

Executive Summary

Skygreen welcomes the opportunity to provide a submission to the Senate Inquiry into the Energy Efficient Homes package (insulation).

Skygreen is a large installer of insulation products. We operate right across Australia including in regional and remote areas.

We are very concerned that less scrupulous operators are taking advantage of the lack of checks and balances to rort the current Program.

The main problems are:

- Fraudulently claiming a rebate when insulation was never installed in the premises;
- Fraudulently claiming a rebate when insulation was installed, but the premises already had insulation at above-guideline levels;
- Removing insulation from homes that are already insulated to 'make' the customer eligible;
- Claiming a rebate when insulation was installed, but not in accordance with Program guidelines and/or that does not meet Australian Standards; and
- Quoting the customer an unreasonably high fee for straightforward works.

In this submission, we have addressed these issues and given evidence to show how widespread these problems are. The submission's structure responds to relevant Terms of Reference.

We believe that both the operations and auditing practices of the Program need to be thoroughly overhauled in order to deliver the intended benefits to both taxpayers and the Government. To achieve this, we recommend the adoption of a quality management system and a central brokerage control. The implementation of wide-ranging checks and balances will immediately discourage dishonest operators and improve consumer safety. In the long term, they will result in continued employment and investment in the insulation sector and improve the Program's public reputation.

Skygreen is well placed to administer the Program and act as a national program broker on DEWHA's behalf. Our quality management system, Skysuite, has been in operation for more than five years and is used to control the deployment of approximately 80% of all satellite dish installations for the Australian Broadband Guarantee program (another Federal Government initiative). The philosophy behind Skysuite is that we want our service to be as open and transparent as possible to the clients that entrust us with their work, their customers and their funds.

Skysuite is an online system that will provide 24/7 password-protected access to DEWHA and to accredited installers, who must upload paperwork (including a commissioning document, customer authorisation and photos of the installation) before the rebate can be claimed. DEWHA will have access to installation history and live jobs in real time, making the control and auditing process much easier and more efficient.

In our submission, we have explained how Skysuite will provide two additional levels of control (of quality and OH&S risk) plus additional checks and balances over and above current practice in the Program. Earlier this year, we demonstrated Skysuite to DEWHA's Laurence Wilson and Will Kimber, who were very impressed with the system's capabilities. We then tried, unsuccessfully, to obtain a meeting with Kevin O'Keefe to further these discussions.

As part of the Senate Inquiry's deliberations, we would be happy to provide you with a password-protected login account to view the Skysuite system including all jobs being performed by Skygreen under the Program.

Given the scope of this Inquiry, and the seriousness of the issues that need to be resolved, we believe that the time is more than right to re-open discussions about the Skysuite system and to help Government, consumers and industry to realise the benefits of a truly well-run Insulation program.

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Response to Terms of Reference

ii. the administration of the program from a pricing, probity and efficiency perspective, including:

B. regulation of quoting and installation practices;

Skygreen welcomes greater regulation of insulation quoting and installation practices.

We have worked hard to build our insulation business to meet the Program's guidelines and take our responsibilities to DEWHA (and to taxpayers) seriously.

We are very concerned that less scrupulous operators are taking advantage of the lack of checks and balances to rort the system and the following anecdotes from our Australia-wide field force support how widespread rorting and poor installation practices actually are.

- An Adelaide installer went into the home of a neighbour who had insulation installed by another company. The insulation had been installed over the top of existing batts.
- In Melbourne, one of our own staff members had a door knocker come to her home. When she told them she already had good insulation, their response was "That's OK, we'll just install over the top of it". Our Operations Manager personally investigated the Melbourne incident, calling the number on the installer's flyer (which contained his personal name, but not a company name). Posing as a prospective customer, he enquired about his eligibility, telling the installer that his house had R3.5 insulation (which, according to Program guidelines, would make him ineligible). The installer again said this was not a problem and he would install new insulation over the existing insulation.
- A Kerang installer went to do an assessment on a local property. He found that the property was already insulated above eligibility requirements and informed the customer that she was ineligible for the Program. She later phoned him and said that another installer had re-assessed her property as eligible (which our assessment clearly showed it wasn't). The installation went ahead and the rebate was claimed anyway.
- In the Gold Coast, one of our installers heard on the grapevine of a house fire that had started almost as soon as a rival installer left the house. This was due to downlights that were inadequately shielded as well as an inferior quality insulation product that was highly combustible.
- We have had disturbing feedback from a number of our customers – particularly in Queensland – that insulation doorknockers are going around posing a Skygreen installers. Skygreen does

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not approach customers door to door, but delivers flyers into an area. We assume that that these fraudsters have seen the professionalism of our flyers and have decided that if they pose as Skygreen installers they'll have a better chance of making a sale. If this is happening to us, it is probably also happening to other reputable installers.

