Chapter 4

Other issues affecting program outcomes

4.1 This chapter discusses the problems and concerns that arose during the Home Insulation Program (HIP), and where relevant, DEWHA's responses to them at the time.

4.2 The main matters raised in submissions concerned:

- the safety of insulation once installed, particularly electrical and fire safety;
- the level of fraud and abuse, including non-compliant installations, associated with the influx of new installers;
- the level of imported materials, including complaints that imported materials were often non-compliant with Australian Standards;
- the adequacy of consumer advice concerning the different types of insulation; and
- the adequacy of the program for low income earners, particularly renters.

The safety of work carried out under the program

4.3 Typically, electrical risk arises where there are pre-existing faults in wiring in the roof space (for example, old wiring with degraded sheaths or exposed connections); or where wiring is damaged during installation; or where wires are breached by fixings such as metal staples. The risks are greatest where aluminium foil is installed improperly as the foil is a conductor of electricity.[1]

4.4 Fire risk arises where insulation covers wiring or devices such as transformers which should be ventilated to dissipate heat,[2] or where insulation is placed close to downlights without adequate clearance or downlight covers.

4.5 The HIP has been associated with the deaths of four installers, three by electrocution and one by heat exhaustion. As at 16 June 2010, HIP installations have also been linked to 174 house fires across Australia since October 2009.

4.6 A recent targeted inspection of 15 000 HIP-insulated homes found that 7.6 per cent had fire safety hazards. The government indicated that this result may not be

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1 Master Electricians Australia, *Submission 20*, p. 3. Hon. P. Garrett, Minister for the Environment, Heritage and the Arts, *Foil insulation suspended from Home Insulation Program*, media release, 9 February 2010.

2 The problem of heat dissipation from wires applies to older wiring. Dr R. Aynsley, *Committee Hansard*, 17 February 2010, p. 27.

representative of all HIP installations, since inspections to date have to some degree targeted installations by firms with a poor compliance record.[3]

Submissions on electrical risks

4.7 The National Electrical and Communications Association (NECA) advised that it had given early warning of the risks arising from an influx of unskilled labour:

> As early as 16 February 2009, NECA provided advice and clear warnings to the Government regarding safety issues related to the installation of insulation…[4]

4.8 NECA also recommended mandatory electrical safety inspections:

> [In February 2009] We also strongly recommended a licensed electrical contractor be consulted to ensure that existing electrical wiring and other installations are protected… NECA did participate in a meeting on 12 November 2009 where again we suggested the involvement of a licensed electrician to sign off on any installation. The response to this suggestion was that there was not enough money available.[5]

4.9 Master Electricians Australia in October 2009 also called for far greater training for installers on the correct installation techniques when working around electrical cables.[6]

4.10 On the other hand ICANZ did not support calls for an electrician to attend every job for a preliminary safety inspection:

> We submit that in dealing with this issue, common sense must also prevail. Generally, insulation batts do not create electrocution risks and experienced insulation installers know what to do and have managed this safely over the years.[7]

4.11 Foil industry interests argued that foil has been used safely for 50 years, with the implication that the recent fatalities associated with foil have been caused by the influx of inexperienced workers.[8] Other submissions argued that foil should not be made the scapegoat for pre-existing electrical problems.[9]

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3 Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2153.

4 National Electrical and Communications Association, *Submission 39*, p. 3.

5 National Electrical and Communications Association, *Submission 39*, p. 3.

6 Master Electricians Australia, *Submission 20*, p. 3

7 ICANZ, *Submission 18*, p. 16.

8 Amalgamated Metal Industries, *Submission* 25, p. 2. Mr B. Tikey (Aluminium Foil Industry Association), *Committee Hansard*, 17 February 2010, p. 78. Mr T. Renouf (Wren Industries), *Committee Hansard*, 17 February 2010, p. 78.

9 Ultrashield Insulation, *Submission 40*. Silverline Insulation, *Submission 41*.

4.12 Mr and Mrs Kevin and Christine Fuller (parents of the first installer to be electrocuted), submitted that training standards based on a registered, trained person supervising an unknown number of untrained workers were inadequate. They submitted that 'tick and flick' risk assessment forms were 'too large…too technical' and were 'designed to absolve the government'. The Fullers also argued that state and territory health and safety regulators, which the program relied on to a large extent to oversee health and safety issues, were under-resourced to cope with the program:

> Workplace Health and Safety departments around the country stated early on that: 'It doesn't matter how perfect your regulations are going to look on paper, we simply to do not have the wherewithal, the manpower, the expertise to deliver on this.'[10]

4.13 The Fullers noted that there was no requirement to turn off the power before entering the ceiling, even though this was recommended by the manufacturer of the product which Matthew Fuller was installing.[11]

Submission on fire risks post installation

4.14 The National Electrical and Communications Association (NECA) warned of the fire risks, both publicly by media release and by letter to Minister Garrett, in February and March 2009:

> [Halogen downlights] run at very high temperatures and the incorrect installation of thermal insulation nearby has been the cause of many fires… The Australian Standard dealing with the installation of electrical equipment now has specific requirements for clearance of thermal insulation from such lighting sources. The problem is not insurmountable and special protective barriers are now commercially available to ensure that these minimum distances are maintained.[12]

4.15 The Master Electricians Australia also gave early warnings of the fire risks:

> As early as 18 May 2009…MEA issued a media release warning of the dangers of house fires being caused by the incorrect installation of woollen batts.[13]

4.16 ICANZ submitted that the fires which have occurred resulted from human error and from not following the required Australian Standards:

> Ceiling fires and electrocution occurred prior to the EEHP. The increase in the number of ceiling fires and electrocution are a result of the significant increase in the number of jobs undertaken.[14]

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10 K & C Fuller, *Submission 43*, p. 6.

11 K & C Fuller, *Submission 43*, pp 3–5.

12 National Electrical and Communications Association, *Submission 39*, attachment, letter to Minister Garrett, 9 March 2009.

