

ANZSOG Case Program

The Best Laid Plans: Australia's Home Insulation Program (B)

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Ross Carter and Kevin Keeffe left their meeting with Office of the Coordinator General (OCG) and Department of the Prime Minister and Cabinet (PM&C) representatives and headed back towards to the Department of the Environment, Heritage, Water and the Arts (DEWHA). Walking through the rose garden, they had a few moments to vent their mutual surprise and dissatisfaction. Keeffe, Assistant Secretary of the Home Energy Branch (HEB), was 'seriously cranky', 'furious' even, about what had transpired; without warning, they had been given a completely different delivery model.¹ The OCG/PM&C wanted the new plan finalised and signed off by 9 April, 2009 – fewer than 10 days away. Carter, First Assistant Secretary of the Renewables and Energy Efficiency Division (REED), explained some of the issues:

Mr Keeffe and I felt that the move away from having a consortia of established industry players delivering a service in an industry that they were already operating in, to one of Commonwealth direct involvement with a multitude of small players, opened up a range of concerns. There were risks to do with delivery quality, fraud and the whole gamut of risk issues that we would normally layer into a contract requirement with fewer large providers.²

Though they had expressed their preference for a regional brokerage model, neither Carter nor Keeffe believed they possessed sufficient seniority to resist what they saw as a clear PM&C directive. That, they felt, would have to come from DEWHA Secretary Robyn Kruk or Minister Peter Garrett. Soon after the meeting, Kruk was in contact with Carter and Keeffe, the latter outlining events and his

This case was written by Marinella Padula for Associate Professor Michael Di Francesco, Australia and New Zealand School of Government. It has been prepared from published materials as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation.

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¹ Transcript of Proceedings, Royal Commission into the Home Insulation Program, 31 March 2014
<http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Transcript31March2014.pdf>.

² Statement, Ross Carter

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence20March2014/STA.001.001.0340.pdf>

displeasure at the process.³ He and Carter hoped that something might be salvaged by exploring a kind of 'hybrid model': one which utilised regional brokers and independent contractors. Kruk was scheduled to meet with Garrett and Senator Mark Arbib on 3 April. Keeffe prepared a brief explaining the work being done on a model to include large companies and smaller enterprises. Attached was a proposed variation on the brokerage model where the States partnered with local providers to lead the rollout.⁴

Referring to the Minter Ellison assessment underway, Keeffe noted: 'The extreme risks that will shape the selection of business models are: time and procurement. The initial assessment suggested that the time available to develop and deliver the program in a properly controlled way may be inadequate, especially if substantial procurement need(s) to be met by 1 July'.⁵ He also raised some misgivings about enlisting Centrelink to deliver call centre and payment processing services. The brief was sent to Minister Garrett's advisor Matt Levey, who reviewed all such communications, along with Kruk, Carter, DEWHA Deputy Secretary, Malcolm Forbes, and HEB colleagues Beth Brunoro and William Kimber.⁶ However, it was not clear the brief ever reached the Minister. Recalled Levey:

I note at this stage that the Minister's decision-making was done on the basis of formal briefs. One issue that we did have was that Kevin Keeffe had an occasional habit of sending a brief via email instead of via the department's official system. That caused us significant problems because it was never clear that those briefs were signed off by the secretary or senior departmental official. In some cases I believe they were later recalled. Obviously there's an importance attached to putting briefs in the official system because there's a level of transparency and accountability around that, because you can say when it arrived in the Minister's office and when it was processed and signed off by the Minister.⁷

Ministerial meeting

On 3 April, Kruk, Arbib and Garrett convened at the latter's Sydney electorate office in the beachside suburb of Maroubra. They were joined by ministerial staffers including Levey and PM&C's Martin Hoffman. Kruk updated Garrett on DEWHA's progress. Those assembled also discussed different options for administrative support and the Government's desire to minimise the risk of widespread unemployment, particularly amongst low-skilled workers. Come July new entrants (e.g. the 'man-with-a-ute') needed to be formally registered and ready to go. As Kruk saw it, 'the over-arching imperative was to implement the HIP quickly so as to address the economic crisis and the insulation industry had been specifically selected as the centrepiece of the HIP because it had minimal barriers to entry. The decision of what business model would ultimately be adopted for the HIP was one for Government'.⁸ Said Garrett:

The Prime Minister had publicly committed on 3 February 2009 that the main element of the HIP would commence by 1 July 2009. My position is that if Government makes a decision that it wants to implement a certain policy in a certain way it is up to the Department to deliver it to the best of its ability and capacity. That would have been my overall request to DEWHA.⁹

³ Op cit.

⁴ DEWHA Brief, 2 April 2009

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence1April2014/WID.002.001.0077.pdf>.

⁵ Ibid.

⁶ In addition to written briefs, Garrett typically met at least weekly with Kruk. He also received periodic oral briefings from Forbes, Carter and Keeffe.

⁷ Statement: Matt Levey

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence21March2014/STA.001.003.0001.pdf>.

⁸ Statement: Robyn Kruk

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence28March2014/STA.001.010.0001.pdf>.

⁹ Statement: Peter Garrett. <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence13May2014/STA-001-069-0001.pdf>

However, he also noted: 'Following the announcement of the HIP, I was not aware of anything that would have caused me concern about the capacity of DEWHA to implement the Government's decision within the announced timetable of 1 July 2009'.¹⁰

During an earlier discussion between the DEWHA Secretary and the Minister, it appeared that Garrett supported a hybrid approach to help manage risk, with Kruk noting that certain states had similar programs with roll-out models worth emulating.¹¹ By April, that view had shifted. Kruk understood her department's preference for some kind of intermediary but her experience in NSW had taught her that, 'these brokerage models with the states are not easily developed and they're not quickly developed. That's made more complex by the fact that the states have quite different arrangements in place so there arguably was a real risk of having to have different arrangements in place with the states if it was a state model that was developed, similarly with a regional model'.¹²

After the meeting, Hoffman emailed Carter and Keeffe to recap. He informed them that there was '[g]ood consensus re doing what works' and that 'the program must allow small players and new entrants, who meet minimum standards, to participate from the start'. Though the issue of using Centrelink was not yet settled there was '[s]trong agreement on the need for program management expertise ASAP'.¹³ Levey recalled the Minister telling him privately that: 'We need someone working with Kevin Keeffe. A program manager person dealing with them as they keep coming back'. Levey believed that he was 'referring to the regular contact from different industry members, and their disparate points of view. I think the Minister had an ongoing view that there needed to be someone with real authority and an assertive stakeholder manager to actually deal with industry engagement and that he wasn't necessarily confident that Kevin Keeffe was that person'.¹⁴

At this stage, Keeffe and Carter believed there was little option but to put their objections aside and advance the OCG's/PM&C's direct access model. On 9 April, Keeffe sent a brief to Garrett informing him that, after discussions with Centrelink and Medicare, Medicare was lined up to help build and manage an online register of insulation installers and process payments on behalf of DEWHA. Keeffe outlined the benefits of the proposed arrangement and recommended that Garrett write to the Minister for Human Services, Senator Joe Ludwig, to formalise the arrangement. The brief also noted:

Development and selection of the business model is being informed by a comprehensive risk assessment, facilitated by Minter Ellison Consulting, to identify and manage the full range of risks in successful implementation of the Project. The emerging preferred model will adequately address these; however residual risk around: fraud, complaints, and installer and household safety will remain. Our strategies for managing these will be built into the business model wherever possible, or dealt with on an ongoing basis after the business model is put in place.¹⁵

Householders had been submitting insulation claims since February which DEWHA was currently processing in-house. Partnering with Medicare would relieve them of a spiralling backlog and streamline access for installers and the public. 'I actually think that the Medicare model, being familiar with it in my previous roles in health, had a lot of advantages because of the systems that had

¹⁰ Statement: Peter Garrett <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence13May2014/STA-001-069-0001.pdf>.

¹¹ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p 129.

¹² Transcript of Proceedings, Royal Commission into the Home Insulation Program, 28 March 2014, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Transcript28March2014.pdf>.

¹³ Martin Hoffman email 6 April 2009, <http://www.homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence25March2014/AGS.002.008.0610.pdf>.

¹⁴ Statement: Matt Levey <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence21March2014/STA.001.003.0001.pdf>.

¹⁵ DEWHA Brief, 9 April 2009 <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence28March2014/STA.001.010.0062.pdf>.

in place in terms of being able to do prepayment checks, being able to do post-payment check and to do it very quickly,' Kruk reflected. 'It actually became a really important part of the compliance structure....There was absolutely no way Environment could have built a purpose specific model to deal with the number of transactions that were being asked to be done...Had Medicare not been able to actually provide this service, we would have in effect had to have gone back and looked at a totally other business model. It would have been a game changing event'.¹⁶

Since DEWHA had been tasked with the HIP rollout, it fell to Minister Garrett to approve the business model and administrative arrangements. Though Garrett understood the Government's rationale for the HIP and desire to push ahead quickly, it was – noted Levey – still an awkward situation: '[HIP] was initially a program that was handed to him out of the Cabinet process he wasn't involved in. He then had a lot of design work driven by the Coordinator-General and Senator Arbib. Whilst Minister Garrett ultimately signed off those actions, it's fair to say that the drive behind the program design and development was not fully coming from Minister Garrett or his departmental officials...I should add that it is not unusual for line departments to be submissive to central agencies such as PM&C, but in the case of the HIP the lack of control was exacerbated by the involvement of Senator Arbib and the Office of the Coordinator-General'.¹⁷ Their participation was also far from over.

