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Lest we forget? The home insulation scheme ...

By Chris Lewis
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The Labor Government’s home insulation scheme beggars belief in terms of wastage of resources and lack of regard for warnings from a variety of players.

By April 22, 2010, the day the scheme was abandoned, the policy disaster spoke for itself. Four installers had died; there had been 120 related fires; widespread rotting; more than 10,000 complaints lodged; and inspections of 14,600 of the 1.1 million completed insulation jobs revealed “quality issues” in 16 per cent and “safety issues” in 7.6 per cent.

Of the $2.45 billion scheme (previously intended to continue to December 2011), the May 2010 budget did not expect much change from the $900 million that was still left given the need to fund safety problems on 200,000 homes and to meet industry concerns.

The Rudd government had plenty of warnings about the safety aspects of the scheme and of possible rotting, but chose not to listen in its rush to get the scheme going.

The Environment Minister, Peter Garrett, was warned in August 2008 when the government was considering more modest investment in home insulation that the sector was poorly regulated and third-party certification was needed to ensure the quality of both the product and installation.

The Minter Ellison report (commissioned by the Environment Department to conduct risk assessment) concluded in April 2009 that retro-fitting insulation “could result in a high level of hazard from hazardous materials and occupational health, fire and safety issues, with a likelihood of death or injury”. The report recommended that the scheme be delayed until September 30 rather than July 1 (with owners to pay for insulation and then claim a rebate). It also warned that hundreds of millions of taxpayer dollars could be wasted if the risks were not properly managed, and that there was an “extreme risk” of fraud if appropriate mitigating steps were not taken.

At a Senate hearing on February 22, 2010 the Secretary of the Environment Department, Robyn Kruk, confirmed that Garrett was repeatedly briefed on updates and safety concerns.

Perhaps Garrett’s hands were tied. Letters released to the Senate (after the government initially refused, citing cabinet-in-confidence) forced Rudd to admit that he had been aware of safety risks after the death of one installer and before the deaths of three others. A letter from Garrett to Rudd on August 28, 2009 raised concerns about “new entrants to the market not adequately meeting required standards on work undertaken and engaging in price manipulation”.

An October 28, 2009 letter from Garrett warned Rudd of “unacceptably high occupational health and safety risks”.

An October 30, 2009 letter from Garrett to Rudd indicated that a new raft of safety measures would “reduce unacceptably high occupational health and safety risks”.

A fourth letter sent by Garrett on August 14, 2009 was not released on the basis it was a cabinet document.

The Electrical Trades Union raised concerns about poor electrical safety aspects of the program in early 2009 during discussions with a departmental advisory group reporting to Garrett.

During February 2009, the Aluminium Foil Insulation Association wrote to Rudd to raise concerns about the rebate and the likelihood that the scheme would open the door to a flood of cheap fibreglass imports and do little to benefit Australian manufacturers. It received no reply from Rudd or Garrett, or any departmental acknowledgement that the letter had been received or considered.

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The CFMEU National secretary Dave Noonan indicated that the union had “expressed concerns about the poor level of training right from the start” and that workers needed to be trained “to identify potential electrical risks” and “the risks involved in working at heights and in confined spaces”. Because “this program would attract young, vulnerable workers with no experience in the construction industry”, Noonan urged “proper training regarding unsafe work practices and their right to refuse to work in an unsafe environment”.

The National Electrical and Communications Association (NECA) chief executive James Tinslay wrote to Garrett (March 9, 2009) about the need to train installers, while also indicating that there were “inherent dangers” with foil insulation if installed inappropriately near electrical equipment and cables.

During April 2009, state government officials raised various concerns. First, that Commonwealth had not mandated qualifications for insulation installers. Second, no criteria for companies were being listed on the Federal register of insulation installers. Third, that being on the register would be seen by consumers as a government endorsement of these insulation companies. State officials were not impressed with the prospect of being responsible for any accident, death or blaze caused by the program.

The West Australian Treasurer Troy Buswell states that federal environment officials told state consumer agencies officials via a phone hook-up during April 2009 that a 10 per cent failure rate was to be expected (up to 100,000 homes).

More warnings were provided by the Project Control Group, set up to oversee the program with officials from the Department of Environment, the Department of Prime Minister and Cabinet and other agencies, including Medicare and the Australian Taxation Office. It concluded several times (July 31, September 17 and October 1) that unsafe or incorrectly installed ceiling batts could lead to “fire/damage, injury or death”.

For the most part, the Rudd government merely reacted to emerging problems.

With considerable publicity about shonky operators among the new insulation installer companies, the government cut the insulation rebate from $1,600 to $1,200 in November 2009, although the Opposition urged a reduction to $1,000.

After metal fasteners were implicated in two deaths in relation to the insulation scheme, the government withdrew the rebate for foil products held in place with staples or metal fasteners with installers now having to use plastic staples.

After the death of a fourth installer during February 2010, the government suspended the use of aluminium foil in its insulation program.

On February 19, 2010, the government froze the scheme until June 1 and announced that all 7,300 insulation firms will have to re-register under new rules. Further, any future insulation rebate would be limited to a $1,000 rebate.

It was only on February 12, 2010, that mandatory training becoming compulsory for installers, after the number of installers nationwide increased from about 250 to 7,000 in the past year. Only then was every insulation installer on the government’s register obliged to have occupational health and safety training as well as either trade-specific training, and installation training, or at least two years prior experience in installing ceiling insulation.

