

CCEE - Tabled by Dr Parkinson  
27/5/10

**SENATE ESTIMATES, 27 MAY 2010: SECRETARY'S OPENING  
STATEMENT**

Thank you very much Madam Chair. I appreciate the opportunity, on behalf of my colleagues, to make a brief opening statement to assist the Committee, in understanding a little more about who we are, what we do, and how we are organising ourselves following the Machinery of Government changes.

These changes, which took effect on 8 March 2010, created the Department of Climate Change and Energy Efficiency and charged us with leading the development and coordination of Australia's climate change and energy efficiency policy. As such, we are responsible for policy advice, program administration and service delivery in four key areas: reducing Australia's greenhouse gas emissions; promoting energy efficiency; adapting to climate change; and helping to shape a global climate change solution.

These responsibilities, if delivered effectively, will help to reduce carbon emissions, mitigate the impact of climate change and help Australia adapt to the inevitable climate change that we cannot avoid.

We are also responsible as a Department for the oversight of the Office of the Renewable Energy Regulator (ORER) and the Australian Carbon Trust Limited (ACT Ltd).

With the Machinery of Government changes, many of the issues that relate to the Household Insulation Program (HIP) are now the responsibility of my Department.

As I noted when appearing before Senator Fisher's Senate Environment, Communications and the Arts References Committee, we will endeavour to answer all the questions you put to us. However, as you would understand, there are limits to what we can say about issues that occurred before 8 March. In that regard, the Committee might note that a set of letters between Minister Garrett and the Prime Minister that some Senators have been interested in are about to be released.

As you know, a clear legacy issue related to the Household Insulation Program (HIP) concerns safety, a point emphasised by Minister Combet in his Ministerial Statement of 10 March.

Addressing these safety concerns while overcoming the backlog of legitimate payments and providing assistance to industry, have been our highest priorities since taking responsibility for HIP.

In that regard, we have worked with Government to develop and now implement the Foil Insulation Safety Program covering all HIP houses fitted with foil insulation; the Home Insulation Safety Program that will inspect houses to detect and rectify any serious safety hazards; and, with the Department of Innovation, Industry, Science, and Research, to design and deliver the Insulation Industry Assistance Package.

Significant progress has been made across a number of areas including:

- Safety inspections for homes with foil and non-foil insulation are now underway, with more than 54,000 safety inspections completed and booked to date.
- Introduction of the Foil Insulation Safety Program (FISP) on 6 May 2010;
- Introduction of an Insulation Industry Assistance Package; and
- Significant progress on resolving outstanding payments.

PWC has been contracted to act as the Government's program broker for the Foil Insulation Safety Program. The Government intends to enter into a similar arrangement with a national organisation experienced in large scale projects to manage inspections under the Home Insulation Safety Program.

Development of a fraud prevention framework is underway and all the insulation programs are subject to the Department's project management framework and governance structures.

With AusIndustry, we are currently accepting applications for the Insulation Industry Assistance Package and we continue to work with DEEWR on the Insulation Workers Package.

The Department has also inherited responsibility for the Green Loans program. In the last two months we have worked hard on the issues outlined by Minister Wong in her Ministerial Statement of 10 March.

In that time we have:

- Cleared the backlog of over 160,000 household sustainability assessment reports;
- Cleared all overdue invoices and are processing all correctly submitted invoices within 30 days;
- Signed the contract with AECOM Pty Ltd for the provision of independent audit services for the program;
- Reduced waiting times on the booking call centre to less than 30 seconds; and
- Put in place arrangements to ensure that all eligible households will be able to receive their \$50 Green Rewards from July.

The Department has also been impacted by the Government's announcement that it will not move to legislate the Carbon Pollution Reduction Scheme (CPRS) before the end of 2012. This has led to a decision not to proceed with the establishment of the Australian Climate Change Regulatory Authority (ACCRA) and to the need to redeploy a number of staff previously working on CPRS implementation.

Notwithstanding the CPRS decision, action on climate change mitigation, including through the introduction of the Renewable Energy Target (RET); science; adaptation; and international engagement remain a high priority of the Government, and we continue to carry out our pre-existing responsibilities in these areas. Similarly, our work on greenhouse gas inventories, projections and



the operation of the National Greenhouse and Energy Reporting System (NGERS) continues.

Add to this our energy efficiency policy and program obligations, which go well beyond HIP and Green Loans, and the work of the Prime Minister's Task Group on Energy Efficiency (TGEE), and it is apparent the Department has a large, complex and continuing work agenda.