'Catastrophic consequences'

While Garrett and Arbib were meeting, DEWHA officials were convening a Technical Advisory Group Workshop in Canberra. Attendees included James Fricker (independent consultant), Ian Cox-Smith and Mark Jones (BRANZ—Building Research Association of New Zealand), Brian Ashe (ABCB—Australian Building Codes Board) and Mark Collett (Office of Consumer Business Affairs, South Australia). South Australia's own energy efficiency program had run into trouble when poorly installed cellulose insulation sparked a spate of house fires.¹⁸ DEWHA understood that there were roughly 80-85 insulation-related fires annually, across Australia.¹⁹ Will Kimber and Troy Delbridge were present on behalf of DEWHA, with Kevin Keeffe making a brief appearance. However, Minter Ellison risk consultant Margaret Coaldrake did not participate. Delbridge was not yet even aware of her existence. The workshop was held to discuss quality, performance, compliance and safety issues, including those impacting installers. From Kimber's meeting summary:

Workshop participants indicated that:

- The work involved in installation could result in a high level of exposure for the Government due to hazards of existing buildings, hazardous materials and occupational health and safety. The program poses a high likelihood of catastrophic consequence (death or serious injury).
- Workshop participants noted that a risk assessment of the installation process is required to determine a tolerable level of risk both for the community and the cost to the Government. No mitigation strategies will produce zero risk and a risk management approach must be taken as it is with BCA [the Building Code of Australia].

¹⁶ Transcript of Proceedings, Royal Commission into the Home Insulation Program, 28 March 2014, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Transcript28March2014.pdf>.

¹⁷ Statement: Matt Levey

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence21March2014/STA.001.003.0001.pdf>.

¹⁸ Victoria also had a home insulation rebate scheme underway; however DEWHA did not invite any local representatives.

¹⁹ Though quoted repeatedly, the original source was unknown.

<http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence15April2014/ABC.002.001.1341.pdf>

Key actions

- Conduct a Risk Assessment Process specifically for the process of installing ceiling insulation. Brian Ashe to provide organisational contacts for who can do this for us.²⁰

Delbridge, DEWHA's unofficial technical advisor, recalled a wide-ranging discussion which touched on fire risks, working at height in confined spaces and electrical safety. The group noted New Zealand's experience with foil insulation and the dangers of using metal staples/fasteners, leading to a debate about whether foil should be excluded on safety and efficacy grounds. Eventually the group agreed it could be used provided that installers received appropriate training and careful supervision. Later, in conversation with his supervisor Kimber, Delbridge suggested pre-and-post-installation roof inspections²¹ to further guard against potential hazards. He also wanted a reassessment of the Australian standards relating to insulation materials and installation which were years out of date. From his consultations, Delbridge learned 'that the industry felt that it was a good opportunity...to actually review all of those standards and bring them up to world's best practice'.²² Delbridge recommended that the Technical Advisory Group gather monthly, with more representation from the States and other building trades.

Kimber wasn't so enthused. '[I]t became clear that the issues that were raised in that meeting were going to be problematic for the rapid rollout of the program,' claimed Delbridge, 'and it was kind of like, "Let's not worry about that. We will just push that to the side and get on with ramping up the program and getting it out"'.²³ Kimber impressed upon him, more than once, that the HIP 'was not going to enforce any additional standards'²⁴ beyond applicable state and territory requirements. Without naming anyone, Kimber indicated that it was an instruction from above. 'I don't think that's appropriate,' Delbridge said, 'given the size of the program and the statistical risk associated with large numbers of installers suddenly flooding into the market and it's very poorly regulated'.²⁵ His initial qualms about the project were escalating into alarm. Meanwhile, his working relationship with Kimber was becoming increasingly fractious. The Technical Advisory Group would not meet again.

The Risk Register

On 9 April, DEWHA received the first draft of the HIP Risk Register prepared by Coaldrake (*Exhibit A*). Just over a fortnight earlier, she convened the Department's first risk assessment workshop with a view to 'ensuring that the Commonwealth identified and assessed all risks of which it was aware'.²⁶ Attended by approximately 20 program staff including Kimber, Coaldrake couldn't recall if any had risk management experience. Equipped with post-it notes and markers, participants split up into pairs to nominate as many potential risks as they could. Risks were then categorised and displayed on the wall for the group to analyse and rate according to likelihood of occurring and the severity of the consequences. They then discussed possible risk management treatments.

Coaldrake, who had not done any prior research into the industry, similar programs or insulation products, considered her purpose that day to be: 'helping them understand the risks to effective design, delivery and implementation of the program. The technical aspects of how insulation were

²⁰ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p186.

²¹ Pre- and post-installation inspections estimated to cost up to \$200 per dwelling.

²² Transcript of Proceedings, Royal Commission into the Home Insulation Program, 1 May 2014, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Transcript1May2014.pdf>.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Statement: Margaret Coaldrake, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence7April2014/MargaretCoaldrakeStatement.pdf>.

put in would not be of central impact on – at that stage, anyway, it didn't look like it was an input – on the delivery, design and implementation of the program'.²⁷ Workshop participants identified 19 different areas of risk, most of which were deemed likely to occur with major ramifications for one or more stakeholders. Problems identified included:

- Poor quality installations
- Installer Injury
- Compliance costs
- Safety – house fire/damage
- Fraud
- Inability to fund training for installers
- Hazy/conflicting governance processes.

From there, Coaldrake compiled the results of the workshop, slotting them in to the Department's risk assessment matrix. Several iterations of the document were produced after input from HIP personnel but around the time Coaldrake met with senior DEWHA and OCG staff on 27 March, explicit reference to installer injuries had been removed. She couldn't recall exactly how or why that had happened but did say: 'The safety to people doing the work was not a risk to the Commonwealth's implementation of the HIP itself as the Commonwealth was not responsible for that safety and could not control that risk. It was a risk to the people doing the work and the companies they were working for and was a risk that they had to control'.²⁸

In her presentation to Carter, Kruk and the Coordinator General, Mike Mrdak, Coaldrake reported that the project was very vulnerable and that many aspects of the program posed unsustainable levels of risk. One mitigation strategy, she noted, was to extend the time for rollout. Others involved 'outsourcing' or 'off-shoring' the largest risks to third parties.²⁹ In mid-April, after more adjustments, the official first draft of the risk register was delivered to DEWHA. By late-April, Coaldrake's duties were concluded and she departed on holiday; DEWHA staff would take charge of the Register now, updating it as issues emerged. What Coaldrake didn't realise was that there was already at least one serious omission – the Risk Register was predicated on the previous delivery model, not the current direct-access plan.

Personnel Matters

Even though the HIP was effectively already underway, DEWHA was still understaffed. Soon after her appointment, Secretary Robyn Kruk resolved to perform a major departmental overhaul but she first had to get to grips with the scope of DEWHA's activities. 'I recall that in the first few months after commencing as Secretary, I met with key personnel to discuss all major projects for which DEWHA had responsibility. This included the HIP,' she said, 'The meetings also assisted me to better understand APS processes and handling Cabinet-related matters. I also attended introductory meetings with other key Departmental Secretaries'.³⁰ Quickly realising staffing and project governance was inadequate, she mustered as many additional personnel as possible. Yet it was clear that a comprehensive review and restructure would extend beyond rollout. Another issue was that

²⁷ Transcript of Proceedings, Royal Commission into the Home Insulation Program, 7 April 2014, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Transcript7April2014.pdf>.

²⁸ Statement: Margaret Coaldrake, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence7April2014/MargaretCoaldrakeStatement.pdf>.

²⁹ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p117.

³⁰ Statement: Robyn Kruk <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence28March2014/STA.001.010.0001.pdf>.

although financial provisions had been made for extra staff, most new hires could only be appointed on a temporary basis.

‘I was continually trying to find people with expertise and skills to come and help with the workload,’ recalled Keeffe, ‘There were high levels of stress within REED at the time. People were excited to be driving energy efficiency on a national scale but there was an increasing sense of being daunted by the scale and demands of the task. I was mindful at the time to balance the workload of my staff as much as possible. As time marched on, stress levels increased within the Department. People did not stay in their jobs and would move on and recruitment or secondment of additional resources was challenging’.³¹ ‘Prior to being allocated the HIP,’ recalled Carter, ‘the Division was “flat strap” [i.e. extremely busy] and working at 110% or 120% of capacity. On reflection since that time, I consider that the level of resources and skill sets available, particularly but not solely at an executive level, was not commensurate with the tasks we were allocated’.³²

As well as processing rebates for householders who were using existing installers (HIP Phase 1), staff had less than six months to complete an overwhelming number of tasks before 1 July (start of Phase 2). Two of the biggest and most pressing were: developing an audit and compliance system for installers and installation materials; and devising appropriate training for new entrants. Regarding training, the Department of Education Employment and Workplace Relations (DEEWR), along with the Construction and Property Services Industry Skills Council (CPSISC), had been assigned the task of creating an installation syllabus since there were no comprehensive, nationally accredited courses to draw from. They and DEWHA would also need to liaise with registered training organisations around the nation. On top of this, recalled Keeffe, were numerous and onerous reporting requirements. The OCG, for one, required regular detailed breakdowns of program activity, while the recently established, inter-departmental Project Control Group (PCG) met weekly to discuss the HIP (*Exhibit B*). Carter recalled that ‘the PCG considered specific matters and there would be at times robust discussion around an issue and then a consensus view would be arrived at by the PCG. It is fair to say that the “consensus view” was a general consensus’.³³ Keeffe, however, had a different view of consensus:

In governmental decision-making processes, the views of central agencies (PMC, including OCG, or Treasury) would hold sway unless challenged at very senior levels of the relevant line agency (for example, from a Departmental Secretary). It was therefore anticipated that the views of PMC would be given primacy in the workings of the PCG, even though DEWHA was chairing the meeting at Deputy Secretary level.³⁴

The PCG comprised more than 45 members (*Exhibit C*) drawn mostly from DEWHA, DEEWR, PM&C/OCG and Medicare, though most meetings had 15-20 attendees.³⁵ Kruk was not a PCG member, nor did she attend meetings, though Chair Malcolm Forbes provided briefings. ‘As best I can recall,’ said HIP manager Aaron Hughes, ‘it was thought unnecessary to invite State or Territory representatives to attend PCG meetings because engagement with States and Territories could be achieved by the Office of the Coordinator-General in PM&C’.³⁶ The PCG’s role was to oversee key decisions, monitor progress, provide advice and ensure risks were identified and managed effectively. To that end, DEWHA made a number of new appointments. They included Janine Leake from NSW consultancy firm Everything Infrastructure who was retained to provide strategic project

³¹ Statement: Kevin Keeffe,

<http://www.homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence31March2014/STA.001.015.0001.pdf>.

