of New South Wales, 1 Margaret Street, Sydney,

SEAN MICHAEL CRUMLIN, Director of Performance Audit, Audit Office of New South Wales, 1 Margaret Street, Sydney, and

JANE CAROLINE TEBBATT, Director of Performance Audit, Audit Office of New South Wales, 1 Margaret Street, Sydney, sworn and examined, and

PHILIP GARVEN THOMAS, Assistant Auditor-General, Audit Office of New South Wales, 1 Margaret Street, Sydney, affirmed and examined:

CHAIR: We are pleased to have you before the Committee as part of our inquiry into environmental impact reporting. We have had some good contributions this morning and the Audit Office was referred to on a few occasions, so we will work through that with you in due course, but we are certainly happy to have your contribution as part of this inquiry. Do you wish to make an opening statement?

Mr ACHTERSTRAAT: I might make a couple of general comments, just to put the Audit Office into context. The Audit Office basically has two main roles. The first is financial audits of government departments, and 90 per cent of our staff work on those and we do over 500 financial audits each year. The second part of our role is performance audits where we look at particular government activities to look at their efficiency, effectiveness and the economy with which they are delivered, and about 10 per cent of our staff work in relation to performance audits.

A particular financial audit, which comes out in the red folder as you have seen, may be a financial audit of the Department of Environment and Climate Change, for example, or the Department of Health. Each financial audit is purely in relation to one agency. With a performance audit we generally look at an activity, so we might look at the responsible service of alcohol, for example, to see how well is that being managed by government agencies—and that one in particular involved a number of agencies: the police, the Department of Gaming and Racing, et cetera.

Performance audits take a lot longer than a financial audit and they generally take about nine months to do. There are procedures in place to ensure that we get the accuracy of the data, so we do a draft, we send it to the agencies, they send it back, and there are 28-day rules, et cetera, and that is why they take about nine months to do. We do between 10 and 15 performance audits each year and generally we do at least one in relation to an environmental issue every couple of years. In the past we have done performance audits in relation to the clearing of native vegetation, in relation to reducing pollution in industry, et cetera, so every year or every second year we do a major performance audit in that respect.

The other general comment I would make is that, in relation to reporting, clearly the Audit Office does not comment on government policy. There is no audit office in Australia which has the mandate to do that, so if a government policy is to reduce greenhouse emissions we would not comment as to whether that is an appropriate policy or not, that is for the Government of the day and the Parliament to decide.

If an activity were in place to try to achieve that we would comment on whether it had been appropriately administered. We do not comment on policy. Traditionally, most audit offices do not comment on types of indicators. If the goal is to have renewable energy of 15 per cent of total energy usage, an audit office would not say, "It should be 16 per cent", or, "It should be 14 per cent." It is for the government of the day to determine that figure. Some audit offices will say, "The actual indicator does not marry well with the objectives." If the objective is to increase sustainable energy but there is no indicator for that, one audit office in Western Australia has the mandate to comment on that, but other audit offices do not.

If an agency then says, "The goal was 15 per cent renewable energy. We can tell you that 16 per cent has been achieved", again Western Australia and I think the Australian Capital Territory have a clear responsibility in their audit offices to look behind those figures and to say, "You said 16 per cent. We want to test whether or not that is accurate." While the New South Wales Audit Office reports on these non-financial indicators in its financial reports, traditionally it does not verify or do detailed audits to determine their accuracy. One of the comments we have made over the past few years relates to environmental performance in the State. A variety of different agencies have been responsible. In the last couple of years it has been heartening or useful that a central department has been created—the Department of Environment and Climate Change—which brings it all together. To a certain extent that will make our job easier when we conduct environmental audits, as we will not have to go to a number of different agencies. That is our opening statement. We welcome any questions.

Mr STEVE CANSDELL: After hearing the evidence given by witnesses this morning I need to ask you this question: What qualification does the Audit Office have to engage in environmental auditing? Who sets the indicators, the benchmarks and the standards, et cetera?

Mr ACHTERSTRAAT: I will respond to the second part of your question. We will audit indicators that have been set by a department. If a department says, "We are going to buy toners for our computers and reduce new toners by 20 per cent or increase recyclable ones by 30 per cent", those targets are set by that agency or by the government of the day. The Audit Office will not set those targets but it might compare them with targets in other jurisdictions. We would certainly compare the performance with other jurisdictions.

In response to your first question relating to our qualifications to do environmental auditing, our financial auditors are CPA or the Institute of Chartered Accountants in relation to the financial side of things. In our performance audit area we have a wide variety of qualifications. We have lawyers and engineers. I am not particularly sure whether we have anyone with qualifications in environmental science, but we certainly have people with skills and qualifications in performance management and performance monitoring.

Mr STEVE CANSDELL: If in future you were mandated to prepare environmental impact reports would you have environmental expertise in your department to engage in such a process?

Mr THOMAS: As part of the audit process we typically engage experts. Part of being an auditor is being aware when you are not an expert. In financial auditing you may engage an actuary to provide you with expert advice. Part of an auditor's skill is being aware when you need an expert and how to evaluate the work of an expert. If actuarial skills were core to

our work they would obviously become an in-house skill. If environmental auditing became an in-house skill in the longer term we would look at engaging such staff. In the short term we would need to determine what skills we would need to buy in.

Mr PETER DRAPER: Earlier today we heard from the Environmental Institute of Australia and New Zealand, which recommended that New South Wales should consider adopting the Victorian model. The Victorian Commissioner for Environmental Sustainability undertakes an audit of all State government agencies and public authorities and examines environmental management systems. How would you react to that sort of a suggestion? Would it work in New South Wales, or are you comfortable with the current system that could be adapted to future needs?

Mr ACHTERSTRAAT: We do not have a firm view either way on that issue. From our point of view, if a target has been set it needs to be audited by somebody and we need transparency and accountability. It is probably a matter for the government of the day to choose who should audit it. In Victoria the commissioner performs that task, but I think there is an equivalent commissioner in New South Wales.

Mr THOMAS: There is the Sustainability Commissioner, Peter Newman.

CHAIR: I am told that that position was abolished two or three years ago.

Mr ACHTERSTRAAT: We do not have a view, unless others wish to comment on this issue. If it works well in Victoria it is worth exploring, but we would not want them to do the financial auditing, of course.

Mr ALAN ASHTON: Do you choose to do performance audits or do you say, "We have not done this one for a while" and you obtain a reference from the Minister for Gaming to look at doing a responsible service of alcohol audit, or audits of some of the other issues that have been mentioned in the media?

Mr ACHTERSTRAAT: At the end of the day it is my choice. No-one can dictate to me and say, "You have to do an audit in relation to recycling, or in relation to X, Y or Z." I try to engage community interest. We try to cover 10 areas ranging from law and order to education, to health and to the environment. We also look at representations made in *Hansard*. We go the State Library at look at the questions on notice to see what sorts of questions were asked. We also write to all members of Parliament and to chief executive officers once a year and we ask for suggestions. Invariably, we cannot comply with all those requests—we do only between 10 and 15—because of our inability to audit some of the topics that have been suggested. They might suggest, "Let us do an audit in relation to poverty."

Mr ALAN ASHTON: Where would you start and where would you stop?

Mr ACHTERSTRAAT: Exactly. To answer your question, it is at the absolute discretion of the Auditor-General of the day.

Mr ALAN ASHTON: As it probably should be.

CHAIR: Has your office had a look at State Plan performance measures relating to environmental data?

Mr ACHTERSTRAAT: Yes.

CHAIR: Do you have any thoughts on their suitability and appropriateness?

Mr ACHTERSTRAAT: If we look at the environmental ones we find that it is clearly the role of the Parliament and the Government to set the priorities. If there is a priority, for example, to increase the use of renewable energy that is a matter for the Parliament of the day. The target set by the Government is to achieve 15 per cent renewable energy consumption. We are still negotiating with the Department of Premier and Cabinet. If the Government says that 16 per cent was achieved it would certainly be the role of the Audit Office, if appropriate, to determine whether 16 per cent was accurate. That is looking at the accuracy of the data that is presented.

The question you asked related to the appropriateness of the target itself. Traditionally, audit offices do not comment on the appropriateness of a target. As I mentioned earlier, to a certain extent Western Australia has the mandate or the authority to comment on the ambit, not necessarily the specific metric and not whether 15 per cent or 16 per cent is accurate. It has the gambit to state that if your goal is to increase renewable energy and you have a target that states that 500 people in New South Wales will use the train on Mondays, clearly that is not an appropriate target. The Western Australian Auditor-General would comment on that.

Mr ALAN ASHTON: Would the Auditor-General be under the same sort of pressure, because of Government mandates, to cut its environmental footprint? Is that possible? Are you big enough to state, "We have to save some energy in our buildings?" Do you have to meet those targets?

Mr ACHTERSTRAAT: Yes.

Mr ALAN ASHTON: If you conducted an audit of yourselves to establish whether you were meeting environmental targets would you comply?

Mr ACHTERSTRAAT: Like all government agencies we are subject to those criteria. We have to have lights that switch off at a certain time. We are fortunate as we just moved into accommodation that is new to us. I think we were able to take the opportunity to ensure that most of our accommodation met with certain requirements. We could get back to you on that. We have to comply with all government regulation. We not only have to comply; it is in our interests to do that because it makes it a good working environment for staff.

Mr PETER DRAPER: Earlier today Westpac said that an examination of reporting identified that every employee used 12,000 sheets of paper a year. Through a focused strategy Westpac reduced that to 8,900 sheets of paper a year. Do you adopt similar sorts of strategies when you are examining your own internal processes?

Mr ACHTERSTRAAT: I am not aware whether we have, but it sounds like a good idea. It might be something that we will inquire into. We have all these things such as trying to use double-sided paper.

Mr PETER DRAPER: I just found it fascinating.

Mr ACHTERSTRAAT: It is a tremendous achievement to cut its usage by 25 per cent.

Mr ALAN ASHTON: Especially Westpac, a big organisation with thousands of employees.

CHAIR: In your letter to the Committee you said that the 2006 New South Wales State of the Environment report showed significant deterioration in key environmental indicators. Could someone elaborate on that a little?

Ms TEBBATT: Yes. We think that the State of the Environment report is a great thing. It gets data on indicators into the public forum and it enables everyone to make judgments from an external perspective on how well we are going on environmental issues and what is the current status. From where we sit it is a great publication. When we commented on deterioration it was something that was raised in the report. We have not done any recent work in this area, which is why we cannot comment on the adequacy of the indicators or on performance. The report itself raises some issues about greenhouse gas emissions.

One of the good things for us is that the novice reader can pick up these reports and make that sort of judgment. Even we could pick it up and say, "There are some indicators where we are performing well and there are others where there are gaps." That is what we meant by "significant deterioration". It highlights the fact that you can make those judgments from reading the report. The report also raised a number of issues about the drought and how it has affected performance in some of these areas. We recognised that when we had a look at it as well. But one of the great things about it is that it covers a number of indicators. Over the last couple of years we have seen some consistency in the choice of indicators, which allows us to do some trend analysis over time. So, as far as the type of public reporting available in this State, we would have to say that it is very good and probably much better than what is available in other States at this time.

CHAIR: Has your office looked at what is happening in Victoria? I would say Victoria is very popular in this field. I know the auditors have regular networking sessions and the like. How much benchmarking can you actually do in other jurisdictions to pick up ideas and opportunities for New South Wales, particularly around this issue?

Mr ACHTERSTRAAT: Two points. I think the Victorian equivalent to what Jane mentioned is only just kicking off, are they not?

Ms TEBBATT: Yes, that type of report.

Mr ACHTERSTRAAT: The state-of-the-environment report. In relation to the networking of auditors general, we have a sort of subcommittee on environmental auditing, which meets at least once a year to discuss the various issues on which we are doing environmental audits. I guess there is a difference though between environmental audits and environmental reporting. If we were to do an audit, for example, on recycling, that would be a big audit. But if then someone were to say that every agency must report on the

amount of recycling, that is a slightly different issue. There is a recommendation that someone reports on it whereas we are looking at the actual achievements of one area. We do not necessarily discuss KPIs or targets that agencies should have, but we would discuss what audits we were going to do.

Mr STEVE CANSDELL: What range of environmental auditing do you do? You talked earlier about the hotel industry.

Mr ACHTERSTRAAT: Well, we have done native vegetation. At the moment we are doing two environmental-related audits. We are doing a follow-up audit on the state of our rivers. We did that audit in 2003 and now five years later we are seeing how many of our recommendations were picked up. So currently we are doing the follow-up audit of the state of the rivers. We will be publishing that in the next few months. We are also doing an audit at the moment on the way the New South Wales public sector deals with waste recycling, things like that. That is two we are doing at the moment. In the past, Jane or Sean, we have done them in relation to air quality I think and various things?

Mr CRUMLIN: Yes.

Mr STEVE CANSDELL: So you are saying you do not actually come up with policies that can better the audit; you just compare benchmarks to previous years or standards set?

Mr ACHTERSTRAAT: Yes, absolutely. The role of the audit is to say this is the standard, this is the normative goal, this is what people have promised to do, this is what the New South Wales departments are doing, this is the gap and this is how we recommend the gap be fixed. But we do not comment on the policy of fixing the gap. We might say it would be more effective if they used IT more or it would be more effective if they train their staff differently or something like that, but we would not turn around and say there should be more inspectors for environmental breaches or something like that. We do not say they should spend more dollars. What we try to do is with the dollars that are being spent, how could it be done differently.

Mr ALAN ASHTON: I guess creatively, however, by the choice of appropriate language—which I believe you used just then—you could read that into a report?

Mr ACHTERSTRAAT: Mr Ashton, you are very astute. There is always—

Mr ALAN ASHTON: I will say it for you, ways and means of getting the message across if it needs to be?

Mr ACHTERSTRAAT: I might leave it at that. But the Audit Office does not comment on policy. We make recommendations. The line between administration and policy is always a grey one.

Mr PETER DRAPER: Has the Audit Office ever undertaken examination of the environmental footprint of government departments looking at where they are now and where they could be by adopting best practice and different strategies—for example, the government fleet?

