



20 Queens Road, Melbourne
3004
Phone 03 9867 0111
Fax 03 9867 0199
ABN 76 369 958 788
www.aigroup.asn.au

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Environment Protection (Fees) Regulations Review
Regulatory Innovation Unit
EPA Victoria
GPO Box 4395
MELBOURNE VIC 3001

Attention: Shaun Green

Dear Mr Green

Review of Environment Protection (Fees) Regulations 2001

The Australian Industry Group (Ai Group) welcomes the opportunity to provide comment in response to the issues raised in the discussion paper "*Review of Environment Protection (Fees) Regulations 2001*". Ai Group is a leading industry association in Australia. Ai Group members operate small, medium, large businesses and employ around 750,000 staff in an expanding range of industry sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other related service industries.

Ai Group is closely affiliated with more than 50 other employer groups in Australia and directly manages a number of those organisations. Together, Ai Group and its affiliates represent the interests of approximately 60,000 businesses which employ in excess of 1.2 million staff across Australia and the world.

Consultations

Ai Group's consultation with members in relation to the issues under consideration has been impacted by the timing of the release of the discussion paper in the lead up to the Christmas/New Year holiday period and the closing date for comment of 26 January. Given the clarity around regulatory sunset provisions it is disappointing that this time for eliciting comment from industry was selected for the initial consultation period, particularly given that the current consultation process will inform the development of the Regulatory Impact Statement. It is therefore essential that the EPA conducts close and ongoing consultation with industry in relation to the current review.

Financial Incentives

Fees are one of many mechanisms by which the EPA can influence emissions. This includes regulation, licence conditions and approvals processes, and provision of practical assistance to industry to move beyond compliance, including initiatives such as the Ai Group/EPA Sustainability Covenant.

It must also be recognised that fees are one of a number of factors influencing the extent of licensee focus on emissions reductions and that an increase in licence fees may not in itself be the most effective mechanism for achieving reductions in emissions levels. Other key factors impacting on the priority allocated by licensees to emissions reductions include: results of environmental risk assessment; cost and availability of emissions reductions technologies; company access to relevant expertise; NPI reporting and publication; constraints on availability of capital; and the current economic downturn.

The current structure of the fees incorporating base and component fees already provides incentive to licensees to reduce the level of their emissions. The fee level of an individual licence is based on both the volume of emissions being licensed and the type of emission, with higher fees applied to more environmentally harmful substances.

Ai Group notes that consideration of amendments to the fees regulations to provide increased economic incentives to drive reductions in environmental impacts and improved environmental performance is not within the scope of the current review of the Fees Regulations. It must be recognised that industry is already subjected to a range of levies and charges, some of which will continue to increase significantly in the short to medium term – the landfill levy is a case in point. Ai Group contends that the existing fee structure provides adequate financial incentive and that any future consideration of variation to the current arrangements should be subjected to detailed cost benefit analysis.

Cost Recovery

Licence fees are currently calculated on a cost-recovery basis and are set to cover the aggregate costs of EPA administering the licence function. Reductions in the level of licence fees charged to businesses could be expected to increase internal business funds available for implementation of sustainability improvements.

As identified in Ai Group's submission to the EPA in relation to the licensing reform process, implementation of the licensing reform program will reduce the costs to the EPA of administering the licence system. At the same time, licence-holders are incurring not insignificant costs associated with conducting risk assessments and internalising the development and implementation of monitoring systems.

Ai Group recommends that the reductions in the EPA's administrative costs realised from implementation of the reforms should be considered in the context of the review, and that the reduction in EPA costs should flow through to industry in the form of reduced licence fees.

Accredited Licences

Ai Group broadly supports the principle that the framework for licence fees recognises good environmental performance. The accredited licensee system is designed to provide companies having sound technical and environmental management systems, together with the commitment to good environmental performance, to be freed from the standard prescriptive approach to works approval and licensing. Accredited licensees must demonstrate a high level of environmental performance and an ongoing capacity to maintain and improve this performance.

Ai Group is supportive of the 25% reduction in licence fees for accredited licensees. Ai Group considers that more could be done by the EPA to ensure that accredited licensees benefit from a less prescriptive approach to works approvals and licensing. It was noted by an accredited licensee that there should in fact be a greater reduction in license fees for accredited licence holders given the significant costs associated with becoming accredited and maintaining accredited status.

Works Approvals

It is unclear from the discussion paper how a move to a sliding scale for Works Approvals fees would impact on applicants. Intuitively it would seem that a sliding scale may in fact be more equitable. Ai Group recommends that before any decision is taken in relation to this matter, the EPA undertakes detailed analysis of the impacts on the level and variation in fees paid by size of contract under an incremental and sliding fee system.

Some Ai Group member companies have expressed concern that basing the level of fees on the cost of the proposed works is not a fair assessment method given that it is possible that a very expensive project could have only a minimal environmental risk due to very low emission volumes of a fairly benign nature. There was support for the complexity of the assessment process for the proposed works to be included as a consideration in the fee structure.

In addition, some Ai Group members expressed the view that, in instances where an accredited licensee is required to submit a works approval, they should receive a fee discount given that such applicants are more likely to submit a higher quality application. This would also provide an incentive for more licensees to consider becoming accredited.

Currently the regulations provide a 25% reduction in works approval application fees where an application has been assessed by an EPA-appointed environmental auditor. Ai Group is generally supportive of the continuation of this provision. It appears however that greater guidance is required to promote uptake of this provision, as indicated by the reference in Information Bulletin, *Environment Protection Fees in Victoria: An Overview*, that the EPA will develop guidelines to assist environmental auditors assess works approvals applications. At the time of writing Ai Group is not aware of these guidelines having been made available.

Concern was also expressed by some members that the 25% reduction was not sufficient given the cost of an environmental audit.

A reduction in the fees for accredited licensees again attracted some support from members.

Environmental Audit Fees

Victoria's environmental auditing system under which environmental auditors are appointed and regulated is administered by the EPA. Ai Group members are opposed to any proposal that all audits required by regulation, such as CRM review audits and EREP audits would attract an EPA 'verification' fee. The focus should instead be placed on ensuring that EPA administration of the system incorporates the necessary quality control mechanisms to both ensure that: auditors appointed are highly skilled and have relevant experience; and to minimise EPA resources engaged in verification of audits.

Waste Transport Permit Fees

Support was expressed by Ai Group members for:

- simplification in the waste categories for waste transport permit fees
- introduction of vehicle fleet licences to reduce administrative burden and cost
- retention of temporary transport permits as a means of retaining flexibility in the current regulations

Ai Group recognises that self assessment of permit fees may in some instances result in inconsistencies in fees paid. We broadly support the notion of introducing application fees followed by a permit fee, subject to there being no overall increase in the total cost (application fee plus permit fee) beyond current levels.

Ai Group members are opposed to any increase in fees to cover EPA administrative costs and consider that the EPA should increase its focus on improving the efficiency of its practices to deliver reduced administrative burden and cost.

Other Waste Issues

Currently, the landfill levy is charged on what goes through the gate. As a result, the levy can be applied to wastes that are subsequently recycled or diverted to alternative uses. Ai Group member companies expressed support for the provision of a discount to waste receivers per tonne of waste that is diverted, re-used or recycled to provide an incentive for greater resource recovery.

Should you require any further information on the issues raised in this submission, please contact me on phone 03 9867 0283 or email vfilling@aigroup.asn.au.

Yours sincerely



Vivienne Filling
National Manager
Environment Policy and Membership Services