

Home Insulation Program– Industry Consultation

Wednesday 3 February 2010

MEETING OUTCOMES

Agenda Item 1. Welcome and introduction

The Chair opened the meeting, thanked participants for their attendance and outlined the program for the day. The Chair indicated that this forum would not be discussing the forthcoming Senate enquiry.

Agenda Item 2. Product Quality

The Chair explained arrangements with the new Approved List of Products, tabled a flow chart of the verification process and invited industry comments.

ICANZ made the following points:

A better outcome would be achieved by requiring product accreditation not only product testing.
Some products do not meet the labelling requirements.
Compliant products should be promoted.
There is a cost to industry of compliance and some participants in the program do not invest in compliance activities.
The Approved List of Products is difficult to find on the website.

PIMAA made the following points:

A flood of sub-standard material is being imported.
The Department should explore what role ACCC has in addressing the import issue.
A number of products are below half that of stated ratings.
There is no method for testing post installation.
Legitimate business finds it difficult to compete with cheap non-compliant imports.

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ACIMA made the following point:

Some of the products on the Approved List of Products would not meet the Australian Standard.

AFIA made the following points:

All members of AFIA produce compliant products.
Often people do not know how to interpret the testing certificates.

Small Business made the following point:

While it is relatively easy to get a product up to standard for a single test, ongoing product quality is an issue and this could be addressed through randomised testing.

Agenda Item 3. Down Lights

The Chair explained the background to the mandatory requirement for Downlight covers to be used and invited industry comment.

ICANZ made the following points:

A submission has already been made that downlight covers are not required where the installer warrants that the installation is in accordance with the installation standard and the manufacturer has warranted that the product meets or exceeds the fire safety requirements. An exemption from the mandatory use of downlight covers is appropriate in these circumstances.

PIMAA made the following point:

Entry requirements for installers need to be strengthened to ensure installers understand the safety requirements.

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ACIMA made the following points:

The Lighting Council of Australia is preparing a draft standard on this issue.
The quality of installers is a key issue.
Inspectors undertaking roof inspections should be required to have trade certificates.

Separate from the downlight issue, the 1800 call centre has been providing incorrect information about insulating garages and difficult roofs.

AFIA made the following point:

Prior to this Program foil insulation did not require downlight covers but now it does regardless of how well the wiring rules are met.

Agenda Item 4. Discussion with the Minister for the Environment, Heritage and the Arts, the Hon Peter Garrett AO MP

The Minister explained that his primary concern is for the safety of installers and householders. He indicated the Government's commitment to seeing the program achieving the target of 1.9 million homes insulated, and thanked the industry participants for their ongoing support.

The Minister invited comments from each group represented at the meeting. The issues raised are generally covered under the specific agenda items, however in summary:

ICANZ made the following points:

The job creation is welcomed, but for sustainability, a strong regime of product and manufacturing standards is required to overcome fraudulent activity.

It is important to give the industry adequate notice of proposed changes to the program as planning is essential for business management.

There are ongoing issues with cheap, non-compliant imported materials flooding the market place.

PIMAA made the following points:

The program has great merit and should have been very beneficial of the householder, the community and the environment, however the problems with its implementation, particularly in regard to policing the program requirements, has resulted in a significant waste of tax payer funds, and outcomes which compromise the achievement of the program's goals.

Imported material quality is an ongoing concern both in terms of poor quality and tens if not hundreds of millions of dollars of taxpayer stimulus dollars going offshore to support Chinese, USA and other economies rather than maximize the benefit to Australian manufacturers.

Some program changes have been detrimental to PIMAA's business position. The latest changes to the rebate scheme unfairly discriminates against the Polyester Insulation Industry which has invested heavily to increase production capacity and training of new employees only to now bear the burden of funded excess capacity and high raw material inventories.

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ACIMA made the following points:

The cellulose business has done well under the program and product quality is not an issue. Consideration needs to be given to householder energy efficiency initiatives after this program concludes.

AFIA made the following points:

The program does not deserve some of the media criticism that it has attracted.

There are issues with quality control and counterfeit materials in relation to imported product.

Small business made the following points:

The program is running well for small business which has experienced growth.

Being relatively small has allowed a good deal of flexibility to respond to rapid change.

As with all program participants there are concerns about moving forward towards the end of the program.

