



STANDING UP FOR INDUSTRY

STEVE IRONS, LIBERAL MEMBER FOR SWAN IN WEST AUSTRALIA DOESN'T HAVE A PROBLEM WITH ENERGY EFFICIENCY REGULATION, WHAT HE DOES HAVE A PROBLEM WITH IS BUREAUCRATIC DECISIONS MADE WITHOUT CONSULTATION TO INDUSTRY WRITES JONATHAN JACKSON.

There has been much written, particularly in this magazine, about kneejerk reactions by governments to certain social ideals. While there is no doubt governments should listen to the people on matters of environment, a good proportion of those people are manufacturers and industry professionals who bear the brunt of any legislative change.

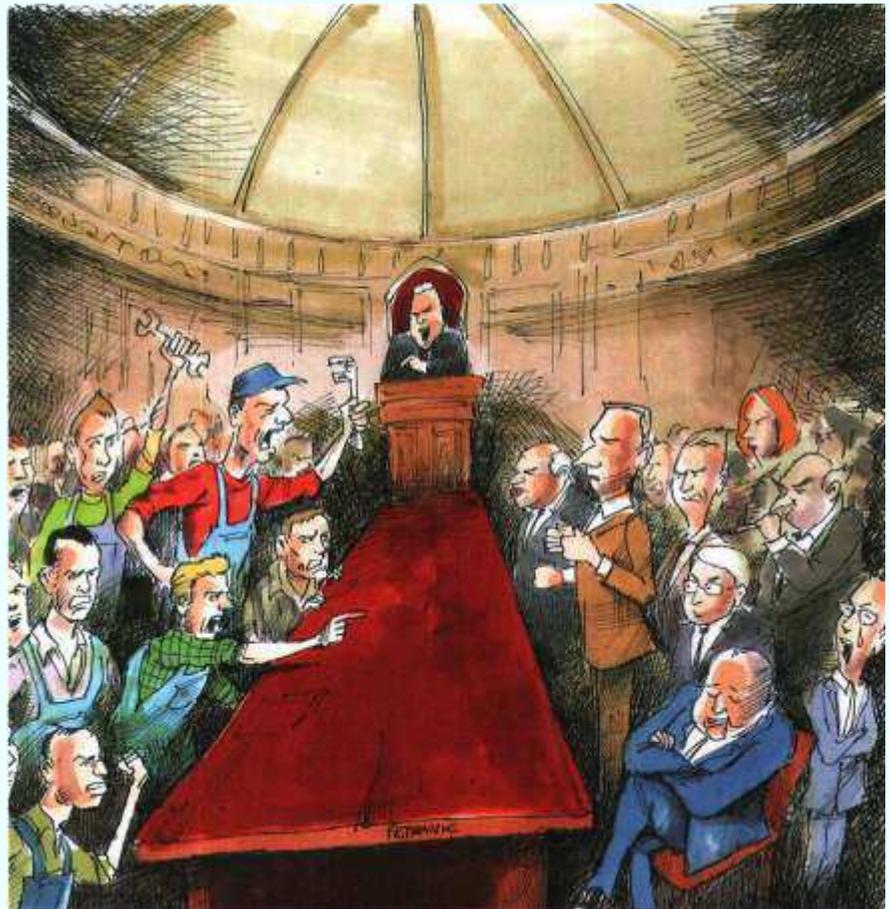
THE PROBLEM WITH MEPS

The fact that there is little industry consultation with particular regard to [Minimum Energy Performance Standards] MEPS and other environmental issues, sticks in the craw of Steve Irons. Steve is not only a member of parliament, for 25 years his family has owned and run a business in the air-conditioning, heating, ventilation and refrigeration sector. He knows the industry, he knows the people in the industry and he is upset at imposts as a result of legislation.

Following is an extract of Steve's Parliamentary speech on this matter:

"On 14 May, like many other members of this place, I received a letter from Phil Wilkinson, CEO of the Australian Institute of Refrigeration, Air Conditioning and Heating, with his communiqué to government in relation to the carbon tax and the particular mechanism in the carbon tax that targets refrigerant gases.

