Journal of the Asia-Pacific Centre for Environmental Accountability

Volume 18, Number 1, March 2012

EDITORIAL

FEATURE ARTICLES

Guidelines for corporate governance disclosure – are Australian listed companies conforming?
Susan Conway

Moving from rhetoric to effective implementation for Australian governments’ sustainability policies
Amanda Carter and John Pisaniello

ENVIRONMENT EXTRA!

CALL FOR PAPERS

Published by the Centre for Accounting, Governance and Sustainability, School of Commerce, Division of Business, University of South Australia, Australia

Supported by CPA Australia (SA Division), Level 10, 420 King William Street, Adelaide, SA 5000, Australia

© University of South Australia 2012

ISSN 1448-6679
Editorial

Professor Roger Burritt would like to thank Dr Sumit Lodhia for his involvement as Co-editor and member of the Editorial Board of the Journal of the Asia Pacific Centre for Environmental Accountability since 2005. Dr Lodhia has been a stalwart supporter of the Journal over these recent years but because of considerable administrative pressures in the life of a modern academic he reluctantly hands the baton back to the founder Editor of the Journal.

Secondly is sad news that Reg Mathews passed away in Albury on 15 March 2012. Reg was a member of the Editorial Board of the Journal and made a valuable contribution from its inception in 1996 until the mid-2000s. Many readers will not realise that the Journal emerged from an Environmental Accountability Symposium organised by Roger Burritt and held in Canberra in 1996. Participants at that Symposium also had the delight to listen to delivery of Reg’s classic paper entitled “Twenty-five years of social and environmental accounting research: is there a silver jubilee to celebrate?” later published in the Accounting, Auditing and Accountability Journal in 1997. We send kind thoughts to Reg’s family.

In the first feature article for 2012 Susan Conway addresses the issue ‘Guidelines for Corporate Governance Disclosure— are Australian Listed Companies conforming?’ Susan explores the voluntary disclosure of corporate governance practices on 50 company websites by Australian listed companies compared with disclosures on the same matter in annual reports. At this stage it appears that companies continue to place greater store on disclosures in annual reports.

The second feature article written by Amanda Carter and John Pisaniello is entitled ‘Moving from rhetoric to effective implementation for Australian governments’ sustainability policies.’ The article constructs a framework for examining the effectiveness of implementation of sustainability policy by governments in Australia, based on seven topical case studies. A critique of co-operative federalism emerges.

The feature articles are followed by the usual sections Environment Extra! and Calls for Papers.
Notes for contributors

Manuscript requirements

Articles should be submitted in a word document, Times New Roman, 12 point, single spaced, single column, and attached to an email. References should be in the UniSA Harvard referencing style, available from the following link:

http://www.unisa.edu.au/ltu/students/study/referencing/harvard.pdf

As a guide to authors, articles should be no more than 6,000 words unless negotiated with the editors. The submission of shorter articles is particularly welcome. Each article should be preceded by an abstract of no more than 150 words.

To ensure anonymous review, authors should not identify themselves directly or indirectly in their manuscript. A Paper Title Page should show the title of the manuscript; the author(s)’s details and an Abstract. Refer to web page for full guidelines and style guide, available from the following link:


The reviewing process

Feature articles are independently reviewed by members of the Editorial Board in accordance with the requirements for classification as a C1 journal article in Australia: ‘For the purposes of the HERDC, an acceptable peer review process is one that involves an assessment or review of the research publication in its entirety before publication by independent, qualified experts. Independent in this context means independent of the author’.

Each article published in the Journal of the Asia Pacific Centre for Environmental Accountability is blind reviewed by at least two members of the Editorial Board. The journal is listed on the ARC’s ERA 2010 journal list which is considered acceptable as evidence of peer review for HERDC purposes.

Copyright

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from Editor, Journal of the Asia Pacific Centre for
Environmental Accountability. Requests and enquiries concerning reproduction and rights should be addressed to Professor Roger L. Burritt, editor, Journal of the Asia Pacific Centre for Environmental Accountability, Centre for Accounting, Governance and Sustainability, School of Commerce, University of South Australia, GPO Box 2471, Adelaide, South Australia, 5001 or emailed to roger.burritt@unisa.edu.au.

The intellectual property of each paper remains vested in the authors as listed on the paper and the journal recognises the authors’ moral rights.

Disclaimer

This journal presents the opinions and comments of the author(s) and not necessarily those of the publisher. The University of South Australia, Centre for Accounting, Governance and Sustainability and the Asia Pacific Centre for Environmental Accountability expressly disclaim all liability for any loss or damage arising from reliance upon any information contained in this journal.

Editorial objectives

The objectives of the journal are, first, to explore the development of ideas about environmental and social accounting, reporting, accountability and assurance. Submission of research based on all methodologies and methods, e.g. qualitative, quantitative, mixed methods, inductive, deductive, abductive, inter-, multi-, and trans-disciplinary, are welcome.

The second objective is to promote environmental, social and sustainability accounting, accountability, reporting assurance and taxation research to members of APCEA, professional practitioners and accountancy and finance academics, professional bodies and government policy makers.

Editorial criteria

Major criteria used to evaluate papers are:

- subject matter must be of importance to the accounting discipline;
- research questions must fall within the journal's objectives;
- research must be well designed and executed; and
- presentation is well written and in conformance with the journal's style.

Potential contributors should contact the editor: Professor Roger L. Burritt Email: apcea@unisa.edu.au, Ph: +61 8 8302 7048, Fax: +61 8 8302 0992
Editorial Board

Editor

Professor Roger L. Burritt
University of South Australia, Australia

APCEA Board Members

Professor Cosmas Ambe, University of Limpopo, South Africa
Professor Amanda Ball, University of Canterbury, New Zealand
Professor Judy Brown, Victoria University of Wellington, New Zealand
Professor Nola Buhr, University of Saskatchewan, Canada
Professor Jong-Seo Choi, Pusan National University, Korea
Associate Professor Lorne Cummings, Macquarie University, Australia
Dr Charl de Villiers, University of Auckland, New Zealand
Assistant Professor Federica Farneti, University of Bologna, Italy
Professor Craig Deegan, RMIT University, Australia
Associate Professor Geoff Frost, University of Sydney, Australia
Associate Professor Kathy Herbohn, University of Queensland, Australia
Professor Katsuhiko Kokubu, Kobe University, Japan
Associate Professor Collins Ngwakwe, University of Limpopo, South Africa
Professor Gweneth Norris, Charles Darwin University, Australia
Professor Gary O’Donovan, University of Tasmania, Australia
Associate Professor Jean Raar, Swinburne University, Australia
Dr Anna Lee Rowe, Curtin University, Australia
Professor Dr Stefan Schaltegger, Leuphana University of Lüneburg, Germany
Professor Dr Maliah Sulaiman, International Islamic University, Malaysia
Professor Carol Tilt, Flinders University, Australia
Professor Chris van Staden, University of Canterbury, New Zealand
Professor Richard Welford, University of Hong Kong, Hong Kong
Dr Haslinda Yusoff, Universiti Teknologi MARA (UiTM) Malaysia, Malaysia

Editorial Support

Dr Amanda Carter

Journal Administrator

Ms Rainbow Shum
Guidelines for Corporate Governance Disclosure – are Australian listed companies conforming?

Susan L CONWAY
University of Tasmania
Locked Bag 1314
Launceston, Tas 7250
Australia
Phone: +61 6324 3068
Email: Susan.Conway@utas.edu.au

Abstract

This study explores the disclosure of corporate governance practices on company websites by Australian listed companies. Content analysis was applied to the websites of fifty Australian companies utilising a corporate governance disclosure index (CGDI). The CGDI was developed from the guidance for disclosure on websites provided in the ASX corporate governance guidelines. The level of conformance with the ASX recommendations for disclosure on websites was then compared to the level of adoption of ASX corporate governance recommendations for annual reports (as reported by the ASX). The level of disclosure on company websites did not match the level of adoption of recommendations. The reported adoption level for annual reports was higher than the disclosure level for company websites indicating that not all corporate governance practices are being disclosed on company websites. The interest of powerful stakeholders such as regulatory agencies may influence the level of conformance on company websites however the results are not conclusive. The varying level of disclosure on company websites highlights the need for monitoring by the ASX to enhance website disclosure.

Keywords

Voluntary disclosure, corporate governance, Australian listed company, ASX guidelines

1. Introduction

Web-based communication has become an important part of company reporting. The Australian Securities Exchange (ASX) has acknowledged the value of the internet as a business communication tool. The corporate governance guidelines developed by the ASX Corporate Governance Council (CGC) focus on disclosure of governance practices in annual reports but also include a requirement for information to be made available to the public, ‘ideally on the company website’. The guidelines acknowledge a broad audience for corporate information listing ‘shareholders, employees, customers, suppliers, creditors, consumers and
the broader community’ as interested parties (ASX CGC 2007, p.6). This requirement for public disclosure reflects an intention to address the information needs of the broader community. Since the implementation of the corporate governance guidelines in 2003, the ASX has conducted annual reviews of annual reports to evaluate the uptake of the recommendations (ASX 2010, p.2). However to date the uptake of disclosure recommendations on company websites has not been reported.

The omission of company websites from the annual review is a concern. In the past, Australian companies have provided limited corporate information on company websites (Chan & Wickramasinghe 2006, p.123; Khan 2007, p.44; Lodhia, Allam & Lymer 2004, p.69; Lymer & Debreceny 2002, p.105). Research based on other jurisdictions has indicated that a lack of monitoring of corporate governance disclosure can result in low levels of conformance to regulatory guidelines (Berglof & Pajuste 2005, p.182; Gandia 2008, p.811; Sayogo 2006, p.12; UNCTAD 2003, p.5). If the ASX has recommended public disclosure of governance practices then this information must be considered to have decision-making value to the community at large. Accordingly it should be expected that some form of monitoring would be in place to ensure access to the information recommended for disclosure. While the annual review made reference to company websites, the review did not discuss the level of disclosure on company websites (ASX 2010, p.2). This paper responds to this apparent gap in knowledge by comparing the disclosure of corporate governance practices on the websites of Australian listed companies to the recommendation for information to be ‘made publicly available’ as specified in the ASX Corporate Governance Principles and Recommendations 2007. The study contributes by providing an examination of the response to the ASX corporate governance guidelines for corporate governance disclosure on company websites within the Australian jurisdiction.

The paper is structured as follows; the following section explains the theoretical perspective of corporate governance adopted. This is followed by a review of literature addressing corporate governance disclosure on company websites. The key research question and propositions are then developed followed by an explanation of the research design, results and discussion. The paper concludes with suggestions for further research.

2. Corporate governance – a theoretical perspective

Corporate governance reporting has been the subject of many studies, with a range of interpretations of the rationale of governance reporting. A narrow perspective focusses on the relationship between a company and its owners, the shareholders. By contrast a broader perspective considers ‘explicit and implicit’ relationships between the company and its stakeholders, the community at large including shareholders (Psaros 2009,
The ASX corporate governance guidelines adopted a normative stakeholder approach which acknowledges the importance of multiple stakeholders (ASX CGC 2007, p.3). The guidelines support an ethical approach to decision-making recommending consideration of all stakeholders under Principle Three: Promote ethical and responsible decision-making. Principle Three specifically refers to disclosure of financial, social and environmental governance policy and practices. Accordingly, this study adopted the broader perspective of corporate governance (Solomon 2007, p.19), the need to create long term sustainable value and be accountable in the interest of all stakeholders.

Research into voluntary disclosure from this perspective has applied legitimacy and stakeholder theory with some success (Deegan 2006; p.301; Solomon 2007, p.20). In particular, managerial stakeholder theory has been considered more rigorous, as this approach recognises the perceived influence of powerful stakeholders such as government and regulatory bodies, in addition to shareholders (Cormier, Gordon & Magnan 2004; p.143; Harvey & Schaefer 2001, p.243). Hence, the disclosure of corporate governance practices on company websites has been considered from a managerial stakeholder perspective.

3. Corporate disclosure on company websites

Worldwide the internet has been endorsed as a tool to enhance corporate governance reporting. Internet technology has enabled dissemination of corporate information to a broader community of stakeholders (OECD 2004, p.56; UNCTAD 2003, p.3). For example, security regulators in Canada and the USA have established electronic websites to provide open access to mandated reports (Lymer & Debreceny 2002, p.104) and in the UK, companies can disclose information on the company website to meet the statutory reporting requirements (Beattie & Pratt 2003, p.161). Many jurisdictions, including Australia, have included recommendations for disclosure of corporate governance on company websites (ASX CGC 2007, p.15; Beattie & Pratt 2003, p.161; Ettredge, Richardson & Scholz 2002, p.358).

While regulators have promoted corporate reporting on the internet the use of company websites for corporate governance disclosure has been patchy. Studies of corporate governance reporting found the type of governance information provided on company websites and the level of reporting has been highly variable across and within jurisdictions (Berglof & Pajuste 2005, p.178; Dutta & Bose 2007, p.29; Gandia 2008, p.20; Grzybkowski & Wojcik 2006, p.5; Khan 2007, p.37; Sayogo 2006, p.12). Khan’s (2007) study, spanning 30 countries, found inconsistent levels of corporate governance reporting. These results are supported by country specific research from the UK and Poland (Grzybkowski & Wojcik 2006), India (Dutta & Bose 2007), Central and Eastern Europe (Berglof & Pajuste 2005, p.178).
2005), Spain (Gandia 2008) and Indonesia (Sayogo 2006). The studies identified low levels of corporate governance practices disclosure on company websites and suggested that the lack of monitoring may explain the findings.

The level of disclosure on websites may also be influenced by the overall disclosure practices of the company. Gandia’s (2005, p.791) investigation of corporate governance disclosure, by Spanish companies, identified a trend between the level of disclosure on company websites, and the level of reporting by traditional means. That is, companies rated higher for reporting in annual reports were more likely to use the internet as a medium for disclosure of corporate governance information. This is supported by financial disclosure research (Ashbaugh, Johnstone & Warfield 1999, p.254; Ettredge, Richardson & Scholz 2002, p.367). Ettredge, Richardson and Scholz (2002, p.367) proposed that companies developed ‘disclosure personalities’ with good traditional reporters making the most use of websites for financial reporting. However this practice has not been evident in Australia.

Australian companies have demonstrated a high level of disclosure of corporate governance practices in annual reports but limited reporting on websites (ASX 2010, p.2; Collett & Hrasky 2005, p.188; Ramsay & Hoad 1997). The ASX review of corporate governance disclosure has identified high levels of reporting in annual reports. Since 2004, the ASX has conducted reviews of annual reports to determine compliance with the Listing Rules, in particular Listing Rule 4.10.3 (ASX 2010).

