

To the Senate Committee looking at the issue of means testing solar photovoltaic (PV) rebates.

I, and I speak for many small business owners in the industry, feel that whilst the signing of the Kyoto Protocol was a nice symbolic gesture, when it came to doing something that really made a difference, the Government not only failed to do something that kept the status quo, but have gutted a scheme that made a positive difference to "working families", to our solar industry and to climate change.

As an industry we have worked over many years with Ministers and Departmental Advisors to explain the serious impacts on small business of knee-jerk policy decisions. There were problems of this nature with the Coalition Government when they first came to Office and with years of liaison they finally came to understand the impacts they caused and instead started to produce more subtle changes to policy which did not create so many problems for all stakeholders in the renewable energy industry. With a change of Government we are back to the drawing board with another decade of liaison to try and get industry stability and no doubt the roller coaster cycle will continue again with the next change of the guard.

The industry at all levels felt with the last rebate announcements before the election where the Government committed to a 5 year funding program there would finally be stability sufficient to invest in capital and labour. The rebate was generous and could make a real difference and finally having long term funding gave us all reassurance. The double effect of a means test and bringing forward funding reducing the rebate from 5 years to 3 years has had severe impacts on many businesses.

#### THE EFFECT

Local manufacturers such as BP Solar, Latronics and Selectronics had geared up production facilities, invested money in plant and infrastructure, employed many "working family" wage earners to produce solar panels and inverters on extended shifts, imported product to supply the industry what it needed and carried large inventory to assist. Many of the "working family" wage earners will be on reduced shifts or unemployed as a result of the decisions.

Importers and distributors of products for grid-feed systems have committed large amounts of money and human resources to source and hold large stocks of inventory which will be now creating financial issues due to the huge level of cancelled orders. Once again more unemployment for the very people who need the support and financial difficulty in business.

The people at the bottom who are selling and installing these systems are small business people and they have increased their employee numbers on the basis of Government commitment. Within days of the budget, orders were being cancelled and employees laid off. Commitments of time and money to grow a business, commitment to additional infrastructure and additional capital expenditure are all things that a small business does on a shoestring and to have the rug pulled out from under their feet by the sudden death announcement in the budget is incredibly shortsighted, in fact myopic.

The industry has been bending over backwards to train new people for this growth industry that Government was supposedly supporting. Many of those who took the extensive time and large financial commitment to undertake training for the industry are now feeling it has been a total waste.

### THE CAUSE

The Government has announced 2 measures; one is the means test at \$100,000 and the other is the packing the 5 years funding into 3 years and changing the rebate name.

The reality is that it is the people with greater disposable income who have the capacity to change their carbon footprint. Not only that, they are also the people who have not stopped at the entry level solar system of 1 Kilowatt but have chosen in most cases to go for a bigger system. This has not made any difference to the rebate take up as they were already at the cap of \$8000, but it made a difference to the panel numbers being sold which was a major support for manufacturers and distributors down the line to the installers. These buyers are the very people Government has decided to cut out of the market. Those that are left have reduced disposable income and will maximise the take up of the rebate for the minimum numbers of solar panels on roofs. Effectively Government has created additional unemployment and business hardship as well as reducing both the impact of climate change strategies and also people's ability to contribute to climate change in one single decision WELL DONE!

The bringing forward 5 year's funding into 3 brings back short term business decision making, which is in effect a no-planning model. The amount of funding Government has bought forward means that for the next 2 years there will only be funding for 267 systems per month compared to the 900 per month current up until the budget. So even without the means test the scheme has been gutted by over two thirds.

### THE SOLUTION

All of us in the industry at all levels were aware of the problems faced by the faster than anticipated take up of the PVRP funding and we addressed this with proposals from the industry body, the Clean Energy Council, which were endorsed by the membership nationally. These were provided to Government prior to the budget and they had multiple goals. These were to:

- commit to greenhouse gas abatement, raise public awareness of issues around energy use, and provide everyone in the community an opportunity to make a difference.
- slow the take up of the existing funding so that it was sustainable and hence allow industry to operate with proper planning.
- ensure equitable commitment from purchasers and ensure the rebate was not seen as a handout by Government.
- encourage larger system purchases so that the maximum amount of solar was on roofs for the amount of rebate provided by government.
- grow the photovoltaic industry in Australia by providing a stop gap measure until carbon trading systems and national feed-in tariffs had been established
- provide sustainable business growth for the industry at all levels thus providing training and employment opportunities in an industry the Government had told the public it supported.

That solution was simply to provide a small amount of funds to top up the existing funding and change the guidelines for the rebate from the current \$8 per Watt to 50% of system cost (which reflects the successful RRP GP funding currently used for remote areas) up to a cap of \$12,000 .

This recommendation is still endorsed by the industry, it is simple and meets all the goals outlined. The budget decision meets none of them. I hope that the Government will understand the impact of their decisions and rescind them immediately, liaise with the peak industry body and develop proposals that actually do something for the "working families" the Government said it would support, as well as do something real for the climate change commitment made to the Australian people.

This industry realises that a rebate is not a long term solution and the rebate is seen as a stop gap measure until a National Gross Feed-In Tariff (NGFIT) is mandated. While individual States are tackling this issue it needs a national approach and hence there will a few years between now and when such a NGFIT can be realised and it is in this between period that could see Australia slip off the radar completely as a serious player in the PV industry. It is therefore important that the means test is repealed and the funding commitment returned to 5 years (perhaps with a small change to the funding amounts as detailed above) to ensure the industry remains a viable one.

10 years ago we were world leaders in this industry and now we are near the bottom of the pile in both R&D as well as PV sales. In that same 10 years Germany went from being near the bottom of the pile to being the biggest supplier and installer of PV in the world simply through Government support as an identified growth industry with a huge potential.

**AUSTRALIA'S PLACE IN THE WORLD AS A COUNTRY WITH A VIABLE PHOTOVOLTAIC INDUSTRY IS AT THE CROSSROADS AND IT IS YOUR DECISION WHICH WILL MAKE A DIFFERENCE.**

*Brian England*

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