

Government Senators' Minority Report

Government Senators welcome scrutiny of the Home Insulation Program. We note that there are a number of processes underway or concluded, including the Hawke Review, the Auditor-General's performance audit, and this Senate Inquiry.

There are also a number of coronial inquiries that will be conducted into the deaths that have been associated with the Program.

These inquiries mean that the Home Insulation Program is one of the most scrutinised Government programs, which is appropriate. We also note that such a level of scrutiny rarely, if ever, applied to programs under the previous Government.

We acknowledge the contributions by companies, associations and individuals to the proceedings of the Senate Inquiry. In particular, we note the efforts of Kevin and Christine Fuller in making their submission, and in appearing before a hearing, following the tragic death of their son installing insulation.

The deaths of four young Australians installing insulation under the HIP is a terrible tragedy. Minister Combet has already indicated that these four fatalities are independently the subject of workplace safety authority investigations and reports, police investigations, and will also be the subject of coronial inquiries, and that the Government will do what is necessary and appropriate to support these inquiries.¹

We would also like to acknowledge the cooperation that we received from Government Departments during this inquiry.

These Departments including the Department of the Prime Minister and Cabinet; the Department of Environment, Water, Heritage and the Arts; the Department of Climate Change and Energy Efficiency; and the Department of Education, Employment and Workplace Relations all contributed their time freely and generously.

The Committee requested an enormous amount of information from these Departments. We would like to acknowledge, contrary to comments from the Coalition Senators, that the Departments involved in the inquiry gave many hours of their time and submitted literally hundreds of pages of information in responses to questions from the Committee. We would also note that such cooperation was not always forthcoming under the previous Government.

1 Hon. G. Combet, Minister Assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2150.

In our view, Government officials have fully cooperated with the requests of the Senate Inquiry into the Home Insulation Program and have helped the inquiry reach the conclusions we have.

Just because the information provided by the Departments to the inquiry did not fit the political agenda of the Coalition, this in no way detracts from the very professional cooperation Departmental officials gave us, often under very trying circumstances.

The Home Insulation Program

It should at the outset be noted that there were serious problems with the roll out of the Home Insulation Program including under-resourcing, high staff turnover and underestimation of the number of disreputable players who would enter the market.

These issues have been have been examined by Dr Hawke as well as by this Committee and have been acknowledged by the Government on a number of occasions.

It will be very important that the Government draws on the lessons to be learnt from those aspects of this Program that failed and focus its efforts on the remediation of the Program.

However, it is also important the Home Insulation Program is placed in context.

The Home Insulation Program was designed as part of the Government's response to the global financial crisis. The potential for the crisis to impact severely on the lives of all Australians meant that the Government had to implement measures to stimulate the economy in a short timeframe.

The Home Insulation Program was a part of the stimulus measures. Despite some of the issues mentioned the stimulus has had very positive impact on the economy and employment, which was made clear in evidence given to the Committee.

In addition to the impact on the economy as a whole, the Home Insulation Program led to the registration at the peak of installation activity of over 10,000 installation firms, employing many thousands of workers.

The Program also delivered the first ever national training program for ceiling insulation employees, with over 3,700 workers completing the new training package. Prior to the program this was a largely unregulated industry with little incentive for workers to be properly trained.

Attitude of Coalition Senators

Government Senators also wish to note the unfortunate fact that Coalition Senators on this inquiry appear more intent on making a political argument against the Government's Home Insulation Program than reviewing it in a considered and responsible manner.

The Majority Report, in sections, reads far more like a political diatribe than any thoughtful and considered analysis of the Program.

Also the Majority Report is full of speculation and assertions that are not substantiated and have no evidence attached to them. In fact, the only reason for them to be present in the report is to add to the Coalition's political agenda.

It is frankly disappointing that the Coalition has sought to trivialise this inquiry through such blatant point scoring.

However, it should be clearly noted, that during hours of evidence and numerous submissions, the Committee heard no evidence to establish any wrongdoing from the then Minister.

Indeed, the evidence tendered to this Committee clearly and unambiguously backs the conclusion of Dr Hawke in his report when he said that responses to issues raised under the Program by Minister Garrett and DEWHA were both appropriate and timely.²

While this may not fit the narrative that the Coalition is trying to create it is very important that such a conclusion is noted in the report of this Committee. Any alternative conclusion is not backed by evidence.