13 Master Electricians Australia, *Submission 20*, p. 3.

4.17 ICANZ also submitted that all insulation materials should either meet Australian Standard 1530.1 for non-combustibility, or should require downlights covers as well as a clearance space.[15]

4.18 From 2 November 2009 the HIP mandated covers over downlights and other ceiling appliances, although this is not required by Australian Standards.[16]

4.19 At the time NECA tendered its submission to the inquiry (19 February 2010), it argued that the government should urgently consult with industry on how to address the increased potential for ceiling fires. It noted the increased level of urgency by stating:

> As summer finishes, earlier sunsets and colder temperatures will increase the use of downlights and ceiling heating devices such as those used in bathrooms.[17]

4.20 The Construction and Property Services Industry Skills Council commented generally on the risks inherent in the construction industry and specifically the insulation industry:

> Commonsense in the workplace, quality training by providers and employers and employees taking responsibility for their own workplace safety is the way to reduce further fatalities. The Construction industry is high risk with an average of 35 fatalities a year in Australia despite great OH&S standards and severe penalties for non compliance. With up to 10,000 homes a day being insulated and people working in confined spaces, with heat issues, close to electrical wires and at heights there remains the risk of further injuries.[18]

DEWHA's response to emerging problems

4.21 The training and installation requirements relevant to safety are described at paragraphs 2.25ff and discussed at paragraphs 3.60ff. In summary: supervisors were

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14 ICANZ, *Submission 18*, p. 17.

15 ICANZ, *Submission 18*, p. 16.

16 Hon. P. Garrett, Minister for the Environment, Heritage and the Arts, *Insulation changes: safety, consumer protections and value for money*, media release 1 November 2009. The relevant Australian Standard is AS 3999-1992, *Thermal insulation of dwellings - bulk insulation - insulation requirements*. This requires only a gap of 25mm around downlights. The more recent AS/NZS 3000:2007 (the Wiring Rules) requires greater clearances. The HIP program guidelines, before the 2 November change, required installers to follow the Wiring Rules in relation to downlights. There is concern among industry stakeholders that AS3999 should be amended, and Standards Australia is now consulting stakeholder groups about this. Standards Australia, *Submission 26*, p. 2; answers to questions from hearing 17 February 2010 (received 15 March 2010).

17 National Electrical and Communications Association, *Submission 39*, p. 5

18 CPSISC, *Submission 5*, p. 2.

required to have training; training materials were developed which covered the range of hazards; and installations had to comply with the relevant Australian Standards.

4.22 Shortly after the first fatality (which occurred on 14 October 2009), safety warnings were upgraded in a new edition of the installers pocketbook released in November 2009. Around 20 000 copies were sent to registered installers and registered training organisations. Around this time DEWHA also issued a major alert to all installers by SMS, email and the 'installer advice' newsletters posted on the program's website.[19]

4.23 Additional safety measures were put in place on 2 November 2009:

- a ban on metal fasteners for foil insulation;
- mandatory downlight covers; and
- a targeted electrical safety inspection program of foil installations in Queensland.[20]

4.24 From 1 December 2009 a mandatory formal risk assessment of every installation was required. This involved filling in a form which prompted the installer to look for the listed hazards, and gave advice on how to respond to them.[21]

4.25 On 9 February 2010 Minister Garrett suspended the use of foil insulation from the program citing concerns about electrical safety where foil is not properly installed.[22] On 10 February 2010 Minister Garrett announced that all of the approximately 50 000 houses that had foil insulation installed under the program would have an electrical safety inspection.[23]

4.26 From 12 February 2010 the competency and training requirements applied to every person involved in installation, not only to supervisors (this had been announced on 30 November 2009).[24]

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19 DEWHA, *Submission 19*, p. 26ff. Installer Advice No. 12, 26 October 2009. Construction and Property Services Industry Skills Council, *Submission 5.* Mr M. Hoffman (Department of the Prime Minister and Cabinet), *Committee Hansard*, 26 February 2010, p. 25.

20 Hon. P. Garrett, Minister for Environment, Heritage and the Arts, *Insulation changes: safety, consumer protections and value for money*, media release, 1 November 2009.

21 Hon. P. Garrett, Minister for Environment, Heritage and the Arts, *Deregistered installer list goes live*, media release, 2 December 2009.

22 Hon. P. Garrett, Minister for the Environment, Heritage and the Arts, *Foil insulation suspended from Home Insulation Program*, media release 9 February 2010.

23 Hon. P. Garrett, Minister for the Environment, Heritage and the Arts, *Electrical safety inspections for foil insulation*, media release 10 February 2010.

24 DEWHA, *Submission 19*, p. 9; Installer advice No. 19, 17 December 2009; Hon. P. Garrett, Minister for the Environment, Heritage and the Arts, *Insulation safety standards to get a further boost*, media release 30 November 2009.

4.27 Following the closure of the HIP on 19 February 2010, in response to continuing electrical and fire risks, the government established:

- a Foil Insulation Safety Program (FISP), which will remove foil insulation, or install safety switches, in 50 000 homes which had foil installed; and
- a Home Insulation Safety Program (HISP), which involves targeted inspections of at least 150 000 homes which had non-foil insulation installed, and will include simple remediation work such as fitting downlight covers.

4.28 The cost of these activities will be met from the existing budget of the HIP.[25] The 2010–11 Budget allocated $66 million for the Foil Insulation Safety Program and $295 million for the Home Insulation Safety Program in 2010–11.[26]

4.29 In relation to the FISP, the committee notes that there is disagreement among electrical associations about whether it is safer to remove foil or to install a safety switch. It has been reported that it is the government's preference for foil to be removed; but that Master Electricians Australia is concerned that staples left behind could still cause electrocution. The committee supports householders being allowed to choose their preferred option, based on the advice of the electrical inspector but questions the basis of the advice to the householder when the government has not empirically resolved the diverging industry opinion on this issue.[27]

Committee comment on electrical and fire risks

4.30 The committee acknowledges that, as in many areas of the building and construction sector, there are inherent risks associated with installing insulation. There are risks to both installers working in hot and confined spaces containing electrical wiring; and to householders if the insulation is not properly installed.

4.31 The consequences of these inherent risks are very high and in the extreme can result in the loss of both lives and property.

4.32 However, the committee is of the view that with adequate and appropriate risk management—for example, fully informed and properly trained and competent installers, and the use of safety equipment such as downlight covers—these risks can be significantly mitigated.

4.33 Roof/ceiling insulation is safe provided it is of appropriate standard, properly installed with full knowledge of the possible hazards and with effective safety

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25 Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *Home insulation safety plan*, media release 1 April 2010.

26 Climate Change and Energy Efficiency Portfolio, *Portfolio Budget Statement 2010–2011*, p. 24.

27 'Foil removal won't fix death traps', *The Australian*, 16 April 2010, p. 2. 'Confusion over foil insulation solution', *The Australian*, 17 May 2010, p. 6. FISP guidelines can be found at www.climatechange.gov.au/en/government/programs-and-rebates/hisp/foil-insulation.aspx (accessed 8 July 2010).

arrangements in place. This applies to both bulk materials and foil. The fire and electrocution problems which have occurred resulted from inadequate training and unsafe work practices.

