

SENATE ENVIRONMENT COMMUNICATIONS AND THE ARTS REFERENCES COMMITTEE

INQUIRY INTO THE ENERGY EFFICIENT HOMES PACKAGE (CEILING INSULATION)

No	Date: Hansard page if applicable	Senator	Organisation	Broad Topic	Question
1	17/2/10:13	Fisher	PIMAA	Suspending the program	<p>On notice—that means later—could you provide the committee with your answer to this question: what would your view be if the government suspended the Home Insulation Program, not stopped it dead today but suspended it from today, pending doing exactly the things that you are suggesting the government needs to do?</p>
2	17/2/10:14	Barnett	PIMAA	Letters to ministers	<p>Could you take on notice to more fully respond to Senator Birmingham’s question about the times and dates of those letters to the different ministers and government department officials? Could you take that on notice and let us know the details of when those letters went out and when they came back again? Mr Zuzul—I have a copy of one here.</p> <p>Senator BARNETT—If you are happy to table that, that would be helpful. Are you happy to make that available to the committee?</p> <p>Mr Zuzul—Yes.</p> <p>Senator BARNETT—And are you happy to take that other question on notice and get back to us?</p> <p>Mr Zuzul—Yes.</p>
3	17/2/10:18	Wortley	PIMAA	Effect on polyster industry	<p>The industry believes it is experiencing lower uptake than prior to the Home Insulation Program. Is that correct? Mr Zuzul—PIMAA is representative of several manufactures. I can talk about our business: we were far better off before the scheme started than we are now.</p> <p>Senator WORTLEY—Would you be able to take that on notice and provide the committee with evidence of that?</p> <p>Mr Zuzul—If need be, yes.</p>

From: Tino Zuzul

Subject: RE: Senate inquiry into home insulation , questions taken on notice at 17/2 hearing

Answer to questions raised at the Senate Inquiry on 17th Feb 2010.

- Point 1 – Answer to Senator Fisher: Now irrelevant seeing that the scheme has been cancelled. However, my view if the Government implemented PIMAA's recommendations is that the scheme would have benefited all Australian manufacturers (irrespective of insulation type), installers and consumers long term, rather than the short term fix that existed.
- Point 2 – Answer to Senator Barnett: Letters were sent to Ministers as the table below indicates. Attached are copies of the letters sent and replies received.

EEHP Letters Sent	Dated	Express Post	Reply R'cvd
Senator The Hon Kim Carr	13/11/2009	16/11/2009	10/12/2009
The Hon Greg Hunt	13/11/2009	16/11/2009	2/12/2009
The Hon Christine Milne	13/11/2009	16/11/2009	6/01/2009
The Hon Peter Garrett AM MP	13/11/2009	16/11/2009	No Reply
The Hon Kevin Rudd MP	23/11/2009	25/11/2009	No Reply
The Hon Wayne Swan MP	23/11/2009	25/11/2009	3/12/2009
Chris Hayes MP	26/11/2009	26/11/2009	10/12/2009

- Point 3 – Answer to Senator Wortley: Evidence attached

If any further information is required, please do not hesitate to contact me.

Regards,
Tino Zuzul



Martini Industries Pty Ltd 4 Macdonald Rd Ingleburn NSW 2565 Australia



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

Phone +61 2 9829 2299

Fax +61 2 9829 2211

COPY

13th November 2009

Senator The Hon Kim Carr
Minister for Innovation Industry Science & Research
GPO Box 9839
Canberra ACT 2601

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 fibreglass 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 indicated by Minister Garrett himself (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.

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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 fibreglass 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 fibreglass 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 fibreglass 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.

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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



10 DEC 2009

**OFFICE OF
SENATOR THE HON KIM CARR**

**MINISTER FOR INNOVATION, INDUSTRY,
SCIENCE AND RESEARCH**

07 DEC 2009

Mr Tino Zuzul
Managing Director
Martini Industries Pty Ltd
PO Box 560
INGLEBURN NSW 1890

Dear Mr Zuzul

Thank you for your letter of 13 November 2009 to Senator the Hon Kim Carr MP, Minister for Innovation, Industry, Science and Research, concerning changes to the Energy Efficient Homes Package. The Minister has asked me to respond on his behalf.

