

# Chapter 1

## Introduction

### Conduct of the inquiry

1.1 The Senate referred this inquiry to the committee on 29 October 2009. The inquiry was prompted by concerns about the management and effectiveness of the Energy Efficient Homes Package program, and in particular by the government's apparent failure to completely consider and/or address escalating warnings about risks to safety (including through fires and electrocutions) and to program compliance (including through fraud and rorting).

1.2 The terms of reference are:

1. The Federal Government's Energy Efficient Homes Package (ceiling insulation), with particular reference to:

i. the level of ceiling and wall insulation in Australian residences, state by state, prior to the announcement of the Energy Efficient Homes Package and the adequacy of the Building Code to ensure comprehensive roll out in future.

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

- A. the basis on which the Government determined the size of the rebate for ceiling insulation;
- B. regulation of quoting and installation practices;
- C. protection against rorting and abuse of the rebate;
- D. the impact of the program in pushing up insulation prices;
- E. the level of imported insulation to meet demand;
- F. ensuring value for money for taxpayers;
- G. waste, inefficiency and mismanagement within the program;
- H. ensuring the program achieves its stated aims as part of the government's stimulus package; and
- I. the consultation and advice received from current manufacturers regarding their ability to meet the projected demand.

iii. an examination of:

- A. the employment and investment in insulation production and manufacturing resulting from the program;
- B. what advice was provided to the Government on safety matters, particularly in relation to fire and electrocution risks and to what degree the Government acted on this advice.
- C. the costs and benefits of extending the scheme to include other energy efficiency products including wall and floor insulation, draft stoppers and window treatments;

- D. the costs and benefits of changing or extending the scheme to make small and medium sized businesses eligible for installations;
- E. the extent to which imported insulation products met Australian standards and the method used to make that determination; and
- F. what advice was provided to the Government on occupational health and safety matters, particularly in relation to training for installers; including:
  - i. to what degree the Government acted on this advice; and
  - ii. identification and examination of fires and electrical incidents resulting from the Government's Home Insulation Program.

iv. an analysis of the effectiveness of the package as a means to improve the efficiency of homes and reduce emissions of greenhouse gases, including comparison with alternative policy measures;

2. Consideration of measures to reduce or eliminate waste and mismanagement, and to ensure value for money for the remainder of the program, noting the planned \$2.7 billion to be distributed under the program in total.

3. Other related matters.

1.3 The committee advertised the inquiry in *The Australian* and on its website, and wrote to relevant peak bodies inviting submissions. The committee received 53 submissions (see Appendix 1) and various supplementary comments (see Appendix 2). The committee held four public hearings (see Appendix 3) and one *in camera* (confidential) hearing.<sup>1</sup>

1.4 The committee acknowledges the contributions of submitters and witnesses. In particular the committee thanks Mr and Mrs Kevin and Christine Fuller, parents of installer Matthew Fuller who was electrocuted on 14 October 2009. Mr and Mrs Fuller gave evidence before the committee on 17 March 2010.

1.5 The committee also places on record its profound sympathy to the families and friends of the other installers tragically killed, as well as those injured; those Australians suffering loss as a result of house fires; and the many legitimate businesses and employees who have suffered losses related to this program.

1.6 Environment Minister, the Hon Peter Garrett MP, ended the Energy Efficient Homes Package (EEHP) on 19 February 2010 citing safety and compliance concerns about the ceiling insulation component.<sup>2</sup>

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1 The confidential hearing occurred on 17 March 2010 with Mr and Mrs Kevin and Christine Fuller, the parents of installer Matthew Fuller who was electrocuted on 14 October 2009. Later, the committee agreed to publish most of the transcript of the hearing.

2 The solar hot water rebate is still available.

1.7 Some comments in submissions and evidence, which pre-date 19 February 2010, may have been superseded by events, but should be read as applying to the situation at the time.

1.8 On 8 March 2010, responsibility for energy efficiency programs was transferred from the Department of Environment, Water, Heritage and the Arts (DEWHA) to the Department of Climate Change, which was renamed Department of Climate Change and Energy Efficiency (DCCEE). References to DEWHA around the time of changeover should be read as references to DCCEE (as relevant).

1.9 The committee heard evidence from DEWHA (and DCCEE after the transfer of responsibility) on 22 February, 26 February and 25 March 2010.

1.10 Either during the hearings or shortly afterwards DEWHA/DCCEE took 133 questions from the committee on notice.<sup>3</sup> While the committee acknowledges that its agreed response deadlines were relatively tight, only two per cent of the responses were received by the respective deadlines set by the committee.<sup>4</sup> This was not helpful to the work of the committee. As at 6 July 2010, six of the questions remain unanswered. The longest overdue responses are now 17 weeks past their deadline.