ASX Listing Rule 4.10.3 requires entities to disclose in their annual reports the extent to which they have followed the Recommendations If they have not followed the recommendations they should identify the recommendations not followed and explain why they were not followed.

The ASX examine all annual reports based on financial year end. The report for the financial year ending 30 June 2008 indicated a steady improvement in reporting levels for all entities to 96.4%. It should be noted that the result included ‘if not, why not’ explanations and the reported adoption of recommended practices was somewhat lower at 79%. However the adoption reporting levels for the top 500 listed entities was still high and had increased from 86% in 2005 to 90% in 2008 (ASX 2009a, p.3).

Lodhia, Allam and Lymer (2004) investigated reporting of financial and annual report attributes on the websites of the top fifty Australian listed companies. The study found limited voluntary disclosure with a large number of companies simply reproducing mandatory annual report information on the company website. Chan and Wickramasinghe (2006) investigated voluntary disclosure of governance and financial information on company websites for the first and last forty companies included in the top 500 Australian listed companies. They found that of the sample
companies (69), nearly one-third (22) had not provided governance or financial information on the website (Chan & Wickramasinghe 2006, p.135). The results from Lodhia, Allam and Lymer (2004) and Chan & Wickramasinghe (2006) conflict with findings from other jurisdictions which related a high level of traditional reporting to a high level of corporate disclosure on company websites (Ashbaugh, Johnstone, & Warfield 1999, p.251; Ettredge, Richardson & Scholz 2002, p.358; Gandia, 2005, p.20). The studies conducted by Lodhia, Allam and Lymer (2004) and Chan and Wickramasinghe (2006) used data collected in 2001 and 2000 respectively. Longitudinal studies have indicated that the use of company websites for reporting has increased over time (Heinze & Hu 2006, p.313) therefore it might be expected that the level of corporate disclosure on Australian company websites may have changed.

4. Research question and development of propositions

The ASX corporate governance guidelines include specific recommendations for disclosure of corporate governance practices on company websites. While prior studies have considered aspects of governance no study has considered all the recommendations for websites disclosure included in the guidelines. Therefore this study sought to question if Australian listed companies are conforming to the ASX recommendations for the disclosure of corporate governance information on company websites.

It was anticipated that the level of disclosure on company websites would be variable. Prior research on corporate governance disclosure, on company websites, indicated either limited or variable levels of disclosure. In other jurisdictions it has been suggested that the lack of monitoring resulted in lower levels of conformance with governance disclosure recommendations for company websites (Berglof & Pajuste 2005, p.185). Given that the reporting of corporate governance practices has not been monitored on the internet it is anticipated that the level of conformance with the recommendations for disclosure on company websites will be lower than the ASX reported level of adoption of corporate governance practices shown in annual reports. The following proposition will be investigated.

Proposition One: The level of conformance with the ASX disclosure recommendations for company websites will be lower than the level of adoption of the ASX guidelines for corporate governance practices (as reported by the ASX).

Further, it was considered that the interests of powerful stakeholders could influence the level of disclosure on company websites given that for some companies the ASX Listing Rules create an implicit requirement to disclose information on company websites.
The ASX Listing Rule 12.7 specifies that companies listed on the S&P/ASX 300 Index must have an audit committee and must comply with all recommendations in relation to audit committees in the ASX Corporate Governance Principles and Recommendations August 2007. The guidance, under Principle Four Safeguard integrity in financial reports, recommends that the audit committee charter and audit procedures ‘should be made publicly available ideally by posting to the company website’ (ASX 2010; ASX CGC 2007). The regulators interest has been shown to influence voluntary disclosure of environmental and social practices (Cormier, Gordon & Magnan 2004, p.143; Harvey & Schaefer 2001, p.243). Therefore it is expected that the companies listed in the top 300 will have disclosed the required audit committee information on the company website and that the interest in audit practices will influence the overall level of voluntary disclosure on company websites. It is expected that the level of disclosure on websites of companies listed in the top 300 will be higher. A further proposition to be investigated is as follows.

*Proposition Two: ASX listed companies, in the S&P/ASX 300 Index, will have a higher level of conformance with the ASX disclosure recommendations for company websites than ASX listed companies not included in S&P/ASX 300 Index.*

5. Research design

A random sample of fifty companies was selected from the top 500 to align with the target group of the annual reporting reviews conducted by the ASX (ASX 2010). A listing of the sample companies is provided in Appendix 1. The ranking was in accordance with the listing by the S&P/ASX 500 Index, as at 1 January 2009. The content of each company’s website was downloaded and stored over the period 22 to 26 January 2009. The sample of companies was divided into two strata to enable testing of the second proposition. Thirty companies were selected from the top 300 companies and the remaining twenty from the top 301-500 grouping of companies. The sample size chosen was considered appropriate as it was consistent with prior studies on company websites (Chan & Wickramasinghe 2006; Grzybkowski & Wojcik 2006; Lodhia, Allam & Lymer 2004; Sayogo 2006).

The review of the websites was conducted by applying content analysis. This approach has been applied in prior studies investigating website disclosure, conducted in Central and Eastern Europe (Berglof & Pajuste 2005) and Indonesia (Sayogo 2006). Different equity markets have significantly different disclosure requirements (UNCTAD 2006) accordingly the disclosure index for this study was based on the recommendations for disclosure on company websites included in the guidelines provided by the Australian securities regulator, ASX.
The ASX Corporate Governance Principles and Recommendations 2007 include disclosure recommendations documented in ‘The Guide to Reporting’ in the last recommendation for each of the eight Principles. The guide for each Principle includes a list of items to be made publicly available ‘ideally by posting to the company’s website in a clearly marked corporate governance section’ (ASX CGC 2007, p.15). In total there are thirteen recommended disclosure items which formed the corporate governance disclosure index (CGDI) for this study. A listing of the items is provided in Appendix 2. Each Principle stated that the information should be provided in ‘a clearly marked corporate governance section’. This was considered an integral component of the reporting process; therefore the presence of a corporate governance section was reviewed separately to the CGDI.

The intention of this study was to identify the presence of reported items to determine the level of conformance for each Principle. First the CGDI was applied based on binomial scoring of 1, for each item present, and 0, if not present. The result for each item was calculated to provide the proportion of reporting companies for all top 500 sample companies, the sample companies in the top 300 group and the sample companies listed in the top 301-500 group. The average level of reporting for each Principle was calculated by allocating a score of 1, to each sample company, if all items recommended for that Principle were present or 0, if any of the listed items were not present. This process is consistent with the approach adopted by the ASX review of ‘information-based’ recommendations (ASX 2010, p.15).

A binomial measurement was adopted to align with the measurement and evaluation adopted for the annual ASX review of conformance with disclosure recommendations in annual reports. The percentage score was calculated to enable comparison between the dissimilar sized groups and comparison to the ASX results. The results of the content analysis for the sample companies were compared to the adoption levels reported in the ASX review of companies for year ending June 2008 and December 2008, being 90% and 89% respectively. The results for adoption of corporate governance practices have consistently improved over time (ASX 2009a, 2009b) therefore the previous results for 2008 should be indicative of the expected level of adoption by January 2009.

The results were also compared to the review for the year ending June 2009. The June 2009 review was the first review to apply the revised 2007 guidelines and also the first review to differentiate between ‘practice-based’ recommendations and ‘information-based’ re-commendations.

---

1 The 30 June review includes all entities with a financial year end other than 31 December (ASX 2010, p.1).
Practice based recommendations relate to ‘the establishment of certain corporate governance practices or structures which the entity is required to report against in its annual report’ whereas the information-based recommendations relate to ‘the specific reporting on or disclosure of the information’ (ASX 2010, p.2). The effective date of the revised recommendations was the first financial year starting on or after 1 January 2008 therefore all companies should have commenced conformance with the new recommendations during 2008. It is unfortunate that the June 2009 review did not include results for the top 500 companies. The review only provided details of the results for the ‘top 300 companies’ and ‘all entities’. For evaluation purposes the results from this research were compared to the results for all ‘entities’. In the past the results for all entities have traditionally been lower than the results for the top 500. The results of the 2009 ASX review are provided in Appendix 2.

The structure of websites can vary significantly (Perry & Bodkin 2000, p.87). To counter this, websites were examined systematically to apply the disclosure index in a consistent manner. The systematic review and coding rules were developed based on an examination of a random selection of the websites of companies not included in the sample. The review process and coding rules were tested by two independent coders.

Online text and all downloadable information, other than annual reports, were considered for the review. What was of interest were disclosures ‘on the face’ of each webpage. The information contained in downloadable annual reports was not examined unless a direct link to information relating to a listed CGDI item was provided on the website. While annual reports contain significant information relating to corporate governance, the use of company websites is intended to enhance the disclosure in annual reports (ASX CGC 2007). Therefore, the purpose of this study was to identify website disclosure that adds to or enhances the information made available in annual reports.

6. Results and discussion

The content analysis of the sample company websites assigned a percentage level of disclosure by each item and each Principle. The results from the content analysis are provided in Appendix 2. In addition it was noted that 42 of the 50 sample companies provided the recommended corporate governance section on the company’s website as shown in Appendix 1. The study findings are now discussed in relation to the two propositions.
Proposition One: The level of conformance with the ASX disclosure recommendations for company websites will be lower than the level of adoption of the ASX guidelines for corporate governance practices (as reported by the ASX).

The first proposition suggested that the level of conformance with the ASX disclosure recommendations for company websites would be lower than the level of adoption of the ASX guidelines for corporate governance practices. The results for this proposition were assessed based on the average percentage of companies disclosing all items for each Principle compared to the level of adoption reported by the ASX. While 84% (42 of 50) provided a corporate governance section, the average level of conformance with the reporting recommendations for all Principles was 61% of the sample companies. This is considerably lower than the adoption levels of 89% and 90% reported by the ASX for 2008. It is also considerably lower than the 87% reporting level for ‘information-based recommendations’ disclosed in annual reports reported for year ending June 2009 (ASX 2010) refer Appendix 2. Therefore Proposition One is supported. The results for each Principle were analysed to pinpoint where the main differences occurred.

The website results for each Principle were generally lower than the reported adoption of corporate governance practices in annual reports except for Principle One: Lay solid foundation for management and oversight. The reporting result for Principle One, 88%, was comparable to the 89 and 90% adoption results indicating that the companies with the practices in place are reporting on those practices. However for this Principle the ASX 2009 review indicated high levels of reporting for ‘practice-based’ recommendations but a lower level of reporting for the ‘information-based’ and suggested that more detailed information relating to delegations to and evaluation of senior executives was lacking (ASX 2010). This lack of detail was repeated in the disclosure evidenced on the websites. The most striking examples appeared for Principle Two: Structure the board to add value, Principle Four: Safeguard integrity in financial reporting and Principle Eight: Remunerate fairly and responsibly.

The overall level of conformance on websites for Principle Two was less than half the conformance level for annual reports, being 40% and 83%, respectively. While 72% of the companies provided a ‘charter of the nomination committee or summary of roles, rights, responsibilities and membership’ and 70% provided ‘procedure for the selection and appointment of new directors …’; the result impacted on by the low level of disclosure of ‘board policy for the nomination and appointment of directors’. Only 44% of companies disclosed this information.

A similar result emerged for Principle Four. The level of conformance for websites, 46%, was much lower than the conformance with annual report recommendations, 89%. While 86% of companies had provided the audit
committee charter, only 46% included information on ‘procedures for the selection and appointment of the external auditor and the rotation of external audit engagements’.

Principle Eight resulted in the lowest level of reporting on company websites. Only 8% of companies provided ‘a summary of the company’s policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remunerations schemes’. The conformance in annual reports for Principle Eight was 77%.

Overall the results indicated that while a larger proportion of companies were conforming to components of the recommended disclosure, the information provided by companies did not contain the level of detail recommended by the ASX guidelines.

The reporting recommendations for annual reports and company websites differ, therefore a comparison of the results should be considered with care. While the annual report disclosure requirements include a ‘comply or explain’ provision, there is no similar option for company websites. Therefore non-conforming companies may have fully explained non-conformance in the annual report and have no further information to disclose on the website.

7. Non-disclosing companies

To test this logic the non-disclosing companies were checked to determine if they had adopted the recommendations from the ASX guidelines. Three important areas of governance are the nomination and remuneration practices for board members and the oversight of financial reporting by board members. The ASX ‘practice-based’ Recommendations suggest the following committees be established: nomination committee (Principle Two, Recommendation 2.4), audit committee (Principle Four, Recommendation 4.1), and remuneration committee (Principle Eight, Recommendation 8.1).

The presence of any of the committees would provide a rationale for disclosure on the company website. Accordingly the annual reports of the non-disclosing companies were checked for the existence of the recommended committees.

Four of the non-disclosing companies reported the existence of at least one of the recommended committees in their annual reports; in fact two non-disclosing companies had all three committees in place. The presence of the committees indicated that the absence of any relevant disclosure on the websites for these companies did not relate to the lack of recommended practices being in place. Therefore the identified deficit of detail noted earlier may not be due to the lack of policy, procedures or processes being in place. ASX’s lack of attention to disclosure on company websites
appears to have resulted in companies selectively disclosing aspects of corporate governance practices.

It is also interesting to note that three of the non-disclosing companies were listed in the top 300. The top 300 companies are required by ASX Listing Rule 12.7 to have an audit committee in place and comply with all the recommendations in the ASX guidelines including disclosure recommendations (ASX 2010; ASX CGC, 2007). While each company had the requisite audit committee, the companies were potentially in breach of ASX Listing Rule 12.7 by not providing the information on the company website.

Proposition Two: ASX listed companies, in the S&P/ASX 300 Index, will have a higher level of conformance with the ASX disclosure recommendations for company websites than ASX listed companies not included in S&P/ASX 300 Index.

The second proposition suggested that the level of conformance with the recommendations for company websites would be influenced by the requirement for complete conformance with Principle Four: Safeguard integrity in financial reporting as per the ASX Listing Rule 12.7. The assessment of this proposition was based on the percentage of companies disclosing each item as shown in Appendix 2.

The average level of disclosure for each item by the total sample of companies was 68%. The results for the two strata of companies differed from the average level of disclosure for the top 300 and top 310-500, being 75% and 58%, respectively. A Mann Whitney U Test was conducted to test for significant difference. The results (U=189.5, p=0.025) indicated a significant difference, at the 0.05 level, between the disclosure levels of the two groups. The results indicate support for Proposition Two. A further comparison of the level of disclosure of each item was undertaken to identify the areas of difference.

