ADDRESS BY MR PAUL PERKINS, CHAIRMAN, THE BARTON GROUP AT "ENVIRO 2002", Monday 8 April

Paul Perkins – "The Environment Industry Action Agenda – One year on"

Ladies and Gentlemen,

Part One Environment Industry Development

Realising the development vision of an industry is achieved by taking a few, simple, powerful ideas and implanting these into the psyche of a nation It is then accomplished by considering the vision from many perspectives and working through policy implications and impediments, and so on.

The environment industry has at its foundation the provision of public functions in utility services, public health protection, and protection of natural assets and resources considered as in the 'common-wealth'.

Enduring assets

Historically, the general approach to these tasks was to deliver a large 'all in one' solution: immense, requiring large amounts of capital (often monopoly capital), designed to provide an enduring infrastructure to last for generations. The role of the state was paternalistic, and little was asked of the users and related stakeholders other than compliance to a set of rules and standards.

Our society is filled with such assets, institutions, and regulations that reflect and reinforce this traditional approach. Water supply, health provision, waste management, transport, education, public works construction and communications have all evolved in this basic model.

We are now however in crisis.

In an increasingly globalised world, the old institutions are in trouble. The transition too is evidencing failures in regulation, market exploitation and social disharmony. *Vide* One-Tel, Enron, and the self-evident failures in energy reform here and abroad. Despite the rhetoric, competition reform has focused too much on cost reduction and not enough on value adding

As we experience changes in the role of government, as new technologies emerge, and as new stakeholders seek to engage in the process in different ways, the traditional approaches are being questioned. Fundamental to this is the significant change in telecommunications. The old public (post and telephone) utility services of are now surpassed by private sector digital age alternatives. The existence of the post office monopoly was weak indeed in the face of technological competition.

We are now witnessing that same change to assault the environment industry. Just as surely as the penny post and the fixed phone line fell to the digital phone and the email, our reliance on traditional enduring infrastructure of dams and storage, coal fired power generation will fall to the emerging and subsequent generations of short cycle technologies. The critical difference is that short cycle technologies add capacity without increasing our environmental footprint.

Stewardship

The environment industry sector has evolved as a 'bolted on" service provision extension to support public infrastructure. The first environmental services were seen as easy to contract out and thus derive efficiencies and effectiveness benefits. Waste collection, landfill management, specialist technical monitoring and measurement were first; then followed regulation and private sector skills in completing compliance audits and specialist remediation services, later we witnessed the endorsement of quality based systems and a needs for an institutional structure to support this trend.

However, most environment industry services are still 'bolted on'. We are only now entering a corporate development model where environment is more integrated into corporate planing & management systems. Indeed society and the investment community are demanding that business, policy makers and regulators 'catch up' with the social views regarding sustainable corporate behaviour.

Collectively society is asking for light-handed regulation in recognition that the paternalistic approach of the past got us into this intractable mess. Business is asking for economic instruments and incentives to reward sustainable behaviour rather than heavy-handed regulation.

Such a change presents many challenges in terms of information needs and the tools needed to operate the system. Central to this change are the role of stewardship and its underlying definition of standards. Economic instruments for the environment have as their fundament of value a behaviour standard that maintains resource condition.

As we aspire to greater use of economic instruments in environmental management, we are dependant upon the institutional arrangements that underpin these. Now such instruments are largely lacking. Our courts ask that landowners take 'practical and reasonable' steps to protect the environment. This is insufficient definition of resource condition and acceptable use behaviour upon which to frame an instrument.

We need to devise a more comprehensive 'behaviour code' or 'sustainable best practice standard' as a description of the desired resource condition and behaviour patterns. Such a measure can then be developed as an enabler for

light handed regulation and a base to apply economic instruments as incentives and penalties.

Stewardship extends well a role as a basis for economic instruments – Professional stewardship is at the very centre of the concepts of reduce, reuse, recover and recycle.

Equally central is the importance of quality environmental accounting data and industry metrics. Access to good environmental cost and benefit data will empower communities, business and government to make better-informed choices in resource use, and make it possible to carry public opinion forward to support environmental objectives despite added costs. Such an advance is essential for local government where public support underlies the ability to raise revenue. Similarly, business will benefit from better regional environmental data via the ability to present a case for cost justification and access to program funds.

Knowledge and the environment

The environment industry has evolved primarily as a service sector to relieve the public sector of management tasks or asset provision that was difficult to provide under a public sector model. Thus we have a dominance of performance of management functions (e.g. in water and waste) and an investment in fleet (and increasingly infrastructure) as monopoly utility provisions are dismantled.