Mr ACHTERSTRAAT: I am not aware of us having looked at that.

Ms TEBBATT: No, not the impact issues. We have a current one that is coming out in the next month, which is this one on waste recycling and reuse that the Auditor-General just mentioned.

Mr PETER DRAPER: I was just thinking. It is not my job to put ideas in your head.

Mr ACHTERSTRAAT: Well, it is.

Mr PETER DRAPER: Having listened to some of the input from witnesses earlier today, I will go back to Westpac. It has made significant impacts and improvements in the way it runs its business. It is actually right up there with the very best in the world. I think there is an opportunity for government to be adopting some of those. It all comes down through the reporting process.

Mr ACHTERSTRAAT: Yes.

Mr PETER DRAPER: Through an examination of where you are now as to what can be done in the future?

Ms TEBBATT: That is right.

Mr ACHTERSTRAAT: I guess that is where we can put that into our considerations for next year's audit topics. But, again, we would have to have a normative standard to audit against. We would say this is what was promised, they promised to change the footprint or they promised that the fleet would have a 10 per cent reduction in emissions.

Mr PETER DRAPER: They cannot promise to change the footprint if they do not know what it is, that is my point.

Mr ACHTERSTRAAT: Yes.

Mr PETER DRAPER: We have to have a starting point. That is why I thought your office may be an excellent vehicle for offering a starting point.

Ms TEBBATT: A base line?

Mr PETER DRAPER: Yes, that we could then benchmark against and monitor perhaps in two or three years' time.

Mr THOMAS: A normative standard does not have to be a promise per se, but it could be some other criteria. It could be best practice, obviously. A normative standard of a promise is one version of a normative standard.

Mr PETER DRAPER: It is educative when you hear true-life examples of other organisations that have made a substantial difference through the reporting process just knowing where they are and what they can do.

Mr ACHTERSTRAAT: Correct. The reporting process influences behaviour.

Mr PETER DRAPER: Absolutely.

Mr ACHTERSTRAAT: Because if it is being measured it is going to get managed.

Mr PETER DRAPER: That phrase "if it is reported it is going to get managed" has been mentioned quite a few times today.

Mr ALAN ASHTON: That is why this Westpac handout is quite good. I asked them are they following other banks or leading the way. They pointed out that they were one of the first eight in the world to get on board with it. Obviously, in a sense, big banks have a lot more money that they can send to places to do this—21,000 employees and billions of dollars that they are taking off all of us. The Audit Office does not have that ability, of course. The point still is well made by Peter.

CHAIR: Is it likely that given the topical nature of the environment today the Audit Office will be taking a stronger role in auditing environmental-related reports?

Mr ACHTERSTRAAT: We will continue to monitor the questions that are asked in Parliament, the *Hansard*, and determine the appropriateness. I cannot turn around and say there will be less audits on the health department and less on police and less on education because we are going to do more on the environment. I think it would be fair to say that we do at least one every two years. At the moment we have two running. It would probably depend when we make our final decisions for next year as to what we do.

Mr STEVE CANSDELL: If consideration were given to going from voluntary to mandatory auditing, your staff levels would have to increase somewhat?

Mr ACHTERSTRAAT: Most likely. If all agencies had to implement, say, a triple bottom line reporting, for example, and that had to be audited by us, then we would have to have extra resources in order to meet that.

Mr STEVE CANSDELL: Perhaps a separate internal department for such a huge task?

Mr ACHTERSTRAAT: It would depend on the nature of it. We might either have a separate division within the office or we might add to each team a number of people, but we would have to analyse that when it comes to it.

Mr STEVE CANSDELL: I know this is off the cuff and it is hard to pin down, but what increase in staff do you believe you would be looking at if mandatory auditing came into all departments?

Mr ACHTERSTRAAT: In relation to our role of auditing the State Plan, we have put in an estimate for next year of \$500,000 in order to be able to do that. That will depend on the precise nature of our role: are we going to be auditing systems or are we going to be auditing arithmetic or whatever. Similarly in relation to this mandatory environmental reporting, is it mandatory for the top 100 agencies or is it all 500 financial accounts we look at, and the precise nature of the reporting. For example, the Westpac one you referred to. Just glancing through it, it is a very, very comprehensive set of reports. If that were the directive from government for all agencies, there would be considerably more work auditing

that than if they basically said all you have to do is report on the level of recycled paper you use. So, it would probably depend to a certain extent on the precise requirements that have to be reported on.

Mr ALAN ASHTON: Part of the conundrum is that we have a red tape review too. We cannot say you have to mandatory report on just about everything that is happening in the whole State. You would then need to triple your staff. Costa would not give you the money anyway—he would have to I suppose. But we would have this whole big bureaucracy of reporting on everything but what is happening out there? For the punter out in the electorates, they want things happening not as much as whether they are being audited. But that is a political problem the Government has to get around and the Opposition tries to keep us honest about.

CHAIR: Does your office have an opinion about community consultation on environmental reporting and the value of it to the community?

Mr ACHTERSTRAAT: As we mentioned and as Mr Draper mentioned earlier, what gets reported on gets managed, but also if you have an ownership of things, you tend to find that not only do those things get managed, they are managed with a commitment. If there is an ownership by the agency, that is a first step. If there is also an ownership by the community, then one would expect that there would be greater incentive for people to work together to achieve the targets. It may well be that in some situations the various departments are the holders of all the information. There may be experts in the community that have knowledge and information, and they would be worthwhile listening to. Having said that, at the end of the day the decision should be made I believe by the Parliament or the government of the day rather than if someone writes in and says this should be done.

CHAIR: I understand the office's position in having a very strict auditing role as opposed to being able to make fairly firm recommendations back to government. I guess on a personal note I believe your office should have the ability to make some recommendations, given the broad spectrum of issues you cover. Obviously, you have the opportunities to network across other jurisdictions and undertake your own assessment against those other jurisdictions and benchmarking. The whole range of auditing is a bit of fire we might play with and consider for our report. I think it is something we should seriously consider.

Mr ALAN ASHTON: In other words, we move from what is in the report that I suggested, if we read between the lines, and give them more chance to say what they really mean.

CHAIR: That sort of feedback for us even as decision makers. We do not sit here and profess to have the answers to every problem in the world and we need good, sound advice on which to make decisions.

Mr ALAN ASHTON: Might I ask this question? Sometimes I have clashed with auditors just as a general theme. I think we have mentioned this before—it might have come from the Audit Office before—as a teacher you teach kids. How do you audit whether you are teaching those kids? You can audit that you are turning up for certain lessons and there is staffing and all that sort of stuff, but you cannot absolutely audit whether what you have

taught goes in there, comes out and there is a product. I have a bit of an ideological issue as opposed to the history person and all that sort of stuff versus a mathematical thing.

I am just interested in the role the Audit Office can play across a whole range of areas where it is difficult to make auditing of financial reports. I believe in the State Plan the environment is about the last of all the different things you have to assess. The point I want to come back to is that we receive your document about once every year, it might be six months, and are asked to comment on what you have done. Maybe I am not the average member of Parliament here, but I have to say that with all the things that come into my office and into the Parliament the red audit report of this, this and the other is not the first thing I pick up. There are enough commissions and inquiries going on and all the people writing to us, you understand that?

Mr ACHTERSTRAAT: Absolutely.

Mr STEVE CANSELL: I agree.

Mr ALAN ASHTON: I often try to fill them out. My report would be saying, "Yes, you're doing a good job", and that sort of thing and that is all well and good. You made the comment about how you respond to MPs requests to look into things. Obviously the Opposition will want to ask a lot of tricky questions so that you will look into what the Government is doing, and I think that Government MPs are slightly encouraged by that—perhaps not encouraged, because we are busy governing generally. I am just interested in what sort of feedback you get from those surveys put out to MPs. Is it that they all tend to write something that is very specific, or is it that mostly that they are just a bit like me—a bit snowed under and do not really raise issues? I know that question is a long-winded question, but I think you get the message.

Mr ACHTERSTRAAT: No, I think it is a very fair comment. If I can contrast the surveys we send to the MPs versus the surveys we send to heads of departments, the heads of departments are very clear on what they are saying about us. They are saying that they value our independence, they value our integrity, they value our technical skills and they value the fact that we talk to them before we publish something. They value that. They do not always value the fact that we charge them or the amount we charge them. In relation to the performance audit, some of the heads of agencies that have had a performance audit will be closer to our operations than those who have not. They will give specific feedback in relation to the natural justice we gave, the expertise we used—I think the Deputy Chair mentioned that we have expertise in environmental matters, and they would comment on that. They would say that the consultant we used was not up to speed, or was up to speed, or we should have used more consultants.

In relation to MPs, you are absolutely correct. The MPs who have a particular interest in a particular topic would tend to respond, but I would not say this of 100 per cent of MPs. The MPs may have an interest in financials. For example, someone may have a particular interest in universities and there are a few MPs who do. They will look through our report on universities and they will comment. Others have a particular interest in DOCS and they will look at our report on DOCS. These are the financials I am referring to. If we take performance audits, those MPs, irrespective of the side of the House they are on, will read through it—for example, the alcohol report. A number of MPs from both sides of the House

will speak to me, talk to me, and give me feedback, even on the run when I am walking through Parliament. They will be the ones who will respond.

But your point is absolutely right. If they have only read two reports, how can they fill out a reply? The reason we send the report is because Parliament is our client. Basically as I see it, Parliament is our number one client. The agencies are auditees. Members of Parliament are our main client. The survey we send is very similar to the survey sent by other auditors-general in other States, so we can benchmark and we can see what we are doing poorly and what we are doing well. The whole thing comes down to communication.

Mr ALAN ASHTON: I just add that if we were not receiving them, we would be very critical and would want to know why we have not received either them or something telling us what is happening in the Audit Office. When we receive them, it is up to us to make a comment, or, if we do not know anything about it, admit that, and move on.

Mr ACHTERSTRAAT: That might be the issue, Mr Ashton. If the MPs do not know what the Audit Office is doing, that sends a message to me that maybe I need to be liaising more with the MPs. I know in March last year I wrote to all the new MPs and offered to meet with them all. I met with a significant number of them on a one-on-one basis to explain our role.

Mr ALAN ASHTON: Good.

Mr ACHTERSTRAAT: I also wrote to new Ministers and offered to meet with them to explain the role.

Mr ALAN ASHTON: That is good.

CHAIR: If there are no further questions, I thank you for attending.

Mr ACHTERSTRAAT: Thank you for the opportunity to speak. It is also nice to get you know you in a different setting.

(The witnesses withdrew)

MICHAEL WRIGHT, General Manager—State Fleet, Department of Commerce, McKell Building, 2-24 Rawson Place Sydney NSW 2000,

HARRY BANGA, General Manager—New South Wales Procurement Contract Services, Department of Commerce, McKell Building, 2-24 Rawson Place Sydney NSW 2000, and

ROY KEITH CRADDOCK, Team Leader—Energy Services Group, Government Architect's Office, Office of Public Works and Services, McKell Building, 2-24 Rawson Place Sydney NSW 2000, sworn and examined:

CHAIR: Thank you for appearing before the Committee as part of the Public Bodies Review Committee's inquiry into environmental impact reporting of the New South Wales public sector. We appreciate your time and look forward to hearing your contribution this afternoon. Do any of you wish to make an opening statement?

Mr WRIGHT: No.

CHAIR: Mr Wright looks after the fleet, so I mention, for the information of the member for Tamworth, that we will talk about the fleet. We will ask you some questions, if you are okay with that.

Mr WRIGHT: Yes.

CHAIR: As you know, the Committee is quite interested in the reporting requirements for agencies and certainly is interested in getting an understanding of some of our current Government's initiatives and reforms concerning environmental management. Reporting on those activities is certainly the main thrust of what we are examining today. There has been some discussion by a number of parties who have presented before the Committee today about the fleet. I will beat Peter to the punch and get this matter out of the way. Could one of you give us an understanding of what is happening across the Government fleet and what initiatives have been put in place to reduce fuel consumption costs, et cetera?

Mr WRIGHT: Some time ago, in 2003-04, we implemented the Government's cleaner fleet initiative. That entailed settings and targets for improving the environmental performance of the fleet. The targets were based on scores that are done by DOTARS federally on its green vehicle guide. They are a combination of two components. One component is based around greenhouse gas emissions and the other component is based around NOx, that is, noxious oxide and noxious gas emissions. The combination of those two indicators is scored out of 20. The targets set were a starting point of 10 in 2004, 11 in 2005-06, and 12 in 2007-08.

Currently the score stands at around about 11.27 at the end of March. That is a little way short of 12, but the starting point was actually 9.55 and not 10 due to some reclassification by DOTARS of the scores with the introduction of the Euro 3 standard engines in Australia. They reduce the scores of various vehicles backwards by approximately 0.5 of a mark. For example, a Falcon that was scoring 11 in 2005 all of a sudden, once it became January 2006, was scoring only 10.5. Our starting point was approximately 9.55. Overall it was looking at trying to achieve a 20 per cent improvement in environmental performance of the fleet over that three-year period. Ultimately I am pretty

sure we will get there. We recorded about an 18 per cent improvement up to the end of March, and with three months to go I think we will get that extra 2 per cent improvement and achieve that target in terms of environmental performance.

There was also a target of 20 per cent reduction in greenhouse gas emissions. For various reasons that was to be reported through the Gantt process. For various reasons a Gantt report has not been produced because of various changes to administrative arrangements, departments moving and amalgamating and changing, et cetera. Given that greenhouse gas emissions is 50 per cent a component of the overall environmental performance score, if you look at extrapolating that, you could say that our greenhouse gas performance would have improved in reasonably similar types of amounts to the environmental performance overall, and probably even a little bit better because diesel, which has certainly become the fuel of choice in four-wheel drives and commercial vehicles, scores fairly poorly in the environmental performance rating due to a number of factors, not least of which is the poor quality of diesel fuel in Australia, but also because it does put out more NOx than petrol vehicles.