"Refrigerant gases have been dealt with through a carbon equivalent levy under the carbon tax package. This levy will apply to two refrigerant gases, hydrofluorocarbons, HFCs; and sulphur hexafluoride. Refrigerant gases consisting of HFCs are also referred to as synthetic greenhouse gases. HFCs are non-toxic but classified



as having global warming potential. Their use is widespread in cooling and heating buildings, in preserving food and in transport. As AMCA, the Air Conditioning and Mechanical Contractors Association, state in their position paper:

"HFCs will only affect the atmosphere and have a global warming impact if they escape or if the plant is leaking from the refrigerant plant and the refrigerant gases are closely controlled through the Australian refrigeration council licensing system to prevent this.

"If this government or the bureaucrats who have designed this carbon tax with potential loadings had bothered to investigate, they would have realised the industry is not allowed to release refrigerants into the atmosphere. This protocol was introduced during the ozone layer depletion scare period, and as such the regulations forbid release of ozone depleting gases and the wholesalers who sell refrigerants have to actually keep a record of who and what quantity of gases are purchased by contractors. This was also balanced ➤



against a record of whom and what quantities of gases are returned by the same purchasers and, if there is a severe imbalance, that is followed by an investigation where that particular contractor or purchaser can lose their license."

Not only was there already restrictions placed on the industry, but further restrictions would have prohibitive cost and economic effects.

Steve went on to say ...

"Then we have the Minister for Climate Change saying that it is only going to cost \$4 per fridge. If the minister bothered to get out of his climate change tower, he would know that one supermarket alone can hold up to 250 kilograms, and a typical cool room system will hold around 10 to 30 kilograms. Based on some of the figures, this could see rises in costs to the businesses of enormous proportions, which blows out of this atmosphere the minister's '\$4 per fridge' statement.

"There is concern for the viability of the businesses and jobs are at risk, with an estimated 160,000 individuals and a value in 2006 of approximately \$16 billion. In total, this collection of small businesses is estimated to be responsible for systems and equipment that contribute as much as seven per cent of Australia's greenhouse gas emissions. This will equate to an estimated \$300 million liability under the carbon tax. While other industries are attracting industry assistance packages from this government, the heating, ventilation, air-conditioning and refrigeration industry is not. In fact, the government to this point has not even held a roundtable meeting with this industry sector. As VASA, the Automotive, Airconditioning, Electrical and Cooling Technicians of Australasia said in their carbon tax position paper on refrigerants:

"There has been no consultation with the industry on the design and effectiveness of this tax. and no

examination of alternative ways to minimise emissions in the sector."

As a member of parliament and one who could be part of the formation of government on 15 September, Steve hopes that in future government and industry can work more closely together particularly on issues such as MEPS. Perhaps Steve can be the bridge that brings the two together, particularly with his history in this area.

"I guess when MEPs was first introduced we [Steve's company Dunn Air Conditioning WA Pty Ltd] used to distribute imported products on a national basis. Sanyo was an



MP for Swan Steve Irons hopes to bring government and industry closer together should the Liberal Party win power.

international company with whom our head office did business. Our Australian sales took up only two days of their manufacturing time, which was a small part. When MEPs was introduced, these international companies were told that they couldn't import their product unless it met the regulations. These were regulations set down by bureaucrats who have no idea about the industry."

Steve says the part of the problem lies in discerning what is efficient and what is not. How is efficiency on equipment or design measured? If you go to an electrical retailer and buy an air conditioner with a high efficiency label, but install it in a room in which it doesn't work properly it becomes inefficient. MEPS regulations have no control over the installation of equipment. That defeats the purpose of MEPS.

"These measures were a good way

for the government to 'look like' they're being proactive in energy efficiency."

In the meantime when MEPS was introduced non-reputable manufacturers could put whatever ratings they wanted on their equipment and if they weren't tested by a reputable laboratory, there was no way of proving it.

"So there was product coming into the air conditioner space that was being approved but was inefficient. Yet the product technical data showed it could pass regulations. Industry was paying for this through levies on refrigeration import and destruction of refrigerant, but these products didn't achieve the efficiencies that were supposed to be achieved."

The problem with consultation is that many government departments are barren of industry knowledge and not prepared to consult with industry. That is a problem that needs to be addressed. The other problem is that the angst between the two major parties, the regulators and the industry, means that no one is listening to each other.

"I'd like to think under a coalition government this will change, Steve says. However he notes that there will be a lot of work to do.