The matters you have raised fall within the portfolio responsibility of the Hon Peter Garrett MP, Minister for the Environment, Heritage and the Arts. Minister Garrett is responsible for the Energy Efficient Homes Package. I have forwarded your correspondence to his office for consideration.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jacqueline Levett'.

Jacqueline Levett
Adviser



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

Phone +61 2 9829 2299

Fax +61 2 9829 2211

COPY

13th November 2009

The Hon Greg Hunt
Shadow Minister for Climate Change, Environment & Water
GPO Box 6022
Canberra ACT 2600

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.

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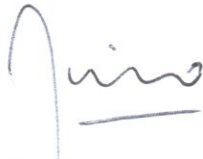
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Providing the scheme fairly supports all Australian manufacturers and products it will continue to enjoy support and will realise long term benefits for Australian house holders.

I look forward to your reply on the matter.

Yours Sincerely,



Tino Zuzul
Managing Director
Martini Industries Pty Ltd



07 DEC 2009

THE HON GREG HUNT MP

Shadow Minister for Climate Change, Environment and Water
Member for Flinders

27 November 2009

Mr Tino Zuzul
Managing Director
Martini Industries Pty Ltd
PO Box 560
INGLEBURN NSW 1890

Dear Mr Zuzul,

Tino

Thank you for your letter dated 13 November 2009, concerning the changes to the Energy Efficient Home Package (EEHP), in particular, the impact on business.

I will do all that I can to assist you in the matter and I have made representations on your behalf to the Minister for the Environment, Heritage and the Arts, the Hon Peter Garrett AO MP.

When I have received a response from the Minister, I will contact you again.

In the meantime, if there is anything further that I can do to assist you in this or any other matter then please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Greg Hunt'.

GREG HUNT MP

GH:ls

Shop 4/184 Salmon Street (PO Box 274), Hastings VIC 3915
Tel: (03) 5979 3188 Fax: (03) 5979 3034

GPO Box 6022, Parliament House, Canberra ACT 2600
Tel: (02) 6277 2276 Fax: (02) 6277 8446



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

Phone +61 2 9829 2299

Fax +61 2 9829 2211

COPY

13th November 2009

The Hon Christine Milne
Deputy Leader of the Australian Greens
GPO Box 6022
Canberra ACT 2600

Re: Changes to Energy Efficient Home Package (EEHP)

Dear Minister,

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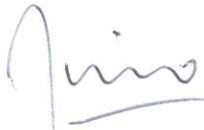
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Yours Sincerely,



Tino Zuzul
Managing Director
Martini Industries Pty Ltd



SENATOR CHRISTINE MILNE
Australian Greens Senator for Tasmania

Mr Tino Zuzul
Martini Industries Pty Ltd
PO Box 560
Ingleburn NSW 1890

6 JAN 2010

December 17 2009

Dear Tino

Re: the Energy Efficient Homes Package (EEHP)

Thank you for your letter notifying Senator Milne of the impacts your business is experiencing as a result of the structure and implementation of the Federal Government's Energy Efficient Homes Package (EEHP). Senator Milne has asked me to respond on her behalf.

While broadly supportive of the objective of the EEHP, the Australian Greens strongly share your concerns regarding the make-up and delivery of the scheme, including recent ad-hoc changes. For this reason we supported the instigation of a Senate Inquiry to investigate the scheme. The Greens ensured that the Inquiry would consider such critical issues as regulation of quoting and installation packages and insulation standards; the impact of the program on insulation prices; the level of imported insulation to meet demand and how this would impact upon Australian insulation businesses; and what consultation and assurances were given by the government to Australian businesses.

I have attached statements from the Australian Greens, and the Inquiry's terms of reference. On behalf of Senator Milne I strongly urge you to make a submission to the Inquiry to ensure that your concerns and the impacts you are experiencing from the EEHP as it is currently being managed are heard, as well as any solutions you want to put forward. This is our best chance of convincing the federal government that the EEHP must be overhauled.

The Australian Greens will continue to advocate for the EEHP to be reformed so that it delivers affordable, quality, appropriately installed insulation to Australian householders and supports Australian jobs.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Imogen Birley'.