Independent manufacturing made the following point:

It is important to ensure that businesses are kept up to date with any proposed program changes to assist with forward planning.

Agenda Item 5. Mandatory training and Competencies

The Chair outlined the new competency requirements and that their introduction was as a result of both industry concerns and the Minister's desire to ensure the safety and well being of participants in the program.

ICANZ made the following points:

Training is an additional cost to industry and there needs to be some certainty about the program for employers to make the investment, including that the amount of assistance will not decrease and that the commitment to insulate 1.9m homes will not change.

ACIMA made the following points:

Cellulose is experiencing difficulty is sourcing relevant training.

There are no guarantees that staff will be retained following the investment in having them trained.

Some RTOs appear to be profiteering from the training for this program.

Help is required to identify trainers who will provide training the training in time and in regional areas.

Most reputable installers will be able to achieve the 12 February 2010 deadline.

Agenda Item 6. Deregistrations and Update on Compliance

The Chair outlined the increase in compliance activity stemming from the strong focus on installer and householder safety and indicated that the increase in compliance actions had resulted in a number of installers being removed from the Installer Provider Register.

PIMAA made the following points:

The list of deregistered installers needs more detail on why installers are deregistered.

The list of deregistrations looks very small in contrast the issues reported

Consideration needs to be given to rectification processes where insulation has not been properly installed.

Insulation materials can be mixed with compliant materials being used for only a proportion of the installation, and with only one label being attached there is scope to complete the job with inferior materials. All labels from bags used in completing works should be attached to the completed works order, except for the one left in the roof space.

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ACIMA made the following points:

There appears an imbalance in who is targeted for desktop audits.

It would be useful to have a public exposure of installers doing the wrong thing.

AFIA made the following point:

There is evidence of fraudulent activity over swapping quote books between colluding installers to provide two quotes.

Small business made the following point:

There needs to be a method for auditing two quotes and many installers do not inform the householder that two quotes are required.

Agenda Item 7. Industry issues and concerns

The Chair invited industry participants to raise issues of concern.

ICANZ made the following points:

There needs to be sufficient time allowed to implement changes to the program.

Public relations activity by the Department could usefully include the benefits of insulation and the various products, not only the program.

Industry should be prepared to provide a warranty on both product and its installation. This would come from the manufacturer and the installer respectively.

ICANZ does not support a proposal to reduce the amount of assistance under the program.

Concern remains over the flood of non-compliant cheap imported product.

Initially ICANZ indicated that demand would be small to moderate and underestimated that the take up would be as strong as it is. Unfortunately this has led to there being far too many installers on the Register.

The Department needs to investigate the possibility of promoting Australian Made products for use in the program.

PIMAA made the following points:

Industry needs early consultation on any proposed program changes.

The Department needs to promote the energy efficiency benefits of the program.

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The costs of providing two quotes, including associated labour costs and the inroads made by the cost of downlight covers, when the amount of assistance has been reduced to \$1,200, are impediments to reputable industry participants.¶

ACIMA made the following points:

The program needs to acknowledge installers as Tradesmen.
Two quotes are a serious impediment to business.
Warranty was provided on product and installation before the program and now less reputable installers cannot give a warranty on their sub-standard product.
The number of installers on the Register needs to be reduced in the interests of program sustainability.

AFIA made the following points:

Promotion of the program could usefully focus on the money to be saved in energy bills.
AFIA supports the PIMAA proposal on accreditation, but not their proposal to further reduce the amount of assistance.
Abolition of the two quote requirement is supported.
Better planning by industry at the outset of the program would have averted the current situation with poor quality imports folding the market.

Small Business made the following points:

It would be helpful to have information on progressive program expenditure.
The proposal to reduce the amount of assistance is not supported as the previous reduction has led to the influx of sub-standard imports.
Open competition in the domestic market for product manufacture is welcomed.

Independent manufacturing made the following point:

It is important to be conscious of the employment stimulus created by the program and the benefits this offers moving forward.

Actions Arising:

Agenda Item 2

- 2.1 The Department will confirm with ACCC the respective roles (re product quality) and progress as appropriate.
- 2.2 ICANZ will coordinate information and put a submission to the Department by end of this week.
- 2.3 The Department will undertake further work on the manufacturing/testing issue following receipt of the ICANZ submission (2.2 above refers).
- 2.4 The Department will review positioning of the Approved List of Products on the website.