4.34 The committee acknowledges DEWHA's attempts to ensure suitable training standards and work practices. However, too many of these attempts were a case of playing catch-up to problems in both the formal requirements and with their inadequate and flawed implementation.

4.35 In the committee's view DEWHA did not adequately anticipate the high risk created by the huge influx of inexperienced and unqualified workers. When issues did emerge, DEWHA's responses were both slow and often inadequate. The Department of Education, Employment and Workplace Relations meanwhile, appears to have been missing in action, despite being members of the Project Control Group and, logically, having a key responsibility for workplace safety and training issues.

4.36 Arguably the key mistake was failing to ensure from the outset that all personnel involved in installation (not only supervisors) were properly trained and fully understood the risks associated with installing insulation.

4.37 Making the requirements more stringent in the last few months of the program was too little, too late. For example, DEWHA's reaction to the unfolding safety issues after the first death on 14 October 2009 was tardy. The ban on metal staples for foil insulation took effect on 2 November 2009. The requirement for a mandatory risk assessment of each job took effect only on 1 December 2009. The requirement for all installers, not only supervisors, to have training took effect only on 12 February 2010. At no stage was there a firm requirement to turn off the power during installation, a simple step which arguably would have greatly reduced electrical risk to the installer (though not to the householder afterwards).[28]

4.38 The committee notes the government's statements that there have always been fires associated with poorly installed ceiling insulation. The intended inference seems to be that some increase in the number of fires is to be expected because of the huge increase in the number of installations.

28 Turning off the power during installation would not prevent a stapled wire from enlivening foil insulation when the power is turned back on, which would create an ongoing hazard.

4.39 On the available figures it is impossible to say whether the rate of defective-installation-causing-fire is higher or lower in HIP jobs than in earlier jobs.[29] However, the committee notes that a targeted inspection of 15 000 installations has found that 7.6 per cent of them have fire safety hazards.[30] The committee notes the government's contention that these figures may not be representative of all installations, as inspections to some degree have been targeting installations by firms with a poor compliance record.[31] However, even if this figure is discounted by half, given the one million-plus houses that have had insulation installed under the HIP, this would mean that in the order of 38 000 homes face the risk of a house fire. The committee considers this to be an unacceptably high figure, and creates a massive time-bomb for tens of thousands of Australian households.

4.40 In any case, the government cannot somehow excuse the incidence of HIP-related fires by pointing to precedents prior to the program. If anything, the incidence of insulation related fires prior to the HIP should have served as another warning to the government and should have provided further cause for care and caution in the development of the new program. The government's aim should have been to have no fires resulting from work which the government had encouraged and which taxpayers have funded.

4.41 DEWHA was, and the government should have been, aware of the risks before the commencement of the program, both through the Minter Ellison Risk Register, which DEWHA expressly commissioned, and through the various approaches to government by concerned stakeholders. Despite being told of such risks, they appear to have been brushed aside in pursuit of other priorities.

4.42 While acknowledging that DEWHA may not have known the precise scope and magnitude of the risks, the committee is nevertheless of the view that its response in addressing the risks before the program's commencement was wholly insufficient. It did nothing to address certain risks. The committee is also of the view that as the identified risks manifested as serious problems, both DEWHA and the government's responses were overwhelmingly and perhaps tragically deficient.

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29 In the second half of 2009 insulation was being done at an average rate about 7–8 times greater than the pre-HIP norm (average 133 000 per month July to November, compared with previously 65–70 000 retrofit plus about 150 000 new builds per year). The stock of previously insulated houses is about 4 million, while the stock of HIP insulated houses is about 1.2 million. To compare the rate of defective-installation-causing-fire between the two groups would require knowledge of the average 'incubation period' of an insulation-related fire. ICANZ, *Submission 18*, p. 6. ABS, *Building Activity*, cat. 8752.0, table 18. Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2151. DCCEE, answer to question on notice 53 from hearing 26 February 2010 (received 22 April 2010).

30 Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2153.

31 Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2153.

Recommendation 2

4.43 The government must inspect every home which had insulation installed under the Home Insulation Program for fire and safety risks.

4.44 The committee notes comments by Mr Ian Hunter of the Melbourne Metropolitan Fire Brigade that every home that has been insulated under the HIP should be inspected.[32] The committee agrees that this would be necessary in view of the fire risk that may arise from improperly installed insulation.

Recommendation 3

4.45 The government's safety checks under the Home Insulation Safety Program and the Foil Insulation Safety Program must ensure that any shortcomings in relation to product quality or installation standards are rectified.

Recommendation 4

4.46 The government should put in place a mechanism to check work undertaken through the Foil Insulation Safety Program and the Home Insulation Safety Program to ensure that all safety standards and requirements are adhered to.

The level of fraud and abuse

4.47 The committee was given examples of fraud and abuse of the program by installers, including:

- insulation installed in ineligible properties (such as those that were already insulated);
- fraudulently claiming a rebate where insulation had not been installed;
- removing older insulation to make the customer appear eligible;
- unreasonably high quotes for straightforward works;
- use of non-compliant materials;
- batts cut in half to spread them further, or thrown into the roof without being laid properly, on the basis that clients (particularly elderly people) would not be able to look in the roof;
- batts laid over downlights; and
- downlight covers not installed (after 2 November 2009, when they became mandatory).[33]

32 *Four Corners*, ABC TV, 26 April 2010.

33 For example *Submission 3*, name withheld. Skygreen, *Submission 12*, p. 1. See also submissions 27, 28, 29, 30, 32, 34 for examples of consumer complaints.

4.48 In August 2009 DEWHA noted in advice to installers that 'there has been negative coverage in the media and serious complaints received from householders regarding over-charging and incorrect installation.'[34]

4.49 There is conflicting evidence on the extent of these abuses. Despite DEWHA's evidence that only a small proportion (0.65 per cent) of participants complained about their experience,[35] there appears to have been widespread examples of abuse and fraud.

4.50 For example, a survey by the Australia Institute found that, among householders who had been approached by insulation businesses in the previous 12 months, 16 per cent were told that insulation needs to be replaced regularly (which is not true, and thus suggests an attempt to defraud the Commonwealth).

4.51 In the same survey, among householders who had had insulation installed in the previous 12 months, while the majority of respondents described the installer as 'competent', 'skilled' or 'professional', 13 per cent described the installer as 'amateur', 13 per cent as 'inexperienced', and 8 per cent as 'disreputable'.[36] This suggests a level of dissatisfaction orders of magnitude higher than that suggested by DEWHA's 0.65 per cent level of complaint.