That will be improved when Euro 4 standards come in for diesel this year. Diesel fuel was supposed to improve at the beginning of this year, but that was put off. Caltex was still to make some changes to their refinery and therefore they were given a 12-month holiday. It is due to come in from January next year. That will reduce the average particulate output from 50 to 20 parts per million. That will be a reasonably significant improvement in the performance of diesel fuel. Part of the process of that is changing the mix of the fleet. When we started this process when the initiative was first implemented, large passenger vehicles probably represented approximately 58 or 59 per cent of the government fleet. Small vehicles probably represented about 32 per cent of the fleet. That has now almost been reversed; large vehicles now represent about 31 per cent, 32 per cent of the fleet and small vehicles are now about 58 per cent of the fleet. So there has been a reversal of that. Subsequently, there has been a saving in fuel consumption through the use of smaller vehicles and some savings in capital expenditure on motor vehicles as well because obviously smaller vehicles are cheaper to buy.

Mr STEVE CANSDELL: With the overall environmental performance savings which you have had, does that equate to financial savings as well?

Mr WRIGHT: It does to agencies. A reduction in fuel consumption obviously should result in lower operating costs. However, given the way fuel prices have increased I doubt there have been any real savings because whatever savings have been made would have been eroded away by the increasing price of fuel.

Mr ALAN ASHTON: That is not your fault at the moment.

Mr WRIGHT: That certainly would have had an impact on that. What you could say is that they would be spending a lot more than they are now if they had continued on the way they were. There have been some capital savings, and that translates into lease rates for agencies in operating costs. However, probably from about 2003 until about 2005 there was a 30 per cent reduction in the value of used cars in Australia, predominantly as a result of the GST. Therefore, a lot of those savings were also eroded because of that reduction in the value of the used car and the changes to the taxing regime. Suffice it to say, there have been savings but they may not be in real dollars in the hand but certainly it would have been a higher cost if things had stayed the way they were.

Mr ALAN ASHTON: This seems to be moving away from the environment but it is not meant to be. Smaller cars are good but the trade-in on them would be less because you paid less at the start. Assuming that most of the fleet that the New South Wales Government has across departments, some are leased, some people at the senior level have their own vehicles as a package. What about when you have them down the line? Is there a turnover period, the two years, 40,000, now three years, 60,000 and that holds it back?

Mr WRIGHT: It used to be two years, 40,000, and that was based around the old sales tax regime. There is still a bit of a hangover of that. However, we are encouraging people to hold on to vehicles a little longer, particularly those that are underutilised. One thing we try to do is not to go too far past three years because you run out of warranty and that has an impact on potential operating costs and on resale values. When you are selling a car at auction you do not give any dealer warranty with that, so the general public is a bit wary about buying a car that does not have any warranty left on it.

That being said, our average lease rate was about 21 months previously; it is now up to about 28. So it is increasing and going out. That includes all cars. Some cars like police highway patrol vehicles could be turned over every six months because of the number of kilometres they do in that six-month period. Most of our commercial vehicles operate four to five years on average. So it is increasing in terms of the length of time we hold cars. I might say also that small cars in terms of residual value or the amount they are worth is generally higher than the residual percentage of a large car. If you look at the numbers for a Toyota Corolla, we probably get almost the same price as we get for a Falcon or a Holden Commodore, even though they have a lower purchase price. Because of the cost of fuel, I think they have become a lot more popular.

CHAIR: So those savings are not specifically dollar savings but they are a reduction in greenhouse gases and the like. You are reporting back through to the Department of Commerce—

Mr WRIGHT: We report the environmental performance scores. We are in the process of developing some new targets for the outgoing years, because the initial targets finish at the end of June this year. We have a number of agencies involved, major agencies sitting down and trying to work out where we go from here and the new targets we need to set for the next three years. As part of that we will also try to take on the reporting of greenhouse gas emissions and reductions. It has been difficult for us because we do not have all the data. Because we do not manage all the cars—some agencies manage their own; some have third parties manage their cars—we do not get all the fuel data and therefore we do not know what their fuel consumption has been over a period of time. What we will try to do in the new reporting regime is to say that they all need to report back to us their kilometres and fuel consumption. Then we can do a calculation and work out what the greenhouse gas base is, say, from 1 July and then what reductions have been accrued over the ensuing years.

Mr PETER DRAPER: The Government has been very supportive of the ethanol industry; in fact, it has mandated ethanol use where available. Has that been implemented on the ground? Do you have statistical evidence showing that that is being taken up?

Mr WRIGHT: It certainly is being taken up. Within the State fleet managed vehicles, about 7.8 per cent of all unleaded petrol purchased is E10. That needs to get to 20 per cent to achieve the 2 per cent ethanol component. As more outlets become available, it becomes more used. The fact that we have contracts with major suppliers I guess to some extent is a little bit of a barrier because a lot of the independents sell E10 and now people do not go to those independents obviously because they do not have fuel card facilities and so on.

Mr PETER DRAPER: Is there flexibility in the system to allow that to expand in the future?

Mr WRIGHT: There is, at a cost. You need to have a different type of card, almost like a credit card to be able to go to the independents. They do not all take a certain type of card. So there is a cost to administering that to make it more available.

Mr PETER DRAPER: But when you look at the reduction in emissions there is also a very strong benefit. Tailpipe emissions are reduced significantly when you use ethanol fuels.

Mr WRIGHT: I will take your word for that. I think there could be some argument about that. We certainly have had some between environmentalists and biofuels people in the past in different committees as to the environmental benefits. There is certainly potentially some savings in terms of dollars because E10 is cheaper in most cases than neat, unleaded petrol. So we encourage people to take advantage of that. Obviously, people do not necessarily go out of their way to find it. We find that some service stations might have only one bowser that has E10, and if there is someone at it people will not sit around and wait to get to that bowser. They will go to the next one. I think generally there is broad acceptance among the public sector that this is a good thing and that they want to do it, but obviously there will be practicalities that come into play. I think it is pretty well accepted.

Mr PETER DRAPER: We had Westpac in this morning, and they were very impressive about the way they have examined their business. One instance they gave us was that every individual within their organisation—there are 29,000 of them—used 12,000 pieces of paper every year. Once they discovered that, they put in train a process to reduce that and to recycle more, et cetera, and now they are just under 9,000. So it is a substantial saving. Does the Department of Commerce have any sort of monitoring mechanisms where you are aware of consumption of paper, for example, or energy? Are there plans to try to reduce your impact on the environment?

Mr BANGA: My portfolio basically covers procurement in terms of what we do on behalf of New South Wales government procurements.

Mr PETER DRAPER: You are saying it is not part of it.

Mr BANGA: It is not part of my particular portfolio as to what we do internally in commerce.

Mr PETER DRAPER: Does anybody have anything to do with it?

Mr WRIGHT: I think one of the difficulties with monitoring some of that stuff is that if you have one central buying point for all of that stuff you can monitor how much you are buying. But I guess within the public sector all agencies purchase their own various

suppliers albeit a lot through the contract where you can monitor what they are purchasing but a lot do not always buy through the contract for various reasons.

Mr BANGA: But I can add that in our contract that we are about to go out to market for office supplies and consumables we have incorporated the aspects of paper recycling into the actual contract specification development as well as better access to purchasing that type of paper, as well as monitoring that particular contract on regular centralised consolidated reporting. So through that contract we will be able to get better transparency to what individual agencies are doing within government.

Mr PETER DRAPER: It came across to me as an opportunity for government to emulate the example of the private sector that has had experience and shown tangible benefits, so that is encouraging.

Mr BANGA: Yes.

CHAIR: With those contracts for goods and services, who is the driver of the environmental agenda in terms of whether it is recycling paper or you are contracting out for a building to be constructed? Who is the brain behind the criteria that you want to put in place as part of the tender or contract?

Mr BANGA: What we have is a New South Wales procurement guideline. It is an essential document which maps out exactly what we need to do in terms of ESD principles. If I can give you a flavour of what is incorporated, basically in that document. We look at the four policies and plans, the waste reduction and purchasing policy, the cleaner government fleet program, the government energy management policy and the New South Wales greenhouse plan. Those policies and plans are referenced in that particular guideline. The guiding principle of that guideline is to assist agencies to integrate ESD principles into procurement, improve environmental practices of service providers that the agencies engage. We look at minimising detrimental impact of environmental goods and services. We encourage service providers to maintain and enhance good environment practices through that guideline, encourage service providers to also advise of beneficial products, environmental goods and services.

The essence of what we look at in that particular guideline is that we look at avoiding, reducing, reuse, recycling and reprocessing where possible. One of the guiding principles in that procurement document is that we need to factor in the aspects of ESD principles in the specification development, in when you acquired the goods and services and the ongoing purchasing and the contract management of it. There are a number of examples where we have incorporated that, so by way of compliance we have introduced that particular government procurement guideline into our method practice. That is an intrinsic method practice that we have developed and our officers use that. So to answer your question, the guidelines are the drivers. The incorporation of those guidelines are in our method practice.

CHAIR: Who is the monitor?

Mr BANGA: My business is the monitor of how we comply with this in terms of independents.

CHAIR: Is there a reporting requirement? If you have an agency that is working within that framework in terms of procurement they are obligated to report?

Mr BANGA: We do not have an active reporting requirement on how we comply with environmental incorporation into procurement practices.

Mr PETER DRAPER: Should you have?

Mr BANGA: There are a number of aspects with regard to procurement. One of them could be ESD principles, how we comply with them. Another could be value for money principles. There are a number of reporting aspects. Our remit is to deliver best value for money from the commitment activities within government.

Mr PETER DRAPER: So the process is driven by value for money rather than environmental consideration, or is it a combination?

Mr BANGA: It is a combination.

Mr ALAN ASHTON: One should be good for the other.

Mr BANGA: Yes.

CHAIR: I suspect we will report very well on the pure dollars of those contractual arrangements but we are not driven to report, if at all, on the environmental elements. Is that fair?

Mr BANGA: I suppose a way of looking at it is more to do with how the actual procurement process achieves environmental outcomes, rather than compliance to the guidelines within the procurement process. So when you have actually gone through a process, what are the environmental achievements?

Mr PETER DRAPER: If you do not report on it how do you know whether you have had environmental impacts and whether you are improving standards?

Mr BANGA: For example, with the use of recycled paper you can monitor previously what was the uptake of recycled paper, and due to the encouragement of incorporating greater recycled paper in the procurement process, and having great availability to it through the purchasing medium, you can report how much uptake there is of the actual. So you assume by the fact that you have got a greater outcome that your process had actually complied with incorporating those. I suppose, in one way—I am expressing my opinion here—it is better to report on the outcomes rather than the compliance to the process. So there are a number of initiatives where we have actually incorporated those particular environmental requirements.

Mr WRIGHT: If I give a motor vehicle contract which has just been relet, for example, we actually set minimum environmental performance standards for a vehicle to get on the contract. So if your vehicle did not meet a specified minimum standard it was not considered. So it is then not available to be purchased.

Mr PETER DRAPER: Would those specifications be emissions and so many kilometres per litre or whatever it is?

Mr WRIGHT: Yes. It is really based around—we do not try to reinvent the wheel—because the feds have actually got the green vehicle guide, which monitors both fuel consumption and noxious gases, we gave them a minimum rating on that scoring scale, and if they did not achieve that minimum rating then they did not qualify to get onto the contract.

Mr PETER DRAPER: So cars with old technology diesel would not get on where the new common rail diesel would?

Mr WRIGHT: That is right, the new Euro 4 standard or whatever would get on whereas some of the older ones would not qualify. To some extent what Harry is saying, you build into the contract some environmental improvements and targets by way of saying that we do not accept certain types of products because they do not meet our environmental requirements.

Mr PETER DRAPER: Did it contract the range?

Mr WRIGHT: Not terribly much. It did drop out some cars. We also put some safety factors in there too and that had some impact. We put in some minimum safety standards for vehicles as well.

Mr PETER DRAPER: Air bags and things?

Mr WRIGHT: Well they had to achieve certain Australasian New Car Assessment Program [ANCAP] ratings, et cetera. Say, for example, the Holden Barina which gets two stars on the ANCAP rating did not get on, even though it has got very good environmental performance, because of its safety component it did not get on. We would look at a whole range of things when we do these contracts. Environment is one of them, as Harry said, value for money is another, safety might be another and we try to build it into the contract, and that way you know that people are buying products and achieving certain environmental outcomes as opposed to having to monitor them all the time to see if they are doing it because the products available take care of that to some extent.

Mr BANGA: The other aspects we are improving in the actual process are more centralised and consolidated reporting of the outcomes. So it is not only with regards to the savings we achieve in terms of the value for money, but also what is the uptake of that particular contract, and it is reporting centrally where it may have been fragmented in the past.

CHAIR: Fleet is easy because the vehicle meets the criteria or it does not. It is nice and simple; you buy what meets the criteria. With other initiatives where you are trying to drive some reform with agencies to be, I guess, more conscious of their consumption of resources, let us say, whether it is power or paper or whatever, it is a lot harder to achieve because you have so many players out there. But the reporting of that is the more important part for the Committee in terms of are we monitoring consumption and who is collecting the data, who is reporting it and are we doing some auditing?

Mr PETER DRAPER: How many bits of paper would you use in a year?

Mr BANGA: It is hard for me to say. But I do have an intrinsic approach of always double-siding, minimise where I can.

Mr PETER DRAPER: I do not have a clue how many I would use but I will keep an eye on it.

CHAIR: When you let contracts you could be fairly tight in terms of what sort of environmental outcomes you are looking for, particularly around buildings, I would think, in relation to energy ratings?

Mr BANGA: We do not get into the aspect of property.

CHAIR: You do not do those big contracts?

Mr BANGA: No.

CHAIR: What is an average contract?

Mr BANGA: We do the goods and services on behalf of government.

Mr ALAN ASHTON: How many vehicles does the State Government have?

Mr WRIGHT: In terms of the vehicles that I lease, I have about 25,500, that includes Police, Ambulance, Fire and various other bits and pieces.

Mr ALAN ASHTON: We are talking about how long you have had them and their environmental footprints. Obviously a car is a fair bit cheaper to buy than to lease but it has lots of maintenance and breakdown costs and it is being tuned and having all sorts of tests done which are environmental costs. When you start this process you can go off in a lot of different ways to come back to what we might be saving.