³² Statement: Ross Carter,

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence20March2014/STA.001.001.0340.pdf>.

³³ Ibid.

³⁴ Op cit.

³⁵ Not all members attended each PCG meeting; some may have only attended one or two, or participated as observers.

³⁶ Statement: Aaron Hughes,

<http://www.homeinsulationroyalcommission.gov.au/hearings/documents/evidence8may2014/sta.001.041.0022.pdf>.

management assistance for the HIP in mid-April. About the same time, Avril Kent joined the HIP from DEWHA's water division to become Director of Project Management (*Exhibit D*). Malcom Forbes also reengaged Margaret Coaldrake of Minter Ellison Consulting to provide independent advice about emergent risks, one day per week.

Yet not everyone was on the same page. Keeffe assumed that Leake would take a leading role in overseeing project scheduling while working with Coaldrake, Kent and others to incorporate risks into project planning. Leake instead believed she was just 'one of the team', there primarily to document program activity rather than provide specific expertise. She had not conducted any background research into the HIP and even claimed that she ceased to have substantive input by late-April. Despite this, Leake's services were still billed to the Department at \$1,840 per day.³⁷ Coaldrake, too, harboured somewhat divergent views about the nature of her own appointment:

My role when I returned from overseas was advising on the process that the project control group had in place for managing strategic risk. I was not identifying risk. I was not assessing risk. I was not working with the management team. I was working with the project management team on the process...the question of how they [risks] were managed is one for the Commonwealth. It's not for me. I can't answer that. I wasn't managing them, I wasn't aware of all the management, I wasn't involved in that. I was making sure that if they identified risk treatments that they were actually carrying those out and that they were recorded in the risk register. And that was just a piece of paper. The real business was what was actually happening and I wasn't aware of that.³⁸

Soon after the PCG was underway, Beth Brunoro left DEWHA. Her position as Director of Program Design and Delivery was temporarily filled by Will Kimber and eventually assumed by Aaron Hughes. Carter and Keeffe both believed that stress was a significant factor in her decision.

Risks and management

As part of the HIP team's review of the Risk Register, the 19 identified risk areas were consolidated into 5 main categories. Each was then assigned to a 'Risk Owner' who would be responsible for flagging new issues and applying mitigation measures:

- The Compliance and Quality Assurance Framework is not effective in supporting Program Outcomes
Risk Owner: David Hoytink
- IT systems and business model do not enable successful Program delivery
Risk Owner: Aaron Hughes
- Government expectations are not managed effectively (including State and Territory Government bodies)
Risk Owner: William Kimber
- Stakeholder and Communication strategies are not effective
Risk Owner Tracey Bell/Greg Lemmon
- Program management activities do not enable successful Program planning and implementation
*Risk Owner Kevin Keeffe.*³⁹

By the end of April 2009, the HIP team was increasingly anxious to firm up compliance measures in anticipation of 1 July. According to Delbridge: 'Around April/May, we were already seeing problems.

³⁷ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p155.

³⁸ Transcript of Proceedings, Royal Commission into the Home Insulation Program, 7 April 2014, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Transcript7April2014.pdf>.

³⁹ DEWHA – Analysing Project Management Risks
<http://www.homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence9April2014/MIN.002.001.3445.pdf>.

We were getting anecdotal reports from outside that...jobs weren't being done properly. That people who were completely unqualified were doing installations. There were even cases of rebates that had been claimed and the work hadn't even been done. And the materials had been dropped off at a residence and they hadn't been installed but the rebate had actually been claimed. So there was a whole raft of fraud issues that the compliance team [was] having to deal with and these were becoming apparent'.⁴⁰ Other stories included falsified quotes. Kimber too had heard about instances of malpractice and misconduct.

On 29 April, DEWHA hosted its first Compliance Workshop in Canberra, inviting representatives from state and territory fair trading agencies, amongst others. Kimber chaired the meeting with Delbridge in attendance, as well as the Program's chief legal advisor David Hoytink. Craig Simmons (ACT) commented that 'the scale of the Commonwealth's program would change the dynamics of the existing market conditions for insulation and that this in turn would increase the risk of poor installation from unskilled labour'.⁴¹ His regional counterparts concurred. Geoffrey Gaskell (SA) counselled that improperly installed insulation posed safety risks. Kimber assured them that appropriate training and/or experience would be a condition of registration. Discussion turned to the capacity of state and territory bodies to handle an anticipated rise in consumer complaints. Western Australia's Warren Adams, was keen to establish how many installers and householders DEWHA expected to participate, as were the other states. (DEWHA's target after 1 July/HIP Phase 2 was for 90,000 installations per month.⁴²) Hoytink proposed that the states and territories enter into an information-sharing agreement whereby they pass on details from HIP related complaints and incidents such as house-fires to the Commonwealth so that problem installers could be deregistered. Plans were set in motion to draw up memoranda of understanding with each jurisdiction.

By contrast, there were no plans to hold similar talks concerning workplace safety. Firstly, DEWHA didn't perceive the need. Said Avril Kent: 'I recall conversations in [PCG] meetings to the effect that DEWHA should liaise with the various agencies responsible for OH&S in the states and territories to prompt them to make sure that what they had in place was robust. At this point, prior to launch, it seemed to me that the greater risk was perceived to be that there would be a poor take up of the program, so the project team did not have an expectation that a large additional impost would occur for the jurisdictional agencies'.⁴³ However, they 'discussed making sure that there was a protocol in place with State and Territory governments so that we could make contact with [OH&S agencies] and we could obtain information about issues that may be arising during the roll out of the HIP . I do not recall whether these were ever put in place'.⁴⁴

Secondly, in Hoytink's assessment, it was not the Commonwealth's responsibility: 'The way the model was structured was that the householder entered into a contract with the installer to have insulation installed. That was the primary contract and it was consciously structured as a consumer-type transaction, so that if the householder had a problem with the installer, they could seek assistance from the state fair trading body...Now – the OH&S matter – in our discussions with the States, we said: "Well, we indicated we're not, you know, supplanting what you're doing. What we essentially have here is a consumer-type transaction, so whatever arrangements would ordinarily apply will apply here." So that would include whatever safety standards, OH&S standards, those arrangements

⁴⁰ Transcript of Proceedings, Royal Commission into the Home Insulation Program, 1 May 2014, <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Transcript1May2014.pdf>.

⁴¹ Insulation Programs: Compliance Workshop Minutes, 29 April 2009, <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence15May2014/AGS.002.032.0580.pdf>.

⁴² Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p283.

⁴³ Statement: Avril Kent, <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence8March2014/STA.001.012.0001.pdf>.

⁴⁴ Ibid.

would still apply'.⁴⁵ Hoitink believed that a poor installation would be more likely to kill or injure a householder than harm an installer, and that this scenario posed a greater risk to the Commonwealth.⁴⁶

'The Government's starting position was that the industry already had a regulatory framework,' recalled Garrett, 'I took advice from DEWHA on this and during the design and introduction of the program was consistently advised that industry was not an unregulated sector'.⁴⁷ Added Levey: 'Kevin Keeffe was very keen to say that the government was not a party to this contract between householder and installer under the new business model and that that was a key risk-management measure, in his view...[The Department] repeatedly advised the Minister and myself that the relationships between the installer and the household were key and that the program sat within the existing framework of occupational health and safety laws and of State-based, fair-trading, consumer-protection laws, and that we should not be trying to re-invent or layer higher standards on top of that'.⁴⁸ DEWHA would issue guidelines, advice and warnings but it would be up to installers to follow the relevant state legislation and down to the States to enforce compliance since the Commonwealth had no direct powers besides withholding payments. Carter recalled that, 'Division staff did discuss issues such as who could be involved in the program and the adequacy of the existing requirements, but there was an assumption that those things were already working in this industry'.⁴⁹ There was concern, however, that South Australia's more stringent requirements would deter or delay new entrants. Mrdak later wrote to the SA Coordinator General to explore ways they could speed up registration. The state went on to create a special licence category for ceiling insulation installers and fast-tracked applications, though candidates would still have to complete a two-day training course.⁵⁰

'Relentless Focus'

Late April also saw PM&C's Martin Hoffman email Kevin Keeffe to remind him that '[w]e need relentless focus on the mechanics of the program leading up to July 1.' Top of his list was settling installer competencies. Keeffe had previously advised competency requirements and training materials would be ready by June. 'This needs to be nailed ASAP,' Hoffman wrote. He acknowledged that '[i]ssues of fraud, compliance and audit are very important. But my sense is that we have a risk right now of over-focus on work streams about these matters ... Fraud, compliance and audit matters are NOT on the critical path to successful launch on July 1'.⁵¹ At a later meeting between Arbib and Kruk about training, Arbib reiterated the importance of ensuring that new installers could 'be brought on quickly'.⁵² At the PCG meeting of 1 May, changes were mooted to HIP installer requirements. Originally, new installers would require basic OH&S certification (the 'White Card'), plus:

- a Trade Specific Competency (i.e. be a licenced builder, electrician, plumber, carpenter, bricklayer, plasterer or painter); and/or
- an Insulation Specific Competency (i.e. training in insulation installation); and/or

⁴⁵ Transcript of Proceedings, Royal Commission into the Home Insulation Program, 14 April 2009, <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Transcript14April2014.pdf>.

