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The big freeze
A refrigeration revolution triples output at the Australian Lamb Company

2020 VISION
Industry insiders’ views of the year ahead
The new decade we’ve just entered will present both opportunities and challenges to the HVAC&R industry. **Sean McGowan** explores the year ahead with

- **Damien Walsh**, group brand manager at Temperzone;
- **Stefan Jensen**, F.AIRAH, managing director at Scantec Refrigeration;
- **Sarah Simmonds** of Simmonds Heating & Cooling;
- **Brett Hedge**, M.AIRAH, sales and marketing manager at Kirby;
- and **Sue Falcke**, events organiser for ARBS Exhibitions.
How would you describe 2019 for your business?

Walsh: It was an exciting year for Temperzone with the introduction of many new products from both Temperzone and Hitachi. There has been strong market growth in various product segments, particularly around residential channels in NSW and Queensland, and newer commercial products, despite a challenging economy.

Jensen: Following three very busy years leading up to New Year 2018/19, the start of 2019 was characterised by a slow-down in business. The timing of this slow-down appeared to coincide with the publication of various polls predicting an ALP win at the May 2019 federal election. The federal election result did not cause an immediate improvement in business, but towards the end of third quarter 2019, signs of improvements did emerge.

Simmonds: We've taken some big hits from some players in the building industry that we have been working hard to recover from. In saying that, it has also been an exciting year, with us focusing a lot on our commercial division and taking on our own commercial estimator and project manager. We saw some results of all the hard work and effort put in by not only ourselves as owners but the whole team at Simmonds when we won the 2019 CCN Contractor of the Year award.

Hedge: It was a year of much change, largely concentrated around the rebranding of the company and a reset on focus areas to help reinforce this change back to Kirby in our wholesale stores.

Falcke: ARBS 2020 went on sale in June 2019, with demand so strong that by mid-July we had to request an extension of space with the Melbourne Convention and Exhibition Centre (MCEM). This has never happened this early before.

By the end of 2019 we were tracking at just on 90 per cent sold, with the extension making ARBS 2020 the biggest exhibition ever held in Melbourne! We are delighted with the support from the industry and are looking forward to what will be a bumper show next year.

What business conditions do you expect to face in 2020?

Falcke: When I talk to exhibitors there is still cautious optimism. We continue to see start-ups and new product offerings coming into the market. Going by the increased amount of space booked by some of the major multinational exhibitors, there would appear to be growing confidence in their ability to expand their market share in the commercial/industrial space.

Hedge: We are expecting improved confidence in 2020 – noting that there has definitely been varying confidence through the country this year. We have definitely witnessed changes in behaviour throughout the market, evident by product choice and capital expenditure.

Jensen: There are signs that the predictions of rising energy costs and rising costs of hydrofluorocarbon (HFC) refrigerants are slowly starting to influence buying decisions for new plant. It is also apparent that the same predictions are starting to have an impact on what refrigeration plant users do about making their existing systems more energy-efficient.

Simmonds: We are hoping to be involved in a lot more commercial work, and steering away from builder work, which was a big focus in the past few years.

Walsh: 2020 is expected to be another competitive year. There will be continued focus from larger companies to seek more sustainable lower-GWP products for R22 replacement, with a focus on high efficiency. We have budgeted for continued growth in 2020, along with innovative product introductions across various segments.

It seems like business confidence might be improving then?

Jensen: Confidence depends on whom you talk to. Clearly those entities able to provide future-proof solutions are less concerned about the future than those entities and individuals whose future business prospects depend solely on HFC refrigerants and equipment utilising these working fluids.
The federal government cannot rely entirely on interest rate cuts by the Reserve Bank to deliver necessary economic stimulus. The energy conservation potential generally within HVAC&R applications is enormous. With current technologies, it is possible to halve the energy consumption of the sector. The federal government has a significant role to play with respect to incentivising this change. A very good start would be massive training initiatives at all levels of the industry from trade levels to engineering.

**Simmonds:** In our opinion, it is improving. The feedback we get from various contractors/customers, as well as the general public is that the demand for more energy-efficient systems and programs naturally assists our trade, and the demand for upgrades reflects this.