During October 2009, one installer (Mr Binnie) indicated that the only training he had received before being sent out to install aluminium reflective insulation in Brisbane roofs was 2.5 hours on a job with a supervisor.

Another unnamed installer (known as Peter) noted in October 2009 that, because cables can be so obscured by decades of dust and grime that would endanger an installer when cutting through a batt, he urged that that installers should have a minimum of a week’s training and compulsory viewing of a video highlighting the electrical risks involved. He noted that 60 per cent of trade assistants sent up into roofs by insulation companies were aged between 16 and 18.

Lorne McCulloch, a Sydney builder who had worked as a government auditor checking installations at about 120 properties from October 2009 to January 2010, also declared that the inspector training was “a total waste of taxpayers’ money” and that 10 per cent of homes inspected had poorly fitted insulation.

There were also potential health problems for installers. With a shortage of domestic insulation bats leading to significant imports from China, Thailand and the US, several insulation industry leaders warned of dangers from formaldehyde in the bats, a substance (although not specifically banned) which has been linked to respiratory problems and cancer.
The Polyester Insulation Manufacturers Association lodged a submission on December 18, 2009 to warn the government about excessive levels of formaldehyde, while Doug Mill (the managing director of the Demand Group) also wrote to Garrett warning that high temperatures in the roof could “release gases such as formaldehyde”.

During February 2010, it was reported that installers (with inadequate protective clothing) may have been exposed to dangerous levels of lead, which is known to cause severe neurological, reproduction and kidney problems and even death in the case of high doses. This was because most houses built more than 30 years ago contained dust in their roofs containing high levels of lead caused by particles arriving there from the air pollution caused by leaded petrol, which was banned in Australia in 2002.

So how could a government be so naïve? And how could a government adopt such a policy knowing full well that there were various safety and sorting concerns from a variety of players?

As one editorial stated, “the real villains here are a government and a bureaucracy so naïve as to imagine that this free-for-all program would not be sorted, and so patently unable to design a program to protect taxpayer dollars” (“Not out of the woods on batts”, The Australian, April 23, 2010).

As early as March 2009, it was already evident that some of the new insulation companies were shoddy operators. Justin Beck, manager of installation company Patnicar, indicated that those new to the industry were cutting corners, quoting jobs using Google Earth to view the homes and not specifying materials.

As radio personality Ray Hadley noted, tougher insulation industry audits were obviously needed given his knowledge of one owner receiving the same $1,595 quote for a five-bedroom house and a one-bedroom investment unit.

Andrew Laming, Liberal Member for Bowman in Brisbane, during October 2009 also questioned how quotes “mysteriously come in at $1,600 for even the smallest of homes” despite the price of insulation increasing from $19 a bag in July to $32 a bag in September.

One Sydney builder, who had been fitting home insulation for five years before the scheme began, noted that the insulation market was like a spaghetti western movie with “so many cowboys out there”. “People who had no experience were being hired to do the work and everybody was billing for the total amount of the grant rather than what the job actually cost. It was a giant rort and nobody in authority seemed to care.”

With the government cutting the rebate to $1,200, the Department of Environment was flooded with claims in November 2009 in order to beat the deadline. During November, 235,869 properties were allegedly insulated, 75,000 more than in October and almost 100,000 more than in December or January 2010.

Even after the rebate reduction, John Shinnick (Climate Control Insulation) indicated that his company was being undercut by quotes from other companies who “simply charge the $1,200 regardless of what the job requires”. “That means they will cut open a bag of insulation and halve it to cover the space” as “they are in it for a quick buck, they get in and they get out”. No wonder Silverline Insulation founder Peter Venn, which had been installing foil insulation for 23 years and had never had an accident, was compelled to state that longstanding businesses “were being destroyed by a badly regulated government program”.

On May 25, 2010, the Climate Change and Energy Efficiency Department revealed 961 cases where an insulation installer had sought payment for work at an address where a claim had already been paid. Data also revealed that there were 3,521 installers registered and compliant under the scheme, but that 3,448 installers were now deregistered or non-compliant.

There were also reports of untrained foreigners, including backpackers, being used as door-to-door salesmen and to install batts. Some sales people being investigated for bullying renters to sign $1,200 rebate forms for batts they claimed were ordered by landlords. And foreign call centres (claiming to represent the government) conned some households with perfectly good existing insulation to be replaced sometimes with quotes based on Google Earth images of houses.

On February 10, Garrett (confronting calls to resign) described the rebate program as “the most significant delivery of ceiling insulation and the most significant delivery of effective greenhouse gas emissions for households we have ever seen”.

But even potential benefits were tempered by one estimate that went before the Senate committee during March 2010 which suggested that 40 per cent of Chinese insulation batts failed to fulfill thermal efficiency claims, and that $58 million of...
taxpayers’ funds may have been spent on such substandard batts.

And while Rudd argued during March 2010 that the current rate of fires relating to housing insulation was less than the previous year, an 18th fire - caused by insulation – had occurred in Melbourne by March 17, compared to just seven such fires from January to June 2009 and 31 from July to December 2009.

Rudd, Combet, Gillard and Garrett refused requests to appear before the Senate committee during May and June 2010.

No wonder. The home insulation scheme is a national policy embarrassment that demonstrates what can happen when a government has little regard for widespread warnings from a variety of players. It is a policy example that tells us just how bad a government can be, and why extensive scrutiny is always needed.

Chris Lewis has an interest in all economic, social and environmental issues, but believes that the struggle for the ‘right’ policy mix remains an illusive goal in such a complex and competitive world.