

## *Comments on Revenue recycling and EPA responses*

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| <b>Submission</b>   | 1  | We do not! It should not be the place of small not for profit sporting clubs to pay for programmes to assist corporate giants minimise their environmental impact. Any funds confiscated from small clubs which run ranges must come from their revenue base, cannot be passed on and reduce amounts expended on such areas as safety improvements on ranges.                          |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 2  | Okay in principle. Need to ensure that projects are not biased to any particular industry group and that projects achieve real gain.   |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 3  | 1. Do not agree with all licensees paying for project funding. 2. If option 4, then project funding should be supported by performance loading. 3. Process may be transparent but who will be held accountable?  |
| <b>EPA response</b> |    | Noted. EPA and licensees implementing improvements to be accountable if we proceed with revenue recycling. Not clear what is meant by performance loading - to follow up if revenue recycling is selected as part of the licence fee structure.  |
| <b>Submission</b>   | 5  | We do not support extra costs but are happy to pay our fee and costs to dispose of our waste. Extra costs are a strain on our business and we should not have to proportionately support large companies with their problems.  |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 6  | N/A  |
| <b>EPA response</b> |    | This licensee felt that a licence fee should not apply to them.  |
| <b>Submission</b>   | 8  | It is unlikely that the licensed operations undertaken by us would benefit from revenue recycling due to the types of activities that we undertake, therefore option 4 is not preferred.   |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 9  | No. Government is traditionally inefficient when compared to private enterprise. Let enterprise spend their own money on increasing environmental efficiency   |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 10 | No - this is another form of raising revenue. Licence fees should only reflect the cost of administering and regulating licences - nothing more. If environmental improvement is required, then industry should fund this outside of the licence fee.  |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 11 | I do not agree with "industry funded" revenue recycling. Environmental improvement is the responsibility of all citizens and should be funded based on resource consumption by both commercial and private consumers and levied in a similar way as is done with the emergency services. * not the land owner, but the resource consumer.  |
| <b>EPA response</b> |    | Noted.   |
| <b>Submission</b>   | 13 | No because it gives more power to bureaucrats with our money. The same type of fiasco as the waste oil product stewardship scheme.   |
| <b>EPA response</b> |    | Requires a transparent process. Noted.   |
| <b>Submission</b>   | 15 | No we do not support it in the form presented. Why should everyone pay for someone else to clean up their problem. Option 4 carries the incentive for people to minimise their own pollutants. We had a similar situation when water "user pays" system was introduced - we recycled water instead of running it to the sewer. Cost us \$500-00 and saved \$1000-00 in the first year. |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 16 | No - the incentive for improved performance should not come from a new levy or grants system. There is probably no easy way that this can be fair, without creating a new administrative burden for the EPA. It also puts a new financial pressure on companies who are doing things properly,   |