Mr WRIGHT: I agree. One of the things we do look at, and therefore, we do not want to run leases for too long, is that it does also take a longer lead time in take up of new technology. For example, if something comes on in that first year of that four year lease, and you have got cars that you are keeping for four years, it is another three and a half years before you can actually take up that new technology. There is a balancing act in all of this and you look at a whole of things when you try to develop these polices.

Mr ALAN ASHTON: ANCAP was not around a couple of years ago as much as it is now.

Mr WRIGHT: It has become more of a discerning factor for not only new car buyers but also used car buyers so it does have an impact at the other end when we try to sell that car.

Mr STEVE CANSDELL: In relation to the environmental footprint a fleet can leave, an earlier witness from Westpac said it had 7,000 cars, which it streamlined and moved into smaller cars and saved 40,000 tonnes of CO².

Mr WRIGHT: I cannot give you the exact numbers on that. As I said, that was to be a component of the Government Energy Management Policy [GEMP] reporting process. However, we will be able to report on that in the future. I can say that our current performance in terms of CO² output on average is around about 215 grams per kilometre, which compares very favourably with other States and other jurisdictions, some of which are averaging 245 or 250 grams per kilometre. We are certainly at the lower end and we would expect that over time we should be able to get that down to around about 200, 205 grams per kilometre.

Mr STEVE CANSDELL: Any environmental reports you submit in 12 months time may include those figures to show savings that have been made in that area?

Mr WRIGHT: Yes, if we can get all agencies as a part of this new process of new target setting, and if we can get endorsement for all agencies to provide us with the kilometres travelled and the amount of fuel used in a yearly period, we can then calculate on a whole of government basis what the amount of carbon output has been.

Mr PETER DRAPER: Apart from Ministers' Caprices are there many V8s left in the fleet?

Mr WRIGHT: No. I think we have got about 33 V8s left, excluding Police vehicles and other emergency vehicles. We do have some V8 diesels but that is because, for example, Toyota brought out a new commercial Landcruiser and the only diesel engine available was a V8 so it has a V8. A few undercover cars and various other bits of pieces that are V8s, but there is not a great deal.

CHAIR: Roy, what sort of issues or opportunities do you see in terms of your role in the Architects Office? What are your requirements for reporting and what issues do you have in place?

Mr CRADDOCK: My office reports for about 16 government agencies at the moment, and we have done that consistently since the GEMP report was established about 10 years ago. The agencies we report vary in size and can be a small agency like the State Library or a large agency like the Department of Education and Training. Each year we put in proposals to do their GEMP reporting on a commercial basis, fee-for-service, and we have continued with those clients over a number of years. We have used the recording mechanism that is established at the moment by the Department of the Environment and Climate Change, and we gather all the data.

My group also manages the energy and natural gas contracts so we have easy access to the consumption, cost and green power data that is available through the various management reports and energy contracts. We also get State fleet information on fuel consumption for the various departments. We put all that together and we input it into the reporting system which is currently called Oscar. We also give a summary of the agency's energy performance report for that financial year. They can input that report into their annual report if they want to.

CHAIR: Do many do that?

Mr CRADDOCK: No, I leave it to the agencies. I believe Commerce has it. It is all to do with timing, of course. There is a deadline reporting time of 30 October, and sometimes with that deadline we might miss the putting together of the annual report for that agency. Quite often if we can get the data together, and the timing of their annual report is correct, we can get that data in there.

CHAIR: Based on your experience how well are the agencies that you are working for performing in terms of environmental issues and reforms?

Mr CRADDOCK: One positive outcome has been an increase in the consumption of green power. Every year as more agencies put more sites on contract their percentage of green power that they purchase is going up. So that is a very positive outcome of the energy contracts, the electricity contracts that we have that we manage with New South Wales procurement. So that is positive. Overall it has been difficult to say that agencies have been saving. For example, the restructure of government made it difficult to keep things on balance because a number of agencies took on new assets, or changed assets. Things are changing all the time, and that makes it difficult. If I can speak for the Department of Commerce in the McKell building where we are, we have done a number of energy saving initiatives over the years. The last big item we did was a complete lighting upgrade of the McKell building. We reduced the energy consumption of a typical office luminaire from about 95 watts to 31½ watts, which was a significant reduction.

But if you look at the consumption of the McKell building, after we did that lighting upgrade it dropped and then since then it has slowly been increasing. Why? We have now got the Office of Fair Trading in the building. We have removed people from their tenancies and the Office of Fair Trading into the McKell building. If you look at the occupancy of the McKell building, it is about 30 per cent higher than it was about 10 years ago. So there are all these energy performance indicators that are much better indicators than just purely energy because you have got to look at occupancy, the time the building is occupied and there is all these other factors that come into it. Basically I do believe that the State Property Authority has been doing a good job. I have done a number of lighting upgrades for those offices and they are now doing air-conditioning upgrades. I believe that the government portfolio is doing things, and doing things in the right way to minimise energy consumption, but also to increase the office density that we have.

CHAIR: Strictly in a reporting sense, do you have a comment in relation to the quality of the data?

Mr CRADDOCK: The more the agencies use our government contracts, the more confidence I have in the data because I have confidence in the management reports that we receive. Obviously if agencies are on franchise rates their invoices might not come to us and we might have to do some more estimating, so I would like to see all agencies that I report to—and I encourage them—get onto government contracts because it reduces their costs and minimises their greenhouse emissions through the additional buying of green power. It makes the reporting a lot simpler because the management reports that I get from our suppliers are very comprehensive. If we find an agency that has a few sites that are not on contracts we encourage them to get onto the contracts, not only to reduce their costs and minimise their greenhouse emissions, but also to make our reporting job easier.

CHAIR: If there are no further questions, thank you so much for your time.

(The witnesses withdrew)

(Short adjournment)

MARTIN SMITH, Principal Policy Analyst, Office of Financial Management, New South Wales Treasury, sworn and examined:

CHAIR: Thank you for appearing before the Committee. We very much welcome your contribution. Do you wish to make an opening statement?

Mr SMITH: Given that main responsibility for this area is with the Department of Environment and Climate Change [DECC], we might just go straight to questions.

CHAIR: How do you see the targets that were factored into the State Plan impacting on the public sector?

Mr SMITH: From a reporting viewpoint, it will be done by the Department of Environment and Climate Change. I do not believe that reporting at individual agency level will be affected by the State Plan. It will be more global reporting and that will be at the direction of DECC.

CHAIR: With regard to the current practice of reporting in those individual agencies, do you do an analysis of those measures and performance against them?

Mr SMITH: There are actually very few things that agencies are required to disclose in environmental terms in their annual reports. There are just a handful of requirements and they are in with many other requirements including, for instance, occupational health and safety and insurance arrangements. They are just two of many requirements. We review all of the requirements for a handful of agencies' annual reports each year and those environmental requirements are reviewed as part of that, but as I say they are only two of many that we look at.

CHAIR: Would you see the concept of mandatory reporting requirements as a positive thing or is it something that will be difficult for agencies to deal with and deliver?

Mr SMITH: It depends at which level. I am not sure how useful it is for each agency in its annual report to disclose a great deal on environmental matters. Reference was made before to the red tape review and the need to reduce some of the existing requirements. As DECC is doing comprehensive environmental reporting, I would be more inclined to beef that up. If I was a user of financial and annual reporting information, I would be more likely to go to the sector-wide report prepared by DECC than to look in individual agencies for that information.

Mr STEVE CANSDELL: You mentioned earlier there were possibly six environmental indicators. Were you referring to performance indicators?

Mr SMITH: In annual reports there are only two and they are not performance indicators; they are disclosures that are required. They are not audited.

Mr STEVE CANSDELL: What kinds of environmental performance indicators are currently included in results and service plans?

Mr SMITH: The results and service plans are focused on the main operations of a department, so it is looking at the main outcomes of the department. In the achievement of those outcomes, environmental reporting and other things are secondary. DECC and the agencies concerned with the environment would report matters relating to the environmental indicators in their annual reports.

CHAIR: There is a line between Treasury and the Department of Environment and Climate Change [DECC] in that Treasury is about numbers and DECC is about environmental issues?

Mr SMITH: I would not describe it as a line, but clearly DECC has the major responsibility for environmental matters and Treasury has the main responsibility for financial matters.

Mr ALAN ASHTON: I appreciate that you have been here for some time, but we have talked to the Auditor-General's group and, if it were mandatory to do more reporting, they would need more people, so it would come back to Treasury. If the Government says you have to do it, you have to find the money, and you work for the Treasury, but I take the Chair's point that if everything is just dumped on DECC and they do not have enough resources then it is a Government budget matter, and you implement it once the Government makes a decision I presume.

Mr SMITH: If the role of DECC was to change, they would make their submission for more funding through the results and services plan [RSP] process.

Mr ALAN ASHTON: What is the New South Wales Treasury doing about environmental matters?

Mr SMITH: Our annual report refers to a few items. We are a very small organisation, roughly 230 people basically on several floors of Governor Macquarie tower, so there is not a great deal for us to report, but we did make some disclosures on waste reduction in our 2007 annual report, the kind of items that have been talked about here, such as reducing electricity usage, reducing the amount of paper, but we are not an organisation like Health that has the opportunity to make some very serious cuts.

CHAIR: One thing that worries me a little is what is Treasury's view? While I accept that you are pretty much financially focused, which is understandable, is there a level of interest within Treasury to see an environmental agenda, reporting requirements and monitoring of reporting outcomes across agencies? Is there anyone in Treasury helping to drive that agenda?

Mr SMITH: Environmental matters are State Plan and the State Plan is at the top of Treasury's agenda, so obviously we are keen for those to be implemented. We have a team at Treasury that is involved in our relationship with DECC and with the other environment agencies as well, so it is certainly not us and them.

CHAIR: At Treasury level you would obviously have an interest particularly where there are financial savings to be made through reforms around environmental issues—reduction of power consumption, all the obvious things?

Mr SMITH: Absolutely. That would be of benefit. Obviously we have to consider environmental initiatives that have a cost, but if that is what the Government wants then that is what we must take into account.

Mr STEVE CANSDELL: You would need a report to come back to Treasury with recommendations for some environmental programs to be in place, which may cost initially but will return good savings, such as more environmentally friendly cars, light fittings, upgrading of air-conditioning, and so on, a streamlined process that is going to save money but initially cost money. You would have those reports laid on a table in front of you?

Mr SMITH: That is right, and obviously it is easier to say "Yes" to something that will produce savings in the long-term, even for an upfront investment.

CHAIR: Is there one particular environmental project that you could name that required a significant investment upfront, but has provided a healthy reduction in costs in the long run? Is there any major project that stands out?

Mr SMITH: Not that I am aware of. I could try to get some information and report back to you.

Mr STEVE CANSDELL: We cannot bash you up on these things because it is other departments that come to you with their environmental policies and programs to be funded.

Mr SMITH: I think that is largely correct. It would be DECC that would perhaps produce the case for what they want to do. They come to us and say, "This is what it is going to cost", and then we would evaluate what they have come to us with.

Mr ALAN ASHTON: I appreciate the position you are in as a Treasury spokesman in a sense. There are COAG agreements about all sorts of things and the 2020 Summit, and whatever the Federal Government decides, meeting with all the other governments, if there is a commitment to spend money in some areas to get more environmental reporting, or through the Auditor-General, who can account financially and do some performance things—but not that many because it takes them nine months to do—we cannot really bash you up because you cannot just flick your fingers and say, "We can do all these things". In the end it is what the Government decides or other governments later.

Mr SMITH: I think, as the Auditor-General Peter Achterstraat said, it is somewhat a balancing act too, that what is spent on environment—basically we have to spend less somewhere else or alternatively find money somewhere else.

CHAIR: If DECC or anyone else puts a proposal before Treasury, what sort of weighting do you put on environmental programs or initiatives? Do you have a formula that you critique the project against to score it?

Mr SMITH: I think the first level upon which it is scored is the State Plan, and then assessed against other priorities. I probably could not give you a definitive answer. The answer is that it depends on the competing priorities of all departments.

Mr ALAN ASHTON: If I remember correctly, the environment was one of the last things on the State Plan. However, that was drawn up at the end of 2006 and we have

moved a fair way from that on environmental issues such as trying to save resources, recycle, or whatever. That government initiative is a little higher up than it was in the original State Plan.

CHAIR: When you are assessing projects do you have a list of criteria against which you score? Who makes the call on some of these projects? Are they made after discussion at officer level with a recommendation to the Minister, or does the Minister make the call? What I am getting at is how do you justify a decision to spend \$3 million on a project somewhere?

Mr SMITH: Ultimately it is Parliament's decision, through the appropriation Acts. The executive of Treasury makes recommendations to the Treasurer. It is not an exact science; it is just competing priorities and an assessment of those competing priorities at the recommendation of the executive of Treasury.

CHAIR: But at your level in Treasury you must have some—

Mr STEVE CANSDELL: Influence.

CHAIR: No, not influence. You must use some method to reach a point where you think one project is more valid than others and that is what you want to refer to the Minister for consideration with a recommendation one way or another. You must use some method. How do you assess it? I am sure you would not just get a request and say, "We do not particularly agree with this, so we will put it over there." What method do you use?

Mr SMITH: Generally we are structured by agency, if you like. For each agency there is a Treasury analyst. Submissions are generally made to the analyst. The analyst considers the effectiveness of the proposal, considers what savings could be made and establishes whether it is possible to achieve the funding that is desired. Each of them probably thinks that his or her submission is the best. It then goes to the executive and the executive makes that decision. At officer level we can put up our hands and say, "This is a great submission." Basically, in the end the executive determines the competing priorities.

Mr ALAN ASHTON: That is as it should be. As principal policy analyst you analyse these things, make comments on them and send them to the Treasurer. However, in the end it is the decision of the Treasurer and the expenditure review committee of the government of the day.

Mr SMITH: Yes.

Mr ALAN ASHTON: In the end all you do is pass on that information. It would be silly for you not to put your personal and professional report to the Treasurer and to his minders otherwise you would not have any credibility. If the Treasurer wants to reject your report it does not matter; it is a problem that the Treasurer faces. I am saying a little more than I should say but who cares. The Treasurer will tell everyone that it is not happening and that the planet is not getting any warmer.