Agenda Item 3

- 3.1 The Department will ensure the call centre provides correct, accurate information particularly in relation to garages and difficult roofs.
- 3.2 Mr Hannam, ESNI, will send to the Department evidence of incorrect information being provided by the call centre.

Agenda Item 5

- 5.1 Members to advise where they are encountering difficulties in sourcing training within the required timeframe and the Department will respond with information on training availability, noting that there is information available on the website.
- 5.2 The Department will respond as appropriate to 5.1.

Agenda Item 6

- 6.1 The Department will consider how to better identify reasons for deregistration on the 'name and shame' list.
- 6.2 In relation to remedial work, the Department will consider the scale of the problem and advise the Minister with options to address the issue.
- 6.3 The Department will review the requirement for two quotes.
- 6.4 The Department will review options for identifying products installed, including how onerous it is for installers to attach labelling from all packaging used for individual installations.

Agenda Item 7.

- 7.1 The Department will review information flows to ensure more timely advice, and better information sharing.
- 7.2 Industry consultative meetings will now be held regularly at six week intervals, with action items and minutes distributed following each meeting.
- 7.2.1 The Department will send out advice to installers in relation to product quality and non-compliant materials.

Attendees

**Energy Efficiency Homes Package - Industry Consultation
Wednesday, 3 February 2010**

Attendee	Title/Organisation	Representing
Dennis D'Arcy	Chief Executive Officer Insulation Council of Australia and New Zealand	ICANZ
David Isaacs	General Manager Fletcher Insulation	ICANZ
Anthony Tannous	General Manager CSR Performance Systems	ICANZ
Wayne Allen on behalf of Laurie Moylan	President	ACIMA
Kevin Herbert	Secretary	ACIMA
Matthew Hannam	Director Environmentally Safe Natural Insulation (ESNI)	ACIMA
Greg Rashleigh	Director All Seasons Insulation	ACIMA
Michel Bostrom	Vice President	AFIA
Steve Oliver (attends mtgs on behalf of Brian Tikey)	NSW State Manager Air-Cell Insulation and treasurer	AFIA
Leisa Warren	Managing Director Insulation Superstore	AFIA
Jo-anne Kellock	Executive Director	<u>PIMAA</u>
Warrick Batt	General Manager	<u>PIMAA</u>
Tino Zuzul	Director Martini Industries	<u>PIMAA</u>
Jim Liaskos	Director United Bonded	<u>PIMAA</u>
John Bain	Manager AGI Insulation	Small Business
Alistair Wild	General Manager Knauf Insulation	Independent manufacturing
Stuart Dunbar	Sales and Marketing Knauf Insulation	Independent manufacturing
Tamara Lions	Senior Research Assistant Knauf Insulation	Independent manufacturing
From the Department		
Aaron Hughes	Assistant Secretary Energy Efficiency Taskforce	DEWHA
Kathy Belka	Director Policy	DEWHA
Ross Davidson	Director Stakeholder Management	DEWHA
Louise Courtney	Assistant Director Stakeholder Management	DEWHA
Observers		
John Francis	Public Affairs	DEWHA
Shaun Williams	Stakeholder Management	DEWHA

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EEHP, Melbourne 17/2/10 tabled by
Mr Zuzul

13th November 2009

Re: Changes to Energy Efficient Home Package (EEHP)

Dear Minister,

This letter is to voice our concerns with recent changes to the EEHP and to highlight the impact the decision to reduce the rebate amount will have on local business.

As a polyester insulation manufacturer, Martini Industries Pty Ltd not only support the scheme, but we also applaud the government's initiative in implementing such an ambitious program. However, the recent rebate reduction only works in favour of fiberglass insulation (mostly non compliant imported product) and significantly disadvantages premium insulation such as polyester fibre.

Why was not the industry consulted of the government's intent prior to this decision being announced? The decision is discriminatory and shows little thought was given regarding the ramifications to the entire industry.

Throughout this whole process the government has encouraged companies like ours to invest and increase capacity. I have attended several EEHP meetings on behalf of PIMA (Polyester Insulation Manufacturers Association) where we were frequently asked about capital investment and increased employment numbers.

In response to the government's encouragement to expand our businesses, believing as you indicated (on many occasions) that there would be no major changes to the scheme, Martini Industries ordered a new polyester fibre insulation production line in June 09 at a cost of \$2.5 million. This equipment landed early November and is in the process of being commissioned.