We would also like to note that the Coalition's repeated attempts to discredit the program has caused significant damage to the reputation of reputable installers and also has contributed to a fall in public confidence of insulation products.

We would now like to address some of the specific recommendations contained in the majority report.

Recommendation 1 – Royal Commission

Government Senators reject Recommendation 1 of the Majority report.

Given the high level of scrutiny being applied to the program and the numerous inquiries into the Program we do not believe that it is appropriate that a Royal Commission is held.

We welcome scrutiny of the program and believe that inquiries currently underway should be finalised and those that have been completed should be considered in full and responded to by the Government.

Therefore we believe that Recommendation 1 should be rephrased to say:

2 Dr Allan Hawke, *Review of the Administration of the Home Insulation Program*, April 2010, p. xii.

New Recommendation 1

The Committee welcomes the high level of scrutiny being applied to the Home Insulation Program.

The Committee believes that the Government should respond in full to the findings of completed inquiries and also undertake to respond in a prompt and comprehensive way to those that are yet to be finalised.

The Government should prioritise its response to this Senate Inquiry and the Australian National Audit Office's inquiry into the design and implementation of the Program.

Lessons drawn from these inquiries should be applied to future Programs run by the Government.

Recommendation 2 – Inspections of homes

Government Senators reject Recommendation 2 of the Majority report.

The Government has made clear that safety is its first priority in regards to the inspection program.

The Government has committed to inspecting a minimum of 150,000 houses with non-foil insulation in addition to every house where the householder requests an inspection. All 50,000 houses with foil insulation will be inspected.

The Government has also made clear that it will inspect more houses if its risk assessment deems it necessary to do so.

In addition any householder who wants an inspection can ring the Safety Hotline and will received one.

This commitment balances the need to reassure the public that their houses are safe, without causing unnecessary fear in the community or damage to the brand of reputable insulation installers.

While the Government acknowledges that there have been a number of installation firms who have not installed the insulation safely, the majority of the insulation was installed by industry players who are reputable and have been long standing in the business.

Some of these firms have issued guarantees on their product and workmanship and to suggest that all homes need to be inspected is tarnishing the name of these legitimate businesses and the industry as a whole.

New Recommendation 2

Given potential fire and safety risks, the Government should proceed with its program to inspect as many homes as necessary for potential fire and safety risks, which had insulation installed under the Home Insulation Program.

Recommendation 3 – Issues around the quality of insulation installed

Government Senators reject Recommendation 3 of the Majority report.

The Government has consistently stated its priority was acting to mitigate safety and fire hazard risks.

For example, in his speech to Parliament on 10 March 2010, Minister Combet stated that the intent of the inspection program was “to identify and address the extent of safety and fire hazard concerns, to mitigate risk, and thereby reassure householders who have had their homes insulated under the Program”.³

It is the view of Government Senators that the priority focus of the Government’s inspection program must remain on safety. To focus instead on issues of product quality (where there are no safety implications) would divert resources from the key objectives of the safety inspection program.

New Recommendation 3

The priority focus for the Government’s household safety inspections should continue to be to identify and address safety and fire hazard concerns, and to mitigate such risks.

Recommendation 5 – Fraud under the Home Insulation Program

Government Senators reject the wording of Recommendation 5 of the Majority Report.

The Senate Inquiry rightly identifies this as a key issue that needs to be addressed as quickly as possible.

Government Senators believe that the Government is taking all practical and appropriate steps to ensure that people will be made to account for their unscrupulous behaviour.

3 Hon. G. Combet, Minister Assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2151.

In his statement to Parliament on 10 March 2010, Minister Combet reinforced the extent to which fraud may have been carried out under the Home Insulation Program.⁴

He also provided a firm commitment to investigate program-related fraud and pursue through all possible means those unscrupulous operators who flagrantly abused the trust of many Australians.

Government Senators note that upon assuming ministerial responsibility for the Home Insulation Program, Minister Combet initiated two major steps to assist in this process. First, he invited the Auditor General to undertake an audit of the program.

Second, Minister Combet directed that an independent forensic audit of the program be undertaken to determine the extent of the fraud and to assist in compiling evidence for further investigation and action.

