



Strategic Review of Sustainability Victoria

Environment and Energy

July 2011

Australian Industry Group

A.B.N. 763 699 587 788

20 Queens Road, Melbourne VIC 3004

Phone 03 9867 0111 Fax 03 9867 0199

© Australian Industry Group

All rights reserved. No part of this document may be reproduced or transmitted in any form by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system, except as may be permitted, in writing, by The Australian Industry Group.

Contents

1.	Strategic Review of Sustainability Victoria	1
2.	Introducing the Australian Industry Group	1
3.	Comments on Issues Raised in the Strategic Review Discussion Paper	1
3.1	SV Performance	2
3.2	Purpose of a Sustainability Agency	5
3.3	How Should it Work	8
3.4	Measurement of Outcomes	9

1. Strategic Review of Sustainability Victoria

The Australian Industry Group (Ai Group) welcomes the opportunity to make this submission in response to the Strategic Review Discussion Paper. This submission draws on the issues raised during the industry consultation session conducted at Ai Group on Friday 17 June 2011, which was attended by around 50 industry representatives. In addition Ai Group has held discussions directly with the Review Secretariat.

2. Introducing the Australian Industry Group

Ai Group is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses which we represent employ more than 1 million employees.

Ai Group is committed to helping Australian industry with a focus on building competitive and sustainable industries through global integration, skills development, productive and flexible workplace relations, infrastructure development; innovation; and uptake of resource efficiency. We provide practical information, advice and assistance to help members run their businesses more effectively.

Ai Group members operate small, medium and large businesses across a range of industries. Ai Group is closely affiliated with more than 50 other employer groups in Australia alone and directly manages a number of those organisations.

3. Comments on Issues Raised in the Strategic Review Discussion Paper

Ai Group provides the following comments on the issues raised in the Strategic Review Discussion Paper.

3.1 SV Performance

3.1.1 *What has been your experience of working with SV, the Sustainability Fund or their programs and projects?*

Ai Group has a long standing cooperative relationship with Sustainability Victoria, with a strong focus on delivery of practical assistance to industry to address environmental challenges. Key initiatives jointly undertaken by Ai Group and Sustainability Victoria include (but not limited to):

- *ResourceSmart Industry Pilot Program:* The ResourceSmart Business Industry Pilot trialled an innovative approach to addressing supply chain related barriers by applying life cycle thinking and working with companies across supply chains for two iconic products, with a focus on greenhouse gas (carbon) emission reduction. The Pilot has shown that a collaborative approach to carbon management has the potential to realise large carbon savings. This approach will help participants to proactively build business resilience by improving resource efficiency, reducing environmental impacts, addressing customer expectations and helping to stay ahead of legislated requirements and hence maintain a competitive edge.

The learnings from the Pilot also provide useful guidance for the design of future Victorian Government initiatives to assist industry to prepare for a carbon constrained economy both at a company level and across supply chains. Ai Group will monitor implementation of the Pilot results, including the supply chain roadmap, over the 2011/12 financial year. This Report outlines a methodology that employs life cycle thinking to help businesses to develop a life cycle management approach to product management. The process should be tailored to individual business needs and available resources.

- *5Star Sustainability for Industry:* Ai Group worked closely with Sustainability Victoria in the development of the 5 Star for Sustainability tool. Ai Group trialled the tool with manufacturing businesses, and made recommendations to Sustainability Victoria on how the tool could be modified to improve its relevance and usefulness to industry.

- *Environmental Sustainability and Industry*: In 2007, Ai Group in conjunction with Sustainability Victoria undertook what was then the largest Australian study of environmental practices by industry. Over 800 manufacturers and commercial constructors participated in the study, with a total turnover of around \$41 billion, representing 10.5 per cent of all activity within the two sectors. The outcomes of this study, which were reported in, *Environmental Sustainability and Industry, Road to a Sustainable Future*, informed the subsequent development and roll out of Ai Group initiatives to promote the uptake of sustainable business practices within our membership and broader industry.
- *Environmental Solutions Forums*: Ai Group's quarterly forums provide information on practical solutions to key sustainability challenges faced by businesses as well as provide important networking opportunities. Support from Sustainability Victoria has enabled provision of these Environmental Solutions Forums free of charge to participants. To date the events conducted by Ai Group, including the Environmental Solutions Forums, have attracted very strong attendance by business, with over 2,100 registrants.

Ai Group's experience with Sustainability Victoria has overall been generally positive and we highly value the support provided to assist industry with its sustainability challenges.

3.1.2 *What was done well, what could be improved?*

Sustainability Victoria's collaborative approach to delivery of programs via industry associations has worked well and generated benefits to industry.

The ResourceSmart Industry Pilot Project is an example of an innovative initiative that is helping companies in the food sector prepare for a carbon constrained economy. The Pilot was overseen by an Executive Committee of senior Sustainability Victoria and Ai Group representatives that met at regular intervals throughout the project. The project was guided by a Stakeholder Advisory Group that consisted of members of Bulla, SPCA, Environment Protection Authority (EPA) Victoria, Department of Innovation, Industry and Regional Development (DIIRD), Sustainability Victoria and Ai Group. This management structure ensured that Ai Group had ready access to decision makers within Sustainability Victoria and enabled the project delivery to be tailored to respond to

the progressive learnings generated during the pilot. It also ensured that program delivery was informed by the expertise across a range of key stakeholders.