⁴⁶ Ibid.

⁴⁷ Statement, Peter Garrett <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence13May2014/STA-001-069-0001.pdf>.

⁴⁸ Statement: Matt Levey <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence21March2014/STA.001.003.0001.pdf>.

⁴⁹ Statement: Ross Carter, <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence20March2014/STA.001.001.0340.pdf>.

⁵⁰ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p32.

⁵¹ Ibid, p161.

⁵² Ibid, p163.

- relevant industry experience.⁵³

Kent recounted ‘a discussion in the [PCG] regarding whether mandatory installer competency requirements were hurdles that would slow the implementation of the HIP, which was primarily a fiscal stimulus policy. As I recall, PM&C [generally represented by Hoffman] consistently advocated to DEWHA in these meetings not to be bureaucratic or create unnecessary delays. As I recall, the priority expressed by PM&C was always stated to be prompt injection of stimulus funding into the economy’.⁵⁴ This led to Keffe tasking Aaron Hughes (and DEEWR) with reworking the registration requirements to ensure new installers could receive on-the-job-training.

After their revisions, new installers would only require ‘White Card’ certification – provided they were supervised by someone with a Trade Specific Competency/Insulation Specific Competency/Industry Experience who signed off on their work.⁵⁵ Licenced tradespeople eligible to act as supervisors (e.g. bricklayers) would be advised to obtain training if they lacked insulation experience but it would not be mandatory.⁵⁶ What ‘supervision’ should entail was not specified. When asked why, Hoitink said: ‘I think we just adopted a common-sense approach that if somebody was to be supervised in the course of their work, that the person responsible as the supervisor would exercise appropriate skill or diligence in ensuring that the person was properly supervised and did the job well,’ he explained, ‘Our understanding was that “supervision” meant you would be there onsite supervising. You didn’t necessarily have to be in the roof, if it was a more experienced installer, but you would certainly be onsite. I think most people would understand “supervision” to mean you’re actually seeing what’s being undertaken which necessarily means you’re going to be onsite’.⁵⁷

At the 8 May PCG meeting they debated the proposed changes. Hoffman believed they were a reasonable accommodation since it was an improvement on (mostly non-existent) standards. Kent recalled a ‘vivid’ and ‘robust’ discussion, Hoffman exhorting DEWHA to ‘get the money out the door’,⁵⁸ Keffe voicing reservations about loosening the requirements. However, he quickly discovered he was on his own; the changes were adopted. Keffe later reiterated his concerns to Malcolm Forbes who had missed the meeting but the matter went no further.⁵⁹ Around this time, Kent took on Keffe’s HIP day-to-day risk management responsibilities so he could focus on more strategic issues. He would, though, retain line-manager responsibility for delivery. The meeting also featured a risk management update from Margaret Coaldrake who ‘expressed that management of extreme risks have been dealt with very effectively in the past month’ which meant that overall risk levels had fallen but ‘emphasised the importance of updating the risk register regularly’.⁶⁰

Kimber was absent, occupied with an industry roundtable convened to discuss training requirements. In his email summation to Keffe, Hughes and others, Kimber noted that that the construction and insulation representatives agreed that a mandatory training course would be ‘ideal’ though accepted that would no longer be possible. There was broad consensus that a new entrants course should be at

⁵³ Ibid, p170.

⁵⁴ Statement: Avril Kent,

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence8March2014/STA.001.012.0001.pdf>.

⁵⁵ In addition, the Installer Register would simply be a list of installers who met the registration requirements. Any suggestion that they were ‘approved’ or ‘recommended’ would be omitted.

⁵⁶ Hanger, I. ‘Report of the Royal Commission into the Home Insulation Program’ Commonwealth of Australia, August 2014, p170.

⁵⁷ Transcript of Proceedings, Royal Commission into the Home Insulation Program, 14 April 2009,

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Transcript14April2014.pdf>.

⁵⁸ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p172.

⁵⁹ Ibid, p168.

⁶⁰ Project Control Group Meeting 8 May 2009,

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence16April2014/AGS.002.032.1334.pdf>.

least three days long and that such instruction (costing approximately \$500) ‘would not be a barrier, as employers would pay for the cost of the training as a necessary investment to avoid much greater “make good” cost from shoddy work in the future’.⁶¹ Ten days later, HIP managers gathered for a Risk Owners’ workshop arranged by Coaldrake to ensure everyone understood their role and responsibilities and that risks were allocated appropriately. By now, DEEWR along with the CPSISC had produced the instructional materials for novice installers; however, HIP training courses wouldn’t be ready until after July. The ‘pocketbook’ manual with technical advice for installers was still in development.

Deadline countdown

Coordinator-General General Mike Mrdak was still not reassured by DEWHA’s progress. He recalled again approaching Senator Arbib (19 May and 2 June) to seek an extension.⁶² Mrdak claimed he warned Arbib in June, ‘that he could not guarantee that the systems would not fail’ (referring mostly to fraud and compliance) and advised, ‘that a September start date would be better’.⁶³ Arbib, he said, simply maintained that the HIP would commence on 1 July. The Senator had also apparently conveyed Mrdak’s concerns to Prime Minister Rudd back in April, only to inform Mrdak that ‘every effort’ had to be made to have systems in place for the scheduled date. Arbib did not recollect these discussions with Mrdak, though he did remember many meetings where timeframes were described as ‘tight’ or ‘challenging’ but not impossible.⁶⁴ Levey, meanwhile, recalled Arbib’s office pushing to abandon the two-quote requirement for installers from Phase 2.⁶⁵ They succeeded.

On 6 June, Minister Garrett signed a brief sent by Kevin Keeffe via Malcolm Forbes advising him to approve the HIP ‘minimum competencies’ for installers (*Exhibit E*). The main body did not explain that the minimum competencies had been altered. It did state:

The terms and conditions and minimum competencies for installers to be included on the installer register, have been designed in consultation with DEEWR, the full suite of insulation industry associations, the Housing Industry Association (HIA) and Master Builders Australia (MBA).

Overall, industry have indicated that:

1. the minimum requirements ensure ease of entry to the installer provider register for both existing operators and new entrants; and
2. the minimum standards are appropriate when combined with the strong audit support for the program, and the development of training packages for national roll out.⁶⁶

The minimum competencies were described in Attachment B – an attachment that Garrett had no memory of seeing. The Minister stated that he had already signed off ‘in effect’ on a previous brief containing competency requirements and expected important matters to be featured in the main body of the text as he didn’t have time to read every attachment. He thus claimed to be unaware of exactly what the brief was proposing.⁶⁷ He also said, ‘Where I received advice on a specific matter I

⁶¹ Ibid, p167.

⁶² As with previous meetings to discuss an extension, Mrdak had no written records of his encounters.

⁶³ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p156.

⁶⁴ Ibid, p155.

⁶⁵ Statement: Matt Levey

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence21March2014/STA.001.003.0001.pdf>.

⁶⁶ DEWHA Brief, 9 June 2009

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence24March2014/AGS.002.012.1230.pdf>.

⁶⁷ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p169.

expected it to be comprehensive and made my decisions on that basis'.⁶⁸ Other key documents not yet seen by Garrett included any version of DEWHA's Risk Register and Risk Management Plan.

Meanwhile, new businesses were rapidly signing up. Explained Aaron Hughes: 'Installers who had registered for the HIP received a 'welcome pack', which was a glossy box containing information about the HIP. That information contained the same content as the HIP guidelines. It also contained the installer registration conditions and an initial form for installers to complete in order to claim payment under the HIP. Installers were to go out to homes and give a quote for the installation of insulation. If acceptable to the householder the installation was carried out, after which the householder had to sign this form. The installer would then take the form, log the relevant information from the form into the HIP payment system and then claim the rebate. They then kept the form for their own records and for the monitoring and auditing of the HIP. The 'welcome pack', to my recollection, did not contain any warning material or safety advice on any matters. However, the installer registration conditions referred to above reminded installers that they needed to be compliant with the relevant laws in their State or Territory and also that they had declared that they had appropriate systems and practices in place'.⁶⁹ This included adequate insurance.