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|                     |    | compared to those who have problems and are likely to benefit from grants.   |
| <b>EPA response</b> |    | The proposal for revenue recycling is for beyond compliance improvements, not for projects to bring licensees into compliance.   |
| <b>Submission</b>   | 17 | I do not support revenue recycling due to the costs associated. The costs of the licence would increase and we may see little evidence of where the money goes. I suggest if revenue recycling were to commence that specific projects be funded specifically for different industries ie Mining / Health / etc.   |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 18 | Charging fees in excess of costs provides a funding source to assist improved environmental performance by industry.   |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 20 | No. It always ends up as a slush fund to pay for someone's hobby horse. Look at the wool industry.   |
| <b>EPA response</b> |    | Requires a transparent process. Noted. Funds would only be available to licensees.   |
| <b>Submission</b>   | 22 | No. Government should support industry.  |
| <b>EPA response</b> |    | Noted.   |
| <b>Submission</b>   | 23 | Revenue Recycling:<br>Would only be of value if the funding available tackled large scale projects. For example control of emissions from Onesteel in Whyalla or the Port Pirie Lead Smelters. These works should be the responsibility of the individual companies  |
| <b>EPA response</b> |    | Projects to bring licensees in line with environmental requirements would not be funded from revenue recycling - revenue recycling is intended for improvements beyond compliance.   |
| <b>Submission</b>   | 25 | No – do not support. There is nothing to indicate that the uses for these extra funds (e.g. “industry projects”) will be for the benefit of all licensees. Concerns that the extra funds could be absorbed somewhere in the administrative system.   |
| <b>EPA response</b> |    | Noted. Would need a process to ensure extra funds not absorbed in admin system.  |
| <b>Submission</b>   | 27 | In theory it sounds good but in practice could create significant issues. We are recycling a lot of waste (cattle feeding, mulching and composting) and would be loathe to fund an organisation when we already are paying for our own disposal procedures and would view this as an unfair subsidy to another business.   |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 28 | No because I cannot see any benefits to small piggeries.   |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 29 | Yes, it is a positive way to help improve / reduce pollutants. However, the fees should not be ridiculously high.  |
| <b>EPA response</b> |    | Noted  |
| <b>Submission</b>   | 36 | Proposal: Have 3-5 tiers of fees, eg low/medium/high, \$1000; \$5000;\$100,000 to meet revenue recovery. Link this to accredited licences, ie drop to a lower fee schedule if you have an accredited licence. Note that accredited licences are only a driver for high fee-payers, and that they do not necessarily reflect reduced risk. The LBL component should be over cost recovery, with no discount on the LBL portion even for accredited licences as the licensee is still polluting the same. This can be a pool of funds available to all licensees. Funds can be used in the following ways: resources (eg officer) to check environmental impact; support research; support monitoring; seed money eg 1:1 for treatment plant. \$100k to coordinate revenue recycling - people won't be happy with that, it can be done in a week. It's ok if the officer is also a technical adviser to industry (with the objective of reducing discharges from these industries). Keep it simple (eg cost-benefit analysis). Those that pay a large LBL fee should have a seat on the panel. |
| <b>EPA response</b> |    | Noted. For further discussion with Reference Group.  |
| <b>Submission</b>   | 37 | No - Contributing to a pool of funds that advantage a select group over all contributors (those that currently report their emissions) is not productive to individual companies that receive no benefit, even though it has environmental advantages. My understanding of option 4 is all would contribute to the recycling but only reporting licensees (via their associations presumably) would gain incentives through grants to improve their emissions & thus achieve long term financial incentives  |

with reduced fees. This would leave non-reporting licensees with a contribution that could never be measured against performance. If the detail of the new fee structure (assuming I have understood the options correctly) could address this anomaly it would be beneficial to all - business & society.

**EPA response**

In the current proposal, all would contribute in proportion to their licence fees and all could apply for grants, ie anomaly would be addressed.

**Submission** 39

No. The levying of licensees to provide excess funds would then create inequities in where & for whom the funds were used to investigate improvements. It would be extremely difficult to manage & be fair to all.

**EPA response**

Noted

**Submission** 42

Revenue Recycling  
> > At first assessment we do not support revenue recycling as described in the discussion document however could potentially agree support once detail is developed and presented about such a scheme including the areas of concern below.  
> \* What will be the basis of grants allocation? Will there a cap on the size of a single grant? Will there be a cap on the number of grants or funding for a single organisation? Will grants be allocated to organisations that have not addressed their environmental responsibilities in a proactive manner?  
> Will grants be allocated only for > '> high profile> '> issues or projects? Will grants be allocated in proportion to the source of revenue between industry types?  
> \* What is the proposed level of revenue recycling? We believe funding for > "> beyond compliance> "> purposes is generally an issue for individual organisations and not funded by wider industry, therefore the level of revenue recycling should be kept to a minimum.  
> Revenue recycling will necessitate the employment of additional administration resources, which may absorb funds intended for actual environmental improvement. We believe that administration costs should come from general revenue as we do not believe at present that we could support Revenue recycling unless 100% of excess revenue collected was returned for environmental improvement purposes. Further, there appears to be no limit on the amount of additional > "> revenue> '> collected. The nominated 25% in the Consultancy Report is certainly excessive and we regard a figure of 5-10% to be more realistic.  
> Revenue Recycling - Proposed Alternative Model  
> An alternative to a centralised grants scheme for industry based projects for environmental improvement, is a scheme whereby the equivalent revenue was returned directly to local community-based organisations, such as revegetation or conservation groups in the form of grants, possibly for specific projects. In such an > '> Environment off-setting> '> scheme we believe that these funds should be returned to organisations in the community where the industry from which the funds were sourced is based. For example we would fund projects and groups in and around our sites in South Australia. >  
> Such a scheme would benefit the community as a whole, foster good relations between industry and the wider community, assist community based organisations in achieving their aims which may benefit the environment or the wider community, and be an equitable means of returning benefits to the community in which an industry is based. The administration of such a scheme is likely to be less onerous than an industry based Environmental Improvement projects scheme and funds from specific areas may be targeted at a smaller number of applicants.  
> Proper recognition should be paid to the source of the funds for > '> Environment Off-Setting> '> which will help provide recognition of the role of industry in working with community groups for a balanced and multi-tiered approach to environmental improvement.