As we have heard the Department of Climate Change and Energy Efficiency has engaged the firm KPMG to undertake this work.

Government Senators welcome the fact that the Government has undertaken to provide more details on its strategy to pursue these individuals when the forensic audit is completed.

This will necessarily involve cooperation from agencies such as the Australian Federal Police, State and Territory police, state fair trading and other regulatory bodies as appropriate.

We also note evidence that on a day-to-day basis, potential fraud is being identified through on-going compliance checking and other information received from the public, fire brigades, work safety authorities and offices of fair trading.

The Government has also made clear that consideration will also be given to recouping monies paid to proven fraudulent companies.

Given these actions we propose a rephrasing of Recommendation 5.

New Recommendation 5

The Committee welcomes the actions taken by the Government to address issues relating to fraud under the Home Insulation Program.

The Government should continue to pursue the strongest possible action against unscrupulous operators who are found to be guilty of fraudulent activities. When appropriate the Government should publicly report on these activities.

4 Hon. G. Combet, Minister Assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2150.

Other recommendations

With respect to the remaining recommendations the Government Senators believe these are outside the expertise of the Committee and therefore look forward to the Government's response.

Remediation of the Home Insulation Program

In his statement to Parliament on 10 March 2010 Minister Combet outlined his four key priorities. They included:⁵

- To put in place a household inspection program to identify and address the extent of safety and fire hazard concerns, to mitigate risk and reassure householders;
- To assist industry and employees to adjust to the termination of the Program;
- To identify and put in place processes to deal with issues of non-compliance and fraud; and
- To identify any failures of administrative processes within Government associated with the design and failure of the program.

Although it is not strictly related to the terms of reference for this inquiry, in concluding, it is worth reflecting on what has happened over the last few months against these priorities as this goes to the heart of what the Government is doing to address many of the issues we have raised.

First, the two safety inspection and rectification programs established by the Government are successfully alleviating safety issues for those Australian households who have been concerned about their installation. Over 60,000 inspections have been completed over the last four months. Importantly, these programs have been developed in consultation with industry experts and are using qualified, experienced people to undertake the required work.

The Government has committed to inspecting at least 200,000 households. All 50,000 households that had foil installed under the Home Insulation Program will be inspected. During that inspection householders will have the option of either removing that foil or installing safety switches based on the advice of a qualified electrician. Under the Home Insulation Safety Program a minimum of 150,000 households with non-foil insulation will be inspected. Furthermore, the Government has guaranteed that those people who want a safety inspection will be provided with one.

Second, the Government has provided \$56 million in assistance to the insulation industry. Under the Insulation Workers' Adjustment Package \$41 million has been allocated to help those workers impacted by the closure of the Home Insulation

5 Hon. G. Combet, Minister Assisting the Minister for Climate Change and Energy Efficiency, *House of Representatives Hansard*, 10 March 2010, p. 2149.

Program readjust to new employment. A further \$15 million has been provided to reputable home ceiling insulation businesses for inventory held when the Home Insulation Program was terminated on 19 February 2010.

Third, the Government has taken significant steps to identify fraud under the Program, particularly with the commissioning of an independent forensic audit by KMPG. This process will provide the information needed to assist in tracking down and prosecuting individuals who have deliberately committed fraud against the Commonwealth.

Fourth, the Government has encouraged and supported independent and open scrutiny of program development and administration. The Hawke Report provided an independent, fair and comprehensive assessment of the Home Insulation Program and identified both its strengths and weaknesses. The Government has also invited the ANAO to undertake an independent audit of the Home Insulation Program.

Across any measure, the Government is making significant progress in addressing the priorities outlined by Minister Combet on 10 March 2010.

We believe that the Majority Report has failed to adequately acknowledge this progress and in many cases, is recommending actions that have already commenced. This duplication is both unnecessary and unproductive.

The support provided to the Hawke Report, the ANAO investigation and the Senate Inquiry demonstrates that the Government remains committed to ensuring accountability and due diligence in its programs.

As much as possible, we believe that the Government's focus and current efforts should remain in making people's homes safe and providing appropriate support to the industry.

Senator Anne McEwen

Senator Dana Wortley