

HVAC&R

Nation
AN AIRAH PUBLICATION

**SPECIAL
FEATURE**
New year
outlook
2016

**Skills
WORKSHOP**
HVAC&R
Optimisation –
Temperature
reset

BALWYN CALLING

SUBURBAN SUPERMARKET ICON IS FAR FROM BORING

NEW YEAR OUTLOOK

KEVIN SULLIVAN

General manager
Air Design



Q. What business conditions do you expect in 2016?

A. I expect an even tighter, price-competitive market in 2016.

I also expect to see more active competition than

ever before. Building volumes remain strong so servicing the market with shorter lead-times etc., will be paramount.

Q. How will they differ from what we experienced last year?

A. For Air Design, 2016 will be a very different year, having gone through a major restructure in 2015. We exhausted most of 2015 establishing our new structure, our new reduced cost base, strategic imperatives, marketing plan, and points of difference – so I am really looking forward to 2016 to show the industry what we are made of.

Q. What will be the biggest challenge facing your customers in 2016?

A. I believe the greatest challenge our customers will face is the choice of who to deal with. Several new players entered the market in 2015, and when you add in Air Design's new business model the choices are plentiful.

Q. From your reading, is business confidence improving, decreasing, or flat-lining?

A. There's definitely more confidence now that the federal government has changed leadership. Whenever there is state or federal government instability, business tends to sit and await an outcome.

Q. What do you see as the major challenge facing our industry in 2016?

A. With so many Australian manufacturers moving their manufacturing offshore, the challenge is finding a provider who meets all four imperatives – cost, quality, service, and people.

A lot tend to focus too much on cost, which leaves their support infrastructure weak. The market pressure for cost reduction in this industry is huge, and unfortunately the old rule applies – you get what you pay for. So I see a major challenge for industry in not letting quality and customer service suffer in order to meet a cost point. ■



What to make of 2016? After saying goodbye to yet another 12 months of political change and economic uncertainty, HVAC&R Nation invited some of the industry's leading manufacturers to share their thoughts and predictions on the year ahead. And as they explained to **Sean McGowan**, we're in for a mixed bag.

SIMON BRADWELL, M.AIRAH

Managing director
Ebm-papst ANZ



Q. What business conditions do you expect in 2016?

A. Ebm-papst ANZ expects 2016 to be very similar to 2015. Macro-economic variables are not expected to change and interest rates

will continue in a similar vein as today, continuing to support investment.

Expectations on the weakening of the Australian dollar versus the US dollar will continue and work to the benefit of local manufacturing.

Australian dollar rates against other currencies are less certain, especially with the events in France last November.

Q. How will they differ from what we experienced last year?

A. We expect a continuation of trading terms in 2016.

Q. As a manufacturer, what will be your greatest challenge in 2016?

A. Ebm-papst ANZ always works closely with our clients and the market to provide expertise and imagination. Our clients are market leaders, and we hope to continue driving innovation hand-in-hand with them.

Q. From your reading, is business confidence improving, decreasing, or flat-lining?

A. We see a continuation of middle-range business confidence. Investment will continue, especially in the eastern states, and we will work hard to keep our clients and customers competitive.

Q. What do you see as the major challenge facing our industry in 2016?

A. The level of training of engineers in our industry continues to affect growth and the implementation of technology. I am a strong supporter of the ARBS Foundation and its excellent recent announcement of an industry-led scholarship fund for trade students. ■

PETER GIBSON

Managing director
BITZER Australia



Q. What business conditions do you expect in 2016?

A. Business conditions look to be more of the same for 2016. Steady to no major growth.

Q. How will they differ from what we experienced last year?

A. With a federal election looming in 2016 and with flat consumer confidence in general, there should be no real surprises or enhanced optimism.

Q. As a manufacturer, what will be your greatest challenge in 2016?

A. Ongoing currency volatility remains a major challenge for manufacturing in Australia. As the majority of components are sourced from international suppliers and locations, a weakened or weakening Australian dollar creates further challenges that are completely out of our control.

Q. From your reading, is business confidence improving, decreasing, or flat-lining?

A. Consumer confidence remains flat, but with some small signs of upside.

What may help? Free Trade Agreement commencement and perhaps government stability – of any type! These can add some faith and improvement. But of course, with an election looming and a general lack of any decisions or improvements from the current government, I do not expect much at all.