Mr SMITH: Despite the views of any individual, there is a State Plan. On the State Plan there are environmental targets that Treasury takes seriously, as it does the other matters on the State Plan.

Mr ALAN ASHTON: I support what the chairman said earlier. You make your recommendations but there are a lot of competing recommendations across every aspect of the State Plan. Everything has its priority. I said earlier that we are giving more money to the Auditor-General to prepare a number of reports. However, we also have a red tape review that has been instructed to cut money. We are giving more money to the Auditor-General to prepare more reports and that money is not being spent on the ground where people want to see it spent. We appreciate that it is a balancing act.

Mr SMITH: That is true.

CHAIR: One of the comments in the whole-of-government submission referred to the fact that environmental reporting requirements could be too onerous and prove not to be beneficial. Do you have a view on that?

Mr SMITH: Like all reporting requirements a cost is associated with the benefit of reporting. It is always a balancing act to determine whether the cost of the information justifies the benefit of that information. We could report on 307 indicators for each agency. As a result of that their annual reports could run to 500 or more pages and it would be difficult to determine what an agency did. My preference is for a more streamlined annual report that focuses on the core issues on which a particular agency focuses, and then perhaps at a sector-wide level we could report in more detail on matters such as the environment. It is more meaningful to assess it that way at a State level.

Mr ALAN ASHTON: This Committee looked at those annual reports and created competition amongst various agencies to produce better annual reports. When I became a member of this Committee nine years ago one of the first things we did was to look at annual reports. We established that the more glossy those annual reports were the less they tended to tell us. Some issues have been raised about putting those reports on the Internet as not everyone has access to the Internet. I take your point. We cannot say that we want more and more information because often it is not read. So many people have so much else to do.

Mr SMITH: That is true. It takes away from what in my view is the focus of annual reporting, which is about the performance of an agency in relation to its core objectives.

Mr ALAN ASHTON: Exactly. That is a fair comment.

Mr PETER DRAPER: As an aside, is environment one of the core objectives? I know that there has been a change of focus in recent times, and that certain sectors of the community are not climate change sceptics.

Mr ALAN ASHTON: The majority are not.

Mr PETER DRAPER: Has that thinking translated into different agencies as yet?

Mr SMITH: The environment is extremely important, as is the health of staff at individual agencies and equal employment opportunity at individual agencies. I wonder how useful it is for each agency to be disclosing a great deal of information about that, in particular, when many agencies are very small. Earlier we were talking about Westpac.

Westpac, which is a huge organisation, can really make some good environmental savings and do some good environmental reporting. But many public sector agencies are extremely small and are office-based. Is it fair to an agency such as that to burden it with a great deal of environmental reporting?

Mr PETER DRAPER: What can we do with smaller office-based agencies? Should we think laterally and impose some changes on them that would not be too onerous, or is that impractical?

Mr SMITH: Perhaps it is not impractical; perhaps it is a question of whether the cost outweighs the benefits, for example, talking about a small agency replacing a 100-watt light bulb with a 40-watt light bulb.

Mr STEVE CANSDELL: There is big push nationwide for householders to do their little bit—to change their light bulbs to low-power light bulbs; to turn off their lights when they are not in a room; to turn off their taps and not leave them running when they clean their teeth. Small gains that are achieved by 20 million people suddenly become big gains. The same thing applies to small offices of 230 people. If we take 60, 70 or 100 households and times that by 100 small offices of 230 people we suddenly have an organisation of equivalent size to Westpac. It is important for all departments and offices to take on board some guidelines relating to the changing of light bulbs, or to the saving of paper by using both sides.

You might not save 100,000 reams of paper every year—you might save only 1,000 reams of paper—but it is still an important saving. The message that should be sent out by the Government in its advertising campaigns is that little contributions can save a great deal of electricity. Rather than putting in place expensive programs that cost money and require environmental managers we should put in place guidelines for buildings with more than 230 people to save power, paper or fuel. It should be part of government policy.

Mr SMITH: Yes. The Government already has some policies in place. Perhaps the people from DECC will be able to say a little more about that. I also take your point that adding up the small gains in each of the agencies can ultimately result in the savings that have been achieved by Westpac, but that is best demonstrated at a sector-wide level. I would prefer the reporting of that to be done sector-wide rather than by individual agencies. It is easier to see the scale at a sector level.

Mr ALAN ASHTON: It is up to us as politicians to make these points to the Treasurer and to our cabinet colleagues. Members of Parliament are often told that Treasury said this or that. Ministers in any government are victims of Treasury. The boffins as we call them—and you are one of them, but that is not a critical term—say "Mr Premier, we would like to do this but there are costs involved" and no-one ends up doing it. Treasury has to take the lead on that. It does not matter if there are only 200 people: when Treasury says something it counts. Treasury is responsible for 21 ministries and we have to make savings in this Parliament. We have had to cut back in a number of areas. We cannot eat or drink, we have to go home early and we have to turn off the lights earlier.

Your 230 people would cost a lot more than 230 nurses or teachers or 230 public servants at the Roads and Traffic Authority. You could save money on wages but that does not impact on the environment. It would be good to go away with the attitude that a few

points have been made, that people have had a shot at us, but it is important for Treasury to lead in this area rather than flick this issue to DECC. As a result of recent changes and because of what Kevin Rudd said, environmental issues have moved up in the priority of things. The greatest climate denier just got thrown out of government in this country. Treasury must get on board and take a reasonably positive attitude to all these other sectors.

Mr STEVE CANSDELL: Performance indicators should be put in place for every department to establish how many reams of paper were used last year compared to this year and what savings were made, and to establish each department's electricity consumption last year compared to this year. Those simple performance indicators could be an incentive for departments to take ownership of environmental outcomes.

Mr SMITH: I am not sure what data DECC is already obtaining on usage by departments for things such as paper. I am not against data collection and I do not think anyone in Treasury is a climate change sceptic. The issue gets back to what I said before. Many important issues can be put in an annual report. The environment is one of those important issues. But how big do you want an annual report to be? How much are you interested in the activities of an agency? I would prefer it if these things were reported at sector level.

CHAIR: Who do you believe should have charge of making sure there are some environmental reforms driven across the agencies? Who should take ownership of it?

Mr SMITH: I would see that as Environment and Climate Change and they are already releasing some very good reports in this area. I think Jane Tebbatt actually referred to some of those when she gave evidence from the Audit Office.

CHAIR: Would you see a role for Treasury in that?

Mr SMITH: I think they would have the main role. Obviously they may come to us on some of the annual reporting matters, particularly anything that comes out of this inquiry. I would see them having lead responsibility though.

(The witness withdrew)

TIMOTHY JAMES ROGERS, Executive Director, Departmental Performance Management and Communication, Department of Environment and Climate Change, 59 Goulburn Street, Sydney, and

CAROLYN DAVIES, Director, Water and Energy Programs, Department of Environment and Climate Change, 59 Goulburn Street, Sydney, affirmed and examined:

CHAIR: Thank you for your time this afternoon in appearing before this Committee as part of its inquiry into environmental impact reporting in the New South Wales public sector. We are very pleased to hear your contribution. In what capacity are you appearing before the Committee today?

Dr DAVIES: I am a director within the department and I basically manage the area that deals with government sustainability policy within the department.

Mr ROGERS: Before my present position three weeks ago I was the Executive Director for Sustainability Programs.

CHAIR: Is that the capacity in which you appear today before the Committee?

Mr ROGERS: Yes.

CHAIR: The Committee has received a whole-of-government submission. Are you happy for that submission to be taken as part of your formal evidence?

Mr ROGERS: We are.

CHAIR: Do either of you wish to make an opening statement?

Mr ROGERS: I might cover a few issues in the hope we can pull some of this together. Environment and Climate Change was responsible for pulling together that whole-of-government response you have and it reflects the situation as it was back in November when it was submitted. In that document we tried to cover the field of environmental reporting, so it probably has a wider remit than possibly the Committee is interested in. Nonetheless, we thought it useful to put it within the overall focus. Since that time you have probably seen an increasing focus on climate change and related greenhouse gas measurement, which has become far more prevalent. We are seeing a lot of concentration on those particular measures rather than some of the past ones. We have moved to identify sustainability reporting across a whole range of different areas. What we are seeing with climate change and CO₂ measurement is that people are coming back to a core measurement rather than some of the others, but for historical trends we need to maintain some of the older measures so that we can actually tell where we are. If we just chop them off and move on, we sometimes can have a problem.

We have also been looking to more efficient reporting methods. It is often easy to say we should report on this or we should report on that, but if they are not the core business of agencies and if they are not things that are readily to hand, then they are not necessarily things that organisations focus on or report well. They can lead to inaccuracy and a report has to have a purpose. If we do not have a clear purpose for collecting the information,

people do not want to supply at and somebody comes along and says why are you doing it. So, we tend to try to make the reports useful and purposeful and actually consider where they are coming from rather than just reporting on data. There are also a series of issues that can be clouded by raw numbers. For instance, if you use a building more intensively, let us say that you use schools after hours, you will actually drive up the energy and water consumption, but you will get better use of the building. So, there are some indicators that can have contrary outcomes from better use.

Changing levels of equipment can drive things. Hospitals are far more intensively used than they used to be. Computers and air conditioners improve the output, but they drive up the energy consumption. So, just a raw energy consumption figure is not going to tell you all of the things you need to know. So, we are a bit cautious about just using a single number. There is also a question of cost benefit: some things have short paybacks, some things have long paybacks. Are you better to do it when you refit a building rather than trying to do things part way? All of those sorts of things we try to get in in a policy sense about when we are going to make changes and how we put these things together. We also look to simplify and improve reporting but also to make the acquisition of material more simple so that if you can get recycled paper on the government contract, if you can get energy-efficient appliances on the government contract, then you can actually get the outcome you want, because it is easy to buy it. If you make it difficult to buy something or you do not have it available, then people simply do not come and get something which is there.

Mr ALAN ASHTON: And which you need to then fuel?

Mr ROGERS: Exactly. I know the Department of Commerce has been in earlier and I presume they have covered some of that, though I am happy to go back over it if we want to. We are also looking to make data more efficient by trying to capture it further upstream. In the new power contracts, for instance, we are looking at being able to get reporting by agency from the power provider rather than asking individual agencies to put it together. We are looking at the consumption of, say, recycled paper or other things like that, getting it from a contractor who was supplying it rather than asking the agency to tally up every time someone has gone out and bought a ream of paper. So, there are some efficiencies we can look for from the system by getting further up the chain. It gives us on a government-wide basis aggregated data. It is cheap to collect because they take it straight off the billing systems and it relieves individual departments of the chore of trying to go back and back cast from their own purchasing records, which are often distributed across the State.

In the submission we flagged that the Government was looking towards a sustainability package. It will incorporate things like the water energy, waste and purchasing issues we have outlined in the paper. I am not in a position to advise the Committee when it will issue. That is a government decision, not mine, but it is in progress. I am happy to deal with the individual components we have talked about in the submission as they stand. In terms of where the Government sits, we consume about 2 per cent of the total energy in the State, about 4.4 per cent of electricity and about 0.4 per cent of water.

Mr ALAN ASHTON: That is your department?

Mr ROGERS: No, that is the Government. So it is not necessarily a huge consumer, but it is a very visible one and people expect the Government to lead by example. So, some of these programs are important, clearly, and it is important because we all do our part. Major water and energy users in New South Wales Government are subject to the same

requirements as are commercial ones, that is, the large water and energy users are required to have savings action plans. The WRAPP program I presume you have also talked to the Auditor-General about, but that is also the subject of the Auditor-General's review, but it will not be reported until later in the year. That is probably as much as I want to do in summary. I am happy to deal with anything you want to raise.

Mr ALAN ASHTON: When our report is completed I would suggest that you and Dr Davies be the first to read it, and I think you obviously will, especially today's hearing would make very interesting reading. Maybe you should refer to the recent evidence we took from Mr Martin Smith from Treasury he basically said it is all up to you guys to run the whole show. I am just excusing the fact that he is an officer of Treasury as you are. But you just used the very line that I made a note of that it is up to the Government to show the way and lead the way, and the Department of Environment and Climate Change has to do that. We said here, I certainly did, that Treasury needs to play a role in that and get on board. Will they get to read the transcript, Mr Chair?

CHAIR: Yes.

Mr ALAN ASHTON: Read the transcript. It might be useful. We have had some very interesting information today—from Westpac, a big private operator, a bank, doing a lot of good stuff, with a lot of money obviously to do that, and a reputation to uphold—through various others and to the Auditor-General. It has been quite useful. Thank you for what you have said, I thought it was interesting.

Mr STEVE CANSDELL: In your opening statement you spoke about environmental reports being relevant to the department. Who puts those performance indicators together? Does DECC do that? Does DECC actually work out what environmental outcomes are needed through the departments or put recommendations to them and set those levels that are sustainable or does each department decide what it wants to do? If you do not, I am surprised, because I thought it would come from DECC?

Mr ROGERS: Broad government indicators are usually set by Cabinet decision, things like the metropolitan water plan and those sorts of things are the subject of Cabinet decision. So they are not set by DECC and imposed on somebody else. Clearly, different people have different inputs to them. The metropolitan water CEOs deal with the metropolitan water plan and gives advice to a number of Ministers and it is then considered by Cabinet. The process is more inclusive than us doing it. We are not responsible for all of those indicators.

Mr STEVE CANSDELL: Do you have recommendations, for example, with selecting the fleet and with possible carbon emissions from vehicles and fuels that could be better used by the Government rather than other fuels so that there are less carbon emissions and more savings?

Mr ROGERS: There are a number of cross-government committees that deal with issues like that. There is a fleet management group, which makes recommendations through Commerce. Again, the fleet management plan is a whole-of-government decision rather than a DECC one or anything.

Mr PETER DRAPER: Should it be a DECC one?

Mr STEVE CANSDELL: A recommendation I am talking about, not so much a decision.

Mr PETER DRAPER: Not a direction but some input?