Indeed, the dominance of major infrastructure with available capacity and a long expected economic life has blinkered attitudes to investment in technologies that challenge the dominance of that existing.

Where does this lead us in the environment industry? This will be the topic of research by a task force, but I would speculate on three areas likely to play a significant role:

- Spatial Information
- Biotechnology
- Social research

Much as Columbus sailed west to India on the basis of a theory that the world was round, we develop environmental sustainability on the basis of unproven theories. Better metrics ultimately proved Columbus right, that the world was round. But along the way, he had mistaken two continents for his destination in India, and transported some South Americans back to Europe to prove his point.

Better metrics will prove us right or wrong in our current puny endeavours. Better pricing will derive from better methods and better understanding by society of how we interact with the environment.

But, like Columbus, much will be learned from the journey, and many new products and services will be made possible by the effort.

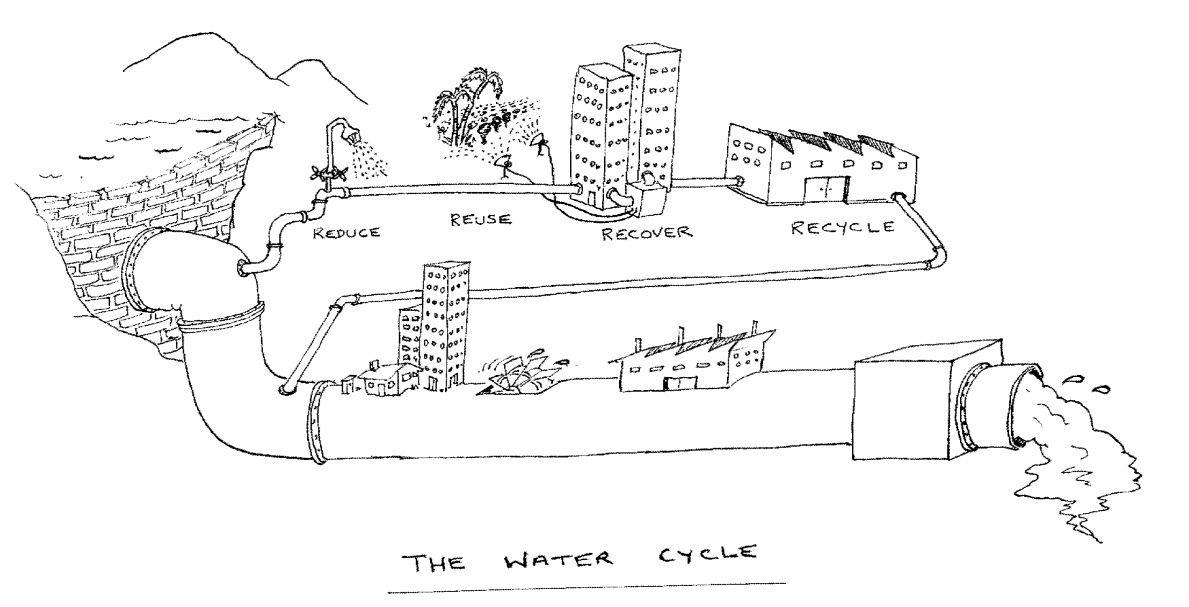
Example of Powerful Ideas. Number 1. Water

Improving water use efficiency will prove to be a significant industry driver for environment industry development. New technologies in wastewater treatment, reuse, and related service industry inputs must aim to de-couple industrial growth from demands on primary water resources.

Eliminating water as a waste carrier effectively defers upstream water storage capacity augmentation, defers downstream wastewater treatment augmentation, and creates an opportunity in the transitional period for Public Private Partnerships in infrastructure investment. Here public and private investment in infrastructure is employed to install the initial technology that will de-couple resource demands from growth. After a transition period, later generations of such technology are expected to become a legitimate site water treatment investment in resource recovery.

The concept addresses the issue of long life cycle investments in end-of-pipe technology which are a significant impediment to the take-up of emerging short cycle investment technologies.

Australia has a technology industry of small-scale water treatment specialists ready to accept the challenge of applying technology to displace water-based systems and focus on resource recovery.



We should be considering an interim productivity target for water use of at least 200%. Given the opportunities for inline electricity generation; heating and cooling; minerals, metals and nutrients recovery; and potable and non-potable reuse applications, this appears on reflection a modest target.

Reduce - the challenges here are with equipment manufacturers – give us the functionality but with less systemic demand for water.

Reuse – here the challenge is with planners and architects – design new estates with dual reticulation and plan for more intensity of water use.

Recover – we recover almost nothing now. There are minerals, metals, nutrients, pharmaceuticals, chemicals etc in water and these can be recovered for profit. Biology can recover most of these and the challenge is to the biotechnology gurus to show the way.