- We have also heard of door knockers not supplying quotes before the installation but lumbering the customer with a large amount to pay at the end. This is also against the program criteria. Frequently, houses are not assessed at all, or the installer is just putting a mobile phone into the roof to take a photo and not even bringing a ladder to the premises.

We are also very concerned that Program is not being audited properly, leaving consumers vulnerable to the effects of wrongly-installed insulation, particularly house fires. The lack of auditor follow-up with installers after an audit also leaves shonky installers with an easy excuse for not fixing problems.

For example, Skygreen recently received a call from a customer who told us that her house had been audited by a government inspector (or someone working on behalf of the government). We immediately had our installer return to the customer's home to inspect the 'problem'. The auditor had left her with some paperwork informing her that her insulation installation was in breach of a safety regulation because the wrong downlight covers had been installed. On inspection, our installer confirmed that in fact the correct downlight covers had been fitted.

This could just be a tale about an auditor being mistaken, until you consider the following:

- Compliance with Australian Standards is printed on the side of the downlight covers. It is surprising that an auditor making a thorough inspection would have missed the fact that this information was present.
- On the paperwork the auditor left with the customer, he noted that the violation was a safety risk. To this day, we have not heard from the auditing body to inform us that we needed to rectify this customer's installation as a matter of safety. If the installation had been in contravention of the Australian Standard and there actually was a safety risk, the consequences could have been catastrophic. That this auditor could state that Skygreen was in breach of a safety regulation but not demand urgent action of us is alarming.
- Trying to contact the auditing company was very difficult. The paperwork that was left with the customer has no reference to the actual auditor, who did not include his personal details in the section required. Our Operations Manager called three phone numbers before being informed that his details would be passed on to the correct department. He has not heard back yet.

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- If Skygreen was not a reputable, ethical installer, and had not sent our installer back to the customer's home as soon as she contacted us, she could still be 'at risk'.
 - As an installer, there is no hotline to call if you are aware you have been audited or you would like to try and rectify something or explain your case.

It is our strong opinion that the auditing of the Program, as well as the management of the program, requires a complete review to ensure it provides taxpayers and Government with the benefits intended.

Skygreen has implemented a system that will solve the Program's management problems and help government to manage the risks and issues.

This system, Skysuite, has been in operation for more than five years and is used to control the deployment of approximately 80% of all satellite dish installations for the Australian Broadband Guarantee program (another Federal Government initiative). The philosophy behind Skysuite is that we want our service to be as open and transparent as possible to the clients that entrust us with their work, their customers and their funds.

Skysuite is an online system that will provide 24/7 password-protected access to DEWHA and to accredited installers, who must upload paperwork (including a commissioning document, customer authorisation and photos of the installation) before the rebate can be claimed. DEWHA will have access to installation history and live jobs in real time, making the control and auditing process much easier and more efficient.

All accredited installers will already have an email address and internet access, the basic requirements of using the Skysuite program. Additional requirements are a digital camera, scanner and printer. These items are readily available in stores around Australia for an investment of less than \$500 (if the installer does not already own them). We believe this is a very small price for genuine installers to pay to remain accredited in the program.

The following table explains how Skysuite will provide two additional levels of control (of quality and OH&S risk) plus additional checks and balances over and above current practice in the Program.

Table:

Skysuite will provide two additional levels of control (quality and OH&S risk) plus additional checks and balances over and above current Program practice

Level of control (1 = basic; 6 = advanced)	Current Program practice	With Skysuite management system
1 - Eligibility control	Only the address is verified (to confirm service has not been provided before)	Photographic evidence that the household did not have insulation prior to the claim ('before and after' photos of the roof space)
2 - Quoting control	Quotes are assessed against only one measure (cost vs square metres)	Built-in additional quoting measures to justify the price charged to the customer, such as access difficulty ('pitched or flat roof', 'air conditioning ducting', 'low roof trusses') which must be confirmed by photograph. Installers required to upload evidence where an assessment shows a customer is ineligible, eliminating risk of later fraudulent claim on that property address

Level of control (1 = basic; 6 = advanced)	Current Program practice	With Skysuite management system
3 - Program update control	Installer Advices are sent by email, referencing that information has been loaded on the DEWHA website. There is no guarantee that the installer has read them	Installer Advices sent by email are replaced by alerts in Skysuite. The installer is locked out of the system and cannot make a claim until the update is read and acknowledged
4 - Audit trail	Desktop audit system, where DEWHA asks the installer to send in copies of their documentation (work orders; quotations for a particular date range)	All jobs are held in the system and DEWHA can audit any job for any installer at any time, enabling audit of a much larger portion of the Program. More efficient and productive auditing process does not require a manual audit request and follow-up with installers to obtain the documentation
5 – Quality control		Photographic evidence that the insulation was actually installed; commissioning document requiring the installer to provide more information about each job to: <ul style="list-style-type: none"> • justify customer eligibility (photos of roof space documenting lack of insulation) • document scope of works (describing what the installer has done while on the job); • Ensure consideration of OH&S risk factors for the job (risk assessment checklist)
5 - OH&S risk control		Integration to DEWHA system, enabling upload and distribution of installation procedures and OH&S information through the portal in real time.

