



Regulatory Burdens Review  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

28 July 2008

**Subject: Additional Submission on Regulatory Burdens on Business – Manufacturing and Distributive Trades**

Further to our submission in March 2008, and following the industry roundtable chaired by the Productivity Commission in July 2008, Rheem would like to make an additional submission to the Commission on the following topics:

## **COMPLIANCE**

As was highlighted during the roundtable, regulation without a methodology for ensuring compliance creates an unfair burden on those manufacturers and suppliers that meet their obligations. For this reason Rheem is of the opinion that adequate funds should be set aside to undertake compliance auditing of manufacturer claims relating to compliance with schemes such as MEPS and WELS.

We are concerned that any audit programme based on a simple metric such as market share would merely target larger organisations that are, to a large degree, already in compliance with regulations. Whilst acknowledging the importance of ongoing monitoring of all suppliers within the market, we would support the view that the majority of compliance funding should be focussed on targeting those operators within the market that are known to pose a higher potential risk. Audit programmes and audit frequency should therefore focus on those operators with a poor track record.

## **WATERMARK**

A strong WaterMark scheme is essential for the ongoing safety and efficiency of the local plumbing industry.

As the WaterMark Product Register is not being kept up to date, a quick resolution of the current situation (Standards Australia attempting to divest responsibility for the scheme) is critical. Until the situation is resolved, we would encourage the Productivity Commission to apply pressure on Standards Australia to meet their obligations under the MOU with the National Plumbers Regulators Forum (NPRF).

With a view to the future, Rheem believes that the most appropriate regulator to manage the WaterMark scheme is a national regulatory body involved with building and plumbing regulations, such as the Australian Building Codes Board. We agree with the WELS



position that the Department of Environment is not the appropriate regulator to manage the scheme.

Finally we would recommend that ownership of the mark, which we understand results in the generation of revenue from its use, should transfer from Standards Australia to the body taking ownership of the running of the scheme. This will ensure adequate funding for its ongoing upkeep.

## **MEPS LEAD TIMES**

Rheem is a strong supporter of legally mandated lead times for the application of new regulations.

In a previous (private) submission to the Department of Environment on water heater MEPS we have called for three key requirements to be observed

- Any regulation should only be developed based on published standards. It is unacceptable to develop regulation based on unfinished product standards. The original plan for the 2007 Gas Water Heater MEPS was to base the regime on an updated AS 4552, a standard that is still in development and is now unlikely to be published until 2009. Industry is unable to make considered comment on a regulation when the standards by which it will be judged are still uncertain. Once a standard is in place, a RIS can be developed based on the standard.
- During the RIS process industry should be heavily consulted to determine an appropriate timeframe for manufacture of non compliant products to cease. The timeframe involved would be dependent on the nature and scope of the MEPS requirement. Rheem does not believe that a definitive timeframe for regulatory application is workable, however 18 months would be the minimum required for minor changes. Regardless of the timeframe agreed regarding cessation of manufacture, an additional 12 months needs to be allowed for the “old” product to clear the supply chain.
- Rheem supports the notion that, once a MEPS regulation has been introduced, that industry needs time to recoup its investment in R&D and capital made to meet the new regulations, time to adapt work practices to the new products, and time to educate the market on the advantages of newer and usually more costly product upgrades. Once again, this period will vary based on the nature and scope of the changes, and should be a matter for negotiation and agreement during the RIS stage of the MEPS process.

## **OVERLAP OF REGULATIONS**

Further to our original submission, we would reiterate our call for a consultative and consistent process that will derive a single, nationwide approach to water heater appliance regulation. The approach should include the development of a realistic timetable that will enable all local manufacturers to adjust to these regulatory changes, it should meet the demands of a changing market, and its outcomes should be capable of being implemented without the loss of thousands of Australian jobs.

The Commission specifically requested Rheem to provide details of how the overlap of regulations is adding complexity and cost to the market. Again we would refer the commission to our previous submission, however note that since our previous submission in March the industry has now been encumbered with even more regulation:

- South Australian new home regulations have been upgraded, banning electric and less than 5 star gas in all new homes from 1 July 2008
- South Australian regulations have been introduced banning the installation of less than 5 star gas water heaters in replacement situations in metropolitan and some regional areas of South Australia from 1 July 2008
- South Australian regulations have been introduced banning the installation of electric water heaters in existing home replacement situations in metropolitan and some regional areas of South Australia from 1 July 2009
- The South Australian Solar Rebate scheme has become subject to a tight means test and the value reduced, effective 1 July 2008
- The 2010 Expanded Renewable Energy Target (RET) discussion paper has proposed the elimination of solar water heaters from the new scheme, or alternatively, a reduction in value of the benefit to householders.
- The introduction from 1 January 2009 of the South Australian Renewable Energy Efficiency Scheme, rewarding energy companies for encouraging the early replacement of electric water heaters
- The proposed introduction from 1 January 2009 of the Victorian Energy Efficiency Target, where the installation of a solar water heater will attract tradeable certificates. We are yet to understand the relationship of the VEET to the expanded RET
- The proposed introduction from 1 January 2009 of the NSW Energy Efficiency Target, which we have been advised may include solar water heaters dependent upon the decision of the Commonwealth on deeming rules within the expanded RET.
- Queensland released a regulatory impact statement regarding their plan to ban electric and less than 5 star gas water heaters in gas-reticulated areas from 1 January 2010, replete with a new definition of “gas reticulation” as “within 100m of a property”.

In the last 3 months the changes outlined above have further complicated the industry’s ability to operate efficiently. The South Australian and Queensland initiatives have superseded the Commonwealth’s 2005 Electric Water Heater MEPS and their proposed 2008 Gas Water Heater MEPS. The higher installation standards required by the state regulators “trump” the minimum performance standards required for sale under the national MEPS. Based on the above it would appear that national MEPS, at least in this regulatory environment, are fast becoming a superfluous cost to business rather than a method of driving efficiency.

Rheem trusts that the above adds to the Commission’s understanding of the regulatory burdens faced by the water heater industry. We would be happy to provide further detail to support your review, and to make ourselves available to meet the relevant authorities to emphasise our position.

Yours sincerely

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