**Walsh:** General market confidence remains flat, with many areas such as new homes, apartments and infrastructure down. Over the past few months some areas of the HVAC industry have seen an increase; however, the market looks to remain tough for a while yet.

**Falcke:** I would have to say that our own experience is showing an improved business confidence simply due to the increase in demand of space sales for ARBS 2020. The improvement is evidenced since previous sales in 2017 for the ARBS 2018 exhibition in Sydney.

**Hedge:** From what we have seen in 2019, there was some improvement in the latter part of the year and we are hopeful that this will continue in 2020.

**What will be the greatest challenges to businesses, like yours, operating in the HVAC&R industry in 2020?**

**Hedge:** There is increasing demand for technical support across our customers, and service level expectations are increasing. A connected world means that people expect better information in real time.

**Vocational training in natural refrigerants and in flammable synthetic refrigerants is hopelessly inadequate.**

We are also seeing some attention on the changing refrigerant landscape, and that is an area that continues to demand special attention with our customers.

**Jensen:** The continued proliferation of flammable refrigerants and lack of application expertise at almost every level from trade to engineering.

Tertiary training in industrial refrigeration engineering is not offered in Australia. Vocational training in natural refrigerants and in flammable synthetic refrigerants is hopelessly inadequate and this will jeopardise the timely technology transition that must occur within the entire Australian HVAC&R sector to ensure compliance with the Kigali Amendment to the Montreal Protocol.

Another challenge will be the continuous bypassing of the HFC import quota via pre-charged equipment, which is providing the industry with a false sense of complacency. This has the capacity to drive very steep HFC price escalations when this pre-charged equipment requires HFC replenishments in the coming few years.

**Walsh:** As a true manufacturer in Australia, ensuring we continue to develop innovative products that offer value is an area of key focus. Some of the challenges of local manufacturing include raw material and shipping costs, along with competing against regions with lower labour costs. Other key challenges include issues such as the HFC phase-down, GEMS (Greenhouse and Energy Minimum Standards) Act and the industry skill gap.

The continued drive for energy efficiency and reduced emissions are also important. More efficient products combined with green buildings, and higher levels of insulation. Smarter controls will play a big part in the future of the industry.

**Simmonds:** The building industry and also the effects of global warming.

**Falcke:** We can expect an increased level of competition among the major players all vying for market share. That combined with a new and exciting range of product offerings delivering energy efficiency and new smart technologies will push the sustainability focus up another level.

Sarah Simmonds says the team at Simmonds Heating & Cooling will be looking at more commercial work in 2020.
Do you have any predictions for big changes, or emerging technologies that could disrupt the industry in 2020?

Jensen: Our general prediction for 2020 is that there will be an increasing element of plant replacements. The drivers for these replacements will be reductions in energy consumption, improvements in plant reliability and minimisation of maintenance costs. Some interest is also starting to emerge in new ownership models where refrigeration plant users no longer own plant outright but pay for the conversion of electrical energy to cooling. For very high energy efficiency solutions, these types of ownership models are attractive both for end-users, but also for financiers. It is a pre-requisite, however, that the provider of the plant has a track record and can predict annualised energy efficiency with a high degree of statistical certainty.

Hedge: Digital and smart technologies are having an increasing impact every year. We have seen high levels of engagement with the technological developments that we have delivered in the Kirby SmartAccess customer portal in the past year.

Falcke: We are unveiling our new tech precinct, IBTech@ARBS, next May, which is dedicated to the latest smart, connected and sustainable building and property technology.

The emergence of Internet of Things (IoT) into the HVAC&R industry will signal a new era in the way we configure our living, working and leisure spaces, with connected controls and data analytics creating the ability to more readily adapt a building’s services to the needs and comfort of occupants.

Walsh: Technology is a big one, with intelligent buildings, controls and connectivity coming to the fore. Open communications along with the ability to integrate systems onsite – providing bespoke solutions’ continued drive for energy efficiency and reduced emissions – is a major focus, with high-efficiency lower GWP products having a role to play.

Simmonds: We as a trade need to be constantly aware of the positive effects we can have on energy efficiency. Government laws that could be placed upon the HVAC industry in relation to gas emissions etc., could have a huge impact.