



## **SENATE INQUIRY INTO ENERGY EFFICIENT HOMES PACKAGE**

**SENATE STANDING COMMITTEE ON ENVIRONMENT, COMMUNICATIONS & THE ARTS**

**PIMAA SUBMISSION - 18 DEC 09**

# PIMAA Submission to the Inquiry into the EEHP Dec 09

## **Background**

This submission is being made on behalf of the Polyester Insulation Manufacturers Association of Australia (PIMAA).

PIMAA represents the interests of the Polyester Insulation manufactures by promoting the technical development and increased use of Polyester as a safe and sustainable insulation media.

The membership of PIMAA represents over 90% of the installed capacity for the manufacture of polyester insulation in Australia, and all members are committed to the manufacture and supply of insulation which meets the requirements of the relevant Australian Standards.

Polyester Insulation represented approximately 10% of the turnover of total Insulation Industry at the commencement of the program, and this ratio was confirmed as 10.78% of the Energy Efficient Homes Package (EEHP) based on the advice released by Energy Efficient Homes Team, Department of the Environment, Water, Heritage and the Arts in their Installer Advice 15, dated 13 November 2009.

## **Polyester Insulation**

Polyester Insulation is a superior insulation media in consideration of the following:

- Polyester insulation is initially more expensive to buy, but has a lower cost to install, and is a lower cost option over the extended life and utility of the media;
- Polyester insulation is the only insulation media which can be re-used or recycled after many years of service rather than requiring controlled disposal;
- Polyester insulation is manufactured primarily from recycled polyester fibres;
- The manufacturing process is comprised of blending these recycled fibres and uses heat to bond and stabilize the media into a hardy and resilient fabric; it supplied in either batt or roll form;
- The manufacturing process does not require a high use of energy;
- There are no chemicals or resins used in manufacture and there are miniscule (at environmental background levels) VOCs released into the environment during production or from the finished product;
- Polyester is an inert and stable insulation media using heat to provide an intrinsic bond between fibres and does not rely on friction or introduced chemical adhesives or resins. Consequently it will not settle, nor is the adhesive bond prone to breakdown before the effective life of the underlying insulating media. Insulation made from Polyester is the only commercially available media which will remain effective for the very long life of the Polyester fibres used in manufacture;
- There are no toxic or harmful off gases released from polyester insulation and as such there is no requirement for respiratory PPE during installation;
- There are no carcinogenic resins used in the manufacture of Polyester Insulation and as such there is no requirement for manufacturing workers or installers to take special precautions during handling and use;
- There is no shedding of microscopic or nanofibres from the use of Polyester insulation to cause eye, skin or respiratory irritation and inflammation, and as such there is no requirement for extensive PPE during installation;

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- Polyester insulation is quick and easy to install which makes it both an efficient material for installation purposes, and reduces the time necessary for installers to remain in cramped, hot and confined roof spaces;
- The unique ability for polyester to remain in tact over a very long life span means that it is easy to add further insulation media should increased thermal resistance be required without the need for its removal;
- This unique ability to remain in a stable form for the entire life of the fibre makes it simple and easy to remove and negates the need for special precautions to deal with loose fibres which may be deemed to be injurious to the health of the homeowner or installer/remover.

*“Brookfield (formerly Multiplex) have been using Australian made polyester insulation products for many years*

*Research indicates that Australian made polyester insulation products are non irritant, non toxic, and odourless. Furthermore research indicates that there are no physical or health concerns associated with using the polyester insulation products.*

*The benefits of using the polyester insulation products on Brookfield projects include*

- *Ensures a safer and comfortable environment is provided for construction workers when using insulation products*
- *reduces manual handling issues as the product is lightweight*
- *reduces side effects such as itching after use*

*The product is re-usable which reduces the amount of waste and will not harm the environment.” Paul Breslin, OHS&E Manager, Occupational Health Safety, Brookfield Multiplex Limited*

## **Program Support**

PIMAA has been a strong supporter of the EEHP objectives.

“A Cost Curve for Greenhouse Gas reduction”, Per Anders Enquist, Tomas Naucler & Jerker Rosander, The McKinsey Quarterly, 2007, concludes that building insulation is the most cost effective way to reduce greenhouse gas emissions and results in a net economic gain as a result of the reduced cost of energy usage; see exhibit 1 in attachment.

With proper implementation the EEHP should have delivered significant benefits to the Australian economy, including:

1. Stimulus for employment
2. Investment in infrastructure resulting in the increased economic value of housing in Australia
3. Reduced energy consumption
  - a. lower greenhouse gas emissions
  - b. lower usage cost
  - c. a natural offset to higher energy costs driven by carbon trading initiatives
4. Improved standard of living
  - a. Improved comfort
  - b. Cleaner environment
  - c. Reduced potential for heat stress mortality

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*“...don't you think insulation is sexy stuff? Here's what's sexy about it: saving money. Think about it this way: if you've not upgraded your home yet, it's not just heat or cool air that's escaping – it's energy and money you are wasting.” US President Obama, 15 November 2009.*

## **Program Implementation**

### **Industry consultation**

The EEHP was announced and implemented with minimal industry consultation.

Industry was encouraged to support the program with increases in employment and investment in manufacturing capacity with the certainty of a program which had a designated level of funding and would run for a number of years.

Most members of PIMAA followed the government direction and increased training and employment as well as invested in marketing campaigns to raise consumer awareness of the Program. Millions of dollars were also committed and spent on Capital Equipment programs to increase domestic manufacturing capacity which will progressively come on line early in 2010.

Millions of dollars were also committed to purchase materials for production and to fill a pipeline for supply.