The level of disclosure consistently varied between the two groups with the top 300 maintaining a higher percentage of companies disclosing for all items. Some of the items had high levels of reporting for both groups. For example results for Disclosure Items P1.1, P3.1, P3.2 and P4.1 were 80% or above for both groups. Principle Three: Promote ethical and responsible decision-making which incorporates the interest of the broader stakeholder community resulted in the least variation between the two groups. This result suggests that the interest of the broader stakeholder community may have influence on the level of disclosure.

By comparison, the results for Principle Four: Safeguard integrity in financial reporting, which incorporates the audit recommendations, are varied. The percentage of companies disclosing an audit committee charter (Disclosure Item P4.1) was high for both groups of companies with results for the top 300 and top 301-500 90% and 80%, respectively. However the procedures for the selection and appointment of the external auditor
(Disclosure Item P4.2) had a lower result for both groups. Only 60% of the top 300 companies provided this information on the company website indicating 40% not conforming to the guidelines. The top 301-500 group levels of disclosure were much lower with only 25% of companies providing this information.

The disclosure of audit committee practices was of particular interest given that the top 300 companies are required to have an audit committee in place and must comply with the recommendations in relation to audit policies and practices under ASX Listing Rule 12.7 (ASX 2010; ASX CGC 2007). This result adds to the support for the proposition that the additional requirements for the top 300 companies to comply with the ASX guidelines in relation to audit committees, may influence the percentage of companies disclosing corporate governance information. However the fact 40% of the top 300 companies did not comply with an implicit audit disclosure requirement suggests that the lack of monitoring by the ASX may be contributing to the lower level of disclosure.

The results indicated that the listing rule requirements for the top 300 influence the level of conformance with the ASX reporting recommendations; however there may be other factors of influence. Prior literature (Chan & Wickramasinghe 2006; Lodhia, Allam & Lymer 2004) identified that company size is related to the level of disclosure. The number of items disclosed by each company was tested for correlation with market capitalisation, as a measure of size of the companies, by applying a Spearman’s rank correlation test. The test indicated a strong significant positive relationship at the 0.05 level between market capitalisation and the percentage level of governance reporting (rho=0.398, p<0.005) supporting the argument that larger companies tend to have a higher level of reporting. Therefore differences between the groups may be related to a number of factors including different audit committee requirements and company size.

8. Conclusion

Corporate governance disclosure on company websites is voluntary in Australia. The ASX has adopted a ‘comply or explain’ approach to corporate governance reporting in annual reports but relying on voluntary reporting to enhance disclosure in other mediums (ASX CGC 2007). This approach allows companies considerable discretion in the nature and content of corporate disclosure on websites. The literature, investigating corporate governance disclosure in other countries, suggested that the lack of enforcement of regulations or monitoring had the potential to result in reduced corporate governance reporting (Berglof & Pajuste 2005; Khan 2007). While the ASX has conducted an annual review of corporate governance reporting in annual reports since 2004, the corporate
governance disclosure on the websites of Australian listed companies has not been monitored.

The ASX has continually reported a high level of corporate governance practice disclosure in annual reports. The comparison of the results from the ASX review and this study suggested companies are continuing to place greater reliance on annual reports as a disclosure medium. The sample companies’ response to the ASX disclosure guidelines for company websites is clearly variable. A significant difference was noted between the level of reporting for the companies from the top 300 and the balance of the sample examined. This could be due to the additional listing requirements or the company size; the results were not conclusive. If the ASX has a commitment to the disclosure recommendations for company websites as listed in the ASX guidelines, then the regulatory body should expand the annual review to include website disclosure and if relevant take action to encourage the recommended disclosure. Or alternately as the disclosure varied from the disclosure requirements the ASX should review the current guidelines to determine relevance to reporting companies and the stakeholder community. It is of interest to note that, in the more recent reviews of corporate governance disclosures in annual reports, the ASX has divided the recommendations into ‘practice-based’ and ‘information-based’ recommendations to enable greater scrutiny of conformance with the provision of information. The reviews have also shifted focus from the top 500 companies to the top 300 companies (ASX 2010) perhaps to gain more insight into conformance with the Listing Rules.

The study adds to the sparse literature in this area. The results revealed that disclosure by the sample companies was not in conformance with ASX guidelines for company websites. While the results suggest that the sample companies may be providing information to stakeholders other than shareholders on company websites this will require further qualitative research to confirm.

As with any study there were a number of limitations that need to be discussed. The sample selected was restricted to the top 500 companies listed on the ASX. Therefore the results cannot be generalised to the larger population of all Australian listed companies. In addition the application of content analysis for this study involved subjective judgment on the part of the coders.

There are a number of directions future research could take. This study focused on the level of conformance with ASX guidelines and identified that the use of company websites was less than comprehensive. The results for this study contrasted with the reporting results announced by the ASX in the annual review of annual report disclosure. Therefore a comparison of the reporting practices in annual reports and on company websites for individual companies would provide a more holistic overview of company reporting practices. A qualitative analysis of the corporate governance disclosures would enhance the results of this study.
References


Collett, P & Hrasky, S 2005, ‘Voluntary disclosure of corporate governance practices by listed companies’, Corporate Governance, vol. 13, no. 2, p. 188.


Psaros, J 2009, Australian Corporate Governance: a review and analysis of key issues, Pearsons, French Forest, NSW.


**Acknowledgement**

The author wishes to acknowledge input from Associate Professor Trevor Wilmshurst, Dr Belinda Williams and the helpful and constructive feedback by two anonymous reviewers.
Appendix 1

Sample companies and disclosure levels

<table>
<thead>
<tr>
<th>Market Capitalisation Ranking</th>
<th>Company Name</th>
<th>CG section</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Westpac Banking Corporation</td>
<td>Y</td>
</tr>
<tr>
<td>3</td>
<td>Telstra Corporation Limited</td>
<td>Y</td>
</tr>
<tr>
<td>16</td>
<td>St. George Bank Limited</td>
<td>N</td>
</tr>
<tr>
<td>63</td>
<td>Cochlear Limited</td>
<td>Y</td>
</tr>
<tr>
<td>93</td>
<td>Aristocrat Leisure Limited</td>
<td>Y</td>
</tr>
<tr>
<td>99</td>
<td>Arrow Energy Limited</td>
<td>Y</td>
</tr>
<tr>
<td>102</td>
<td>United Group Limited</td>
<td>Y</td>
</tr>
<tr>
<td>125</td>
<td>Aquarius Platinum Limited</td>
<td>Y</td>
</tr>
<tr>
<td>131</td>
<td>Campbell Brothers Limited</td>
<td>Y</td>
</tr>
<tr>
<td>133</td>
<td>West Australian Newspapers Holdings Ltd</td>
<td>Y</td>
</tr>
<tr>
<td>151</td>
<td>Air New Zealand Limited</td>
<td>Y</td>
</tr>
<tr>
<td>158</td>
<td>Flight Centre Limited</td>
<td>Y</td>
</tr>
<tr>
<td>161</td>
<td>Linc Energy Ltd</td>
<td>Y</td>
</tr>
<tr>
<td>163</td>
<td>Whitehaven Coal Limited</td>
<td>N</td>
</tr>
<tr>
<td>169</td>
<td>Corporate Express Australia Limited</td>
<td>Y</td>
</tr>
<tr>
<td>174</td>
<td>Futuris Corporation Limited</td>
<td>Y</td>
</tr>
<tr>
<td>180</td>
<td>Australian United Investment Company Limited</td>
<td>Y</td>
</tr>
<tr>
<td>185</td>
<td>Bunnings Warehouse Property Trust</td>
<td>Y</td>
</tr>
<tr>
<td>187</td>
<td>Octaviar Limited</td>
<td>Y</td>
</tr>
<tr>
<td>206</td>
<td>Carlton Investments Limited</td>
<td>N</td>
</tr>
<tr>
<td>225</td>
<td>Newmont Mining Corporation</td>
<td>Y</td>
</tr>
<tr>
<td>232</td>
<td>Transfield Services Infrastructure Fund</td>
<td>Y</td>
</tr>
<tr>
<td>237</td>
<td>Gindalbie Metals Ltd</td>
<td>Y</td>
</tr>
<tr>
<td>240</td>
<td>Mineral Resources Limited</td>
<td>Y</td>
</tr>
<tr>
<td>250</td>
<td>National Hire Group Limited</td>
<td>Y</td>
</tr>
<tr>
<td>257</td>
<td>CuDeco Limited</td>
<td>Y</td>
</tr>
<tr>
<td>259</td>
<td>White Energy Company Limited</td>
<td>Y</td>
</tr>
<tr>
<td>270</td>
<td>Challenger Diversified Property Group</td>
<td>Y</td>
</tr>
<tr>
<td>282</td>
<td>Technology One Limited</td>
<td>Y</td>
</tr>
<tr>
<td>295</td>
<td>Servcorp Limited</td>
<td>N</td>
</tr>
<tr>
<td>301</td>
<td>Pan Pacific Petroleum NL</td>
<td>N</td>
</tr>
<tr>
<td>302</td>
<td>Sunland Group Limited</td>
<td>Y</td>
</tr>
<tr>
<td>309</td>
<td>iiINET Limited</td>
<td>Y</td>
</tr>
<tr>
<td>Page</td>
<td>Company Name</td>
<td>Listed Y/N</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>339</td>
<td>Reckon Limited</td>
<td>Y</td>
</tr>
<tr>
<td>344</td>
<td>AED Oil Limited</td>
<td>Y</td>
</tr>
<tr>
<td>346</td>
<td>Apex Minerals NL</td>
<td>Y</td>
</tr>
<tr>
<td>358</td>
<td>Photon Group Limited</td>
<td>Y</td>
</tr>
<tr>
<td>366</td>
<td>Warrnambool Cheese and Butter Factory Company</td>
<td>Y</td>
</tr>
<tr>
<td>376</td>
<td>Brockman Resources Limited</td>
<td>Y</td>
</tr>
<tr>
<td>387</td>
<td>Templeton Global Growth Fund Ltd</td>
<td>Y</td>
</tr>
<tr>
<td>418</td>
<td>Treasury Group Limited</td>
<td>Y</td>
</tr>
<tr>
<td>426</td>
<td>Boom Logistics Limited</td>
<td>Y</td>
</tr>
<tr>
<td>428</td>
<td>Entertainment Media and Telecoms Corporation Ltd</td>
<td>N</td>
</tr>
<tr>
<td>450</td>
<td>WAM Capital Limited</td>
<td>N</td>
</tr>
<tr>
<td>452</td>
<td>Hunter Hall International Limited</td>
<td>Y</td>
</tr>
<tr>
<td>465</td>
<td>Viridis Clean Energy Group</td>
<td>Y</td>
</tr>
<tr>
<td>468</td>
<td>Intrepid Mines Limited</td>
<td>Y</td>
</tr>
<tr>
<td>472</td>
<td>Data3 Limited</td>
<td>Y</td>
</tr>
<tr>
<td>474</td>
<td>Flinders Mines Limited</td>
<td>Y</td>
</tr>
<tr>
<td>498</td>
<td>Victoria Petroleum NL</td>
<td>N</td>
</tr>
</tbody>
</table>
Appendix 2

Website coding results for Corporate Governance Disclosure Index (CGDI) and ASX Annual Report results (ASX 2010).

<table>
<thead>
<tr>
<th>Disclosure item</th>
<th>Website results</th>
<th>Annual report ASX result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% companies disclosing items</td>
<td>% companies disclosing all items for each Principle</td>
</tr>
<tr>
<td></td>
<td>Top 300</td>
<td>Top 301-500</td>
</tr>
<tr>
<td>Principle 1 Lay solid foundation for management and oversight</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P1.1 Statement of matters reserved for the board, or board charter or the statement of areas of delegated authority to senior executives</td>
<td>90%</td>
<td>85%</td>
</tr>
<tr>
<td>Principle 2 Structure the board to add value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P2.1 Procedure for the selection and appointment of new directors and the re-election of incumbent directors</td>
<td>83%</td>
<td>50%</td>
</tr>
<tr>
<td>P2.2 Board’s policy for the nomination and appointment of directors</td>
<td>53%</td>
<td>30%</td>
</tr>
<tr>
<td>P2.3 Charter of the nomination committee or summary of the role, rights, responsibilities and membership</td>
<td>80%</td>
<td>60%</td>
</tr>
<tr>
<td>Principle 3 Promote ethical and responsible decision making</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P3.1 Code of conduct or a summary</td>
<td>87%</td>
<td>85%</td>
</tr>
<tr>
<td>P3.2 Trading policy or a summary</td>
<td>83%</td>
<td>80%</td>
</tr>
<tr>
<td>Principle 4 Safeguard integrity in financial reporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P4.1 Audit committee charter</td>
<td>90%</td>
<td>80%</td>
</tr>
<tr>
<td>P4.2 Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.</td>
<td>60%</td>
<td>25%</td>
</tr>
<tr>
<td>Principle 5 Make timely and balanced disclosure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principle</td>
<td>P5.1 Policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements</td>
<td>87%</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------</td>
<td>-----</td>
</tr>
<tr>
<td>Principle 6</td>
<td>Respect the rights of shareholders</td>
<td></td>
</tr>
<tr>
<td>P6.1 Description of communication process with shareholders</td>
<td></td>
<td>83%</td>
</tr>
<tr>
<td>Principle 7</td>
<td>Recognise and manage risk</td>
<td></td>
</tr>
<tr>
<td>P7.1 Summary of the company’s policies on risk oversight and management of material business risks</td>
<td></td>
<td>83%</td>
</tr>
<tr>
<td>Principle 8</td>
<td>Remunerate fairly and responsibly</td>
<td></td>
</tr>
<tr>
<td>P8.1 Charter of the remuneration committee or summary of the role, rights, responsibilities and membership requirements</td>
<td></td>
<td>83%</td>
</tr>
<tr>
<td>P8.2 Summary of the company’s policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>AVERAGE PERCENTAGE</td>
<td></td>
<td>75%</td>
</tr>
</tbody>
</table>
Moving from rhetoric to effective implementation for Australian governments’ sustainability policies

Amanda J CARTER
Centre for Accounting, Governance and Sustainability
School of Commerce
University of South Australia
GPO Box 2471
Adelaide SA 5001
Australia
Tel: +61 8 8302 0886
Fax: +61 8 8302 0992
Email: Amanda.Carter@unisa.edu.au

John D PISANIELLO
Centre for Accounting, Governance and Sustainability
University of South Australia

Abstract
The effectiveness of government policies for achieving sustainable development is increasingly the subject of international research. This paper examines coordinated approaches to policy implementation through seven case studies, builds on prior findings regarding coordination, and places the problem in a complex governance setting. Five issues are highlighted: cooperative federalism; the sustainability notion; political considerations; emergent power imbalances between levels of government and/or other stakeholders; and, finally, the size, scale and scope of programs. From these five elements, two critical themes and what they mean for theoretical development are assessed: firstly, the effectiveness of policy is examined within the federal system of government; and secondly, the importance of political and power imbalance considerations in the governance of sustainable development, particularly use of the politics of fear, and bureaucratic processes and party politics.

