

**Victorian Employers  
Chamber of Commerce  
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30 October 2015

Ms Penny Armytage  
Chairperson  
Environment Protection Authority Inquiry Ministerial Advisory Committee  
Level 36  
2 Lonsdale Street  
Melbourne VIC 3000

Dear Ms Armytage

### **Re. Inquiry into the Environment Protection Authority**

The Victorian Employers Chamber of Commerce and Industry (VECCI) welcomes the opportunity to provide a submission to the *Inquiry into the Environment Protection Authority (EPA)*.

As Victoria's leading business organisation, each year VECCI informs and services more than 15,000 members, customers and clients across the state, encompassing all industry sectors and spanning small, medium and large-sized business.

VECCI members interact with the EPA primarily through compliance with environmental standards and policies. Therefore, the focus of this submission is on how the EPA can improve its regulatory efficiency and minimise the regulatory burden on businesses, particularly small business, while still meeting its environmental objectives.

#### **The Victorian economic context**

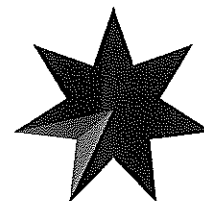
This inquiry into the EPA is being conducted in the context of a challenging economic environment for Victorian business, which is unlikely to change in the near term.

Victoria's economic position is fragile. Our labour market is soft and unemployment, at 6 per cent, is just below a 15-year high observed at the end of 2014. Business sentiment is precarious, with a recent VECCI survey showing only 16 per cent of Victorian businesses expect stronger state economic conditions over the year ahead<sup>1</sup>. Many small businesses are facing difficult trading conditions as a result of strong international competition.

Given such an environment, it is important that the Inquiry's outcomes strike a sensible balance between improving the EPA's regulatory performance and a reduction in the regulatory burden and related costs imposed on business.

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<sup>1</sup> VECCI Survey of Business Trends and Prospects September Quarter 2015



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## **Role of the EPA**

The EPA plays an important role in protecting the Victorian environment and managing environmental risks. Both functions are important in supporting a livable and prosperous Victoria.

Regulating the impacts of business and industry is important to ensuring a healthy and safe environment for all Victorians. However, it is essential that such regulation does not damage prospects for job growth, investment and economic advancement.

VECCI recognises and supports the existing efforts by the EPA to take a risk-based approach to regulatory enforcement. However, it is our view that more can be done to improve the regulatory efficiency of the EPA while also helping improve the support and guidance provided to business to enable them to meet their regulatory obligations.

VECCI's key recommendations for improving the effectiveness of the EPA and reducing the regulatory burden and costs imposed on industry are summarised below:

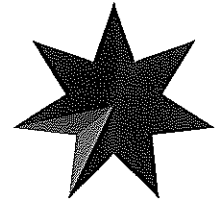
- 1. The EPA must work in closer consultation with Victorian business to reduce the direct and indirect costs associated with environmental regulation compliance.**

While some degree of regulation is necessary for establishing efficient markets that promote sustainable environments, excessive red tape and administrative burden reduces our State's competitiveness and businesses' ability to create new jobs.

For example, a number of VECCI members have raised concerns regarding unnecessary and onerous record keeping obligations imposed under the Waste Management Policy (Used Packaging Materials), a legislative instrument made under the *Environment Protection Act 1970* and enforced by the EPA. The objectives of the policy, to reduce environmental impact caused by packaging and to increase product packaging recycling, are admirable, but the obligations currently placed on business are not reflective of the risk. They are overly onerous and costly.

As noted in the Inquiry's Discussion Paper, the EPA Act itself was established in 1970 and has been amended many times since, growing from 33 to 424 pages. The wording of the legislation is technical and legalistic with the duplication of many requirements. This means it can be difficult for business (especially smaller sized business) to understand their obligations and feel confident they are complying with the law. In many instances, businesses seek external assistance to ensure they are compliant, leading to increased direct and indirect costs.

The EPA should examine other legislative instruments and regulators for examples of good regulatory practice. For example, the Workplace Injury Rehabilitation and Compensation Act 2013 consolidated and simplified previous legislation making it much more employer-friendly (all information relevant to employers is grouped together at the



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beginning of the document). This framework encourages employers to self-regulate, the language used is not legalistic but plain English and the Act focuses on outcomes rather than processes.

VECCI supports a risk-based approach to regulation and enforcement and urges the EPA to:

- target resources in enforcement, compliance and monitoring of businesses based on the risk their activities pose to the environment
- ensure regulatory responses are proportionate to the problems being addressed
- be transparent by publicly reporting on the processes undertaken and outcomes obtained
- develop regulation and implementation processes in partnership with business
- apply decision making processes consistently and predictably to different parties and situations
- set clear standards and be accountable for decisions.

Business activities that do not pose a high risk to the environment or the livability of Victoria should either not be regulated or have limited compliance requirements (e.g. inspections and data requirements) while regulatory effort is focused on higher risk activities.

Businesses with a good track record of compliance should receive recognition for their good performance and be regulated accordingly.

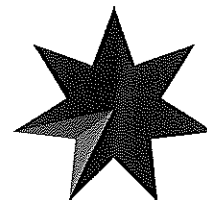
## **2. The EPA needs to do more to help businesses comply with EPA requirements**

Currently, the EPA focuses on setting, monitoring and enforcing compliance with environmental regulations. The EPA provides limited support to business to help them understand their environmental compliance.

For example, when attempting to meet the obligations of the EPA Waste Management Policy, VECCI members reported that the EPA was not able to provide guidance on how to track and report on the amount of packaging materials that are subsequently re-used or recycled when goods are sold in multiple locations in Australia and overseas.

A number of VECCI members have also voiced concern over the EPA taking several months to respond to a minor application.

The EPA needs to support businesses early in their life cycle to assist them to understand their environmental obligations. Poor quality and delayed advice can result in businesses having to pay costly fees for consultants or accountants to navigate the maze of regulation.



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Support and guidance could take the form of facilitating networks of organisations in priority sectors. The network would gather to share ideas and best practice experiences in meeting environmental obligations, learn from regulators about practical quality improvement skills and process, and test ideas in a constructive setting. Another form of guidance for small businesses could be the provision of one-on-one tailored support by EPA advisors or third party consultants to assess workplaces and provide practical recommendations on how to implement processes to meet environmental obligations.

Similar programs have been successfully implemented by WorkSafe which actively works with employers and business owners to ensure workplace occupational health and safety requirements are met in a business friendly way.

### **3. The EPA needs to implement a more equitable funding model**

The EPA relies on revenue from landfill levies to help offset its operating expenses. However, too little of that revenue is directed back to industry. The landfill levy is a tax on each tonne of waste sent to landfill. Landfill rates have been increased more than fivefold since 2010, resulting in annual collections of around \$170 million. The EPA receives a share of this revenue while the rest is diverted to other organisations such as Sustainability Victoria. While landfill levy revenue is meant to be used to reduce the amount of waste going to landfill, it appears to be diverted to fulfill broader environmental objectives.

The EPA's reliance on revenue from what is largely a tax on business to fund its core activities is undesirable. We encourage the Inquiry to explore funding reforms that provide a clearer link between regulated activities and revenue sources on proviso that it does not result in any net increase in the burden of taxes, levies or charges on business.

The Inquiry should also investigate ways in which the funding model for the EPA can provide incentives to regulated parties for good environmental performance, similar to the way in which WorkCover premiums are linked to occupational health and safety performance.

We would welcome the opportunity to discuss these issues with you in further detail if required.

Yours sincerely



**Mark Stone**  
Chief Executive