4.52 A targeted inspection of 15 000 installations has found that 66 per cent were fully compliant, 7.6 per cent had fire safety hazards, 16 per cent had other quality issues, and 0.5 per cent involved potential fraud. The government points out that these figures may not be representative of all installations as inspections to some degree have been targeting installations by firms with a poor compliance record.[37]

4.53 In addition, by April 2010, 961 cases where more than one insulator had submitted a claim for payment for insulating the same premises had been referred to DEWHA for investigation.[38]

DEWHA's handling of the fraud risk

4.54 The potential for fraud and abuse was raised in the Minter Ellison Risk Register (see chapter 3). The suggested risk management actions were:

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34 Installer advice No. 4, 6 August 2009.

35 Mr M. Thompson (DEWHA), *Committee Hansard*, 22 February 2010, p. 24.

36 Australia Institute, *Submission 46*, pp 2–3. Respondents could use more than one description. 77 per cent of respondents described the installer as 'competent'; 73 per cent as 'skilled'; and 72 per cent as 'professional'.

37 Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2153.

38 Medicare Australia, answer to question on notice 9 from hearing 26 February 2010 (received 9 April 2010).

- Develop specific fraud strategy based on a capacity to outsource the risk;
- Review processes to test specifically for control over possible fraud/ incorrect payments;
- Liaise with the Department's enforcement and compliance/ legal experts in developing controls;
- Ensure effective monitoring of possible fraud areas in place (identify data needs and include in process development);
- Review internal processes for possible internal fraud opportunities;
- Review eligibility guidelines and review processes for possible fraud opportunities; and
- Risk Manager to sign off on processes and policies after reviewing for possible fraud opportunities.[39]

4.55 DEWHA described its arrangements for minimising fraud and abuse:

- the installer registration requirements (described in chapter 2);
- insurance check;
- computerised pre-payment checks which identified anomalies showing potentially non-compliant installers;
- post-payment checks of claim trends, for example to identify installers who claimed in advance or who claimed for complete streets or for large numbers of houses in one area;
- external intelligence, for example from fire brigades, work safety authorities and state offices of fair trading;
- desktops audits (targeted and random), in which installers were required to provide information about their registration and work practices;
- field audits of an installer's workplace to check work practices and insulation type and quality;
- roof inspections;
- feedback from householders.[40]

4.56 DEWHA's audit and compliance effort was ramped up from September 2009. To 6 December 2009, 7962 roof inspections were conducted and as a result 183 installer companies were deregistered for failing to abide by the program's terms and conditions. To early March 2010 there were about 15 000 roof inspections and 1000

39 Minter Ellison, *Risk Register and Management Plan*, 9 April 2009, p. 2.

40 DEWHA, *Submission 19*, pp 17–18.

desktop audits.[41] DCCEE advised that the number of inspectors varied during the program subject to requirements, and at certain times there have been over 100 inspectors. DCCEE advised that the Home Insulation Safety Program and the Foil Insulation Safety Program 'will involve a dramatic increase in the number of inspectors'.[42]

4.57 On 27 May 2010 DCCEE advised that there are about 50 000 outstanding invoices of which almost half relate to compliance activities.[43] DCCEE has appointed KPMG as forensic auditors to prepare briefs for the Australian Federal Police (AFP). To 27 May three cases have been referred to the AFP.[44]

4.58 In relation to overquoting, DEWHA advised that:

- From 1 September 2009 a pricing table based on claims experience was included in the guidelines. Installers charging above the listed prices were subject to review. 'The pricing table helped filter out the small number of unscrupulous quotes affecting the market.'
- Further, from 1 December 2009 new guidelines required two independent quotes and a site inspection (with exemptions for remote areas).
- From 24 December 2009 materials had to be on a list of approved products maintained by DEWHA.[45]

4.59 On 10 March 2010, Minister Combet committed the government to pursue unscrupulous operators. The Department of Climate Change and Energy Efficiency (which has taken over control of the program from DEWHA) advised that it is developing a compliance categorisation model to target fraud and non-compliance more effectively, and has boosted its resources in fraud investigations.[46]

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41 DEWHA, *Submission 19*, p. 19. Mr M. Hoffman (Department of the Prime Minister and Cabinet), *Committee Hansard*, 26 February 2010, p. 24. Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2153.

42 DEWHA/DCCEE, answer to question on notice 88 from hearing 26 February 2010 (received 30 April 2010).

43 Mr M. Bowles, *Committee Hansard*, 27 May 2010 (Environment, Communications and the Arts Legislation Committee, DCCEE Estimates hearing), p. 71.

44 Dr M. Parkinson and Mr M. Bowles (DCCEE), *Committee Hansard*, 27 May 2010 (Environment, Communications and the Arts Legislation Committee, DCCEE Estimates hearing), pp 96–8.

45 DEWHA, *Submission 19*, p. 8, 15.

46 Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2150. Dr M. Parkinson (DCCEE), *Committee Hansard*, 25 March 2010, p. 33.

Committee comment

4.60 The rate of fraud and abuse in the HIP is unclear. However, it is uncontested that it occurred, and at an unacceptable level. The results of the survey and targeted inspections mentioned at paragraphs 4.50ff paint a picture far more concerning than DEWHA's statement that only '0.65' per cent of installations have resulted in a complaint.

4.61 While the government had and still has auditing and compliance activities, it is unclear how well they are informed, targeted or resourced in proportion to the need. The committee notes evidence that more resources have been put into auditing and compliance recently.[47]

4.62 In the committee's view the incidence of fraud and abuse was a predictable outcome of a program which encouraged an influx of new businesses into a small and largely unregulated industry, and was designed in a manner open to profiteering around the premise that the householder should not be out of pocket (the subsidy amount was expected to cover the whole price in most cases). Ignorant of the risks, householders were lured into thinking they needn't have a stake in ensuring that the job was well done (quite apart from the fact that most would not have the knowledge to do so).

Recommendation 5

4.63 The government must pursue, finalise and publicly account for every case of fraud under the Home Insulation Program.

The level of imported and non-compliant materials

4.64 Submissions raised concerns about the volume of imported products (given that the purpose of the program was to stimulate the Australian economy), and about claims that too many of the imports were not compliant with Australian Standards.

Incidence of imported materials

4.65 The amount of imported insulation materials used for the program is not officially known, as import statistics do not separate glasswool batts from other fibreglass products.[48] ICANZ estimated that about 40 per cent of HIP installations used imported products, from China, the USA, UK, Malaysia and Thailand.[49]

4.66 It appears that DEWHA did not expect this high level of imports. An industry consultation meeting on 18 February 2009 minuted the issue thus:

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47 Dr M. Parkinson (DCCEE), *Committee Hansard*, 25 March 2010, p. 33.