Keywords
Government policy; sustainability; sustainable development; Australia; effective implementation

1. Introduction and problem identification

Sustainability is a controversial concept (Dryzek 1997; Farrell et al. 2005; Jordan 2008; Adger & Jordan 2009). Sustainability appears straightforward in meaning – economic, environmental and social development that is achievable over long periods (Adger & Jordan 2009) –
the reality is sustainability is very difficult to achieve. Schnitzer and Ulgiati (2007) point out that “sustainability”, as it is commonly understood, is more of a vision and does not indicate how one might act. This vagueness is a source of confusion as various tiers of governments establish sustainability agenda and policies in their respective jurisdictions.

There is considerable rhetoric associated with sustainability (Upham 2001), and while some effective sustainability policies are being developed, too many are ineffective or not being implemented at all. Effectiveness is defined here as being usefulness of policy to achieve stated program goals. The problem of ineffective implementation of sustainability policy is evidenced by research reported here. Determining the elements contributing to this problem, how they are inter-related and how they can potentially be managed make up the focus of this paper. Governments are a major governance structure for sustainability: the only institutions with the authority to enable binding global treaties and the legitimacy to set policies within their own jurisdictions (Weale 2009). Thus, the research asks several questions: Why is government implementation of sustainability policy inconsistent in its effectiveness? What are the key elements contributing to this inconsistency in effectiveness? What is the relationship between these elements which could provide a gauge to assist better implementation of Government sustainability policy?

The paper firstly establishes the general significance of the problem of ineffective policy implementation in Australia through a literature review. This review assists with the identification of key elements which influence policy development and implementation. Secondly, the research method is described and a description of the case studies provided. Thirdly, analysis of the case studies is provided with regard to preliminary relationships between the potential key elements identified, as well as any emerging elements in an assessment of government sustainability policy effectiveness. Finally, these relationships are discussed together with their potential usefulness as a tool or guide to assist effective implementation of government sustainability policy in Australia.

2. Effectiveness of sustainability policy in Australia: significance of the problem

Traditionally, sustainability focuses on environmental aspects of development (Upham 2001). The notion of sustainability is based on three core pillars – economic, social and environmental – although O’Connor (2006) extends this notion by including a fourth pillar, politics. O’Connor (2006) emphasises a model of sustainability where each pillar is dependent on the other. Achieving proportionality between the pillars is necessary to create and maintain sustainability. By incorporating politics O’Connor
(2006, p.286) notes that ‘[t]he political sphere has the role of the “referee” that arbitrates in relation to the different – and often incompatible – claims made by the actors of the social and economic sphere for themselves and with regard to the other spheres (including the environmental sphere’).

O’Connor (2006) contends that the political pillar regulates the social and economic pillars, and indirectly, the environmental pillar. While governance of sustainability will incorporate a number of mechanisms (Jordan 2008; Adger & Jordan 2009), in the absence of credible alternative governance models, government will drive the implementation of national and sub-national policies that promote sustainability.

Co-ordinated government policy is critical to the successful achievement of sustainability (Russel & Jordan 2009). Australia adopted a national strategy on ecologically sustainable development in 1992 (Ecologically Sustainable Development Steering Committee 1992), which was quickly disseminated through all levels of government via intergovernmental agreements (McKay & Rauscher 2007, p.75). A number of areas were identified as priorities including transport, industrial adjustment and recycling. However, the agenda specified in the national strategy (Ecologically Sustainable Development Steering Committee 1992) has been diluted in public policy (Albrecht 1994; McKay & Rauscher 2007). The principles of sustainability, as specified in this national strategy, have not been completely abandoned, but whole areas identified as actionable are now ignored, compromised or watered down (McKay & Rauscher 2007).

It is in the adoption of a national strategy and the subsequent lack of implementation that key barriers can be identified. McKay and Rauscher (2007, p.78) note that federal and state governments during the 1990s and thereafter focused on building budget surpluses to appease financial markets; they were unwilling to develop policies that threatened the viability of big businesses, particularly mining and energy. Whilst McKay and Rauscher (2007) conclude that the Commonwealth government failed to implement the National Strategy, the States on the other hand converted the strategy into a guiding framework that is, for the most part, implemented by local government.

While governments recognise the need for sustainable development, achieving it remains elusive. Governments and business have tended towards promoting short-term benefits of economic development over long-term environmental and social considerations (Business Council of Australia 2004). Governments continue to choose between the economic, social and environmental pillars, in the belief that they are substitutes rather than complements (O’Connor 2006). Furthermore governments – despite the existence of policies, regulations and laws – often succumb to economic threats, putting aside policies, regulations and even laws, to accommodate corporate power to the detriment of society and the environment (Lowe 2005). Australia, being a relatively small country, sees
large multinational corporations as its greatest contributor to economic growth and higher standards of living (Chatterjee et al. 1996; Yang, Groenewold & Moonjoong 2000).

The obsession with economic growth is often viewed as the most fundamental of economic problems facing any country (Lowe 2005, p.73). This obsession, driven by corporate power, often takes preference over the goal of social equity and environmental protection; to achieve these goals it is argued that government intervention and regulation is required. Environmental policy presents a challenge to Australian governments because the economy relies on exploiting natural resources for revenue and exports and, hence, a rising standard of living (Fenna 2004, p.417). As society becomes increasingly aware of the importance of maintaining the environment, governments as the representatives of society must balance their utilitarian attitudes towards nature as a resource to be exploited with the current need to produce social equity and environmental sustainability. This challenge has been met with limited success to date.

3. Identifying key elements that cause ineffective or non-implemented policy

Identification of elements influencing implementation of sustainability policy can be revealed through a search of relevant literature. A set of three main elements (federalism, sustainability and political considerations) and six sub-elements (inter-government co-operation, state rivalry, vague definition of sustainability, disproportional emphasis on pillars, fear and bureaucracy) can be identified and are examined in turn below.

3.1 Key element 1: federalism

The Australian federal system is a hybrid democratic system blending elements of: firstly, the United Kingdom’s “Westminster” systems (a cabinet formed from members of the legislature and a Head of State (the Governor-General) which is separated from the Head of Government (Prime Minister)); and secondly, the United States’ “Washington” system (division of power between a single national and multiple state parliaments and a bi-cameral parliament with a House of Representatives and Senate) (Lucy 1985). The Australian constitution divides powers into three types: exclusive Commonwealth powers, exercisable only by the national parliament including the sole right to levy income taxes; concurrent powers with both national and state parliaments having jurisdiction; and, exclusive state powers exercised by state parliaments (Ward & Steward 2006). The result is an asymmetric relationship between the Commonwealth and states in which the former dominates the latter financially via a monopoly over income tax revenue and by imposing conditions on revenues provided to the states (Lucy 1985, p.319).
In addition, a tier of government exists but is not recognised in the Australian Constitution: local government. This is the lowest tier of government in Australia with jurisdiction over relatively small geographical regions. Local governments are the creation of the states, in South Australia, for example, under the *Local Government Act* ((Local Government Act 1934) and (Local Government Act 1999)). Section 7(e) of the South Australian *Local Government Act* (Local Government Act 1999), notes the functions of a council include ‘to manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner, and to improve amenity’.

### 3.1.1 Sub-element 1: co-operation between levels of government

Australia’s federal system is subject to criticism (Copland 1937; Wright 2000). National issues often require co-operative federalism with the states, territories, and Commonwealth enacting mirror legislation, or the states and territories signing over powers to the national parliament in ‘mutual agreement and collaborative joint action’ (Singleton et al. 2003, p.73). The success of cooperative federalism is debatable, a range of social and economic reforms has been implemented using a cooperative approach through the Council of Australian Governments (COAG) as the main vehicle (Anderson 2008, p.495). However, cooperation on a large scale is elusive, owing to entrenched state and state-commonwealth rivalries.

Local governments are subject to extensive funding restrictions with their main source of income from rates levied against property (residential and commercial). However, local governments, despite evidence that they exist in a permanent state of near financial bankruptcy (Dolley, Crase & Byrnes 2006), have been subject to increasing responsibility from state and at times commonwealth governments, as these higher levels shift costs downwards (Bennett 2006, p.26). Hence, the responsibility for implementing federal and state government sustainability policies has slowly devolved to the local government level, but generally without a commensurate increase in funding (McKay and Rauscher 2007).

### 3.1.2 Sub-element 2: state rivalries

Continuing tensions between states and the Commonwealth undermine co-operative federalism (Jones 2008). Owing to the nature of Australia’s federalism, a “blame game” can result when interests differ between the various governments. Singleton et al. (2003, p.92) point out that rivalries can take a number of forms including: claims by states with small populations that more populous states are trying to monopolise affairs; populous states claiming they subsidise the smaller states; states blaming the commonwealth for a lack of money; and the commonwealth accusing the states of poor financial management. The result is a rivalry between
levels of government to maximise their own interests, often at the expense of other governments and to the detriment of the nation (Nadolny 2007).

3.2 Key Element 2: the notion of sustainability

Two key sub-elements related to sustainability are considered: vagueness of the concept and the idea of proportionality in relation to pillars of sustainability.

3.2.1 Sub-element 1: vagueness of the sustainability notion

A major issue in the sustainability debate is: what does sustainability mean? For example, Ferdig (2004) considers sustainability to be a mindset or consciousness in which people’s well-being, accounting for natural resources and economic prosperity, are reflected in the way lives are lived and organisations led. Yet, the most commonly cited definition of sustainable development is from the Brundtland Report (World Commission on Environment and Development 1987, p.43) ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. In effect sustainability focuses on the core concepts of needs, limitations, development as a transformative process, and intergenerational equity.

Sustainability remains a vague notion despite further research (Phillis & Andriantiahsaholininaia 2001). This vagueness allows governments to “hijack” sustainability to serve their own purposes (eg see Jones 2004; McLaughlin 2004; Rist 2007). How can one be held accountable for that which is not understood, or understood in a consistent manner? Boehmer-Christiansen (2002) states that sustainability is a very attractive notion to politicians because it offers an opportunity to forge new alliances with stakeholders interested in environmental protection. Yet this interest has resulted in the politicisation of sustainability, reducing the notion to an excuse to intervene in an expanded range of activities (Boehmer-Christiansen 2002).

However, despite the Brundtland Report definition, critics call sustainability too vague to be useful; rather than providing a strong foundation for the development of government policy, it instead empowers ‘bureaucracies to enlarge or reaffirm old roles’ (Boehmer-Christansen, 2002, p.352).

3.2.2 Sub-element 2: pillars of sustainability and disproportionality

Achieving sustainability requires at least three interdependent pillars to be considered: (i) environmental, (ii) social, and (iii) economic (Sneddon, Howarth & Norgard 2006 255). More importantly they must be equitably proportioned (Lowe 2005; McDonald 2005; Gibson 2006; Sneddon, Howarth & Norgard 2006; Skowronski 2007; Jabareen 2008).
Policy makers need to learn from the successes and failures of policies regarding sustainability, and continue to promote and implement them in a proportional way, especially how the evolving concept of sustainability including its core notions of belonging, self-worth, safety and connection with nature are understood (Paehlke 2001). People must be provided with goods and services to meet their needs in a manner which accommodates the environment’s ecological integrity. Part of this sustainability balancing act is recognising that a sustainable community requires financially viable businesses, industries and institutions that are also flexible, committed to human resource development, support the local economy, and which utilise capital in the community (Centre for Sustainable Regional Communities 2006). People at the community level need to be empowered and encouraged to take responsibility based on shared vision, equal opportunity, ability to access expertise and knowledge for their own needs, and a capacity to understand and grasp their rights (Centre for Sustainable Regional Communities 2006).

When dealing with corporations it is necessary to promote the notion that they demonstrate environmental and social responsibility that is commensurate with their power. This requires businesses and governments to abandon the dominant economic bottom line concept and take up the cause of sustainability (Beer, Maude & Haughton 2003, p.218). Ultimately, sustainability policy recognizes the pillars of sustainability are interdependent and none are necessarily more important that the others (O’Connor 2006) but their integration is critical.

3.3 Key Element 3: political considerations

Two political sub-elements are considered: the politics of fear and party politics and bureaucracy.

3.3.1 Sub-element 1: politics of fear

The politics of fear is a term coined by Furedi (2003, p.123) and refers to ‘the self-conscious manipulation of people’s anxieties in order to realise their objectives’. It has been used in many societies and its practitioners, who are often politicians, manipulate people’s fears to achieve their goals. Non-government organisations and individuals use it themselves to advance their cause (see Mitchell 2004, p.17 as examples; Ferrett 2007).

The politics of fear operates through implementation, deflecting attention and avoidance. Firstly, to implement policy governments may be spurred into action so they are seen as being responsive and therefore more successful in a policy area. It might be expected that non-government representatives engage in politics of fear activities to force a government to enact and administer appropriate policies. In the first instance, the fear is used to achieve certain things, such as a new government policy. Secondly, politics of fear may be used to deflect attention away from, or towards, an issue. Governments often use politics of fear activities to draw
attention away from an issue, thereby distracting the public and stakeholders in order to cover action or inaction which may not be well received by the community. In deflection mode, the politics of fear is used to distract attention from an issue by focussing on a different matter. When adverse environmental issues are presented to government another issue such as awards for good environmental performance may be used, or a completely different alternative highlighted such as the recent global financial crisis which has moved attention away from climate change. In the community’s mind, the original issue now does not seem to have as much importance as the alternative. Attention is effectively diverted from the original issue and accountability suffers.

Finally, to avoid politics of fear, activities highlight severe negative consequences of activity to avoid implementing policy which may be desired by society but are not attractive politically. In the case of the Penola Pulp Mill, the threat of economic decline in the area was used to push through development approvals (via legislation) despite evidence that the mill would result in significant environmental damage to the surrounding area, potentially interrupt rainfall patterns in critical Murray-Darling catchment areas, and was unwanted by the local population. The threat of economic consequences is a common feature of this use of the politics of fear: job losses, threats to economic development, and removal of industries.

### 3.3.2 Sub-element 2: party politics and bureaucracy

Australia’s political system operates along very entrenched party lines and historically this has constituted the Labor Party on one side, and a coalition formed by the Liberal Party and the National Party in Australia on the other. Several minor parties hold the balance of power in the Senate. Party politics guides policy development and the voting of elected parliamentary members, unless a conscience vote is called and overrides the requirement of party voting.

