

Chapter 6

Conclusions

6.1 Overall the committee is of the view that the program has been a breathtaking and disastrous waste of more than a billion dollars of tax-payer's money which has had devastating consequences for many honest and hard-working Australian families.

6.2 Firstly, it has caused massive disruptions for many genuine insulation companies. Through their direct participation in the program or in the industry generally, it has unjustifiably ruined many small businesses and their reputations, and tarnished the reputation of its products and standards more broadly.

6.3 Secondly, it has left thousands upon thousands of householders with the uncertainty of not knowing whether or not their roof space is a safety fire or electrical risk. Too many householders and families have already learned of the tragic fire risk in their homes too late.

6.4 Thirdly and most significantly, it has been associated with the deaths of four young installers, and shattered the lives of their families and their friends. It has also injuring an unknown number of others.

6.5 Finally, it has also sullied the waters for future large-scale government driven environmental programs.

6.6 The design and delivery of this program has been a monumental failure with serious and lasting consequences of the highest magnitude.

6.7 This program was ill-conceived and poorly thought through, despite it being initiated at the highest levels of government by the then Prime Minister (Mr Rudd), then Deputy Prime Minister (Ms Gillard), Treasurer (Mr Swan) and Minister for Finance (Mr Tanner). While ultimate responsibility rests with the minister charged with the delivery of this program (Mr Garrett), they, along with the Parliamentary Secretary and later Minister with responsibility for stimulus spending (Senator Arbib), must shoulder a significant degree of responsibility for these dire consequences,

6.8 The program has also exposed significant failings within DEWHA and the other agencies involved in development and delivery, notably the Office of the Coordinator General and DEEWR. Their Ministers (Mr Garrett, Senator Arbib and Ms Gillard) as well as their senior executives are guilty of gross failings of good risk management practices.

6.9 In the committee's view the problems of the Home Insulation Program arose from four primary areas:

- the government's insistence upon rapid roll-out;
- certain program design elements which increased risks;

- DEWHA's ineffective risk management procedures and administration; and
- ambiguity about and conflicts inherent in the program's purpose.

Rapid roll-out created serious risks

6.10 In the committee's view a key factor in the problems of the Home Insulation Program arose from trying to roll it out too quickly. The government did this deliberately in order to encourage quick program up-take to bolster its impact as a stimulus measure. However, this caused a huge influx of inexperienced installers, with what should have been predictable detriments to safety and quality of work.

6.11 Government imposed haste had negative consequences for the workforce, sourcing of insulation materials generally, and overrode consideration of ensuring the right insulation product was used for the right purpose.

6.12 The insulation industry (quite apart from the problems created by the unexpected closure of the HIP) is left with fears for the longer term downsides of a decade's worth of retrofit business being crammed into a short period using a high proportion of imported materials.¹

Aspects of the program's design increased risk

6.13 The program's design clearly increased safety risks for both installers and households. A key mistake was failing to ensure from the outset that all personnel involved in installation (not only supervisors) were properly trained. It was not adequate to allow a trained/qualified registered installer to supervise what could be an unlimited number of untrained workers. In this situation it was unreasonable and irresponsible to assume that written warnings about fire and electrical safety would effectively reach the actual workers in the roof.

6.14 A further key risk factor was that the Medicare billing system, designed specifically so that most householders would not be out of pocket, meant that householders had little stake in the quality of the work. It encouraged direct marketing of 'free insulation', which left ill-informed householders vulnerable to the disingenuous practices of a small number of unscrupulous operators.

DEWHA's risk management and administration

6.15 In the committee's view a program of this scale with its government imposed imperatives proved beyond DEWHA's capacity to implement. DEWHA did not respond with sufficient urgency to the risks created by the hasty roll-out of such a large program.

1 ICANZ suggested that the program should have been taken over 4–5 years: *Submission 18*, p. 13.

6.16 Stakeholders gave DEWHA strong warnings of the electrical and fire safety risks from as early as February 2009. DEWHA did not pay enough attention to these early warnings. Furthermore, as issues emerged over electrical and fire safety, and non-compliance and fraud, DEWHA's responses were both slow and often inadequate. Making the standards more stringent in the final few months of the program was too little, too late.