As a new Department we have undergone significant internal restructuring to face the challenges and imperatives confronting us.

We have a new SES and divisional structure. Co-location of our energy efficiency teams is underway; we have identified everyone who needs to be redeployed and started the job matching process.

While all is not fixed, the integration process is well underway.

In terms of staffing and where we have come from, the DCC heritage component of the new Department was 553. 445 people have now moved across to join us in the new Department, and it is very much a new Department in that sense. The DEWHA-heritage and the DCC-heritage have formed a new institution—it is not one or the other, rather, “one DCCEE”.

We have had to take a number of structural steps to get to this point. We now have five Deputy Secretary positions – two, Blair Comley and Geoff Leeper, cover predominantly DCC-heritaged responsibilities; the Prime Minister's Special Envoy, Howard Bamsey, is also leading the secretariat to the Task Group on Energy Efficiency, and we have added two additional groups led by Martin Bowles and Malcolm Thompson.

The first deals with the Household Insulation Program and the Renewable Energy Bonus and the other deals with the renewable energy and energy efficiency policies and programs such as Smart Grid Smart City, buildings and appliance efficiency and the demand-driven programs such as Green Loans, Solar Homes and Communities, Solar Schools and so on.

The HIP group is led by Martin Bowles, who has joined us temporarily from the Department of Defence, while the Energy Efficiency group is led by Malcolm Thompson, who has come to us from DEWHA as part of the Machinery of Government changes.

Given the challenges we have inherited in these areas, I have consciously bolstered senior strategic resources and added additional key specialist skills.

In Mr Bowles' HIP Group we have three First Assistant Secretaries and seven Assistant Secretary level positions and have added additional staff at levels further down, all to help manage the transition of the scheme to a sustainable basis. The people whom we have added to the staff are a mix of permanent staff, temporary transfers from other agencies and non-ongoing staff.

On Mr Thompson's side, we have also bolstered resources, adding another Division Head who is managing four Assistant Secretaries (three additional) and their staff at other levels.

In both cases the decision to bolster staff members reflects recognition of the pre-existing work pressures and the imperative the Government has placed on rapid and effective responses to legacy issues.

All up, we have added 51 staff to these functional areas and we also expect to redeploy a number of ACCRA staff to these areas when that process has been completed.

We have also made a major investment in audit and compliance activities around HIP and Green Loans.

On HIP, I have appointed a forensic audit team from KPMG, while on Green Loans we have deployed AECOM to assist on compliance work.

We have redirected the compliance and intelligence branch of the former ACCRA Group to assist the existing compliance resources that were working on this task. We are developing a compliance categorisation model to target fraud and noncompliance more effectively, and so allow us to try and speed up payments.

In short, we have supplemented the group of dedicated staff who transferred to DCCEE under the Machinery of Government changes with high-level strategic resources and key specialist resources experienced in developing and implementing compliance frameworks, intelligence analysis and fraud investigation. This has allowed us to make significant progress in working through the backlog of issues, including payment for insulation installation and household sustainability assessments.

Reflecting on the findings of the Hawke Review of the HIP and other reviews currently underway, I have also moved to ensure the new Department has a strong central capability to assist in program design and monitoring, something for which the former DCC had little need.

Discussing HIP, Dr Hawke observed that *“a stronger management structure, earlier implementation of the audit and compliance program and better targeting of compliance effort earlier in the program could have mitigated the risks to more acceptable levels, but never to zero.”*

Accordingly, we have emphasised the need to:

- Build robust governance structures;
- Develop a positive staff culture;
- Improve compliance approaches; and
- Emphasise robust program design and ensure adequate resources are allocated to responsibilities.

We are introducing accepted project management methodology and governance structures to ensure that the progress and quality of project and program development is made transparent to our senior managers and can be closely monitored throughout all stages of a program life-cycle. This approach was used effectively to manage projects associated with the Carbon Pollution Reduction Scheme.

While much work remains to be done, effective responses in all these areas will ensure that future programs meet the high standards expected by the Government, the Parliament and the community.

To that end, I appreciate the assistance we are receiving from colleagues across Government, including from the Australian National Audit Office, as we work through these issues.



Notwithstanding the significant procedural, systemic and structural changes alluded to earlier, like our colleagues across the Australian Public Service, we are operating in a financially constrained environment. Our challenge is to remain creative, innovative and deliver effective and efficient policy and programs that address the issues posed by climate change.

I look forward to working with this Committee to assist us in meeting these challenges.

Thank you.