Participants at the 17 June 2011 Consultation Session also provided positive feedback on their experience in working with Sustainability Victoria on projects. However, participants noted the need for better communication of Sustainability Victoria's focus and role. In particular, participants noted the need for greater clarity around: Sustainability Victoria's strategic priorities; and its interaction with other Government agencies with responsibility for environmental regulation and sustainability policy.

Participants also commented on the administrative burden placed on funding recipients by Sustainability Victoria. Whilst recognising the need for good corporate governance in relation to government funding, it was noted that the high administrative requirements may act as a deterrent for companies in applying for funding.

Another key issue raised by participants was the concern that Sustainability Victoria has placed an overly strong focus on directing funding from the waste levy towards community initiatives at the expense of industry projects. As a major contributor of funding to Sustainability Victoria via the waste levy, industry supports Sustainability Victoria increasing the proportion of funding directed to promoting the uptake of sustainability initiatives by business. In 2010/11 funding from the waste levy accounted for 50 per cent or \$24.1 million of Sustainability Victoria's revenue. However, sustainable production program expenses accounted for just 31 per cent of Sustainability Victoria's total program expenses in FY 2010, compared with sustainable living program expenses (50 per cent) and sustainable environs (10 per cent).

Ai Group further notes that over the period 2005-2010, \$166.7 million from the Sustainability Fund was directed to 222 grants and 32 strategic initiatives. Local government was a significant recipient of support, representing 44 per cent of funded projects. The NGO and community sector was also a significant recipient of funding, representing 26 per cent of supported projects. Supporting sustainability initiatives within business and industry was afforded substantially less priority, with this sector receiving just 11 per cent of funded projects.

Other issues raised by participants in the Consultation Session included:

- The transparency and accessibility of funding available from Sustainability Victoria needs to be improved. Industry is keen to increase its understanding of the scope and objectives of funding programs and how it can best access the support that is available;
- There is strong support for demonstration projects and broader dissemination of learnings to industry;
- The Sustainability Victoria website needs to be made more user friendly;
- Concerns at the lack of clarity regarding Sustainability Victoria's role in supporting environmental policy and standards and how this intersects with the roles of other relevant agencies;
- Perceptions that Sustainability Victoria's resources are currently stretched across too many programs and this number needs to be reduced to a more manageable level;
- Requirement for improved coordination between the activities of Sustainability Victoria and EPA Victoria and including greater alignment between environmental regulatory priorities and support provided to industry.

3.2 Purpose of a Sustainability Agency

3.2.1 What do households, communities, businesses and governments need from an environmental sustainability agency like SV?

Ai Group believes that business requires leadership and support from an environmental sustainability agency such as Sustainability Victoria. Ai Group is therefore broadly supportive of the functions of Sustainability Victoria as set out in the *Sustainability Victoria Act 2005*, namely:

- Fostering stewardship in the use of resources;
- Facilitating the environmentally sustainable measures in all sectors of the Victorian economy, including local government, business and households;
- Providing information and advice, awareness and education on environmental sustainability, efficient use of energy, including renewable energy;
- Encouraging and promoting the development and use of environmentally sustainable practices, markets, technologies and industries, including resource efficiency, energy efficiency, renewable energy and water; including demonstration projects;

- Promoting waste avoidance, waste reduction and recovery, re-use, recycling of resources and best practices in waste management;
- Develop and implement community education and awareness strategies in relation to environmental sustainability;
- Develop and implement strategies to foster sustainable markets for recovered resources and recycled materials;
- Plan on a State-wide basis, and to facilitate, the management of waste in accordance with Victorian legislation and Government policies;
- Develop tools to measure, monitor and report on Government waste, water and energy targets.

Within this range of functions, Ai Group considers that priority should be placed on:

- Promoting the uptake of sustainable business solutions by small and medium sized enterprises;
- Accelerating the uptake of energy efficiency; and
- Working with supply chains.

These priority areas are addressed further below.

3.2.1.1 Promoting Uptake of Sustainable Business Solutions

Environmental Sustainability and Industry, Road to a Sustainable Future identified that 54 per cent of firms had no staff with environment responsibilities. In addition, Ai Group's *Emerging Technologies Project Report* found that only 16.4 per cent of companies consider that their employees have the necessary skills to take advantage of emerging technologies. The lack of environment and technical skills severely limits the ability of businesses to identify opportunities to identify and implement opportunities for improved environmental management.

Ai Group research, including the above, has identified an important role for the Government in the provision of targeted services to assist small and medium sized enterprises:

- Identify and implement sustainable solutions in their operations;
- Determine and meet environmental compliance requirements;

- Access practical information on processes for identification, assessment and implementation of innovative solutions and investment in resource and carbon efficiency initiatives, including across supply chains;
- Develop the necessary in-house expertise to achieve sustainable environment solutions; and
- Prepare for the projected economic, social and environmental impacts of climate change.

