

ROBERT W. PARRY FCA
CHARTERED ACCOUNTANT
A Member of The Institute of Chartered Accountants in Australia since 1951
ABN: 20 654 969 457

Submission

to the

Inquiry into
Save Our Solar (Solar Rebate Protection) Bill 2008 [No. 2]

conducted by the

Senate Environment, Communications and the Arts
Committee

August 2008

I have been keenly interested in solar energy in respect of water heating and electricity generation for many years and I have been closely following parliamentary debates and the numerous “questions without notice”. I have also combed the internet and other sources of information.

I fully support the submissions to this enquiry outlining the disastrous effect the recently announced means test threshold of \$100,000 taxable income for families has had on the solar industry. The announcement in the 2008-2009 budget on the evening of 13th May 2008 introducing the \$100,000 taxable income means test for families, effective immediately, was clearly designed to stifle the growing demand for solar panels.

The belated written submission to the inquiry by the Department of the Environment, Water, Heritage and the Arts reveals that the Department is not seriously pursuing the highly desirable rapid development of renewable energy sources, particularly that of solar power. Indeed, the Department has never given any more than token support for solar panels.

Their submission’s Attachment B reveals the following installation figures.

After the introduction of the first rebate (of up to \$8,250) in 1999-2000 the number of solar systems **installed** grew from almost zero in January 2000 to 30 systems in August 2000 and jumped to 63 in September 2000. This jump apparently panicked the Department.

The rebate was trimmed to a maximum of \$7,500 in October 2000 because, the Department decided, there had been an “unexpectedly high demand” since the \$8,250 rebate had been introduced and so there was “the need to moderate the demand for rebates, to institute caps on expenditure and to avoid a “stop start” effect on the program which would be detrimental to the desired industry development outcomes”.

My mind boggles at how the Department could possibly call 63 installations throughout Australia in one month “unexpectedly high”. How many had they expected?

This change resulted in the number of monthly installations remaining below 50 until November 2002 when the number rose to 75 (from 36 in October 2002) and continued, relatively strongly, with December 62, January 62, February 79, March 79 and April 70.

In the May 2003 budget for 2003 – 2004 the maximum rebate was slashed to \$4,000 (\$4 per watt up to 1 kW) and the May 2003 installations plummeted to 36. In the twelve months ended 30th April 2004 just 588 installations were made, in the next year 526 and the following year ended 30th April 2006 the total was 740.

Installations continued to strengthen and reached 970 in the year ended 30th April 2007 with 322 of them being made in the last three months.

The May 2007 budget for 2007 – 2008 doubled the rebate to \$8,000 (\$8 per watt up to 1 kW) with the result that installations escalated. The following months' installations were – May 59, June 94, July 232, August 272, September 297, October 441, November 490, December 320, January 422, February 519, March 401, April 566 and May 459. The installations during the year ended 30th April 2008 totaled 4513 resulting in \$36,104,000 being paid for rebates (assuming they each received \$8,000).

In the May 2008 budget for 2008 – 2009 the new government left the amount of the rebate unchanged but introduced a family income means test of \$100,000 per annum, effective immediately. The installations completed in June 2008 understandably dropped to 343.

When examining these **installation** figures it is important to remember that it takes up to six weeks for the Department to process the requisite “Residential application for pre-approval” form. This 7-page form calls for a lot of personal information about the applicant including an answer to the question “What is your family’s taxable income?”

The form does not call for the exact figure to be stated by includes a series of five boxes labeled:

\$0 - \$20,000

\$20,001 - \$40,000

\$40,001 - \$60,001

\$60,001 - \$80,000

\$80,001 - \$99,999 and requires one box to be ticked.

I believe that this question is a serious breach of the Privacy Act 1988 because it represents “an unwanted and unnecessary intrusion into the private life” of the applicant. For the purpose of the application, a mere statement that the family’s taxable income was less than \$100,000 for the last completed tax year prior to the pre approval application being lodged, is all that is necessary.

It is relevant to remind this inquiry that, in speaking on the second reading of the RENEWABLE ENERGY (ELECTRICITY) AMENDMENT BILL 2006 on the 20th June 2006 Mr Steve Georganas (Hindmarsh, ALP, Opposition) criticised the government because the \$4,000 rebate “is to be phased out in June 2007” He went on to say “It is unfortunate that such initiatives will not remain in place and available to greater numbers of Australian households who may become aware and convinced of such a scheme’s merits over time.”

The then government did not phase out the \$4,000 rebate – it doubled it to \$8,000 in May 2007 and announced that it was to remain at that level for the next five years.

On page 2 of its aforementioned submission, the Department reveals that, not only had the means test been introduced but, “the five-year program extension announced in the 2007-2008 Budget has been reduced to three years”.