The political party winning the most seats in the lower houses of state and federal parliaments (except Queensland, having only one house) form a government. The party therefore exerts a large influence on government policies. The 1992 adoption of the *National Statement for Ecologically Sustainable Development*, occurred under a federal Labor government. In 1996 the incoming Coalition government played down the importance of climate change and the environment as serious policy issues. The re-election of Labor in 2007 witnessed a resurgence of interest in environment and climate change in the public eye, a trend that continued in the states. Changes in perspectives between political parties and changing policy emphasis has meant disruption for environmental programs (Crowley 1998, 1999).

In addition to party politics, bureaucratic processes may slow or deadlock the introduction and implementation of government policy and lead to the
all too real disruption of environmental programs (Baden & Stroup 1981; Johnson & Levin 2009; Sagarin et al. 2009).

In summary, research literature reveals three key elements and six sub-elements of relevance to moving government from rhetoric towards effective implementation of sustainable development policy:

1. Federalism
   a. Co-operation between levels of government
   b. State rivalries
2. The notion of sustainability
   a. Vagueness
   b. Lack of proportionality between sustainability pillars
3. Political considerations
   a. Politics of fear
   b. Bureaucratic processes and party politics.

These elements are considered through a number of separate case studies related to government sustainability policy, as outlined in the following section on research design.

4. Research design

To examine government sustainability policy in Australia more closely, a qualitative case study research design was employed. Case studies provide significant benefit by enabling an in-depth exploration of contemporary phenomena (Yin 2008), here government sustainability policy and its implementation. Case studies have been effectively used in previous explorations of sustainability and are increasingly seen as important outcomes of research in a variety of disciplines (Eisenhardt 1989; Eisenhardt & Graebner 2007; Ettlinger 2009). The case studies presented here represent a discourse about the need for effective implementation of government policy on sustainability, and the method used is as much about developing a conceptual framework from these cases, the beginnings of an imbricated approach (Ettlinger 2009, p.1019).

With a range of policies and programs available which represent sustainability policy of Australian governments, cases were identified which were well bounded and sourced from all levels of government, whether a single level or multiple levels. A balance of positive and negative case studies indicative of effective and ineffective policies and programs related to sustainability were selected. In all, data was collected during 2010 for seven case studies chosen for assessment. Each case was examined for evidence of the key elements discussed above to assess the effectiveness of the policies or programs, and to identify any additional elements not originally considered.

Data was collected from government websites, newspapers and other media, and scholarly papers. From these sources, specific examples of
outcomes achieved were identified and considered in light of the National Strategy for Ecologically Sustainable Development (Ecologically Sustainable Development Steering Committee 1992) the principal framework on which all government sustainability policy and programs are based.

In assessing the case studies for effectiveness, three categories were used: high, medium and low. In each case, evidence was sought which showed impacts on the environment, economic or social pillars within the jurisdiction or purview of the program or policy area. High effectiveness means that significant benefits can be shown, such as improvements in water resourcing including efficiency, improvements in take-up rates of energy or efficient technologies, or changes in the practices of business and individuals such as in terms of waste minimisation. Medium effectiveness means some improvements are evidenced, but effectiveness is undermined by any individual or combination of elements listed previously in this paper, such as poor resourcing or inconsistent implementation. Low effectiveness indicates that the program, policy or practice has shown no evidence of improving any or all sustainability pillars and/or undermines the principles of sustainability. Assessment was made on the balance of positive and negative comments from the available evidence, and whether the case study represented a real attempt at sustainability or a rhetorical device for government. The high, medium or low categories of effectiveness were chosen to reflect that effectiveness is a continuum and that precise measurement of effectiveness is unrealistic.

The seven case studies developed to assess the effectiveness of implementation of government sustainability policy were: (i) Carbon Pollution Reduction Scheme (commonwealth government); (ii) government rebate schemes (commonwealth, state and local government); (iii) the polluter pays principle and OneSteel (state government); (iv) waste reduction and management and Zero Waste SA (state government); (v) local government approaches: act local, think global (local government); (vi) Murray-Darling catchment management (commonwealth, state and local government); and, (vii) Waterproofing Northern Adelaide (commonwealth, state and local government). A summary of each case study follows.

4.1 Case study 1: carbon pollution reduction scheme

Australia has been the worst emitter of greenhouse gases per capita in the world (Falk & Ryan 2007 224). Despite winning unique concessions during negotiation of the Kyoto Protocol, Australia refused to ratify it. However, shortly after the 2007 federal election the Labor government

---

2 It should be acknowledged that since data collection the carbon pricing scheme proposed in the Carbon Pollution Reduction Scheme was passed in another form, commonly referred to as the “Carbon Tax”.
signed the Kyoto Protocol and committed to meeting its obligations for greenhouse gas emissions through a market-based mechanism: a carbon pollution reduction scheme, an emissions trading scheme like that currently operating in the European Union (Kolk & Hoffmann 2007; Mehling & Haites 2009). In July 2008, the Department of Climate Change (2008b) released a green paper as part of the consultation process on emissions reduction schemes. At the end of that year, its white paper (Department of Climate Change 2008a) for the final design was released. The carbon pollution reduction scheme aims to reduce carbon emissions by 25% (of 2000 levels) by 2020. The caveat on this target is that Australia becomes ‘a party to a comprehensive international agreement that is capable of stabilising atmospheric concentrations of greenhouse gases at around 450 parts per million of carbon dioxide equivalence or lower’ (Department of Climate Change 2009, p.3).

The proposed Carbon Pollution Reduction scheme is an example of a cap and trade market-driven scheme with total emissions from industry capped and emissions units, tradeable certificates, issued and bought and sold as needed to cover excess emissions. In the first year it was proposed that carbon emissions be valued at $10 per tonne before becoming a market-linked price. In addition to the tradeable emissions units, there are reporting requirements on the Kyoto gasses: carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, perfluorocarbon, and hydrofluorocarbon, with the latter two as specified under legislation. Furthermore this scheme proposes to introduce assistance and compensation schemes to emissions-intensive trade-exposed companies and fossil fuel-fired energy generators. The assistance and compensation involves the issuing of free emissions units for up to five years.

Criticism of the final design for the emissions scheme has been swift. Breusch (2009) points out that the scheme is extraordinarily complex, allows unlimited importation of carbon credits but prohibits exportation, and omitted agriculture from the scheme. Davidson (2009, p.19) states that the scheme ‘has been exposed as a sham’, not only weak but ‘fraudulent’. Reaction from business has been predictable with threats of financial and job losses, delays or abandonment of infrastructure development, particularly in the mining industry (Arup & Morton 2009; Courier Mail 2009; Tasker 2009). In May 2009, the Labor government announced it would delay the introduction of the scheme owing to the global financial crisis (Taylor 2009). Bills associated with the Carbon Pollution Reduction Scheme were introduced into the House of Representatives in early February 2010 and into the Senate later that month. The scheme was defeated in Parliament as, post Copenhagen, enthusiasm has waned (Shanahan 2010).

---

4.2 Case study 2: government rebate schemes

Government policy is now encouraging technologies supporting the efficient use of energy and other natural resources. Rebates lighten the costs associated with installation and purchase of solar hot water systems, and rainwater harvesting and use; an example of this is the federal government’s policy on domestic water heating. There have been and still are currently significant rebates to encourage taking up solar water heating to decrease greenhouse gas emissions. Yet, despite these rebates the cost of this solar technology in Australia is still high and hence the uptake is minimal. There are also variations in the rebates across all three levels of government. Table 1 summarises the government rebates that are available in Australia. For local government an accurate summary is not available owing to the large number of local governments.

Table 1: summary of government rebates

<table>
<thead>
<tr>
<th></th>
<th>Federal</th>
<th>SA</th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>WA</th>
<th>TAS</th>
<th>ACT</th>
<th>NT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainwater harvesting</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Greywater harvesting</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Solar energy</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Solar hot water systems</td>
<td>✔ ✔ ✔ ✔ ✔ ✔</td>
<td>✔</td>
<td></td>
<td></td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insulation</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garden water efficiency</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household water efficiency</td>
<td>✔ ✔ ✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household energy efficiency</td>
<td>✔ ✔ ✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Government rebate systems encourage the uptake of technologies that improve more efficient use of energy and water. However, it has been reported that rebates are ineffective, can create inefficiencies and undermine polluter-pays principles (Geyer-Allely & Zacarias-Farah 2003). Inefficiencies emerge when rebate systems encourage consumers to opt for the cheapest systems available rather than those which might provide
superior benefits in terms of reductions to greenhouse gas emissions although at a great cost (Warren 2007a). More recently evidence has emerged that rebates schemes too hastily developed and implemented can have unintended and serious consequences. The home insulation rebate scheme for example, has resulted in house fires and death by electrocution of installers (Berkovic 2010; Berkovic & Vasek 2010; Bita 2010; Hedley 2010).

4.3 Case study 3: the polluter pays principle and OneSteel

In 2004, the South Australian government launched the Premier’s Round Table on Sustainability, whose primary goal was to examine ways in which the State Strategic Plan could be implemented in a sustainable way. While four principles emerged from this report including the polluter pays principle, evidence suggests that this principle applies at best selectively, especially where enforcement may jeopardise continued economic activity. Whyalla is a large heavy-industry based city on South Australia’s Eyre Peninsula. One of the cornerstones of this industry (and the town’s main employer) is OneSteel. OneSteel processes hematite iron ore sourced from nearby mines. The dry processing of the ore into pellets and the transporting of the ore results in red-dust emissions. This dust blankets nearby residences, commercial buildings and other facilities.

For years OneSteel and the State Government denied there was a problem, despite evidence to the contrary. The Environmental Protection Authority (EPA) established monitoring throughout the surrounding area and set emissions benchmarks. OneSteel’s dust emissions regularly exceeded the benchmarks set by the EPA and world health standards. When the government moved to place more stringent environmental regulations on the company, the company threatened to leave.

The Department of Health investigated the issue of red dust emissions in Whyalla and noted that its residents suffer from more cases of lung cancer, chronic obstructive pulmonary disease, asthma, chronic hepatitis, and anaemia than other high dust towns such as Port Augusta or Port Pirie both in the Upper Spencer Gulf region along with Whyalla (Department of Health 2007, p.3). A careful reading of the report, however, shows that the study – while unable to find any direct link between dust emissions and the diseases also failed to rule the link out – highlighting that there was a ‘biological plausibility’ of the diseases being caused by iron-rich dust exposure (Department of Health 2007, p.4). The government applauded the report as dismissing any health concerns from the red-dust emissions. In March, 2008 it emerged that the South Australian government cabinet was aware of the report’s major findings six months before the report’s public release and used that delay to negotiate with OneSteel (Henderson 2008). The company avoided further tightening of environmental controls and while action has been taken to further reduce dust emissions, this polluter remains immune to the polluter pays principle through legislative
protection (per Broken Hill Proprietary Company’s Steel Works Indenture (Environmental Authorisation) Amendment Act (Broken Hill Proprietary Company’s Steel Works Indenture (Environmental Authorisation) Amendment Act 2005)).

4.4 Case study 4: waste reduction and management and Zero Waste SA

Zero Waste SA is a South Australian government initiative aiming to reduce and manage waste in households and businesses by eliminating waste to landfill. The emphasis is on recovering and recycling waste where possible, addressing environmental damage and climate change in terms of eliminating waste by applying the waste hierarchy, which ranks methods of waste management from least preferable (disposal) to highest (avoid). In addition it advocates for a nationally coordinated policy on waste management and reduction. Working with local councils, business and industry, Zero Waste SA supports projects that improve infrastructure, technology, waste management systems and subsequently, resource efficiency, recovery and recycling (Zerowaste SA 2008).

Currently, recycling, to which South Australia has a strong commitment, is a medium preference (Zerowaste SA 2008). However, through Zero Waste SA the South Australian government aims to improve waste management by adopting the more preferred models including reuse, reduce and avoid, and reduce waste by 25% by 2014. Current efforts in this state-wide waste management approach have resulted in a 15% decrease in waste going to landfill per capita. However, the notion of zero waste has been applied elsewhere, such as through NOWaste by 2010 in the Australian Capital Territory, without successfully achieving the zero waste to landfill target (Rauch & Newman 2008).

4.5 Case study 5: local government approaches “Act Local, Think Global”

Local governments or councils are now important in implementing State and federal government policy, despite not being recognised by the Australian constitution. Councils are variably proactive in terms of sustainability issues. A survey of council websites, selected at random, reveals much about how councils view sustainability.

In nearly all council website viewed in this project⁴, sustainability information focuses on environmental issues. The City of Salisbury in Adelaide’s northern suburbs has been active in implementing sustainability programs, including an award-winning wetlands

---

⁴ A random selection of local government websites in South Australia – in all eight councils’ websites were viewed: Salisbury, Adelaide, Onkaparinga, Burnside, Gawler, Campbelltown, Holdfast Bay, and Mitcham.
development, and a program being developed to harness methane emissions from Adelaide’s now-closed main rubbish dump. A search of its website under “sustainability” returns results which include wetlands development, triple bottom line reporting, stormwater recycling, biodiversity, urban forests, water resources, and natural resources management. The Adelaide City Council website refers to reduction of its carbon footprint, public lighting, the *Carbon Neutral Council Action Plan*, solar panels, a bicycle action plan, and programs such as *CitySwitch* and *Adelaide Building Tuneups*. The latter is a joint initiative between the council and State government to identify, implement and measure energy and water efficiency in the central business district’s commercial buildings. The Onkaparinga Council (in Adelaide’s southern suburbs) focuses on water, energy, and climate change, while the Burnside Council promotes community gardening and open spaces. In contrast the Gawler Council (north of Adelaide) has no sustainability-related information on its website.

While local governments have become key players in implementing sustainability policies this devolution of responsibility is not always effective. McKay and Rauscher (2007) have shown that the City of Newcastle in New South Wales failed in its implementation of sustainability policy because the State and federal governments withdrew financial support and the entire policy was transformed into little more than land use policies (McKay & Rauscher 2007, p.74).

They note that the United Nations’ Local Agenda 21, which advocates the devolution of sustainability implementation to the local government level, is primarily responsible for a withdrawal of federal and state governments from the national agenda, and does not outline how higher levels of government should resource local government in their sustainable development responsibilities. McKay and Rauscher (2007) feel that in Australia, without solid understandings between the various levels of government and appropriate resourcing, local governments will fail in their attempts to implement sustainability policies and practices. Only weak, watered-down versions of sustainable development, such as a narrow interpretation restructured to land use and natural resources management, will and have resulted.