**EPA response**

Noted. Details of revenue recycling to be developed in next stage of project (if we continue with revenue recycling proposal).

**Submission** 43

We are opposed to revenue recycling. There is no economic justification for imposing higher costs on industry than the social costs of damage from their pollution and reallocating the surplus according to predefined criteria. Revenue recycling would result in an economically inefficient allocation of resources and crowd out opportunities for businesses to find innovative solutions to minimise their own pollution emissions. In addition, it may lead to burgeoning administration costs. The Productivity Commission notes that over-recovery, where an agency is required to recover more than the costs of a particular activity so as to fund other unrelated Government activities, is particularly inappropriate.  
Redirecting accumulated funds to targeted projects is an inferior approach to investing in environmental improvement activities, even if the process is administered transparently by an independent expert panel. Instead, businesses are best placed to select the most appropriate pollution reduction investments, since they have more detailed information at hand and have the strongest interest, with a licence fee, to find least cost solutions in the first instance. This frequently results in innovative improvements to environmental quality.

**EPA response**

Noted

**Submission** 44

Revenue Recycling?  
Appendix 4 of the BDA Report (on pages 70 – 71) notes that revenue recycling has similarities to

'hypothecation' or 'earmarking'. It does. The BDA Report also mentions a 25% surplus in licence fees above the current \$6.5 M administering costs. It says the extra \$1.6 M could be recycled to EPA projects to reduce emissions. Economists note that hypothecating taxes is normally not a good policy. This is because the tax funds are not necessarily applied to the 'next most worthwhile application' when allocating public funds. It seems reasonable that licence fees cover the costs of licensing scheduled activities – as they do at present. But funds raised can deliver the best outcome for society when absorbed in general revenue and applied on a needs basis from there. Accordingly, we do not support the 'revenue recycling' model, found in Option 4 of the Discussion Paper

*EPA response*

Noted

*Submission* 45

Revenue Recycling – After careful review of discussion in the consultants report, we advise that we do not support revenue recycling as an additional feature of the licence fee system. Revenue recycling would impose substantial additional administrative costs in managing and returning the recyclable portion of the licence fee to industry, which in turn would further inflate licence fee costs. The consultants report points out that revenue available for recycling would fluctuate from year to year, which would not make the licencing system very predictable for licencees. There is also a concern that larger industries in SA would be required to provide substantially larger contributions to the pool of recyclable funds, relative to the numerous smaller sized enterprises in the State. However, a less targeted incentive structure for the return of the funds would mean larger industry would be effectively subsidising smaller enterprises at the expense of their own continued commercial viability. This would not be an equitable situation. Transparency of the mechanisms used to manage and distribute the incentives to industry would also be a concern. A variable component (such as that provided by load based limits) would provide a limited but notable incentive to pollution prevention. A pollution prevention incentive is only a stated secondary objective of the licence fee system.

*EPA response*

Noted

*Submission* 46

Definitely not. It will be an ever increasing fee. Capped as a percentage means nothing as all you do is increase the base rate to increase the percentage amount. By stealth eventually too few will be paying for all polluters in the community.

