



**Newfoundland and Labrador
Environmental Industry
Association**

**Submission
to the
Minister of Finance
on the
2005 - 2006 Budget**

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1 Introduction

The Newfoundland Environmental Industry Association (NEIA) is a non-profit industry group representing businesses in the environmental sector in Newfoundland and Labrador. NEIA's role is to grow and develop business in the environmental sector in Newfoundland and Labrador and to represent the industry through a unified voice.

NEIA's position is based on the view that economic growth should be the cornerstone of deficit reduction. Increased taxes and fees can be an impediment to economic growth and have a net result of decreased revenues.

NEIA holds a strong view that increased emphasis by government on environmental stewardship leads to economic activity and growth of local businesses. The provision of quality infrastructure and clear and consistent performance-based environmental regulation facilitates new business and economic development. Current deficit problems which are largely driven by health and education services will continue to grow without attention to economic development. For Newfoundland and Labrador to effect strong economic growth, investment in progressive policies and sustainable infrastructure is essential.

The following outlines key areas NEIA has identified as significant in the next fiscal year to provide for continued growth of Newfoundland and Labrador economy and in particular Newfoundland and Labrador environmental companies.

2 Significance of the Environment Sector

NEIA recognizes the current demands on government to maintain health, education and other services which are consuming a large portion of the province's resources. While NEIA supports government's efforts to continue to seek a new agreement on the

Atlantic Accord that achieves fairness and potential to end equalization dependence, the existing unsustainable funding of these services will continue to significantly worsen without attention to economic development and developing new and innovative methods of providing government services and public infrastructure.

Newfoundland and Labrador has a primarily resource based economy. It is essential that further development and investment in this economy incorporate management of environmental impacts. The environment sector provides solutions to traditional resource industries to assist them to develop efficiently and in a sustainable manner. Investment in the resource sector within an assertive environmental regime will result in a well developed sustainable economy based on our natural resources and the creation of knowledge based jobs and wealth.

3 Investing in Economic Development

The Information Paper issued by government on the Province's Financial Situation suggests that government is interested in public input on how to provide best value services and where government should invest to facilitate economic development. NEIA has identified areas where both these objectives can be accomplished.

I. Private-Public Partnering

Private-Public Partnering (P3) is tool for delivering public infrastructure and services that has proven very successful in other jurisdictions. P3 brings value to public services and assets and investment to the province. Since submitting a paper to government on Private-Public Partnering in July of 2004 NEIA has participated in a business mission to Ireland where it was learned that the government of Ireland originally invested in P3 to address an infrastructure and fiscal deficit. P3 facilitates investment without adding to public debt and is now fully part of Ireland's economy. Infrastructure and services

provided in Ireland under P3 include highways, water and wastewater treatment, waste management and schools. Irish Government officials commented to NEIA that P3 projects have resulted in new investment, the application and development of new and innovative technology, quality infrastructure and services, and the completion of projects on budget and on time or ahead of schedule.

Newfoundland and Labrador has a significant deficit in environmental infrastructure and services. 85% of communities have no wastewater treatment, the province regularly has more than 200 boil orders in place and there are still 240 unlined landfills in use for a population slightly more than 500,000. Given the province's fiscal situation this infrastructure deficit creates an excellent opportunity to develop and employ a P3 policy directive. The use of P3 to provide environmental infrastructure and associated services is now common in many other provinces and countries. Given the potential to create new jobs where very few currently exist, P3 would be a prudent and progressive investment in our province. Successful P3 projects not only provide the financing, that would otherwise be unavailable, but also increase business activity and capacity, achieve efficiencies both on the capital and operation, create jobs, and develop local expertise that can be marketed internationally bringing further opportunity and wealth to the province.