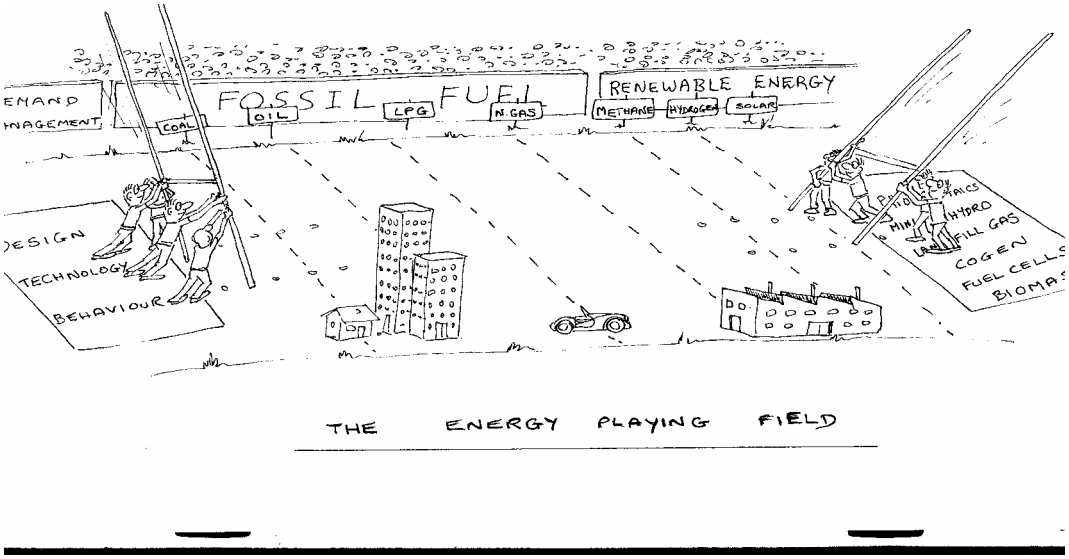
Recycle – after a serious recovery effort, recycling is not such an issue- a closed loop system is in sight. The real challenge is entrenched interests and public acceptance.

The long term vision is to see water eliminated as a waste carrier in new industrial, commercial, and high-rise developments.

Energy and Construction (slide 10)

Modern thinking differs from the past and positions energy firmly in the environmental realm. The historic separation of energy from the mainstream environment is at the root of many of our unsustainable behaviour patterns. As with water, energy conservation follows the same process chain but with most of the focus on 'reduce and reuse'.

At the moment government is focusing most attention on the renewable energy sector. The main focus of the environment industry should be on demand management and reducing base load energy consumption.



THE ENERGY PLAYING FIELD

The Energy playing field is really about reducing overall consumption and reducing the intensity of carbon use .

The Western end of the field is the one for the environment industry to focus on. Here the challenge is with regulators, planners and architects to create incentives for efficient design.

We have Australian smart technology, materials and design that can greatly reduce energy consumption – but we have to get it into play.

Innovation – Knowledge & the environment industry (Slide 12)

The Environment Industry needs to have a targeted focus to realise the growth opportunities made possible through the advanced process, micro-filtration biotechnology, spatial information applications technology, and integration of these technologies with policy and management services.

Technical innovation will occur with entrepreneurial leadership, sometimes unexpectedly, and in response to industry needs. Commercialisation and development of a marketable product must be more focused and nurtured in those fields where business fundamentals are in place, and where scale, scope, and terms of trade advantages are apparent on an industry scale.

The critical element in realising the commercialisation opportunities is to engage interested parties in the value chain and have them input to and understand the commercialisation process, the obstacles, impediments, and value creation points inherent in bringing a product to market. A commitment to 'delivering on the promise' is much of what has been missing in the commercialisation of environmental industry technologies

Barton Group - Priority Task Forces

The Barton group will conduct its business though taskforces led by industry leaders and members and will report back with recommended actions . Key activities targeted are:

1. Task Force to develop Environment Industry metrics, including Socially Responsible Listing Index on Australian stock exchange (lower the cost of compliance for environmental reporting);

2. Task Force to remove water as a waste carrier in new industrial, commercial and high rise developments (technology);

3. Task Force to build a conservation ethic into property design & approval processes (LCA, light handed regulation);

4. Task Force to engage Environment Industry firms in product stewardship implementation (waste logistics);

Let me leave you with the words of that famous Australian Henry Lawson as a call to action:
"They'll hang in close behind you while you're searching for the light,
But they'll rush to get in front when they think you've got it right"