### 4.6 Case study 6: Murray-Darling catchment management

The Murray-Darling basin is the major source of water for four Australian states: South Australia in the lower reaches, Queensland, News South Wales and Victoria all of whom have headwaters. Under the Australian constitution water infrastructure is a State jurisdiction. Each state has separate water usage policies including irrigation, but only recently have the states moved to ensure environmental flows. The result is that water usage in the three headwater states directly affects the quality and usage of water in the lower reaches. The issue has become critical in recent years...
with significant drought affecting much of Australia. Flows in the Murray-Darling system are very low, the lower lakes in South Australia are drying and dying, and irrigators have less than 5% of normal allocations.

A number of management systems and structures have been developed and put into place over the last few decades, the most recent the Murray-Darling Basin Authority (Murray-Darling Basin Authority 2009). This Authority has developed a Basin Plan where ‘key environmental assets and ecosystem functions of water resources [will be] protected. It will also identify risks to the condition or continued availability of Basin water resources and provide strategies for managing those risks’ (Murray-Darling Basin Authority 2009, p.5). In a departure from traditional water planning, the Basin Authority States will be required to have new water plans approved by the relevant Commonwealth Minister (Murray-Darling Basin Authority 2009, p.15).

4.7 Case study 7: Waterproofing Northern Adelaide

The Water Smart Australia program and the Waterproofing Northern Adelaide plan are examples of integrating sustainability policies across all levels of government. Water Smart Australia is an initiative of the federal government which has set aside $1.6 billion to ensure efficient use of current water supplies, and to develop smart water technologies and practices. The aim is to manage Australia’s water sustainably and the program relates to the National Water Initiative, a blueprint for a cohesive national approach to water management. While the National Water Commission oversees the National Water Initiative, the Water Smart Australia program is administered through the Department of the Environment, Water, Heritage and the Arts.

The original National Water Initiative is an example of co-operative legislation in which the federal and state governments have agreed to the plan and enacted mirroring legislation. In South Australia, responsibility for the development and implementation of the National Water Initiative has devolved to the nine regional natural resources management boards. These boards are responsible for developing region-specific concept statements and plans which integrate with the state and national principles of ecologically sustainable development, natural resources management plans, and strategic plans.

The Waterproofing Northern Adelaide plan is a joint initiative of the Salisbury, Playford and Tea Tree Gully councils. Over $90 million from the Australian, South Australian and these three local governments and the private sector, will be used to: capture and cleanse stormwater through urban wetlands, aquifer storage and recovery, and distribute this water for irrigation of public spaces and industrial use; trial the development of aquifer storage, treatment and recovery under the CSIRO’s direction and determine the best storage and recovery practices to treat water to drinking water quality standards; trial the use of domestic rainwater tanks to harvest
water for public reuse; and hydrological modelling to predict the annual average run-off from regional catchments and improve regional water management (Department of the Environment Water Heritage and the Arts 2009).

5. Case study analysis

This section provides an analysis of the seven case studies against the six distinctive key elements identified above.

5.1 Federalism

Federalism in the context of this research is concerned with the funding arrangements and the integration and cooperation between all three levels of government. In the case studies, examples of both effective and ineffective federalism were identified, as well as cases where federalism was not an issue.

5.1.1 Cooperation

Case study 2 highlights problems with government rebates schemes owing to federalism when considering the range of rebates available and the jurisdiction responsible for its conception and administration. It emerged that there was little or no vertical integration of the various local, state and federal rebates systems across any Australian state or territory. There was, however, a low level of cooperation with information on state and federal rebates on local government websites, and federal rebate information on state government websites. Case study 5 highlights the issue of funding arrangements between levels of government. Case studies 6 and 7 also provide good contrasting examples of cooperation between different levels of government, as discussed further below.

5.1.2 State rivalries

Case study 6 shows federalism at its most ineffective with bitter fighting between States, or between the States and the Commonwealth. With the Murray-Darling system being so important in Australia, the long-term struggle to manage such systems effectively is contributing to the river’s environmental and social degradation. The economic impact is that irrigators are unable to rely on the federal government’s management of the system and equitable allocation of crucial water resources. In contrast case study 7 highlights federalism at its most effective, specifically in a part of Adelaide where local, state and federal governments are cooperating to improve water management, capture and recycling. The significant difference between these case studies is the number of State governments involved in the project, and State rivalry is a key feature of Australia’s political landscape. The States inability or unwillingness to compromise or relinquish duties and obligations undermines this attempt
at cooperative federalism. The absence of State rivalries is perhaps the main reason for the success of the water proofing strategies in northern Adelaide.

5.2 Sustainability notion

5.2.1 Vagueness of sustainability notion

In every case study it emerged that sustainability is poorly defined. This is generally consistent with the view presented in the literature on sustainability, and in the face of a national statement of ecologically sustainable development which purports to be the basis of government policy. Evidence suggests that government has captured the sustainability debate whilst showing no real understanding for the concept, and rarely releases a definitive statement of what it means or how to implement it effectively. Definitions of sustainability in policy or associated legislation is at best patchy. For example, in South Australia the Climate Change and Greenhouse Emissions Act (Climate Change and Greenhouse Emissions Act 2007) does not provide a definition of ecologically sustainable development, whereas Victoria’s Commissioner for Environmental Sustainability Act (Commissioner for Environmental Sustainability Act 2003) (s.4) provides an extensive definition of the concept.

5.2.2 Disproportionality between the pillars

A reliance on traditional market-driven, economic-centred approaches to government resulted in a chronic disproportionality between the sustainability pillars. All cases show this imbalance. Case study 1 shows a strong leaning towards a single pillar – the environment – but this is contingent on environmental improvements (in this case carbon pollution reduction) showing economic benefits. Case study 2 sees government rebates branded as part of the overall sustainability policy where the benefits are skewed towards the environment, yet the social impact of these rebates is ignored. For example, rebates for rainwater tanks have been linked to the spread of dengue fever in Australia’s eastern states (Cresswell 2009; Peter 2009). Case study 3 highlights the importance of the economic pillar, where the basic polluter pays principle is ignored in favour of economic gain. Case study 5 highlights the transformation of a sustainability policy into a narrow field, namely land use and natural resources management. Case study 6 sees the Murray-Darling river system management focusing first on economics then on the environment. Ignoring the social aspects is highlighted in a report from the Human Rights Commission (Aboriginal and Torres Strait Islander Social Justice Commissioner 2008), noting the lack of representation for indigenous peoples. Finally, case study 7, while documenting one of the more effective policies, emphasizes the environmental and economics pillars over the social aspects. In every case study the social pillar is ignored or not seen as relevant, in contravention of the sustainability notion where a proportional balance between all three pillars is required.
5.3 Political considerations

5.3.1 Politics of fear

Political considerations must be incorporated into any analysis and the politics of fear is evident in three case studies, particularly higher levels of government. In case study 1 the carbon pollution reduction scheme favours emitters where lobbying resulted in generous exemptions. Threats to close sites in Australia on the introduction of the scheme (without compensation) erupted during government consultations. Case study 3 revealed some of the strongest politics of fear from both the government and OneSteel. Efforts to impose stronger environmental regulations on the company resulted in threats of closure (and loss of the primary employment in a major regional centre). The government moved legislatively to ensure this did not happen. The creation of additional jobs and/or the loss of existing jobs is the key card used in debates around development and environmental regulation. Case study 6 shows how the politics of fear works between governments on equal or disparate levels. State governments accuse the federal government of trying to usurp their power and the threat of losing industries and jobs justify arguments that irrigators should have water at the expense of environmental flows.

5.3.2 Bureaucratic processes and party politics

Bureaucratic processes can affect the effectiveness of sustainability policies and processes, for example case study 2 in the context of rebate schemes. Changes to the original schemes which meant the imposition of means testing, such as rebates associated with the installation of solar panels, resulted in declining uptake or the selection of less efficient and more expensive panels. Less renewable energy was generated as a result, thus reducing the rebate program’s effectiveness (Kerr & Hohenboken 2008). Delays can occur in rebate systems, with waiting times for receiving rebates extending from 6–7 weeks to 6 months (Kerr 2009). Finally, rebate systems or certificate systems such as renewable energy certificates – mandatory for solar-based household systems – can be subject to dishonest behaviour, with reports of households accepting small discounts and suppliers taking the certificates (worth $900) and selling them later at higher rates (Warren 2007b).

Partly politics impede the development and implementation of sustainability policy. Case study 1 illustrates that the carbon pollution reduction scheme is subject to changing policy positions between Australia’s two major parties. The opposition parties contend that the Labor Party scheme is inadequate but they provide no alternative position. This theme is taken up in case study 6 where party-dominated state and federal governments engage in disputes increasingly on ideological grounds.
5.4 Emerging elements

Discussed above were six distinct elements which impact on the effectiveness of sustainability policy implementation. In addition, through compiling the seven case studies presented here, two additional emerging elements were identified: power imbalances and the size, scale and/or scope of the program.

5.4.1 Emergent element 1: power imbalances

Power imbalances can exist between institutions and people at different levels of government and in different states. Case study 1 highlighted the federal government’s unilateral approach to carbon pollution reduction, with little or no direct consultation or integration with other levels of government. Case study 2 indicated the potential impact of industrial monopolies. Case study 3 demonstrated convincingly that power imbalances concerning the Red Dust Action Group’s activities were ignored by the state government and OneSteel. The power imbalances existing between levels of government – especially between local and state or federal – were revealed in case study 5. Case study 6 revealed the best evidence of power imbalances not only between governments but also between communities and associated irrigators and governments and the new catchment management authority.

5.4.2 Emergent element 2: size, scale and scope of the program

The size, scale or scope of the program/activities of sustainability policy can influence implementation. For example, case study 4 (Zero Waste SA) is a relatively small-scale project with a narrow focus. The resources of this State government program are only a small portion of government revenue and expenditure and the program’s goals are quite modest – the reduction or elimination of unnecessary waste. The impact of size, scale and scope are illustrated by comparing case studies 6 and 7 both of which focus on water-related issues. In case study 6, the Murray-Darling catchment system covers a large area crossing several states and impacting on millions of people. In comparison case study 7 (Waterproofing Northern Adelaide) has a much smaller geographical area and a more finite life, once specified goals have been reached, rather than as an ongoing water catchment management program.

6. Impact of elements on implementation of sustainability policy

It is evident from the case studies that government sustainability policy is more often of low effectiveness and that a complex web of elements influences this situation. Table 2 summarises the elements and their influence on the effectiveness of policy implementation.
Table 2: summary of case study analysis

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Level(s) of Government involved</th>
<th>Element 1 Federalism</th>
<th>Element 2 Sustainability notion</th>
<th>Element 3 Political considerations</th>
<th>Emerging elements</th>
<th>Effectiveness of policy implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(yes/no)</td>
<td>Sub-element 1 Federalism working well (i.e. cooperation between levels of government)?</td>
<td>Sub-element 2 State rivalries at play?</td>
<td>Sub-element 1 Vagueness of sustainability notion</td>
<td>Sub-element 2 Imbalance between pillars</td>
<td>Sub-element 1 Politics of Fear at play</td>
</tr>
<tr>
<td>1</td>
<td>Commonwealth</td>
<td>n/a</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (party politics)</td>
</tr>
<tr>
<td>2</td>
<td>Commonwealth, states and local</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes (both)</td>
</tr>
<tr>
<td></td>
<td>involvement not integrated</td>
<td>(no of states)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>State</td>
<td>n/a</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (party politics)</td>
</tr>
<tr>
<td>4</td>
<td>State</td>
<td>n/a</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>Local</td>
<td>No*</td>
<td>n/a</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td>Commonwealth and states -</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (both)</td>
</tr>
<tr>
<td></td>
<td>integrated involvement</td>
<td>(4 states)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Commonwealth, state and local</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>- integrated involvement</td>
<td>(1 state)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Because commonly programs are run at Local level for ‘sustainable development’ responsibilities that are devolving from State and Commonwealth levels, but without provision for requisite support from the higher levels of government.  
** While the polluter pays principle has been overturned, OneSteel has opened its Project Magnet in order to deal with its Wollulla plant’s ongoing dust issues. Since this paper focuses on government sustainability policy, the actions of OneSteel, whilst welcomed and applauded, do not affect the assessment.

6.1 Proposed relationships

The analysis of the seven case studies enables three key relationships amongst the elements and ‘effectiveness of implementation’ to be identified/proposed: the first between using the politics of fear and power imbalances; the second including the federalism element (i.e. cooperation between different levels of government), power imbalances and politics of fear; and the third between the size, scale or scope of a program and its effectiveness.

6.1.1 Proposed key relationship 1: politics of fear and power imbalances

The politics of fear often manifests itself with a focus on jobs – their loss or creation. However, the politics of fear was not evident in all case studies. Where power imbalances were most strongly indicated, case studies 1, 3, and 6, governments and larger companies used the politics of
fear to great effect. In case studies 1 and 3, for example, companies which are major employers have used the threat of job losses or closure of operations in response to a carbon pollution reduction scheme or tighter environmental controls, to secure compensation or dispensation respectively. In case study 6, politics of fear serves as a reaction to state concerns about the federal government usurping their constitutional jurisdiction. Here, the effect is to derail effective implementation of catchment management, to the detriment of those relying on water from the catchment system. It is proposed that where power imbalances exist and where the imbalances are significant, the politics of fear increases and the effectiveness of sustainability policy implementation decreases (see Figure 1).

![Figure 1: Proposed relationship: power imbalances and the politics of fear](image)

6.1.2 Proposed key relationship 2: federalism, power imbalances, and the politics of fear

In the cases where federalism is involved a somewhat complex relationship between increasing “cooperative federalism” and effectiveness of implementation emerges. The number of states involved impacts on the cooperative federalism element which in turn impacts on effectiveness of implementation. However, there are also inter-relationships with power imbalances (whether real or perceived) between the states (not between the different tiers) and the politics of fear element.
The proposed integrated relationship between these elements is illustrated in Figure 2. The “not applicable” cooperative federalism/“high” effectiveness point in Figure 2 is represented by Zero Waste SA (case study 4); the “high” cooperative federalism/“high” effectiveness by Waterproofing Northern Adelaide (case study 7). The point of “low” cooperative federalism and “low” effectiveness is the Murray-Darling catchment management (case study 6). With increasing adverse cooperative federalism comes a reduction in effectiveness – where the number of states involved increases – and this coincides with increasing power imbalances between the states and more politics of fear (in line with Figure 1). When the number of states declines, cooperative federalism is more successful, power imbalances between states and the use of politics of fear declines, and effectiveness is restored.

![Figure 2: Proposed integrated relationship for cases involving federalism](image)

**Note 1:** If State government is not involved in a case study it cannot be mapped into this relationship such as with case studies 1 and 5.

