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PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Federation Chamber

GRIEVANCE DEBATE

Carbon Pricing

SPEECH

Monday, 28 May 2012

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Speaker Irons, Steve, MP	Question No.

Mr IRONS (Swan) (21:34): I rise tonight on the grievance debate with an issue that is relevant to this very day. The event today is a symptom of our economy—and this is what links us to my grievance issue—which is also going to nationally cause more issues like what happened today. In no way am I trying to link today's event with anything else. But what is said in the normal process of administration will bear out the real reasons for that event.

As the House is aware, I own and have had experience in running a business in the air-conditioning, heating, ventilation and refrigeration sector for over 25 years, and I know many of the good people working in the industry across the country. Many of them have become clients of mine and lifelong friends. That is why it is with particular sadness that I learnt with the rest of the country this morning that almost 2,700 workers had been stood down in Victoria, New South Wales and the ACT after the Hastie Group was placed into administration.

Hastie describes itself on its website as the 'leading international designer, installer and maintainer of technical services to the building and infrastructure sectors, mechanical, electrical, hydraulics and refrigeration'. As such, many of the workers who have lost their jobs today will be in the refrigeration, air-conditioning and heating sector of the economy.

The subsidiary of their company in Perth is DESAIR, which my company has had many dealings with from years ago when it was first known as Direct Engineering Services. Direct Engineering Services were pioneers in the air-conditioning industry along with Whitchurch Refrigeration and Airconditioning in the north-west when the mining industry was just starting to launch. At the time, I worked for a company called Dunnair, a national company, and the principal of that company, Rob Dunn, supplied air-conditioning units to the north-west that are still operating today.

This is obviously a tough time for this sector, and I put it to you that this is absolutely the worst time to be contemplating the introduction of a carbon tax, which is causing massive concern across the industry sector.

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 communique 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 and the refrigerant plant and the refrigerant gases closely controlled through the Australian refrigeration council licensing system.

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 who and what quantity 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.

With this government's wealth distribution policy, Australia has now become the only country in the world to apply a carbon tax on HFCs other than Norway and Denmark. In basic terms the price impact of this levy on

refrigerant gases is to be in the region of 300 per cent to 500 per cent. In 2010 it is calculated that some 5,700 tonnes of refrigeration gas was imported. No wonder this government has taxed the HVCAR industry.

As the industry points out, such a large impost will have to be passed down the supply chain to ultimately be paid by small businesses and consumers. The industry is made up of many small-scale businesses across the country. Many other small businesses rely heavily on services provided by the industry so that they too can operate in the business world. Think of butchers needing refrigeration; hotels and aged-care facilities requiring heating; or in fact any business that needs air-conditioning during the 40-plus-degree days of the Australian summer. Your local deli or milk bar requires refrigeration.

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 minimize emissions in the sector.

So this is the context in which this industry finds itself in relation to the carbon tax.

I now want to go into a few specific examples which demonstrate why there is so much concern in the industry and why they have issued such a detailed communique to the members of parliament. With the estimated 300 to 500 per cent increase in costs being so severe, there is serious concern about the creation of a black market, and evidence from overseas suggests this to be more than just a likelihood. In their position paper, the VASA referred to the 'enormous market for refrigerant smugglers' that was created when the US put a large tax on CFCs. They state that 'for a time CFCs were one of the most smuggled items into the United States' and that the tax was withdrawn as a control mechanism in subsequent legislation. It is worth noting that the evidence suggests that CFCs and HFCs are extremely price inelastic, which is why the focus in the past has been through Montreal protocol mechanisms. So ultimately this huge tax impost will be passed all the way down the line to businesses and the consumer, and the government thinks \$10 a week is adequate compensation!

However, the government is not listening to the industry, and I think the institute sums up the current frustration of all these groups when they say the following on page 12 of their communique:

There are very few senior policy makers, in any of the Australian Government agencies that are charged with an industry, energy, environment or climate change focus, who have a familiarity with or any profile within the HVAC&R industry. Of these, there are even fewer Australian Government bureaucrats who are well known to HVAC&R industry stakeholders because of their work on Synthetic Greenhouse Gases (SGGs) or on energy efficiency. The disconnect between DCCEE and DSEWP&C is a significant concern to the industry because it creates confusion around the implementation of the regulation.

The Air Conditioning and Mechanical Contractors Association of Victoria Ltd concurred that industry has not been appropriately consulted. The Commonwealth government, at their recent meeting with the industry, clearly emphasised that they are seeking feedback on implementation and interpretation issues in the exposure draft legislation rather than policy positions. They have not been presented with any adequate Treasury economic models and forecasts.

The industry is still, even at this stage, seeking meetings with senior members of the Australian government. I urge the government, in the five weeks we have left before the carbon tax becomes a reality, to talk to this industry. The

ramifications from this 300 to 500 per cent increase are more significant than the government has factored for. The government must talk to the institute and the bodies which it represents, including the Australian Institute of Refrigeration, Air Conditioning and Heating; the Australian Mechanical Contractors Association; Refrigerants Australia; the Australian Refrigeration Equipment Manufacturers Association; the Chartered Institute of Building Services Engineers; and the Australian Refrigeration Association.

In the short time I have left, I will say that the industry has been on a 20-year journey, moving to better, non-ozone-depleting, lower global-warming and more energy-efficient refrigerants. There is a solid track record in this area, with Australia currently well in advance of its international obligations in terms of HCFC phase-out. The current proposals under consideration internationally offer the most sustainable path to significant and meaningful refrigerant emission reductions over the medium term. I would like to offer my support to that industry.