Q. What do you see as the major challenge facing our industry in 2016?

A. Firstly – available capital to install new equipment, or even maintain what is in the field.

And secondly – the transition to new refrigerants and picking the champions is the greatest weakness and opportunity. Globally, various standards are being established or exist.

Picking the champion – the right one or mix – will be a defining moment for our industry. It will enhance the products we serve, whether currently installed or new. ■

**CHRIS MILLER,
M.AIRAH**
Managing director
Specialized Engineering



Q. What business conditions do you expect in 2016?

A. We expect business conditions to improve across the commercial sector; however, we are both optimistic and cautious about the industrial, oil and gas sectors.

Q. How will they differ from what we experienced last year?

A. There will be an upward trend across the commercial sector as the market continues to grow. Firstly through a mixture of new

construction and expansion in retail in particular, and secondly through life-cycle replacement of units, including the R22 phase-out.

Industrial and oil and gas sectors will remain in a state of limbo as the market transitions from the plateau effect. This will be created by the end of the resources boom and then a significant drop in commodity prices, which always tends to freeze capital expenditure.

Q. As a manufacturer, what will be your greatest challenge in 2016?

A. Market awareness and competition against imported products will be a challenge.

Specialized Engineering strives to push the boundaries on energy-efficiency, low-noise, and adaptability – not surprisingly, this comes at a cost. In a predominantly price driven market, it is the low cost imports that just make it over the line on efficiency and noise that are becoming more and more of a challenge for local manufacturers.

Being able to demonstrate whole-life cost versus upfront purchase cost is key to our customers choosing our products over the alternatives.

Q. From your reading, is business confidence improving, decreasing, or flat-lining?

A. Overall, we are seeing confidence improving as we expand our business into the eastern states where we now have a number of installation sites. We will look to further expand and increase the Specialized Engineering product offering in the east in 2016.

Q. What do you see as the major challenge facing our industry in 2016?

A. Refrigerants will without doubt play a role in 2016.

By the time of publication, any agreements and rulings made during the UN climate change conference in Paris will be known. The outcome may dictate the pace at which our industry moves to develop, and more importantly, accept new products operating on new low-GWP refrigerants, natural refrigerants, or new blends of natural refrigerants. ■

**PAUL DE BRUIN,
M.AIRAH**
Managing director
Fantech



Q. What business conditions do you expect in 2016?

A. Cautiously optimistic might be an overused term, but that pretty much describes it. The commercial and residential

construction sectors which underpin our industry will remain fairly steady at current levels, but there

seems to be a rebalancing as some states are going to be doing better than others.

We have seen some plateauing in Western Australia and softening of activity in South Australia, but we are expecting a slight pickup in the next 12 months. Whether it will be a major lift is a bit hard to tell at the moment.

New South Wales is strong and we expect that to continue in 2016, and while Victoria has been going well, I think we are going to see some flattening there. There has also been some real uplift in Queensland, which looks set to continue in the medium term.

To clarify this – a lot of the strengthening is in the residential market and apartment sector. The commercial sector remains fairly sluggish.

Q. As a manufacturer, what will be your greatest challenge in 2016?

A. Our challenge is in understanding the market shift – the industry shift. Also, having the right products at the right prices, with the right kind of support for the market segment.

Another challenge is the transition of the Australian currency and getting used to a lower exchange rate environment. Anyone involved in manufacturing, as well as importing components and products, will be dealing with that at the moment.

Q. From your reading, is business confidence improving, decreasing, or flat-lining?

A. From a manufacturing point of view, a lower exchange rate generally engenders a better level of confidence locally because import replacement pressure diminishes. So from that perspective, we certainly see a bit more confidence, but from the construction side it's difficult to tell.

Q. What do you see as the major challenge facing our industry in 2016?

A. Part of the challenge for our industry will be maintaining the value proposition – understanding the value we provide and being able to maintain that in the face of what's probably going to be an increasingly competitive environment.

The regulatory environment is also a challenge, however, it's a double-edged sword. On one hand, it's about how that environment might hold up gains in efficiencies and productivity. On the other hand, when the government and their agencies do regulate on certain things is it policed adequately? This is where product compliance is an issue.

You certainly welcome certain regulations to ensure products and components that go into buildings are compliant. However, it's the lack of policing or lack of understanding as to how those things should be applied that presents as a challenge. ■