Imogen Birley
On behalf of Christine Milne
Deputy Leader of the Australian Greens



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

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COPY

13th November 2009

The Hon Peter Garrett AM MP
Minister for Environment Heritage & Arts
House of Representatives
GPO Box 6022
Canberra ACT 2600

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Dear Minister,

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COPY

23th November 2009

The Hon Kevin Rudd MP
Prime Minister
PO Box 6022
Parliament House
Canberra ACT 2600

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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.

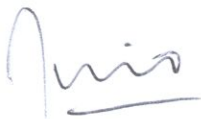
This alternative compromise has gained the support from the many hundreds of clients and installers I have spoken to in recent times. I ask you to consider its merits.

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



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

Phone +61 2 9829 2299

Fax +61 2 9829 2211

COPY

23th November 2009

The Hon Wayne Swan MP
Treasurer
PO Box 6022
Parliament House
Canberra ACT 2600

Re: Changes to Energy Efficient Home Package (EEHP)

Dear Treasurer,

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 fibreglass 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 indicated by Minister Garrett himself (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.

COPY

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 fibreglass 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 fibreglass 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 fibreglass 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.

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

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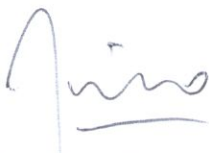
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I look forward to your reply on the matter.

Yours Sincerely,



Tino Zuzul
Managing Director
Martini Industries Pty Ltd



03 DEC 2009

Australian Government

The Treasury

Liaison Unit
The Treasury
Langton Crescent
Canberra ACT 2600

1 DEC 2009

Mr Tino Zuzul
Managing Director
Martini Industries Pty Ltd
PO Box 560
INGLEBURN NSW 1890

Dear Mr Zuzul

Thank you for your letter of 23 November 2009 to the Treasurer concerning the Energy Efficient Homes Package.

As the matter falls more directly within the portfolio responsibilities of the Minister for Environment, Heritage and the Arts, the correspondence has been referred to the Hon Peter Garrett AM MP for his attention.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tony Murray', with a horizontal line drawn through it.

Tony Murray
Manager, Liaison



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

Phone +61 2 9829 2299

Fax +61 2 9829 2211

COPY

26th November 2009

Chris Hayes MP
Federal Member For Werriwa
PO Box 191
Ingleburn NSW 1890

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.

I have written to several key Ministers regarding the chaos created. A copy is attached for your perusal. This list includes:

1. The Hon Kevin Rudd MP
2. The Hon Wayne Swan MP
3. The Hon Peter Garrett AM MP
4. Senator The Hon Kim Carr
5. The Hon Greg Hunt
6. The Hon Christine Milne

As a polyester insulation manufacturer in your electorate, Martini Industries Pty Ltd has been significantly disadvantaged by the decision. Now we have no option but to terminate the employment of many. The attached letter outlines the extent of the job losses.

The winners of this decision are fiberglass manufacturers (of which there are only two in this country) and importers of fiberglass insulation (most of which is non compliant product).

Even the two fiberglass manufactures are importing 50% of their needs from China & Malaysia. Latest industry figures PIMA have (Polyester Insulation Manufacturers Association) suggests approx 70% of the insulation for the scheme is now being imported – thus the stimulus package is helping more businesses and creating more jobs overseas than it is locally.

Surely we are better off extending the time frame of the scheme (not the dollar value) and limiting it to Australian manufactured product?

In any case we would appreciate you taking up this fight not only on our company's behalf but also on behalf of the many other manufacturers, businesses, employees and end consumers in your electorate that will be adversely affected by this decision.

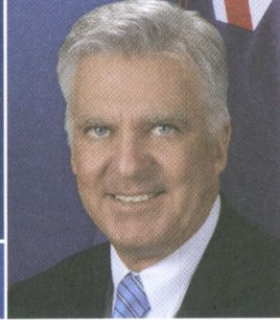
I look forward to your reply on the matter.

Yours Sincerely,

Tino Zuzul
Managing Director
Martini Industries Pty Ltd



Chris Hayes MP



FEDERAL MEMBER FOR WERRIWA – GOVERNMENT WHIP

9 DEC 2009

10 DEC 2009

Ref: ZuzulT-env091130-1522.Doc/AB

Mr Tino Zuzul
Managing Director
Martini Industries Pty Ltd
PO Box 560
INGLEBURN NSW 1890

Dear Mr Zuzul

Thank you for your letter regarding the Australian Government's changes to the Energy Efficient Homes Package. I note that you have directly contacted Prime Minister Kevin Rudd as well as the Treasurer Wayne Swan, Minister for the Environment Peter Garrett and Minister for Innovation, Industry, Science and Research Kim Carr.