*EPA response*

This fee is not intended to be ever increasing. We cannot change the base rate (except by annual CPI rate) without Government (Cabinet) approval. If there are less licensees paying, ie very few polluters, then it is likely that the EPA licensing administration costs will also reduce.

*Submission* 47

With the above response in mind we already contribute many tens of thousands of dollars each year on improving our environmental impact and would prefer to use the additional charge being considered as part of revenue recycling to continue such projects and accreditations such as ISO 14001.

*EPA response*

Noted

*Submission* 48

Revenue Recycling:  
This Council does not support revenue recycling. It is too subjective and we do not need another funding body handing back our own money after propping up another level of bureaucrats.

*EPA response*

Noted. Concern about increased admin costs.

*Submission* 50

No - as for "other comments #1". There is no proof of environmental damage by EPA.

*EPA response*

Noted. This respondent queried the requirement for a dredging licence for their particular application. Will be followed up with respondent.

*Submission* 51

I also highlight that our members are not supportive of the "revenue recycling" concept. However, we are keen to work with the EPA and the Licence Fee Structure Industry Reference Group to identify possible alternatives that meet the EPA's primary and secondary objectives.

*EPA response*

Noted

*Submission* 52

6. Revenue Recycling requires transparency and more focus  
Although returning licence fees to industry to improve environmental outcomes is supported in principle, the concept as described lacks rigour and transparency. If industry is already benefited with reduced licence fees through load based licencing, it seems inappropriate for industry to "double dip" and gain double financial incentive. A well thought-out load based licence system should provide enough benefit by itself to create improved environmental outcomes. Excess licence fees should go towards improving regulatory practice (ie the EPA's efficiency), to innovative pollution control practices and to non-licensed pollution control issues where incentives are not available. Most importantly, such funds could also be used to establish a mechanism for alternative environmental dispute resolution and also for resourcing non-industry stakeholders (ie. community

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|                     |    | conservation groups).   |
| <i>EPA response</i> |    | Alternative use for revenue recycling funds will be discussed when developing details of the licence fee structure, if revenue recycling is selected as part of the licence fee structure.  |
| <i>Submission</i>   | 53 | Currently, we already provide a substantial environmental benefit as a result of our energy generation activities. Through the interception and conversion of methane into electricity our activities provide a net reduction in CO2 equivalent emissions to atmosphere as well as improved air quality. Therefore, charging us additional licence fees for our existing activities that already provide a net environmental benefit through emissions reduction would not be considered a fair approach.   |
| <i>EPA response</i> |    | Noted.  |
| <i>Submission</i>   | 54 | We do not believe that revenue recycling is a fair system as in some industries, in particular the cremation industry; there is very little room for improvement as the equipment used is already state of the art and there is negligible pollutants emitted. The incentive for an industry to improve should be reflected in environment management fees as a better and more efficient industry would require less management and therefore fees could be reduced.   |
| <i>EPA response</i> |    | Noted   |
| <i>Submission</i>   | 55 | 4. Revenue Recycling<br>As a general principle, the fees collected should be used to only cover the cost of administration - if too much is being collected then it is only proper that the fee be reduced. To do otherwise is to create an incentive for the EPA to divert funds from compliance monitoring to other projects. Revenue recycling is not supported, as it would be likely to lead to inefficient outcomes, and cross-subsidisation of licensees.  |
| <i>EPA response</i> |    | Noted.  |
| <i>Submission</i>   | 56 | It is not clear why the EPA recommendation for option 4 contains revenue recycling and option 2 has it removed. There are always advantages to charging more to produce revenue but this may also cause some consternation for licencees in terms of lack of transparency (as to the rationale and basis for charging) and a perception that there are numerous 'freeloaders' (non-point source polluters) that are not being brought to account. In addition, it is understood that Treasury is, in general, against this concept of 'hypothecated' funds. In summary, we therefore would not support the general concept of 'revenue recycling'.  |
| <i>EPA response</i> |    | Noted. Option 4 includes revenue recycling as fees are more likely to reduce under this option.   |
| <i>Submission</i>   | 58 | But use the extra money on enforcement or to get other companies onto licencing.  |
| <i>EPA response</i> |    | We do not plan to increase the total licence fee income.  |
| <i>Submission</i>   | 61 | Yes, but it is an added cost upfront to an organisation that is already struggling to meet all of the fee increases + compliance issues associated with running a health facility. I support it as long as there are people from the EPA available to provide informed comment and support an organisations processes so as to reduce the level of pollutants, which really means it is OK to have grants available from the Revenue Recycling. But there is the need for expertise + guidance from EPA in undertaking these projects. The amount that is to be left for Revenue Recycling needs to be a % and the process for accessing this money needs to be transparent.  |
| <i>EPA response</i> |    | Noted.  |
| <i>Submission</i>   | 63 | This concept is proposed on the basis that, apart from the ability to provide a general "incentive" it also addresses the potential for volatility in variable licence fees having the effect that full "cost recovery" is not achieved. For the reasons detailed above, it is believed that the incentive argument is without merit or foundation. The alternative argument, namely that it addresses the risk of not achieving full cost recovery is based on the assumption that licence fees would repond to the efforts of the licensees as appropriately "incentivised" by the variable nature of the licence fees. Removing that variable nature of the licence fee of course removes the risk of not achieving full cost recovery. In any event, and irrespective of the form of the licence, there are a number of methods of "smoothing" licence fees so as to deal with the risk of volatility in the amount recovered by way of total licence fee revenue from year to year. In other regulatory regimes this is done by providing for a prudent margin for total costs and, where that margin is not used in any one year, reducing licence fees the following year. The same process occurs in reverse in that if the proven margin is insufficient or if costs generally exceeded revenue then the following years that amount is recouped. Assuming a reasonable quality of cost control, these variations should be relatively slight and certainly not offend against the principles of predictability and transparency which are contained in the consultant's report and which are supported. There is an issue generally with "revenue recycling" in that the parties generating the additional revenue will |