When the then Prime Minister (John Howard) was interviewed on the Channel Seven Sunrise program on the 9th May 2007 (following the delivery of the 2007-2008 Budget) he was questioned about “People saying not much on climate change” had been done.

Mr. Howard replied “Well we have done something that I know your program is very interested in, and that is double from \$4,000 to \$8,000 for the solar rebate. And that is a demand driven program. So as many households as want it, can have it. I mean there are estimates made for Budget purposes but if it turns out to be more popular, well more money will be made available.”

As an accountant who has resided in the “Green Wedge” of Melbourne for the past 37 years I have done my utmost to be a good citizen in protecting the environment.

My five-acre block (which has town water supply) is registered as “Land for Wildlife” and I have installed four water tanks for fire protection and garden watering purposes. The most recent installation was a 33,000-litre tank which I purchased a few months ago and is already full.

When my hot water unit required replacement (after 32 years of service) a few years ago I opted for a solar system and decided to avail myself of the applicable government rebate. The installation was severely delayed by the paper work and the rebate took some time to be forthcoming. In retrospect, I would have been better off had I got a plumber to do the installation and had the use of the new system months earlier.

I inquired about solar panels (when the rebate was \$4,000) at the same time as the solar hot water system and decided that it would be imprudent on a cost/benefit basis to install the solar panels.

The doubling of the rebate to \$8,000 naturally made it more attractive, but still far from justifiable from a pure investment viewpoint.

As may be seen from the attached chart, which I have prepared from a quotation I received two weeks ago, the smallest unit which qualifies for the \$8,000 rebate would reduce my electricity bill for a year by a mere \$195.

The cost of the unit is \$6,990 (after deducting the \$8,000 rebate) so the \$195 represents a return of 2.79% p.a. on the \$6,990 “investment”, without allowing anything for amortisation of the \$6,990 (which should be written off over no more than 20 years – that is, at \$349.50 p.a.).

Without the rebate the same unit’s cost is \$14,990 so the \$159 return on that investment is only 1.3% p.a. without allowing for a 20-year amortisation figure of \$749.50 p.a.

Whilst the Minister for the Environment (Mr. Peter Garrett) has repeatedly said that those families with \$100,000 or more annual taxable income can afford to pay the full cost of solar units, he misses the main point whilst creating a further maze of red-tape.

It is not a question of ability to pay - the real reason for the rebate is to encourage everyone to go solar and the **promise** of the previous government was that it would be available for **everyone** for the next **five** years.

The breach of that undertaking is a very serious blow to the industry, which, in response to the 2007 promise, has expanded significantly. If Australia is to really make the best possible attack on climate change, we should be striving to have at least 50% of houses and public buildings covered with solar panels as soon as possible.

The current rebate of \$8,000 has been capped at \$8 per watt up to 1,000 watts. So as to really encourage the installation of the more efficient larger installations the cap should be immediately removed and applied to all installations – whether they are on principal residences, holiday homes, schools, churches, offices, factories or public buildings.

Electricity is the logical power source for future energy requirements and, with proper planning and incentives, Australia is in a position to lead the world with a very large portion being provided by solar.

I can remember when Launceston had electric powered trolley buses, which were replaced by diesel buses many years ago.

We should now be planning to replace all diesel buses with battery ones (which can be recharged with solar power) similar to “Tindo” - the Adelaide solar electric bus which the City of Adelaide’s information web-site explains “will be used every day by the people of Adelaide through the Adelaide City Council’s free Adelaide Connector Bus Service.

“The solar PV system on the Bus Station’s roof is currently Adelaide’s largest grid-connected system, generating almost 70,000 kilowatt hours of zero carbon emissions electricity each year to offset the total energy required to recharge Tindo’s batteries.

Much of the funding for this \$550,000 solar PV system was generously provided by the Australian Government through the Adelaide Solar City program, with the Adelaide City Council also committing significant funding.”

Long-range plans should embrace electifying at least the rail links between capital cities and large provincial towns.

The principle thinking to date has been concentrated on installing solar panels on principal places of residence and a relatively few schools and community buildings.

I was not surprised by the recent disastrous changes to the rebate scheme because the present Minister for the Environment has, in the very short time he has held his position, done several things which will be detrimental to the environment.

These include, the dredging of Port Phillip Bay, the deepening of the entrance to the Bay, the dumping of huge quantities of toxic waste in the Bay and the construction of a pipe-line to drain vitally needed water from the Goulburn River to Melbourne instead of leaving it to service its immediate locality with any surplus flowing into the desperate Murray River.

A quick back-flip on the unfair \$100,000 working family means test on solar panels would be a refreshing move for the Minister to make.

To add to his credentials, he should demand that environmental products including solar panels, solar hot water systems and water storage tanks become GST free, so as to make them more affordable and attractive.