I am very concerned by your advice that changes to the Energy Efficient Homes Package have resulted in Martini Industries needing to terminate the employment of a number of employees.

I think it is entirely appropriate that you have taken your concerns directly to the Minister for the Environment, the Hon Peter Garrett MP, who is responsible for overseeing the Energy Efficient Homes Package.

If you have not received a response from the Minister within the coming weeks, please feel free to contact my office on 9829 7477 and I will liaise with the Minister's office on your behalf.

If I can be of any further assistance with matters relating to the Federal Government, please do not hesitate to contact my office on 9829 7477.

Yours sincerely

CHRIS HAYES MP



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

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Fax +61 2 9829 2211

Energy Efficiency Homes Package - Senate Inquiry 17/02/10

Question by Senator Wortley – (re effects of the scheme on Polyester industry)

Answer: The implementation of the insulation scheme and changes made to the scheme since its inception has without doubt adversely affected the polyester industry including Martini Industries Pty Ltd (member of PIMAA).

Issues facing PIMAA members were raised with Min Garrett personally several times. We communicated the adverse impact to our businesses. We outlined solutions that would benefit all products, not just polyester. Min Garret responded with little empathy, or concern.

The following key indicators verify Martini Industries Pty Ltd were substantially better off in Feb 2009 - prior to the scheme's commencement.

Comparing Feb 2010 actual figures to the month of Feb 2009 (reflected as a percentage)

- Sales revenue -18%
- Manufacturing (kilograms produced) -16%
- Shift hours -33%
- Employee numbers +15%
- Raw material holding (polyester fibre) +230%
- Raw material holding (packaging material) +726%

A snap shot of Feb 10 v Feb 09 clearly demonstrates we are not only down in sales revenue, but now have extra overhead costs and increased stock to contend with.

We did experience an increase in business from June – Oct 2009. However, if we compare Feb 2010 actual figures to the month of Oct 2009, we are in an even worse position with sales revenue down 38%.

Then factor in the following:

- We moved into an 8600sqm building in Feb 2009 (upgraded from 4800sqm) following the Governments initial announcement re the scheme.
- In May 09 (after encouragement from Min Garrett to increase capacity) we spent \$2 million on plant & equipment to be delivered Nov. The P&E arrived just as the rebate changed from \$1600 - \$1200 late Oct 09. Our order bank disappeared overnight as installers rushed to buy cheap imported fiberglass. Now we have a new production line that we have to finance – with NO WORK!!!



Martini Industries Pty Ltd

PO Box 560, Ingleburn NSW 1890

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- We have several years supply of raw materials (polyester fibre and packaging) that we have to store and finance.
- We spent time and money training new employees only to let them go.
- Our cash flow position due to overhead increases including raw material purchases has suffered tremendously.
- As at today, we are awaiting \$145,034 owed to us by installers who cannot pay following Min Garrett's announcement (with no notice) to cut the scheme. Many of these clients are winding up their businesses and we probably will never see this money.
- Whereas prior to the scheme, polyester enjoyed a large share in the retro fit market. Now the retro fit market has been destroyed and flooded with non compliant imported insulation that will likely be dumped into the new home market.
- The flood of imported insulation (now in storage) will drive insulation prices down impacting the future viability of many businesses as wholesalers attempt to dispose of stock.
- Thanks to the Government's poor handling of this scheme – 'insulation' is now a dirty word. Public perception of insulation has been tarnished.
- Industry will now have to spend significantly more on marketing themselves. A process that will be costly. Changing public perception is not a quick fix. It will take a lengthy time period to recover from the damage the Government has created.

The facts speak for themselves. No further justification is required.

For Senator Wortley to even suggest Martini Industries Pty Ltd or any other PIMAA member is better off highlights her ignorance to the whole situation.

If any further information is required, Please do not hesitate to contact me. Thank you.

Regards,

Tino Zuzul
Managing Director
Martini Industries Pty Ltd