

Top interview

[Home - Top interview](#)

AREMA Serves as Liaison Between Government and Industry Published Jan 2010

JARN has interviewed the chairpersons of various air conditioning industry associations, but this is the first time we have interviewed Bernie Bugdalski, the president of the Air Conditioning and Refrigeration Equipment Manufacturers Association of Australia (AREMA). JARN asked the association's present activities including legislative change and their future prospect.



JARN(J): To begin, could you briefly describe your background as well as AREMA's main activities?

AREMA(A): I have been in the air conditioner industry for over 12 years working for Fujitsu General Australia in state and national roles. I am director of product and project development and current president of AREMA.

AREMA, formed in 1968, is Australia's leading HVAC industry association catering to the needs and special interests of its strong member base and their customers' expectations.

It is responsible for formulating and coordinating industry response to regulatory issues both at federal and state level. It is committed to meeting all environmental standards and challenges and supports the development of an industry strategy for quality assurance and best practice.

AREMA maintains close links with the government agencies responsible for regulating our industry. A number of our members voluntarily serve on standards committees and management committees of industry bodies.

J: Please outline the composition of AREMA's current membership?

A: AREMA's membership has followed the trends in the Australian industry, which, while we have some very innovative and successful Australian manufacturers, has increasingly moved towards the importation, distribution and servicing of major global brands. AREMA's membership covers both commercial and industrial refrigeration and airconditioning, and includes both importers and domestic manufacturers.

J: What kind of working relationship does AREMA have with other leading air conditioning industry associations?

A: AREMA is working on building relationships with the major global industry associations. We are currently working to develop a relationship with ICARMA, and of course many member companies have strong links with JRAIA, Eurovent and AHRI.

J: ICARMA's (International Council of Air-Conditioning and Refrigeration Manufacturers' Associations) annual meeting was held in Seoul in late October. How do you assess ICARMA's activities?

A: Over the last twenty years we have seen the regulation of our industry become more global in scope – one only has to think of the Montreal and Kyoto Protocols to see that global regulation will continue to grow. This is simply a reflection that many



of the challenges we face are global in nature. As such the role of ICARMA will become even more important as we move forward – like governments, industry must put more effort into international coordination and sharing of information and experience.

J: Air conditioning industry associations in various countries and regions have different relationships with their respective government. What is AREMA's relationship with the Australian government?

A: AREMA has extremely good relationships at the Federal Government level in Australia – relationships with our state or provincial governments are more problematic. AREMA works closely with the Federal Government on the development and implementation of policy at a national level – this is reflected in the success of Australia's national efforts on the minimization of fluorocarbon emissions and Minimum Energy Performance Standards. However, some state governments are driven by more parochial concerns, and see regulation of the industry in that state as politically advantageous, to the detriment of overall national policy. These states, specifically Queensland and South Australia, have a tendency to ignore industry advice and pay lip service to the concept of national regulation, while implementing different energy efficiency standards to the rest of the country and each other.

EU & Japanese Environmental Regulations

J: To date, the Australian government appears to be coordinating with the EU and Japan in developing measures directed at environmental problems. Does AREMA approve of the course the Australian government is pursuing?

A: The air conditioning market is global in nature, as are the environmental challenges we face. Overall we are largely in agreement with the direction taken by the Australian Government – the success of international efforts such as the Montreal Protocol to Protect the Earth's Ozone Layer provide graphic testimony to what can be achieved by international coordinated action. However, we do feel that the the lack of effective coordinated international action to control HFCs presents future problems for the industry and the environment. We believe current proposals by the United States, Canada, the EU and others to use the Montreal Protocol to

manage these substances deserves support, and will be urging the Australian Government to support this initiative.

J: Imports to Australia of air conditioners that use R22 and other HCFCs will reportedly be restricted from July 1, 2010. Does AREMA plan to work toward a full phase-out of HCFCs?

A: AREMA was closely involved in the development of regulations to phase-out the import and domestic manufacture of HCFC equipment. Australia's import of bulk HCFCs has been steadily declining, and will largely cease in 2016. Australia is currently 60% in advance of its international HCFC phase-out obligations – a good example of what can be achieved when government and industry work in partnership. In AREMA's view, to continue to introduce new HCFC equipment into the market at this stage of the phase-out makes little sense – there are better solutions available, and it is important to preserve the dwindling supply of bulk HCFCs to service the existing equipment bank.

J: The refrigerant HFO-1234yf is a leading candidate to replace R134a in car air conditioners in the EU when HFC regulations come into force. What is the situation in Australia?

A: While AREMA does not represent the vehicle airconditioning industry, we work closely with the relevant association : the Vehicle Air conditioning Specialists of Australia. Like the airconditioning industry, the vehicle industry is global in nature, and as well as a strong Australian industry with solid U.S. links, the Australian market is made up of vehicles sourced in Japan, Europe and Korea. We fully expect HFO- 1234yf will be the standard refrigerant in mobile applications.