1.11 By contrast, although there were fewer questions placed on notice, the Department of the Prime Minister and Cabinet and the Department of Education, Employment and Workplace Relations responded to questions put on notice to them in a much more timely fashion.

1.12 Many of the responses received from DEWHA/DCCEE were uninformative. Others claimed legal professional privilege or Cabinet confidentiality, without adequate justification. Senator Guy Barnett sought advice from the Clerk of the Senate on the department's failure to meet the committee's deadlines and use of claims of legal professional privilege, as a reason for withholding information. The Clerk's advice was tabled during the hearings of 25 March 2010 and is included at Appendix 4.

1.13 The committee records, in the strongest terms possible, its dissatisfaction with the inadequate responsiveness of DEWHA and DCCEE in providing either informative or timely answers to questions taken on notice. This significantly hampered the committee's ability to conduct this inquiry in a constructive and effective manner.

1.14 Due to this failure by DEWHA/DCCEE and similar unsatisfactory responses from the Prime Minister's department, the committee considered ministerial responses appropriate. Consequently, the committee invited the Prime Minister and Ministers

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3 See [www.aph.gov.au/senate/committee/eca\\_ctte/eehp/submissions.htm](http://www.aph.gov.au/senate/committee/eca_ctte/eehp/submissions.htm).

4 The committee asked for answers to questions on notice arising from the 22 February hearing by 24 February; from the 26 February hearing by 9 March; and from the 25 March hearing by 9 April 2010.

Garrett, Combet and Arbib to give evidence at a public hearing. Each of the ministers declined to appear.<sup>5</sup> In respect of Senator Arbib declining to appear, the committee reports this fact to the Senate pursuant to Standing Order 177(2).<sup>6</sup>

1.15 Since the last hearing of the inquiry on 25 March 2010 there have been a number of related developments:

- the government released Dr Allan Hawke's review of the Home Insulation Program (22 April 2010);
- the government announced that the planned insulation component of the replacement Renewable Energy Bonus Scheme will not proceed (22 April 2010);<sup>7</sup>
- the government released certain correspondence between the Prime Minister and Minister Garrett about the Home Insulation Program, which had been the subject of orders of the Senate relating to production of documents (27 May 2010);<sup>8</sup>
- the government has progressed various actions arising from the closure of the Home Insulation Program, including the Home Insulation Safety Program (HISP) and Foil Insulation Safety Program (FISP); industry assistance measures for displaced insulation workers and businesses; and fraud and compliance work including appointment of KPMG as forensic auditors (details are in chapter 2).<sup>9</sup>

1.16 Although these matters could not be the subject of questioning at hearings, the committee comments on them where appropriate in the report based on the public record.

1.17 In light of developments of 27 May 2010, the committee repeated its invitation to then Prime Minister Rudd, Ministers Garrett and Combet and extended

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5 The committee has published the respective correspondence on its website, see [www.aph.gov.au/senate/committee/eca\\_ctte/eehp/submissions.htm](http://www.aph.gov.au/senate/committee/eca_ctte/eehp/submissions.htm).

6 Standing Order 177(2) provides: 'If a committee requires the attendance of a senator as a witness, the chairman shall, in writing, request the senator to attend, and if the senator declines to attend or to give evidence, the committee shall report the matter to the Senate.'

7 Hon. G. Combet, Minister Assisting the Minister for Climate Change and Energy Efficiency, *Insulation component of the Renewable Energy Bonus Scheme will not proceed*, media release 22 April 2010.

8 Letters from Minister Garrett to the Prime Minister of 27 August, 28 October and 30 October 2009 and related letters; received out of session 27 May 2010; tabled in the Senate on 15 June 2010 pursuant to orders of the Senate 775 and 776 of 12 May 2010.

9 Hon. G. Combet, Minister Assisting the Minister for Climate Change and Energy Efficiency, *Home Insulation Safety Plan*, media release 1 April 2010; *Tax relief for insulation industry*, media release 20 April 2010; *Applications open for insulation industry assistance*, media release 6 May 2010; *Foil Insulation Safety Program underway*, media release 6 May 2010; *Home Insulation Safety Plan update*, media release 15 June 2010.

an invitation to then Deputy Prime Minister Gillard to appear before the committee. Each declined (see correspondence on the committee's website).

### **Structure of the report**

1.18 Chapter 2 of this report describes the Home Insulation Program, including the various changes during the second half of 2009, and actions arising from the closure of the program on 19 February 2010.

1.19 Chapter 3 discusses issues arising from the program design and administration.

1.20 Chapter 4 discusses the main concerns raised in submissions about program outcomes.

1.21 Chapter 5 discusses related matters to do with the adequacy of the relevant Australian Standards and the energy efficiency provisions of the Building Code of Australia.

1.22 Chapter 6 contains concluding comments.