Ai Group considers that there are opportunities for greater realisation of synergies between Sustainability Victoria's role in promoting the uptake of sustainable business practices and the regulatory role of the EPA. Included in Sustainability Victoria's strategic objectives should be the effective provision of practical information and assistance to businesses to achieve compliance with environmental responsibilities, consistent with the key EPA compliance objectives.

3.2.1.2 Accelerating Uptake of Energy Efficiency

Accelerating the uptake of energy efficiency should be another key focus of services provided by Sustainability Victoria. Ai Group's most recent survey of energy input costs and energy efficiency efforts identified that 73 per cent of businesses had either made no energy efficiency improvements or experienced reductions in energy efficiency over the last 5 years, with a further 12 per cent reporting improvements of 5 per cent or less. Further, over half of all companies surveyed (57 per cent) indicated that their energy efficiency will be about the same over the next 2 years, while around 27 per cent envisaged making marginal energy efficiency improvements. Just 3 per cent of respondents expected to make significant energy efficiency improvements, with a similar number of respondents expecting deterioration in energy efficiency.

Clearly there is a need for provision of practical assistance to industry to identify and implement cost effective initiatives to improve energy efficiency which extends beyond the so-called 'low hanging fruit'. The Energy Efficiency Demonstration Project at Futuris Automotive delivered by Ai Group for the Department of Sustainability and Environment is good example of a program which addresses the needs of businesses in this area. The project found that identification of greatest opportunities for energy efficiency

savings can be counter-intuitive and highlighted the importance of payback periods in implementation of initiatives.

3.2.1.3 Working with Supply Chains

Ai Group's *Environmental Sustainability and Industry, Road to a Sustainable Future* report identified that less than 20 per cent of companies gave consideration to lifecycle environment impacts of products for all or most of their new products, with 46 per cent making no assessment and a further 22 per cent unaware of whether their company undertook such assessments. The survey further identified that more than 70 per cent of businesses did not engage their suppliers to assess the impact of their products on the environment with a further 7 per cent unable to comment.

Evidence suggests that individual companies often find it difficult to pursue a supply chain approach to environmental management. The successful Ai Group and Sustainability Victoria Resource Smart Industry Pilot Project provides a model for delivery of resource efficiency (water, waste, energy/carbon efficiency) programs across supply chains.

This project has helped develop a shared understanding of carbon issues between supply chain participants. The project results held some real surprises for participating businesses, who advised that in the absence of the study they would have targeted projects in areas with less potential for both environmental and financial return. Consequently the project has effected changes in the strategies of participating businesses.

3.3 How Should it Work

3.3.1 How could SV, Sustainability Fund, Department of Sustainability and Environment (DSE), Environment Protection Authority, Commissioner for Environmental Sustainability, Waste Management Groups or other government agencies work better to deliver environmental sustainability programs? Are there gaps or overlaps in service delivery by these agencies?

Ai Group is supportive of introducing greater clarity in the roles of the various agencies active in the environment space. Ai Group has here restricted our comments to the roles of Sustainability Victoria, DSE and the EPA.

There is a need for greater clarity around not only the separate roles of these agencies, but the synergies that exist and how these agencies engage with industry.

As outlined above, key role for Sustainability Victoria is to foster sustainable growth and development by being an enabler to industry and the broader community. Ai Group considers that there should be delineation between the role of the EPA in regulating and facilitating improved environmental performance and the support role of Sustainability Victoria in demonstrating the benefits of resource efficiency as a generator of economic value and reducing everyday environmental impacts. DSE has an important role in development of the overall policy framework within which Sustainability Victoria and EPA operate. Clarity is also required of the respective roles of Sustainability Victoria and DSE in standards development.

3.3.2 Who should SV work with to achieve environmental sustainability in the use of our resources?

Sustainability Victoria should work with key stakeholders to secure 'buy-in' from target groups and maximise the reach of programs. An important role exists for industry associations in informing and delivering policies and programs. For example, evaluation of the ResourceSmart Industry Pilot Program concluded that delivery of the project via an industry association was key to industry signing on to the initiative.

3.4 Measurement of Outcomes

3.4.1 How should we measure whether an agency like SV had been successful?

The success of an agency like Sustainability Victoria should be assessed in terms of its achievements against key deliverables. Sustainability Victoria's strategic plan should clearly articulate key objectives and how achievement of these objectives will be measured. In addition, progress monitoring and evaluation should be incorporated into implementation planning, delivery and post completion phases.

Sustainability Victoria should also measure the reach of its programs, including measuring industry engagement in initiatives.

While Ai Group continues to advocate an ongoing key role for Sustainability Victoria in moving businesses beyond compliance, Ai Group has also identified an important and synergistic role for the agency in supporting industry to improve compliance, consistent with key EPA compliance objectives. One mechanism to assess the success of initiatives providing support for improved compliance includes monitoring relevant trends in incidences of non-compliance identified by the EPA.