A significant cash outlay is required to fund new employment and training, purchase of capital equipment and raw materials as credit terms are generally not available for this type of purchase. All PIMAA members have made a strong cash commitment to EEHP in anticipation of a future return.

There were a small number of Industry Roundtable meetings held at which the government line was promoted. There was little if any effective dialogue with PIMAA or its members and the Minister has not responded to requests for a meeting to discuss the issues surround the scheme.

### **Implementation**

The implementation of EEHP has been flawed from the very beginning.

There has been little consideration to the proper installation of insulation to ensure its effectiveness. Insulation is generally easy to install for trained professional installers, however this has been misconstrued as being so easy that anyone can do it without an understanding of the principles of correct installation, which is necessary to achieve an effective and safe outcome.

Just as qualifications for one trade (say as an electrician) do not qualify one to undertake another trade (say plumbing) without the need for further training, proper training should be mandatory for insulation installers.

In combination with low barriers to entry to the Industry, the potential to make super profits, and the lack of effective control over the quality of workmanship, has encouraged a flood of new entrants. This has achieved one of the Program's goals; that of increased employment, but at the cost of super profits to many new entrants, unsafe work practices, shoddy workmanship which will result in no benefit to the householder, and a significant waste of tax payer's funds.

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Numerous house fires and a small number of deaths have been attributed by the news media to poor workmanship and lack of proper consideration to installation techniques and the need for appropriate OH&S procedures.

There has also been little consideration to the effectiveness and safety of materials used as insulation media. The program guidelines require Australian standards to be met, however there is no effective mechanism to ensure compliance. Consequently there has been a flood materials imported to Australia which both do not meet Australian standards for performance materials, and represent a significant respiratory health risk to both installers and householders due to excessive levels of formaldehyde which is also a known carcinogen.

The ACCC has been notable by its absence in any action, particularly given the very public nature and high cost of this program to the Australian taxpayer, and despite urging to take an effective role as the Industry Regulator.

In its present form the Program favours inferior or other imports over Australian made manufactures thereby reducing the stimulus benefit for Australian manufacturing industry and Australian workers.

Millions of square metres of insulation batts and rolls have been imported and dumped into the Australian market from China, Thailand, Mexico, the USA and elsewhere.

*“But the fact of the matter is energy efficiency is a perfect example of how this can be a win-win. Manufacturers like Owens Corning, whose CEO is here today, they win because they produce the stuff. And those are American jobs. And right now – I just heard from the CEO, because Australia put an incentive to do exactly what we’re talking about, they’ve seen a huge increase in their volume of exports – exports to Australia.” US President Obama, 15 November 2009.*

## **Changes**

The latest changes to the EEHP, again without consultation, have had a significant detrimental effect on the Polyester Insulation industry in Australia, which is now effectively excluded from the Program.

The effect of these changes needs to be seen in the context of the enormous change to the normal market forces and rational decision making processes as a result of the artificial economic stimulus by the government.

The EEHP has had an enormous take up because it offers “free” insulation rather than necessarily because of the utility or efficacy of the program as a nation building tool or as a mechanism to reduce energy consumption and greenhouse gas emissions.

The reduction of the maximum rebate has resulted in a flight of new installer entrants away from the initially more expensive to buy Polyester Insulation; a decision driven by short term profit imperatives. This has also resulted in a lack of competitiveness for traditional installers who comply with Australian standards for materials and installation and provide warranties for their work, when compared to unscrupulous and unregulated operators and cheap non-compliant imports.

Consequently the demand for Polyester insulation has significantly reduced under this Program. This has already resulted in heavy job losses for newly trained production employees, a significant increase in underutilized capacity which will shortly come on line, just to be mothballed, and a dramatic increase in raw materials and finished goods inventory to support

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the anticipated demand which has subsequently vanished. The effect of this change is a significant cash and cost drain on our members who complied with the government's urging to install additional capacity and ramp up for the Program.

The Polyester Insulation industry is now in a significantly worse predicament than before the Program was announced, and the additional burden from the investment to support EEHP could result in the failure of some of these businesses.

Urgent reform action is necessary to address this unintended but all too real consequence of the government intervention in the market.

## **Solutions**

PIMAA remains firmly in support of the objectives of the EEHP, but believes that the management and administration of the Program needs significant reform to maximize the benefit for the Australian economy, the community and the environment.

PIMAA believes the following steps are necessary:

1. Support local manufacturing industry with government purchasing policies which recognize the positive impact of increased Australian manufacturing employment;
2. Establish a Register of acceptable sources of supply which meet or exceed the appropriate Australian Standards;
3. Recognize and mandate appropriate skills for installers;
4. Require the ACCC or another appropriate body to police and rapidly address non-compliance;
5. Recognize the life cycle benefit of the different materials used as insulating media, and adopt a sliding scale rebate;
6. Introduce the requirement for a co-payment within the scheme requiring the householder to, say, pay the first 25% of the cost of insulation (less than 12 months payback, and which could be funded by the green loans scheme) so that there is a return to rational decision making behaviour of consumers and some "buy-in" from them in the outcome. This measure will also save money and prolong the program to ensure all eligible housing is appropriately insulated;
7. Promote the long term economic, and environmental benefits of the EEHP, and not just the "free insulation aspect";
8. Establish a consultative process to actively engage with industry and consumer stakeholders to ensure maximum value is derived from the EEHP for the Australian taxpayer;
9. Act expeditiously.

## **Contact**

The Polyester Insulation Manufacturers Association of Australia (PIMAA) operates under the auspices of the Council of Textile and Fashion Industries of Australia (TFIA) which represents more than 4000 Textiles, Clothing and Footwear businesses.

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