certainly not be "recycling" it. As noted above, these parties, particularly on a load based licence structure will never see grants arising from the pool of revenue generated by those licence fees. The very significant capital expenditure already invested in their existing infrastructure and the very large capital expenditure required to change that infrastructure means that these licensees will not be affected in their decisions about infrastructure and therefore environmental outcomes by the existence of grants from this pool of revenue. For this reason the premise for revenue recycling, namely that incentives cause better environmental outcomes causing lower licence fees causing a failure to achieve full cost recovery is extremely unlikely to occur. A more transparent approach (if the EPA determines to proceed with these proposals against objections herein, to apply the incentives and they cause revenue to fall below cost recovery) is revenue recycling as a one-off licence fee adjustment to bridge the movement from one licence fee structure which failed to achieve cost recovery to a new licence fee structure that does so. Making "revenue recycling" a fundamental element of licence fees on an on-going basis is simply revenue raising by another name.

**EPA response**

Noted.

**Submission** 64

A business should only be expected to cover the costs directly associated with its operation. The costs of the required monitors in our proposed project make up over 10% of the equipment costs - +10% GST of course!!

**EPA response**

Noted.

**Submission** 65

Yes

**EPA response**

Noted.

**Submission** 66

I agree with incentives to reduce and manage waste streams better but we should be careful about handing our "prizes" as such schemes are often won by people best resourced to apply for them rather than those that may deserve them.

**EPA response**

Noted.

**Submission** 67

No: raises excess funds on the premise we may get it back.

**EPA response**

Noted

**Submission** 68

Yes

**EPA response**

Noted

**Submission** 73

The idea of revenue recycling is not supported for the following reasons:  
 1. These program are costly to administer both for the controlling body and the agencies seeking funds. Such a program will require the use of limited resources in the application for funding and management thereof instead of direct service provision.  
 2. Grant programs create in-equities between those who have grants approved and those who do not which will result in further management issues for the EPA or the controlling body issuing and managing grants.

**EPA response**

Noted.