II Progressive Performance Based Environmental Legislation

As indicated above, Government's discussion paper suggests that the province is seeking opportunity for more efficient government operation. The current system of environmental regulation generally consists of issuing a Certificate of Approval for an undertaking with a series of conditions or requirements that are developed by officials in the Department of Environment and Conservation on a case by case basis. These conditions are enforced by inspectors from the Department of Government Services who must develop a knowledge of each Certificate of Approval. This system is not efficient as government's technical staff are often engaged for a significant period of

time with one application and often results in technologies being regulated rather than outcomes. This prevents innovation, the use of new technology and increases costs for business.

A system of a complete set of clear and concise performance based environmental regulations would facilitate enhanced environmental stewardship, allow proponents of new undertakings to fully understand and identify environmental requirements and associated overhead, and facilitate more efficient and consistent enforcement.

To facilitate economic development and reduce bureaucracy, NEIA is requesting that government provide short term resources to the Department of Environment and Conservation to develop a comprehensive set of performance based environmental regulations that will result in opportunity to deliver more efficient enforcement, a level playing field for all businesses, and stimulation of innovation.

III Waste Management

In April of 2002 the province announced the Waste Management Strategy. NEIA would like to acknowledge and express our support to the Minister of Environment and Conservation on the fibre recycling requirements that were announced on January 26, 2005. It is NEIA's view that the fibre regulations and the community recycling initiatives being facilitated by the Minister are investments that will result in economic growth as well as an improved environment. Full implementation of the waste management strategy has would provide a substantial boost to the province's economy. As indicated above, Private-Public Partnering would be an excellent tool to implement much of the Waste Management Strategy and keep the cost off government's balance sheet. However, the provincial government would need to make the relatively small up front investment in planning and implementation of appropriate waste management regulations.

Several groups of municipalities have established waste management committees and are finding ways to move forward. There is need to coordinate these efforts and help lead the regional committees to the establishment of an efficient and effective modern waste systems and facilities. Municipalities acknowledge that modern waste systems will, in some cases, result in higher fees but they also see the need to end current unsustainable practices, invest in our environment and catch up with our Atlantic neighbours. The establishment of a senior government official and team located in the centre of government to lead the implementation of the strategy and establish a self sustaining modern waste management system which takes the provincial government out of the waste management business would be an appropriate use for the Waste Management Trust Fund, and ultimately save government millions of dollars.

The Waste Management Strategy is very significant initiative and one that has potential to not only address a present and growing environmental liability but also grow our economy, develop businesses and technical know how and create jobs.

NEIA has members with the capacity and expertise to design, finance build, and operate the necessary infrastructure and services for a modern waste management system. However, implementation of the of the waste management strategy requires leadership and coordination from the government.

It is important that the province act now and proceed with the waste management initiative. Without further action NEIA companies will continue to lose ground and competitive position to firms in other jurisdictions.

IV Climate Change

Climate Change is another opportunity for investment by the province that can stimulate economic growth. Investment in climate change will facilitate the development of new technology and grow local business while creating renewed more efficient infrastructure

and industrial facilities. Climate Change policies that stimulate investment in our public infrastructure and traditional industries will bring improved productivity and lead to new international opportunities and markets for Newfoundland and Labrador environmental firms.

NEIA strongly believes that in order to effectively develop strategy and policy that results in Newfoundland and Labrador meeting Kyoto requirements, a secretariat reporting to Executive Council should be created to oversee the process and coordinate a stakeholder advisory group which consists of resource industries, the environment industry, municipalities and key government departments. The significance of climate change to Newfoundland and Labrador and the potential economic impact and growth, demand that government take strong leadership and include stakeholders in developing and implementing climate change policy. If we choose to stand by and wait for others to act, the potential for economic development and growth of our economy will be significantly reduced and may even be negative.

V Ocean Management

An additional area that could potentially result in significant economic activity is the development of an increased Newfoundland and Labrador emphasis on environmental stewardship of Canada's eastern ocean waters. As Canada's premier ocean province there is opportunity to lead and establish policy that stimulates partnerships between industry and the province's research community. Areas of potential ocean economic activity and research include: ocean transport, sustainable off shore oil development, sustainable marine resource harvesting, ocean forecasting, ocean wastewater treatment and discharge, etc. These areas are not unique to Newfoundland and Labrador, and, by taking the lead and making an initial investment, federal and other monies can be leveraged which will result in the development of centres of expertise and excellence that would be marketable around the world, create new businesses in Newfoundland and Labrador and new economic wealth.