Mr ROGERS: We have input into it. So, from that basis it is not an issue. New South Wales looks at what other governments are doing. For the fleet one, for instance, we use the Commonwealth Government determined indexes, which rate vehicles. So, the Government decision is about getting the fleet to a certain point using a known indicator. I am not here to argue that we should unilaterally make those decisions or recommendations. I think they are better developed in concert with a range of other people and that it is a matter for the Government.

Mr STEVE CANSDELL: But you have input to this?

Mr ROGERS: We have input to it, yes. We have input to the water ones, we have input to the energy ones, we have input to the car ones, and we manage the WRAPP ones with input from other people, so we are involved in the full suite of them.

CHAIR: In that capacity, are you auditing?

Mr ROGERS: Audit is probably the wrong word: monitoring is better. Some of these have actions, such as going into better quality buildings and the like, which are long term. We obviously monitor and report on the WRAPP information. Some of the others are collected by other organisations and put out, and some individual departments now report on that. Some you will find in annual reports and some you will find in consolidated reports.

CHAIR: I love the term "auditing" because it has a bit more depth to it in the sense that someone has to check the validity of some of these performance targets and the achievement of them. If you do not do that, then nobody seems to be doing that.

Mr ROGERS: I guess it goes to which ones we collect and control. That is part of the advantage of moving up the chain. If you are collecting it at the power level or collecting power at the distributor level, somebody has a better handle on what information is there. For WRAPP reports, if they look out of kilter we go back and crosscheck them but we do not go back and audit anybody's records over how much paper they have bought during the year. That would be a fairly expensive process.

Mr STEVE CANSDELL: Where do the programs come from—for example, saving electricity? Earlier a witness from Westpac said they decided that they would have switches for automatic cut-offs in meeting rooms. For a meeting that is scheduled to go for an hour and a half, after two hours the lights switch off if they are not being used for another four hours and to avoid having someone walking up to turn off the lights. Who makes or sets policy like that for offices to achieve energy saving efficiencies and possibly also the saving of paper, et cetera? I go back to private enterprise that looked at saving paper and saving money. If you are contributing to protection of the environment, you are also saving on the triple bottom line—the dollar, the environment and the community.

Mr ROGERS: Part of the energy and water saving—and correct me if I go down the wrong path—is done on the rating of the building. We are looking to improve the rating of government buildings. The average rating of the building is approximately 2.5 in terms of the National Australian Built Environment Rating Scheme.

Mr ALAN ASHTON: Out of?

Mr ROGERS: Out of 5. The rate of government buildings is, on average, about 3¼, so it is moving up. To get a rating of 4 or above, you have to have those things built in because you cannot get your building over the line if you do not have lots of savings. It is a bit like the buildings BASIX. You do not have to have a water tank, but it is hard to get over the number if you do not put a water tank in. There is a series of those sorts of things. If you went back and had a look at government buildings, you would find lot of them have been retrofitted with things like switch-off lights in both offices and meeting rooms.

Mr ALAN ASHTON: And air-conditioners and so forth.

Mr ROGERS: Yes. All of that sort of thing is being progressively put in and some of it has quite short payback periods. As buildings are refitted, you are seeing those sorts of things go back into them, or people are making decisions that they will refit them for energy savings. So there is quite a lot of advanced planning and that sort of thing. Paper is different because people go out and buy paper and consume it. The paperless office is a long way away. Paper use seems to have exploded with printers and the Internet. There are recommendations out about do not print, there are recommendations out about printing double sided, and there are recommendations out about bulk.

Mr ALAN ASHTON: People have to do it, but you cannot have everyone really watching everything they do. I was very impressed, as Peter was and we all were, with some of the Westpac information. They spoke about 12,000 pieces of paper per employee coming down to about 8,000, which is very good. I remember at one stage in my teaching career principals were very concerned about paper used in photocopying machines. We had one photocopying machine. People were virtually issued with a ream of foolscap paper per teacher, and that was supposed to do them for about a year. Of course, for most teachers that lasted two weeks. Then they came up with an idea that you punch your own number into a computer or the photocopier, and that was all right because what we did was find out what the other person's number was and we punched that number in so that he used 50,000 reams of paper and I used none. There is always a way around these things, which makes it hard to get them to work.

What I know about schools, because that is what I used to do, is that a textbook can now be \$60, \$70 or \$80. You have 20 kids doing modern history and, bang, there goes your \$2,000 or \$3,000. If you are buying paper and you have a photocopier, and there are contracts for all that, and toner, it may still work out to be much cheaper than buying the book. This is where you come in with your triple bottom line because you might be saving on energy by not using the photocopier or the toner and you do not buy paper, but where is the cost benefit when you just cannot afford to buy the textbooks for the kids? The next year you do not have a history class or a maths class or a science class because they are not running, and the books sit up in a cabinet. I do not expect you to comment on that.

Mr ROGERS: I just hope that the Copyright Council is not reading the transcript.

Mr ALAN ASHTON: We got around that years ago because we only took 10 per cent and you publish only two-thirds of a poem, but you can see what I am saying. It is difficult to totally assess some things. As you say, there have to be other offsets.

Mr ROGERS: I think you are going back to the point I made earlier.

Mr ALAN ASHTON: Yes, I am.

Mr ROGERS: There are other—

Mr ALAN ASHTON: That is what you said in your introduction. I am just supporting you. There is some things there that have a short-term cost, some have a long term and with some you virtually put on a couple of extra employees on \$150,000 a year to research all that whereas a bit of commonsense can do it.

Mr ROGERS: The commonsense solution would be to print it two up on the page and double side it.

Mr ALAN ASHTON: Exactly, and keep it. Hand it out to the kids and give it to them next year, the next year and the next year. As long as the Copyright Council and the professors who write the books and the teachers are not unhappy, you are ahead.

Mr PETER DRAPER: I am a big believer in the Department of Environment and Climate Change having the ability to provide direction and support to government organisations to try to improve energy use, to reduce water use, and to reduce losses of water, for example. I was horrified this morning to be listening on the radio to a representative of Sydney Water who stated that they are now very pleased because they have the water loss down to 8 per cent in Sydney. That is still a horrifyingly high amount when we are still in the grip of the worst drought in history. I know that if you live on the coast you do not think so, but where I live it is dire again. Do you believe the Department of Environment and Climate Change has enough power? You might have heard my lighter side when Treasury left and they were saying that the Department of Environment and Climate Change should do everything. I said to Alan, "Nobody is scared of DECC but they are scared of Treasury", so I would prefer to see them starting to impose some of these directions.

Mr STEVE CANSDELL: Most of the farmers are scared of the Department of Environment and Climate Change.

Mr PETER DRAPER: Do you have enough input? Are you being listened to? Is there a way of doing it better?

Mr ROGERS: In the example you picked, it is Sydney Water that is managing the reticulation system. Sydney Water is reporting on water losses. It has a program to reduce water losses. I do not think—but the Government could give us the role tomorrow—that it is part of our role to walk into Sydney Water and do that. As part of the coordinated government program, part of its program is about reducing loss. They are responsible for it. I think that is an appropriate outcome. We are not the police for the rest of the public sector. We have our role in advising government. We have a role in providing advice for other people, but I do not see it extending as far as that. If tomorrow the Premier were to make a

decision that that is our role, that is fine, but it is not our role. I think it is appropriate that an organisation that manages the water supply is responsible for managing the water supply, the same as—

Mr PETER DRAPER: Energy consumption in office buildings?

Mr ROGERS: Energy consumption in office buildings is a more diverse problem. What we are actually doing is looking at trying to improve the building stock. We are working with—it has changed its name.

Dr DAVIES: State Properties.

Mr ROGERS: The State Property Authority, trying to do buildings more holistically because you get multi-tenanted buildings and it is not smart to have four tenants in a building trying to do energy-efficient refits when it is head leased under the Property Authority and the Property Authority is looking very hard at making some efficiency gains in whole-of-building tenancies and managing process. That means that the individual tenant might occupy only a floor or half a floor, and it happens seamlessly around you—the sort of things you were talking about, such as the lights go off and the non-flushing urinals and the half-flush toilets. They are just there. You do not have to make a decision to do something.

If you are the building owner of the building manager, you, as the building owner and manager, need to do things. National Parks, as part of DECC, has done some quite outstanding stuff in terms of building new buildings which are low water, low energy, and those sorts of things. But where you have a multi-occupancy tenancy, it is a far different problem. Somebody has to deal with the landlord. Somebody has to decide that we are going to bring one firm in and refit the whole building and do all that sort of stuff, and this is the sort of place where the Property Authority can really make a difference.

Mr ALAN ASHTON: Obviously this Committee is looking at public bodies, such as government, semi-government, instrumentalities, trusts and the like, and we might want to look at local government one day, if we could. You said originally that only 2 per cent of all costs of the environment was down to the Government.

Mr ROGERS: I said 2 per cent of the energy consumption.

Mr ALAN ASHTON: Yes, so there is 98 per cent that we are not really talking about.

Mr ROGERS: That is right.

Mr ALAN ASHTON: It would be great if it were the other way round, but it cannot be.

Mr ROGERS: But we do use a lot.

Mr ALAN ASHTON: I know. If we could get that down even by point something, that is a lot of energy, especially when you are talking about energy needs and the way we are going. This is outside our remit but it is interesting. All the water that is being conserved is being conserved largely by all the ordinary people in Newcastle, Sydney, Wollongong and in everyone's houses in the Tamworth and Clarence electorates by not having a shower running quite as long, and not filling up the bath as much if it is not necessary. But there is

still big business out there, such as the electricity industry, which churns water through, and the mining industry in its extraction of minerals, which wastes good water to clean up. They are things that this Committee cannot get at, but does your department have any kind of oversighting role—I do not mean as a policeman—whereby you can monitor that so that you can find people when they spill chemicals or waste water?

Mr ROGERS: There is a requirement that both major water and energy users have water-saving action plans and energy-saving action plans. It applies to those who use more than certain amounts in both cases, so it is the largest users, both government and private industry. Those plans are in place. They are required to report back on them. That monitoring does occur and it is a level playing field in the sense that we monitor both private and public, including local government.

Mr ALAN ASHTON: That is good news.

Mr PETER DRAPER: Does Treasury support you to allow you to assist people to convert to better technology or more efficient usage?

Mr ROGERS: The Climate Change Fund has a number of components to it, including the former Water and Energy Fund. It tops up the cost of some of the conversions for large users both in water and electricity. It does not meet the full cost of changeover, but it supports those things that would not change over in the short term if there were not some government support. Another part of the fund provides the installation rebates and the rainwater tank rebates and those sorts of things, so there are a number of components of the fund, some of which go to the larger businesses that can make very big savings, obviously, because of their size.

Mr PETER DRAPER: That is what I was looking at in Tamworth, which is the area I represent. A third of the city's water supply is used by eight industrial users. If we can make some substantial changes to their water use patterns, there would be a dramatic saving in water for the city. But they are not willing or financially able to rush out and do it themselves. That is why I have asked the question.

Mr ROGERS: There is sometimes a threshold. In fact, we have had the Green Business Program. The first round has just been announced and there will be further rounds of that in terms of businesses.

Dr DAVIES: It was publicly advertised.

Mr PETER DRAPER: Are the details available?

Dr DAVIES: Yes, they are on the DECC website. The round one details are still there. As I said, it is publicly advertised around the State. People can subscribe on the website to be informed about when other rounds are opening.

CHAIR: I think it is a fair comment that the State of the Environment report is generally well recognised and accepted as a positive report. I noted in the submission that, while you effectively collate it all and produce it, you have input from a whole range of other players, naturally.

Mr ROGERS: Yes.

CHAIR: You make a reference to expert advice in relation to elements of that report. Who exactly are the experts and what advice are they providing? Are they validating any of the data that is put in by individual contributors?

Mr ROGERS: I would have to take that on notice. We do get advice on indicators, and in fact we get advice on parts of it that are written. But as to whether or not they actually validate the data or whether they design the criteria in the first place, I am happy to come back to the Committee if you want a follow-up on that.

CHAIR: Yes, if you could provide something in writing that would be useful to have a handle on. The submission also makes reference to the New South Wales State of the Environment Advisory Council, but, certainly, some independent scientific experts, what they are providing in terms of the data. My assumption is that the data is provided by individual contributors with those experts having a look at it to test it initially to see if it is relevant.

Mr ROGERS: Yes, and some of the collection systems are designed by experts. Let me get you an exact answer to the question.

CHAIR: That would be excellent. Any other comments?

Mr ALAN ASHTON: No.

CHAIR: Interestingly, you mention that the New South Wales Government's total energy use was about 2 per cent. That is 2002-03. Do you have any idea where we are at now?

Mr ROGERS: It is about the same; it has not varied.

CHAIR: And 4 per cent—

Mr ROGERS: I think 2006-07 is our latest data and it is the same numbers.

CHAIR: How should I interpret that—as a good thing or as a bad thing in the sense that we have not been able to reduce our energy consumption?

Mr ROGERS: If you looked at the average house or the average building and how much energy is going into things, there is a general increase. The average house has more air conditioners, bigger televisions, all those sorts of things. Other places are becoming more energy intensive. Who does not have a computer in 2008? And there were still lots of people without. Who in an office does not have a computer in 2008? I do not know that retaining your position is necessarily a poor outcome.

Mr ALAN ASHTON: That was the point I was going to make. If we are about the same we are probably doing all right. Just look at our houses, going back a few years ago. Admittedly, MPs are difficult to judge, but if you have teenage kids like I have you have to have your computers and they need computers for school. You have the broadband, the Internet. You have to have so much electricity, depending on where you live.

Mr PETER DRAPER: Four people in my house and three computers.

Mr ALAN ASHTON: Exactly, and then there are more cars. As your daughters grow up they all get a car earlier because of the advantage of our baby boomer generation being able to help your kids. I would say if the figure is about the same we have probably made some progress because, given the extra things, we are not using 8 per cent or 9 per cent but I can only guess.

Mr ROGERS: I do not know whether I could classify it as progress but I do not think it becomes a bad outcome.

