

Subject – Gerard Lighting comment to the E3 Consultation Regulation Impact Statement – Lighting, Updated Policy position September 2017



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Date – Thursday 11th October 2017

Permission to publish – yes

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Dear Committee Member,

Thank you for the opportunity to consider the E3 updated policy position.

Introduction:

As one of the dominant market leaders employing in excess of 600 team members across an unchallenged investment of 50,000 + sqm of vertically integrated manufacturing, customer service centres, warehouse and engineering facilities throughout Australia, we clearly understand the responsibility we have to our brands of Pierlite, Sylvania, Crompton, Concord, Inlite, Austube, Diginet, our team, our customers, the industry and the environment in responding to this proposal.

Gerard Lighting compete and welcome a market of continual change, however the significance of the entire proposal unchallenged, sets out to change the Australian Lighting footprint forever, with what we see as little gain to the consumer, the industry and the environment.

Although we may see the Australian Lighting market as significant at \$1.5 B AUD in revenue, we are at the mercy of the International Lighting markets managed primarily throughout Europe and Asia, where significant market volumes are consumed. Hence the seemingly minor changes being considered throughout the proposal become significant burdens of cost, which ultimately are (and unfairly) paid by the consumer, or resulting in the loss of jobs due to unrecoverable company operating expenses.

One must also take into consideration with each proposal the dynamics of the lighting market, which (no thanks) to the innovation of LED, changes occur at “annual frequencies” in comparison of “decades” when compared to the traditional light sources, hence ROI’s with modern LED technology is critically dependent upon the balance of “cost to market” and “time at market” given the relatively short window of opportunity.

Taking these market dynamics on board, we applaud the decision in deferring the consideration of the luminaire inclusions under this updated Policy, as based upon our current product offering and business model, the proposed E3 registration fees and management programs are forecast to expose Gerard Lighting to an additional \$1.5M AUD in operating expenses, which we are at a loss to identify a sustainable ROI. One has to question that if the Commercial and Industrial Lighting market leader is unable to absorb this level of expense, how does the small to medium size operations manage a proportional cost exposure?

In addressing MEPS for LED lamps, once again the current proposal of managing the registration process does not align itself with the speed of the technology. The additional costs of registration are difficult to justify a suitable ROI, which will be in addition to the new level 3 compliance requirements effective 1st July 2018 for LED lamps.

For the Departments guidance and based upon the current (LED lamp) proposal, we forecast an initial and irrecoverable cost exposure to Gerard Lighting in the order of \$300K AUD, which we believe is simply unacceptable for any business to absorb. In modelling the cost exposure for this proposal, it is important to understand that in addition to registering the current LED portfolio, one needs to take into consideration the performance developments, transition of legacy lamps to LED and the proposal of upgrading the MEPS limits over two (2) year periods, all of which will require new registrations, further administration and additional test costs.

The life cycle of LED product technology rapidly changes within a twelve (12) month period, therefore any proposed registration process must be aligned with the speed of the technology to be of any benefit to the market.

As documented in the E3 draft November 2016, *the MEPS policy proposals are not expected to restrict competition in the Lighting market or impose significant costs, with the removal of the poorest performing products from the market*, we would argue that this objective will not be met through the current updated draft and we call on the Department to reconsider the implementation of the proposal, as they have done with the Luminaire proposal.

In direct reply to the proposal of MEPS for LED lamps, *Gerard Lightings recommendation is not to proceed beyond mandatory International and Australian standards as currently conducted.*

Unless the proposal aligns all elements of the program with definable and mandatory international standards, which is Gerard Lighting's strong recommendation, the Australia Lighting market will be subjected to unsustainable cost increases for manufacturing, productivity, compliance, testing and registrations, which as previously highlighted would be passed directly onto the consumer, or if the market dynamics resist, the outcome would result in loss of jobs due to unrecoverable company operating expenses.

Structuring a significant industry change based upon a single and unique consumer experience survey and possibly misrepresentation of the greater market (as documented in the E3 proposal), should be challenged and not set the precedence for the entire market experience, which we see as positive.

One has to ask the simple question of "what percentage of the entire market did this survey represent" and does it justify exposing the entire industry to considerable change and expense?

On the understanding the Lighting Council membership and market activity represent in the order of 60%+, surely if their customer experiences are not reporting significant dissatisfaction with LED products, one has to challenge the justification of implementing an onerous program on the Industry, with what we see as an insignificant gain?

With the Australian markets acceptance of LED, together with the transitional closure of traditional (International) light source manufacturing, we see the uptake of the technology in line with International trends with no significant consumer quality experiences and no need of further regulation beyond International and mandatory Australian Standards.

In direct reply to the proposal to increase incandescent and halogen MEPS in Australia, Gerard Lightings recommendation is to adopt the increase of Incandescent and Halogen MEPS.

We have no objection to the intent of this proposal. As previously indicated the International manufacturing operations are in a transition of closure as markets create alternatives for the traditional sources and productivity costs for the historical product range become unsustainable. We do not see a long term supply strategy with traditional incandescent and halogen sources worthy of consideration.

With the phase out of the final selection of incandescent lamps, consideration should be given to unique application legacy products, such as oven or heat lamps, with no viable LED option currently available for all legacy options.

We accept there will be additional support required to manage (some) unique detail of this scope (eg: unique product exceptions) and Gerard Lighting commits to supporting the Department with this process.

In direct reply to the proposal to introduce mandatory labelling for lamp products primarily in the residential sector, Gerard Lightings recommendation is not to proceed beyond mandatory International and Australian standards.

With reference to our introduction, the Australian Lighting market is reliant upon international manufacturing operations for LED lamps and although the concept of additional consumer information is worthy of consideration, unless this requirement was covered by a mandatory International standard where all international operations must conform with, the requirement would be costly (if not impractical) to adopt for local consumption, which we would not recommend. We recommend the allowance of the market to abide by mandatory standards and have the option to inform consumers with packaging style and information that does not restrict competitive behaviour.

Regards

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