**Submission** 75

Revenue Recycling is not supported as again the EPA Waste levy provides this concept through ZWSA

**EPA response**

The waste levy provides incentives for solid waste management only, for projects to reduce waste. Revenue recycling would be available to all licensees, if selected for the licence fee structure.

**Submission** 76

No. If this idea was to proceed then it would be good as part of the next stage of consultation that a framework of how the revenue recycling funds would be administered was included. I would suggest that licence holders would prefer to pay a lower amount and if they wanted to improve their performance then they will invest the money themselves, it may be seen as revenue raising and "just another tax", where many contribute and only a few benefit. In addition there is no incentive for a business/organisation to improve their practices and for those who are in the process of or have improved their practices they are still required to pay the additional amount. Consideration may be given for these licence holders that they only pay the cost recovery fee and not the additional fee. In addition the State Government has provided similar seed funding to businesses over the years to improve their practices so there may be benefit in revisiting the success of these initiatives and whether it is time that industry starts to take ownership and responsibility for all areas of their operation, which includes environmental management.

**EPA response**

Noted.

**Submission** 77 Revenue recycling is a scheme whereby the EPA would collect more from license fees than is required for cost recovery and use the excess funds to support industry based projects for environmental improvements.  
 In principle, we cannot support the proposal for "revenue recycling" as detailed in the discussion paper.  
 Our members have very strong views on this issue and do not believe that the best use of their funds for environmental expenditure is in grants allocated by a grants board (or similar), for generally reducing industrial pollution across the spectrum.  
 They feel that such grants could reward organisations that have not addressed their environmental responsibilities and represent a cost to those who have. Further, there is a possibility that grants may not be allocated to industry types in proportion to the source of the revenue between those industry types. Rather, it is more likely to end up where higher profile issues exist and for industries that may not have addressed their environmental responsibilities, or with inefficient organisations that are unable to comply with their license without financial assistance.  
 We believe that if any excess revenue collected is to be returned to industry, it should be returned directly to the licensees in proportion with the total cost of their licenses. In principle, we believe that industry should not be required to submit to a grants board (or similar), for funds to spend on environmental expenditure which they would have been able to spend directly if revenue recycling was not in place.  
 In particular, we believe that any revenue recycling for the encouragement of "beyond compliance" purposes is an issue for individual organisations and not something that should be funded by wider industry.  
 Lastly, there is the critical issue that any process of revenue recycling will necessitate the establishment of additional administrative structure, which will absorb funds intended for actual environmental improvement, which is contrary to the objects of this review. Also, with no indication of the possible amount of revenue involved, it is also difficult to find any grounds to support this proposal, as currently detailed.

**EPA response** Noted. Grants would be available only for beyond compliance improvement (ie rewarding those organisations who have addressed their environmental responsibilities). However, grants would be available to all licensees and not allocated per industry type (for some licensed activities, there are only 1 or 2 licensees).

**Submission** 79 Revenue Recycling  
 We are aware of a reserved level of support provided by industry to this proposal, and have been advised that industry would want to participate in the equitable and transparent distribution of funds raised through this proposal. As a matter of principle however, we believe that under no circumstances should resources raised through such a scheme be directed to subsidising poor performance. The scheme should recognise, reward and promote best practice.

**EPA response** Noted.

**Submission** 80 Revenue recycling is a simple way for the regulator to balance the books at the end of a financial year. All monies collected during the year, less the cost of operation equals the amount of money returned to the business community to fund improvement initiatives. It is my understanding, that under revenue recycling, any added inefficiency in the administration of the licensing framework would lead to less funding available for improvement initiatives. One could argue that revenue recycling reduces the need for efficiency improvement by the regulator.

**EPA response** Noted.

**Submission** 81 No - this could lead to some industries / business paying more than necessary for licences and not getting the benefits. It would most likely be the case that those industries that are larger - eg wine industry having the bulk of the "recycled funds". Other initiatives to provide for industry based funding for projects should be considered.

**EPA response** Noted.

**Submission** 82 No. Revenue recycling represents a two step indirect process to an incentive while a one step, direct process, that of a load based 'pollution fee', is available.

**EPA response**