**Note 2:** Case study 3, like case study 4, involves one State government and Federalism is not applicable (N/A). However CS3 is not plottable on this figure alongside CS4 owing to the influence of the third proposed relationship. In such cases, application of the third relationship may over-ride Figure 2.

**6.1.3 proposed key relationship 3: increasing size, scale and scope decreases potential effectiveness**

It is evident in these case studies that the program’s size, scale or scope influences the policy’s implementation. Two case studies demonstrated high implementation effectiveness, despite the existence of significant pillar imbalance and a vagueness of the sustainability notion. These are
assessed as high since case study 4 is a relatively small-scale project with a narrowly defined scope and lacking any interaction with other levels of government (except in a funding relationship). The program’s ability to focus on the target results in creative approaches which can reduce waste. Case study 7 describes an effective integration and cooperation between all three levels of government and absence of other state governments (see case study 6) may influence the assessment to some extent. Having a common goal, lacking state rivalries and operating within a well documented and cooperative funding model, allows the policy to be effectively implemented. Conversely, case studies 1, 2, 3 and 6 clearly demonstrate that larger size, scale and scope decrease effectiveness (see Figure 3).

Figure 3: Relationship between size, scale and scope and effectiveness of implementation
7. Conclusion and recommendations

The case studies discussed here represent past and current implementation of government sustainability policy, with both high and low effectiveness. Several key conclusions can be drawn. Firstly, politics, whether the result of political party rivalry or the politics of fear, is evident in the top two tiers of government and particularly in the Carbon Pollution Reduction Scheme and the OneSteel cases. Secondly, Australia’s federal structure makes implementation of sustainability policies across all levels of government problematic. The problems of federalism are also reflected in the state rivalries undermining the effective management of the Murray-Darling basin. However, cooperative federalism can work across all tiers of government as demonstrated by the Waterproofing Northern Adelaide project. It is concluded that the overall effectiveness of this policy (program) lies in it being enacted within a single state. Whilst small-scale, tightly focused programs are most effective such as Zero Waste SA, pillar disproportionality is endemic – no example has a good representation of all three pillars with the social aspects being sacrificed for environmental and economic reasons. Also the environmental pillar is only supported where an economic benefit can be achieved – there is no initiative or policy on its own merits or which attempts to balance pillars proportionally.

The three key relationships proposed here together could help policy makers determine and adjust the relevant elements to achieve better implementation of Government sustainability policy in Australia. However, this preliminary research would undoubtedly benefit from further investigation, particularly more local and international case studies. Some of the elements warrant further research on how to measure them more accurately, for example politics of fear and power imbalances. The power imbalances element is further complicated by visible versus invisible power imbalances – better understanding of invisible power imbalances, their impact on visible ones, and how to measure them is important. Such further research would provide more credibility to the relationships identified and/or update the relationships with any additional relevant elements.

Once fully developed, these key relationships may act as a powerful gauge/guide/tool for sustainability policy makers. For example, it could help bring the different levels of government together to ensure more effective federalism. It may also guide how to achieve the requisite stakeholder empowerment that will minimise the use of “politics of fear” tactics and increase the effectiveness of implementation of government sustainability policy. Such a tool could prove useful to countries having similar systems of governance to Australia. It is vital that sustainability policy moves from rhetoric to effective implementation.
References


Arup, T & Morton, A 2009, 'Mining giant angry over release of 'sensitive data'', Age, The (Melbourne, Australia), March 19, p. 9.


Bita, N 2010, 'Lives lost in haste to be seen as green – insulation debacle', Weekend Australian, February 20, p. 4.


Broken Hill Proprietary Company’s Steel Works Indenture (Environmental Authorisation) Amendment Act 2005, South Australia.


Climate Change and Greenhouse Emissions Act 2007, South Australia
Commissioner for Environmental Sustainability Act 2003, Victoria.


Courier Mail 2009, 'Big miners deserve a hearing', Courier Mail, The (Brisbane, Australia), March 19, p. 34.


Davidson, K 2009, 'A carbon tax is the way to cut emissions', The Age, (Melbourne, Australia), March 19, p. 19.

Department of Climate Change 2008a, Carbon Pollution Reduction Scheme: Australia's Low Pollution Future, White Paper, Department of Climate Change, Canberra.

Department of Climate Change 2008b, Green Paper on the Carbon Pollution Reduction Scheme, Department of Climate Change, Canberra.


Furedi, F 2003, The politics of fear, to be confirmed, to be confirmed.


Jones, J 2004, 'Sustainability: new buzzword of the times... but is sustainability sustainable', Policy Study Group paper. London: King's College.


Kerr, C 2009, 'Speed of rebates has solar system in spin', The Australian, January 29, p. 5.


Local Government Act 1934, South Australia.

Local Government Act 1999, South Australia.


Skowronske, A 2007, 'A civilization based on sustainable development: its limits and prospects', *Sustainable Development*, vol. to be confirmed.


Warren, M 2007b, 'Solar heating is not always an easy switch', The Australian, 23 July, p. 36.
Zerowaste SA 2008, Waste management hierarchy, Zerowaste SA, Adelaide, viewed 27 August 2009,

Acknowledgement

The authors wish to thank the delegates at the Australasian Conference on Social and Environmental Accounting (A-CSEAR), December 2011, Launceston, Tasmania and the anonymous reviewers for their comments on this paper.
Environment Extra!

Aviation industry and carbon accounting

With carbon becoming the issue of the 21st century, the debate over how companies and industries deal with climate change and carbon accounting has assumed greater importance as efforts are made to minimise the environmental harm associated with air travel and freight. The following articles, sourced from Businessgreen.com, highlight the issues and the controversy over plans to “green” the aviation industry.

US airlines to play no part in "ill-advised and illegal" emissions trading scheme


28 Jul 2011, Will Nichols, BusinessGreen

US politicians have stepped up their sabre-rattling over the EU’s plans to include aviation in its emissions trading scheme, declaring unequivocally that US airlines will not participate.

The bi-partisan Congressional Transportation Committee introduced a bill last week that would legally prevent US carriers from taking part in the cap-and-trade scheme, which will charge all airlines per tonne of CO2 for all flights in and out of the EU from next year.

Its national trade body is also embroiled in a legal battle at the European Court of Justice, where it is claiming that the scheme is effectively a tax that contravenes international law.

Congressional leaders and witnesses told an aviation subcommittee hearing on Capitol Hill yesterday that US airlines would pay more than $3.1bn to the EU by 2020, slightly down on other forecasts, which would damage an already teetering industry badly and see substantial layoffs.

"This appropriately named EU 'scheme' is an arbitrary and unjust violation of international law that disadvantages US air carriers and kills US aviation jobs," said John Mica, a Republican from Florida who chairs the House Transportation and Infrastructure Committee. "The message from Congress and the US government is loud and clear: the United States will not participate in this ill-advised and illegal EU programme."

The EU argues that the ETS is neither a tax nor a charge, but a pollution ceiling and the inclusion of aviation is fully consistent with international law.

However, this is not a view shared on the other side of the Atlantic and the US remains aggrieved that attempts to have its airlines excluded from the scheme fell on deaf ears.
"The European Union is not sovereign over the United States or the rest of the world, and has no right to levy taxes outside of the EU," said Representative Tom Petri, a Wisconsin Republican. "Since the EU has shown no interest in working with the international community to address their concerns and objections and to seek a global approach to civil aviation emissions, we believe that the United States should not participate in their unilateral and questionable ETS programme."

The standoff and aggressive legislation tabled in the US has led to fears of a trade war, something European airlines are desperate to avoid. While keen to reduce the sector's soaring emissions, they would prefer a global deal to be worked out by International Civil Aviation Organisation.

Earlier this week, Ulrich Schulte-Strathaus, secretary-general of the Association of European Airlines, urged the EU to sit down with its American counterparts and head off the growing tensions.

"With the ETS clock ticking very loudly now, we have once again urged the Commission to address the issues being raised by Europe's major trade," he said. "Our position is clear: European carriers must not be caught in the political crossfire."

Russia fires first shot in EU aviation emissions trade war


22 Feb 2012, James Murray, BusinessGreen

Simmering tensions between the EU and the group of countries opposed to the bloc's expansion of its emissions trading scheme (ETS) to include aviation increased further today, after officials signalled that the so-called "coalition of the unwilling" had agreed a package of retaliatory measures.

Speaking following a meeting in Moscow of the group of 26 countries opposed to the new EU carbon pricing mechanism, Russia's deputy transport minister Valery Okulov told reporters diplomats had agreed a package of measures the countries could now use to undermine the scheme.

"Every state will choose the most effective and reliable measures which will help to cancel or postpone the implementation of the EU ETS," he was quoted as saying by news agency Reuters.

He also confirmed the group would meet again in the summer in Saudi Arabia as it looks to increase pressure on the EU to delay or abandon its plans.

It remains unclear precisely what measures countries opposed to the ETS could adopt, although the Moscow Times newspaper yesterday quoted state carrier Aeroflot as saying the Kremlin is considering passing
legislation that would make it illegal for Russian airlines to comply with the EU's rules.

"The Russian government is now reviewing a bill prohibiting Russian airlines to participate in emission trading: it means considering a retaliatory approach," the company said ahead of the Moscow talks.

China has similarly said it has banned its airlines from participating in the scheme, while the US Congress is also considering legislation that would have the same effect.

There are also reports that countries could suspend talks with the EU on new routes and landing rights, further hampering EU airlines.

Under the changes to the ETS, which came into effect at the start of this year, all flights in and out of the bloc must take part in the cap-and-trade scheme with airlines carrying emission allowances equivalent to their annual emissions. The vast majority of these allowances will be handed out for free, but firms will have to purchase some allowances, adding to their running costs and potentially leading to increased ticket prices.

The EU maintains that the scheme will incentivise airlines to operate more efficient fleets and encourage passengers to look at greener alternatives, such as rail and videoconferencing. Analysts have also argued that during the initial stages of the scheme carbon pricing will add only a couple of euros to ticket prices.

However, some airlines and countries opposed to the scheme have repeatedly argued that a regional scheme will lead to trade distortions and have called on the EU to drop the scheme in favour of long-running, but as yet unsuccessful talks, to agree an international carbon pricing mechanism.

It remains to be seen how the EU will respond to any retaliatory trade measures, although officials have repeatedly insisted that they will not water down the scheme, despite the escalating threat of a full-blown trade war.

Writing on Twitter in response to the meeting, EU Climate Change Commissioner Connie Hedegaard said: "Unfortunately, our question for Moscow meeting participants remains unanswered: what's your concrete, constructive alternative?"

The Association of European Airlines (AEA) urged countries to drop the prospect of retaliatory measures, although it maintained the best solution would be a global agreement though UN-body the International Civil Aviation Organisation (ICAO).

"This situation is totally unacceptable. Airlines must not be taken hostage by politicians or be forced to compete with serious market distortions," said Ulrich Schulte-Strathaus, AEA secretary general. "We urgently need both sides to focus on the core objective - managing global aviation emissions - rather than on winning a battle of sovereignty."
"Countries must move away from retaliation and counter-retaliation and instead come up with concrete, short-term actions towards a resolution. Then ICAO can deliver."

Empty threats from Moscow meeting

The statement from today's Moscow meeting is vacuous posturing.

An urgent reality check is needed to offset the notion that the entire aviation industry is a collection of anti-environment ETS-refuseniks. They aren’t: there are already a significant amount of global airlines in full compliance with the EU Aviation ETS regulations.

In fact, “significant” in this case means 100%, as every single airline that flies in and out of the EU has already registered under every aspect of the ETS with their respective regulator in each EU member state; they have met every deadline along the way; and many are active in carbon markets. They have effectively already surrendered.

And here is a snapshot of how ticket prices are already being impacted:

- Etihad Airways, Abu Dhabi's carrier, has increased the fuel surcharge on all its flights to Europe to counter the costs of the EU's Emissions Trading Scheme by USD$3 per passenger for flights into and out of Europe and 0.03 cents per kilogram for cargo shipments.

- Delta Air Lines, American Airlines, United Continental and US Airways say they have already added a $3 surcharge each way on tickets for flights between the United States and Europe

- Ryanair introduced a 0.25 Euro levy per passenger per flight from 17th January to cover its’ ETS costs

- Air France/KLM, British Airways and Lufthansa have each added ETS costs to ticket prices via an increase in their existing fuel surcharge although the actual amount is a little opaque and many other airlines, such as Thai Airways, have already been buying carbon permits, taking advantage of the current record low prices of around 7.9 Euros per tonne of carbon.

- Earlier this month, Qantas said it would raise fares by A$3.50 ($3.77) per passenger each way on flights to London and Frankfurt, to cover the cost of the EU ETS.

These are low, low pass through levels that will not bring about the collapse of air transport as we know it! Now call me naive but this is compliance, is it not? It is sad but true that all the countries meeting in Moscow later this week appear simply to want to bring about the complete collapse of the EU ETS, nothing more, nothing less.
We know today that growth in global aviation fuel use and emissions through to 2050 unfortunately outpaces the very best that airframe/engine technology, improved ATM systems and smart operational techniques have to offer. And this includes the rather witless promotion of unsustainable biofuels as part of the industry’s PR-led attempt to manufacture consent for unlimited growth. They have nothing to offer but a high carbon future. This is not a destination we should all be hurtling towards at 39,000 feet and 500 miles per hour.

The EU rightly continues to stand firm to protect the integrity of the aviation ETS which clearly should be developed as the global market-based element in a worldwide programme to control and reduce damaging climate change emissions from civil aviation.

**Airbus blames EU carbon trading row for falling Chinese orders**


09 Mar 2012, Will Nichols, BusinessGreen

Aerospace and defence giant EADS has said China is blocking the purchase of 10 Airbus planes due to the EU’s plans to charge airlines for carbon emissions.

Chief executive Louis Gallois said Beijing's refusal to allow Hong Kong Airlines to complete a $4bn order for the A380 super-jumbos amounted to "retaliation measures" over the policy, which came into force at the beginning of the year.

Speaking yesterday, he told a news conference that sales of around 25 Airbus A330s could also be at risk as any aircraft orders must be ratified by the Beijing government.

"The Chinese government refuses to approve airlines' orders for long-haul aeroplanes," Gallois said, as he unveiled the company's results.

An Air China spokeswoman told news agency *Dow Jones* the carrier had no plans to cancel existing orders and did not believe China has banned airlines from ordering Airbus aircraft.

However, any ban would seem to fit with the Chinese government's threat of taking action to disrupt the EU directive it believes contravenes international aviation treaties by forcing all airlines to pay for each tonne of carbon emitted during flights in and out of EU airports.