6.17 Details of risks were either not satisfactorily conveyed to senior executives and ministers or, if conveyed, were not acted on. The committee considers that either the failure to seek more comprehensive briefings as problems were highlighted by industry and media, or the failure to more effectively act on such briefings, stands as acts of gross ministerial negligence. Regardless of whether it was a case of not knowing or not acting, Minister Garrett stands condemned for his inaction.

6.18 It appears that for most of the period DEWHA's management structure was inadequate for the scale of the program. A management structure more suitable to the size of the program, with fewer other responsibilities for the relevant Deputy Secretary, was established only in November 2009.

Ambiguity about the program's purpose

6.19 In the committee's view a key mistake was the balance struck between the program's goals as a stimulus measure and an environmental program. Too much focus was placed on the program as a stimulus measure to the detriment of its potential environmental outcomes. A more balanced approach between these two goals should have been achieved.

6.20 In the committee's view a better balance of the two intended goals would have implied:

- a lower, more orderly rate of activity over a longer period;
- more attention to researching and promoting appropriate forms of insulation, with better information for consumers;
- measures to achieve some buy-in by householders without excessively dampening the take-up (for example co-payment; payment by reimbursement; compulsory safety switches);
- more attention to skills and training; and
- more attention to auditing and compliance.

The future

6.21 The committee considers a royal commission imperative.

6.22 Only a royal commission with appropriate powers and terms of reference could overcome the obstacles encountered by this committee in seeking evidence from ministers who were also members of the House of Representatives. As a matter of comity between the Houses and possibly as a matter of law, it may be that the Senate

does not have the power to summon such persons whereas a royal commission could be empowered to do so. A royal commission would also have quicker and more readily applicable remedies to deal with the problems encountered by the committee, including:

- Ministers unwilling to volunteer testimony and/or answer questions;
- Documents kept secret to government, on questionable or unprecedented grounds; and
- Conflicting, vague and/or unhelpful answers to questions.

6.23 When it was first announced in late February 2010, the committee had concerns about the apparent rush to implement the Renewable Energy Bonus Scheme (REBS) by 1 June 2010. This would have led to a rate of activity still much higher than the pre-HIP norm, and it is hard to see how, with the short preparatory times again proposed, it could avoid a repetition of the poor outcomes of the HIP. These concerns were addressed when the Government dropped the insulation component of the REBS (in spite of the fact that the government thus reneged on a commitment made only two months earlier to insulate 1.9 million homes by 2011).² This was also a realisation by the government that the remaining funds allocated were, unfortunately, overwhelmingly required for the clean-up programs required to address the failing of the HIP.

6.24 The committee hopes the systemic failure of the HIP will not disparage future energy efficiency initiatives. The committee strongly supports measures to improve the energy efficiency of buildings, including by insulation. It is most regrettable that the publicity given to the adverse outcomes of the HIP has raised doubts about the safety of insulation in the public's mind.

6.25 The committee stresses that roof insulation is a very valuable energy efficiency measure, that should be safe and effective if properly installed. The committee hopes that future governments will work with the insulation industry to restore and rebuild its reputation and longer term security.

Recommendation 11

6.26 That the Government form a small advisory group, representative of all of the different components of the insulation industry, to:

- **develop and consider policies or measures necessary to maintain a viable insulation industry in Australia;**
- **consider policies or measures to maximise the energy efficiency for Australia's building stock in safe and measured ways;**

2 Hon. P. Garrett, Minister for the Environment, Heritage and the Arts, *Significant changes to Commonwealth environmental programs*, media release, 19 February 2010.

- **proceed with the necessary research and changes to standards required to provide clarity around the efficiency of different forms of insulation for different climates; and**
- **review industry standards and workplace practices to ensure high quality standards across all jurisdictions and rebuild public confidence in the sector.**

**Senator Mary Jo Fisher
Chair**

