



If Australian laundries stop, Australia stops!

2023 Household Electrification Submission Laundry Association Australia

Governments & the Laundry Sector

- 1. Support a circular economy.**
- 2. Adopt an economy wide quality approach through the Australian Standard.**
- 3. Maximise the labour force.**
- 4. Embrace technology.**
- 5. Encourage our sustainability.**
- 6. Consult with us as we are the experts.**

Contact for further information or clarification

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The Detail

The Laundry Association Australia (LAA) is the national peak body representing laundry and supply chain businesses across Australia. Our members range from laundromats through to large commercial laundries where 100 tonnes of laundry can be hygienically cleaned a day (100 tonnes is roughly the equivalent of 200,000 towels a day).

The LAA supports the electrification of Australian households, particularly where that assists industries that need gas, given that there is no credible alternative existing.

Overall Issue of Electrification

The issue of electrification and the substitution of gas is a significant issue at the moment. Victoria and the ACT have both embarked on this course of action and we therefore wanted to inform this Senate Committee of the realities of such a proposal, to ensure you do not think this measure can be extended to industry. The outcomes for our sector are negative as would be the impacts on the people of Australia, who are already struggling with cost of living and inflation issues. This is because increased costs to our sector are passed on to consumers, to ensure businesses don't fail and jobs are not lost.

The Laundry Association Australia (LAA) represents commercial laundry operators and textile suppliers across Australia. Throughout the Covid pandemic, the laundry sector was at the frontline, with soiled linen, uniforms and other textiles being hygienically cleaned and made safe through our quality processes. Apart from being a \$1.2 Billion industry, we also employ around 13,500 staff. It would be true to say that without the work of professional laundries, Australian hospitals, hotels, hospitality, aged care and other sectors, literally could not remain operational.

The laundry sector is heavily dependent upon gas to heat water, dry towels etc and provide hygienic cleaning services to customers. The heating is efficiently achieved by the use of gas boilers and other processing equipment, which not only means that high gas prices are impacting us, but that we need the support of governments to understand our needs. We certainly ask that the Senate appreciate that we are a highly innovative and advanced sector in terms of technology, robotics and are embracing Artificial Intelligence (AI). Extensive investigations of alternatives to gas have been undertaken, and it has been found that electrically heated water and processing equipment is less efficient and or not currently available, and overall, more expensive. This is why gas is critical for our sector and electrification should not be extended beyond households.

Apart from increased operating costs, there are also investment challenges. Over the last decade or so the industry has moved to gas-heated ironers, dryers and boilers, therefore uncertainty through government policy undermines business operations and increased efficiency when business cannot have confidence in investing in improving modern boilers.

We would also like you to understand that these sort of government interventions and other policies that raise our costs, will result in those costs being passed onto our Sector's customers such as hospitals, aged care, hotels, restaurants and industrial businesses, directly impacting on the prices they charge their patients or customers. Interventions and higher cost government policies are inflationary measures, which have a negative impact on

the cost of living of all the people of Australia and push interest rates higher for your mortgage holders.

Another impact of removing gas from Australian businesses is that it will make it impossible for small laundries to expand, thereby reducing competition in the commercial laundry marketplace. Gas heated equipment is needed to increase the volume our businesses can push out. While it may be possible to process 500kg of hygienically cleaned sheets, pillowcases, towels, etc a day via washer extractors, smaller commercial laundries that want to achieve just 10 tonnes a day, need high-speed efficient gas heated equipment to achieve those service levels.

A related outcome is that without gas, we face the perverse situation where single-use healthcare products replace the reusable garments and textiles that we currently hygienically clean. The burning or landfill disposal of such single-use healthcare products poses significant negative environmental outcomes. These are important considerations for any gas exclusionary plans, to ensure that electrification doesn't lead to more waste products.

Overall, the inability of our Sector to obtain gas within Australia will drive up our costs, undermine quality, reduce competition, drive up prices our customers have to charge and consequently, through CPI increases, see everyone face higher costs of living and interest rates.

