

<http://www.rsnz.govt.nz/sustainable/triple.php>

Triple top line

Presentation by [Steve Thompson](#), Chief Executive, Royal Society of New Zealand, to the Institute of Chartered Accountants of NZ Sustainability Working Group, July 16, 2002

How did it start?

How did all this sustainability stuff start? Well, earlier than you'd think. Carthaginian soldier and rabble raiser, Tertullian, put it nicely around 200 AD:

"What most frequently meets our view is our teeming population; our numbers are burdensome to the world, which can hardly supply us from its natural elements; our wants grow more and more keen and our complaints more bitter in all mouths whilst nature fails in affording us her usual sustenance. In very deed, pestilence and famine and wars and earthquakes have to be regarded as a remedy for nature, as a means of pruning the luxuriance of the human race."

Now Tertullian might just be right. Let's look at today's evidence

Natural Resources are limited. Countries have been very successful at discovering and exploiting new resources of oil and minerals. But they haven't had such good luck with renewable resources. Fishery stocks around the world have begun to collapse. Some of the world's major forest areas are over cutting. Another renewable resource, fresh water, is running into danger because the 90 percent of the world's water, which is used for farming, is also used as a vehicle to carry away chemical and animal pollution.

Human productivity is no longer a limiting factor on our ability to exploit natural resources. Machines can devour the earth's resources with an appetite undiminished by fatigue or human foible. They make it easy for us to overfish, or destroy a whole mountain for its copper - it is within the power of today's mammoth machines to exhaust global stocks like fish and forests in just a few years.

Waste and pollution are reaching dangerous levels. The dangers today are from pollution, which is persistent, and can build stealthily to dangerous levels. Pollution is a resource in the wrong place. Carbon is fine as oil in the ground, but we call it pollution when it gets into the air. Mercury is fine in trees, but dangerous in fish.

People are abundant. Today the world houses 5.8 billion, and is heading to between eight and eleven billion by the year 2030. New Zealand is one of the lucky countries - its population will reach a mere 4 million in 2000.

The re-awakening

People began to suspect that (once again) we were running into trouble in the early Seventies, with the publication of Dennis and Donella Meadows' book on

Limits to Growth, and the 1972 Stockholm conference on the environment. The World Conservation Union responded in the 1980s with a World Conservation strategy - an excellent document, but it ran afoul of business with its emphasis on conservation. It fell to the Norwegian Prime Minister Gro Brundtland in the late 80s to strike the ingenious balance expressed in "sustainable development", which she defined somewhat tautologically as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

The report highlighted three components to sustainable development: environmental protection, economic growth and social equity. It was primarily suggested that equity, growth and environmental maintenance are simultaneously possible; though achieving this would require technological and social change.

Gradually, we came to realise that the way we count things, is stuck.

Governments have done their national accounts for the last 60 years, where they count oil spills and nuclear tests as increases in economic activity, and where deforestation and traffic accidents count as additions to GDP. In fact every business knows that spending money on repairs and clean up counts as a cost, not as income. Every business also knows how to value its assets. A forest company knows it has to regenerate harvested trees if it wants to stay in business. But countries do it differently. When they calculate GNP, they count the billions of dollars to clean up something like an Exxon Valdez oil spill as a plus. When they see the last tree cut for paper, they count it as an addition to GNP. How the countries of the world do their accounts is important because growth in GNP is one of the major goals of most countries. But if we measure it wrongly, what use is it as a goal? That's why my title is "Triple Top Line". We have to get the goals right if you accountants are to measure the right things.

The good, the bad, and the ugly

But all this raises a question: Is it so easy to know what is plus and what is minus? If some things are bad, then what is an "Environmental good"? Here's my own idiosyncratic view. An Environmental Good is a product, which can be shown in its production, use and disposal to:

1. substitute for resources in danger of exhaustion
2. mitigate pollution
3. mitigate pressure on critical habitats

Thus, we need global and national agreed lists of

1. which resources are in danger of exhaustion
2. significant pollutants
3. critical habitats

And companies will need their own list of what they will report on the plus side, and what will count as an "environmental bad"

How does New Zealand stand in all of this? To be blunt, not too well. While we had the Resource Management Act, we seemed to miss out on world sustainable development thinking in the 1990s and are only now catching up. While other countries have well developed national strategies, we are still in the process of developing our report, ten years after the 1992 Rio conference.

But some things are changing. Sprinkled around the country are more than 50 individual groups who in some way are concerned with sustainable development but they lacked the one essential of sustainable development - that of a holistic view at a national level. At a meeting in July 2001, the Royal Society Council agreed that that it would offer itself as convener of a national forum on questions of sustainable development.

One aim, from the Royal Society's point of view, is to ensure that scientific and social questions surrounding sustainability were well addressed, and that the best and most up to date information is available for placing before the community.

We wrote to several groups to gauge interest in a meeting about sustainable development. Interest grew steadily over the months, and RSNZ hosted a Forum in Wellington in February 2002. The Forum's steering group has come up with a three-pronged action plan: 1) Form an independent Group to advise government; 2) Organise the next Sustainable Forum in November 2002; and 3) Develop a draft response to New Zealand's report to Johannesburg and circulate this to Sustainable Forum participants for endorsement.

Back to the bottom line

But back to the bottom line! Sustainable developers ask us to get our accounting systems, and social and productive systems in line with reality if the world is to remain a hospitable place for its human population. Sustainable developers argue that countries should no longer tax themselves out of employment and idea creation. Countries should no longer subsidise the exploitation of natural resources, or count them as free goods. They argue that it's time to move the Western world's systems towards accounting for pollution and the use of exhaustible resources.

To summarise this view: higher pollution and resource-use accounting (and taxes) would mean less incentive to waste, but would increase the prices of almost all goods we buy. These price increases would encourage us to use consumable goods more wisely and sparingly. New jobs would be created as we tried to find ways to make these goods cheaper again by reducing the resources going into making them, and the pollution resulting from their use and disposal. Lower personal taxes would mean that the "price" of employees would drop, relative to machines. Firms would be able to hire more people, rather than pruning staff to a highly overworked minimum. Lower taxes would also mean more incentive to personal enterprise. People would be more willing to diversify into second jobs, or start home enterprises, if they could keep more of their earnings. They would have more time available for community and voluntary activities.

In moving to pollution/resource use accounting and taxes, New Zealand would have to keep roughly in step with neighbouring countries to avoid inflation at home and lack of competitiveness in international markets. But examples already exist in some countries: energy taxes are already much higher in Europe, for example, than they are in North America, but no one sees Europe as uncompetitive. Higher prices for most products might be seen by consumers as yet another "value added" tax - though in reality it would be a tax on the raw materials in each product, rather than the work going into adding value to those materials.

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The James Henare Māori Research Centre
University of Auckland, Private Bag 92019, Auckland
Aotearoa / New Zealand
Phone +64 9 3737-599 x 85085; *Fax* 3737-458
E-mail jhmrc@auckland.ac.nz