VI Water Treatment Operation and Testing

Our province currently has several boil orders in place for drinking water and our communities experience many challenges in operating and managing water supply systems. NEIA is suggesting that the operation, management and testing of water supplies is an obvious area where the knowledge and skill of private firms with expertise in water quality can provide a better, safer and more efficient service. Using private firms to provide this service will not only provide a higher quality service but can also improve accountability and reduce government's liability. Government needs to bring communities together to provide such services on regional basis creating further efficiencies. Municipal services provided regionally with private firms will generate growth in the environment sector and new knowledge based employment throughout the province.

4 Summary

NEIA very much appreciates government's fiscal challenge and the significance of the province's deficit and debt. NEIA is also very supportive of the province's initiative to obtain a new Atlantic Accord that achieves fairness and the potential to end equalization dependence. However, even with a new Accord NEIA holds the strong view that strategic investment in key areas is required to bring this province forward and provide sustainable public services. Newfoundland and Labrador is primarily a resource based economy and it essential that further investment in our economy incorporate management of environmental impacts. The environment sector works with resource companies to develop in an efficient and sustainable manner. Investments in environmental stewardship facilitate technology development, innovation and economic growth.

The following are initiatives NEIA has identified which with a relatively small public investment can provide significant return in improved efficiencies and economic growth.

1. Private-Public Partnering (P3) is a tool that is being used very effectively in many other jurisdictions and one that is well suited to providing environmental infrastructure such as wastewater and waste management systems. NEIA submitted a full paper to government on P3 in July of 2004 and has reviewed P3 during a mission to Ireland. P3 projects facilitate investment in public infrastructure while achieving efficiencies, providing quality services, and creating new jobs and economic wealth. To advance P3 government needs to establish a key person or office to research and establish a progressive P3 policy.
2. An environmental regime consisting of clear and concise performance-based environmental regulations facilitates more efficient enforcement, enhanced environmental protection, a level playing field for business, and the use of new and innovative technology. NEIA is proposing that the province invest in a new and improved set of progressive environmental requirements which replace the current environmental approval process and result in new investment and economic growth.
3. The Provincial Waste Management Strategy has been endorsed by almost all stakeholders and not only addresses a long standing environmental problem but its implementation has the potential of creating several new businesses and doubling the size of the province's environment sector. Investment in the planning of this initiative is necessary to coordinate regional committees, develop appropriate regulations and employ tools such as P3 to build and operate modern waste management facilities.
4. There are significant opportunities related to climate change and investment in progressive policies will stimulate investment in public infrastructure and our

traditional industries. New and renewed industry will result as well as an enhanced and growing Newfoundland and Labrador environment sector. To develop and implement the appropriate policies a secretariat reporting to Executive Council should be created to oversee a stakeholder advisory group that includes resource companies and environmental firms.

5. Newfoundland and Labrador is Canada's premier ocean province and as such we should be leading environmental stewardship of our Canada's eastern ocean waters. The ocean has traditionally been our economic backbone but does needs proper management to continue sustainable use. Newfoundland and Labrador must take ownership and make investments that facilitate new ocean management businesses and lever other monies in areas of sustainable harvesting, ocean forecasting, ocean transportation, sustainable offshore development and ocean wastewater discharge.
6. The operation, treatment and testing of drinking water systems in the province can be executed by the province's environment companies better, safer and more efficiently. Using private firms for this service will not only provide higher quality services but will also reduce government's liability and generate new high technology employment across the province.

The above provides a brief overview of the potential and significance of investments in the province's environment and how these investments can improve government's operations and create economic development. In addition to the direct benefits there are many spin-off opportunities and indirect economic growth created by smart environmental stewardship.

NEIA appreciates the opportunity to provide this submission and would be pleased to meet to provide clarification or answer any questions.