CHAIR: I am not particularly suggesting it is a bad thing but I guess the question is how much of our agencies have grown during that period as well in the context of what Mr Ashton said. Sure, in family households there are pressures to have all sorts of gadgets, electronic gear through places now but in terms of government whether or not 4 per cent is a reasonable thing or should we ideally be a bit less than that, given some of the reforms that we are trying to drive through ourselves.

Mr ROGERS: If you look at the State Plan, we are looking for a reduction in greenhouse gas outcomes, so clearly the Government will be looking for a reduction.

Mr ALAN ASHTON: What is interesting there, too, just in the sense, I heard today—I did not hear the full story—that everyone has more than one mobile phone. In my house there are four or five of them floating around. A phone on every level of the house—you have to have all these things. Yet when we get rid of them all where do they all end up? If they end up in waste fill there is a cost to the environment. Many years ago it was the rubber tyres everybody had big issues about, where do they all go. They survive for a million years.

Mr PETER DRAPER: Planet Ark has recycled about 4,000 tonnes of those sorts of things now.

Mr ALAN ASHTON: There is a lot happening.

Mr ROGERS: And recycling your mobile phone is relatively easy.

Mr ALAN ASHTON: How is that done?

Mr ROGERS: If you go into most mobile phone shops there is a recycling container.

Mr ALAN ASHTON: That is worth doing. They just seems to go through a stage of being queued up.

Mr PETER DRAPER: There are a lot of CDMA ones going in over the next few days.

Mr ALAN ASHTON: You bet there will be.

Mr ROGERS: There has been quite a push to make sure that there are collection centres for CDMA phones, and we are hoping that they bring out the analogue ones that people still have as well.

(The witnesses withdrew)

(The Committee adjourned at 3.50 p.m.)

Appendix 5 – Study Tour to Melbourne

A delegation of the committee had opportunity to undertake a study tour to Melbourne in relation to its inquiry into Environmental Impact Reporting.

The delegation consisted of: Matthew Morris, MP, (Chair); Steve Cansdell, MP, (Deputy Chair); Lylea McMahon, MP; and accompanied by Leslie Gonye, Clerk-Assistant (Committees).

Melbourne was chosen as the venue for the study tour as the Victorian Government has established a sustainability framework through legislation, adopting sustainability principles and in 2006 releasing *Our Environment, Our future* which is an action plan of initiatives.

One of those initiatives is 'Action 16: Government Leading by Example'. That is the Government taking a lead on sustainability in relation to its own operations. All Victorian Government departments now have environmental management systems (EMS) to reduce the environmental impacts from office based energy, water, transport fuel and paper consumption and waste disposal. Government departments are required to monitor and report against these criteria to reduce their environmental impacts.

The study tour was conducted on Thursday and Friday 1 and 2 May 2008 and consisted of meetings with the Commissioner for Environmental Sustainability Victoria; officers of the Department of Sustainability and Environment: the Director of Earth Systems; and a tour of Council House 2 Building.

Thursday 1 May 2008

The Commissioner for Environmental Sustainability Victoria

Level 16, 570 Bourke Street, Melbourne

At 11:30 am a meeting was held with Dr Ian McPhail, AM, Commissioner for Environmental Sustainability and Mr Hamish Walker, Director, Office of the Commissioner for Environmental Sustainability.

The *Commissioner for Environmental Sustainability Act 2003* (Vic) established the role of the Commissioner as an independent environmental guardian for Victoria. The Commissioner advocates, audits and reports on environmental sustainability. The Commissioner engages in the following activities:

- reporting on matters relating to the natural environment of Victoria;
- encouraging decision making that facilitates ecologically sustainable development;
- enhancing knowledge and understanding of ecologically sustainable development and the environment; and
- encouraging sound environmental practices and procedures to be adopted by the Government of Victoria and local governments as a basis for ecologically sustainable development¹⁶³.

As the Victorian Government is an occupier of a lot of office space in the Melbourne CBD, one of the first steps in reducing its 'carbon footprint' is adopting environmentally sustainable practices in offices and, when constructing new offices, ensuring the buildings meet criteria for 5 green star ratings. However as most Government office space is leased, and as it is

¹⁶³ <http://www.ces.vic.gov.au/ces/wcmn301.nsf/childdocs/-2159FBE93013A83ACA256F250028BECC?open>
date accessed 6 December 07

hard to get owners to expensively retrofit buildings with energy efficient infrastructure, the Victorian Government has mandated office based environmental management systems (EMS) as policy.

The Commissioner provides a stimulus to behavioural change by Government departments to comply with the requirements of EMS. This stems from the statutory reporting provisions of the Commissioner. The Commissioner reports to the Minister, reports cannot be changed by the Minister and must be tabled within 10 sitting days after receipt by the Minister. It is very often the case that, by the time the report is tabled, the Minister has had time to prepare a response to the report as a demonstration of commitment and even implemented action to obviate any criticism contained in the report.

EMS is a series of operational tasks in relation to office based activities based on ISO 14001. It is Government policy and is mandatory for Government Departments. As a part of the cultural and behavioural change, relations are cultivated with Directors General and senior departmental officers who are heavily involved in the carriage of EMS requirements. This is partly based on the keen media scrutiny of the Commissioner's reports.

EMS is driving real behavioural change in organisations which has manifested in: switching off PCs at night; recycling of paper; non putrescible not ending up in landfill; dual flushing toilets; no water in men's urinals; and, use of sensor lights after hours. Whilst these are seeming small steps, 45% of PC power is used in "silent" mode. The EMS is being expanded to all other Government agencies (about 277 in all).

The auditing of EMS is undertaken by EPA accredited auditors. However, ESV provide advice to departments on how to get policies into practice in terms of how to go about day-to-day activities and longer term business operations in an environmentally sustainable framework.

The Commissioner has already made recommendations on improving the Government motor vehicle fleet (use of hybrid cars), office goods and services and green lease standards when seeking accommodation.

Discussion ended on the possible future directions in terms of cutting edge of micro-economic reform in terms of carbon reporting requirements, cuts in carbon emissions, mandatory renewable targets, expansion opportunities for solar and wind power, tax incentives to encourage lower environmentally unfriendly outcomes. In Victoria, a challenge will be to manage electricity demand in such a way as not to build a new power station. With the environment and climate change 'hot' issues at the moment, policy advancement in this area will undoubtedly be sped up.

Department of Sustainability and Environment

Level 15, 8 Nicholson Street, East Melbourne

At 1 pm a briefing was conducted by Mr Kyle Garland, Team Leader, Government Leadership Sustainable Communities, Environmental Policy and Climate Change Division, Department of Sustainability and Environment.

The DSE has responsibility for the implementation of Victoria's Environmental Sustainability Framework, which was launched in 2005. The framework outlines objectives and interim targets in environmental performance for agencies to report against. In November 2001 the Victorian Government made policy commitments that included:

- requiring the inclusion of the environmental management system into the framework for all business and operational planning from July 2006;

- setting the target of doubling the proportion of Green Power (eg. solar, wind) that the Government uses to 10% by 2006;
- aiming to cut the Government's total energy consumption by 15% by 2006;
- aiming to reduce greenhouse gas emissions associated with Government vehicle usage by 10% by 2005-06;
- introducing a green purchasing policy for all Government Departments (eg. buying recycled paper, energy efficient appliances, more fuel efficient cars);
- requiring all Government Departments to develop Environmental Management Systems aimed at reducing consumption of office paper and water, and production of waste – and to report on their performance annually (including a whole of government report);
- planting 250,000 native trees by 2005 to offset greenhouse gas emissions from the State Government's fleet of 8,000 vehicles¹⁶⁴.

In August 2002, Government Environmental Management Systems were implemented to reduce operational environmental impacts of office-based activities. It covers: energy, water, paper and transport related consumption; waste production; and procurement. The system is supported by formal auditing and reporting requirements.

In November 2003, the Commissioner for Environmental Sustainability was appointed. It is an independent statutory position with key roles, including the annual strategic audit of EMS and the annual review of environmental sustainability framework directions of departments.

In July 2005, all Government operations are subject to the Environmental Sustainability Framework. Departments are required to: identify issues with a statement of intent; set strategic directions in response to the challenge of climate change, maintaining and restoring natural assets, using resources more efficiently, reducing everyday environmental impacts; and for Departments and Agencies to integrate policy, planning and operations.

In July 2006, the Victorian Government released an environmental sustainability action statement to improve Victorian sustainability. Government leadership commitments included: expanding EMS to all Government agencies; sustainable procurement; fleet management; sustainability in offices; and resource efficiency in operations.

In March 2007, the Government launched the Resource Smart Government program as a tool for agencies. It conducted workshops, forums and mentored agencies to assist them develop and implement environmental sustainability programs relevant to their operations. It also had specific separate programs for schools, TAFE colleges and hospitals.

The program has established a cycle of gaining agency commitment, establishing base lines, setting targets and actions, implementation of targets and actions, monitoring and reporting and continual improvement. There is a certification system of 5 star gradings. Education is a big part of the process as the resource kit emphasises organisational commitment, staff engagement and cultural change strategies. It starts locally, with individuals turning lights off!

Between 2005-06 and 2006-07, in the area of office activities, the achievements have been drops in: energy consumption by 6%; water consumption by 17%; waste production by 13%; paper consumption by 7%. However, fuel consumption rose by 5%.

¹⁶⁴ <http://www.dse.vic.gov.au/DSE/nrence.nsf/LinkView/E1C7A55B7F63E0A9CA256DC7000AADD7791A5F203C894104A2567CB00031088> date accessed 7 December 07

Of interest to the Committee are the requirements of FRD 24 for inclusion in an entity's annual report. Details of the consumption of resources and greenhouse gas emissions for that entity's office based operations are reported on. Specific requirements are:

- energy use by segment;
- greenhouse gas emissions by tonnes of CO₂;
- percentage of electricity purchased as green power;
- kilograms of waste per year and where disposed;
- recycling rates;
- greenhouse gas emission associated with waste disposal;
- paper usage, percentage of recycled content in copy paper purchased;
- total units of metered water consumed;
- kilometres of vehicle travel;
- greenhouse gas emissions from the vehicle fleet
- total distance travelled by air;
- greenhouse gas emission associated with air travel; and
- indicating how procurement activities are environmentally responsible.

Issues, barriers and lessons from Victoria are:

- working with landlords on green leasing requirements;
- availability of appropriate and independent information;
- external auditing and reporting;
- having a visible executive commitment;
- ensuring adequate resourcing (both budgets and staff); and
- having a comprehensive strategic approach.

Key directions for the future are:

- integrating sustainability considerations into business and operational planning, policy development, program development and operations;
- sustainable procurement including specifications and life-cycle analysis;
- governance structures; and
- sustainability in hospitals and schools

Earth Systems

Suite 507, 1 Princess Street, Kew, Melbourne

At 2:30 pm a meeting was held with Mr Nigel Murphy, Director of Earth Systems.

The company has a public environmental reporting arm which provides the following services:

- site assessment and liaison with environmental and technical personnel;
- developing annual environmental performance targets;
- compiling, distilling and presenting company or project information, including data management analysis;
- graphic design and layout;

- third party auditing and verification of public environment reports;

and has experience in:

- preparation and review of public environmental reports for mining projects in Australia and Papua New Guinea;
- benchmarking study and environmental data review of public environmental reporting by multinational mining companies;
- consultant to the Parliament of Victoria, Australia, on State of the Environment Reporting for the State of Victoria inquiry into Environmental Accounting and Reporting.¹⁶⁵

Mr Murphy is not only a Director of Earth Systems, but also a Councillor of the Environment Institute of Australia and New Zealand, and Honorary Chair of the Certified Environmental Practitioners Board for Australia and New Zealand.

The first point Mr Murphy made was that the environment industry is becoming a highly specialised sector but still has not matured into an adult. Environmental reporting in analogous terms has gone from being a child to an adolescent. With the growth in the environment industry so have expectations of the environmental practitioner. However, there is no accreditation process for practitioners. Given how crucial various environmental assessment processes are and the levels of scrutiny with significant legislative requirements that in the absence of accreditation there are no minimum level of expertise, standards and ethical performance for practitioners. Environmental assessment and impact reporting should be undertaken by people with accreditation. Government needs to regulate the profession in the same way that there is a Legal Profession Act, Dentists Act, Chiropodists Act etc. Some other countries require certification to become an environmental practitioner. This would ensure the competency of the practitioner engaged. Certification would lift standards overnight.

Mr Murphy said that he held the strong view that environmental impact or assessment was worthless without a robust managing and monitoring plan. Mr Murphy also said it should be a requirement that developments be audited to see if the impact in the EIS was in fact accurate and report yearly against the predicted impacts.

The second point made was that Environmental Assessment needs to incorporate elements of risk assessment.

Mr Murphy commented that the Victorian Government had introduced very good schemes for water and energy usage so that developers take this into account.

The EMS was a good initiative, as is state of the environment reporting. However, some of these things are moving too slowly.

Earth Systems were consultants to the Public Accounts and Estimates Committee of the Victorian Parliament for its inquiry into Environmental Accounting and Reporting¹⁶⁶.

Mr Murphy also added that 'life cycle analysis' was the next big thing in environmental reporting. This could include having requirements in Government procurement processes assessing the source of a good and what the production of that good contributed to carbon

¹⁶⁵ http://www.earthsystems.com.au/cons_public.htm date accessed 6 Dec. 07

¹⁶⁶ http://www.parliament.vic.gov.au/paec/reports/PAEC-31_EnvironmentalAccounting_1999.pdf
http://www.parliament.vic.gov.au/paec/reports/PAEC-IssuesPaper_EnvironmentalAccounting_2000.pdf
http://www.parliament.vic.gov.au/paec/reports/PAEC-46_EnvironmentalAccounting_2002.pdf

emissions. That is taking into consideration the impact of pollution in the country of the source manufacturer. This will spawn opportunities for clean technology industries and business.

Friday 2 May 2008

Council House 2 Building – City of Melbourne

218-242 Little Collins Street, Melbourne

At 10 am a tour was conducted by Mr Bob Rosen, Manager Capital Works, City of Melbourne.