A US airlines lawsuit attempting to derail the scheme failed last year, but Congress has since expressed its opposition and a group of 23 countries agreed at a meeting in Moscow last month to enact measures that will
attempt to postpone or cancel the scheme, putting airlines firmly in the middle of the warring parties.

Aviation bodies in favour of a global solution for cutting the sector's carbon impact have warned of a trade war, which they fear could have a greater effect on already falling passenger numbers and ticket prices than the actual cost of complying with the scheme.

Barclays Capital estimates purchasing carbon allowances will cost airlines around €300m in 2012, with non-EU carriers paying just €75m, while EU figures place the bill for Chinese airlines operating in Europe at just €4.23m.

Despite the pressure, the EU has resolutely stuck to its guns, claiming the scheme will save around 183 million tonnes of CO2 each year by 2020 and can only be dismantled if a more ambitious global solution is developed.

**Nobel economists urge Obama to back EU aviation carbon plan**


14 Mar 2012, Will Nichols, BusinessGreen

Five Nobel prize winners are among 26 US economists calling on Barack Obama to drop his government's opposition to EU legislation charging airlines for their carbon emissions.

The US has been highly critical of the EU's move to include airlines in its emissions trading scheme (ETS), claiming it is illegal under international treaties and backing a lawsuit challenging the plan that was dismissed by the European Court of Justice.

At the end of last year, secretary of state Hillary Clinton wrote to EU commissioners, warning "appropriate action" would be taken if Brussels did not halt or delay its plans.

And last month, the US was joined by about 25 other countries, including China, India and Russia, at a meeting in Moscow that concluded with an agreement on "counter-measures" designed to undermine the EU's plan.

The EU agrees with the US and other critics that the best way to address the aviation industry's emissions is to agree on global action through the International Civil Aviation Organisation (ICAO). However, the UN body, which meets in Montreal this week, has yet to come up with an official emissions plan despite a decade of negotiations, prompting the EU to take unilateral action.

In an open letter published yesterday, economists from universities including Harvard, Stanford, Columbia, Princeton and Berkeley urged
president Obama to endorse the EU policy as a first step towards a global agreement at ICAO.

"We implore you to support the European Union's innovative efforts to place a price on carbon from aviation through the emissions trading system (EU ETS), or, at the very least, to stop actively opposing these efforts," it reads.

It also warns the price of emitting CO2 from aircraft must reflect the social cost. If it does not, the world will continue to neglect investments in technology designed to reduce emissions.

Aviation currently accounts for about three per cent of global emissions, but this is expected to quadruple by 2050 as global travel increases.

"Today the US is leading a coalition of unwilling countries on a course of refusing to price this risk in the commercial aviation sector," the letter continues. "Rather than opposing the EU, we urge your administration to support their efforts to price carbon in the context of the ICAO."

The letter comes after seven airlines and two manufacturers wrote to the European Commission and EU leaders, calling on them to postpone their inclusion in the ETS and work towards diffusing a potential trade war with China over emissions trading.

The EU has consistently rejected all calls to axe the scheme, insisting that it will only exclude airlines from the US if comparable measures to curb emissions are agreed at a global level.

The letter also coincides with the US visit of British Prime Minister David Cameron, during which the issue of the EU's aviation plan is likely to be discussed.

---

**A clean energy squeeze**


15 Mar 2012, Climate Spectator

Bloomberg New Energy Finance

Squeeze a tube of toothpaste in one place, and the paste squirts out somewhere else. Squeeze the clean energy sector in one location, and investment immediately seems to pop up in a different part of the world.

That was the case again last week, as debate continued to resound over subsidy programs in Germany and the US. As this happened, fresh announcements of renewable power investment plans were made in Israel, Bali and Saudi Arabia.

Renewable energy subsidies remain under pressure in many developed economies. Figures released by the Congressional Budget Office last
week, showing that the US provided $US14 billion in tax breaks for clean energy programs in 2011.

The CBO noted that many of the “tax preferences” for renewable energy and energy efficiency “have expired or will expire soon.” The wind industry is lobbying hard for the continuation of the Production Tax Credit beyond its scheduled sunset at the end of 2012, and warning that there could be a collapse of investment if this does not happen.

In Germany, the government decided to delay, by three weeks, its plan to cut rooftop PV feed-in tariffs, to give developers more time to complete projects. Developers of large projects approved by March 1 are being given until June 30 to complete their work.

These moves merely postpone deep cuts, of between 20.2 per cent and 29 per cent, in solar subsidies, with further reductions then coming every month from May onwards. Bloomberg New Energy Finance analysts responded by predicting that the delay would lead to a “strong surge in installations in the first half of this year,” with 5GW possible, about two-thirds of the record level of installations in the whole of 2011. They added that after the first half surge, only the residential rooftop segment is likely to show much life in the latter part of 2012, with the retail electricity price now above the levelised cost of energy of a roof-mounted system – and therefore justifying investment by households.

If less clean energy investment occurs in the US and Germany this year, or next – and that remains very much an ‘if’ in this fast-moving industry – then there are plenty of other countries where investment is on the up.

Last week, the government of Indonesia signed an agreement with Sharp Corporation of Japan to build a 100MW PV plant in Bali, for an outlay of between $US2.5 billion and $US3 billion. The project, if it goes ahead, would give the resort island the chance to replace expensive oil-fired generation with solar power.

Meanwhile, in Israel, the Finance Ministry awarded a concession to US developer SunEdison and a local investment company to build and operate a 30MW PV park. This would dwarf the country’s largest PV plant operating, which is of just 5MW, and would be accompanied down the development path by two large solar thermal electricity generation, or STEG, projects, in the same part of southern Israel.

Romania is another country seeing a leap in renewable power capacity additions. Italian generator Enel Green Power said last week that it invested €330 million in Romanian wind farms last year – more than four times its capital outlay there in 2010.

Laszlo Borbely, the country’s environment minister, said in February that Romania plans to increase wind capacity to 1.4GW by the end of 2012, from 800MW at the start of the year.
Finally, on Monday this week, Saudi Arabian press reports quoted the president of the King Abdullah City for Atomic and Renewable Energy as saying that his country plans to spend $US140 billion between now and 2030 developing alternative energy sources such as renewable and nuclear power, to reduce use of crude oil.

This sum, equivalent to more than $US7 billion-a-year over that period, would represent a step-change in commitment by a country that has developed little renewable energy capacity to date. This week’s comments do not come out of the blue - only last month, oil giant Saudi Aramco said that it saw the potential to use wind and geothermal resources in the west of the country to produce electricity.

And last summer, oil minister Ali Al-Naimi said that his country had the potential by 2020 to produce enough solar power to meet more than four times global demand for electricity. But the capacity of solar power actually under development is still modest, at a few tens of MW. That could be set to change.
Call for papers


Theme: Innovative Finance for Sustainable Development

Crystal Towers, Century City, Cape Town, South Africa
20 - 22 November 2012

Dates to remember:
Submission of Abstracts: 31 July 2012
Submission of full papers: 31 August 2012

It is now clear that scientific understanding of the theory and practice of development finance is central to our understanding of how global financial architecture emerges and evolves across developing, emerging and developed economies. At the heart of current global financial failures is the scientific world’s inability to develop appropriate scientific research in development finance theory and practice. To help develop a credible and sustainable scientific platform for global development finance research, academics, researchers and development finance institutions around the world will be meeting in Cape Town on the 20-22 November 2012. The conference will be bringing together top development finance researchers around the world and will also be used as a platform to promote Review of Development Finance (RDF) which is aiming to be the most authoritative journal in development finance research and published by Elsevier. The conference will focus (not exclusively) on the following:

<table>
<thead>
<tr>
<th>Theme: Theoretical and Empirical Research in Development Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Markets, Institutions and Transaction Cost;</td>
</tr>
<tr>
<td>• Micro-enterprise Finance;</td>
</tr>
<tr>
<td>• Global Financial Architecture;</td>
</tr>
<tr>
<td>• Finance and Sustainable Development;</td>
</tr>
<tr>
<td>• International Trade Finance</td>
</tr>
<tr>
<td>• Responsible Investment</td>
</tr>
<tr>
<td>• Finance, Economic Growth and Development;</td>
</tr>
<tr>
<td>• Law and finance;</td>
</tr>
<tr>
<td>• Environmental Finance</td>
</tr>
<tr>
<td>• External Aid and Development</td>
</tr>
<tr>
<td>• Sovereign Debt Management</td>
</tr>
<tr>
<td>• Financial Evaluation and Optimality Measures</td>
</tr>
<tr>
<td>• Country &amp; Investment Risk Analysis;</td>
</tr>
<tr>
<td>• Islamic Banking &amp; Investment</td>
</tr>
</tbody>
</table>

Authors are encouraged to submit their papers to be considered for publication in the regular Issue of the Review of Development Finance. The journal is published 4 times a year.

Email abstract to Dina Potgieter at dina@africagrowth.com, http://www.africagrowth.com/event_conf.htm
The 4th Italian CSEAR Conference on Social and Environmental Accounting Research

University of Trento, Italy
20 - 21 September 2012

Dates to remember:
Submission date for abstracts: 15 June 2012
Notification of acceptance or rejection of abstracts: 25 June 2012
Submission date for final papers: 24 August 2012

The Department of Computer and Management Sciences in the Faculty of Economics, University of Trento, is delighted to announce the Fourth Italian Conference on Social and Environmental Accounting Research (Italian CSEAR 2012) which will be held in Trento (Italy) on 20 - 21 September 2012.

2012 is the International Year of Co-operatives, or IYC (for details see http://www.2012.coop/).

Co-operatives represent a different way of doing business, in which the members join forces voluntarily to meet their common economic, social, and cultural needs through a jointly-owned and democratically-controlled enterprise (definition provided by the International Co-operative Alliance, http://www.ica.coop/al-ica/).

In the light of IYC, the Fourth Italian CSEAR aims at providing a forum for discussion and further enhancement of research in accounting and social/environmental accounting for co-operatives, social enterprises, Non-Profit Organizations (NPOs) and Non-Governmental Organizations (NGOs). The conference will provide an opportunity for academics, PhD students and professionals in accounting and social/environmental accounting to present their research projects, and to discuss their preliminary findings and full papers in a supportive, relaxed and constructive atmosphere.

Invited speakers
- Jan Bebbington, University of St Andrews
- Carlos Larrinaga Gonzales, University of Burgos
- Jeffrey Unerman, University of London

The conference will have two types of sessions:
- Parallel sessions: presentations of papers in parallel sessions will involve a presentation and a discussion with the full paper being made available in advance. A presentation slot of 40 minutes will be allocated for each paper, including presentation and discussion. Each parallel session will have a chair.
• Workshop sessions: run for a shorter time period and may include, for example, PhD outlines and research projects which are still at the development stage for comment. Workshop sessions will have two co-chairs who will lead the discussion.

A Call for Papers has been circulated and Paper Titles and Abstracts (approximately 500 words plus references) for parallel paper presentations and workshop sessions are invited.

Please e-mail abstracts and full papers to: csear2012@unitn.it


For further information about the conference please e-mail: csear2012@unitn.it

The 15th EMAN/ CSEAR 2012 Northern Europe/ Scandinavia Conference

Helsinki, Finland
24th – 26th September 2012

Dates to remember:
Submission deadline: 31 May 2012

The theme of the conference is ‘Sustainable Economy - Accounting for Sustainable Business with Environmental Management Accounting’. The conference will be held at the Hotel Haaga, Helsinki, Finland.

The plenary speakers announced to date are:
• Roger Burritt, UniSA, CAGS & EMAN Asia-Pacific, Australia
• Rob Gray, University of St Andrews, Scotland
• Christine Jasch, Institute for Environmental Economics, Vienna, Austria
• Stefan Schaltegger, EMAN, Germany

A preliminary programme is available for download. A call for papers is available with abstracts required by 31 May 2012. Conference Website: www2.leuphana.de/umanagement/projekte/eman/helsinki-2012/

The Vth GECAMB conference on Environmental Management and Accounting – the Portuguese CSEAR conference

University of Coimbra, Portugal
25th - 26th October 2012
Dates to remember:
Submission deadline: 4 June 2012
Scientific Committee’s final decision notification: 15 July 2012

GECAMB 2012 is the Portuguese CSEAR (Centre for Social and Environmental Accounting Research) conference. One of the main objectives of the conference is to share knowledge about new instruments, policies and strategies aimed at sustainable development, from the interdisciplinary domains of accounting, economics and environmental planning and management. Another important objective of the conference is to create a constructive and informal environment that encourages a critical reflection and discussion about these matters.

GECAMB 2012 will also include a session for the discussion of PhD and Masters Projects. The objective is to allow young researchers to present their research projects and/or first results of their work for analysis and discussion. Each project discussion will be led by a discussant.

The plenary speakers announced to date are:

- Pablo Archel, University of University of Navarra
- Jeffrey Unerman, Royal Holloway - University of London
- Arménio Rego, to be confirmed

A Call for Papers has been issued inviting full papers and research-in-progress papers (in Portuguese and English) in all areas of social and environmental accounting and environmental and sustainability management accounting. Discussion and debate will be encouraged with each presentation limited to 20 minutes.

Conference Website: http://www4.fe.uc.pt/gecamb2012/ (forthcoming)
Email Address: gecamb2012@fe.uc.pt

2012 Annual Conference of Environmental Accounting Committee in ASC and the 1st CSEAR Conference to be held in China

Co-hosted by Management School of Jinan University; Accounting Society of China (ASC); Center for Social and Environmental Accounting Research (CSEAR);

Supported by: Association of Chartered Certified Accountants (ACCA)
Guangzhou, China
27th – 28th October 2012
Dates to remember:
Submission Deadline: 1 June 2012
Notification of Acceptance or Rejection: 15 July 2012
Deadline for Registration: 15 August 2012

The 2012 Annual Conference of Environmental Accounting Committee in Accounting Society of China & the 1st Chinese CSEAR on Social and Environmental Accounting Research will be held in on 27 and 28 October, 2012.

The main objective of the conference is to provide a forum for the discussion and promotion of research in social and environmental accounting. The conference will provide participants an opportunity to present their papers in a friendly atmosphere.

The conference welcomes papers in all topics within the field of social and environmental accounting, including accounting, auditing and accountability in both the private and public sector. We encourage both Chinese and English submissions of papers adopting multiple methodologies and interdisciplinary approaches.

More detailed information on registration, keynote speakers, panels and other stimulating activities will be available shortly.

The plenary speakers announced to date are:

- Rob Gray, University of St Andrews, Scotland
- Lee Parker, CAGS, School of Commerce, University of South Australia

A call for papers is available via the website and Paper Titles and Abstracts are currently invited.


Email Address: seachina2012@gmail.com