

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

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TO WHOM IT MAY CONCERN

This letter is in response to the request for submission, with regard to the Save Our Solar (Solar Rebate Protection) Bill 2008 [No. 2], requested by the Senate Standing Committee on Environment, Communications and the Arts.

Solco Ltd was listed on the Australian Stock Exchange in 2000, originally as Solar Energy Systems, a manufacturer and distributor of solar photovoltaic (PV) pumps. Since then Solco has grown its business nationally to include all PV products – particularly PV systems and components suitable for either on or off the electricity grid.

Through acquisition, Solco's operations now include a PV wholesale and distribution company (Choice Electric), which has a 25-year history and has been one of the pioneers of the Australian Solar industry.

As a result we are in a position of some authority to comment upon the effect the Government's \$100,000 taxable household income means test is having.

Whilst we do not hold official statistics, our knowledge over the 25 years of operation in this market, and the feedback which we have received from our distributors nationally, confirms the following impacts:

(a) the impact of the means test threshold of \$100 000 on the \$8 000 solar rebate per household on the solar industry – our market intelligence shows that around 80% of the market for solar power systems (as opposed to solar hot water systems) is from households with an income of \$100,000 upwards. This, of course, does not include retirees, who often have capital but lower incomes. Indeed, when we offered solar power systems to our shareholders last financial year, many of these were retirees; we would judge that those who were not, most had household incomes of over \$100,000.

As part of our budgeting for the current financial year, we surveyed our top 70 dealers. Collectively, they are predicting 30% lower sales for this year as compared to last.

Many of our dealers/installers have told us of a substantial drop off in applications for pre-approval for rebates. There are stories of households having saved up for a year for their solar power system, only to have an income just over the rebate threshold. Some dealers tell

of a substantial reduction in enquiries; other tell of lost marketing dollars as now the majority of those targeted by campaigns are now ineligible.

Electricians, new to the solar industry after spending their time and money undertaking the requisite training to become BCSE-Accredited, now talk of being let down by the Government. Not only has their market evaporated overnight, but they don't even qualify for the rebate for their own homes!

(b) the effect on the uptake of solar panels by Australian households, comparing state-by-state results: our information shows that the Victorian market has been hit the hardest initially, followed by NSW and then QLD. The WA market appears to be the least affected. It appears that installers in WA have been more successful at targeting those with household incomes below \$100,000.

(c) the impact on the number of applications for the \$8 000 since the budget decision to impose the means test: at the moment order books are still full. This reflects the lag between rebate pre-approval applications, firm orders and completion of the installations. However, looking at pre-approvals coming through for Victoria in particular, we see a significant slowing of the market in the fourth quarter of 2008, and into 2009.

(d) the impact on jobs in the solar industry, comparing state-by-state results: we are not aware of a significant loss of jobs from our dealers/installers; rather we have seen some of the newer entrants go back to their previous activities – ie. 100% electrical contractor work. This is a net loss of talent to the Solar industry.

(e) the impact on emissions reductions as a consequence of this decision, comparing state-by-state results: we believe that the number of applications in the pre-approval stage has probably not decreased significantly. What we believe will be the outcome will be a reduction in average size from 1.6 kW to just 1 kW. This means that the Government's funding is not being leveraged to the degree it was previously, and less carbon dioxide is being mitigated – surely not the desired outcome?

(f) the consultation that occurred within government, including departments and agencies, prior to the decision and the input of each department and agency on the measure: if this had occurred, Solco would have advocated a reduction in the rebate itself rather than impose an artificial market barrier. See attached documentation to which we subscribe.

(g) the economic and environmental modelling underpinning the decision to impose the means test: evidence seems to suggest that no modelling was done. Just take the facts for starters: a solar hot water system costs under \$5,000 installed and provides 60%+ of hot water needs per year. It pays itself back within 5 – 7 years but only has an average 10 year life before requiring replacement. The carbon dioxide abatement is good but not as large as a solar power system over its lifetime.

A 1 kW solar power system costs around \$12,000, and provides about half the electricity for an average 3-person home. Without a rebate or gross feed-in tariff, its payback is about 15 years. However, it's warrantable life is 20years and it's expected life is 40 years! The CO₂

abatement is significant, particularly as the solar power produced closely matches peak demand in summer.

(h) the extent of the discussion prior to the decision with the solar panel industry on the impact of the decision: there was no discussion prior to the implementation of the means test at 12.00 AM post budget. It was a cliff-face none of us in the industry was expecting from a government who went to the election ready to sign the Kyoto Protocol, to extend the Mandatory renewable Energy Target, implement Emissions Trading and a feed-in tariff and clearly supporting the renewable energy industry to deliver these programs and targets.

(i) the future viability of, and effects on, the solar industry as a result of the means test; the solar power industry has turned to the National Solar Schools program and other markets in order to fill the gap. However, there are not enough schools for more than a few per installer; indeed, we question the wisdom of making each school locally contestable rather than having a regional tender. If the latter were the case, then once again the government would leverage more 'bang for its buck' by companies such as ourselves and larger installer companies being able to create economies of scale. We would also then be able to provide marketing 'add-ons', such as a solar power data display in every school foyer at no additional cost.

(j) the impact on the Solar Cities programs at various sites around Australia and other related programs: Solco is not involved in any of the Solar Cities programs. However, we believe from talking to some participants that the means test has had a devastating effect upon their solar power response rate and implementation strategy. Refer to comments in (a) above.

(k) other relevant matters: the turmoil around the introduction of a means test just confirms the fragility of rebates for industry development and investment. At Solco we firmly believe that Gross Feed-in Tariffs is the correct model to encourage the investment and take-up of renewable energy solutions.

Most countries interested in supporting the switch to renewable energy technologies have implemented Gross Feed-in Tariffs. Australia needs a national scheme.

Solco would be very pleased to appear at any face-to-face enquiry to elaborate upon these points above.

Yours sincerely



Alex Lamond CEO