In April 2005, the Green Building Council of Australia awarded Council House 2 (CH₂) six Green stars which represents world leadership in office building design. The CH₂ project is the first purpose built office building in Australia to achieve the six Green Star certified rating, where the minimum rating is one star and maximum is six. This achievement is also significant as the design for the project started prior to the launch of the Green Star Rating System and Green Star – Office Design.

CH₂ has sustainable technologies incorporated into all of its 10 storeys. For instance, a water-mining plant in the basement, phase-change materials for cooling, automatic night-purge windows, wavy concrete ceilings, a façade of louvres (powered by photovoltaic cells) that track the sun – even the pot plant holders have involved a whole new way of thinking.

Further details can be obtained from the City of Melbourne's website (www.melbourne.vic.gov.au) and following the 'Environment and Waste' link.

Appendix 6 – New South Wales Sustainability Policy¹⁶⁷

The NSW Government Sustainability Policy outlines how the Government will lead by example in sustainable water and energy use, reducing greenhouse gas emissions, waste and fleet management and sustainable purchasing.

The Policy will provide an important step for the NSW Government to meet its commitment of becoming carbon neutral by 2020.

All elements of the Policy apply to all NSW Government budget dependent agencies. Fleet, waste reduction and purchasing elements also apply to other NSW Government agencies (as outlined in tables on the following pages).

Local Government and public trading enterprises are strongly encouraged to adopt these principles as an integral part of their business, thereby contributing to NSW's broad sustainability outcomes, while pursuing good business practice.

The implementation of the new Sustainability Policy will ensure government agencies:

- consider sustainability in all relevant decision making
- reduce their greenhouse gas emissions
- are more efficient in their use of energy and water; and reduce wider environmental impacts associated with water and energy use
- meet the challenge of rising prices expected for energy, fuel, water and waste management
- are more efficient in their use of vehicles
- produce less waste and increase recycling in Government activities
- use purchasing power to drive efficiency and environmental sustainability.

The Policy incorporates the existing Waste Reduction and Purchasing Policy, the Sustainable Water Policy and the Cleaner Government Fleet Program. It also sets new targets for reducing greenhouse gas emissions and environmentally sustainable purchasing practices.

Targets

Greenhouse gas emissions from building energy use

- State-wide target to return greenhouse gas emissions from building energy use to 2000 levels (1.5 million tonnes) by 2019/20, with interim targets of 1.74 million tonnes by 2010/11, 1.67 million tonnes by 2013/14 and 1.59 million tonnes by 2016/17.
- Agencies to continue to purchase a minimum of 6% GreenPower, with the exception of Area Health Services.

Water

- State-wide target to reduce total potable water consumption by 15% by 2010/11 (from 2005/06 levels).

Environmental performance of buildings

- Government owned or tenanted office buildings over 1000m² to:

¹⁶⁷ www.environment.nsw.gov.au/resources/government/08453SustainabilityPolicy.pdf

- obtain a NABERS rating (National Australian Built Environment Rating System) by 31 December 2008
- achieve and maintain a NABERS rating of 4.5 stars for energy and water by 1 July 2011, where cost effective
- where new or refurbished, achieve and maintain 2011 targets from 18 months of the first occupancy, where cost-effective.
- Tenanted buildings to include Green Lease Schedule in all new or negotiated leases or when exercising a lease option, where practical.
- The Government has also committed to set NABERS targets in Government office buildings for waste and indoor environment by 30 June 2009. Agencies will be advised of any requirements related to this commitment, once these targets have been set.

Cleaner Government Fleet

- Government fleet to achieve an average 'environment performance score' of 12/20 by 2007/08 (new ongoing targets will be set in 2008).
- Government fleet to achieve a 20% reduction in greenhouse gas emissions by end 2007/08, based on 2004/05 performance (new ongoing targets will be set in 2008).

Waste, recycling and purchasing

- Agencies to purchase products and appliances where relevant, available and fit for purpose, with:
 - a minimum 4-star rating under the Minimum Energy Performance Standards Scheme (MEPS) and/or
 - a minimum of 4-star rating under the Water Efficiency Labelling and Standards Scheme (WELS) or Smart Approved WaterMark products and services (for outdoor use).
- A minimum of 85% of all copy paper purchased by NSW Government in 2014 to contain recycled content.
- Agencies, from the commencement of the 2008/09 financial year, to specify inclusion of at least one recycled content option as part of each publication quote sought.

Action strategies

Responsibility for coordination of commitments, coverage, benchmarks, implementation and reporting relating to these targets are set out in five action strategies:

- Office buildings
- Health facilities
- Educational facilities
- Fleet management
- Waste, recycling and purchasing

Office building strategy

About 70% of Government agencies predominantly occupy office buildings. These offices account for 10% of building energy use. Space cooling, ventilation and lighting are the three most significant sources of greenhouse gas emissions, with lighting having the greatest potential for abatement.

Delivery	Coordinated by Department of Environment and Climate Change NSW (DECC). Assistance from State Property Authority, the Government Architect and Department of Planning NSW, and in Sydney through Sydney Water's Every Drop Counts Business Program.
Coverage	All office buildings owned or occupied by NSW Government budget dependent agencies. Covers agencies which predominantly occupy office buildings (70% of agencies).
Benchmarks	<p><i>Ratings</i></p> <ul style="list-style-type: none"> • Government owned or tenanted office buildings over 1,000m² to obtain a NABERS rating (National Australian Built Environment Rating System) by 31 December 2008. • Ratings to be updated if there has been a change in the estimated rating or if it has been three years since the last accredited NABERS ratings. <p><i>Efficiency benchmarks to be achieved, where cost effective</i></p> <ul style="list-style-type: none"> • Government owned or tenanted office buildings over 1,000m² to: <ul style="list-style-type: none"> – achieve and maintain a NABERS rating of 4.5 stars for energy and water by 1 July 2011; – meet targets when set for NABERS ratings for waste and indoor environment; and – where new or refurbished, achieve and maintain 2011 targets from 18 months of the first occupancy.
Identifying and implementing actions	<ul style="list-style-type: none"> • State Property Authority to facilitate least-cost ratings for Government office premises by establishing a panel of assessors to undertake ratings for Government at a fixed cost, and acting as liaison between assessors and agencies. • DECC / State Property Authority to develop sustainability toolkit for Government office tenancies with advice on strategies to meet requirements. • Government tenanted buildings to include a Green Lease Schedule in all new or negotiated leases, where practical. • Government Architect / State Property Authority / DECC to collaborate in development of template fitout brief for office tenancies to assist agencies meet these requirements.
Reporting	Reporting as per policy requirements outlined below. Aggregated report by DECC (using data directly where possible (for example, from utility contracts), with assistance from the Department of Commerce and State Property Authority. Agencies encouraged to also report in individual annual reports.

Health facilities strategy

Delivery	Responsibility of NSW Health. Assistance from DECC.
Coverage	All health facilities, accounting for 53% of total NSW Government building energy use.
Benchmarks	Use to assist in measuring environmental performance.
Identifying and implementing actions	<ul style="list-style-type: none"> • Sites that emit approximately 35% of NSW Health's total greenhouse gases have had either an Energy Performance Contract or a Government Energy Efficiency Investment Program project undertaken. • A NSW Health Sustainability Strategy is being developed to target sites where the greatest savings opportunities can be obtained. • The preliminary site listing will direct attention to investigate energy and water savings strategies at sites responsible for a further 50% of NSW Health's greenhouse emissions. • Financing will be provided through NSW Treasury Loan Fund and/or Climate Change Fund.
Reporting	Reporting as per policy requirements outlined below. NSW Health annual report.

Educational facilities strategy

Delivery	Responsibility of Department of Education and Training (DET). Assistance from DECC.
Coverage	All educational facilities.
Benchmarks	Use to assist in measuring environmental performance.
Identifying and implementing actions	<ul style="list-style-type: none"> • Schools Energy Efficiency and Rainwater Tank Programs under Climate Change Fund – including lighting upgrades, student energy savings projects, installation of rainwater tanks, audits and water retrofits. • TAFE facilities - lighting upgrades, power factor correction and solar programs will continue. • Savings opportunities will be identified through Water Savings Action Plans in Sydney, and other monitoring programs proposed by DET. • Implement cost-effective actions by June 2011, including strategies to target high end uses. • Financing through NSW Treasury Loan Fund and/or Climate Change Fund. • Education outcomes delivered through Sustainable Schools Program.
Reporting	Reporting as per policy requirements outlined below. DET annual report.

Fleet management strategy

Delivery	Coordinated by Department of Commerce.
Coverage	All NSW government agencies.
Benchmarks	NSW Clean Car Benchmarks. All NSW Government agencies to use E10 blends (or other alternative fuels), where this is practicable, available and cost-effective.
Identifying and implementing actions	<ul style="list-style-type: none"> • For the Government fleet to improve the average 'environment performance score' using the NSW Clean Car Benchmarks, to 12/20 by 2007/08. • For the Government fleet to progressively reduce annual greenhouse gas emissions to achieve a 20% reduction by 2007/08 (based on 2004/05 performance). • Agencies with fleets of 25 to 99 cars are required to have at least one petrol/electric hybrid fuel technology vehicle. For fleets comprising 100 or more vehicles, one per cent of the fleet must be hybrid vehicles. • New government fuel contracts to require availability of E10 blends (or other alternative fuels). • Motor vehicle purchasing requirements for all agencies to require vehicles to be compatible with E10 blends (or other alternative fuels), consistent with the Cleaner NSW Government Fleet Policy. <p>New fleet management targets will be released in 2008. <i>Guidelines for Fleet Managers have been developed to assist managers with this initiative.</i></p>
Reporting	For fleet improvement, reporting as per policy requirements outlined below. Consolidated monthly reporting to Chief Executive Committee via Department of Commerce on use of ethanol.

Waste, recycling and purchasing strategy

Delivery	Coordinated by DECC.
Coverage	In relation to Waste Reduction and Purchasing Plan (WRAPP) - all NSW Government agencies and State-Owned Corporations. In relation to other requirements – all budget dependent agencies.
Identifying and implementing actions	<p>All NSW Government agencies and State-Owned Corporations are required to develop and implement a Waste Reduction and Purchasing Plan (WRAPP) to reduce waste in four areas – paper products, office equipment and components, vegetation material, and construction and demolition material.</p> <p>In addition, all budget dependent agencies are required to:</p> <ul style="list-style-type: none"> • give priority to buying materials with recycled content where they are cost and performance competitive • purchase products and appliances which have a minimum 4-star rating

	under the Water Efficiency Labelling and Standards Scheme (WELS), a 4-star rating under the Minimum Energy Performance Standards Scheme (MEPS) or are Smart Approved WaterMark products and services (for outdoor use). These requirements apply where products and appliances are available and fit for purpose.
Reporting	<p>Aggregated report by DECC for budget dependent agencies on purchase of energy and water efficient products and appliances (using data directly, where possible, for example from contracts), with assistance from the Department of Commerce.</p> <p>Biennial WRAPP reporting for all NSW Government agencies over 200 staff to DECC for preparation of aggregated report. Agencies to also report in individual annual reports.</p> <p>WRAPP reporting by small agencies (less than 200 staff) required once every 3 years in their Annual reports.</p>

Implementing cost effective actions

Water and energy efficiency improvements are required to be undertaken where that action will be cost effective. 'Cost effective' is defined as having an internal rate of return of 12%, where the additional cost of achieving higher ratings is assessed against water and energy cost savings.

Where financial savings are made they may be retained by the individual agency (unless being used to repay borrowings from the NSW Treasury Loan Fund, see below). Budget allocations for budget dependent agencies will not be reduced by the cost reductions achieved through energy and water efficiency improvements.

Accessing finance

To implement cost effective energy and water efficiency upgrades, agencies can apply to the \$40 million NSW Treasury Loan Fund, with borrowings from the Fund repaid with the savings generated. The Fund may be accessed in two ways:

- Performance Contracts (PC) – where a third party 'water and energy services company' identifies and implements the projects and guarantees the annual savings for a number of years.
- Government Energy and Water Efficiency Investment Program (GEEIP) – smaller projects of less than \$500,000 capital cost (or less than \$1 million for Department of Health projects). Projected savings are independently verified by a third party.

In addition, agencies can apply to the Climate Change Fund demonstrating why the project would not proceed without funding assistance.

The DECC website provides details on accessing the NSW Treasury Loan Fund and the Climate Change Fund: www.environment.nsw.gov.au

Reporting

Specific streamlined reporting requirements are outlined below:

- For budget dependent agencies which operate predominantly in office buildings, water and energy will be reported centrally by DECC.

- Small agencies (less than 200 staff) are only required to report once every three years: in their annual report on waste and purchasing; and to DECC on water and energy (if not covered by central report on office buildings) and on fleet where applicable.
- Other agencies will report to DECC annually on water and energy, annually on fleet where applicable, and biennially on waste and purchasing (WRAPP).

For water and energy, in addition to the central report for office buildings, DECC will also coordinate data gathering requirements of agencies through arrangements with the Department of Commerce, the State Property Authority and directly with electricity and water suppliers.

Annual reporting by agencies, where applicable, will be required by 31 October each year through a web-based reporting tool which is administered by DECC.

To strengthen accountability, overall performance of the Policy will be reported annually by DECC to the Minister for Climate Change and the Environment through the Sustainability in Government CEOs Group in the forms of:

- an annual progress report summarising energy and water consumption, fleet improvement, use of biofuels and waste management from key end uses including health, education, and office space and
- a detailed whole of Government sustainability report every three years summarising energy and water consumption, fleet improvements, biofuels and waste at an agency level.

The reporting requirements will apply for 2007/08 and beyond, and will expire after five years (2011/12) unless renewed, consistent with the recommendations of the Internal Government Red Tape Review.

Additional support for agencies

In addition to the action strategies above, DECC will coordinate overall support for agencies in understanding and implementing the policy.

This will include:

- a Sustainability in Government network, including website, newsletters and regular forum
- development of diagnostic tools, guidelines and case studies
- training and technical advice, including access to energy efficiency expertise
- support to identify and implement cost-effective measures through management and technical reviews (audits)
- a centralised data management system and
- facilitating access to finance as outlined above, including issuing guidelines for the NSW Treasury Loan Fund and Climate Change Fund.