Days before Phase 2, Mike Mrdak left the OCG while Minister Garrett chaired a meeting of industry representatives in Brisbane. Manufacturers reported that demand was strong and production had been ramped up, however, the supply and cost of materials was becoming an issue. Industry members also raised concerns about unethical practices and installer register functionality. By the end of Phase 1 (from 3 February to 30 June 2009), 73,005 rebates had been paid at a cost of \$103.1 million. However, there was promising news on the economic front. Although Australia's economy had slowed, it had not slipped into recession and consumer confidence was improving.⁷⁰

Going through the roof

Concerns about sluggish uptake quickly receded upon the launch of HIP Phase 2. During July 2009, there were close to 80,000 installations, August saw almost 110,000 and September approached 140,000, with numbers steadily climbing.⁷¹ Meanwhile, the number of insulation installation businesses swelled from approximately 250 prior to the HIP to 8,359, employing an estimated total of 12,000 people in October 2009.⁷² Approximately 3,800 participants had undertaken a recognised training course.⁷³ Initial figures also showed that glass-wool products were used in 70% of installations followed by cellulose and polyester; 4.5% of homes opted for foil.⁷⁴ On 7 July, DEWHA held a planning day to review the program so far and discuss next steps. Incorporating material from recent workshops and Coaldrake's program 'Health Check', the day began with what the HIP team felt they had done well so far. The list included: 'risk awareness', 'maintain team morale whatever the

⁶⁸ Statement, Peter Garrett <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence13May2014/STA-001-069-0001.pdf>.

⁶⁹ Statement: Aaron Hughes, <http://www.homeinsulationroyalcommission.gov.au/hearings/documents/evidence8may2014/sta.001.041.0022.pdf>.

⁷⁰ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p23.

⁷¹ Jarrett, R., Guo Lin, X. and Westcott, M. 'CSIRO Risk Profile Analysis - Guidance for the Home Insulation Safety Program' CSIRO, 31 March 2011 <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence15April2014/ABC.002.001.1341.pdf>.

⁷² Op cit, p2.

⁷³ Statement, Peter Garrett <http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence13May2014/STA-001-069-0001.pdf>.

⁷⁴ Ibid.

context', 'strong governance', 'pulling together as a team' and 'getting things to happen'.⁷⁵ In terms of key issues/what could have been done better, they identified:

- Project planning and delivery ('Did not recognise the enormity of the project early enough.');
- Compliance ('Needed more corporate focus earlier. Because compliance is not core business it was not a focus; Compliance became a discovery of skills available in house.');
- Corporate engagement ('Departmental support – not adequate for a project of this scale.');
- Other agency engagement (Difficulty in engaging with other agencies e.g. DEEWR even at higher level.).⁷⁶

They also looked at DEWHA's various stakeholders and their needs/expectations. State OH&S bodies and installers were not explicitly mentioned, nor were workplace safety issues (*Exhibit F*). Participants also discussed how they would measure success. This included: number of installations, number of new jobs created, at least \$1.5 billion injected into the economy, and 'no deaths'.⁷⁷

One DEWHA staffer not sharing the team spirit was 'technical advisor' Troy Delbridge. Relations with supervisor Will Kimber had deteriorated and by the end of July, Delbridge's contract was terminated. There were no immediate plans to replace him. According to Kimber, he was dismissed due to unsatisfactory job performance. Delbridge (who alleged he was never formally briefed about his role) was sacked shortly after raising further concerns about the HIP with Aaron Hughes, including a lack of suitably qualified technical staff. Looking back, Delbridge characterised Kimber as a 'gatekeeper' who obstructed him from raising his concerns about HIP with more senior staff while he was the 'squeaky wheel' that had to be silenced.⁷⁸ Kimber, however, claimed that he too had serious doubts about the program which he relayed upwards yet could not point to specific instances.⁷⁹ Not long before his departure, Delbridge had begun contacting state OH&S agencies about the lack of safety culture in the insulation sector and the possibility of information sharing with the Commonwealth.

Compliance and fraud had now risen to the top of DEWHA's priority list. Before launch, DEWHA commissioned accountancy firm Ernst and Young to develop an audit methodology which primarily focused on fraudulent activity. However, DEWHA soon realised they couldn't get the expert staff they needed in time. 'As a result,' noted Kent, 'we engaged [auditing firm] Protiviti to assist DEWHA while we were arranging all the elements for the governance framework. [From 1 July] Protiviti assisted in attending to the initial desktop audits...Every day when the claims came across from Medicare, Protiviti did a pre-analysis for us. They ran a scan over the claims and picked out any claims or issues thought to be problematic'.⁸⁰ Early analyses suggested that some supervisors were lodging suspiciously large numbers of claims. As MOUs with state Fair Trading organisations were being finalised, more tales of malfeasance and other problems were filtering through (e.g. cold calling and high pressure 'sales' tactics). Huge demand led to product shortages; some companies resorted to imports – imports which did not necessarily meet Australian Standards. Laurie Moylan of the Australian Cellulose Insulation Manufacturers' Association (ACIMA) described some of what he heard:

When the program was rolled out, it got out of control very quickly. People flocked to the industry and immediately started to engage in fraudulent and unscrupulous practices, ranging from installing non-

⁷⁵ Home Insulation Program Planning Day Summary - 7 July 2009,

<http://www.homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence9April2014/MIN.002.001.3881.pdf>.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p187.

⁷⁹ Ibid, p105.

⁸⁰ Statement: Avril Kent,

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence8March2014/STA.001.012.0001.pdf>.

compliant product to not installing any product, but getting the customer to sign off on all the relevant forms and claiming the payment. I realised immediately that our industry's reputation was going to be badly damaged. More than that, I could see that the industry itself was going to be badly damaged.⁸¹

Potential cost blowouts now started to preoccupy the Government. In August, Garrett wrote to Prime Minister Kevin Rudd twice⁸² proposing a number of modifications including:

- physical site inspections in order to provide an installation quote (not via phone, remote or Google Earth);
- requiring installers to provide evidence of qualifications and/or competencies pre-registration;
- providing a price guide advisory for different types of insulation products;
- targeting installers who charge consistently above the advisory figures for audit; and
- restoring the requirement for two quotes to ensure competitive pricing.⁸³

All changes were accepted besides the two-quote requirement. However, suspending or deregistering installers was no simple matter. Noted Kent: 'I recall that Medicare did not have the capability to have stop payments to a particular installer company that we might have concerns about. The only way we could have stopped payments to one installer company would be to stop all of the payments to all of the installers who submitted claims that day. This functionality was subsequently made available later in the program'.⁸⁴ In August, DEWHA issued a tender for companies to oversee the HIP compliance regime, including site inspections. Meanwhile, the HIP 'Pocketbook' was finally published online; it contained a brief section on electrical safety and foil insulation. Hard copies were not yet available.

Safety issues would soon come into sharp focus. In September, the NSW Office of Fair Trading advised DEWHA of a number of fires involving downlights and insulation. They and the NSW Fire Brigades then issued public warnings about the risks of installing insulation too close to downlights. The media seized on the story, featuring damaged homes and incensed owners. One report also included Master Electricians Australia's Paul Daly cautioning that homes could even become 'live' if batts were inappropriately installed.⁸⁵ DEWHA issued an Installer Advice on 29 September 2009 with information on downlight clearances and requirements; it was the first installer bulletin to address safety issues. A few days later, on October 2, Matthew Fuller (25) commenced work for QHI Installations in Queensland. The company had been operating for one day.

Tragedy strikes

October 14, 2009: Matthew Fuller is installing Reflective Foil Laminate at a residence in Meadowbrook, a suburb of Logan City. Assisting is his girlfriend, Monique Pridmore (19), who started work soon after him. Although Fuller had received very rudimentary training, Pridmore had not. At around 1.00pm, Pridmore hears Fuller cry out as he is being electrocuted. Thinking he is having a seizure, she rushes over to help him and is electrocuted too. Attempts to revive Fuller are unsuccessful; he is pronounced dead at 1.41pm. Pridmore survives but is hospitalised for five weeks.

⁸¹ Op cit, p283.

⁸² Garrett required executive approval for any HIP changes that involved altering Government policy.

⁸³ Adapted from Garrett Letter to Rudd, 27 August 2009,

<http://homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence14May2014/STA.001.069.0063.pdf>.

⁸⁴ Statement: Avril Kent,

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence8March2014/STA.001.012.0001.pdf>.

⁸⁵ Holland, M. 'Insulation blamed for several fires across NSW' *The Daily Telegraph*, 21 September 2009.