48 DEWHA, *Submission 19*, p. 21.

49 ICANZ, answers to questions on notice from hearing 17 February 2010 (received 16 March 2010).

> Industry expectation is to insulate 500,000 homes per annum. If demand is at this level then the industry participants suggested that reliance on imports will be minimal.[50]

4.67 It appears also that the high level of imports arose from the higher than expected program take up in the second half of 2009.[51]

4.68 Submitters generally regretted the need to have such a high level of imports given that the purpose of the program was to stimulate the Australian economy:

> Why did we stimulate the economies of China and the USA?[52]

4.69 The Aluminium Foil Insulation Association (AFIA) noted that it had warned the government as early as February 2009 that the program would 'open the door to many cheap imports that will not be approved to AS/NZS 4859.1 or compliant to the Building Code of Australia.'[53]

4.70 DEWHA and ICANZ, defending the program as a stimulus measure, stressed that most employment in insulation is downstream of the manufacturers.[54] DEWHA also noted that Australia's WTO free trade obligations prevented restrictions on imports.[55] However ICANZ had concerns about the longer term effect on Australian manufacturing:

> As local manufacturers with significant and long term commitments in Australia, we would prefer to see a lower incidence of imported product and more even and sustained levels of demand over an extended timeframe… the high level of current demand will end at the conclusion of this program. We can expect that the large uninsulated homes market will be satisfied, and that many downstream jobs will also be shed. Future local manufacturing jobs and the justification for further investment in manufacturing capacity is also at risk.[56]

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50 ICANZ, answers to questions on notice from hearing 17 February 2010 (received 16 March 2010): minutes of an industry consultation meeting, 18 February 2009.

51 ICANZ, *Submission 18*, p. 14. See also ICANZ, answers to questions on notice from hearing 17 February 2010 (received 16 March 2010): minutes of an industry consultation meeting, 7 August 2009.

52 K&C Fuller, *Submission 43*, p. 4.

53 AFIA, *Submission 23*, attachment, letter to Prime Minister 9 February 2009, p. 2.

54 ICANZ, *Submission 18*, p. 14. DEWHA. *Submission 19*, p. 21. Ms R. Kruk (DEWHA), *Committee Hansard*, 25 March 2010, p. 26.

55 Ms R. Kruk (DEWHA), *Committee Hansard*, 25 March 2010, p. 26.

56 ICANZ, *Submission 18*, p. 14. Similarly Amalgamated Metal Industries, *Submission 25*, p. 1: 'Most of the sales of imported insulation represent a direct long-term loss to the Australian industry.'

The quality of imported products

4.71 For most submitters who commented on the level of imports, the more important concern was the claim that imported products were of inferior quality.

> Much of the flood of imports in the market has been of products that do not meet Australian Standards. These products could not be effectively marketed in a normal market: end-users who are parting with their own money are more wary; and in normal times regulators, including the ACCC, are able to keep a closer eye on product claims.[57]

4.72 Under program guidelines, imported products, like all HIP materials, had to comply with Australian Standards.[58] There was disagreement about the extent of non-compliance. Some submissions described their own observations of non-compliant imports, or spoke generally of a 'flood' of non-compliant imports.[59] The Polyester Insulation Manufacturers Association of Australia (PIMAA), speaking generally, not only about imports, claimed that 30–40 per cent of homes contain non-compliant products.[60]

4.73 ICANZ strongly disputed claims that 30–40 per cent of products are non-compliant:

> We estimate that we supply 68 per cent of the Home Insulation Program. We know all our products are compliant. That statement means that every other product that is going into this program is non-compliant. That is clearly nonsense.[61]

4.74 ICANZ estimated that about 8 per cent of HIP materials were Chinese, and about 40 per cent of the Chinese materials—thus about 3 per cent of the HIP total—failed thermal claims. An additional 30 per cent of the Chinese materials failed labelling requirements.[62]

4.75 In evidence there was no suggestion that imports other than Chinese imports were significantly non-compliant, although this question was not directly addressed.[63]

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57 Amalgamated Metal Industries, *Submission 25*, p. 3.

58 DEWHA, *Submission 19*, p. 30.

59 United Bonded Fabrics, *Submission 9*, p. 3. Autex, *Submission 10*, p. 4. Amalgamated Metal Industries, *Submission 25*, p. 3. Mr B. Tikey (AFIA), *Committee Hansard*, 17 February 2010, p. 43.

60 Mr T. Zuzul (PIMAA), *Committee Hansard*, 17 February 2010, p. 10.

61 Mr R. Thompson (ICANZ), *Committee Hansard*, 17 February 2010, p. 58.

62 ICANZ, answers to questions on notice from hearing 17 February 2010 (received 16 March 2010). See also Mr R. Thompson (ICANZ), *Committee Hansard*, 17 February 2010, p. 58.

63 ICANZ did assert that the US product was 'world class'. There was no comment in evidence on the quality of imported materials from other places. Mr R. Thompson (ICANZ), *Committee Hansard*, 17 February 2010, p. 58.

4.76 On this issue DEWHA noted that all HIP products had to comply with Australian Standards, and also that any complaint by householders about non-compliant materials would be a matter for state/territory fair trading authorities.[64] PIMAA argued that this attitude was too blasé:

> So when we highlighted these examples [of non-compliant products] to the government it was met with a nonchalant attitude, in that they were not going to be the police in this scenario... If the householder was not happy with the level of benefit provided by the insulation, they could go to fair trade. In all honesty, Mr and Mrs Smith would have no idea if something works or it does not work.[65]

Committee comment

4.77 The committee agrees with submissions that the high level of imports was regrettable, and is potentially detrimental to the Australian insulation manufacturing industry in the medium term.

4.78 The committee notes the evidence that thermally non-compliant Chinese imports are likely to be about three per cent of total HIP materials. However, the overall level of non-compliant imported materials is uncertain (since there is no evidence on the extent of non-compliance in imports other than the Chinese). Nevertheless, the committee finds it wholly inadequate for DEWHA or the government to dismiss this issue by saying that householders with non-compliant materials should complain to state/territory fair trading offices. Householders are not likely to know whether their insulation materials are compliant or not. The government, having encouraged householders to take up the subsidy, has a duty to ensure that materials installed are compliant. This should be part of the inspection of every insulated home.