Since the government's announcement re the rebate reduction, we have had mass cancellations of orders. I now have a new production line (that I have financed), with eager new trained employees (that I now have to terminate), with no orders thanks to the announcement. I don't believe the government understands how dire a situation they have created for many.

This dramatic change in business has flowed on to our clients who have also invested heavily with factory leases, purchasing of equipment, trucks and employed people on the basis of relying on the government to keep its word. The net result will be mass job losses and business closures.

Martini Industries are in the process of directly terminating 30-50 staff. Realistically when factoring in subcontractors and clients, job losses will be in the realms of 1200. In talking to other members of PIMA, job losses in total will exceed 5000.

This conservative number represents only the polyester industry. Factor in cellulose, reflective insulation and other premium insulation – who knows what the final job loss number will be?

Is this the outcome the government sort to achieve?

The government is naive if it believes changes to the scheme will eradicate dodgy installers. The change will only force legitimate installers of premium insulation out of business with remaining installers (many of whom are there only to make a quick buck) resorting to purchasing cheap fiberglass to survive.

As a result the majority of Australian taxpayers who have taken up the opportunity to insulate their homes will have low quality non compliant fiberglass insulation in their roof space that does not perform.

We realise the government relies on advice from ICANZ (Insulation Council Australia & New Zealand) when considering changes to the scheme. However ICANZ is only interested in the welfare of its two members, Fletchers & CSR Bradford – both fiberglass manufacturers. The decision to change the rebate favours these massive companies and will destroy the rest of the insulation industry.

It would be like approaching Woolworths and Coles for direction or advice on groceries when their clear intent is in wiping out all other competition, particularly independent operators. The government must keep this analogy in mind when dealing with ICANZ.

Changes to the EEHP should have been discussed prior to any public announcement with all industry associations including ICANZ, PIMA, ACIMA, AFIA, DEWHA, DIISR and those representatives of small business. This process would have provided valuable feedback for the government and may have led to a more universally accepted decision.

The government needs to act in the interests of the entire industry (particularly Australian industry) rather than favouring or heeding advice solely from ICANZ.

You would have received correspondence from PIMA in regarding its view on the latest change to the scheme and their suggestion to introduce a sliding scale to the rebate.

Though we favour PIMA's proposal, another alternative to ensure fairness and competitiveness for all types of insulation is as follows:

- NO MORE FREE INSULATION. The consumer pays for 25% and the Govt 75% of the insulation cost up to a max of \$1200 excluding down lights – irrespective of how small or large the job is.

Therefore if it is a \$1200 fibreglass job, the consumer pays \$300 out of their pocket & the Govt pays the balance of \$900. If it is \$1600 polyester job, the consumer pays \$400 out of their pocket and the Govt \$1200.

If the consumer is paying for a component of the install, they will be more discerning as to what goes in their roof space.

A 75% saving is still a very fair deal for the consumer.

This alternative compromise has gained the support from the many hundreds of clients and installers I have spoken to in recent times. I ask you to consider its merits.

We are hoping the government will once more show initiative and revise its current position to ensure continued employment across the entire insulation industry – not just one segment.

Providing the scheme fairly supports all Australian manufacturers and products it will continue to enjoy support and will realise long term benefits for Australian house holders.

I look forward to your reply on the matter.

Yours Sincerely,

Tino Zuzul
Managing Director
Martini Industries Pty Ltd

EEHP, Melbourne 17/2/10: tabled by Mr Zuzul

\$3.00 per sq meter

OC Pink Batts ex USA

(incl GST)

These batts are rated R19 (USA RATING) to do Aus R3.5t roof insulation

CANNOT be distinguished from local product as it is made to the same exacting standards and specifications!

- ▣ 39,65 sqm. coverage per outer (nominal 430 x 2430)
- ▣ 5 inners per outer pack genuine Pink Batts USA
- ▣ This product is not on the government website and is imported from Owens Corning USA (although they comply with AUS standards) and you cannot tell the difference (Pink Panther)



**ONLY Available in:
Sydney & Melbourne**

Ex warehouse price while stocks last only

*Minimum Purchase of 25 bags while stocks last - start 15th February 2010

To Order:

Barrier Insulation AUS

Contact: Vicki Stein at
vikki@ihug.com.au

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Tingalpa, QLD 4173

Ph: (07) 3390-7772

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