		<p>A self-completion OH&S checklist scheduled by the system at predetermined intervals, which must be completed before the installer can log on and make a claim.</p> <p>Commissioning document requires the installer to use a sketch plan to document the downlights present in the home and to use the sketch plan to confirm the downlights are adequately shielded when they are in the roof space.</p>
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C. protection against rorting and abuse of the rebate;

With few checks and balances, the program as it currently stands is highly vulnerable to rorting and abuse. The main problems are:

- Fraudulently claiming a rebate when insulation was never installed in the premises;
- Fraudulently claiming a rebate when insulation was installed, but the premises already had insulation at above-guideline levels;
- Removing insulation from homes that are already insulated to 'make' the customer eligible;
- Claiming a rebate when insulation was installed, but not in accordance with Program guidelines and/or that does not meet Australian Standards; and
- Quoting the customer an unreasonably high fee for straightforward works.

Using a management system like the Skysuite system will greatly reduce the opportunity for rorting and abuse.

Simply publicising the fact that there is a system will quickly discourage dishonest operators from participating in the Program, as they know their work and movements are being monitored.

Installers will be required to take 'before and after' photos to prove insulation was installed and that the customer did not already have insulation at above-guideline levels. Commissioning documents will show scope of works confirming how insulation was installed and that it was installed in accordance with standards and guidelines. Checks and balances on prices charged to the customer will require installers to substantiate high fees with an explanation and photos (for example, extra costs due to access restrictions).

By inputting all properties that are assessed, including those deemed ineligible, a property will be assessed only once and if deemed ineligible cannot later be claimed by an unscrupulous operator without full justification.

E. the level of imported insulation to meet demand;

When we first started investigating the feasibility of participating in the Program, Skygreen approached a number of local insulation manufacturers to sound out stock availability and investigate the type of insulation on offer.

We were generally disappointed with the quality of insulation available to buy, some of which, in our opinion, was not up to standard. We also found that few local suppliers were able to supply the amount of stock we would need to supply our field force, which is located right around Australia.

Eventually we came to an agreement with a local manufacturer in Victoria. Within weeks of rolling out the Program it became obvious that he could not provide us with enough stock to meet orders.

Having already investigated other local sources we were left with no choice but to seek stock overseas to secure our supply chain and keep up with the high volume of installations. Without sourcing insulation overseas, we would not have been able to roll out this Program quickly enough to achieve the aims of the government's economic stimulus package nor to meet customer demand for insulation.

As a high user of insulation, Skygreen has also investigated establishing our own manufacturing plant to meet demand. We concluded that it was commercially unviable to purchase plant and equipment to satisfy the short term spike in demand created by the Program.

G. waste, inefficiency and mismanagement within the program;

The best way to ensure value for money from this program is to first make it difficult for unscrupulous players to rot it.

We strongly believe that the great majority of the real and perceived problems with the Program can be addressed through the implementation of a management system, like Skysuite, that provides more checks and balances and allows DEWHA greater visibility over the installation process.

iii. an examination of:**E. the extent to which imported insulation products met Australian standards and the method used to make that determination; and**

Skygreen sources cellulose insulation from a US-based supplier whose manufacturing processes we have investigated first-hand. Our manufacturer has confirmed in writing that their product meets Australian standards and we are currently waiting on independent verification from a testing laboratory, in accordance with the Australian Standard.

We suggest that government requests copies of Australian Standards verification as part of the installer registration process as a means of verifying that imported products meet the standard.

ii. identification and examination of fires and electrical incidents resulting from the Government's Home Insulation Program.

Skygreen has developed an auspicing arrangement with an RTO under which we are able to deliver accredited training to our installers. This training is mandatory for all of our technicians who want to become insulation installers.

At present, it is not mandatory for all installers to have insulation-specific competencies (only for the supervisor). In practice, this means that a supervisor can have a large crew of untrained people performing the installations and just 'swing by' each installation to sign off on the form.

There are many safety hazards for insulation installers, including working in confined spaces and in hot conditions; working at heights; improper use of insulation-specific equipment (such as blowing machines, cutters and staples); and unfamiliarity with the working area (which leads to problems like putting a foot through the roof).

We believe it is essential that ALL installers obtain relevant units of competency under the Australian Quality Training framework. This will reduce future risks of personal injury to installers and to customers and also reduce risks to customers' property.