4.79 The use of these non-compliant imports failed the test of good public policy at almost every level. It failed as an economic stimulus by sending dollars overseas; it failed as an environmental measure as the standard of insulation provided was unsatisfactory and will not deliver the intended energy efficiency dividend; and it failed to deliver for many unfortunate homeowners, who will be left with little energy savings but will face the cost of removing these inferior products if they are to install quality insulation at a later stage.

Adequacy of advice on different types of insulation

Effects of the HIP on sectors other than fibreglass batts

4.80 Some submitters argued that the program has been detrimental to them because it encourages the use of the insulation with the lowest upfront costs,

64 DEWHA, *Submission 19*, p. 30.

65 Mr T. Zuzul (PIMAA), *Committee Hansard*, 17 February 2010, p. 14.

regardless of long term costs and benefits. The Polyester Insulation Manufacturers Association of Australia (PIMAA) said:

> Polyester insulation is initially more expensive to buy, but has a lower cost to install, and is a lower cost option over the extended life and utility of the media… The reduction of the maximum rebate [from $1600 to $1200 on 2 November 2009] has resulted in a flight of new installer entrants away from the initially more expensive to buy Polyester Insulation; a decision driven by short term profit imperatives… Consequently the demand for Polyester insulation has significantly reduced under this Program.[66]

4.81 PIMAA suggested that the rebate should be on a sliding scale recognising the lifecycle benefits of the different insulation materials.[67]

4.82 Similarly, the Australian Cellulose Insulation Manufacturers Association (ACIMA) submitted that cellulose is superior on a life-cycle analysis basis 'given its manufacture is a comparatively low-energy process, from recycled paper-based waste'; yet its market share has decreased under the HIP 'due to the large influx of new installers who have chosen batt-type insulation, due to the substantial installation equipment cost barriers facing new entrants to the cellulose sector'.[68]

Claimed inappropriate use of bulk materials in hot climates

4.83 Foil supporters argued that the program has had the effect of encouraging the use of bulk insulation in hot climates where they argue it is inappropriate.

4.84 This debate arises because foil has a different R-value down and up: it blocks downwards radiant heat, but allows heat to escape upwards. In hot climates this helps houses to cool down at night. According to Dr Aynsley, a senior academic expert on insulation:

> It is often overlooked that radiant barriers [such as foil], while highly efficient at controlling downward heat flow in summer, have a much lower resistance to upward heat transfer after sundown. This has the effect of providing excellent protection from solar heat gain during the day but allowing rapid cooling of the interior of the building after sundown… Relying solely on bulk insulation in roofs will slow down the cooling of

66 PIMAA, *Submission 11,* pp 2, 5. Similarly United bonded, *Submission 9*; Autex, *Submission 10*; and Mr J. Liaskos (Polyester Insulation Manufacturers Association of Australia), *Committee Hansard*, 17 February 2010, p. 20.

67 PIMAA, *Submission 11*, p. 6.

68 ACIMA advised that the market share of cellulose was 25 per cent pre-HIP and 12 per cent during HIP. ACIMA, *Submission 8*, p. 1.

> buildings in winterless climates after sundown (BCA Climates zones 1 and 2).[69]

4.85 However, the program's standard for insulation R-values (see Table 1, paragraph 2.21), and the Building Code of Australia (BCA) from which it derives, do not acknowledge this point. For hot climates the standards specify a minimum downwards R-value (to keep heat out during the day); but it was argued that they should also specify a maximum upwards R-value (so that heat can escape at night).

> Before the Energy provisions of the BCA were prepared, Professor Aynsley, former Head of the Australian Institute of Tropical Architecture, advised the Australian Building Codes Board to specify minimum R-value for heat flow down together with a maximum R-value for heat flow up.[70]

4.86 Some foil industry supporters argued that the failure to do this has been caused by pressure from the fibreglass industry:

> To my knowledge, the impact of such a regime was never modelled in preparing the BCA amendment, once again presumably because it would have excluded bulk insulation from consideration, even though it would have led to a superior result in terms of comfort and energy savings for the Australian community.[71]

4.87 The 'BCA amendment' (changes to the energy efficiency provisions of the Building Code of Australia, published in March 2010) is discussed further at paragraphs 5.35ff.

4.88 A related problem is that under the relevant Australian Standard – AS/NZS 4859.1 – the R-value of bulk materials is tested at a standard mean temperature of 23 degrees.[72] Foil industry supporters argue that this is inappropriate

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69 Dr R. Aynsley, *Submission 17*, p. 2. Similarly Aluminium Foil Insulation Association (AFIA), *Submission 23*, p. 4. Similarly in *Insulation Management - guide for residential building*, Australian Greenhouse Office 2001, p. 7, advice for naturally ventilated houses in hot humid climates: 'Sufficient insulation is needed under roofs and/or ceilings and walls to avoid excessive radiant heat gains inside the house. The added insulation will need to be sufficient to allow the building to cool adequately at nights.' Similarly Australian Housing Research Council, *Thermal performance of housing units in Queensland*, 1981, p. 174: 'Mineral wool ceiling insulation greatly improves daytime performance in summer, but keeps unconditioned houses hotter on summer nights.'

70 Amalgamated Metal Industries, *Submission 25*, p. 5.

71 Amalgamated Metal Industries, *Submission 25*, p. 5.

72 AS/NZS 4859.1, *Materials for the thermal insulation of buildings*, clause 2.3.3.3. The standard test measures the transfer of heat between test plates at temperatures of 13 degrees and 33 degrees, thus a mean of 23 degrees.

because actual conditions in roof spaces are often much hotter,[73] and as the temperature increases the achieved R-value falls:

> The R-values that are being quoted around here today from the testing that is outlined in that standard do not represent the R-value that is achieved in the roof… There have been studies done here and some at the University of South Australia that dramatically show that there is a big difference between what people are sold in terms of an R-value and what they actually get. That is even when they comply with standard 4859. There is an urgent need to update that.[74]

4.89 The combination of these issues, it was argued, makes bulk insulation inappropriate in hot climates:

> Too much [bulk] insulation in the summer will not only induce "heat sink" conditions within the attic space as temperatures climb to say 60DegC where the bulk insulation breaks down in its ability to halt heat transfer…but that in the evening as the night sky cools down there remains trapped within the living environment excess high temperature which can then only be cooled down by mechanical means such as air-conditioning.[75]

4.90 A further problem raised in submissions is that in hot climates condensation problems can occur when warm humid roof-space air touches a cooler ceiling; or at night when it touches a cooler metal roof. Condensation can cause serious structural damage. It was argued that the damage can be worsened by bulk insulation, which acts as a sponge and prevents the condensate from evaporating again. The moisture also reduces the R-value of the insulation:

> If no vapour barrier is present, moisture will condense from air infiltrating through the insulation when it reaches the "dew line"… Over time the water builds up, absorbed by the bulk insulation like a giant sponge, until eventually serious structural damage can result…[76]

> Recent increases in the amount of insulation installed in buildings has increased the risk of condensation. More insulation in a roof means that there will be a greater temperature difference across the insulation. This can increase the possibility of the dewpoint temperature occurring within the insulation leading to interstitial condensation within the insulation. This degrades the R-value of the insulation and promotes mould growth and wood rot.[77]

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73 Dr Aynsley submitted that on a comfortable overcast day a low pitched metal roof may be at a temperature of up to 60 degrees, and on a hot day up to 90 degrees. *Submission 17*, p. 3. See also Mr T. Renouf, *Committee Hansard*, 17 February 2010, p. 81.