"In 2007 government said for every one regulation introduced for Australian business one regulation would be removed, now it's over 200 in and only one out which only increases the cost of compliance for Australian business.

This has been a catalyst for the rise of rogue businesses. "Regulations don't stop the rogues," Steve says.

"A few years ago there was a project in the North West of West Australia where the consultant had specified a 3.5kw capacity unit. The client was made another offer of 2.5kw and was told they could run the product into the ground and it would be cheaper to just replace the unit inside the warranty period rather than use the specified capacity unit. So the units would

run continuously and would never satisfy the capacity load when it was most needed. The company that did the right thing didn't get the contract and lost to a company that supplied a product that wouldn't be efficient and therefore defeat the purpose of MEPS. At present there are pod style rooms and apartments being built and designed overseas and they are being fitted with units that don't meet the MEPS requirements. They can bypass MEPS by importing a finished module already fitted with non MEPS complying equipment. This

Some courses being conducted are another problem.

"When you see TAFE give short-term training courses to people to be able to install a wall mount split it's just crazy. "What happens when things go wrong? Electrocutation is just one potential problem for non-trades people."

STEVE'S INDUSTRY FORECAST

The HVAC business has changed since Steve first arrived on the scene. Profit margins have shrunk and there is less a sense of community than there is a sense of competition.

manufacturing through the roof, after which local manufacturers could no longer compete with imports.

"What you have seen is a gradual closing down of Australian manufacturing in the industry and it is now cheaper to import a box of air from China than it is to build it in Australia. This means relationships aren't as strong within the industry. It's a tougher life."

Steve sees part of the problem, for small business in general, is that the current government doesn't encourage business to take risks or invest. There is very little business confidence in Australia under the current government.

"Compliance costs are too high and the ATO is said to be out of control and throwing businesses to wall by foreclosing as quickly as they can if they run into trouble. Again it is an example of a lack of understanding by bureaucracy in how small business works."

Should the Coalition win the September 14 election, Icap will have to undergo a transition as Steve readies for life in government.

Icap has an office in Melbourne and his wife is running the business. The company is looking at branching into marketing bathrooms as a kit and installing them into building projects new and renovated. All assembly would be conducted on site, but the product would be pre-kitted.

Steve has left the business in good hands, should the time come that he must divorce himself from the business completely. In fact, he is looking at two succession plans, one for the business and one in politics where he hopes that when he decides to retire from politics he can entice some fresh voices into the seat of Swan to carry on his work for the community.

Meanwhile, he will continue to point out the inequities in government and legislation that is hurting manufacturing in Australia. ■

“ THE ISSUE FOR THE REFRIGERATION SECTOR IS THAT THEY SHOULD BE LICENCED, PARTICULARLY WHEN THEY ARE DEALING WITH HUNDREDS OF KILOS OF REFRIGERANT THAT COULD LEAK INTO THE ATMOSPHERE. ”

means that the companies who are importing the right equipment are losing out to equipment because the regulations set by bureaucrats can be bypassed.

EVERYONE SHOULD BE LICENCED

Another change that Steve is concerned about is the introduction of the National Occupational Licensing System.

While most in the industry recognise that to get all States to sign off on a national scheme is difficult, Steve believes there is merit if it can be made to work.

"The issue for the refrigeration sector is while there is licensing for plumbers and electricians, refrigeration mechanics are not licensed, when they should be. There must be protection for industry and the training the people are doing, particularly when dealing with hundreds of kilos of refrigerant. You don't want to see that refrigerant go into the atmosphere."

Steve started in 1981 with Dunn Air, eventually becoming the WA state manager, part owner in 1988 and then in 1996 he bought the company and as he jokingly says "I acquired all the debt". When the GST was introduced Steve changed the name of Dunn air conditioning to ICAP Pty Ltd.

In 2007 when Steve entered politics he employed a manager for his ICAP office warehouse in Embleton and worked when he could on the business at night from his home in South Perth. Steve started with a diverse range of air conditioning products and in 2002 won the agency for the Italian product Unico becoming its sole Australian distributor.

Since Steve joined the industry in 1981 the industry in Australia has evolved from manufacturing and producing quality products to marketing imported products. There are very few manufacturers of AC equipment left in Australia compared to the '80s. The change was due to the metal workers union driving the cost of