On behalf of the Commercial Laundry Sector, Sector customers, our members and in the best interests of the people of Australia, we ask that you ensure the long-term maintenance of commercial gas supplies in Australia.

Our Environmental Sustainability

The LAA Members and our Sector are the best example of a sustainable and environmentally effective sector. We are committed to the circular economy of reusing textiles, rather than the single use and incineration approach too often adopted in this pandemic environment. Our high-tech washing machines and laundry plants reuse water to achieve the highest levels of efficiency, and we continue to seek new technology to pursue an ultimate goal of a closed loop of water use, along with minimising our use of energy and chemicals.

Our energy use is significant and we are always looking to reduce our energy needs and costs in order to achieve the best sustainable outcomes.

Our Business Sustainability, Costs and Prices

As previously stated, without our Sector, other sectors such as health, aged care, accommodation, mining and hospitality would not be able to operate. That is why business sustainability, or 'keeping the doors open' is so important. Business sustainability drives our innovation and efficiency, however the circular economy, innovation, recycling and re-use can only make us so efficient. Our business sustainability remains strongly impacted by many costs including:

- the imports of textiles,
- labour and increased inflexibility imposed by governments,
- electricity and gas,
- water,
- chemicals, and
- insurance access and costs.

Our prices to customers have over the last decade been artificially low, reducing our margins. This has been due to a number of factors, both internal and external. These prices and the resulting low returns have served to undermine the business cases for new entrants and capital investment. Now with all the above costs increasing substantially, through government policy and international developments, those costs must be passed on to ensure that our businesses keep operating and our supported sectors are not brought to a halt. Of all these costs, labour is the highest cost and that is followed by gas, which is required to heat water. 300% increases have taken place over the last two years and gas is vital to our operations. One member was paying \$24,000 per month for gas at the start of 2022, and is now paying \$60,000. Those costs have to be passed on to our customers or our businesses will fail. Labour cost increases, gas and electricity increases, fuel etc, are all significant inflationary pressures on the Australian economy. We therefore see a benefit for having less gas demand from households, thereby ensuring better supply for industry. We would however make the point that it is naïve for policy makers to suggest that industries such as ours can transition to electricity. It is just not possible.

All these costs can be positively and negatively influenced by government policies, with those costs flowing through to the cost of living for Australians. We therefore take this opportunity to say to Senators that the Federal Government should not introduce more, but rather reverse policies that increase these costs and thereby drive-up inflation and therefore the costs for all Australians. At all times Government should consult the LAA on matters likely to affect the businesses, staff and customers of the sector, in order to understand the full range of outcomes.

Household Electrification

Essentially the removal of gas demand from households would be on benefit to our sector, as it would free up demand for those sectors that need reliable supply and reasonable costs. This is important for our industries that can only realistically use gas for heat and steam generation.

We would also add that the recent opening of the \$150 Million Hazelwood battery facility, that can power 75,000 homes for one hour should not be seen as a panacea and is not a realistic path forward for business electrification. This is an highly expensive abatement option, and such an approach, when extrapolated across the country would require 128 such batteries at a cost of \$19.2 Billion, for a single hour of power. Although clearly unrealistic, for those that see these batteries as the solution for full gas and coal powered replacement, 24 hours of coverage for the whole nation would require 3,072 batteries built at a cost of \$460 Billion, with an expected working life of 20 years. That would still need

substantial power generation to recharge these batteries. It is however accepted that batteries such as the one at Hazelwood, are not designed or intended to help lower household power bills, but only to help with peak capacity shortfalls. Ultimately however, the costs of such batteries would be reflected in electricity prices passed on to consumers. For this reason, we recommend to the Senate that this electrification proposal and related measures (such as batteries) should have a full disclosure of costs that will be placed upon taxpayers and consumers.

Summary

The LAA:

1. Supports a gas substitution program via electrification for households.
2. Rejects any similar business program, as unrealistic and naïve.
3. Supports full cost disclosure statements to the Australian people for batteries or other such measures, in both additional tax burdens and in actual retail cost impacts.