74 Dr R. Aynsley, *Committee Hansard*, 17 February 2010, p. 25.

75 Aluminium Foil Insulation Association, *Submission 23*, p. 4.

76 Amalgamated Metal Industries, *Submission 25*, p. 5.

77 Dr R. Aynsley, additional information 16 April 2010. Similarly *Committee Hansard*, 17 February 2010, pp 24–25.

4.91 Foil supporters believe that the program has encouraged use of bulk materials in situations where they are inappropriate:

> There is a very strong case for banning bulk insulation in Zones 1 and 2 (coastal climates North of Port Macquarie) entirely on the grounds that they retain heat at night. Together with the condensation issues when inadequate – or, much more commonly, no – vapour barriers are used, the case for banning bulk insulation in these climates is overwhelming.[78]

> What will the government do when complaints come in saying that the insulation [using bulk materials in climate zones 1 and 2] is making the house hotter?[79]

4.92 Wren Industries argued that 'a small proportion of the [$2.7 billion] approved for the program should have been allocated to determine what insulation materials are best suited to hot climates.'[80]

4.93 ICANZ (which represents the major manufacturers of bulk insulation[81]) argued in reply that 'bulk insulation is suitable for all climates':

> High levels of insulation will not create a hot box when ventilation is adequate (not perfect) and heat gains through windows are moderated (but not eliminated)… [I]nsulating reduces [daytime] heat gains by more than it slows night time heat loss.[82]

4.94 On the condensation problem ICANZ submitted:

> With regard to claims that bulk insulation absorbs moisture in tropical climates thus reducing its effectiveness, this is certainly not the case with mineral wool bulk insulation which have <1% moisture absorption rates and therefore insignificant impact on thermal performance… Managing condensation is critical in warmer climates and a vapour barrier such as reflective foil is generally recommended to provide this barrier but to keep the temperature above the dew point bulk insulation generally needs to be added.[83]

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78 Amalgamated Metal Industries, *Submission 25*, p. 5.

79 Wren Industries, *Submission 15*.

80 Wren Industries, *Submission 15*.

81 The members of ICANZ are CSR Bradford and Fletcher Insulation. ICANZ members manufacture glasswool, rockwool and reflective foil insulation. ICANZ members manufacture around 75 per cent of all reflective foil made in Australia, have 5 mineral wool bulk insulation plants and supply most other insulation products except sheep's wool and cellulose fibre. ICANZ, *Submission 18*, p. 4; additional information 19 April 2010, p. 1. ICANZ's competitors argued that ICANZ represents primarily the fibreglass batts industry: for example Autex, *Submission 10*, p. 3; AFIA, *Submission 23*, p. 1 and attachment 1, p. 9.

82 Mr R. Thompson (ICANZ), *Committee Hansard*, 17 February 2010, p. 74. ICANZ, additional information, 19 April 2010, p. 14.

83 ICANZ, additional information 19 April 2010, pp 1–2.

4.95 The 'heat box' issue had been considered at an industry consultation meeting on 18 February 2009, where 'there was general support for the consumer to be allowed the make the judgment as to which product and which supplier to use':

> One of the participants suggested it would be useful to have an independent fact sheet in regards to R-values. The chair proposed the insulation section in the "Your Home" manual be used, and this was agreed by all.[84]

4.96 The result was that the program guidelines did not specify any particular materials. The guidelines said:

> A range of insulation products may be installed under the program. It is important that householders familiarise themselves with the range of products available to ensure the product's suitability to individual circumstances, which includes the location of the dwelling and the roof type.[85]

4.97 DCCEE submitted that 'program Guidelines outlined the importance of householders familiarising themselves with the range of products available to suit their circumstances and advised householders to seek advice from www.environment.gov.au/energyefficency'.[86] DCCEE further submitted that:

> There is also the Your Home Technical Manual…if a householder has a concern [about whether suitable materials have been used] then they should be discussing that with their installer, because their installer was required to follow those program guidelines and assess what type of insulation would best suit the householder.'[87]

84 ICANZ, answers to questions on notice from hearing 17 February 2010 (received 16 March 2010): minutes of a stakeholder consultation meeting 18 February 2009, p. 4.

85 HIP program guidelines versions 3, 4 and 5, September to December 2009.

86 DEWHA/DCCEE, answer to question on notice 74 from hearing 26 February 2010 (received 30 April 2010).

87 Mr A. Hughes (DCCEE), *Committee Hansard*, 25 March 2010, p. 42. Versions 2 and 3 of the HIP program guidelines (June to October 2009) also said 'It is suggested that householders contact a number of installers on the Installer Provider Register to explore a range of insulation and installation options.' Brief relevant comment is in DEWHA's *Your Home Technical Manual*, however the program guidelines did not mention the manual.

Committee comment

4.98 The extent of any inappropriate use of bulk materials is unclear.[88] However the committee is concerned that householders may not have had adequate advice on this matter.

4.99 Nothing in the program guidelines justify DCCEE's statement at paragraph 4.97 that 'the installer was required to assess what type of insulation would best suit the householder'. The guidelines quoted at paragraph 4.96 clearly put the onus for this on the householder. The installer's only obligation in this regard was to follow the table of minimum R-values. The whole point of concern about this issue is that the table of R-values (like the Building Code of Australia) ignores the problem of bulk materials in hot climates keeping naturally ventilated houses hot at night.

4.100 The referenced *Your Home Technical Manual*, which (it was implied) householders should have consulted, is a large document which contains this solitary relevant comment on page 103:

> The most important thing to remember is that in high humid [tropical] climates where houses are naturally ventilated, high down values and lower up values are appropriate for roofs and ceilings.[89]

4.101 The reason for this advice (to help the house cool naturally at night) is not given. Nor is any advice given about the relative effectiveness of bulk insulation in different climates.