Exhibit A: HIP Risk Register Excerpt 9 April 2009

NB: E = Extreme, H = High, M =Moderate, L = Low

Risk Register and Management Plan at 2.00 pm 9 April 2009														
Identification		Assessment		Risk Trend		Management Plan						Currency		
Risk Description	Likelihood	Consequence	Inherent risk quantification	Current risk value	Risk Today	Recommended Management Plan A/E: allocate single point responsibility for each extreme and high risk; Develop each mitigation plan into a strategy; monitor progress against the strategy	Current activity at 9 April 2009	Effectiveness of Mitigation (qualitative/quantitative)	Residual risk value	Is residual risk value tolerable? Yes/No	Progress in Last Reporting Period	Additional Action Plan	Predefine Indicators	Date last updated
<p>1</p> <p>Program methodology - post 1 July:</p> <ul style="list-style-type: none"> Extremely limited time to determine and implement effective Program methodology post 1 July 	5	5	Substantial non-delivery; Admin costs & conflict; Poor control of processes and financial outcomes \$40-95m Costs, non-delivery, fraud etc	E	E	<ul style="list-style-type: none"> Put in place an integrated project methodology that effectively links complex inter-related tasks and streams of work Develop delivery / business model that addresses key Program objectives and risks Base the final plan on this integrated methodology Review all actions in the project plan against this methodology and each other as they are developed Understand interactions within the project and monitor these as part of monitoring processes Monitor progress closely and identify any inconsistencies or time lapses to ensure early correction and any impact on the methodology or other tasks Test project's ability to maintain a hybrid business model post 1/7/09, retaining the rebate process whilst the referred ongoing business model is implemented progressively 	<ul style="list-style-type: none"> Departmental Tier 1 project management framework in place Recognised project methodology in place Project Control Group established Planning workshops underway Project Plan in place Project scheduler mapping interdependencies KPMG working on alternate business models post 1/7/09 Stakeholder consultation program in place contributing to Business Model and project methodology analysis Strategy being developed to encourage take-up by low income / vulnerable households 	Strong	3 3 M	Yes				
<p>2</p> <p>Procurement/ Licensing: needs for entire Program duration to be determined and fulfilled by 1/7/09</p> <ul style="list-style-type: none"> Procurement processes/timelines, 1/7/09 deadline for full program Scale of task is new to Department 	5	5	Delays or total non-delivery; substantial increased costs; increase in other risks incl fraud & political fallout. litigation risk \$20-60m Substantial political fallout	E	E	<ul style="list-style-type: none"> Identify procurement thresholds and constraints Identify the most appropriate procurement / licensing model (e.g. Multi-user panels; issue of licenses, etc) as part of the Business Model considerations Consider staged implementation of residual procurement needs to reduce time pressures Develop a specific procurement/licensing strategy within the business model and project methodology Develop an implementation timetable ensuring legal risks are dealt with effectively and allocate sufficient resources able to scope needs and assess capacity as the procurement / licensing processes are implemented Monitor progress, including probity considerations closely 	<ul style="list-style-type: none"> Business Model planning underway with KPMG. This will specifically consider ways to minimise formal procurement needs Obligations under the Commonwealth procurement guidelines are being reviewed Considering multi-user list and installer register and alternates to formal procurement Licensing standards etc are partly developed within the rebate system already in place Training etc is being outsourced – discussions are in hand with DEWR et al 	Weak	4 S E	No	Extend rebate scheme to 30 September 2009; possible hybrid model allowing full implementation as planned on 1 July 2009 in Metro Sydney/Melbourne	Project schedule falling behind; procurement finalisation slips beyond 1 July 2009		
<p>3</p> <p>Time: time available to develop and deliver the program in a properly controlled way may be inadequate</p> <ul style="list-style-type: none"> Tight timeframes to develop all elements of the program's Delivery model by 1 July An appropriate launch is required mid-year for the package 	5	4	Poor control; poor communication; overruns; non-delivery; early termination \$20-145m Costs; political fallout; early termination	E	E	<ul style="list-style-type: none"> Develop detailed project delivery / business model Consider timing constraints / limitations in developing implementation strategies to reduce risk where possible whilst retaining core objectives Clearly define What will be in place 1/7/09 as a minimum delivery set and aspects that can be deferred / melded with others Minimum requirements vs those that industry needs to deal with as part of its operation Have industry leaders participate in developing guidelines / standards processes through early involvement in the program Simplify business model where possible, to reduce time constraints Closely monitor resourcing, project delivery targets etc Adjust resources quickly as any shortfalls are identified Use external resource where necessary to reduce time constraints Focus resourcing on prior experience, capacity to pick up new tasks quickly, self-starting 	<ul style="list-style-type: none"> KPMG working on alternate business models, including strategies to reduce time constraints Potential for using Centrelink as payment agency being explored Ministerial consultations in place Industry Working Groups in place to develop detail of the agreed business model Discussions with DEWR re training programs in place Scheduler finalising all tasks into project plan including risk treatments Tight project controls in place to monitor timing risks and development of mitigation action impact on timing 	Adequate	4 4 E	No	Extend rebate scheme to 30 September 2009; possible hybrid model allowing full implementation as planned on 1 July 2009 in Metro Sydney/Melbourne	Project schedule falling behind; procurement finalisation slips beyond 1 July 2009; insufficient resources in place to carry out Management Plan		

Identification	Assessment	Risk Trend	Management Plan	Currency							
<p>Installation quality and compliance: quality of installation / control by installers and compliance structures may be inadequate</p> <ul style="list-style-type: none"> Poor quality installations Compliance cost (to Dept or industry) may be excessive and process may be ineffective Safety - house fire/damage Insufficient number of auditors 	<p>Poor quality installation; make-good costs; additional intervention (regulatory, process control, direct intervention into delivery); poor access for marginal groups; major political fallout; early termination/litigation risk</p> <p>\$20-50m Early termination</p>	E	<ul style="list-style-type: none"> Consider these issues in developing the business model Ensure business model transfers fraud risk from Commonwealth to providers where possible and allows effective monitoring Develop effective process for registration of installers. Cover both financial viability and technical capacity in registration process Alternatively let third party contracts to do this; Set up monitoring and reporting processes to identify emerging provider stress Ensure contract structures provide capacity to monitor and take action on poor performing providers Ensure installers are properly insured and consider requiring installers to indemnify the Commonwealth against claims/loss arising from installers' actions Review mitigation strategies in light of the agreed business model 	<ul style="list-style-type: none"> Developing links with ACCC and other regulatory bodies Information available through call centre and is being reviewed as the business model is being developed Strategic communications strategy in place Communications channels with industry have been identified and are being developed Regular communications with States and Territory regulatory bodies in place Early installation guidelines include specific quality and safety requirements Installers must be verified - hooked into Australian Standards Breach reporting system in place. Site inspections - planned to begin early 09/10 Assessing training requirements and discussing with DEEWR Internal compliance and monitoring system under development Technical Working Groups with industry covering safety and quality of product 	Strong	3	3	M	Yes		
<p>Fraud: inadequate controls may allow fraudulent or inappropriate behaviours</p> <ul style="list-style-type: none"> Ineligible people accessing the program Industry quoting above actual cost of job Households double dipping between Commonwealth, State and Territory Programs above cut of pocket costs Applicant accessing both SHWR and HIP programs - installer theft/vandalism/ professionalism Internal / staff member process integrity 	<p>Complexity; many sources; Time to develop controls is limited; risk of delay / non-delivery if controls are excessive</p> <p>\$10-30m Fraud losses Political fallout</p>	E	<ul style="list-style-type: none"> 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 Risk Manager to sign off on processes and policies after reviewing for possible fraud opportunities 	<ul style="list-style-type: none"> KPMG developing fraud strategy as part of business model considerations Consultation with and assistance from Departmental Fraud staff in place Internal process for capturing and mitigating fraud risk in place (e.g. cross checking data for homeowners claiming both insulation and SHW rebates) Full time legal officer in place - further resources are being added currently Current rebate forms facilitate follow up where information incomplete/incorrect Internal follow up for claim issues including evidence of payment in place 	Adequate	3	4	H	Yes		
<p>Program complexity: Multiple policy goals, vested commercial interests may hamper the efficient delivery of the Program.</p> <ul style="list-style-type: none"> Governance and planning gaps may reduce the capacity of the project to deliver Ineffective internal decision making, resource allocation and ownership (Project Governance) Industry structure not properly addressed 	<p>Poorly structured program; program fails to meet objectives; inadequate communication; increased costs, poor delivery; political fallout; early termination</p> <p>\$15-60m Early termination</p>	E	<ul style="list-style-type: none"> Utilise effective integrated project methodology and develop fit-for-purpose Business Model to mitigate risk Ensure scale of timing and project methodology (i.e. how the tasks fit together and impact on each other) mitigate risk and reduce complexity Ensure clarity of rules through effective internal and external communication strategies Set up tight internal communication structures Set up conflict resolution process within project to identify and resolve potential conflicts 	<ul style="list-style-type: none"> Business model planning in place is addressing complexity as a key goal Project Control Group in place Stakeholder Working Groups in place Scheduler working on project plan and interdependencies External communication strategy drafted and internal communications strategy commenced Recently clarified eligibility guidelines Draft stakeholder management plan prepared 	Adequate	3	3	M	Yes		
<p>Political: a variety of failures in the process, system, project deliverables etc may have significant political fallout</p> <ul style="list-style-type: none"> Policy changes or interactions and political scrutiny <ul style="list-style-type: none"> Commonwealth State & Territories Leaks about program performance Household demand management Applies in broadest sense of "political" 	<p>Loss of good will; non-delivery of program; major loss in outcomes</p> <p>Not quantifiable Early termination</p>	E	<ul style="list-style-type: none"> Include political/ public confidence consideration in development of and monitoring of project methodology and Business Model Identify political risks (e.g. impact on public confidence) and develop a communication strategy and monitoring process that includes capacity to keep track of these Develop a mitigation strategy for politically sensitive risk and closely monitor developments Actively manage expectations through communication strategies, including <ul style="list-style-type: none"> Market Installers Community Press Other stakeholders Clearly communicate key aspects of the Program, e.g. eligibility and program requirements Manage expectations through Working Groups (e.g. Industry) and regular meetings with key stakeholders 	<ul style="list-style-type: none"> Communications strategy, reporting streams and 3rd party communications strategy Formal consultation with social welfare and environmental groups Reporting and monitoring plan under development including around data collection to facilitate reporting Technical workshops on safety etc - working with industry Weekly meeting with Parliamentary Secretary and advisers Close engagement with Minister, Minister's Office, Prime Minister and Cabinet, Coordinator-General Industry and community consultations groups in place Arms length communication strategy is being developed 	Adequate	3	5	E	No	High level political/stakeholder coordination and monitoring required	Increased media attention; ministerial; negative stakeholder feedback