J: Do you agree with a requirement in the EU to test stationary HFC air conditioning equipment for refrigerant leaks?

A: It seems to me that we need to take all reasonable steps to prevent refrigerant leakage, and as such a sensible maintenance regime must include regular leak testing – if this could be picked up in an effective regulation, I believe AREMA would support such a move.

J: Several candidates to replace HFC refrigerants have been proposed, such as HFO and other low-GWP fluorinated gases, CO2, and HC. Is Australia leaning toward one direction in particular?

A: As in other countries, Australia is seeing interesting work and considerable progress with CO₂, particularly in supermarket refrigeration. We are also starting to see interesting developments with CO₂ in smaller applications. Hydrocarbons are more problematic, and unfortunately we have had several instances of their irresponsible use in this part of the world, largely as a result of irresponsible marketing. AREMA has a very clear position on refrigerants, particularly flammable refrigerants, should only be used in equipment that has been designed for their safe use, and the entity that decides whether it is safe or not is the manufacturer, and the manufacturer only.

We have had several instances of hydrocarbons being put into equipment not designed for their safe use, sometimes with tragic and catastrophic results. Your readers will be familiar with an explosion and fire in a coolstore in New Zealand last

year, which killed one fireman and severely injured several others – this and other incidents have given hydrocarbons a bad reputation with the mainstream industry in Australia.

J: Following in the footsteps of the EU's environmental regulations, Australia is considering other regulations besides those on refrigerants, including regulations modeled after WEEE, RoHS, and REACH. What is AREMA's stance regarding these types of regulations?

A: AREMA will continue to work with the federal government to ensure that any regulations introduced are effective, and keep Australia in step with international developments.

Australian Air Conditioner Market

J: How does AREMA view air conditioning demand trends (RAC and PAC) in 2009 compared to 2008?

A: The Australian market has enjoyed growth in sales in 2009, particularly in the domestic market where demand responds to climatic conditions. Summer arrived early in many populated parts of Australia and sales of air conditioners have been very strong. Expectation of a long hot summer continues good sales.

In the commercial sector the global financial crisis impacted on many development projects resulting in delays or deferrals of many and consequently having a negative effect on sales of larger air conditioner units.

J: In the ASEAN/Oceania region, growth in VRF demand in Australia is particularly noticeable. How do you view VRF demand trends in 2009 compared to 2008?

A: The VRF category is one of the fastest growing segments in the region but as most applications are for commercial developments the global financial crisis has slowed growth. Fortunately this is temporary as the construction industry forecasts return of major development later in 2010.

J: Is the Australian government ready to offer subsidies for high efficiency air conditioners and heat pump heaters?

A: In Australia all resistive electric element hot water heaters will be banned as from 1st January 2012 and federal and state governments have been encouraging alternate systems such as solar with very attractive incentives.

Of course heat pump technology is an alternative and is considered in the solar category so there is a great opportunity for many air conditioner manufacturers to enter a new market.

Unlike France however, the demand is for the hot water service only, not for 'whole of house' heating.

J: In recent years, however, windowtype units have been replaced with wall-mounted ductless split units from Japanese, Korean, and Chinese manufacturers. What factors are behind the change in Australian user



needs? Do you see North America following the same path as Australia and moving away from window-type units to ductless splits?

A: Increased MEPS (Minimum Energy Performance Standards) level, competitive prices, aesthetics and consumer education saw the demise of the window-type units in Australia and a massive increase in sales of ductless split systems. Incidentally the ducted split system category is enjoying substantial growth in Australia as consumers understand and appreciate the benefits.

I understand the North America market is more conservative and reluctant to rapid change so the transition may be a little slower. However, the major manufacturers see the huge potential of the market and are investing substantially in the reeducation of the North American consumer to the benefits of new technologies, efficiencies and fashions.

J: Daikin has gone after this market with its hit product combining a Sky Air outdoor unit (ductless PA) and ducted indoor units manufactured by its subsidiary Daikin Australia, and began operating a new high volume production factory in November 2008. What factors do you believe are behind its success?

A: This question is best answered by Daikin although I have read a comprehensive report on the Daikin program in a recent edition of JARN. As I have previously mentioned, the Australian market is enjoying substantial growth in the ducted sector as the Australian consumer identifies the benefits of such a system. Daikin have identified an opportunity and have invested accordingly.

J: Finally, what aspects does AREMA plan to prioritize in its future activities?

A: AREMA is looking at a very busy 2010. A major priority will be to try to explain to the government that their proposed emissions trading scheme will not be effective in reducing HFC emissions, but will impose very considerable costs on the industry.

In our view, we should be using the Montreal Protocol framework to manage these gases – emissions can still be accounted for under the UNFCCC framework, but if we wait for effective action under that framework we could be waiting a long time.

Our other important priority will be to try to explain to some state governments that improvements in energy efficiency can only be effectively addressed on a national level, and that different state-based approaches are not effective. We are also going to see considerable progress in energy efficiency in commercial refrigeration, as well as working on further improving MEPS procedures.