4.102 In the context of a program—an attempt by government to roll out insulation to people who have never before thought about the different varieties and their respective performance—it is unrealistic to expect that householders would notice this advice—particularly as the *Your Home Technical Manual* was not mentioned in the HIP guidelines. If they did notice it, given the brief and incomplete nature of the advice, it is unrealistic to expect they would realise its importance.

4.103 The committee considers that householders should have been given better and more accessible consumer advice about appropriate insulation for their situation. The committee does not think it is adequate to rely on asking householders to refer to a large technical manual accessed by weblink.

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88 Australia-wide, foil installations as a proportion of total installations have been about the same under the HIP as the pre-HIP norm. HIP: 50,300 out of 1.1 million (4.5 per cent). Pre-HIP shown by ABS survey: 5.2 per cent (in ceilings) in Australia (12 per cent in Queensland and 22 per cent in the Northern Territory). Hon. G. Combet, Minister assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2152. ABS Cat. 4602.0.55.001, *Environmental issues: energy use and conservation*, March 2008, table 2.16.

89 Department of Environment, Water, Heritage and the Arts, *Your Home Technical Manual*, 4th edition, 2008, p. 103.

4.104 The committee is not qualified to opine on these technical issues, but considers it unacceptable that the government failed to settle them before embarking on the HIP. The consequences were, once again, a less than optimal outcome for taxpayers, homeowners and the environmental objectives allegedly behind the program. Regulatory changes should be pursued to address these issues following extensive industry and scientific consultation leading to amendment to the relevant Australian Standards and the Building Code of Australia where appropriate. Related discussion is in chapter 5.

4.105 The committee comments on the obvious disagreement between foil interests and bulk insulation interests on this issue: it is regrettable that there continues to be dispute among the various industry groups over issues theoretically capable of settled scientific conclusion.

Issues for renters and low income earners

4.106 Submissions argued that incentives are needed for landlords to invest in insulation and other energy efficiency measures. One in four households are in private rental or public housing. Low income households typically spend a bigger proportion of their income on energy than wealthier households, and they are less able to invest in energy efficiency measures such as insulation. Rental properties tend to be older houses, which are more likely to be uninsulated.[90]

4.107 The Low Emission Assistance Plan for Renters, which operated beside the Home Insulation Program from February 2009, was discontinued from 1 September 2009 because of poor take-up. Landlords and tenants were rolled into the renamed Home Insulation Program.[91] The Tenants Union of Victoria advised that only one rental property accessed the scheme for every 14 accessing the homeowners' scheme, and 'this poor performance reflects the similarly poor take up rate of other untargeted schemes...'

> In our view this poor performance is due to a lack of targeting toward rental properties and the lack of compulsion for landlords to consent to the installation of insulation under the package.[92]

4.108 Submissions argued that the key problem inhibiting energy efficiency improvements in rental housing is 'split incentives': landlords have no incentive to invest in improvements, since they are not paying the energy bill; and tenants have little incentive to invest in improvements if they are not sure how long their tenancy will be. The Tenants Union of Victoria argued that the 'hassle factor' of the

90 Australian Conservation Foundation and Australian Council of Social Service, *Submission 6*, p. 3. Tenants Union of Victoria, *Submission 13*, p. 3.

91 DEWHA, *Submission 19*, p. 9.

92 Tenants Union of Victoria, *Submission 13*, p. 1.

landlord/tenant relationship magnifies other impediments to improvements (such as inadequate information about costs and benefits).[93]

4.109 Australian Bureau of Statistics surveys have found that among households without insulation, by far the most important reason for not installing it was 'not the homeowner'.[94]

4.110 It might be suggested that, with rational economic behaviour, the landlord's investment in insulation could be repaid by commanding a higher rent, or that landlords and tenants could contract to share the costs and benefits. In practice information barriers and transaction costs limit this.[95] As well, submissions argued that in the present tight rental market the imbalance of power between landlords and tenants gives landlords no incentive to do this:

> Because of increased demand, landlords have even less inducement to make improvements to their properties in order to attract potential tenants… [W]e do not believe mandatory disclosure at the point of lease will be an effective mechanism for improving the energy efficiency of rental properties as it is predicated on tenants having the ability to exercise choice.[96]

4.111 The Tenants Union of Victoria recommended that future assistance should be targeted to low-cost rental stock in the private rental market, with a targeted information campaign to promote take-up. The Australian Conservation Foundation and ACOSS suggested that property managers should be offered an incentive payment to encourage landlords to insulate.[97]

Committee comment

4.112 Submissions on this matter focussed on landlords and tenants; however the problems of access to the program by low income homeowners should not be forgotten. Once again, these issues highlight the ill-designed nature of the incentives offered under the HIP.

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93 Tenants Union of Victoria, *Submission 13*, p. 4. ICANZ, *Submission 18*, p. 6. See also Productivity Commission, *The Private Cost Effectiveness of Improving Energy Efficiency*, 2005, p. 105.

94 ABS cat. 4602.2, *Environmental issues: people's views and practices*, March 2005, table 2.19: the main reason for not installing installation: not home owner/not responsible was 33.8 per cent; cost was 15.5 per cent; other reasons were 12.4 per cent or less.

95 Productivity Commission, *The Private Cost Effectiveness of Improving Energy Efficiency*, 2005, p. 105.

96 Tenants Union of Victoria, *Submission 13*, p. 2. Mr T. Archer (Tenants Union of Victoria), *Committee Hansard*, 17 February 2010, p. 96. Similarly ICANZ , *Submission 18*, p. 9.

97 Tenants Union of Victoria, *Submission 13*, p. 5. Australian Conservation Foundation and ACOSS, *Submission 6*, p. 3.

Other matters: effect on the cost of insulation materials

4.113 Evidence on this question was mixed. DEWHA submitted that the cost of installing insulation remained relatively stable throughout the program, suggesting that any spikes in production costs were isolated examples rather than general trends.[98]

4.114 Other submissions said that the cost of products rose 50 per cent in two months; or 70 per cent over two months in the case of imported fibreglass (August to October 2009).[99]

4.115 It should be noted that the high subsidy cap of $1600 (later reduced to $1200) is unlikely to have placed any competitive tension in the marketplace, which would have tended to artificially drive up the price of insulation.

98 DEWHA, *Submission 19*, p. 20.

99 *Submission 2*, name withheld. United Bonded, *Submission 9*, p. 4.