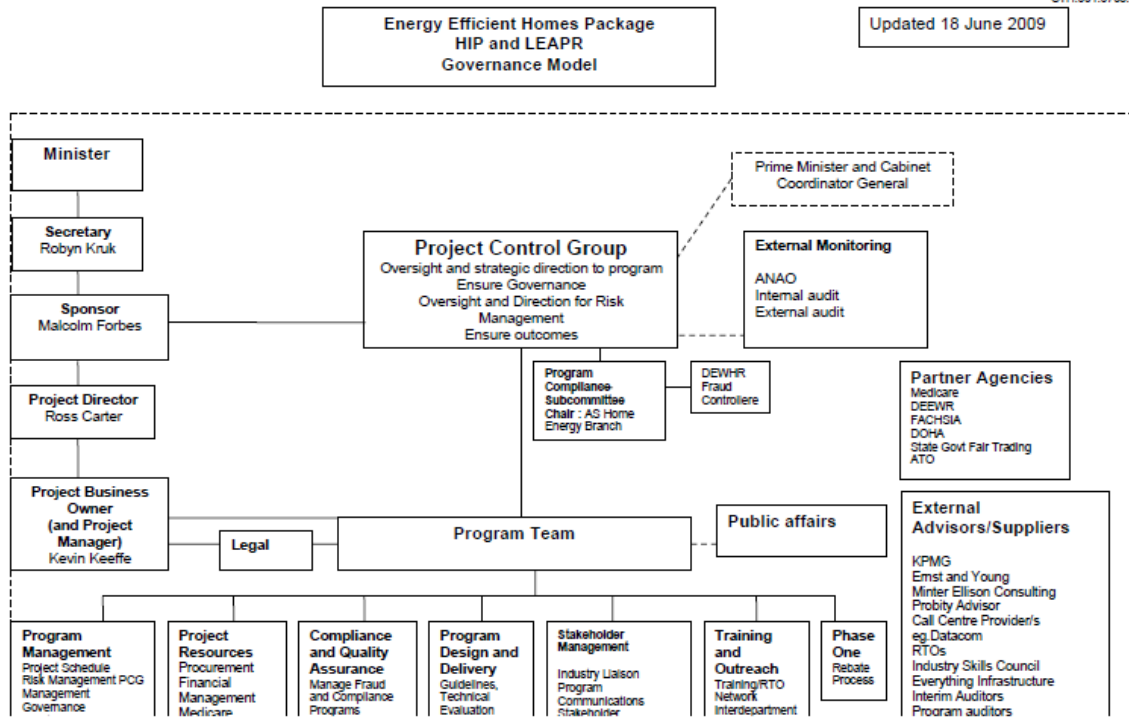
Identification	Assessment	Risk Trend	Management Plan	Currency					
<p>Communication and planning: inadequate planning and communication may create poor delivery of communication strategy (internal and external)</p> <ul style="list-style-type: none"> Excessive media attention on non-compliance Consistency of information on suppliers Households' lack of program awareness 	<p>Poor take-up; poor delivery (consumer and installer confusion); conflict; increased communication and regulatory costs; major political fallout</p> <p>\$8-20m Costs Political fallout \$500m Funds not utilised Poor take-up</p>	E	<ul style="list-style-type: none"> Develop separate communication strategy and set up detailed monitoring processes Include specific communication issues and strategies in the project methodology Develop integration processes to improve monitoring and rectification actions as needed Develop research and integrated data collection strategy 	<ul style="list-style-type: none"> Internal and external communications strategy developed Tight control over delivery timetable for public communication campaign Intra-DEWHA communication through the Project Control Group Intra-Commonwealth communication underway (eg Finance, ANAO) These issues are also being addressed as part of the mitigation of Risk 1 above Developmental research has been undertaken to ensure correct messages are delivered to the community Campaign tracking research is planned to ensure messages are getting through and any adjustments required can be made expeditiously Comprehensive information package developed to assist with consistent responses to public enquiries Information being developed for special audiences (NESB, vision/hearing impaired, indigenous) Internal assessment of communication needs for disabled/multilingual groups being made 	Strong	2 3 L	Yes		
<p>Legal: complex legal issues associated with the Program may not be fully understood or dealt with</p> <ul style="list-style-type: none"> Insurable risk may not be fully covered and monitored Contracts don't clearly specify responsibilities or allocate risk Privacy, safety, liability issues 	<p>Litigation; substantial additional costs to rectify consequences of poor legal risk management including paying damages; political fallout; early termination</p> <p>\$15-30m Litigation costs Early termination</p>	E	<ul style="list-style-type: none"> Develop a separate legal risk management plan and implement External review of plan and key contracts Focus on outsourcing major risks while retaining capacity to monitor and regulate the key relationships through contracts Review impact of legal risk as part of decisions on the appropriate business model 	<ul style="list-style-type: none"> Currently drafting a Legal Risk Management Plan Investigating legal issues to inform the Business Model Full time senior legal officer Recruiting junior legal officer on secondment 	Adequate	3 3 M	Yes		
<p>Internal capacity: capacity to develop, staff, control and deliver the program on time may be insufficient</p> <ul style="list-style-type: none"> Human Resources: recruitment, induction, training and integration of many new staff <ul style="list-style-type: none"> adequate numbers and capabilities of staff burn out turnover/loss of corporate knowledge rebate payment delays 	<p>Poor processes and controls; inadequate regulatory framework; poor delivery; early termination</p> <p>\$20-125m Early termination</p>	E	<ul style="list-style-type: none"> Develop a resourcing strategy in conjunction with the project Methodology and business model Integrate resourcing strategy with the project methodology and schedule Monitor resourcing needs weekly as the plan unfolds Include resourcing reviews in all phases of the detailed project development Focus resourcing on prior experience, capacity to take up new tasks quickly, self-starting, understanding of public probity, ability to work with little supervision, team player Maintain a flexible internal structure to respond to emerging needs quickly 	<ul style="list-style-type: none"> Issue is being addressed in the short-term in project planning processes currently in place High level of internal executive support External recruitment underway Extensive/ senior internal secondments Flexible/dynamic structure adjusted to changing business model Divisional restructure to meet requirements Private sector resources brought in to meet gaps Information sharing through regular team meetings 	Adequate	4 3 H	Yes		
<p>Regulation: the existing regulatory framework may not adequately support the Program's goals</p> <ul style="list-style-type: none"> Reliance on contracts rather than legislative enforcement Regulation required through third party contractors 	<p>poor control of costs, poor delivery quality; increased fraud; political fallout; early termination</p> <p>\$15-80m Early termination</p>	E	<ul style="list-style-type: none"> Choose a regulatory approach consistent with the Program Methodology and implementation timetable based on outsourcing model and commercial contracts Likely need to include specific regulatory aspects into contracts as the core focus of regulation Consider need and constraints if administrative regulation path is chosen Monitor effectiveness of regulation structures weekly and adjust if possible Address regulatory requirements as part of the development of the project methodology and business model Assess exiting regulatory frameworks to determine intersections with Program needs Link regulatory requirements to the business model and align processes with state/territory regulatory process for the industry Consider how licensing requirements will support broader regulatory requirements of this Program Consider options for incentives and penalties in contracts / agreements with suppliers 	<ul style="list-style-type: none"> Developing business Code of Conduct and Australian Standards in guidelines (already in place for rebate system) Consulting with regulators (ACCC) Consulting with industry Aligning program specific regulation with State/Territory etc Regulation 	Weak	4 3 H	Yes		

Source: <http://www.homeinsulationroyalcommission.gov.au/Hearings/Documents/Evidence7April2014/AGS.002.015.1500.pdf>

Exhibit B: DEWHA Organisation Chart

AGS.002.029.0787

CTH.001.0708.8993



Source:

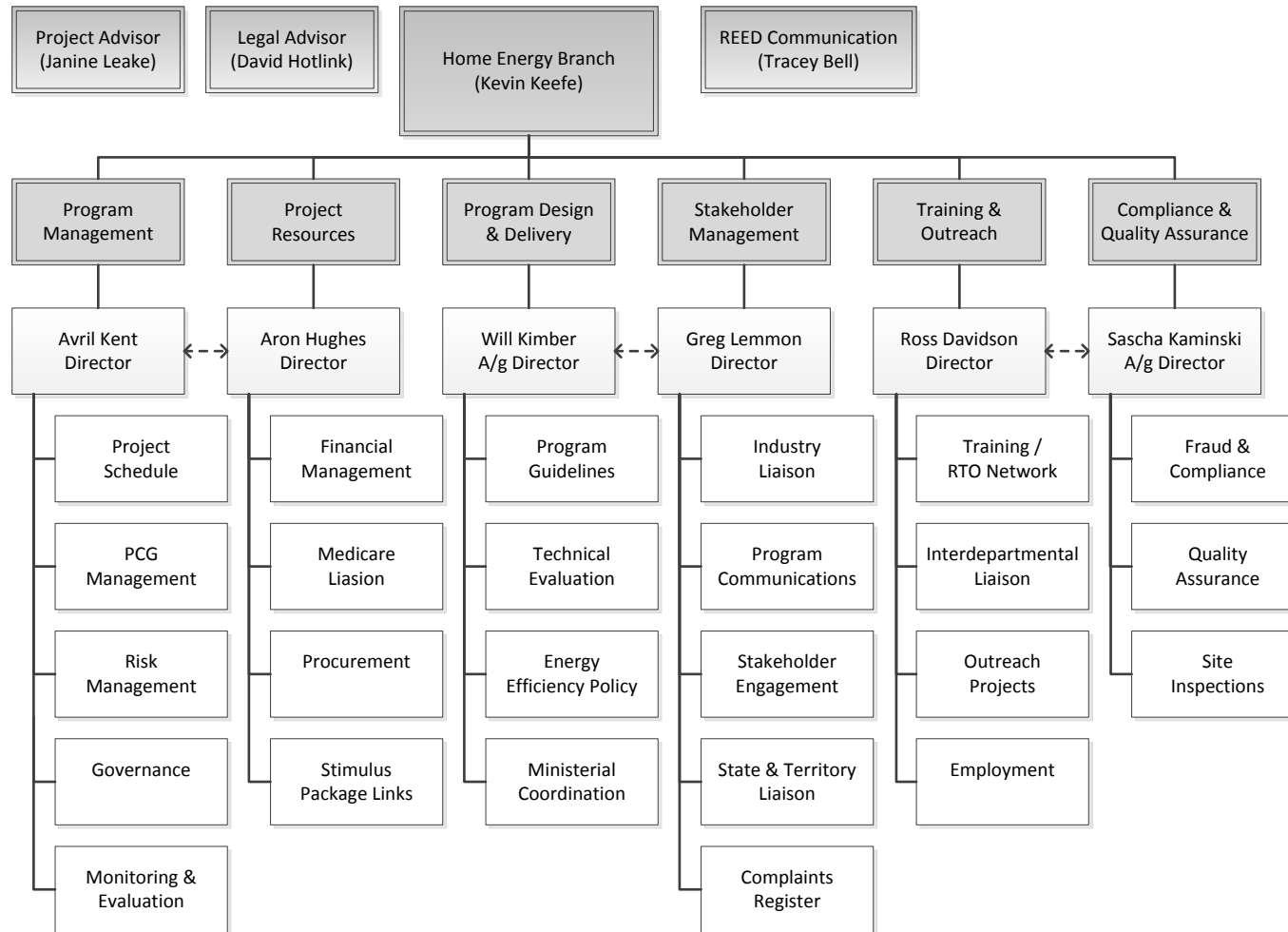
<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence31March2014/AGS.002.029.0787.pdf>

Exhibit C: Project Control Group membership April 2009



Source: Hanger, I. *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, August 2014, p358.

Exhibit D: Home Energy Branch Structure 24 May 2009



Source: <http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence31March2014/STA.001.015.0022.pdf>

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DEPARTMENT OF THE ENVIRONMENT, WATER, HERITAGE AND THE ARTS

Minister for the Environment, Heritage and the Arts (Information)

cc: Malcolm Forbes, A/g Deputy Secretary

Brief No: B09/1438
Division/Agency: REED
Public Affairs Consulted: Yes

HOME INSULATION PROGRAMS – TERMS AND CONDITIONS FOR INSTALLERS AND EMPLOYMENT AND TRAINING ISSUES

Timing: Senator the Hon Mark Arbib, Parliamentary Secretary for Government Service Delivery, has requested a briefing on these issues on Tuesday 2 June 2009.

Purpose:

To seek your approval for:

1. the terms and conditions for inclusion on the installer register (**Attachment A**);
2. the minimum competency requirements for installers (**Attachment B**); and
3. Note the provision of this information and the brief through the Office of Coordinator General at **Attachment C** on employment and training issues to Senator the Hon Mark Arbib.

Background:

- The economic stimulus focus of the HIP and LEAPR programs is supporting employment and growth in the insulation sector, and leading to increased training activities in areas such as: occupational health and safety, and insulation installation.
- The Department is working with the Department of Education, Employment and Workplace Relations (DEEWR) in rolling out the program ahead of the 1 July 2009 start date.
- DEEWR is developing employment and training strategies to ensure:
 1. maximum engagement particularly in regions of employment stress, via Job Services Australia, and employment service providers across the country; and
 2. rapid national training roll out to boost capacity in the insulation industry via development of a new national unit of competency (underway currently) and roll-out by registered training organisations.

Issues:

- The terms and conditions and minimum competencies for installers to be included on the installer register, have been designed in consultation with DEEWR, The full suite of insulation industry associations, the Housing Industry Association (HIA) and Master Builders Australia (MBA).
- Overall, industry have indicated that:
 1. the minimum requirements ensure ease of entry to the installer provider register for both existing operators, and new entrants; and
 2. the minimum standards are appropriate when combined with the strong audit support for the program, and the development of training packages for national roll out.
- The Department is working with relevant departments and agencies in developing pilot projects to trial models for enhanced uptake of the programs in hard to reach areas and communities such as remote indigenous communities and low income rental households.

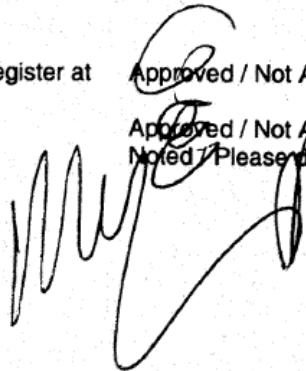


- Spotless, an insulation installation company has indicated it will undertake a 'roadshow' approach to insulation opportunities in remote and regional locations. It is likely other organisations are planning similar arrangements. The approach would involve targeted advertising aimed at establishing business for a team of installers who will then travel to the location and install insulation under the Programs.
- Senator Arbib has requested advice from the Department and DEEWR as to whether it is possible to connect unemployed workers in the identified areas with these companies. This request sits with DEEWR who have expressed a willingness to engage. **Attachment C** provides an outline of the Department's role in promoting employment and training for the Programs.
- The Department will continue to provide briefs to you on the employment and training aspects of the Programs.

Recommendations

That you approve the:

- | | |
|---|-------------------------|
| 1. Terms and conditions for inclusion on the installer register at Attachment A | Approved / Not Approved |
| 2. Installer minimum competencies at Attachment B | Approved / Not Approved |
| 3. Note the briefing for Senator the Hon Mark Arbib at Attachment C. | Noted / Please discuss |



SIGNED

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[Signature]
 MINISTER
 15 / 2009

- Attachments:**
- | | |
|---|--|
| A | Terms and conditions for inclusion on the installer register |
| B | Installer minimum competencies |
| C | Brief for Senator the Hon Mark Arbib |

Source:

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence24March2014/AGS.002.012.1230.pdf>

Exhibit F: Planning Day 7 July 2009

PRIORITY STAKEHOLDERS	REGULAR REPORTING	SPECIFIC INFO	PROCESS ENGAGEMENT	"TARGETTED MESSAGE"
PM / Min / PM&C	<ul style="list-style-type: none"> \$ / houses Jobs demographics 	<ul style="list-style-type: none"> Compliance/exceptions \$/region/electorate Socio-demographic 	Briefing OCG / PMC Ministerial	"Confidence in delivery" "Reasonable ask"
Industry	<ul style="list-style-type: none"> Compliance Uptake Jobs 	<ul style="list-style-type: none"> Jobs? Supply? Regional uptake? Scams 	<ul style="list-style-type: none"> Roundtable Installer lists Manufacturers Insurance checks 	"Issues to note" "Reminder on process" "Helpful not hinder"
Householders	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Quotes Energy efficiency Consumer awareness Rights / Obligations Complaints / Info 	<ul style="list-style-type: none"> Media Call Centres Completion surveys Consumer organisations Communications campaign 	"Choice" "Seek quotes" "Benefits" "Landlords" "Where to go"
Compliance 'Network' <ul style="list-style-type: none"> OFTrading State / Territory Coordinators AFP / ACCC / ANAO ATO Medicare DEWHA C&E 	<ul style="list-style-type: none"> # Installers Rate of Uptake (Pend Pays) Deregister 	<ul style="list-style-type: none"> Pend payments De register Market intel Fraud cases 	<ul style="list-style-type: none"> Email networks Meetings Briefing Letters State / Territory Relationship Manager 	<ul style="list-style-type: none"> State responsibility Not a regulatory program Need help / support

8. HOW TO ACHIEVE EFFECTIVE STAKEHOLDER / COMMUNICATIONS MANAGEMENT

STAKEHOLDER	CURRENT EXPECTATIONS	DESIRED POSITION
Government	Unrealistic	Understand program capability based on real experience
Consumers	Something for nothing Commonwealth Government is in control of quality and is regulating the industry	Something for nothing Buyer beware where to go to deal with problems Benefit to environment
Community in general	Unknown / undecided Potential to be pushed into negative view by bad media	Positive view of benefits and value for money
Environmental lobby	Hoping for positive impact on environment Surprisingly quiet to date Undecided potential to be pushed into negative space by bad media	The view of benefits
Insulation industry	Instant money/guaranteed \$1600 per house. More competition Uncertain about supply Commonwealth government can protect industry and assure supply No need to change the way they operate now	Good income secure Understand and appropriate behaviour expect repercussions if inappropriate Realistic understanding of Commonwealth Government capacity to intervene in market Accessing training
Jurisdictions	Money to subsidise higher demand on inspections Commonwealth will wear any issues	Engaged in collaborative approach Mutual understanding and confidence

Source:

<http://www.homeinsulationroyalcommission.gov.au/hearings/Documents/Evidence9April2014/MIN.002.001.3881.pdf>